CHARITY COMMISSION
FOR ENGLAND AND WALES

# Charity Commission Annual Report and Accounts 2021-22

## For the period 1 April 2021 to 31 March 2022

Presented to Parliament pursuant to section 13 and paragraph 11 of Schedule 1 of the Charities Act 2011

Ordered by the House of Commons to be printed on 14 July 2022

HC 515

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(For the year ended 31 March 2022)

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

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

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**Part 1**

# Foreword from the Chair

I am delighted to welcome you to the Commission's annual report as its new Chair. Having previously served as a legal board member, I know of the complexity and breadth of the Commission's work and have great pride in it. I am also in awe of the sector we regulate. My 30-years' experience as a volunteer have taught me many things, not least that charities, collectively, make England and Wales more hopeful, loving and cohesive. Charities are often the first to respond to disasters, or emerging problems, and are there, long after the cameras have left, resolving intractable social ills, and promoting the toughest causes.

Since taking up the post of Chair in April, I have had the pleasure of meeting a wide range of people involved in diverse charities. I look forward to many more such encounters in the months ahead. I want to listen to charities and learn from their experience.

The Commission's work, ultimately, aims at upholding the good work of charity, protecting the voluntary sector against problems within, and threats from without. But we are a small organisation, regulating a vast sector. We must work in such a way that our impact is greater than the sum of our individual functions, inspiring the confidence of the charities we regulate, the public we serve, and Parliament, to which we are accountable.

We can do this, I believe, in two ways.

First, we must be guided always by clear values. I intend to lead an expert Commission that is fair, balanced, and independent. These ideas are simple to understand, but can be difficult to live up to consistently, and under my leadership, the Board will support the Executive, but we will also hold it to account against those principles.

Second, as Helen explains in her foreword, we must strengthen our use of data, ensuring we

identify potential risks in the sector early, take effective enforcement action where needed, and reach individual trustees with information in a way, and at a time, that best helps them.

I am lucky to have inherited a sound organisation, thanks to the legacy of my predecessors. I extend my particular thanks to Ian Karet, who has provided expert stewardship, and wise counsel, during a period of continued uncertainty for the sector we regulate, and for our staff, notably as a result of the pandemic.

I can't promise that the months ahead will be any less fraught. Our society faces serious challenges, of which the cost-of-living crisis is by far the greatest. Many charities will feel the pinch from both ends. As families tighten their belts, donations may well be squeezed, and demand on charities will almost certainly increase as more people turn to charity to meet their basic needs.

We have a limited, but very important role in helping charities weather this storm: we must help trustees understand and meet their duty of prudence, running their charities as efficiently and effectively as possible during straitened times. And in doing this, we will help uphold public trust in – and support for – charities, into the future.

Orlando Fraser QC, Chair



# Foreword from the Chief Executive

It has been yet another challenging and eventful year for the sector, and for the public on whose support charities ultimately rely. No sooner had the severity of the pandemic begun to ease, than the crisis in Ukraine prompted an urgent and ongoing humanitarian response. At the time of writing, the Disasters Emergency Committee's Ukraine appeal has raised £350m and rising. This illustrates both the public's generosity and charities' work in harnessing and channelling that public commitment. Again and again, charities have stepped up to the plate, responding visibly to emerging and changing needs, here and around the world. The past few years have truly reminded us that the charities we regulate are vital to the cohesion of our communities and our society.

I am proud of the agile way in which the Commission has responded to unfolding events over the past year, while making steady progress on our longer term aims and delivering on a high volume of 'business as usual' work in the exercise of our statutory functions. We continued to update our COVID-related guidance, and earlier this year made a swift and holistic response to the Ukraine crisis, publishing guidance for charities, providing safer giving advice to the public, and investigating charities whose trustees had been sanctioned in the UK.

In 2021-22, we set out to cover more ground and increase our reach. This was not about growing in size as a regulator, but about amplifying our impact – enabling us to fulfil our purpose and be the effective, sure-footed regulator that the public deserve and that the sector needs.

Over the year, we have sought to increase our reach to more trustees, starting to reshape our relationship with them to ensure that they are equipped to run their charities effectively, releasing greater impact to society. Building on the successful launch of our series of easy-to-understand five-minute guides in late 2020,

we have continued to update and redesign our guidance for trustees and encouraged them to access it. With the events of recent months and years, it has been become more important than ever for trustees to have access to the basic information that they need to be able to manage their charities. We want our online guidance to be the first stop for all trustees when they have questions about how to run their charity.

There will, of course, always be times when a trustee needs more bespoke help – when they need to talk through a complicated issue and ask for specialist guidance. In short when they need to talk to someone. This year, we have upgraded the channels that trustees use to contact us to receive that help and support. Supported by investment in new software for our Contact Centre, we have answered 96% of the over 78,000 calls we have received, helping us to support over 31,000 different charities since April 2021.

To help charities deliver impact to support the country in its recovery from the pandemic, we have continued, through our Revitalising Trusts programme, to release dormant funds to help charitable causes, including charities that are facing financial hardship because of the pandemic. This has resulted in over £25 million being revitalised during 2021-22.

These areas of our work – indeed all areas of our work – depend on having access to the right data about trustees and the charities they oversee.

How we collect, how we use, and how we share data, has been a crucial theme of our work over the past year, and that will continue in the months ahead. We are making a step change in our approach to data, moving beyond thinking only in terms of data as a regulatory tool, so that we also take into account the needs of charities, funders, the public, and policy makers across local and national government.

We have also done much this year to ensure we are a well-equipped, professional organisation. In addition to the investment in our operational systems and processes to ensure we are effective, and make efficient use of public resources, we have also invested significantly in building the competence and capability of our staff through the launch of our technical competency programme, the implementation of our casework quality assurance framework and the establishment of our Commission Academy.

I am delighted that Orlando Fraser joined us as permanent Chair in April 2022. Orlando has already set out his vision for an expert Commission that is fair, balanced and independent, and I look forward to working with him.

Looking ahead, I don't foresee an end to a period of challenge and pressure for charities. The rising cost of living, exacerbated by the war in Ukraine, is already putting strain on many in society, including those who until now have been financially reasonably resilient. That trend is, unfortunately, likely to continue, and many charities will no doubt face increased demand.

The Commission as regulator cannot directly alleviate these pressures, but we can regulate in a way that supports trustees to meet the expectations the law places on them, and that encourages public trust and generosity.

I am determined that we continue to do just that in the challenging months ahead.

Dr Helen Stephenson, CBE
Chief Executive



# Part 2 Performance Report

# Part 2a Overview

## The role of the Charity Commission

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

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

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

At 31 March 2022, there were more than 169,000 charities on the Register. During the financial year 2021-22, we regulated £83.8bn of charity income (2020-21: £84.1bn) and £80.1bn of charity spend (2020-21: £82.3bn).

## Our statutory objectives

Parliament, through the Charities Act 2011, gives us five statutory objectives. These are to:

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

We have wide discretion in how we achieve our objectives.

## Our purpose

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

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

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

## Our regulatory approach

We are a risk-led regulator. Being risk-led in our regulation means being proactive in identifying risks and intervening, where possible, to prevent harm before it occurs; addressing harm effectively where it occurs; and focusing our resources effectively on the highest risks. Our Regulatory and Risk Framework outlines how we operate as a risk-led regulator, and in particular how we identify and assess risks, how we respond to risks, and how we review and adapt our approach.

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.

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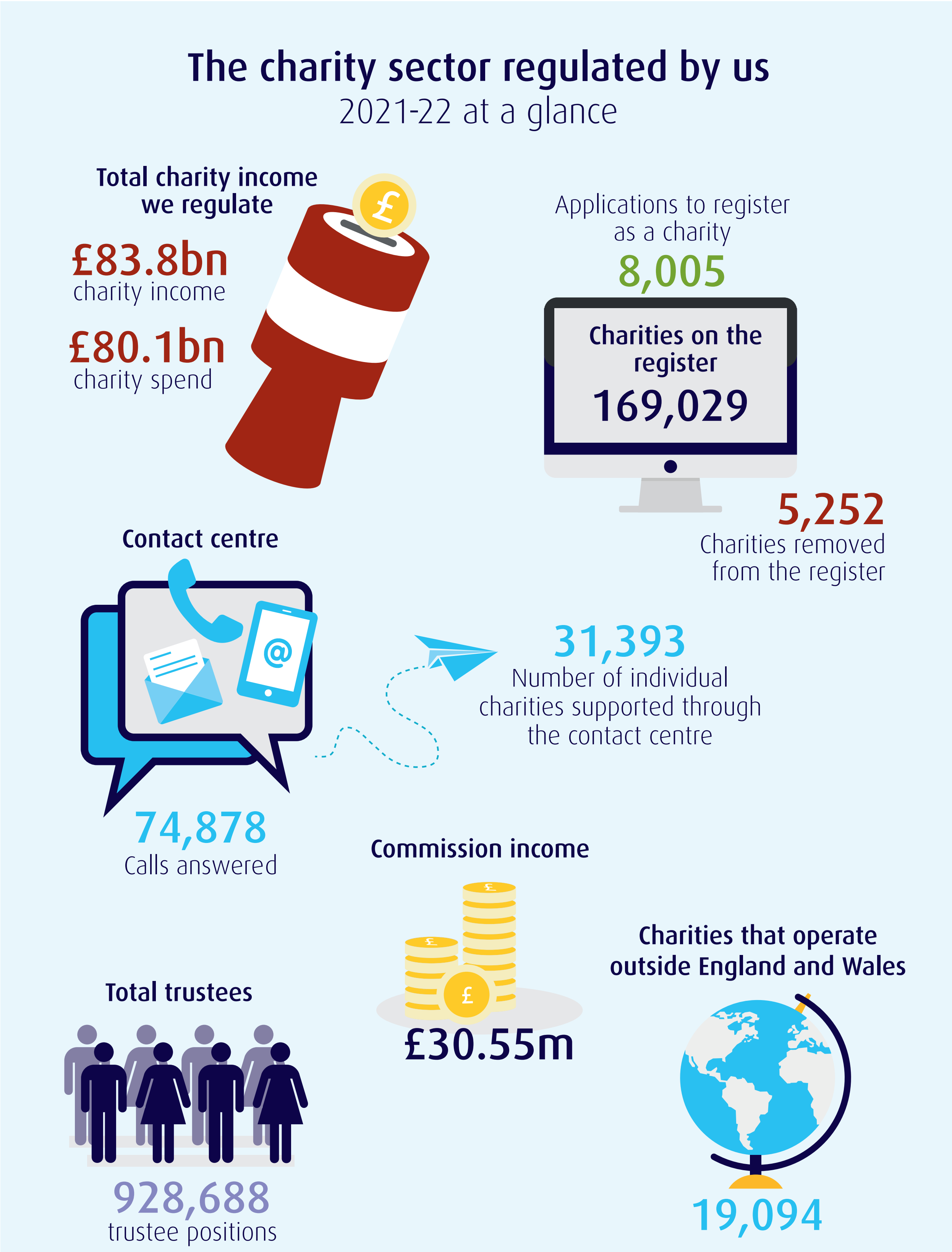





## Our quasi-judicial functions

As the charity registrar and regulator, we carry out quasi-judicial functions, regulating against both the common law and statutory obligations which govern charities. We adopt a rigorous approach in the exercise of our powers, act fairly and proportionately and give reasons for our decisions. Where the law is dated, unclear or imprecise, we approach our work 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, our compliance work, dealing with investigations, taking remedial action against defaulting trustees and those who abuse charities, are all subject to appeal or review in this way.

Some case reports are included within the Legal Developments section of this report.

## Our governance

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

This includes:

- Our purpose and strategy
- Our overall performance
- Our values, integrity and reputation
- How we meet our statutory objectives and use our legal powers
- Our business direction and planning
- Our executive leadership 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

Ian Karet served as interim Chair of the Charity Commission from February 2021 to April 2022. Orlando Fraser QC became Chair in April 2022, following appointment by the Secretary of State for the Department for Digital, Culture, Media and Sport. Dr Helen Stephenson CBE is our Chief Executive, having been appointed to that role in July 2017.

Alongside the Chair and CEO, there are currently six non-executive members of the Commission's Board. Kenneth Dibble and Nina Hingorani-Crain departed the Board in March 2022. Tony Cohen received a one-year extension to his existing term in September 2021, and Ian Karet's term as a Board Member was extended to February 2024.

For more information about the Commission's governance, see the Accountability Report.

## Our resources

In 2021-22 our revenue budget was £30.55m of which we spent £30.4m. This was largely funded by HM Treasury. We had 470 staff on payroll as at 31 March 2022 (including 6 Board Members). The Commission is structured in the following directorates:

- Communications and Policy
- Digital, Data and Technology
- Legal and Accountancy Services
- Regulatory Services
- Resources

We operate across four sites in Liverpool, London, Newport and Taunton. Our Newport office operates bilingually in Welsh and English. When there have been periods of lockdown in 2021-22, Commission staff have worked remotely.



# Part 2b Performance Analysis

## Operational Performance – summary

This year, we have performed our key statutory functions robustly and effectively, to deliver the third year of our five-year strategy. Throughout the year, we have continued our ongoing improvement journey. Against a backdrop of increasing demand and a challenging operating environment, we have continued to enhance our processes, manage caseloads and ensure we have a much better understanding of the issues and risks we are dealing with at any one time. We have worked hard to improve our customer service, adopting the ethos of 'being open for business.' Alongside this customer-centred approach, we have dealt robustly and professionally with increased challenge to our actions and decisions. We have sought to help charities to meet public expectations in the way they do their work and to support them to maximise their impact in society. We have begun to reshape our relationship with trustees so that we reach more trustees directly, helping them to run their charities effectively. Together, this demonstrates a step change in becoming a more effective and efficient regulator.

In February 2021, we implemented a new case management system to replace our existing, and out of date system. While elements of the implementation were successful (not least the successful migration of 8.7million records), we did encounter a number of challenges, which impacted our performance and reporting in some areas. Our performance against our operational services standards should therefore be viewed with this context in mind.

In 2021-22, we concluded 5,324 regulatory action cases (5,499 in 2020-21[1]). Of these, 45 were statutory inquiries, our most serious type of regulatory engagement. This compares to 64 statutory inquiries concluded in 2020-21[2]. We opened 49 new inquiries this year (59 in 2020-21).

Among the powers we use most often are those that help us establish whether wrongdoing has taken place, including powers that allow us to direct charities or third parties to provide documents, accounts or statements. In 2021-22, we used our power to issue a charity with an Official Warning on 12 occasions (25 in 2020-21), and our power to disqualify a trustee 14 times (16 in 2020-21).

During 2021-22, we received 8,005 applications (8,354 in 2020-21) to register a charity. On average, 52% of applications resulted in successful registrations of new charities (60% in 2020-21), demonstrating that our processes involve robust scrutiny.

This year we have continued our relationship with the whistleblowing charity Protect, which provides a dedicated, independent and confidential whistleblowing helpline giving whistle-blower support and guidance, enabling it to report wrongdoing in charities to the relevant authorities. In 2021-22, we received 287 whistleblowing reports compared to 434 in 2020-21[3].

