

Charity Commission

Resource Accounts 2006-07

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2006-07

(For the year ended 31 March 2007)

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Resource Accounts: Charity Commission

Annual Report

This Annual Report is prepared and published as part of the Charity Commission's Resource Accounts for 2006-07 as required by the Financial Reporting Manual (FRM) produced by HM Treasury.

Further details of the Commission's activities, operations and performance against its targets for the year can be found in its Annual Report for 2006-07. Each year an Annual Report is presented to Parliament as required by the Charities Act 1993 as amended by the Charities Act 2006. It also contains details of any significant developments in the operating environment during the year as identified at the time of publication.

The Commission undertook a fundamental Strategic Review in 2005. This resulted in an amended vision, mission and values. These are summarised in the publication '*Charity working at the heart of society – the way forward 2005–2008*'. To reflect this change in strategy a revised set of Strategic Objectives has been agreed with HM Treasury. This is, therefore, the first year in which these objectives are to be reported on.

The statutory Annual Report for 2006-07 will be available on the Commission's website at: www.charitycommission.gov.uk.

Scope

The Charity Commission is established by law as the regulator and registrar of charities in England and Wales.

As at 31 March 2007 there were about 190,000 registered charities of which about 160,000 were main charities listed on the Commission's Central Register of Charities with the remainder being subsidiaries or branches of main charities. In 2006-07, the gross annual income of all registered main charities exceeded £40 billion. The majority of registered main charities have an income of £10,000 or less. They represent nearly 60% of registered charities but have less than 1% of the income recorded. There are 653 charities with income over £10 million that attract over 47% of the total income.

Governance

Role and composition of the Board

The Commission is a non-ministerial government department. The Chief Executive is the Commission's Accounting Officer.

Governance responsibilities for strategy and future direction of the Commission rest with its Board, including the allocation of resources at a strategic level. The Board presently comprises the Chair and four other members. Two members, David Unwin and Lindsay Driscoll are legally qualified as is required by legislation.

Implementation of the Charities Act 2006 in February 2007 made the Commission a body corporate and increased the maximum number of board members from five to nine, including the Chair. It is planned to expand the Board to its full membership in 2007 and a recruitment process is underway. In future the members of the Commission's Board will be appointed by a Minister. The appointment of a member who knows about conditions in Wales is subject to consultation with the National Assembly for Wales. Decisions of the Commission are independent from Ministerial direction or influence, although challengeable in the High Court and the Charity Tribunal when this is established in 2008.

During 2006-07 the Board comprised:

Members of Board

Chair	Dame Suzi Leather DBE (from 1 August 2006)
	Geraldine Peacock CBE (until 31 July 2006)
Member	Lindsay Driscoll
Member	David Unwin
Member	John Williams
Member	Tess Woodcraft

The current Members were appointed by open competition for 3-year fixed term appointments, with the option of extension for a further one to two years. This option has been exercised in the case of David Unwin and Lindsay Driscoll. A further extension has been given to David Unwin until the appointment of a new legally qualified Member.

Committees of the Board

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

Audit Committee

Committee Chairman	David Taylor
Committee Member	Lindsay Driscoll

The Board has established an Audit Committee to support it and the Chief Executive as Accounting Officer in his responsibilities for ensuring the adequacy of risk management, internal controls, efficient and effective use of public funds and financial governance arrangements within the Charity Commission.

The functions of the Audit Committee broadly follow the recommendations of HM Treasury's Audit Committee Handbook and its role includes responsibility for reviewing:

- strategic processes and arrangements for risk management, internal control and governance
- the annual Resource Accounts of the Commission and the Official Custodian for Charities
- planned activity and results of both internal and external audit
- adequacy of management response to issues identified by audit activity
- assurances relating to the corporate governance requirements of the Commission including the Internal Audit Annual Report and the opinion on the adequacy of the Commission's internal control systems
- matters relating to the appointment of internal and external auditors
- the terms of reference for internal audit and the arrangements for co-operation between internal and external audit.

The Audit Committee is an appointed Committee of the Board and normally meets at least four times annually. The Committee met on five occasions in 2006-07 in pursuance of these duties.

Executive Directors

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Chief Executive and the Executive Group comprising the Chief Executive, the Executive Directors and other senior managers. The Directors are each supported by teams comprising their own senior staff together with representatives of other key parts of the organisation.

As at 31 March 2007 the Directors comprised:

Chief Executive	Andrew Hind
Executive Director, Information & Corporate Services	Nick Allaway
Executive Director, Policy & Effectiveness	Rosie Chapman
Executive Director, Legal & Charity Services	Kenneth Dibble

The Chief Executive, Andrew Hind, was appointed via open competition for a period of four years commencing 4 October 2004.

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

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

Governance Framework

An independent review focussing on effective governance arrangements between the Board and Executive Group was undertaken between July and November 2005. This had regard to the Code of Good Practice for corporate governance in central government departments and the implications of the Charities Bill. The recommendations arising from this review are reflected in the Governance Framework for the Commission, which was adopted in December 2005. This Governance Framework was further revised to reflect the changes as a result of the implementation of the Charities Act 2006. It was adopted by the Board at its meeting in February 2007. The current Governance Framework can be found on the Commission's website at: www.charitycommission.gov.uk.

Equality and Diversity Policy

The Commission is committed to valuing equality and diversity. We will provide not only a working environment that is free from discrimination, harassment and victimisation, where everyone will receive fair and equal treatment related to effective performance in their job, but we will also harness the different perspectives and skills of everyone, and make full use of them in our work. We are creating an ethos throughout the Commission in which we respond to the needs of our colleagues and customers, where diversity is truly valued and where everyone is treated with dignity and respect.

The Commission has appointed a Member, Tess Woodcraft, as its Diversity Champion. We are working to comply with the Civil Service 10-Point Plan on Diversity. The Commission's employment policies incorporate relevant employment law and best practice to ensure the organisation does not discriminate against anyone who works for it or comes into contact with the Commission. The Commission has in place equality schemes for race, disability and gender. The Commission monitors its workforce against diversity targets covering ethnicity, gender and disability, and provides diversity training to all staff.

The Commission adheres to the Civil Service Code of Practice on the Employment of Disabled People. The Code ensures that the Commission does not discriminate on grounds of disability. Access to employment and career advancement is based solely on competence required for the job and individual ability. The Commission also participates in the "two ticks" Disability Symbol programme, and has established a Disability Forum for the benefit and support of staff.

