

# **Charity Commission**

**Resource Accounts 2008-09**



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# Charity Commission

## Resource Accounts 2008-09

(For the year ended 31 March 2009)

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## Annual Report

### Resource Accounts: Charity Commission

#### *Annual Report*

This Annual Report is prepared and published as part of the Charity Commission's Resource Accounts for 2008-09 as required by the Financial Reporting Manual (FReM) 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 2008-09. Each year an Annual Report is presented to Parliament as required by the Charities Act 1993 as amended by the Charities Act 2006. The statutory Annual Report for 2008-09 will be available on the Commission's website at: [www.charitycommission.gov.uk](http://www.charitycommission.gov.uk).

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. A revised Strategic Plan issued in August 2008 builds on the work carried out during the Strategic Review, adjusts the Commission's plans for the outcome of the funding settlement achieved in the 2007 Comprehensive Spending Review and reflects the Commission's Strategic Priorities for 2008-11. A copy of the Commission's Strategic Plan for 2008–11 is available from the Commission's website.

#### **Scope**

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

As at 31 March 2009 there were about 190,000 registered charities of which about 165,000 were main charities listed on the Commission's Register of Charities with the remainder being subsidiaries or branches of main charities. In 2008-09, the gross annual income of all registered main charities was just under £50 billion. 47% of registered main charities have an income of £10,000 or less. There are 1,639 charities with income over £5 million that account for just over 65% 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 comprises the Chair and eight other members. The Board members are appointed to bring a range of knowledge and experience to the Commission. This includes knowledge of charity law, accounting and financing of charities and the operation and regulation of charities of different sizes and descriptions. Two appointed members are required to be legally qualified and one member is appointed for their knowledge of conditions in Wales.

The Board was expanded to its full complement in 2007-08 following governance changes arising from the implementation of the Charities Act 2006 in February 2007. Decisions of the Commission are independent from Ministerial direction or influence, although open to challenge in the High Court and the Charity Tribunal.

During 2008-09 the Board comprised:

### ***Members of Board***

Chair	Dame Suzi Leather DBE
Member	John Williams
Member	Tess Woodcraft (until 30 April 2009)
Member	Simon Jones
Member	Sharmila Nebhrajani
Member	Dr Andrew Purkis OBE
Member	Theo Sowa
Member	Simon Wethered
Member	John Wood

Members of the Board were appointed by open competition for 3-year fixed term appointments, with the option of extension or reappointment. This option was exercised in the case of John Williams and Tess Woodcraft.

### ***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 Chair	Sharmila Nebhrajani
Committee Member	David Taylor – Independent Non Executive Member
Committee Member	Simon Jones

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 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; and
- 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 2008-09 in pursuance of these duties.

### ***Executive Directors***

Corporate decision making that affects the day-to-day operation of the Commission is delegated to the Chief Executive and the Directors Group comprising the Chief Executive and the Executive Directors. 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 2009 the Directors comprised:

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

The Chief Executive, Andrew Hind, was appointed via open competition for a period of four years commencing 4 October 2004. This contract has been extended by two years to 4 October 2010.

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

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

## ***Governance Framework***

The current Governance Framework can be found on the Commission's website. This Governance Framework was 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.

## ***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 appointed a Board Member, Tess Woodcraft, to act as Diversity Champion. Tess Woodcraft has now been replaced by John Wood. We are working to comply with the Civil Service 10-Point Plan on Diversity and the new Civil Service strategy issued in July 2008 *Promoting Equality, Valuing Diversity*. This is based around the four themes of developing appropriate behaviour and culture, demonstrating strong leadership, managing diverse talents and improving representation. 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 and has now drafted a Single Equality Scheme to cover all the strands of diversity. 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.

### ***Sickness Absence***

The Charity Commission is committed to managing and reducing absence levels using a wide range of initiatives. These include access to occupational health professionals; flexible working opportunities and health promotion events. For 2008-09 an average of 6.5 working days was lost due to sickness absence a significant decrease on the previous year's performance of 8.6 working days.

### ***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 30 days was 97.9%, a slight increase compared to the previous (2007-08) year's performance of 97.1%.

### ***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 Chair 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 £66,000, (£60,000 for 2007-08), which is solely related to audit services and is a notional cost. £6k of the audit fee related to the work done by the NAO for the transition to International Reporting Standards, carried out in 2008/09 (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.