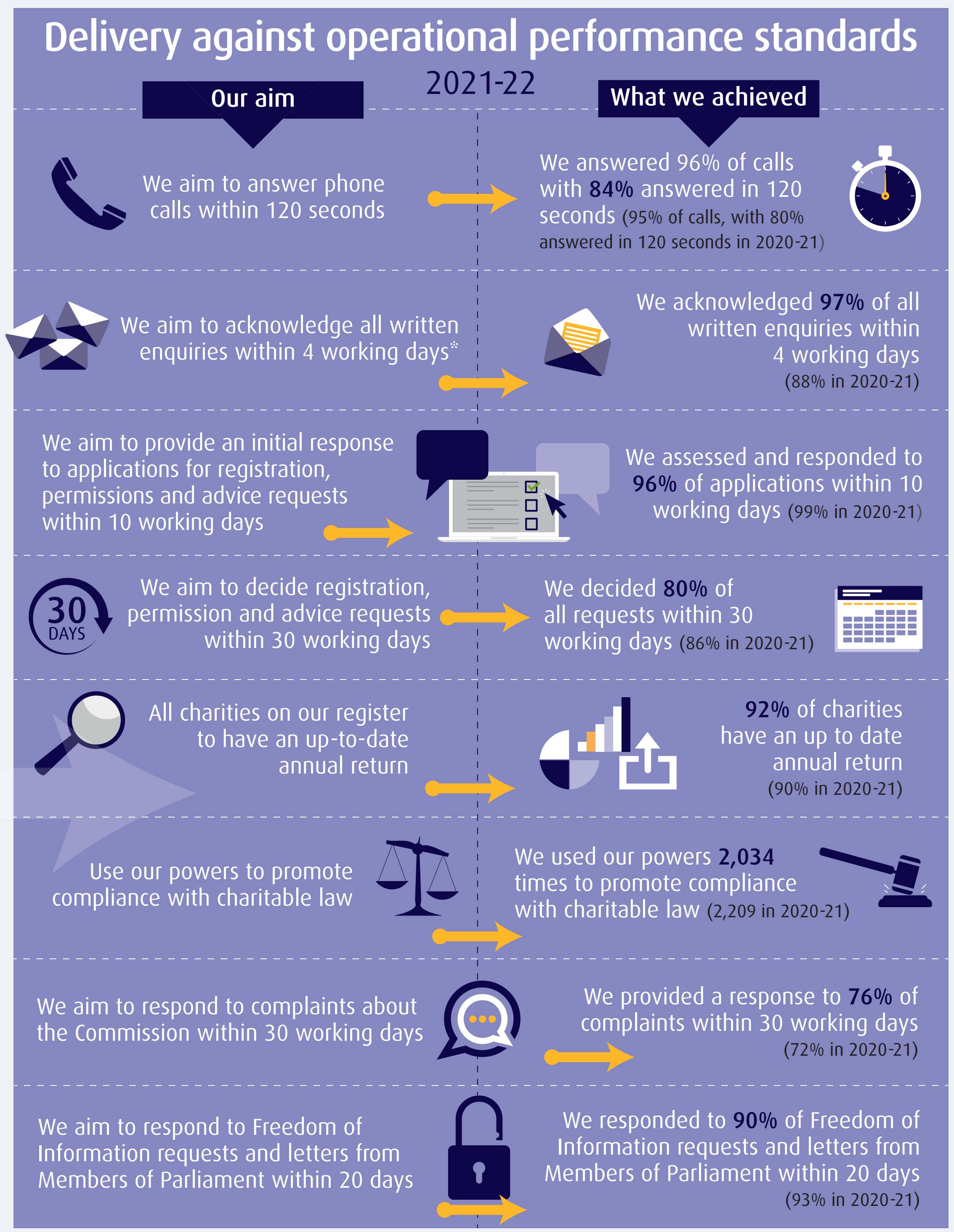
1. 1 April 2020 to 28 February 2021.
2. Final year figures for 2020-21.
3. Final year figure for 2020-21.

In 2021-22, we assessed 3,451 new serious incident reports. This is a 20% reduction in the number of serious incident reports made by charities to the Commission compared with 2020-21. Over the course of the year, we also received 19 reports of serious incidents related specifically to the pandemic, with the most common issue being related to health implications for charity staff members. This represents a significant reduction from the 425 reports of serious incidents related specifically to the pandemic that the Commission received in 2020-21.

The following are standards that we aspire to achieve, not targets that we always expect to meet with 100% success.








* The definition of this standard was revised in February 2021, when the Commission implemented a new case management system. With the change in system and different functionality it affords, we are no longer able to report performance as previously set out (2 working days) so have taken the decision to realign the definition of the standard (to 4 working days).

## Delivering organisational improvement

Alongside our operational transformation, we have also worked hard to become a more professional organisation. Our governance is improved, and we have better oversight of our finance, people and programmes. Our IT infrastructure has been modernised, with old and unreliable systems replaced and our cyber security arrangements significantly enhanced. This year we implemented a new system – Unify – to bring together our Finance and HR systems and data into a single place, ensuring greater consistency and efficiency.

Through the implementation of our Future Engage Deliver (FED) leadership programme, we have also developed a more aligned leadership, enabling greater cross-Commission collaboration. With the roll-out of our Technical Competence Programme and launch of the Commission Academy, we have also sought to upskill our people further, ensuring we have the capacity and capability we need to be the expert regulator of the sector.

## Improving the data we collect about the sector

Data – how we collect it, use it and share it – has been a key priority for us this year, something that will continue into the years ahead. Our work in this area is enabling us to be an ever more proactive regulator, intervening at an earlier stage and helping to avert harm and disruption before it occurs.

In 2021-22, we began to strengthen our unique position as the source of key information about charities in England and Wales. We initiated a fundamental review of the data we collect from the sector through statutory returns, such as the Annual Return and Register Particulars, and set out our ambitions for how we plan to better use the data and information we collect and hold.

A key piece of work for us this year was to begin to improve the basic data we hold about what each charity does. To achieve this, we have proposed expanding the range of categories that charities select on the Register to explain what they do, how they do it and whom they help. This expansion of the charity classification codes will mean that charities can select categories that more accurately reflect the range of work they do, providing a better understanding of the breadth of services they deliver. We are now testing the proposed new codes with users ahead of the changes being implemented in 2023.

This year, we have also completed a full review of our 'data requirement' – that is the information about the sector that we know we need to hold if we are to help the public make informed choices about charities; identify risk in charities at the earliest opportunity and provide our stakeholders with better visibility of the sector. This review is informing our work to reshape the questions we ask as part of the Annual Return. We will be consulting on these changes in summer 2022.

## Delivering against our strategic objectives

To deliver our purpose, we set five strategic objectives, which are:

- Holding charities to account
- Dealing with wrongdoing and harm
- Informing public choice
- Giving charities the understanding and tools they need to succeed
- Keeping charity relevant for today's world

The following section of this report sets out examples of our work against each strategic objective, during 2021-22.





## Holding charities to account

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

## Securing filing compliance

For all charity trustees, a core duty is to comply with statutory accounting and reporting requirements. Building on the success of the pilot we ran in March 2021, we undertook a programme of outbound calls with the aim of improving the compliance rate of annual return submissions. At the start of the pilot, annual return compliance was 87%. This grew to 92% at the end of March 2022.

## Examining public benefit

It is important to us to ensure that all charities can demonstrate that they provide public benefit – and where they cannot, we will challenge them to do so.

In March 2022, we published a summary of our case involving Gerson Support Group, one of several cases we had opened examining the public benefit provided by charities offering complementary and alternative medicine (CAM) therapies. In this case, we challenged whether the charity was fulfilling the public benefit requirement. In discussions with the trustees, they acknowledged there was not sufficient evidence around their therapy to meet the public benefit requirement. The trustees decided to wind up Gerson Support Group and remove it from the Register.

This case demonstrates our work to promote and maintain the integrity of charitable status and to hold charities to account to ensure that their activities deliver clear public benefit.

## Dealing with wrongdoing and harm

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

## Ensuring our investigations make a difference

This year we concluded a number of high-profile and long-running investigations where we took action against individuals who had abused their positions or failed to discharge their duties and to protect charity property.

As a result of our inquiry into the Alternative Animal Sanctuary, an Interim Manager was appointed to take over the operation of the sanctuary. Subsequently, it was found that the charity was no longer viable and the charity's residual assets, which totalled £407,000, were redistributed. The chair and one other trustee were also disqualified for 15 years.

In respect of the charity Afghan Poverty Relief, we supported the criminal prosecution of two of the charity's trustees. The two were found guilty and convicted of theft from the charity. We appointed an Interim Manager to manage the charity and

PERFORMANCE ANALYSIS

confiscation orders were used to recover over £450,000 from the trustees. The Interim Manager identified organisations in Afghanistan to receive the remaining funds in accordance with the intentions of donors.

In July 2021, we published our inquiry report into seven charities connected by two common trustees. The inquiry was opened following our proactive identification of regulatory concerns in the accounts of one of the charities. This discovery led us to look more closely at the individuals running the charity – and whether they were involved in any other charities. As a result, we discovered that seven charities appeared to be connected by a common trustee. An analysis of the bank accounts demonstrated there were issues with the figures in the annual accounts submitted to the Commission. These had been created to give the impression that the charity was being well run, when in fact it was not. The main individual was disqualified for fifteen years, and the other trustee for five years. Six charities were also removed from the Register.

## Regulatory alerts

In June 2021, we issued a regulatory alert to international aid charities, highlighting that more needed to be done to prevent exploitation and abuse. The alert was issued to over 5,000 charities working overseas and highlighted the ways in which charities could strengthen their efforts to keep people safe. It included making it easier for recipients of aid to report allegations of misconduct and abuse and taking a 'survivor-centred' approach to handling incidents of harm. We took the decision to remind charities of their responsibilities in this area, after an analysis of serious incident reports submitted to the Commission identified specific areas of weaknesses or risk around safeguarding in international aid charities.

## Informing public choice

Charities need the support and generosity of the public to succeed. This means providing people with the information they require to make informed decisions about which charities to support. As the regulator, it is our responsibility to make sure that the information charities provide about themselves is current, accurate and relevant. This information should be easy to access and use. It should allow charities to demonstrate how effective and efficient they are and show the impact they are making. It should also help to identify gaps or duplicated effort in charitable provision which might suggest new initiatives, partnerships or mergers.

## Improving our Register

This year, we have continued to deliver improvements, identified through user feedback and an accessibility audit, to the usability and accessibility of the Register. These improvements have included changes to the search facility to enable users to find what they require more easily and quickly. We have also introduced clearer screen reader descriptions, as well as adding language codes to make English and Welsh easier to identify for screen readers.

## Safer giving

The charity sector generates over £80bn annually, which makes it a potential target for criminals – although the number of charity scams appears to be small compared to how much is given safely. We encourage donors to follow simple steps before giving, such as checking the Register and asking simple questions, to ensure their money reaches the intended beneficiaries.

As people have responded generously in support of the humanitarian crises in Afghanistan and Ukraine this year, we have worked with the Fundraising Regulator to urge the public to give safely to registered charities helping and supporting those affected by the unfolding events.

We have directed the public to the appeals launched by the Disasters Emergency Committee (DEC) and have, more generally, reminded the public that by giving to a registered, regulated charity they can be assured that their funds will be accounted for in line with charity law.

## Promoting transparency in charity pay

We understand that that the public has high, yet simple, expectations of charities – they want to know that when they donate to a charity, that a high proportion of that money is spent on the end cause.

To address these issues we published an opinion piece, in May 2021, setting out that when charities are unable to explain the very high pay of senior executives, this risks denting public trust. Whilst acknowledging that we are not a pay regulator, we took the opportunity to make it clear that it is our responsibility to build trust and improve accountability in charities, so that the public can make informed and confident choices.

In 2020, we had overhauled our Register to enable donors to see at a glance, how many people in a charity earn over £60,000 a year. But there is much more to do to encourage greater transparency in charities. To that end, we have begun a programme of work to better understand public expectations in this area, and to encourage charities to respond.

## Giving charities the understanding and tools they need to succeed

As the regulator we want to help charities to fulfil the purposes for which they were established by working with them as well as monitoring them. We want to help trustees get things right and to deliver more benefit to society through charity. This means improving our guidance and ensuring the transactions that charities must complete, such as filing reports and accounts and keeping their register entries up to date, are user-friendly and intuitive. It also means putting excellent customer service at the heart of what we do, delivering improvements to our contact centre so that more trustees can come to us for help and guidance.

## Charities operating in Afghanistan

In September 2021, we took the proactive step of issuing a mailing to over 500 registered charities operating or having expenditure recorded in Afghanistan. The mailing signposted charities to existing guidance to help trustees respond to the humanitarian crisis in Afghanistan. It shared information on how trustees should look to protect their charities from harm, links to safeguarding guidance, and information on how charities should seek to move funds safely and ensure they comply with UK financial sanctions.

## Updating and redesigning our guidance

Building on the success of our series of easy-to-understand five-minute guides, we have continued our programme to update and redesign our guidance for trustees. In November 2021, we published updated guidance for trustees on safeguarding. This not only included a new addition to the five-minute guides series, but also saw the longer version of the guidance refreshed with a new section on preventing harms online.

We also undertook reviews of our guidance in respect of permanent endowments and land disposals. This guidance, which will support the implementation of the Charities Act 2022, will be published later this year.

## Being certain in uncertain times

In March 2022, we launched the next phase of our ongoing trustee campaign to help trustees be 'certain in uncertain times.' This year, our campaign included a suite of animated videos, designed to bring our five-minute guides to life, which garnered over 8 million impressions. The campaign is part of our wider agenda to make our online guidance clearer and easier to access and to encourage more trustees to make use of it.

## Celebrating and strengthening trusteeship

Trustees' Week took place from 1-5 November 2021. The week, which we lead in partnership with sector bodies, is the annual opportunity to celebrate and strengthen trusteeship. In 2021-22, the focus was on the importance of encouraging different perspectives. To launch the week, we published a blog from our Chief Executive highlighting the importance of all forms of diversity in good governance.

## Keeping charity relevant for today's world

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

## From Law Commission Bill to Charities Act 2022

Over the course of the year, we have worked with colleagues at the Department for Digital, Culture, Media and Sport to help shepherd the Charities Bill through Parliament. The Bill received Royal Assent on 25 February 2022 and passed into law as the Charities Act 2022.

The provisions of the new legislation, which originated in recommendations from the Law Commission, are primarily aimed at making life easier for trustees, helping them to maximise the benefits their charity delivers. The changes brought about by the Act will make it more straightforward for charities to change their governing documents, grant more flexibility in using 'permanent endowment funds' and allow greater flexibility around the advice needed when selling land. The changes will also allow trustees to be paid for goods provided to a charity in certain circumstances. The changes aim to be largely enabling and empowering for trustees, and to make a positive, practical difference to charities.

With the granting of Royal Assent, the next stage of hard work has started for the Commission, as we look to implement many of the legislative changes. In the latter part of 2021-22, we developed a plan that will see us adopt a phased implementation of the changes needed by autumn 2023. Our plan covers changes to our guidance for trustees and to internal guidance for our staff, as well as alterations to some of our online services.

## Responsible investments

In April 2021, we launched a consultation on draft updated guidance on responsible investing. Shortly afterwards, two charities, who had made an application to the High Court seeking declaration and clarification of the law relating to responsible investing, were given permission to launch their full court application.

By the time the consultation closed in May 2021, we had received over 200 responses. In August 2021, we published a summary of consultation responses, before pausing further work while we waited for the outcome of the court case.





The court hearing was held in the week of 7 March 2022. At the end of April 2022, the court handed down its judgement in this case. It confirms our interpretation of the law relating to ethical investments in charities as set out in our proposed draft guidance, meaning that charity trustees can therefore continue to have wide discretion when choosing to invest ethically. We will work to finalise our guidance in this area in the coming year.

## Revitalising dormant funds for charities

The Revitalising Trusts programme seeks to release funds from charities that are either inactive, having had no income or expenditure over the last five years, or ineffective, having spent less than 30% of their total income over the last five years. Since the launch of the programme in 2018 in England, over £77.4m has been revitalised to help charitable causes.