Employee Relations

The Commission is committed to creating and maintaining effective employee relations, both directly between line managers and their staff, and indirectly between management and the trade unions (PCS, Prospect and FDA). The Commission's senior management promotes a spirit of co-operation and partnership between all concerned, in the interests of productivity, efficiency and the well being of all Commission staff. This means recognising the responsibilities of managers to manage, the need for good communications with staff and their representatives, and timely consultation (and where appropriate, negotiation) on issues affecting staff and their conditions of service.

Environmental Sustainability

The Commission has in place a Sustainability Action Plan setting out the Commission's approach to sustainable development and the actions it will be taking in the near future. This plan is available on the Commission's website.

Payment of Suppliers

The Commission has signed up to the CBI's Better Payment Practice Code and it is committed to paying all undisputed invoices within 30 days of the later of receipt of goods and services or receipt of the invoice. During the year the percentage of invoices paid within this target period was 97.6%, a slight decrease compared to the previous (2005-06) year's performance of 98.2%.

Register of Interests

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

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

The register of interests, listing the involvement of Members and Directors with charities, both current and past, is open to the public and is published on our website.

Auditors

This year's Resource Accounts have been audited by the National Audit Office on behalf of the Comptroller and Auditor General. No further audit services were received aside from that of Statutory Audit by the NAO. The cost of audit work was £60,000, (£58,000 for 2005-06), which is solely related to audit services and is a notional cost (see note 8).

As far as the Accounting Officer is aware, there is no relevant audit information of which the National Audit Office are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Management Commentary

Aim

The Commission's aim is to provide the best possible regulation of charities in England and Wales in order to increase charities' efficiency and effectiveness and public confidence and trust.

Objectives and Principal Activities

For 2006-07 the Commission agreed with HM Treasury the following key strategic objectives:

- Continually improving services, assisting charities to deliver;
- Proportionate regulation;
- Guiding charities in complying with their legal obligations;
- Sharing knowledge and working together across the sector;
- Enhancing trustees' knowledge and understanding; and
- Increasing public understanding and support for charities.

Review of Operational Performance

Achievement of the Commission's strategic objectives is measured by reporting on performance against 6 Key Performance Indicators (KPI's) which have been agreed with HM Treasury and are formally set out in the Commission's Corporate Plan for 2006-08.

A summary of the Commission's performance against the above KPI's is contained in Table 1 below.

Table 1: Achievement of Key Performance Indicators March 2007

Key Performance indicators		Achieved	Target
KPI1 – Improve the level of public trust and confidence in charities, including increasing trust within ethnic minority communities.	● Overall level of trust (random sample)	To be reported 2007-08	Currently being benchmarked
	● Overall level of trust (representative sample)	To be reported 2007-08	Currently being benchmarked
	● Stakeholder survey of the value and effectiveness of the Commission's work to improve public trust in charity	63.1%	Improve on 49.3% (2004)
	● 20 key operational targets met	75%	75%
KPI2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing customers' use of our online services annually.	● Number of customer surveys achieving 90% approval of our services	98%	90%
	● Percentage of individuals or charities who said we provided the service they required at first point of contact	94%	90%

	● Increase of take up in online services	6%	4% annual increase
	● Increase in our publications sent out electronically or directly downloaded	First benchmarking year – 1,511,785 publication hits	4% annual increase
	● Average time taken to deal substantively with letters	9 days	15 days
	● Average time taken to deal substantively with emails	To be reported 2007-08	Currently being benchmarked
	● Average time taken to deal substantively with telephone calls	To be reported 2007-08	Currently being benchmarked
KPI3 – Enhance the accountability and transparency of charities by making key information about individual charities more readily available to the public.	● Annual Survey of the accuracy of the register	99.6%	97%
	● Proportion of charities for which the most recent due accounts and annual returns are held	Accounts 87.5% Returns 89.7%	90.5%
	● Proportion of the sector's total income for which the most recent due accounts and annual returns are held	Accounts 97.3% Returns 97%	97%
	● Proportion of charities filing accounts and annual returns within the 10-month deadline	Accounts 73.6% Returns 76%	74.5%
	● Proportion of the sector's total income for which accounts and annual returns have been filed within the 10-month deadline	Accounts 90.6% Returns 88.9%	87.5%
	● Proportion of charities with income over £1m for which the most recent due summary information returns are held	89.7%	95%
	KPI4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them quickly and with clear reported outcomes.	● Percentage of formal investigations completed satisfactorily within 9 months of commencement	100%
● Where published investigation reports are necessary, percentage of those reports		100%	95%

	published within 3 months of the completion of the investigation		
KPI5 – Demonstrate our impact on the charitable sector by increasing the sector’s income we directly regulate through our substantive	● Income of charities having substantive engagement with us during the year	£26bn	Not Applicable
KPI6 – Promote awareness and understanding of the operation of the public benefit requirement.		To be reported 2007-08	Currently being benchmarked

Charities Act 2006

The Charities Act 2006 includes 5 new statutory objectives for the Commission. These objectives are:

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

During 2007-08 we will be revising our Corporate Plan to reflect the new statutory objectives. Our Key Performance Indicators will remain the same and will be aligned with the new objectives as shown below:

KPI1 – Improve the level of public trust and confidence in charities, including increasing trust within ethnic minority communities.	Objective 1 – Public Confidence
KPI2 – Achieve standards of service delivery and effectiveness acceptable to our customers, whilst increasing customers’ use of our online services annually.	Objective 4 – Charitable Resources
KPI3 – Enhance the accountability and transparency of charities by making key information about individual charities more readily available to the public.	Objective 5 – Accountability
KPI4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them quickly and with clear reported outcomes.	Objective 3 – Compliance
KPI5 – Demonstrate our impact on the charitable sector by increasing the sector’s income we directly regulate through our substantive contact with charities.	Objective 4 – Charitable Resources
KPI6 – Promote awareness and understanding of the operation of the public benefit requirement.	Objective 2 – Public Benefit

Achieving Strategic Objectives

Progress to Date

The organisational changes that resulted from the Strategic Review in 2005-06 were concluded this year. Work has been reallocated between the Commission's four locations of Liverpool, London, Newport and Taunton to reduce overlap of functions on different sites and ensure a more consistent level of service to the customer. For example, work on large charities was brought into a single unit in London in order to maintain close and active links with those charities whose income exceed £5m per annum. This has worked well, client managers have been established for groups of charities and a more effective service provided as a result.