### **Strategic Priorities**

For 2008-11 the Commission is committed to achieving the following key strategic priorities:

- Continuing our commitment to modern, risk based regulation;
- Delivering organisational change and valuing our people;
- Independent, objective decision making and leadership;
- Driving the accountability of charities to the public;
- Delivering faster, more efficient services to our customers; and
- Completing implementation of the Charities Act 2006.

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

### **Statutory Objectives**

The Commission's statutory 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.   |

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

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

## Review of Operational Performance

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

Each of the six top-level KPIs is measured via a number of different targets covering the range of our work. Not all of these KPIs have annual targets and some will provide cumulative results over a period of years. We formally report back to the Treasury annually on our achievement against our KPIs and also against the wider commitments set out in more detail in the Corporate Plan.

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

	Target	Achievement
Overall level of public trust and confidence in charities	To continuously improve ratings over 2005 baseline (63% in 2005)	66%
Stakeholder survey of the Commission's effectiveness as the charity sector's regulator	To continuously improve ratings over 2004 baseline (63.1% in 2006, 49.3% in 2004)	68.3%
20 key operational targets met	75%	75%
Trust and confidence in charities compared with other public institutions	Ranked in top 6 of 12 in an independent survey	Ranked 3 <sup>rd</sup> of 11 in an independent survey

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

	Target	Achievement
Percentage of customer surveys across operational areas who said we do a very good job	70%	81%
Percentage of individuals or charities at first point of contact, Charity Commission Direct, who said we provided the service they required	90%	90% (median)
Increase in take-up of online services	4% increase on previous year	60% increase
Increase in our publications sent out electronically or directly downloaded*	4% increase annually – 1,511,785 hits	1,858,669 hits = +23% over two years
Increase in our publications sent out electronically or directly downloaded**	4% increase annually – 239,610 views in 2007/08	341,723 views = +43% over one year
Average time taken to deal substantively with letters	15 days	7.6 days
Average time taken to deal substantively with emails	80% within 5 days	84% within 5 days

\*This target is based on the non-qualitative 'hits' method and has been replaced by the more qualitative 'views' method. \*\* Both are included for this year but from 2009-10 only the views target and performance will be reported.

### KPI 3 – Balance the accountability and transparency of charities by making key information about individual charities more readily available to the public

	Target	Achievement
Annual audit of the accuracy of the register of charities	97.5% correct	100% correct

Proportion of charities for which the most recent due accounts and annual returns are held	Accounts: 92% Returns: 92%	Accounts: 90% Returns: 91%
Proportion of the sector's total income for which the most recent due accounts and annual returns are held	Accounts: 98% Returns: 98%	Accounts: 98% Returns: 98%
Proportion of charities filing accounts and annual returns within the 10-month legal deadline	Accounts: 75% Returns: 75%	Accounts: 77% Returns: 77%
Proportion of the sector's total income for which accounts and annual returns have been filed within the 10-month legal deadline	Accounts: 90% Returns: 90%	Accounts: 94% Returns: 92%
Proportion of charities with annual income of over £1 million for which the most recent due summary information returns are held	75%	81%

**KPI 4 – Improve the efficiency of formal investigations into charities begun after 1 April 2006 by completing them quickly and with clear reported outcomes**

	Target	Achievement
Average time to complete formal investigations satisfactorily	274 days	358 days*
Where published investigation reports are necessary, percentage of those reports published within three months of the completion of the investigation	95%	74%**

\* This KPI was not met in the year. It relates only to statutory inquiries, dealing with the most complex and serious concerns about charities. 21 statutory inquiries were completed in 2008-09. However, the Commission also completed 167 regulatory compliance cases in 2008-09, where our statutory inquiry powers were not required. These were completed in an average time of 158 days, excluding two cases delayed by the involvement of other regulators, compared to our internal target of 183 days.

\*\* Delays in publishing inquiry reports were mainly due to the need to co-ordinate with other regulators/agencies, including police investigations and the handling of sensitive issues, or where we have been actively engaging with charities to resolve issues and reach agreement.