In 2021-22, we revitalised 207 charities (2020-21: 291), taking the total to 720 charities since the start of the programme. In addition, we supported the repurposing of £25.5m of charitable funds (2020-21: £21.3m). In 2021-22, with funding and support from the Welsh Government, the programme was rolled out in Wales in partnership with Community Foundation Wales. A total of 21 charities and £58,000 has been revitalised this year.

## The impact of the pandemic on the sector

To understand the impact of COVID-19 on the sector, we undertook a COVID-19 impact assessment in summer 2021. We interrogated the data we already held - as well as commissioning independent research looking at how charities of different sizes and shapes had perceived the impact of the pandemic on their finances, governance and operations.

The findings of this work, published in October 2021, demonstrated a complex picture, reflecting the diversity of the sector. The impact assessment has helped us to gain more concrete data to understand how the pandemic has shaped charities and, crucially, to gain a picture of the risks that may lie ahead. A summary of the conclusions is set out below:

- Nearly all charities were impacted by the pandemic – over 90% told us that they have experienced some negative impact from COVID-19, whether on their service delivery, finances, staff, or indeed on staff morale
- Of the over 90% of charities that were affected by the pandemic, nearly half (45%) say they took some action to adapt their services to restrictions caused by the pandemic. Some changed the way they delivered services, moving them online, refocusing on core projects, taking difficult decisions to cut staffing or spend on things like research
- Around 40% of those charities say they dipped into their reserves
- One in four charities with incomes of less than £10,000 paused their activities completely during the first lockdown
- Over half of the largest charities we surveyed (those with incomes of over £500,000), said they made use of furlough or other emergency Government funding schemes
- Over half (62%) of the charities asked anticipated some level of threat to their charity's financial viability in the next 12 months. But only one percent foresaw that threat being critical to the charity's survival

## Responding to the crisis in Ukraine

In early March 2022, with the onset of the humanitarian crisis in Ukraine, we immediately undertook a series of actions aimed at reminding charities operating in both Ukraine and Russia of their responsibilities and encouraging the public to give safely and effectively to charities.

We published a statement on the crisis in the Ukraine and its implications for charities, as well as jointly publishing with the Fundraising Regulator a statement urging the public to give safely to registered charities.

In recognition of the complex challenges the situation in Ukraine has created for charities, we created a bespoke page on our website covering guidance on the most commonly asked questions, such as managing risks when working internationally and knowing your donors. We will keep our guidance updated to reflect changes in the situation.

The crisis has demonstrated, once again, the public desire to take urgent action to help those in need, whether through establishing fundraising appeals, collecting donations, or setting up a charity aimed at responding to the crisis. Whilst we have prioritised – and will continue to prioritise – applications to register charities with objects relating to the crisis in Ukraine, we are encouraging applicants to first consider whether supporting an established registered charity with relevant experience may be more efficient. We have also signposted both prospective charities and the public more generally to the DEC and their appeal.

## Measuring the impact and effectiveness of our strategy

In 2019-20, the Board agreed a series of impact measures designed to monitor the progress of the Commission as it sought to deliver on our strategy. Each impact measure covers a different aspect of our work or the outcome of that work. Collectively they are designed to show some of the outward benefits to trustees and the wider public of our progress against our strategic objectives set for 2018-23.

The impact measures address the following areas, using the annual surveys of trustees and the general public:

- Trustees' understanding of what public expectations are and the extent to which they take these seriously
- Overall levels of public trust and confidence in charities
- The assurance the public thinks it can draw from registered status and the importance it attaches to that assurance
- Trustees' confidence in the risk-based regulatory model
- Awareness of the Charity Commission and familiarity with its work

This is our second year of reporting performance against these measures.

## Trustees' understanding of what public expectations are and the extent to which they take these seriously

The aim of this measure is to show that an increasing proportion of trustees have a clear understanding of how public expectations should guide their charities, and that there should be an increasing acceptance that the onus is on charities rather than the public to adapt where this is not the case.

Over the last three years, trustees have become more inclined to recognise the importance of responding to public expectations. This has continued in 2022, with 55% of trustees surveyed saying they have a clear understanding about how public expectations ought to shape the way charities go about doing what they do. However, there has been a slight increase (from 17% to 20%) of trustees saying they are unclear about how public expectations ought to shape the way charities go about doing what they do. When it comes to where the responsibility lies when charities fall short of public expectations, close to half (44%) of trustees surveyed think the responsibility rests with charities for not spending enough time and trouble understanding those expectations. This compares with 46% in 2021. By contrast a quarter of trustees surveyed say they think responsibility rests with the public for not understanding the complexities and difficulties involved. Of those trustees surveyed, assigning responsibility to neither has continued to increase, up from 30% in 2021 to 31% in 2022.

## Overall levels of public trust and confidence in charities

This measure tracks public trust and confidence in charities in absolute terms and relative to other professions and institutions. It also seeks to understand the extent to which trust and confidence in charities varies among different parts of the public. The aim is to increase public trust and confidence in charities as per the Commission's statutory objective.

In 2022, trust and confidence in charities among the public has dipped slightly from 6.4 out of 10 to 6.2. Our research shows that this is against a background of falling trust in all social institutions, compared to which, charities have actually held up well.

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

This measure seeks to understand what inferences the public thinks it can draw from a charity having registered status, and whether the Commission has direct power to influence some of these elements or not. The aim is to help understand and manage any gap in expectation between public expectations of regulatory action and what such action can achieve.

Registered status remains a powerful marker of charities doing the right thing in the public mind. The majority of people continue to believe a charity is more likely to be making an impact, maximising its donations, and operating ethically if it is registered and regulated by the Charity Commission. Between two-thirds (69%) and over three-quarters (79%) of the public have more confidence that charities are delivering on all of these aspects if they have registered status. This is virtually the same as last year when the range was 67%-79%.

## Trustees' confidence in the risk-based regulatory model

This measure aims to assess overall confidence among trustees in the Commission's risked-based model of regulation. The aim is to maintain high levels of confidence among trustees in how the Commission deals effectively with instances of wrongdoing and harm once they have been brought to our attention. We also want to increase the proportion of trustees who are confident in our ability to uncover wrongdoing and harm in the first place.

The proportion of trustees surveyed in 2022 who are confident in the Commission dealing with instances of wrongdoing and harm effectively, once these have been brought to its attention, has slightly decreased to 94% (95% in 2021). At the same time the proportion of trustees surveyed who are confident in the Commission's ability to uncover wrongdoing and harm in the first place has increased from 85% in 2021 to 86% in 2022.

Therefore, among trustees surveyed, confidence continues to be high in the Charity Commission's ability to deal with instances of wrongdoing, once these have been brought to its attention. Confidence has also increased in the Commission's ability to uncover these instances in the first place.

### Awareness of the Charity Commission and familiarity with its work

This measure monitors the extent to which the public is aware of the Commission and familiar with its work, and the extent to which this is correlated (if at all) with overall levels of trust and confidence in charities. The aim is that awareness and familiarity should increase over time and should help (or at least not be at odds with) the growth in public trust and confidence in charities.

In 2022, 50% of the public said that they had heard of the Charity Commission and 18% of these people said they knew it very or fairly well. The comparable figures for 2021 were 54% and 19%. While there is limited public awareness of what the Commission does, over half of those asked, knew the Commission by name.



# Part 3 Legal Developments

We are accountable to the courts for our regulatory decisions and this year we have successfully defended a number of challenges to the exercise of our regulatory compliance powers. These include challenges by individuals that the Commission considered were unfit to act as trustees and sought to remove from trusteeship. This section gives an overview of some of the main developments relevant to our legal framework during the year in the Supreme Court, the Court of Appeal, the High Court and in the First-tier Tribunal. It focuses on decisions in which the Court or the Tribunal considered significant points of law or of the regulatory framework for charities, and which will inform our approach to their regulation.

## Supreme court case

### Rittson-Thomas v Oxfordshire County Council [2021] UKSC 13

This Supreme Court decision concerned two grants of land under the School Sites Act 1841 (the 1841 Act). As described in the Commission's internal guidance OG 27, at the beginning of the 19th century, individuals were encouraged to give land for educational and other charitable purposes. Legislation, including the 1841 Act, was enacted to allow the land to be given for such purposes, but provided that the land would revert to its original owner (or heirs) if the land ceased to be used for the purposes for which it was given. Section 14 of the 1841 Act provided trustees in certain circumstances with the power to sell the land and apply the proceeds of sale to purchase another site or to improve other premises to be used for the same purposes without the land reverting to the original owner or heirs.

This case concerned the interpretation of s14. The relevant land was conveyed to Oxfordshire County Council (the Council) to be used by a school. In 2003, the Council decided to develop new, improved school premises on land it already owned, which was adjacent to the old school premises. In 2006, it transferred the school and its pupils to the new school premises. The Council then sold the old premises. It used the proceeds of sale to repay some of the loan it had taken out to finance the development of new school premises. The heirs of the original grantor argued that the old school premises had reverted to them under the 1841 Act when they ceased to be used as a school in 2006 and the Council could not rely on s14. The heirs sought a declaration that the Council held the proceeds of sale on trust for them.

The Court of Appeal had held that the power in s14 could only be relied on while the old school premises continued to be used as a site for a school or for other educational purposes, which would "require the active use of land for the education of children." The Court of Appeal had decided that keeping the old school premises vacant pending sale did not amount to use for educational purposes and so the old school premises had reverted to the donor's heirs when it was vacated in 2006.

The Supreme Court reversed the decision of the Court of Appeal. It held that the old school premises had not ceased to be used for the purposes of the school when it moved to the new site. This is because the Council had intended throughout to apply the proceeds of sale towards improvement of the new school site. The Supreme Court provided several reasons for its decision (not all of which are summarised here). The Court sought to apply a broad and practical approach to interpreting s2 and s14 of the 1841 Act, which was consistent with a purposive approach to statutory interpretation. Additionally, it explained that because the 1841 Act created statutory charitable trusts, the Court should lean in favour

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of the trust continuing rather than being ended by reverter. In doing so it concluded that s2 and s14 should be read as a whole; and that s14 permitted a site to be sold with vacant possession because nothing in s14 excluded sale by vacant possession and because land is usually sold with vacant possession. The fact that it had been the intention to sell the old school premises and use the proceeds for another site to be used as a school at all material times in this case was an important factor.

This decision is significant because it provides guidance on when reverter is (or is not) triggered under the 1841 Act when a school moves to another site bought or to be improved with proceeds from the sale of the old school site.

## Court of Appeal case

### Nuffield Health v London Borough of Merton [2021] EWCA Civ 826

In this Court of Appeal case, London Borough of Merton (the Council) appealed a decision of the High Court that Nuffield Health was entitled to mandatory relief from non-domestic rates (commonly known as business rates) in respect of premises used as a gym.

Under s43(6)(a) of the Local Government Finance Act 1988, a charity or trustees of a charity are entitled to mandatory rate relief if the premises are wholly or mainly used for charitable purposes (whether of that charity or of that and other charities). The relief equates to 80% of the normal rates.

Nuffield Health was a registered charity. Its objects were "to advance, promote and maintain health and healthcare of all descriptions and to prevent, relieve and cure sickness and ill health of every kind, all for the public benefit". It owned and operated 31 hospitals, 112 fitness and wellbeing centres, and 5 medical centres, and operated over 200 gyms and health assessment facilities in workplaces across the UK. The gym in question was generally available only to members paying a monthly membership fee. There were limited services provided to non-members.

In November 2016, the Council withdrew mandatory rate relief because it decided the premises were not wholly or mainly used for charitable purposes. In the High Court, it was held that Nuffield Health was entitled to the relief.

In the judgment of the Court of Appeal, two judges agreed that the Council's appeal should be dismissed, with one judge dissenting.

The Court held that the High Court judge had correctly decided that there was no need for Nuffield Health to show that the premises were used for the public benefit as an aspect of showing that they were used wholly or mainly for charitable purposes.

Nuffield Health was using the premises for its purposes and those purposes were charitable. This can be distinguished from situations covered in previous caselaw where premises are used to raise money, for example charity shops, or used as investments – in those cases the distinction is that the premises are not being used directly for the charitable purposes, and therefore they do not qualify for the relief.

The judges considered the policy intentions behind the original predecessor rates legislation. It was not correct to look at the activity carried on at the premises in isolation and assess whether that itself would qualify as a charitable activity in its own right. Instead, the correct approach was to look at whether the charity as a whole was established for charitable purposes, and whether the premises were occupied for those purposes.

It was preferable for assessment of whether a charity was pursuing its purposes for the public benefit to be carried out by the Commission rather than repeatedly by different local authorities based on a review of its activities on a site-by-site basis.

The majority judges stated that if they were wrong, and if public benefit in relation to activities at the premises did need to be assessed, then they would have agreed with the dissenting judge that Nuffield Health had failed to provide evidence of sufficient public benefit, because the services available to non-members were very limited and were essentially promotional and typical of services provided by commercial gym operators. LJ Peter Jackson commented obiter dicta that whilst Nuffield Health succeeded under the rating legislation, this failure could have consequences in the context of charity law, stating that if the situation at the gym premises is replicated across the several hundred fitness centres and gyms, the organisation may face scrutiny through the Commission in relation to public benefit.

## High Court case

### HM Attorney General v Zedra Fiduciary Services (UK) Ltd (2022) EWHC 102 (Ch)

This High Court case concerned the National Fund, a charitable trust established by a deed in 1928 by Baring Brothers & Co Limited (Barings), acting on behalf of a donor. The Deed provided for cash and securities, in excess of £500,000, to be held by Barings as trustees to accumulate income and profits until the date when, either alone or together with other funds then available for the purpose, it was sufficient to discharge the national debt. When that point was reached, the National Fund was to be transferred to the National Debt Commissioners to be applied by them in reduction of the national debt. For context, the National Fund at the time of the High Court hearing was worth in the region of £600 million and the national debt, as at the end of October 2021 was £2,277.6 billion.

The administration of the National Fund was previously brought before the Court so that a declaration could be obtained as to its terms and use. The Court confirmed in HM Attorney General v Zedra Fiduciary Services (UK) Ltd (2020) EWHC 2988 (Ch) that the National Fund formed a valid charitable trust, the principal purpose of which is benefitting the nation by the discharge of the national debt, and the subsidiary purpose is benefitting the nation by the application of part of the National Fund in the reduction of the national debt.

In a subsequent hearing, the High Court considered the terms of the proposed scheme. The Attorney General sought a declaration that the funds could be used in reduction of the national debt. The claim was defended by the trustee of the trust, who sought for a scheme to use the funds for general charitable purposes through the use of grants made to other charities. Therefore, the matter before the High Court was whether the National Fund should be used in the reduction of the national debt or instead, be used for general charitable purposes within the UK.

The Attorney General submitted that paying off some of the national debt formed a gift to the nation within its charitable purposes and its benefit would be an increase in the funds available for public spending or, be sufficient to afford a reduction in taxes. On the other hand, the trustee pleaded that allowing the National Fund to make grants to other charities benefitted the nation, as the receiving charities would use the sums to benefit others.

The Court has jurisdiction to make a scheme to allow the property comprised in the charitable trust to be applied cy-près (which means "as near as possible" to the original purposes of the trust), as (1) the original purposes of the National Fund cannot be carried out and have ceased to provide a suitable and effective method of using the trust property and (2) there has been a subsequent failure of these purposes.

The Court evaluated the spirit of the original gift, which was found principally in the deed itself and in some other relevant documents and letters. It was concluded that, even if the trustees' gift is to be interpreted more broadly as benefitting the nation, in the sense of every citizen of the UK, there is still a gap to bridge between the trustees' scheme, as if the funds were provided to provide grants to other charitable bodies, this would not, in fact, benefit the nation, but only such part of the citizens of the UK that benefited from the charities to whom the grants were made. Therefore, the benefit was not for the entire nation as originally intended. The High Court held that application of the National Fund in reduction of the national debt in accordance with the cy-près scheme which the Attorney General contended was appropriate.