Charity Commission Direct was also launched. This single point of contact for all enquiries and requests for services coming to the Commission, whether by e-mail, fax, telephone or letter has enabled us to effectively deal with low level queries and route more important issues to the right place in the organisation. There has been a noticeable improvement in response targets as a result. The increased opening hours for our contact centre has also allowed us to engage with a greater range of customers at a time more convenient to them.

This wider change in functions and approach has been supported by significant investment in new technology. This year has seen further development and consolidation of business systems. Our online services, used by charities to update standing information and submit their Annual Return and accounts have achieved encouraging take up rates. All charities have access to the system and around 20% of charities used it to submit their returns in the first full year of operation.

We have seen increased benefits from our electronic documents management system with calls to our file store reducing by 30% as the utility of electronically stored data has grown. This year we have been able to add accounts, summary information returns and a significant number of governing documents to our system content.

Our sharper focus on compliance issues has led to a steep decline in outstanding casework. All high risk "intensive" cases are being handled by senior staff with support from a team of caseworkers. This is resulting in improved strategic handling of cases, faster exploration and investigation of issues and quicker resolution and restoration of sound governance and management. We are equipped to deal with cases more promptly, with enhanced capacity to make a positive difference where we take action.

Improved engagement with the sector has also been a feature of the year. As part of our charity engagement programme our Members and senior staff met formally with over 60 chairs and chief executives of leading charities to explore challenges and opportunities. We extended our programme of events for faith-based charities to cover Jewish, Sikh and Buddhist charities as well as Hindu and Muslim groups. In association with the BBC we hosted a conference on innovation in charity communication.

Explaining the implications of the new Charities Act and preparing for its implementation has dominated our policy and communication effort. This has included consultation on draft guidance on charities and public benefit. We have also been active identifying and reporting on the key issues for charities involved with public service delivery.

Plans for 2007-08

The Corporate Plan for 2006-08 summarises the further changes which will enable the Commission to meet the new Strategic Objectives. Some priorities are:

1. Continually improving services, assisting charities to deliver:

We will continue to bring together all the one-to-one operational services undertaken in Charity Services division on single sites wherever practicable. We will also do more to encourage customers to self serve from our website and to only contact us if necessary.

As a result of initiatives in Charity Services and Charity Information it is expected that the Commission will meet its target of achieving a 4% year-on-year increase in take up of online services. Compliance rates for submission of returns are expected to improve further above the record rates achieved in 2006-07 as we begin to tackle persistent defaulters more systematically.

We will develop and publicise our guidance for charities to ensure they are aware of their responsibilities and the options available to them through the provisions of the Charities Act.

2. Proportionate regulation:

We will engage with charities in a way which will make most difference to them and those who benefit from them. Any actions we take will be proportionate, fair and reasonable taking account of the issue, the risk involved to the charity and its beneficiaries and the capacity of the charity to comply.

To enable us to fulfil this commitment we have applied an enhanced framework of risk-based regulation to help us better decide when our involvement is appropriate in any given case. We are also committed to ensuring we achieve the targets we set to reduce the administrative burden on charities. This year we will conduct a review of financial thresholds jointly with the Office of the Third Sector.

3. Guiding charities in complying with their legal obligations:

We will continue to place considerable emphasis on our enforcement role ensuring that charities comply with their legal obligations. We are refocusing our resources in the Compliance and Support unit. Where there is evidence of deliberate wrong-doing, we will be faster and sharper in our response. We will be rolling out a system for serious incident reporting on zero tolerance issues such as fraud and abuse. The creation of a new pro active monitoring unit will support this work.

We are also addressing the outcomes of the Treasury and Home Office Review on charities and terrorism and applying increased resources to minimise the risk of charities being exploited to support the financing of terrorism.

We will publish the final version of our high-level draft guidance, Charities and Public Benefit, and subsequently hold further consultations on the detailed aspects of the public benefit requirement which comes into force in 2008.

4. Sharing knowledge and working together across the sector:

We will continue to produce authoritative publications for trustees and others interested in charities and their regulatory environment. Our range of publications includes in-depth research reports which combine the Commission's knowledge and experience with evidence gathered from the sector. Charities and umbrella bodies will be involved in the selection, scoping, and research of topics and in promoting the findings via close liaison and partnership arrangements. There will be an increased focus on using the Commission's popular web site as a means for disseminating information. A redesigned web site will be launched which will provide clearer signposting for customers who access our web site.

5. Enhancing trustees' knowledge and understanding:

Trustees stand behind every charity, with ultimate responsibility for running them. We have an important role to play in equipping them to carry out this task more effectively. A central theme flowing through our work is improving standards of governance in the sector. This year we will be promoting understanding of the new provisions in the Charity Act 2006. In particular increasing understanding of the public benefit requirement and the various deregulatory measures.

6. Increasing public understanding and support for charities:

The Charities Act 2006 includes an important new objective requiring the Commission to increase public trust and confidence in charities. We will aim to achieve this by building the credibility of our own role as an effective regulator of the charity sector. Our revised approach to operational work will

be seen to deal effectively with wrong-doing and poor practice whilst at the same time highlighting the many areas of good practice across the charity sector. In addition we will highlight the distinctiveness of charities and promote the work of trustees and volunteers and the contribution charitable activity makes to society.

Other Sources of Performance Information

In addition to this report and the statutory Annual Report, further information on the Commission's performance may be found in its Annual Departmental Report (ADR) to Parliament, which will be published by July 2007. The ADR also contains an overview of the Commission's structure, performance and its use of resources in 2006-07 together with details of the Commission's plans and targets for the coming year (2007-08).