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

	Achievement
Income of charities having substantive engagement with us during the year	£29.4 billion (£27.3bn in 2007-08)

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

This KPI relates to our statutory public benefit objective, 'to promote awareness and understanding of the operation of the public benefit requirement'.

We remain on course to meet our timetable. Of our five targets for the year, three have been met (Green) and another two are close to being met (Amber), representing an 80% success rate and an overall rating of Green (target 75% success).

Green:

- Supplementary guidance for four charity sub-sectors were published in December and a fifth was not proceeded with following public consultation.
- Commentaries on responses received to public consultations were produced in September. We published summaries of the responses to our consultations in September and published updated versions of those summaries in December to show how we had addressed the responses in our revised guidance

- Five example accounts highlighting the public benefit reporting requirement have been published.

Amber:

- Engagement with 10 umbrella bodies on public benefit issues not yet completed: final scoping underway.
- Publication of 12 public benefit assessment cases delayed although cases have been completed and are under final review.

## ***Achieving Strategic Objectives***

### **Progress to Date**

#### **1. Increasing public trust and confidence in charities**

Our on-line Register of Charities contains detailed information about the 190,000 charities registered in England and Wales. Given our statutory responsibility to ensure the Register is accurate, this year we introduced new measures to ensure charities which no longer operate are removed, after a series of targeted reminders have been sent to them.

Since this new strategy was introduced, 1,300 charities which have ceased to exist have been removed from the register. This ensures improved accuracy on the public information we hold about the sector and we anticipate removing a further 10,000 inactive charities over the next year.

#### **2. Promoting awareness and understanding of the public benefit requirement**

The requirement that all charities report on the public benefit they deliver came into force on 31 March 2009. To ensure that charities affected by the change had clear guidance in advance, much of our energy in the last year was focused on delivering supplementary guidance on public benefit for charities advancing different purposes.

After extensive consultation, in December we published supplementary public benefit guidance for charities whose aims include preventing or relieving poverty, advancing education or religion and those which charge fees. To inform charities' thinking in the run-up to compiling their own reports we published a range of illustrative example reports for different types of charities, both above and below the more detailed reporting threshold.

The supplementary public benefit guidance was aimed at those charity sectors which had the presumption of public benefit removed under the Charities Act 2006, including those which advance education and religion as well as those which charge fees. In October 2008, we started a programme of initial assessments of some charities within these sectors, including fee-charging residential care homes and charitable schools as well as those which advance religion.

Their contribution will help identify wider themes and general points of interest when it comes to public benefit and the sector. We aim to publish the conclusions of these first assessments by Summer 2009.

#### **3. Promoting compliance with legal obligations**

We take an intelligence-led approach to regulation, evaluating information and taking a proportionate response to intervention. In September, we brought together, for the first time, the impact and lessons of our investigatory and compliance case work in one report.

*Charities Back on Track* provided a casebook of real-life examples of problems in charities, explaining how the Commission dealt with them and providing guidance on how to prevent similar situations. The examples covered cases on effective governance, fighting fraud, fundraising, vulnerable beneficiaries, tackling the threat of terrorism and disputes.

The last 12 months saw us continue our year-on-year *Accounts Aren't Optional* campaign to drive up compliance rates of charities filing their accounts and annual returns within their 10-month deadline. We were pleased that this year saw 77% of all charities with income over £10k file within this period, up from 75% the previous year. As the accountability of charities to the public becomes even more important we will continue to focus resources on improving these rates further.

#### **4. Promoting the effective use of charitable resources**

As well as providing charities with practical advice via our Contact Centre, open six days a week, we have been working closely with the Office of the Third Sector to provide further guidance on how charities can access funds to help them work together more efficiently. We are planning additional practical advice and guidance to help all trustees bolster the sustainability and efficiency of their charities while the economic downturn continues.

In addition to issue-specific problems, charities need accurate advice and guidance on a day-to-day basis. A high quality and responsive service from the Commission saves charities both time and money as well as providing them with the best tools to run their charities as affectively as possible. 2008 saw our Contact Centre achieve accreditation from the Customer Contact Association recognising customer service excellence in contact centre operations.

We are always seeking new ways to raise the standards of communications to customers in all areas of our work and were particularly pleased when our *Stop, Think, Write* programme to do this won the public sector trophy at the Ideas UK awards. And in January the Commission's online accounts filing facility received the central e-Government excellence award for take up and growth.