## First-tier Tribunal cases

### The Knightland Foundation v Charity Commission (CA/2021/0070007)

This First-tier Tribunal case was an appeal against the Commission's decision of 8 April 2021, appointing Interim Managers by way of an order under s76(3)(g) of the Charities Act 2011 (the 2011 Act) to manage the affairs of The Knightland Foundation (the Charity).

Pursuant to s319(4) of the 2011 Act, in determining an appeal the Tribunal (a) must consider afresh the decision appealed against and (b) may take into account evidence which was not available to the Commission when doing so.

In its response to the lodging of the appeal, the Commission identified 10 areas of concern that led it to conclude that there had been misconduct or mismanagement in the administration of the Charity. These concerns included a transfer of charitable funds to a trustee's own company, interest free loans to subsidiaries and payment of trading subsidiary debts.

The Tribunal considered each of the areas of concern and concluded that there has been a long-standing failure to document decisions and decision-making processes in relation to the investment and other use of the Charity's funds. This included significant decisions made in relation to the nature of investments – even where those investments involved a significant proportion of the Charity's assets and there was a potential conflict of interest. It also included the disposal and other use of Charity assets – such as the advancement of unsecured interest free loans, and the disposal of shares in a subsidiary, both of which plainly drew on the Charity's assets. The Tribunal also agreed with the Commission's assertions that the trustee dominated the operation of the Charity and that the other trustees were unwilling or unable to exert any control over the governance of the Charity. The Tribunal recognised whilst some action had been taken by the Charity since the 2017 Action Plan, the trustee's modus operandi had not significantly altered despite being considered by the Commission since at least 2017. The fact that the two new trustees did not engage with the serious mismanagement between March and May 2020, relating to the payment of a developer fee, led the Tribunal to conclude that such circumstances would once again pertain if the Interim Manager was removed and trustees were to return to controlling the Charity in their current constitution. On the basis of the evidence before it, the Tribunal concluded that it had found mismanagement by the trustees and it was desirable for the Commission to act to protect the property of the Charity, and that the Interim Manager's appointment should continue. Accordingly, the appeal was dismissed.

This decision was significant as it provided guidance on the terms of the appointment of the Interim Manager and endorsed the regulatory action taken by the Commission. In its appeal, the Charity raised issue with the terms of the appointment, and in particular the power given to the Interim Manager to dissolve the Charity. The Tribunal noted that whilst the terms of the Interim Manager's appointment were outside the jurisdiction of the Tribunal, if it did have jurisdiction to consider this issue, it would have found the Charity's submission to be unmeritorious. The Commission has jurisdiction to confer upon the Interim Manager any of the powers of a trustee.

### Shazia Bashir v Charity Commission (1) and Tariq Mahmood (2) (CA/2020/0015/V)

This First-tier Tribunal case was an appeal against the Commission's order of 1 July 2020 to appoint new trustees by way of order under section 80(2)(b) of the Charities Act 2011 (the 2011 Act) to The Mohiuddin Trust (the Charity).

The Charity was set up by Shaykh Alaudin, a religious scholar and high priest of the Islamic faith. In February 2017, Shaykh Alaudin passed away. What followed was an internal conflict between his two sons with one group aligning with Sultan, the other aligning with Noor, as to who should take the Charity forward. The Commission had met with both groups and following its engagement a s46 inquiry was opened and an Interim Manager was appointed under s76(3)(g) of the 2011 Act to act to the exclusion of the trustees.

Following her appointment, the Interim Manager met with both sons and on 1 July 2020, the Commission made an order pursuant to s80(2)(b) of the 2011 Act which appointed six persons as trustees, including the Appellant and the Second Respondent. The Appellant subsequently appealed against the appointment and relied upon a number of grounds which included that the method by which the Commission assigned the Interim Manager and recruited new trustees was flawed and illegal, and one or more newly appointed trustees had conflicts of interest, which the Interim Manager chose to ignore during the recruitment process.

This was the first occasion where an appeal against a s80(2)(b) order had been made. The Tribunal set out that its jurisdiction was limited to considering whether the order should have been made in the first place and whether it should continue. The Court considered documentary evidence and heard oral evidence from various parties including the Interim Manager and the Commission's case worker.

In consideration of the evidence before it, the Tribunal concluded that the recruitment process was not fundamentally flawed such as to cause any illegality. The Commission had appointed an Interim Manager to the exclusion of any trustees and, therefore, no trustees were appointed to the Charity. The Commission was therefore able to appoint trustees to the Charity.

In considering the issue regarding conflicts of interest, the Tribunal concluded that it was satisfied that, on the balance of probabilities, the appointments made were appropriate. Any perceived conflict of interest of two trustees was not a reasonable perception. Even if there was the perception of conflict of interest due to matters identified by the Appellant, they were capable of being managed by the Appellant as Chair along with her fellow trustees. However, rather than raising those concerns privately, the Appellant

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chose to bring the proceedings. The Tribunal concluded that "we would ourselves have made the order at the time it was made and that we would appoint the same trustees in that order now". Accordingly, the appeal was dismissed.

The Tribunal also provided further directions to assist the Charity in moving forward. This included sending the Appellant minutes of meetings which she said had never been sent to her and encouraged the Second Respondent to allow the Appellant to be an effective Chair of the Charity.

## Oluwagbemileke Afariogun v Charity Commission (CA/2021/0001/P)

This First-tier Tribunal case was an appeal against the Commission's decision of 17 November 2020 not to register the proposed charitable incorporated organisation (CIO) known as 'Ifa Dudu' under s208 of the Charities Act 2011 (the 2011 Act).

'Ifa Dudu' was a new movement founded by the Appellant after experiencing an awakening and revelations, which formed the 'Nyeungana Vision' in 2018. The concept reflected the doctrine of 'Ifa', together with religious beliefs, such as Christianity, Islam, Hinduism, Buddhism, Judaism, Sikhism and Rastafarianism. The phrase 'Dudu' was a reference to Black communities of African and Caribbean descent. The purpose was to provide a foundation for Black people to be united across physical geographic borders, to fight poverty, and oppression.

The Appellant applied to the Commission for 'Ifa Dudu' to be established and entered onto the Register of Charities as a CIO. Its objects were "The advancement of the Ifa Dudu religion for the purpose of achieving the Nyeungana vision".

On 17 November 2020, the Commission refused the application for registration under s208 of the 2011 Act. The Commission decided that the proposed CIO would not be established for exclusively charitable purposes for the advancement of religion for the public benefit.

The Appellant appealed to the First-tier Tribunal on the basis that the purpose of the proposed CIO falls within s3(1)(c) of the 2011 Act and should be entered onto the Register of Charities.

The question for the Tribunal was whether the proposed CIO meets the legal test for charitable status, so as to satisfy sections s3(1)(c) and s4 of the 2011 Act.

In reaching its decision, the Tribunal considered the Upper Tribunal's decision in ISC v Charity Commission [2011] UKUT 421, in which it was held that when considering whether an institution's purposes are charitable, the Court must identify (a) the particular purpose for which the proposed CIO was established, and (b) whether that purpose is one which falls within s3(1)(c) of the 2011 Act.

In consideration of the evidence before it, being the Core Beliefs document and a letter from King James Olugbenga Sodiya, King of Ogunmakin, the Tribunal concluded that "the purpose for which the proposed CIO was established was not to obtain charitable status for a religious movement of Ifa Dudu itself, but rather to establish a charitable organisation which operates alongside that movement and promotes its teaching and practice".

In reaching its decision, the Tribunal considered the following:

- the European Court of Human Rights decision in Campbell and Cosans v UK [1982] 4 EHRR 293. It was held that a 'belief' attains a certain level of cogency, seriousness, cohesion, and importance. The Tribunal held that the Appellant's proposed religious objects lacked a fixed and identifiable formal content, and that much of the thinking about this movement could only to be found in the heart and mind of the Appellant himself
- the judgment of the Supreme Court in R (Hodkin) v Registrar General of Births, Deaths and Marriages [2013] UKSC 77, in which Lord Toulson JSC described a religion as "a spiritual or non-secular belief system, held by a group of adherents, which claims to explain mankind's place in the universe and relationship with the infinite, and to teach its adherents how they are to live their lives in conformity with the spiritual understanding associated with the belief system…"

The Tribunal held that 'Ifa Dudu' does not meet the definition of a 'religion' applied by the European Court of Human Rights in the Campbell and Cosans v UK judgment or the description adopted by the Supreme Court in Hodkin and does not fall within the description of purpose within s3(1)(c) of the 2011 Act.

## Harminder Singh Dhinsay v Charity Commission (CA/2020/0026)

## Jagdish Singh Dhillon v Charity Commission (CA/2020/0027)

The First-tier Tribunal heard these two appeals together as a joint hearing (but issued separate decisions) in relation to:

1. The Commission's order under s80(2)(a) of the Charities Act 2011 (the 2011 Act) (the s80(2) order), which appointed two members of Asthan Babe Ke Trust's (the Charity) "Executive Committee" as trustees, in place of trustees removed by the Commission under s79 of the 2011 Act. (CA/2020/0026)
2. The Commission's order under s79(4) of the 2011 Act (the s79(4) order), which removed Jagdish Singh Dhillon (Mr Dhillon) as a trustee of the Charity. (CA/2020/0027)

The Charity was established in 1993 by His Holiness Sant Baba Nahar Singh (His Holiness), Mr Manjit Singh Bhogal (Mr Bhogal) and Mr Dhillon, who were also trustees. Its charitable objects are the advancement of the Sikh religion, the relief of poverty, the advancement of education and the provision of social, recreational and elderly care facilities. In addition to the trustees an Executive Committee was set up, who were actively involved in the running of the Charity.

After His Holiness died in 2007 a successor trustee was not appointed, the Charity remained inquorate with only Mr Bhogal and Mr Dhillon as the remaining trustees. In 2009, a dispute arose between Mr Bhogal and Mr Dhillon which continued until they were removed by the Commission, by order, under s79(4) of the 2011 Act, on 17 November 2020.

The longstanding dispute resulted in several regulatory issues which had a negative impact on the management, administration and operation of the Charity. There were no formal trustee meetings between 2010 to 2016 and accounts were not filed between 2009 and 2014. There were also issues with accessing and operating the Charity's bank account and oversight of the Charity's Land in Snitterfield and Germany. The dispute also resulted in a split amongst the congregation (some members supporting Mr Bhogal and some supporting Mr Dhillon). The Executive Committee (which was not recognised by Mr Dhillon) continued to run the Charity, despite the difficulties posed by the dispute.

A Statutory Inquiry, under s46 of the 2011 Act, was opened in 2018 (the Inquiry). Prior to this, the

Commission had engaged with the Charity over several years.

The Inquiry used various statutory powers and encouraged the trustees to resolve the dispute, which was unsuccessful. Matters were complicated by the limited regulatory role the Commission plays in disputes and limitations presented by the Charity's governing document.

In 2019 the Inquiry met the Executive Committee and decided that five of its members should be appointed as trustees when Mr Bhogal and Mr Dhillon are removed as trustees. The notice of intention to make the s80(2) order was issued and representations were submitted. After carrying out a Decision Review it was decided that only two of the five members of the Executive Committee, Mr Sehmi and Mr Jandu, should be appointed as trustees and the s80(2) order was made on 17 November 2020 to replace Mr Dhillon and Mr Bhogal, who were removed by the s79(4) order made on the same day. The Commission also made an order under s105 of the 2011 Act to enable Mr Sehmi and Mr Jandu to make decisions whilst inquorate, on the basis they would work with independent charity, Gurdwara Aid, to appoint additional trustees, to form a quorate board.

On 28 December 2020, Mr Dhinsay appealed the decision to issue the s80(2) order, on the basis that Mr Sehmi and Mr Jandu were unsuitable to be trustees because they had been involved in financial mismanagement, bullying and harassment.

The Tribunal upheld the s80(2)(a) order. The Tribunal decided Mr Jandu and Mr Sehmi should remain as trustees as they are in the best position to make decisions about the future governance and operation of the Charity, in its best interests.

The Tribunal also upheld the s79(4) order so Mr Dhillon was not reinstated as a trustee. The Tribunal found Mr Dhillon's conduct contributed to the mismanagement at the Charity over many years because he did not make sufficient efforts to resolve the longstanding dispute between himself and Mr Bhogal, which was at the heart of all the regulatory issues at the Charity – which included poor governance, control and oversight of the Charity's bank account, having an inquorate board for several years and lack of oversight of the Charity's property.



# Part 4 Financial Report

The resource accounts report a revenue underspend of £0.14m (2020-21: £0.4m). This underspend amounts to 0.5% of our net £30.55 million annual budget, which reflects the tight margins under which the Commission operates in order to maximise resource utilisation.

Our funding was largely via the HM Treasury Vote of £30.55m supplemented by additional funding from other government departments to cover the costs of ongoing projects delivered on their behalf.

The following table sets out our funding limits over the current spending period (2019-2023).

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|---|---|
| | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) |
| **Revenue DEL** | 25,450 | 27,493 | 29,200 | 30,550 | 32,098 |
| of which non ring-fenced | 23,850 | 25,343 | 27,250 | 28,300 | 28,533 |
| of which ring-fenced depreciation | 1,600 | 2,150 | 1,950 | 2,250 | 3,565 |
| **Capital DEL** | 2,200 | 2,200 | 2,200 | 2,200 | 3,107 |

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

Note: the increase in depreciation and capital allocation in 2022-23 is due to the implementation of IFRS 16.

## 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 | Capital DEL | Net Cash Requirement |
|---|---|---|---|
| | (£'000) | (£'000) | (£'000) |
| Main Estimate | 30,250 | 2,200 | 30,433 |
| Supplementary Estimate | 300 | - | 1,000 |
| **Final Limit** | **30,550** | **2,200** | **31,433** |
| Expenditure and/or cash used | 30,407 | 1,562 | 31,006 |
| **Surplus for year** | **143** | **638** | **427** |
| 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 the implementation of our Sustainability Action Plan. 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:

| | | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|
| Scope 3 Business Travel Gross Emissions. $CO_2$/ Tonnes | | 123.7 | 116.18 | 80.3 | 2 | 10 |
| Financial indicators (£'000) | Expenditure on official business travel | 514 | 479 | 391 | 21 | 74 |

Scope 3 covers all types of travel undertaken by Charity Commission staff and use of couriers; both have increased this year due to the relaxation in pandemic restrictions this year, resulting in increased costs and emission in comparison to last year. On a like for like basis this shows a reduction in comparison to pre-pandemic levels and the ongoing use of technology will continue to sustain reductions in 2022-23.

**Dr Helen Stephenson CBE**
**Chief Executive and Accounting Officer**
**07 July 2022**



# 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, that 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 2020-21 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.

ACCOUNTABILITY REPORT

# Annual governance statement 2021-2022

## The Commission's governance structures

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

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

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

## Changes to the Board

Ian Karet was appointed as interim Chair of the Charity Commission on 27 February 2021. This appointment was initially extended to 27 December 2021, then again to 26 June 2022, while the appointment process for a permanent Chair was conducted.

On 1 April 2022, the Secretary of State for Digital, Culture, Media and Sport appointed Orlando Fraser QC as the Chair of the Charity Commission. Orlando's term started on 25 April 2022, with Ian Karet's term as chair ending on 24 April 2022.

In September 2021, Tony Cohen received a one-year extension to his existing term, with Nina Hingorani-Crain receiving a three-month extension. Ian Karet's term as a Board Member was extended to February 2024.