Financing

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£000 2006-07	£000 2005-06
Net Resource Outturn (Estimates)	31,143	32,403
Adjustments to remove:		
– Provision voted for earlier years	–	–
Adjustments to additionally include:		
– Non-voted expenditure in the Operating Cost Statement (OCS)	–	–
– Consolidated Fund Extra Receipts in the OCS	–	–
Other Adjustments		
Net Operating Cost (Accounts)	30,698	31,337
Adjustments to remove:		
– Capital Grants to Local Authorities	–	–
– Capital Grants financed from Capital Modernisation Fund	–	–
– European Union income and related adjustments	–	–
– Voted expenditure outside the budget	–	–
Adjustments to additionally include:		
– Other Consolidated Fund Extra Receipts	248	–
– Resource consumption of non departmental public bodies	–	–
– Unallocated resource provision	–	–
Other Adjustments		
Resource Budget Outturn	30,946	32,403
Of which		
Departmental Expenditure Limits (DEL)	30,699	32,403
Annually Managed Expenditure (AME)	–	–

The surplus of £445k between the Net Resources Outturn (Estimates) of £31,143k and the Net Operating Cost (Accounts) of £30,698k arose from savings in non pay expenditure plus the deferral of some commitments to 2007-08.

The Commission also recorded a surplus of £1,224k in the Net Cash Requirement resulting from the expenditure patterns explained above adjusted to remove the effect of non cash items such as provisions.

The £248k of Other Consolidated Fund Receipts includes £247k of Consolidated Fund Extra Receipts from the subletting of space in the London office and additional work by the International Outreach Programme which is funded by the Foreign and Commonwealth Office.

The 2004 Spending Review

How we operate over the next year will be heavily influenced by our 2004 Spending Review (SR04) settlement from HM Treasury, under which the Commission was given a cash-flat annual budget of £31.6 million until March 2008. This was to include meeting the costs of the new Charities Act that were known at the time of SR04. This has resulted in a decline in the real-term value of our funding by approximately 2.5% each year since 2005-06.

The 2007 Comprehensive Spending Review

Discussions are ongoing with HM Treasury over the 2007 Comprehensive Spending Review Settlement. The terms of the settlement will heavily influence how we operate over the period to 2010-11 and the approach we adopt to meeting our objectives. Planning is underway to mitigate the impact on services of a settlement that is likely to apply an annual 5% reduction to our running costs. The complicating factor for the coming period is ensuring our plans are robust enough to allow for the costs of further organisational change and appropriate implementation of the Charities Act 2006.

Departmental Remuneration Report

Senior Civil Service (SCS) Pay Committee

The Commission's SCS Pay Committee comprises:

Committee Chairman	David Unwin
Committee Member	Dame Suzi Leather
Committee Member	John Williams
Committee Member	Andrew Hind

The responsibilities of the committee include:

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

Service Contracts

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

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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the department.

Remuneration (Audited)

	2006-07	2005-06
	Salary £000's	Salary £000's
Dame S Leather DBE * Chair (from 1 August 2006) (50-55 full year equivalent)	30-35	–
G Peacock CBE * Chair (to 31 July 2006) (35-40 full year equivalent)	10-15	65-70
L Driscoll * Member	25-30	25-30
D Unwin * Member	25-30	25-30

	2006-07	2005-06
	Salary £000's	Salary £000's
J Williams * Member	25-30	15-20
T Woodcraft * Member	10-15	5-10 (10-15 full year equivalent)
A Hind** Chief Executive	125-130	115-120
R Chapman Director	80-85	80-85
K Dibble Director	100-105	100-105
N Allaway Director	85-90	80-85

*Indicates part time non-executive appointed on a 3 year fixed term contract, with the option of a 1 to 2 year extension.

**appointed on a 4 year fixed term contract from 4 October 2004.

"Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. None of the above remuneration packages contained non cash elements.

There were no benefits in kind paid to senior officials in 2006-07 or 2005-06.

Pension Benefits (Audited)

	Accrued pension at age 60 at 31 March 2007 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2007	CETV at 31 March 2006	Real increase in CETV
	£000's	£000's	£000's	£000's	£000's
Dame S Leather DBE Chair (from 1 August 2006)	5-10 plus 20-25 lump sum	0-5 plus 15-20 lump sum	144	52	91
G Peacock CBE Chair (to 31 July 2006)	0-5	0-5	58	53	6
L Driscoll Member	0-5	0-5	36	25	9
D Unwin Member	0-5 plus 5-10 lump sum	0-5 plus 0-5 lump sum	49	39	8
J Williams Member	0-5	0-5	13	5	7
T Woodcraft Member	10-15	0-5	217	209	0
A Hind Chief Executive	0-5	0-5	70	41	26

	Accrued pension at age 60 at 31 March 2007 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2007	CETV at 31 March 2006	Real increase in CETV
	£000's	£000's	£000's	£000's	£000's
R Chapman Director	5-10 plus 0-5 lump sum	0-5 plus 0-5 lump sum	100	81	15
K Dibble Director	40-45 plus 125-130 lump sum	0-5 plus 0-5 lump sum	1,067	996	6
N Allaway Director	25-30 plus 75-80 lump sum	0-5 plus 0-5 lump sum	419	393	18

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

Andrew Hind

Chief Executive and Accounting Officer

22 June 2007

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Charity Commission is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Commission during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to:

- a) observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b) make judgements and estimates on a reasonable basis;
- c) state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
- d) prepare the accounts on a going-concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Statement on Internal Control

Scope of responsibility

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

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

As Accounting Officer I am accountable to Parliament and report to them annually. In managing risk I involve the Board and work with the Commission's Executive Group.

The Board is chaired by Dame Suzi Leather DBE. Board Members meet on a regular basis to consider the plans and strategic direction of the organisation. The Executive Group, which meets on a monthly basis, comprises the Chief Executive, the three Directors, and other senior managers. The duties of the Executive Group include implementing the strategic framework of programmes and policies established by the Board and ensuring effective service delivery.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Charity Commission for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A framework is given to the Commission's risk management process through a risk policy which defines the role and responsibilities of the Board, Audit Committee, Executive Group, and Directors. This is cascaded to appropriate managers with clear responsibility for improving controls and minimising the impact of risks that may be realised.

The risk and control framework

The Board and Executive Group identify and evaluate the top priority risks that are expected to have the greatest impact on the Commission's business if realised. These top priority risks are embedded in and supported by more detailed risk registers covering the main business functions. These subsidiary registers have been recast to reflect the structural changes that have taken place within the Commission following the Strategic Review. They have designated owners who are responsible for maintaining the registers and for overseeing the effective management of identified risks including monitoring progress on the development of additional controls where the need for this has been identified.