The need for charities to focus on good governance and organisational effectiveness becomes even more acute in hard times. In July 2008 we published our revised and updated *Hallmarks of an Effective Charity*, which sets out the key principles of good governance and examples of how to put them into practice to provide a sound basis for governance for all charities.

#### **5. Enhancing the accountability of charities to donors, beneficiaries and the general public**

In October 2008 the Commission launched a new version of its online Register of Charities. It provides clear and easily understandable information about every charity on the Register. The new version of the Register was widely welcomed by the sector, and we were particularly encouraged when 39 MPs signed a Parliamentary Early Day Motion welcoming its introduction, followed by a Written Statement of Opinion from 26 Members of the National Assembly for Wales congratulating us on its launch. It has proved popular with users too - with nearly 10 million page views last year.

The Charities Act 2006 required many previously exempt and excepted charities – around 6,500 in total – to register with the Commission. We plan to complete the registration process for excepted charities by October 2009 and will then be ready to accept the applications from around 2,500 previously exempt charities with incomes over £100,000.

#### **Plans for 2009 - 11**

The Strategic Plan for 2008-11 summarises the further changes which will enable the Commission to meet the new Strategic Objectives. Some priorities are:

- ***Continuing our commitment to modern, risk-based regulation***

Our strategy is to reduce the regulation burden on charities. This means we must be even more focused on where and how we engage with charities as their regulator. We must continue to improve our service delivery and strive for excellence in all we do.

Where the risks are low we will enable charities to do better through self-regulation or lighter touch regulation. We will make our guidance and advice widely available so that self-service is possible for charities who are dealing with common, low-risk issues. We will concentrate most effort on resolving problems where charities, their assets or their beneficiaries are at risk. We will offer advice and guidance to improve governance and resolve issues - where there is deliberate wrong-doing or a charity has been exploited we will act swiftly and rigorously.

- ***Independent, objective decision-making and leadership***

Independent regulation means making objective decisions, based on the public interest and the facts of each individual case. Parliament gives us a statutory role equivalent to the High Court to take decisions about charity law.

There may be times when those concerned disagree with our decisions, and it is right that those affected should be able to challenge our conclusions. Our decisions can be tested through the new Charity Tribunal and this will help charity law develop. To date three cases have been referred to the Tribunal.

- ***Developing our organisation, motivating and building the expertise of our staff***

Only capable and motivated staff in the right roles, with the right tools and training to do their jobs effectively, will be able to deliver the services we want to offer. We are committed to building a diverse work force, providing excellent training, development and learning, and encouraging staff to make decisions appropriate to their knowledge and experience. We will build the expertise within the Commission through learning and development, talent management and strategic resourcing.

- ***Driving the accountability of charities to the public***

77% of charities submit their accounts and annual returns within the statutory ten month deadline, which means about one quarter of charities fail to achieve this most basic of accountability standards. We are addressing the issue of charities who persistently default and have agreed new measures to remove these charities from the Register. In addition our new Register now clearly highlights those charities who have not complied.

As part of our commitment to reducing the burden of regulation on charities, whilst ensuring accountability to the public, we will continue our rolling review of the information we ask charities to provide in their Annual Returns. This may include reducing the numbers of charities expected to provide an Annual Return in response to consultations under the Charities Act 2006.

- ***Delivering faster, more efficient services through online routes***

We will further develop our website, to make it easier for visitors to find the information they are looking for and to give a better overview of the Commission's services. We will focus on making our guidance and information easily accessible online. Take-up of the services we offer online, such as filing accounts and updates, and in some cases registration, has already been very positive. We will improve and increase the range of services we offer online so this becomes the first choice for all our customers.

- ***Completing implementation of the Charities Act 2006***

The Charities Act 2006 modernised the legal framework allowing charities to operate with greater freedom and flexibility to respond to changes in society. We are committed to implementing in full the provisions of the Act and will work with stakeholders to achieve this. Areas where the Commission has a key role to play include:

- consulting on regulations, model governing documents and other issues to enable the Charitable Incorporated Organisation (CIO) governance model to come into effect;
- reviewing model governing documents;
- developing the right accounting regime for charities which are currently exempt;
- understanding and clarifying charitable status issues around Industrial and Provident Societies; and
- continuing to develop the framework for charities to meet the public benefit requirement.