Kenneth Dibble stood down from the Board on 22 March 2022 and Nina Hingorani-Crain stood down from the Board on 31 March 2022, both on completion of their terms of appointment.

## The Board's work

Throughout 2021-22, the Board has continued to oversee progress towards delivering the Commission's five-year strategy. The Board has monitored performance against the 2021-22 business plan, reviewing progress in delivering the activities identified to support the achievement of the four key priorities. The Board has also reviewed the strategic risks, performance against the customer service standards, and progress in delivering the People Strategy.

The Board has continued to oversee the organisation's response to the ongoing pandemic. It has considered the plans for the adoption of the new ways of working pilot, which drew on lessons learned from the pandemic to test a hybrid, flexible working model, and arrangements put in place to safeguard the well-being of Commission staff. It has also reviewed the risks for the sector, and the Commission's response from a regulatory perspective. Towards the end of the year, with the emerging crisis in the Ukraine, the Board has provided oversight of the Commission's response and activity to address issues for the sector.

In February 2022, the Board approved the 2022-23 Business Plan, which set out three key priorities for the year ahead:

- We will improve our ability to regulate efficiently, effectively and robustly
- We will better engage with trustees, supporting them to run their charities well
- We will strengthen the organisation to ensure we deliver our ambition

## Board Effectiveness

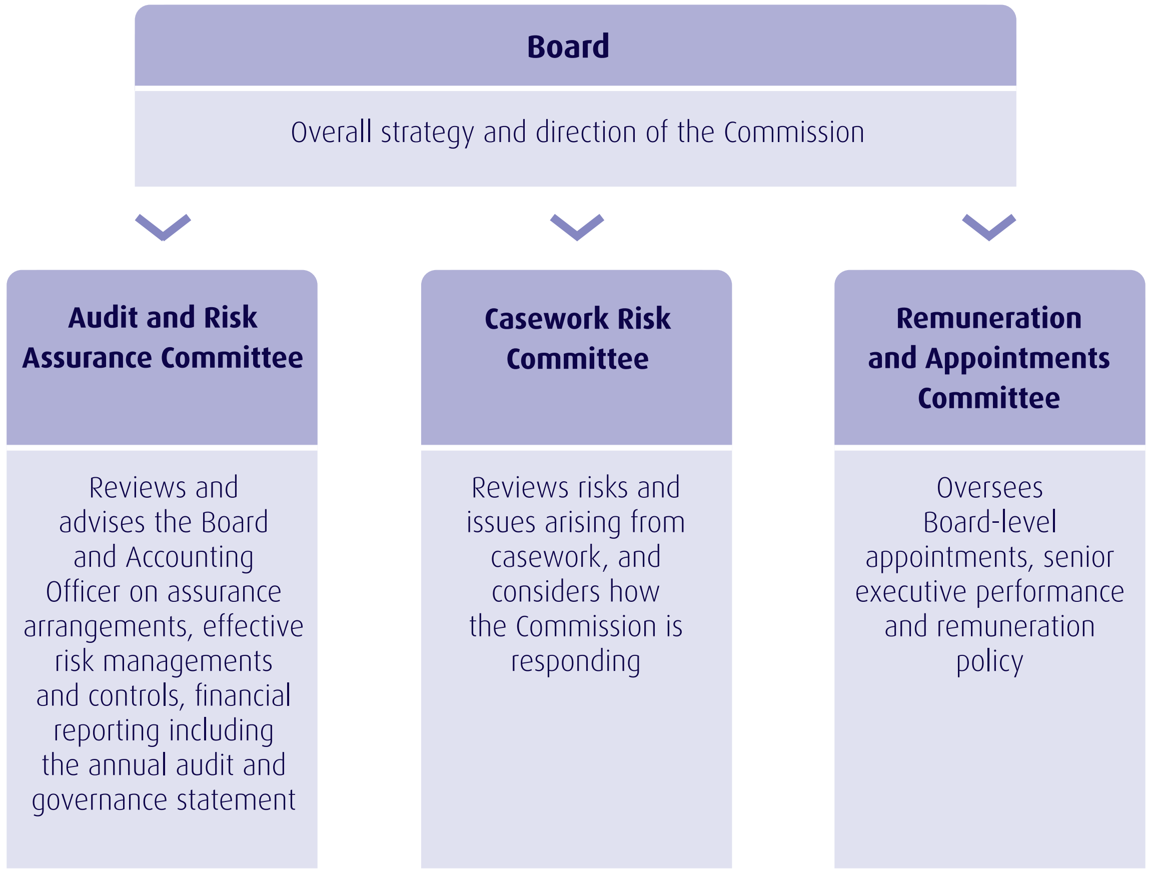
The Board undertakes an annual review of its effectiveness. In May 2021, all Board members completed a survey asking for their views on overall Board effectiveness. The Board reviewed the results of the survey and agreed an action plan at the Board meeting in July 2021. The Remuneration and Appointments Committee reviewed progress against the action plan in February 2022.

As a result of the effectiveness review, the Board agreed a number of amendments to the Board paper templates to help ensure that the consideration of key risks is fully built into the decision-making process. Board members also considered what training and development they would benefit from to help them deliver their role, and it was agreed to identify a programme of deep dives and briefings to help with this.

In addition to the Board effectiveness review, the Government Internal Audit Agency undertook an audit of Corporate Governance, which received a substantial assurance rating. Each Committee also conducted a review of its effectiveness in 2021-22.

## Committees of the Board

Our Committee structure is as follows:






ACCOUNTABILITY REPORT

## Committee membership

The Board's Committee membership in 2021-22 was as follows:

- Audit and Risk Assurance Committee: Tony Cohen (Chair), Imran Gulamhuseinwala OBE, Will Lifford and Paul Martin CBE.
- Casework Risk Committee: Paul Martin CBE (Chair), Kenneth Dibble, Imran Gulamhuseinwala OBE and Ian Karet.
- Remuneration and Appointments Committee: Joanne Prowse (Chair), Ian Karet, Nina Hingorani-Crain, David Gillies (independent member)[4].

## The work of the Committees

Set out below is an overview of the work the committees have undertaken during 2021-22. As part of their terms of reference, all committees are required to provide oral reports to the Board following each of their meetings.

The Audit and Risk Assurance Committee met five times during the year and provided scrutiny, oversight and assurance to the Accounting Officer, and to the Board, with regard to the efficient stewardship of the public resources under the Accounting Officer's control and the integrity and accuracy of our financial statements and annual governance statement. Across the year, the Committee has reviewed the Commission's approach to risk management in line with the requirements of the HM Treasury Orange Book, overseeing the maintenance and development of our strategic risk register and the identification and tracking of key risk indicators. It has reviewed the ongoing development of the assurance map and our key corporate policies, including how the Executive is ensuring and monitoring staff compliance to each policy. A rolling programme of deep dives scrutinising directorate risk registers has been implemented, as well as a programme of thematic reviews of key projects or processes. Overall, this has amounted to good progress in the development and maturity of the organisation's risk identification, control and assurance arrangements, which will continue into 2022-23.

In addition, the Audit and Risk Assurance Committee has received and reviewed the results of the annual assurance programme undertaken by our internal auditors, the Government Internal Audit Agency (GIAA), and management progress against actions resulting from this programme. It also considered the results of the annual audit undertaken by our external auditors, the National Audit Office (NAO), which provides key assurance on the integrity and accuracy of our financial accounts. All meetings of the Committee were attended by the NAO and GIAA.

The Committee has provided oversight and scrutiny of any reportable incidents such as data breaches, whistleblowing or allegations of fraud. There were no instances of staff whistleblowing (raising a concern) to report for the period, and no other significant events which require inclusion in this statement.

4. David Gillies BA (Hons), FCIPD, former HR Director Ofgem, has continued throughout the year as the independent member of the Remuneration and Appointments Committee.

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The Casework Risk Committee met five times during the year to review emerging themes and trends in casework risk; how the Commission is responding, or planning to respond, to this risk; and to provide advice and guidance, where appropriate, on the handling of high-risk casework.

The Remuneration and Appointments Committee also met five times during the year to evaluate the performance of our most senior officials and to determine fair remuneration levels. It reviewed key people activity, covering succession planning arrangements, outcomes of the People Survey, and progress in delivering year two of the People Strategy, including overseeing the development of People Performance Standards.

## Quality of information provided to the Board and Committees

The Executive has continued to work closely with the Board to ensure it has the information it needs to support informed decision making, enable effective monitoring of the Commission's work and performance, and to drive continuous improvement in the quality of our Board and Committee papers. The quality of information provided to the Board and its Committee was also considered as part of the Board annual effectiveness review and a GIAA audit of Corporate Governance, the latter of which found that papers received by the Board are timely, relevant and of good quality.

## Corporate governance code

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

## Attendance at meetings

Attendance of Board members and independent members during 2021-22 is listed in the below table.

| | Board meetings | | Audit and Risk Assurance Committee | | Remuneration and Appointments Committee | | Casework Risk Committee | |
|---|---|---|---|---|---|---|---|---|
| | Attendance | Attendance % | Attendance | Attendance % | Attendance | Attendance % | Attendance | Attendance % |
| **Board members** | | | | | | | | |
| Ian Karet (Interim Chair) | 7/7 | 100% | | | 5/5 | 100% | 5/5 | 100% |
| Dr Helen Stephenson CBE (CEO)[5] | 7/7 | 100% | | | | | | |
| Tony Cohen | 7/7 | 100% | 5/5 | 100% | | | | |
| Kenneth Dibble | 7/7 | 100% | | | | | 5/5 | 100% |
| Nina Hingorani-Crain | 5/7 | 71% | | | 5/5 | 100% | | |
| Will Lifford | 7/7 | 100% | 5/5 | 100% | | | | |
| Paul Martin CBE | 7/7 | 100% | 5/5 | 100% | | | 5/5 | 100% |
| Joanne Prowse | 7/7 | 100% | | | 5/5 | 100% | | |
| Imran Gulamhuseinwala OBE | 7/7 | 100% | 4/5 | 80% | | | 4/5 | 80% |
| **Independent members** | | | | | | | | |
| David Gillies | | | | | 5/5 | 100% | | |

5. The Chief Executive also attends, but is not a member of all the Committees.

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## Members' interests

All Board members declare all relevant personal or business interests and these are recorded in our register of interests, published on GOV.UK.

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

## Executive leadership

Our Chief Executive and our Directors make up the Executive Leadership Team (ELT). The ELT works together as the decision-making body on all operational matters, ensuring that we deliver our strategy, and are being driven by our purpose in all we do. The ELT develops and delivers the business plan, assesses resource against priorities and risks, making appropriate resource allocations; plans and oversees the recruitment of staff, all with the aim of achieving the Commission's statutory duties and strategic objectives. From April 2021 to December 2021, ELT met fortnightly. From January 2022, the ELT has adjusted its meeting schedule to meet formally on a monthly basis.

In 2021-22, the Executive Leadership Team was as follows:

- Dr Helen Stephenson CBE, Chief Executive
- Nick Baker, Chief Operating Officer
- Roberto Confessore, Director of Digital, Data and Technology
- Helen Earner, Director of Regulatory Services
- Paul Latham, Director of Communications and Policy
- Aarti Thakor, Director of Legal and Accountancy Services

## Executive interests

All our staff should avoid doing anything that might reasonably be seen as compromising their judgement or integrity. This year we reviewed and refreshed our policy and process for managing conflicts of interest to ensure that we have robust arrangements in place for identifying and managing conflicts appropriately. The updated policy was promoted to staff to establish good understanding and awareness of the requirements for making declarations.

Our policy and process reflects the provisions set out in the Civil Service Management Code (section 4.3).

## Executive governance structures

The Executive Casework Committee has continued to meet monthly throughout 2021-22. The Committee, which is chaired by the Chief Executive, oversees the management of casework, monitors performance against operational targets, and considers emerging sector risks, ensuring the Commission responds as required. The Committee also enables the Chief Executive to provide appropriate assurance to the Board about the effectiveness of casework and to ensure that cases are escalated to the Board in line with the agreed escalation guidelines. The escalation guidelines were reviewed and refreshed in June 2021, and continue to be an effective method for ensuring that the Board is assured that cases are being handled properly and are alerted to cases of significance.

The Portfolio Delivery Board (PDB) has provided oversight of, and direction to, the Commission's portfolio of programmes, projects and associated business change activity. It is chaired by the Chief Operating Officer and meets monthly.

The Incident Response Team (IRT) continued to meet throughout the year to ensure an effective response to the ongoing pandemic and associated restrictions. The IRT was stood down at the end of March 2022. This year, we also established the New Ways of Working team to oversee the design and implementation of the new ways of working pilot. Both teams have had cross-Commission representation and have been chaired by the Chief Operating Officer.

The Chief Executive has continued to chair the bi-monthly Engagement Champions Network. Engagement Champions represent all Directorates across a range of sites and grades. The Network is the means by which staff can share examples of good employee engagement, celebrate what is going well, and learn from good practice in other areas of the organisation.

Our Diversity and Inclusion Forum (DIF) is a cross-Commission forum aimed at helping the Commission improve the working environment for all by championing equality, diversity and inclusion. The DIF, this year, has continued to raise organisational awareness of cultural events through internal communications and engagement, and has promoted its work through all staff communications and dedicated induction sessions for new starters. The DIF is chaired by the Director for Digital, Data and Technology.

The Security Steering Group (SSG) has met quarterly to provide direction in terms of security issues, including managing the response to security incidents; ensuring compliance with central policies, guidance and legislation; and ensuring adequate protection of government assets for which the Commission has responsibility. It is chaired by the Commission's Security Advisor, with representation from Digital, Data and Technology, Estates and HR.

The Health and Safety Committee has met four times during the year to review compliance with Health and Safety legislation and guidance; assess risks to staff while working at home and in the office; and oversee the implementation of the new Health and Safety reporting system to ensure better accuracy in the reporting of incidents. It is chaired by the Head of Estates and comprises representatives from cross-business functions, office locations and the trade union.

The Data Protection Oversight Group (DPOG) was established in August 2021 to provide oversight and direction on data protection matters within the Commission, including evaluating compliance with legal obligations; identifying data protection risks and priorities; overseeing plans to address areas for improvement; and reviewing relevant policies and procedures. The DPOG is chaired by the Chief Operating Officer in recognition of his role as SIRO (Senior Information Risk Owner).

## Risk management

In 2021-22, good progress was made in developing the corporate risk management framework, with two key developments being the Board's agreement to adopt risk tolerance and the development of the key

ACCOUNTABILITY REPORT

risk indicators. We have this year reinvigorated the Risk Champions network and completed a ground-up review and refresh of risk registers.

The Board has continued, through the Audit and Risk Assurance Committee, its oversight of the implementation of our work in this area. The Committee has reviewed the strategic risks throughout the year, as well as receiving reports on emerging risks and on any risk events that have occurred, along with the actions we have taken to address these risks.

At an executive level, oversight of risk management is provided by the ELT through quarterly reviews of the strategic risk register and director ownership of each of our strategic risks. Our Corporate Risk Management Policy sets out the key responsibilities and accountabilities for risk management across the organisation, recognising that everyone in the Commission has a role to play. Our risk champions promote risk identification and discussions with all staff members. In addition, all new starters are expected to attend an induction session on corporate risk management.

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

## Political and financial uncertainty

In common with other organisations, the continued uncertainty of the last year has presented risks which may undermine our ability to carry out our statutory functions. While the outcome of the Comprehensive Spending Review provided some financial certainty, we know that the fragile economic situation will impact how we use our funding and so our ability to deliver our strategy.

Throughout 2021-22, we have worked to understand this strategic risk better through horizon scanning and stakeholder engagement to anticipate and respond to issues. We have sought to manage this risk through maintaining positive relationships with key stakeholders, and whilst we believe that it has been well managed in 2021-22, the ongoing pandemic, together with the economic environment and the crisis in Ukraine, has made our operating environment inherently challenging and uncertain.