A monitoring and reporting system has been established that ensures that timely reports are made to the Executive Group, Audit Committee and Board on the extent to which risks are being controlled effectively. An overview is provided by the Commission's Strategic Assurance Plan, which maps the top priority risks to the Commission's objectives, charts progress against agreed mitigating actions and specifies items of assurance work. Management of risk is embedded in policy-making, planning and service delivery. This includes formal assessment of risks for all issues considered by the Board and the Executive Group.

This framework enables us to take a risk-focussed approach to targeting resources on the regulation and enablement of charities. It encourages our staff to actively identify, evaluate and manage risks in the conduct of day to day business.

Review of effectiveness

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

During 2006-07 the Board has maintained strategic oversight and review of internal control and developing risk management arrangements. The Audit Committee has given detailed consideration to: progress against the Strategic Assurance Plan; individual internal audit reports and management responses; progress on implementation of previous audit recommendations; the Internal Auditor's annual report and opinion on the adequacy of our internal control system; NAO audit reports and recommendations; and development of the Commission's approach to risk management.

At the end of the financial year letters of assurance were provided by owners of risk registers in which they confirmed the adequacy of the risk management and control arrangements for which they had responsibility. This is confirmed by the Internal Auditor's annual report which concluded that the Commission has adequate and effective risk management, control and governance processes to manage the organisation's objectives.

During 2006-07 action has been taken where appropriate to address internal control issues and recommendations made by the Commission's internal and external auditors, Audit Committee and Board.

Conclusion

On the basis of the above I am satisfied that for the 12 months ended 31 March 2007, the Charity Commission had adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Andrew Hind

Chief Executive and Accounting Officer

22 June 2007

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

I certify that I have audited the financial statements of the Charity Commission for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Annual Report, Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises the Annual Report, Management Commentary and Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
2 July 2007

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W9SP

Schedule 1

Statement of Parliamentary Supply

Summary of Resource Outturn

2006-07

	2006-07						2005-06	
	Estimate			Outturn			Outturn	
	<i>Gross expenditure</i>	<i>A in A</i>	<i>NET TOTAL</i>	<i>Gross expenditure</i>	<i>NET A in A</i>	<i>TOTAL</i>	<i>Net total outturn compared with Estimate saving/(excess)</i>	
							<i>NET TOTAL</i>	
Request for Resources 1 (Note 2)	31,613	(470)	31,143	31,416	(470)	30,946	197	31,337
Total resources	31,613	(470)	31,143	31,416	(470)	30,946	197	31,337
Non-operating-cost A in A	-	-	-	-	-	-	-	-

Net cash requirement 2006-07

	Note	2006-07		2005-06	
		Estimate	Outturn	£000	£000
				<i>Net total outturn compared with Estimate saving/(excess)</i>	
				<i>saving/(excess)</i>	<i>Outturn</i>
Net cash requirement	4	31,441	30,217	1,2254	31,636

Summary of Income payable to the Consolidated Fund.

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Forecast 2006-07		Outturn 2006-07	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Total	5	-	-	248	248

Explanation of variances between Estimate and Outturn are given in Notes 2 and 4, and in the Operating and Financial Review

The notes on pages 27 to 41 form part of these accounts

Schedule 2

Operating Cost Statement for the year ended 31 March 2007

	Note	2006-07		2005-06	
		£000	£000	£000	£000
Administration costs					
Staff costs	7	17,608		17,149	
Other administration costs	8	13,808		14,645	
Operating income	6		(718)		(446)
Net Operating Cost	3		30,698		31,328
Net Resource Outturn			30,946		31,337

Operating of Recognised Gains and Losses for the year ended 31 March 2007

	Note	2006-07	2005-06
		£000	£000
Receipts of donated assets	15	-	-
Total recognised gains and losses for the financial year		-	-

The notes on pages 27 to 41 form part of these accounts

Schedule 3

Balance Sheet as at 31 March 2007

	Note	31 March 2007		31 March 2006	
		£000	£000	£000	£000
Fixed assets:					
Tangible Assets	9		5,341		5,407
Debtors falling due after more than one year	10		29		47
Current assets:					
Debtors	10	1,490		1,456	
Cash at bank and in hand	11	1,472		955	
		2,962		2,411	
Creditors (amounts falling due within one year)	12	(3,486)		(2,278)	
		(3,486)		(2,278)	
Net current assets			(524)		133
Total assets less current liabilities			4,846		5,587
Provisions for liabilities and charges	13		(830)		(816)
			4,016		4,771
Taxpayers' equity:					
General fund	14		4,016		4,768
Donated asset reserve	15		0		3
			4,016		4,771

Andrew Hind
Chief Executive and Accounting Officer

22 June 2007

The notes on pages 27 to 41 form part of these accounts

Schedule 4

Cash Flow Statement

for year ended 31 March 2007

	Note	2006-07 £ 000	2005-06 £ 000
Net cash outflow from operating activities	16a	(29,040)	(30,043)
Capital expenditure and financial investment	16b	(929)	(1,584)
Payments of amounts due to the Consolidated Fund	16d	(9)	(9)
Financing	16c	30,495	30,260
Increase/(decrease) in cash in the period		517	(1,376)

Schedule 5

Resources by Departmental Aim and Objectives

for year ended 31 March 2007

	Gross £000	2006-07 Income £000	Net £000	Gross £000	2005-06 Income £000	Net £000
Aim: to give the public confidence in the integrity of charity						
Objective 1	17,308	(396)	16,912	17,487	(256)	17,231
Objective 2	6,077	(139)	5,938	6,041	(89)	5,952
Objective 3	3,307	(76)	3,231	3,370	(49)	3,321
Objective 4	2,634	(60)	2,574	2,671	(39)	2,632
Objective 5	1,950	(44)	1,906	1,971	(29)	1,942
Objective 6	140	(3)	137	254	(4)	250
Net operating costs	31,416	(718)	30,698	31,794	(466)	31,328

The department's objectives are as follows:

- Objective 1 – Continually improving services, assisting charities to deliver
- Objective 2 – Proportionate regulation
- Objective 3 – Guiding charities in complying with their legal obligations
- Objective 4 – Sharing knowledge and working together across the sector
- Objective 5 – Enhancing trustees' knowledge and understanding
- Objective 6 – Increasing public understanding and support for charities

See Note 17

The notes on pages 27 to 41 form part of these accounts

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. In addition to the primary statements prepared under UK GAAP, the FReM also requires the Commission to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Costs by Departmental Aim and Objectives and supporting notes analyse the Commission's income and expenditure by the objectives agreed by the Board. Where the FReM permits a choice of accounting policy, the accounting policy which has been 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 Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets of over £1,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All tangible fixed assets are restated to current value each year, using indices published by the Office for National Statistics (ONS) appropriate to the category of asset to estimate value.