## ***Reporting of Protected Personal Data Related Incidents***

In the Cabinet Office's Interim Progress Report on Data Handling Procedures, published on 17 December 2007, Official Report, column 98WS, Government made a commitment that Departments will cover information risk management in their annual reporting. The following tables set out:

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

<b>Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008-09</b>				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
No incidents to report	-	-	-	-
Further action on information risk	None, aside from that covered in actions to manage information risk which is covered in the section below.			

<b>Summary of other protected personal data related incidents in 2008-09</b>		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out below. Small localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	No incidents to report
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	No incidents to report
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	1*
IV	Unauthorised disclosure	1**
V	Other	No incidents to report

\* Three CRB check certificates were mislaid within the Taunton office in April 2008. There is no evidence that the standard procedures for securing certificates were applied once the certificates were received. Despite exhaustive searches the certificates were not found. The charity correspondent was contacted and the individuals concerned were informed. A letter of apology was sent to the charity correspondent and the Commission paid for replacement certificates.

\*\* In November 2008 the Commission was alerted to a software fault in an on line service. This exposed low level personal data for 43 trustees for 11 charities to potential disclosure. The technical fault was rectified the same day. A system audit confirmed that the data was seen by the individual who alerted the Commission to the problem and he assured the Commission he had not misused the data. The correspondents for the 11 organisations affected were contacted to explain the situation and an apology was given.

Both incidents above were reported voluntarily to the Information Commissioner despite falling below his materiality level for reporting.

<b>Year-on-year total numbers of protected personal data related incidents prior to 2008-09</b>													
<b>Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number</b>							<b>Total number of other protected personal data related incidents, by category number</b>						
	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>Total</b>		<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>Total</b>
<b>2007-08</b>	-	-	-	-	-	-	<b>2007-08</b>	-	-	-	-	-	-
<b>2006-07</b>	-	-	-	-	-	-	<b>2006-07</b>	-	-	-	-	-	-
<b>2005-06</b>	-	-	-	-	-	-	<b>2005-06</b>	-	-	-	-	-	-
<b>2004-05</b>	-	-	-	-	-	-	<b>2004-05</b>	-	-	-	-	-	-

## Financing

The Charity Commission's 2007 Comprehensive Spending Review settlement for 2008-11 has resulted in an annual reduction of 5% in real terms to the Commission's budget for each of these years. Our baseline funding was £30.972m this year, falling to £30.219m in 2009-10 and £29.484m in 2010-11.

This year presented its own challenges, including the need to negotiate terms for the move of the Commission's London office to its new site at 30 Millbank in June 2009, but the overall financial position is satisfactory and the Commission operated within its approved expenditure limits.

<b>Reconciliation of resource expenditure between estimates, accounts and budgets</b>		
	£000 2008-09	£000 2007-08
<b>Net Resource Outturn (Estimates)</b>	32,422	34,343
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	-	-
<b>Net Operating Cost (Accounts)</b>	31,727	32,573
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	37	2
- Resource consumption of non departmental public bodies	-	-
- Unallocated resource provision	-	-
Other Adjustments	-	-
<b>Resource Budget Outturn</b>	31,764	32,575
Of which		
Departmental Expenditure Limits (DEL)	31,727	32,573
Annually Managed Expenditure (AME)	-	-

The surplus for the year of £0.695m, representing the difference between the Net Resource Outturn (Estimates) of £32.422m and the Net Operating Cost (Accounts) of £31.727m is due in part to an underspend in pay costs compared to budgeted levels due to delays at the start of the financial year in filling new posts created as a result of a review of the Commission's activities in 2007-08. The estimated construction costs of the fit out for the Commission's new London premises were provided for in the Commission's Estimate for 2008-09 but this expenditure will now be reflected in the Commission's accounts for 2009-10.

The Commission also recorded a surplus of £1.079m in the Net Cash Requirement resulting from the underspends explained above, plus the receipt of £0.3m of deferred revenue in respect the Commission's work on Faith and Social Cohesion from the Department for Communities and Local Government. This revenue will be spent in support of the Commission's expenditure in 2009-10.