## Workforce capacity and capability

Throughout the year, we have continued to support our staff to deal with the ongoing impacts of the pandemic. We have enabled staff to work remotely during times of lockdown and have also focused on delivering a new ways of working pilot, encouraging staff back to the offices and adopting hybrid-working patterns.

The turbulent recruitment market has provided a number of challenges for the Commission, as it has for many other organisations. We have found it more difficult to recruit for professional roles with transferrable skills (such as HR and Finance) and have had to think innovatively about our approaches to recruitment to be able to compete in the market and attract the calibre of candidate we require. In addition, we have seen higher levels of attrition than the Commission has been used to in the past.

## IT infrastructure and cyber security

As for many organisations, the risks of cyber-attack or major system failure are amongst the most significant we face. In particular, we have been alert to the increased possibility of cyber-attack as a result of heightened tensions with Russia following the invasion of the Ukraine. Our Security Operations Centre identifies, detects and responds to threats on a 24/7 basis.

We have continued to deliver our IT Roadmap, decommissioning legacy IT systems, reducing our reliance on locally operated systems and servers, and delivered improvements to the overall IT infrastructure. In March 2022, we successfully achieved Cyber Essentials Plus accreditation for the second year in a row, giving us a clear picture of our cyber security protection level and providing assurance to internal and external parties on the cyber protection level across the Commission.

## Loss of confidential information or data breaches

The risk of confidential information, including personal data controlled or processed by the Commission, being misused, lost, stolen or corrupted remains a risk. Alongside the practices listed above to control cyber security risk, we have focused on ensuring all staff are aware of their obligations and responsibilities for information security, particularly as staff operate between remote and office environments.

This year, through the roll out of our mandatory learning programme, all staff have been required to undertake responsible for information and GDPR training, reminding them of their responsibilities in terms of handling data safely and securely. More information about the ways in which we are monitoring and controlling data protection can be found in the section below.

## Casework and customer services

The risk of failure in executing casework or providing the appropriate levels of service to charities and other external customers continues to be a critical focus for the organisation. The services we provide must be efficient and delivered effectively, while identifying and tackling wrongdoing in charities.

In 2021-22 we put in place a range of measures to strengthen the effective management of this risk, including the implementation of our Quality Assurance Framework and a review of casework escalation guidelines.

We have continued to improve our methods for identifying and assessing charity and sector risks, and how we use this information to direct resources to where they are needed most. In particular, our Commission Tasking and Co-ordination Group plays a key role in helping us make informed decisions about how we can prevent, minimise and manage risk to the sector.

## Governance failure

It is essential that we fulfil our statutory duties and act within our remit, recognising that public and stakeholder trust could be harmed if the Commission were to materially misuse the powers entrusted to it in law, or the public funds under its control.

Effective board and committee oversight of the Executive has continued throughout the year. A corporate governance audit conducted by our internal auditors (GIAA) this year provided substantial assurance of our governance framework. It noted that it is robust, well-articulated and aligned to corporate governance good practice guidance issued by both the Cabinet Office and the Financial Reporting Council.

We have continued to build upon the foundations laid in 2020-21 to strengthen our governance framework, including reviewing our Scheme of Delegation and producing guidance for staff on how to apply it. We have also reviewed and refreshed our conflicts of interest policy, and promoted this to staff alongside our policy for declaring gifts and hospitality.

We have continued with our annual programme of reviews of the terms of reference for our Committees and ensured that effectiveness reviews are scheduled and completed for the Board, its Committees and the Executive Leadership Team.

## Identifying and responding to sector risk

This was originally identified as a COVID-specific strategic risk in April 2020, as a result of the financial and operational pressure that the pandemic put charities under. We have now recalibrated this risk to incorporate other sector risks, where a failure to respond appropriately could lead to negative impacts for the sector and the Commission.

Throughout the year, we have sought to deepen our understanding of the pressures charities are under, including through building more regular dialogue with sector representative bodies, strengthening our handling and collation of intelligence, and conducting a targeted sector survey to assess the impact of COVID-19 on charities.

Towards the end of 2021-22, the crisis in Ukraine has created specific challenges for the charity sector. In response, we have issued safer giving guidance for the public, and launched a dedicated Ukraine-related guidance page on our website.

## Data protection

The Commission handles a number of data assets, including personal data, that are essential to the delivery of its services. Ensuring compliance with revised data protection legislation implemented through the UK General Data Protection Regulation and Data Protection Act (2018) therefore remained a priority for the year.

We operate a corporate framework for protecting personal data to ensure that we comply with our duties under data protection law. Activity this year has included monitoring completion rates of mandatory data protection training, completing Data Protection Impact Assessments for key strategic projects, and reviewing and refreshing our Information Security Policy and Acceptable Use Policy. We have also improved oversight of data protection matters through the establishment of our new Data Protection Oversight Group.

The Data Protection Officer has reported quarterly to the ELT and six-monthly to the Audit and Risk Assurance Committee on compliance with the legislation and our performance on data protection matters.

Our data incident management policy ensures that prompt action is taken to contain and resolve data incidents promptly. We pay close attention to all personal data incidents, whether or not they are confirmed as breaches, so that re-occurrences can be prevented and lessons learnt.



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| | Category/Nature of personal data breach | 2021-22 | 2021-22 Notified to ICO |
|---|---|---|---|
| I | Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises | 1 | 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 | 20 | 0 |
| V | Other | 2 | 0 |
| | **Total** | **23** | **0** |

## Independent assurance and scrutiny

As in previous years, the Government Internal Audit Agency (GIAA) has delivered our annual assurance programme. Of the five audits completed as part of the 2021-22 assurance programme, three audits received a 'substantial' assurance rating. These covered our arrangements for corporate governance, handling of parliamentary correspondence and reporting against our operational standards. The substantial rating is the highest level of assurance and reflects the robustness and effectiveness of our risk management, control and governance arrangements in these areas.

Two audits received an overall 'moderate' assurance rating. These audits covered corporate risk management and key financial controls. GIAA also undertook two pieces of advisory work relating to a Business Process Review of the Control Framework Design for the HR element of Unify and to Business Continuity Planning (Business Impact Analysis).

There were no matters arising from the work of internal audit during the period that require separate comment. Internal audit found no fundamental or systemic control weaknesses by design or operation, fraud or improbity, but did find areas where controls have not yet been fully implemented or require improvement for which appropriate actions to address the risks have been agreed.

## Government functional standards

In September 2021, we received notification of the introduction of Government Functional Standards, and the need to have a plan in place to demonstrate our compliance with each functional standard in a way that meets our business needs and priorities by the end of March 2022.

We have assessed our position in relation to the standards and are satisfied that we are complying in a way that is proportionate and appropriate. We will continue to monitor and review this assessment, and to identify actions that can be undertaken to improve compliance where any gaps are identified.

## 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 on 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.

**Dr Helen Stephenson CBE**
**Chief Executive and Accounting Officer**
**07 July 2022**





# Remuneration and staff report

# Remuneration Report

## Service contracts

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

All Board members are on fixed-term contracts from the Department for Digital, Culture, Media and Sport. Dr 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**

## Remuneration (including salary) and pension entitlements

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

## Remuneration (audited)

All non-executive Board members (excluding the Chair) serving in 2021-22 received a fee of £350 per day (unchanged from last year), so their overall fee/salary reflects days worked.

No pension contributions are paid for non-executives (2021-22: £nil).

| Board, Chair and Chief Executive | Fee/salary £'000 | | Bonus payment £'000 | | Pension benefits £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Ian Karet (interim Chair) | 35-40 | 0-5 | 0 | 0 | 0 | 0 | 35-40 | 0-5 |
| Dr Helen Stephenson CBE Chief Executive | 135-140 | 135-140 | 5-10 | 5-10 | (2) | 43 | 140-145 | 185-190 |
| Paul Martin CBE | 5-10 | 5-10 | 0 | 0 | 0 | 0 | 5-10 | 5-10 |
| Kenneth Dibble (to 22 March 2022) | 5-10 (5-10 full year equivalent) | 5-10 | 0 | 0 | 0 | 0 | 5-10 (5-10 full year equivalent) | 5-10 |
| Tony Cohen | 5-10 | 5-10 | 0 | 0 | 0 | 0 | 5-10 | 5-10 |
| Nina Hingorani-Crain (to 31 March 2022) | 0-5 | 5-10 | 0 | 0 | 0 | 0 | 0-5 | 5-10 |
| Joanne Prowse | 5-10 | 5-10 | 0 | 0 | 0 | 0 | 5-10 | 5-10 |
| Imran Gulamhuseinwala OBE | 0-5 | 0-5 | 0 | 0 | 0 | 0 | 0-5 | 0-5 |
| Will Lifford | 5-10 | 0-5 (10-15 full year equivalent) | 0 | 0 | 0 | 0 | 5-10 | 0-5 (10-15 full year equivalent) |





| Directors and Chief Operating Officer | Fee/salary £'000 | | Bonus payment £'000 | | Pension benefits £'000 | | Total £'000 | |
|---|---|---|---|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Aarti Thakor | 105-110 | 100-105 | 0-5 | 0-5 | 37 | 46 | 145-150 | 145-150 |
| Roberto Confessore | 90-95 | 90-95 | 0-5 | 0-5 | 36 | 36 | 130-135 | 125-130 |
| Helen Earner | 85-90 | 85-90 | 0-5 | 0-5 | 25 | 81 | 115-120 | 170-175 |
| Paul Latham | 95-100 | 95-100 | 0 | 0 | 28 | 43 | 125-130 | 140-145 |
| Nick Baker (Chief Operating Officer) | 115-120 | 75-80 (115-120 full year equivalent) | 0 | 0 | 47 | 31 | 165-170 | 85-90 (150-155 full year equivalent) |

The pension benefits for each Director are 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.

In 2021-22, Nil (2020-21: Nil) employees received remuneration in excess of the highest-paid Director. Remuneration ranged from £18,260 to £140,000-145,000 (2020-21: £17,813 to £140,000-145,000).

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.

## Fair pay disclosures (audited)

## Percentile ratio to highest earner

| | 2021-22 | 2020-21 |
|---|---|---|
| 75th percentile ratio | 3.2:1 | N/A |
| Median pay ratio | 4.2:1 | 4.5:1 |
| 25th percentile ratio | 4.9:1 | N/A |

| | 2021-22 | 2020-21 |
|---|---|---|
| 75th percentile ratio | 43,351 | N/A |
| Median pay ratio | 32,150 | 31,405 |
| 25th percentile ratio | 27,520 | N/A |

## Increase/(decrease) in salary and allowances and performance pay and Bonus

| | Highest earner | | Mean earner | |
|---|---|---|---|---|
| Year | Salary and allowances | Performance pay and bonuses | Salary and allowances | Performance pay and bonuses |
| 2021-22 | 0% | 0% | (1%) | (1%) |

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 2021-22. 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 2022 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2022 | CETV at 31 March 2021 | Real increase in CETV |
|---|---|---|---|---|---|
| | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) |
| Dr Helen Stephenson CBE Chief Executive | 40-45 plus a lump sum of 130-135 | 0-2.5 plus a lump sum of 0-2.5 | 1,052 | 1,034 | (2) |
| Aarti Thakor | 20-25 | 0-2.5 | 238 | 212 | 13 |
| Roberto Confessore | 5-10 | 0-2.5 | 73 | 50 | 15 |
| Helen Earner | 25-30 plus a lump sum of 40-45 | 0-2.5 | 417 | 385 | 9 |
| Paul Latham | 30-35 | 0-2.5 | 453 | 417 | 11 |
| Nick Baker | 0-5 | 2.5-5 | 60 | 24 | 27 |

## 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 switched into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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. 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 left under the Civil Service Compensation Scheme (CSCS) Voluntary Exit terms in 2021-22.

## Staff Report

The second year of the Commission's People Strategy was delivered in 2021-22. The broad priorities set out in the People Strategy are 'A Workforce Organised to Deliver', 'Leadership to Deliver', and 'People Capable to Succeed'.

### Workforce organised to deliver

This year, like many organisations, we have experienced challenges in terms of people retention and recruitment. An increased attrition rate together with a high level of recruitment activity, meant that we took the decision to appoint a dedicated recruitment manager. This appointment has made a significant difference to the outcome of recruitment activity with improvements to both candidate experience and speed of the recruitment process delivered.

In autumn 2021, we implemented our new ways of working pilot aimed at testing a hybrid, flexible working model, driven by business need but drawing on the learning from what worked well during the pandemic. At the same time, we reconfigured our office space to promote and facilitate more collaborative working. The pilot has now concluded and we are considering the final changes to be implemented.

### Leadership to deliver

Following the success of our leadership programme (Future, Engage, Deliver) with Directors and Assistant Directors, the programme has now been rolled out to the next tier of leaders, and we are seeing signs of improved leadership capability and embedded behaviours.

The majority of our line managers have now completed our Line Manager Essentials Programme, which targeted their compliance with basic but essential line management skills and processes. The course has been reviewed and refreshed for the year ahead with modernised digital courses as well as workshops and forums.

### People capable to succeed

In 2021-22, we rolled out our Technical Competence Programme. All staff were required to complete level one of the 12 modules, with staff working in our case-working and operation teams required to complete level two and three of the modules.

Towards the end of the financial year, we launched the Commission Academy. The Academy aims to improve the skills, efficiency, and effectiveness of our casework by increasing consistency and improving outcomes. The Academy brings together the existing Induction and Technical Competence Programmes along with new 'key skills' learning.



ACCOUNTABILITY REPORT

## Staff Changes over the year

| | | 31 March 2020 | 31 March 2021 | 31 March 2022 |
|---|---|---|---|---|
| Staff on payroll | Number in post | 421 | 443 | 470 |
| Contingent Labour (Agency and Contractors) | Number in post | 13 | 30 | 25 |
| Workforce shape* | Headcount at pay band 3 and below | 30% (124) | 30% (132) | 31% (144) |
| | Headcount at pay band 4 and above, excluding SCS | 68% (280) | 68% (297) | 68% (314) |
| | Senior civil servants | 2% (8) | 2% (6) | 1% (6) |
| Workforce diversity** | BME in full | 8% | 7% | 5% |
| | Women | 57% | 57% | 62% |
| | Women (SCS only) | 43% | 50% | 50% |
| | Disabled | 13% | 10% | 6% |
| Attendance | Average working days lost | 7.4 days | 5.2 days | 5.8 days |
| Civil Service People Survey | Engagement Index % | 65 | 65 | 66 |

* Our staff on payroll also includes 6 public appointments as at 31 March 2022.

The size of the workforce in 2021-22 has increased in headcount by 27 over the year. During this period 94 employees and 2 Board members left the organisation and 123 employees have joined.

** The figures portray a drop in numbers of staff with disabilities and from ethnic minority backgrounds - these figures are based on self-declarations on our HR database – in both instances there are a significant number of "undeclared" or "prefer not to say" which skew the figures downwards. Conversely, data on these characteristics from our recent Employee Survey, with fewer gaps demonstrated considerably higher numbers of both (7% ethnic minorities and 22% disabilities). We will seek to increase self-declarations over the next 12 months.

Our attrition figure was double last years', with a turnover rate of 27% in 2021-22 (13% in 2020-21). Like many other organisations, as we emerged from the pandemic, the tightening of the labour market combined with increased opportunities, particularly in professional roles, led to difficulties in retention.

Eighteen employees left at the end of a fixed term contract.