1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point at which the asset is brought into use.

Asset lives are normally in the following ranges:

IT Equipment	3-7 years
Office Equipment	5-7 years
IT Databases	7 years

1.4 Donated assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement.

1.5 Relifed assets

Assets which have reached the end of their useful economic life, but are still in service, have been "relifed" ie credited with a nominal value, to acknowledge their continued existence. The relifed assets are not subject to depreciation or revaluation.

Notes to the Accounts *(continued)*

1.6 Stocks

The Commission has no stocks of significant value.

1.7 Operating Income

Operating income is income which relates directly to the operating activities of the Commission. It includes not only income appropriated in aid of the Estimate but also income to the Consolidated Fund, which in accordance with FReM is treated as operating income. Operating income is stated net of VAT.

1.8 Administration expenditure

Administration costs reflect the costs of running the Commission. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. The classification of expenditure and income as administration, follows the definition of administration costs set by HM Treasury.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by the Commission, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, where the charge is nil.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes which are described in note 7. The defined benefit schemes are unfunded and non-contributory except in respect of dependents benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Commission recognises the contributions payable for the year.

1.11 Leases

At present, all leases held by the Charity Commission are operating leases and the rentals are charged to the Operating Cost Statement on a straight line basis over the term of the lease.

1.12 Provisions

The Commission provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by the Treasury (currently 2.8%).

1.13 Value Added Tax

Most of the activities of the Commission are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT.

Notes to the Accounts *(continued)*

1.14 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Commission discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise all items which are required by the FReM to be noted in the resource accounts. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

2. Analysis of net outturn by section

				Outturn		2006-07 Estimate	2005-06
	Admin	Other Current	Gross Resource Expenditure	A in A	Net Total	Net Total	Prior Year Outturn
	£000	£000	£000	£000	£000	£000	£000
Request for resources 1:							
Giving the public confidence in the integrity of charity							
Section A							
Administration	31,416	–	31,416	(470)	30,946	31,143	31,337
Resource Outturn	31,416	–	31,416	(470)	30,946	31,143	31,337

Explanation of the difference between Estimate and Outturn (a more detailed explanation is given in the Operating and Financial Review):

The surplus of £197k is a result of:

- £0.70m savings in expenditure on information systems, printing costs and accommodation
- £0.20m overspend on budgeted pay costs
- £0.15m overspends in non pay costs of recruitment
- £0.25m of under recovery of appropriations in aid

Notes to the Accounts *(continued)*

3. Reconciliation of outturn to net operating cost against Administration Budget

3(a) Reconciliation of net outturn to net operating cost

		2006-07	2005-06
		Outturn compared with Estimate	Outturn
	Note	£000	£000
Net Resource Outturn	2	30,946	31,337
Non-Supply Income (CFERS)	5	(248)	(9)
Net Operating Costs		30,698	31,328

3(b) Outturn against final Administration Budget

		2006-07	2005-06
		Budget	Outturn
		£000	£000
Gross Administration Budget		31,613	31,794
Income allowable against the Administration Budget		(470)	(457)
Net Outturn against final Administration Budget		31,143	31,337

4. Reconciliation of resources to cash requirement

		Estimate	Outturn	Net total outturn Compared with Estimate saving/ (excess)
	Note	£000	£000	£000
Net total resources	2	31,143	30,946	197
Capital:				
– Acquisition of fixed assets	9	1,399	929	471
– Investments		–	–	–
Non-operating cost A in A				
– Proceeds of fixed asset disposals	8	–	–	–
Accruals adjustments:				
– Non-cash items	8	(1,761)	(1,931)	170
– Changes in working capital other than cash	16a	(140)	(425)	285
– Changes in creditors falling due after one year		–	–	–
– Use of provision	13	800	698	102
Net Cash Requirement		31,441	30,217	1,225

Explanation of variation between Estimated net cash requirement and Outturn:

The surplus of £1,224k is a result of:

- The resource expenditure patterns set out in note 2; and
- higher than budgeted non cash costs (provisions) of £0.85m;
- lower than budgeted expenditure on fixed asset acquisition.

Notes to the Accounts *(continued)*

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations-in-aid, the following income relates to the Charity Commission and is payable to the Consolidated Fund (cash receipts being shown in italics):

	2006-07 Income	Forecast Receipts	2006-07 Income	Outturn Receipts
Note	£000	£000	£000	£000
Operating income and receipts – excess AinA	–	–	248	248
Other operating income and receipts not classified as AinA	–	–	–	–
Sub total	–	–	248	248
Other non-operating income and receipts not classified as AinA	–	–	–	–
Other amounts collectable on behalf of the Consolidated Fund	–	–	–	–
Excess surrenderable to the Consolidated Fund	–	–	–	–
Total income payable to the Consolidated Fund	–	–	248	248

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2006-07 £000	2005-06 £000
Operating Income		718	466
Income authorised to be appropriated-in-aid		(470)	(457)
Operating income payable to the Consolidated Fund	5	248	9

Notes to the Accounts *(continued)*

7. Staff numbers and related costs

Staff Costs

Staff costs comprise

	2006-07	2005-06
	£000	£000
Wages and salaries	13,595	13,140
Social security costs	1,025	1,005
Other pension costs	2,533	2,394
Agency staff	501	657
Total	17,654	17,196
Charged to capital	(46)	(47)
Total Net Costs	17,608	17,149

The Commission is a non-Ministerial Government Department and employs no Special Advisers, therefore all pay costs relate to Officials.