## ***Departmental Remuneration Report***

### ***Senior Civil Service (SCS) Pay Committee***

The Commission's SCS Pay Committee comprises:

Committee Chairman	John Williams
Committee Member	Dame Suzi Leather
Committee Member	John Wood
Committee Member	Andrew Hind
External Committee Member	Louise Rose

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 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 SCS members and affordability considerations; and
- 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 by the Commission, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

### ***Salary and pension entitlements***

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

#### **Remuneration (audited)**

	<b>2008-09 Salary £000's</b>	<b>2007-08 Salary £000's</b>
Dame S Leather DBE * Chair	80-85	80-85
A Hind*** Chief Executive	130-135	130-135
R Chapman Director	90-95	85-90
K Dibble Director	105-110	110-115
N Allaway Director	85-90	85-90
D Locke Director	75-80	50-55 (80-85 full year equivalent)

	2008-09 Fees £000's	2007-08 Fees £000's
J Williams * Member	20-25	25-30
T Woodcraft * Member	5-10	10-15
S Jones** Member	15-20	5-10
S Nebhrajani** Member	5-10	5-10
Dr A Purkis OBE** Member	10-15	5-10
T Sowa** Member	10-15	5-10
S Wethered** Member	20-25	5-10
J Wood** Member	15-20	0-5

\* Indicates part time non-executive appointed on a three year fixed term contract, with the option of extension or reappointment. J Williams and T Woodcraft transferred to the new contracts for members on 4 January 2008 and 1 May 2008 respectively and since transfer have received the same remuneration as those members appointed since 1 July 2007.

\*\* Members appointed since July 2007 receive a daily fee of £350. No pension contributions are paid.

\*\*\* Appointed on a four year fixed term contract from 4 October 2004, extended to 4 October 2010.

"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.

In addition to the above, Dame Suzi Leather in accordance with her contract of employment received payments amounting to £25,403 in respect of reimbursement of travel and subsistence costs arising from her home base being out of London. The Charity Commission meets the resulting tax liability for this contractual commitment.

David Taylor received £1,598 in remuneration for duties as the independent non-executive member of the Audit Committee, and £1,955 in remuneration for membership of the Common Investment Funds Standing Group.

### ***Reimbursement of Expenses***

Expenses claimed by Board Members are in respect of actual receipted expenditure for travel, subsistence, accommodation and stationery. 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.

**Pension Benefits (audited)**

	Accrued pension at age 60 at 31 March 2009 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2009	CETV at 31 March 2008	Real increase in CETV
	£000's	£000's	£000's	£000's	£000's
Dame S Leather DBE Chair	10-15 plus 30-35 lump sum	0-5 plus 5-10 lump sum	223	191	14
T Woodcraft Member	10-15	(0-5)	228	233	(6)
J Williams Member	0-5	0-5	20	20	0
A Hind Chief Executive	5-10	0-5	146	106	28
R Chapman Director	10-15 plus 0-5 lump sum	0-5 Plus(0-5) lump sum	154	123	16
K Dibble Director	45-50 plus 145-150 lump sum	(0-5) plus (0-5) lump sum	1,126	1,114	(26)
N Allaway Director	25-30 plus 85-90 lump sum	0-5 plus 0-5 lump sum	516	468	6
D Locke Director	5-10	0-5	100	89	2

**Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension

product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**. Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://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 figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 effectively 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.

**Andrew Hind**  
Chief Executive and Accounting Officer

24 June 2009

## Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the Charity Commission is required to prepare resource accounts for each financial year, in conformity with a HM Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department 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 Department, the net resource outturn, resources applied to the 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 requirements of the Government Financial Reporting Manual and in particular to:

- observe 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 accounts; and
- prepare the accounts on an ongoing basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department.

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 safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

## Statement on Internal Control

### ***Scope of responsibility***

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

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 Directors 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 Directors Group, which meets on a monthly basis, comprises the Chief Executive and the four Directors. The duties of the Directors 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 2009 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, Directors 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 Directors 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. All risks 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 Directors 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 Directors 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.

In March 2008 a comprehensive data security action plan was drawn up in response to the Cabinet Office mandatory process measures and specific minimum measures for protection of personal information. This plan was endorsed by the Audit Committee and was underpinned by a baseline internal audit review of personal data security arrangements in the Commission. The Audit Committee monitored progress against the plan throughout the year. At the year end the action plan was validated by a further internal audit review, which identified two non-critical areas for improvement which are being actioned.