The split of our workforce at 31 March 2022, by employment type, was as follows:

| Type of appointment | 31st March 2021 (% of headcount) | 31st March 2022 (% of headcount) |
|---|---|---|
| Permanent Employee | 82% (386 headcount) | 86% (427 headcount) |
| Fixed Term | 12% (56 headcount) | 9% (43 headcount) |
| Secondment In | 0% (1 headcount) | 0% (0 headcount) |
| Contingent Labour | 6% (30 headcount) | 5% (25 headcount) |

## Staff policies applied throughout 2021-22

In addition to changes in response to the pandemic, throughout 2021-22, the Commission has continued to apply our staff policies (which are aligned with central HR Expert Civil Service policies). During the year, the key changes made to staff policies included the introduction of our organisational Duty of Care policy to create a safe and supportive work environment for staff confronted with unacceptable behaviour or abuse from third parties or customers. In the modern age, this could be face-to-face or virtual, but also potentially through aggressive or harmful naming on websites or social media.

## Diversity and inclusion

Reporting gender pay gap outcomes is a legal requirement for organisations with more than 250 employees under the Equality Act 2010 Gender Pay Gap Information Regulations 2017. Our 2021 figures show hourly pay of men in the Commission is, on average, 2.8% more than women, while for bonus payments it is 1.3%. The Commission's gender pay gap is significantly lower than the mean gender pay gap reported for the Civil Services as a whole in 2021 (7.8%)[6]. We are not undertaking targeted actions to address it.

During 2021-22 we recruited a cohort of 14 individuals through the Kickstart scheme. This Department for Work and Pensions (DWP) initiative provides opportunities to young people in receipt of universal credit. It supports our commitment to social mobility and socio-economic diversity, ensuring we give people from different backgrounds, with different experiences, the opportunity to influence how we operate.

A well-established, director-led Diversity and Inclusion Forum (DIF) has continued to meet throughout the year. This year the group has continued to focus on embedding an inclusive culture, delivering a programme of blogs on a range of issues, and promoting awareness of different cultures and cultural events.

Throughout the year, we have continued to focus on the well-being of our staff particularly during further lockdowns and prolonged periods of homeworking. We have continued to develop our well-being hub, run mental health awareness sessions and launched a new Employee Assistance Programme.

6. Civil Service statistics 2021: https://www.gov.uk/government/statistics/civil-service-statistics-2021.





## Employee engagement

Our response rate to the October 2021 People Survey was 85% and we achieved our highest engagement score of 66% (up from 65% last year). We were encouraged by this score given the challenging year that we have all had. The survey results also demonstrated improvements across a number of areas, which we had identified as key priorities, notably in respect of our learning and development offer and developing a culture in which staff feel able to challenge safely.

In December 2021, we ran our fourth annual Commission Awards scheme, designed to encourage, and celebrate great corporate behaviours. The awards scheme is very popular with employees who were invited to nominate colleagues for six different categories of awards including innovation, excellence and kindness.

## Trade Union Facility Time

| Type of appointment | 2021-22 | 2020-21 |
|---|---|---|
| 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 | 12 | 13 |
| FTE Number of TU representatives | 12 | 13 |
| Number of TU representatives that spend 0% of working hours on facility time | 1 | 1 |
| Number of TU representatives that spend 1-50% of working hours on facility time | 11 | 12 |
| 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 | £22,116,614 | £21,103,910 |
| Total cost of facility time | £10,050 | £20,507 |
| Percentage of pay spent on facility time | 0.05% | 0.10% |

Management has worked closely with trade unions during 2021-22 on the organisation's ongoing response to the pandemic and New Ways of Working programme.



ACCOUNTABILITY REPORT

## Staff costs (audited)

| | 2021-22 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | Permanently employed staff | Temporarily employed staff | Total | Permanently employed staff | Temporarily employed staff | Total |
| | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) | (£'000) |
| Wages and salaries | 16,165 | 0 | 16,165 | 15,129 | 0 | 15,129 |
| Social security costs | 1,666 | 0 | 1,666 | 1,575 | 0 | 1,575 |
| Other pension costs | 4,209 | 0 | 4,209 | 3,892 | 0 | 3,892 |
| Agency staff | 0 | 793 | 793 | 0 | 737 | 737 |
| Severance costs | 219 | 0 | 219 | 496 | 0 | 496 |
| (Decrease)/Increase in IAS 19: employee benefits accrual | (10) | 0 | (10) | 136 | 0 | 136 |
| **Total** | **22,249** | **793** | **23,042** | **21,228** | **737** | **21,965** |
| Charged to Capital | (132) | (0) | (132) | (124) | (0) | (124) |
| **Total Net Costs** | **22,117** | **793** | **22,910** | **21,104** | **737** | **21,841** |

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 scheme in which the Charity Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2021-22, employers' contributions of £4.1 million were payable to the PCSPS (2020-21 £3.8 million) at one of four rates in the range 26.6% to 30.3% (2020-21 26.6% to 30.3%) of pensionable earnings, based on salary bands.

The Scheme 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 2021-22 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 £40k (2020-21 £36K) 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% (2020-21 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £nil was payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

No staff members retired early on ill-health grounds, so the total additional accrued pension liabilities amounted to nil.

Contributions due to the partnership pension providers at 31st March 2022 were £6k. Contributions prepaid at that date were £nil.

## Average Number of persons employed (audited)

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

| | Permanently employed staff | Temporarily employed staff | 2021-22 Number | 2020-21 Number |
|---|---|---|---|---|
| Charity Commission staff | 450 | 0 | 450 | 400 |
| Agency staff | 0 | 14 | 14 | 18 |
| **Total** | **450** | **14** | **464** | **418** |

## 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 shows the total cost of exit packages agreed and accounted for in 2021-22, of which £131,808 were paid in year with a further £59,000 accrued for (£22,364 paid in year 2020-21 with an additional £476,143 accrued for in 2020-21):

| Exit package cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages | |
|---|---|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Less than £10,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| £10,000 - £24,999 | 0 | 0 | 0 | 2 | 0 | 2 |
| £25,000 - £49,999 | 0 | 0 | 3 | 0 | 3 | 0 |
| £50,000 - £99,999 | 0 | 0 | 1 | 4 | 1 | 4 |
| £100,000 - £150,000 | 0 | 0 | 0 | 1 | 0 | 1 |
| **Total number of exit packages** | **0** | **0** | **4** | **7** | **4** | **7** |
| **Total resource cost (£'000)** | **0** | **0** | **191** | **499** | **191** | **499** |





| | 2021-22 | 2020-21 |
|---|---|---|
| | £'000 | £'000 |
| Highest exit package | 59 | 101 |
| Lowest exit package | 29 | 22 |
| Mean exit package | 48 | 71 |

The Commission did not have any off-payroll engagements in 2021-22.

ACCOUNTABILITY REPORT

# Parliamentary accounting disclosures

## Statement of Outturn against Parliamentary Supply (audited)

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

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

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

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

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

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

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of Outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of Outturn to net cash requirement (note 3); and, an analysis of income payable to the Consolidated Fund (note 4). 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 2021-22

| | | | | | | | | 2021-22 Voted | 2020-21 Outturn |
|---|---|---|---|---|---|---|---|---|---|
| | | Estimate | | | Outturn | | | | |
| | SoPS note | Voted | Non-voted | Total | Voted | Non-voted | Total | Outturn compared with Estimate: saving/(excess) | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Departmental Expenditure Limit** | | | | | | | | | |
| – Resource | 1.1 | 30,550 | 0 | 30,550 | 30,407 | 0 | 30,407 | 143 | 28,818 |
| – Capital | 1.2 | 2,200 | 0 | 2,200 | 1,562 | 0 | 1,562 | 638 | 1,949 |
| **Annually Managed Expenditure** | | | | | | | | | |
| – Resource | 1.1 | 200 | 0 | 200 | 0 | 0 | 0 | 200 | 0 |
| – Capital | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Budget** | | **32,950** | **0** | **32,950** | **31,969** | **0** | **31,969** | **981** | **30,767** |
| **Non-Budget** | | | | | | | | | |
| – Resource | 1.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | | **32,950** | **0** | **32,950** | **31,969** | **0** | **31,969** | **981** | **30,767** |
| Total Resource | | 30,750 | 0 | 30,750 | 30,407 | 0 | 30,407 | 343 | 28,818 |
| Total Capital | | 2,200 | 0 | 2,200 | 1,562 | 0 | 1,562 | 638 | 1,949 |
| **Total** | | **32,950** | **0** | **32,950** | **31,969** | **0** | **31,969** | **981** | **30,767** |

## Net cash requirement 2021-22

| | | | | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| | SoPS Note | Estimate | Outturn | Net Outturn compared with Estimate: saving/(excess) | Total Outturn |
| | | £'000 | £'000 | £'000 | £'000 |
| Net cash requirement | 3 | **31,433** | 31,006 | 427 | 27,973 |

## Administration costs 2021-22

| | 2021-22 | | | 2020-21 |
|---|---|---|---|---|
| | Estimate | Outturn | | Total Outturn |
| | £'000 | £'000 | | £'000 |
| | **30,550** | 30,407 | | 28,818 |

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

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



ACCOUNTABILITY REPORT

# Notes to the Statement of Parliamentary Supply

## SoPS 1. Net Outturn

### SoPS 1.1 Analysis of net Resource Outturn by section

| | 2021-22 | | | | | | | | | 2020-21 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Outturn | | | | | | | Estimate | | Outturn |
| | Administration | | | Programme | | | | | | |
| | Gross | income | Net | Gross | income | Net | Total | Net total | Net total compared to Estimate: | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Spending in department expenditure limit** | | | | | | | | | | |
| Voted: Giving the public confidence in the integrity of charities | | | | | | | | | | |
| | 31,916 | (1,509) | 30,407 | 0 | 0 | 0 | **30,407** | 30,550 | 143 | **28,818** |
| | **31,916** | **(1,509)** | **30,407** | **0** | **0** | **0** | **30,407** | **30,550** | **143** | 28,818 |
| **Annually managed expenditure** | | | | | | | | | | |
| Voted: Giving the public confidence in the integrity of charities | | | | | | | | | | |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200 | 200 | **0** |
| Total | **31,916** | **(1,509)** | **30,407** | **0** | **0** | **0** | **30,407** | **30,750** | **343** | **28,818** |

### SoPS 1.2 Analysis of net Capital Outturn by section

| | 2021-22 | | | | | 2020-21 |
|---|---|---|---|---|---|---|
| | Outturn | | | Estimate | | Outturn |
| | Gross | income | Net | Net | Net total compared to estimate | Net |
| Spending in department expenditure limit<br>Voted: Giving the public confidence in the integrity of charities | 1,562 | 0 | 1,562 | 2,200 | 638 | **1,949** |
| **Total** | **1,562** | **0** | **1,562** | **2,200** | **638** | 1,949 |

## SoPS 2 Reconciliation of net Resource Outturn to net operating expenditure

| | | 2021-22 | 2020-21 |
|---|---|---|---|
| | SoPS Note | £'000 | £'000 |
| Total Resource Outturn in Statement of Parliamentary supply | 1.1 | 30,407 | 28,818 |
| **Net operating expenditure in Statement of Comprehensive Net Expenditure** | | **30,407** | **28,818** |

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

## SoPS 3 Reconciliation of net Resource Outturn to net cash requirement

| | | Estimate | Outturn | Net total Outturn compared with Estimate: Saving/ (Excess) |
|---|---|---|---|---|
| | SoPS Note | £'000 | £'000 | £'000 |
| **Resource Outturn** | **1.1** | **30,750** | **30,407** | **343** |
| **Capital Outturn** | **1.2** | **2,200** | **1,562** | **638** |
| Accruals to cash adjustments:<br>Adjustments to remove non-cash items: | | | | |
| Depreciation/Amortisations | | (2,250) | (2,269) | 19 |
| Revaluations | | 0 | (5) | 5 |
| New provisions | | (200) | 0 | (200) |
| Auditors remuneration | | (67) | (68) | 1 |
| Adjustments to reflect movements in working balances: | | | | |
| Increase/(decrease) in trade and other receivables | | 0 | 140 | (140) |
| (Increase)/decrease in trade and other payables | | 1,000 | 1,239 | (239) |
| Net cash requirement | | 31,433 | 31,006 | 427 |

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





## SoPS 4 Amounts of income to the Consolidated Fund

| | Outturn Total | | Prior Year 2020-21 | |
|---|---|---|---|---|
| | Accruals | Cash basis | Accruals | Cash basis |
| | £'000 | £'000 | £'000 | £'000 |
| Income outside the ambit Estimate | 0 | 0 | 0 | 0 |
| (Excess) cash surrenderable to the Consolidated fund | 0 | 0 | 0 | 0 |
| **Total payable to the Consolidated fund** | **0** | **0** | **0** | **0** |

## Regularity of expenditure (audited)

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

Fees and charges disclosure requirements under Managing Public Money are met in Note 3 to the Accounts. The column headed 'Other Government Funded projects' relates wholly to services for which costs are fully recovered.

**Dr Helen Stephenson CBE**
**Chief Executive and Accounting Officer**
**07 July 2022**

ACCOUNTABILITY REPORT

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Charity Commission's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Charity Commission's affairs as at 31 March 2022 and its net operating expenditure for the year then ended; and
- 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 Outturn Against Parliamentary Supply properly presents the Outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law 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 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Charity Commission in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the Charity Commission's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, 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 when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Charity Commission is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

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 material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Charity Commission 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Charity Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Charity Commission will not continue to be provided in the future.

## 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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I considered the following:

- the nature of the sector, control environment and operational performance including the design of the Charity Commission's accounting policies and key performance indicators.
- Inquiring of management, the Charity Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Charity Commission's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Charity Commission's controls relating to compliance with the Government Resources and Accounts Act 2000, Managing Public Money and the Charities Act 2011;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Charity Commission for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Charity Commission's framework of authority as well as other legal and regulatory frameworks in which the Charity Commission operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Charity Commission. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, employment law, pensions legislation, tax legislation and the Charities Act 2011.

### Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my certificate.

### Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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.

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.



ACCOUNTABILITY REPORT

## Report

I have no observations to make on these financial statements.

Gareth Davies

**Gareth Davies**
**Comptroller and Auditor General**
**11 July 2022**

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 2022

This account summarises the expenditure and income generated and consumed on an accruals basis.

The notes on pages 77 to 88 form part of the financial statements.

| | | 2021-22 | 2020-21 |
|---|---|---|---|
| | Note | £'000 | £'000 |
| Operating income | 5 | (1,509) | (1,388) |
| **Total operating income** | | (1,509) | (1,388) |
| Staff costs | 4 | 22,910 | 21,841 |
| Other administration costs | 4 | 9,006 | 8,365 |
| **Total operating expenditure** | | 31,916 | 30,206 |
| **Net operating expenditure** | | 30,407 | 28,818 |

# Statement of Financial Position

## As at 31 March 2022

The Statement of Financial Position is a summary of all the Commission's assets and liabilities as at 31 March 2022.