The Principal Civil Service Pensions Schemes (PCSPS) of which most of the Commission's employees are members are unfunded multi-employer defined benefit schemes and the Charity Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2006-07, employer's contributions of £2,506,957 were payable to the PCSPS (2005-06 £2,367,995) at rates in the range 17.1 to 25.5 per cent (2005-06 16.2 to 24.6 per cent) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and they reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership account, which is a stakeholder pension with an employer contribution. Employer's contributions of £24,551.17 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2005-06 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £1,780.43, 0.8 per cent (2005-06 £1,987.08, 0.8 per cent) of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2,342.

Contributions prepaid at that date were Nil.

No staff (2005-06: 2 persons) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £Nil (2005-06: £29,024)

Notes to the Accounts *(continued)*

Average number of persons employed

The average number of whole-time equivalent persons, including senior management, employed during the year, was as follows:

	2006-07	2005-06
	Number	Number
Objective 1	331	341
Objective 2	82	85
Objective 3	30	31
Objective 4	35	36
Objective 5	20	21
Objective 6	1	1
Staff engaged on capital projects	1	2
Total	500	517
Agency staff	14	23
Total	514	540

8. Other Administration Costs

		2006-07		2005-06	
	Note	£000	£000	£000	£000
Rentals under operating leases:					
Hire of plant and machinery		930		881	
Other operating leases		2,804	3,734	3,182	4,063
Non cash items:					
Depreciation of fixed assets		881		823	
Impairment of assets		6		21	
Write off of Asset Under Construction		98		–	
Loss on disposal of fixed assets	9	9		8	
Cost of capital charge		165		158	
Auditor's remuneration and expenses		60		58	
Provisions provided in year	13	712	1,931	663	1,731
Other expenditure^a			8,143		8,851
			13,808		14,645

Notes:

a: - Other expenditure by category of spend was as follows:

	2006-07	2005-06
	£000	£000
Personnel related	1,276	1,294
Accommodation	1,809	2,160
Office Services	2,529	2,878
Consultancy/Agency	410	687
Specialist Services	1,420	1,304
Losses and Special Payments	39	78
International Outreach Project*	660	450
Total other expenditure	8,143	8,851

* Funding for this programme is provided by the Foreign and Commonwealth Office and is shown as Appropriations in Aid in Schedule 1.

Notes to the Accounts *(continued)*9. Tangible Fixed Assets *(see also notes 1.2-1.5)*

	IT Equipment	IT Databases	Office Equipment	Assets under Construction	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2006	535	6,198	161	98	6,992
Additions	138	–	29	763	930
Donations	–	–	–	–	0
Relieved assets	3	–	–	–	3
Disposals/transfers	(118)	–	(11)	–	(129)
Revaluation	(12)	–	(1)	–	(13)
Write off*	–	–	–	(98)	(99)
At 31 March 2007	546	6,198	178	762	7,684
Depreciation					
At 1 April 2006	395	1,042	148	–	1,585
Charged in year	65	806	10	–	881
Disposals	(109)	–	(11)	–	(120)
Revaluations	(3)	–	–	–	(3)
At 31 March 2007	348	1,848	147	–	2,343
Net book value at 31 March 2007	198	4,350	31	762	5,341
Net book value at 31 March 2006	140	5,156	13	98	5,407

Valuation of Assets

Fixed assets are valued using indices supplied by the Office of National Statistics with the exception of IT Databases

Assets under Construction represents expenditure on IT projects planned for completion in 2007-08. Projects include an online registration system and the replacement of the Commission's current case management system

Notes to the Accounts *(continued)*

10. Debtors

10(a) Analysis by type

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Amounts falling due within one year:		
VAT	220	275
deposits and advances	13	23
other debtors	166	145
prepayments and accrued income	1,091	1,013
	<u>1,490</u>	<u>1,456</u>
Amounts falling due after one year:		
prepayments	29	47
	<u>1,519</u>	<u>1,503</u>

10(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
	£000	£000	£000	£000
Balances with other central Government Departments	326	275	-	-
Balances with bodies external to government	1,193	1,228	-	-
Total Debtors at 31 March	<u>1,519</u>	<u>1,503</u>	<u>-</u>	<u>-</u>

11. Cash at Bank and in Hand

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Balance at 1 April	955	2,331
Net Cash Inflow/(Outflow)	517	(1,376)
Balance at 31 March	<u>1,472</u>	<u>955</u>

The following balances at 31 March are held at

Office of HM Paymaster General	1,471	954
Cash in hand	1	1
	<u>1,472</u>	<u>955</u>

The balance at 31 March comprises:

Amounts issued from the Consolidated Fund for supply but not spent at year end	1,471	946
Consolidated Fund extra receipts received and due to be paid to the Consolidated Fund	1	9
	<u>1,472</u>	<u>955</u>

Notes to the Accounts *(continued)*

12. Creditors: amounts falling due within one year

12(a) Analysis by type

	2006-07	2005-06
	£000	£000
Taxation and social security	347	490
Trade creditors	569	164
Other creditors	21	1
Accruals and deferred income	829	668
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,472	946
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	248	9
	3,486	2,278

12(b) Intra Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07	2005-06	2006-07	2005-06
	£000	£000	£000	£000
Balances with other central Government Departments	2,067	1,530	-	-
Balances with bodies external to government	1,419	748	-	-
Total Creditors at 31 March	3,486	2,278	-	-

13. Provision for liabilities and charges *(see also notes 1.2)*

	Early departure costs	Roof Refurbishment	Dilapidation	2006-07 Total	2005-06 Total
	£000	£000	£000	£000	£000
Balance at 1 April 2006	421	395	0	816	223
Increase/(decrease) in provision	462	0	250	712	663
Amounts utilised in year	(303)	(395)	0	(698)	(70)
Balance at 31 March 2007	580	0	250	830	816

13.1 Early departure costs

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

Notes to the Accounts *(continued)*

14. General Fund

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Net operating cost for the year (Schedule 2)	(30,698)	(31,328)
Income not appropriated in aid payable to the Consolidated Fund	(248)	(9)
	(30,946)	(31,337)
Net parliamentary funding	30,495	30,260
Consolidated Fund creditor for cash unspent	(1,472)	(946)
Settlement of previous year Consolidated Fund creditor for cash unspent	946	2,322
Non-cash Charges:		
cost of capital	165	158
auditor remuneration	60	58
Net increase/(decrease) in general fund	(752)	515
General fund at 1 April 2006	4,768	4,253
General fund at 31 March 2007 (Schedule 3)	<u>4,016</u>	<u>4,768</u>

15. Reserves

15(a) Donated Asset Reserve

	<u>2006-07</u>	<u>2005-06</u>
	<u>Donated asset reserve</u>	<u>Donated asset reserve</u>
	£000	£000
Balance at 1 April 2006	3	3
Additions during the year	–	0
Released to General Fund	(3)	0
Balance at 31 March 2007	<u>0</u>	<u>3</u>

The donated asset reserve reflects the net book value of assets donated to the Charity Commission.

Notes to the Accounts *(continued)*

16. Notes to the Consolidated Cash Flow Statement

16(a). Reconciliation of the operation cost to operating cash flows

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Net operating cost	30,698	31,328
Adjustments for non-cash transactions (see Note 3)	(1,931)	(1,731)
Increase/(Decrease) in Debtors	17	229
(Increase)/Decrease in Creditors	(442)	(1,299)
Movements in creditors relating to items not passing through the OCS	-	1,376
Use of provision (see Note 14)	698	70
Net cash outflow from operating activities	29,040	30,043

16(b). Analysis of capital expenditure and financial investment

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Tangible fixed asset additions (see note 9)	929	1,584
Net cash outflow from investing activities	929	1,584

16(c). Analysis of financing

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
From Consolidated Fund (Supply) – current year ¹	31,441	32,582
From Consolidated Fund (Supply) – prior year ²	(946)	(2,322)
Net financing	30,495	30,260

¹ Amount of grant actually issued to support the net cash requirement £31,441,000

² Amount of grant actually issued to support the prior year net cash requirement £945,963

16(d). Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	<u>2006-07</u>	<u>2005-06</u>
	£000	£000
Net cash requirement	(30,217)	(31,636)
From Consolidated Fund (Supply) – current year	31,441	32,582
From Consolidated Fund (Supply) – prior year	(946)	(2,322)
Amounts due to the Consolidated Fund – received in a prior year and paid over	(9)	(9)
Amounts due to the Consolidated Fund received and not paid over	248	9
Increase/(decrease) in cash	517	(1,376)

Notes to the Accounts *(continued)*

17. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Capital Employed by Departmental Aim and Objective at 31 March 2007

The Commission's capital is used exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost.

Wherever possible, administration costs have been attributed to objectives in accordance with the Commission's normal management accounting practices. To facilitate this process, the activities undertaken by the Commission are identified as being either "direct" or "support" activities; the costs of the latter are reapportioned to the former using bases such as the proportion of floorspace occupied, the number of staff in post, or the proportion of the total Commission budget held. The full cost of each "direct" activity contributes to a Commission output, which, in turn, contributes to a Commission objective.

Income has been attributed to objectives on the same proportionate basis as expenditure.

18. Capital commitments

At 31 March 2007 the Commission had a contractual agreement with Parity amounting to £0.5m per annum for the provision of suitably qualified information technology staff. The majority of costs incurred under this contract are for the development of information systems that are considered to be capital assets under the Commission's accounting policy.

19. Commitments under leases

19.1 Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires

	2006-07	2005-06
	£000	£000
Obligations under operating leases comprise:		
Buildings		
Expiry within one year	–	–
Expiry after one year, but not more than five years	1,575	1,388
Expiry thereafter	1,112	1,165
	2,687	2,553
Other		
Expiry within one year	85	208
Expiry after one year, but not more than five years	465	277
Expiry thereafter	–	–
	550	485

Notes to the Accounts *(continued)*

20. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which government departments are financed, the Charity Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks it faces in undertaking its activities.

Liquidity risk

The department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Charity Commission is not therefore exposed to significant liquidity risks.

Interest rate risk

All of the Charity Commission's financial assets and financial liabilities carry a nil rate of interest, and the Commission is not therefore exposed to any interest rate risk.

Foreign currency risk

The Charity Commission's exposure to foreign currency risk is negligible. Foreign currency income is negligible and foreign currency expenditure is not significant. The Commission therefore has no standing policy to eliminate currency exposures on high value transactions.

Fair Value

Set out below is a comparison by category of book values and fair values of the Charity Commission's financial assets and liabilities as at 31 March 2007

	Book Book Value	Fair Fair Value	Basis of fair valuation
	£000	£000	
Primary financial instruments			
Financial assets			
Cash at bank (see Note a)	1,472	1,472	
Financial liabilities			
Provision for Early Departure Costs	(580)	(580)	Note b
Provision for Dilapidation	(250)	(250)	

Notes:

a) Cash at bank and in hand is available on demand.

b) Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the real rate set by HM Treasury (currently 3.5 per cent).

Notes to the Accounts *(continued)*

21. Contingent liabilities disclosed, or not required to be disclosed, under FRS 12 *(see also note 1.14)*

The Commission is in discussions with the managing agents of the London office DTZ for a VAT liability of some £0.25m. It is the Commission's view that this liability belongs to DTZ as VAT was not charged on invoices issued to the Commission. As negotiations are at an early stage the extent of any liability to the Commission has yet to be determined.

Under the terms of the Commission's lease agreement for its London property, the Commission is liable for dilapidation costs when the lease runs out in June 2009. A provision of £0.25m has been made in this year's accounts in addition to refurbishment costs incurred of £0.395m during 2006-07. The final liability is uncertain and will remain so until an agreement is reached with the landlord.

22. Losses and special payments

22(a) Losses Statement

	2006-07		2005-06	
	No.	£000	No.	£000
Total losses for the year	1	98	3	5

22(b) Special Payments

	2006-07		2005-06	
	No.	£000	No.	£000
Total special payments for the year	7	39	9	72

The loss of £98,000 refers to the write off of capital expenditure on assets under construction shown at note 8. There were 7 special payments in 2006-07. 3 payments totalling £1,200 arose from complaints made to the Independent Complaints Reviewer, 1 payment of £117 was in respect of legal costs incurred as a result of incorrect advice by the Commission and 3 payments totalling £38,000 were made in respect of 2 cases involving Commission staff.

23. Related Party Transactions

The Commission has undertaken no related party transactions.

24. Events after the Balance Sheet Date

There have been no events after the Balance Sheet Date requiring an adjustment to the financial statements. The Annual Report and Accounts were authorised for issue by the Accounting Officer on 5 July 2007.



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