The notes on pages 77 to 88 form part of the financial statements.

| | | 31 March 2022 | 31 March 2021 |
|---|---|---|---|
| | Note | £'000 | £'000 |
| **Non-current assets:** | | | |
| Property, plant and equipment | 6 | 964 | 844 |
| Intangible assets | 7 | 4,995 | 5,827 |
| **Total non-current assets** | | **5,959** | **6,671** |
| **Current assets:** | | | |
| Trade, other receivables and prepayments | 10 | 1,623 | 1,483 |
| Cash and cash equivalents | 9 | 427 | 1,401 |
| **Total current assets** | | **2,050** | **2,884** |
| **Total assets** | | **8,009** | **9,555** |
| **Current liabilities:** | | | |
| Trade and other payables | 11 | (3,733) | (5,946) |
| **Total current liabilities** | | **(3,733)** | **(5,946)** |
| **Total assets less liabilities** | | **4,276** | **3,609** |
| **Taxpayers' equity:** | | | |
| General fund | | 4,276 | 3,609 |
| **Total taxpayers' equity** | | **4,276** | **3,609** |

**Dr Helen Stephenson CBE**
**Chief Executive and Accounting Officer**
**07 July 2022**





# Statement of Cash Flows

## For the year ended 31 March 2022

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 77 to 88 form part of the financial statements.

| | | 2021-22 | 2020-21 |
|---|---|---|---|
| | Note | £'000 | £'000 |
| **Cash flows from operating activities:** | | | |
| Total net operating expenditure | | **(30,407)** | **(28,818)** |
| Non-cash transactions | 4 | 2,342 | 2,007 |
| Decrease/(increase) in trade and other receivables | 10 | (140) | (364) |
| (Decrease)/increase in trade and other payables | 11 | (1,239) | 1,154 |
| **Net cash outflow from operating activities** | | **(29,444)** | **(26,021)** |
| **Cash flows from investing activities** | | | |
| Purchase of plant, property and equipment | 6 | (511) | (388) |
| Purchase of intangible assets | 7 | (1,051) | (1,564) |
| **Net cash outflow from investing activities** | | **(1,562)** | **(1,952)** |
| **Cash flows from financing activities** | | | |
| From Consolidated Fund (Supply) – current year | | 30,032 | 28,887 |
| **Net financing** | | **30,032** | **28,887** |
| **Net (decrease)/increase in cash in the period** | | **(974)** | **914** |
| **Cash and cash equivalents at the beginning of the period** | | **1,401** | **487** |
| **Cash and cash equivalents at the end of the period** | | **427** | **1,401** |

# Statement of Changes in Taxpayers' Equity

## For the year ended 31 March 2022

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

The notes on pages 77 to 88 form part of the financial statements.

| | Note | £'000 |
|---|---|---|
| **Balance as at 1 April 2021** | | **3,609** |
| Non-cash charges – auditors' remuneration | 4 | 68 |
| Net operating cost for the year | | (30,407) |
| **Total recognised income and expense for 2021-22** | | (30,339) |
| Net Parliamentary Funding – drawn down | | 30,032 |
| Net Parliamentary Funding – deemed | | 1,401 |
| Supply payable | | (427) |
| **Balance as at 31 March 2022** | | **4,276** |

| **Changes in taxpayers' equity for 2020-21** | Note | £'000 |
|---|---|---|
| **Balance as at 1 April 2020** | | **4,387** |
| Non-cash charges – auditors' remuneration | 4 | 67 |
| Net operating cost for the year | | (28,818) |
| **Total recognised income and expense for 2020-21** | | **(28,751)** |
| Net Parliamentary Funding – drawn down | | 28,887 |
| Net Parliamentary Funding – deemed | | 487 |
| Supply payable | | (1,401) |
| **Balance as at 31 March 2021** | | **3,609** |



RESOURCE ACCOUNTS

# 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 2021 to 31 March 2022, have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

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

In common with other government departments, the group's liabilities are expected to be met by future grants of supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future Parliamentary approval will not be forthcoming, and therefore, in accordance with FReM 8.2.2, it has been concluded as appropriate to adopt the going concern basis of preparation for these accounts. The Commission has been given a three-year funding settlement taking us through to the financial year 2024-2025 which assures its medium-term tenure.

### 2.1 Accounting convention

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

## 2.2 Property, plant and equipment

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

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

## 2.3 Intangible assets

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

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

## 2.4 Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated/amortised at a rate calculated to write down their value to their estimated residual value on a straight-line basis over their estimated useful life. Depreciation on property, plant and equipment, and amortisation of 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 lives are estimated drawing on experience of similar assets in the past and our expectations of new asset usage. Asset lives are normally in the following ranges:

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





## 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 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 other government departments have been recognised in line with when those costs have been recognised by the Commission.

Our main source of operating income relates to our work for the Home Office. Income under this arrangement is claimed quarterly in arrears based on actual costs incurred.

## 2.7 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.

## 2.8 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.

## 2.9 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.

## 2.10 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.

### 2.11 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 0.2% for short-term provisions).

### 2.12 Value added tax

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

### 2.13 Contingent liabilities

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

### 2.14 Significant estimates and judgements

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

### 2.15 IFRS 16 Leases (has been issued but is not yet effective)

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more that twelve months unless the underlying asset is of low value. A lessee recognises a Right of Use (ROU) asset in the same way as other non-financial assets (for example property, plant and equipment) and lease liabilities in the way of other financial liabilities.

As a consequence, a lessee recognises depreciation of the ROU asset and the interest on the lease





liability, and also classes cash repayments of the lease liability into a principle portion and an interest portion and presents them in the Statement of Cash Flows in accordance with IAS 7.

IFRS 16 has been adopted by the FReM and in accordance the Commission will adopt IFRS 16 from 1 April 2022.

We have carried out an assessment of the new standard on leases and have concluded that the only leases that will be affected by this new standard are those that relate to the use of property. The Commission holds leases for office premises in Taunton, London, Liverpool and Newport and will account for ROU assets and corresponding liabilities of circa £4.1m. The lease liability has been measured at the present value of the remaining lease payments, discounted using an interest rate of 0.95% as mandated by HMT. The Commission will apply the practical expedient and take forward the previous identification of these leases under IAS 17 and IFRIC 4 (the previous accounting standards for leases) at the start of 2022/23, rather than reassessing whether existing contracts contain a lease under the IFRS 16 criteria.

## 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.

| | 2021-22 | | | 2020-21 | | |
|---|---|---|---|---|---|---|
| | £'000 | | | £'000 | | |
| | Charity Commission: core business | Other government funded projects | Total | Charity Commission: core business | Other government funded projects | Total |
| Gross Expenditure | 30,407 | 1,509 | **31,916** | 28,818 | 1,388 | **30,206** |
| Income | 0 | (1,509) | **(1,509)** | 0 | (1,388) | **(1,388)** |
| Net Expenditure | 30,407 | 0 | **30,407** | 28,818 | 0 | **28,818** |
| **Total Assets** | **7,640** | **369** | **8,009** | **9,284** | **271** | **9,555** |
| **Total Liabilities** | **(3,733)** | **0** | **(3,733)** | **(5,896)** | **(50)** | **(5,946)** |
| Net Assets | 3,907 | 369 | **4,276** | 3,388 | 221 | **3,609** |

RESOURCE ACCOUNTS

## 4. Expenditure

| | Note | 2021-22 £'000 | 2020-21 £'000 |
|---|---|---|---|
| **Staff costs:** | | | |
| Wages and salaries | | 16,165 | 15,129 |
| Social security costs | | 1,666 | 1,575 |
| Other pension costs | | 4,209 | 3,892 |
| Agency staff | | 793 | 737 |
| Severance costs | | 219 | 496 |
| (Decrease)/Increase in IAS 19: employee benefits accrual | | (10) | 136 |
| **Total** | | **23,042** | **21,965** |
| Charged to Capital | | (132) | (124) |
| **Total net staff costs** | | **22,910** | **21,841** |
| **Goods and services:** | | | |
| Rentals under operating leases | | 886 | 830 |
| Travel, subsistence and staff related costs | | 899 | 466 |
| Accommodation | | 502 | 567 |
| Office services | | 191 | 210 |
| Contracted services/consultancy | | 603 | 1,243 |
| Information systems and telephony | | 3,295 | 2,783 |
| Specialist services | | 287 | 258 |
| Losses and special payments | | 1 | 1 |
| **Total Goods and services** | | **6,664** | **6,358** |
| **Non-cash items:** | | | |
| Depreciation | 6 | 386 | 288 |
| Amortisation | 7 | 1,883 | 1,607 |
| Revaluation/re-lifed assets | 6 & 7 | 5 | 42 |
| Loss on disposal of fixed asset | 6 & 7 | 0 | 3 |
| Auditors' remuneration | | 68 | 67 |
| **Total non-cash items** | | **2,342** | **2,007** |
| **Total expenditure** | | **31,916** | **30,206** |

The amount spent on consultancy during the year was £119,087 (2020-21 £64,800). 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 £67,575 (2020-21: £66,750). This includes fees charged to the Commission for the audit of the Official Custodian of Charities' Financial Statements.

## 5. Income

| | 2021-22 £'000 | 2020-21 £'000 |
|---|---|---|
| **Income received from other UK government departments:** | | |
| Income to support Home Office initiatives | 1,279 | 1,164 |
| Income in respect of services rendered | 37 | 46 |
| Income to support DCMS initiatives | 193 | 178 |
| **Total income** | **1,509** | **1,388** |

RESOURCE ACCOUNTS

## 6. Property, plant and equipment

| | Information technology | Furniture and fittings | Leasehold improvements | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **2021-22** | | | | |
| **Cost or valuation** | | | | |
| At 1 April 2021 | 2,291 | 6 | 517 | **2,814** |
| Additions | 171 | 0 | 340 | **511** |
| Disposals | (350) | 0 | (22) | **(372)** |
| Impairments | (5) | 0 | 0 | **(5)** |
| **At 31 March 2022** | **2,107** | **6** | **835** | **2,948** |
| **Depreciation** | | | | |
| At 1 April 2021 | 1,543 | 6 | 421 | **1,970** |
| Charged in year | 341 | 0 | 45 | **386** |
| Disposals | (350) | 0 | (22) | **(372)** |
| **At 31 March 2022** | **1,534** | **6** | **444** | **1,984** |
| **Net Book Value at 31 March 2021** | **748** | **0** | **96** | **844** |
| **Net Book Value at 31 March 2022** | **573** | **0** | **391** | **964** |
| **2020-21** | | | | |
| **Cost or valuation** | | | | |
| At 1 April 2020 | 2,114 | 6 | 517 | **2,637** |
| Additions | 388 | 0 | 0 | **388** |
| Disposals | (209) | 0 | 0 | **(209)** |
| Impairments | (2) | 0 | 0 | **(2)** |
| **At 31 March 2021** | **2,291** | **6** | **517** | **2,814** |
| **Depreciation** | | | | |
| At 1 April 2020 | 1,478 | 6 | 404 | **1,888** |
| Charged in year | 271 | 0 | 17 | **288** |
| Disposals | (206) | 0 | 0 | **(206)** |
| **At 31 March 2021** | **1,543** | **6** | **421** | **1,970** |
| **Net Book Value at 31 March 2020** | **636** | **0** | **113** | **749** |
| **Net Book Value at 31 March 2021** | **748** | **0** | **96** | **844** |

All assets are owned by the Commission. There are no assets held under finance leases (nil in 2020-21).



## 7. Intangible assets

| | Databases and management systems | Assets under construction | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **2021-22** | | | |
| **Cost or valuation** | | | |
| At 1 April 2021 | 14,600 | 355 | **14,955** |
| Additions | 0 | 1,051 | **1,051** |
| Transfers | 1,173 | (1,173) | **0** |
| Disposals | (11) | 0 | **(11)** |
| **At 31 March 2022** | **15,762** | **233** | **15,995** |
| **Depreciation** | | | |
| At 1 April 2021 | 9,128 | 0 | **9,128** |
| Charged in year | 1,883 | 0 | **1,883** |
| Disposals | (11) | 0 | **(11)** |
| **At 31 March 2022** | **11,000** | **0** | **11,000** |
| **Net Book Value at 31 March 2021** | **5,472** | **355** | **5,827** |
| **Net Book Value at 31 March 2022** | **4,762** | **233** | **4,995** |
| **2020-21** | | | |
| **Cost or valuation** | | | |
| At 1 April 2020 | 14,877 | 1,373 | **16,250** |
| Additions | 0 | 1,564 | **1,564** |
| Transfers | 2,542 | (2,542) | **0** |
| Disposals | (2,819) | 0 | **(2,819)** |
| Impairments | 0 | (40) | **(40)** |
| **At 31 March 2021** | **14,600** | **355** | **14,955** |
| **Depreciation** | | | |
| At 1 April 2020 | 10,340 | 0 | **10,340** |
| Charged in year | 1,607 | 0 | **1,607** |
| Disposals | (2,819) | 0 | **(2,819)** |
| **At 31 March 2021** | **9,128** | **0** | **9,128** |
| **Net Book Value at 31 March 2020** | **4,537** | **1,373** | **5,910** |
| **Net Book Value at 31 March 2021** | **5,472** | **355** | **5,827** |

RESOURCE ACCOUNTS

All intangible assets are owned by the Commission. There are no intangible assets held under finance leases (nil in 2020-21). Assets under construction represent expenditure on IT developments.

## 8. Capital and other commitments

### 8.1 Capital commitments

As at 31 March 2022, the Commission had no capital commitments (nil as at 31 March 2021).

### 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.

| | 2021-22 | 2020-21 |
|---|---|---|
| | £'000 | £'000 |
| **Obligations under operating leases comprise: buildings** | | |
| Not later than one year | 1,307 | 900 |
| Later than one year and not later than five years | 2,892 | 2,096 |
| Later than five years | 0 | 1,372 |
| | **4,199** | **4,368** |

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

## 9. Cash and cash equivalents

| | 2021-22 | 2020-21 |
|---|---|---|
| | £'000 | £'000 |
| **Balance at 1 April** | **1,401** | **487** |
| Net change in cash and cash equivalent balances | (974) | 914 |
| **Balance at 31 March** | **427** | **1,401** |
| **The following balances at 31 March were held at:** | | |
| Government Banking Services | 427 | 1,401 |
| **Balance at 31 March** | **427** | **1,401** |

The Commission holds no cash equivalents.

## 10. Trade, other receivables and prepayments

| | 2021-22 | 2020-21 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts falling due within one year:** | | |
| VAT | 393 | 376 |
| Other receivables | 72 | 67 |
| Prepayments and accrued income | 1,158 | 1,040 |
| | **1,623** | **1,483** |

## 11. Trade and other payables

| | 2021-22 | 2020-21 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts falling due within one year:** | | |
| Taxation and social security | 436 | 446 |
| Trade payables | 1,251 | 1,719 |
| Staff exit costs | 59 | 452 |
| Accruals and deferred income | 1,560 | 1,928 |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end* | 427 | 1,401 |
| | **3,733** | **5,946** |

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

### 11.1 Legal

The Commission had no material legal commitments or liabilities as at 31 March 2022 (nil as at 31 March 2021).

## 12. Contingent liabilities

The Commission has no contingent liabilities judged to be probable or material at 31 March 2022 (nil as at 31 March 2021).

## 13. Financial Instruments

The Commission's resource requirements are met from Parliament through the Estimates process and minimal income from other Government Departments. The Commission has no powers to borrow money or to invest surplus funds. The only financial instruments held by the Commission are those that arise from the Commission's day-to-day operational activities and include trade and other receivables (Note 10) and trade and other payables (Note 11). The carrying value of the financial instruments approximates to their fair value and the Commission is exposed to limited credit, liquidity or market risks.

### Liquidity risk

The Commission's net revenue resource requirements and capital expenditure are financed by resources voted annually by Parliament or through the reimbursement of costs charged to bodies funded by Parliament. The Commission is therefore not exposed to material liquidity risks.

### Credit risk

The Commission recharges other Government Departments for the re-imbursement of costs relating to joint Departmental projects. These parties receive funding from Parliament and there has been no history of default on any amounts due to the Commission and management assesses its counter parties to not present a significant credit risk.

### Market Risk

From time-to-time the Commission has some exposure to foreign currency markets because some purchases are denominated in US Dollars or Euro's. Due to the minimal value of these transactions management assesses that there are no significant market risks.

## 14. Related party transactions

During the year 2021-22, 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 Ministry of Justice, the Home Office, the Department for Work and Pension, the Office of National Statistics, the Office of Civil Society (part of the DCMS), 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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