### ***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 2008-09 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. Following guidance issued by the Cabinet Office I have also conducted a review of handling of personal data. This was supported by the Audit Committee's monitoring of our 2008-09 data security action plan throughout the year and an end of year review by internal audit which provided satisfactory assurance. Two non-critical improvements were identified which are in progress and will be completed in 2009-10. I am content that appropriate controls over this data are in place.

### ***Conclusion***

During 2008-09 action has been taken where appropriate to address internal control issues and recommendations made by the Commission's internal and external auditors, Audit Committee and Board.

The internal auditors have concluded that, in their opinion, for the 12 months ended 31 March 2009, the Charity Commission had adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

***Andrew Hind***

24 June 2009

Chief Executive and Accounting Officer

## 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 2009 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 Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic 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, the information which comprises the subsection described as Annual Report and the sections within the Management Commentary described as: Aim; Strategic Priorities; Statutory Objectives; Review of Operational Performance; and Achieving Strategic Objectives, included in the Annual 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. This other information comprises the unaudited part of the Remuneration Report, the section within the Management Commentary described as Financing and Reporting of Protected Personal Data Related Incidents and the Statement of Accounting Officer's Responsibilities. 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**

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 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows 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 which comprises the subsection described as Annual Report and the sections within the Management Commentary described as: Aim; Strategic Priorities; Statutory Objectives; Review of Operational Performance; and Achieving Strategic Objectives, included in the Annual Report, is consistent with the financial statements.

### **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.

*Amyas C E Morse*  
*Comptroller and Auditor General*  
*National Audit Office*  
*151 Buckingham Palace Road*  
*Victoria*  
*London*  
*SW1W 9SS*

## Statement of Parliamentary Supply

for the year ended 31 March 2009

### Summary of Resource Outturn 2008-09

	<u>Estimate</u>			<u>Outturn</u>			Net Total Outturn compared with Estimate: saving/ (excess)	<u>2007-08</u>  Total Net Total Outturn
	Gross Expenditure £000	A in A £000	Net Total £000	Gross Expenditure £000	Net A in A £000	Net Total £000		
<b>Request for Resources 1</b>								
Resource Outturn (Note 2)	34,126	(1,704)	32,422	33,121	(1,357)	31,764	658	32,575
<b>Total resources</b>	<b>34,126</b>	<b>(1,704)</b>	<b>32,422</b>	<b>33,121</b>	<b>(1,357)</b>	<b>31,764</b>	<b>658</b>	<b>32,575</b>
Non-operating cost A in A	-	-	-	-	-	-	-	-

### Net cash requirement 2008-09

	<u>Estimate</u>	<u>Outturn</u>	<u>2008-09</u> Net total Outturn compared with Estimate saving/(excess)	<u>2007-08</u>  Outturn
Note	£000	£000	£000	£000
Net cash requirement	4 32,372	31,293	1,079	30,746

### Summary of the 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)

	<u>Forecast 2008-09</u>		<u>Outturn 2008-09</u>	
	Income £000	Receipts £000	Income £000	Receipts £000
Total income payable to the Consolidated Fund	5 -	-	37	37

## Operating Cost Statement

for the year ended 31 March 2009

	Note	£000	2008-09 £000	£000	2007-08 £000
<b>Administration Costs:</b>					
Staff Costs	7	18,464		19,487	
Other Administration Costs	8	14,657		14,237	
Total Administration Costs			33,121		33,724
Operating Income	6		(1,394)		(1,151)
Net Operating Cost	3		<u>31,727</u>		<u>32,573</u>
Net Resource Outturn	2		<u>31,764</u>		<u>32,575</u>

## Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Receipts of donated assets	-	-
<b>Total recognised gains and losses for the financial year</b>	<b>-</b>	<b>-</b>

**Balance Sheet**

as at 31 March 2009

	Note	£000	<u>31 March 2009</u> £000	£000	<u>31 March 2008</u> £000
<b>Fixed assets:</b>					
Tangible assets	9		4,434		5,229
<b>Debtors falling due after more than one year</b>	10		-		13
<b>Current assets:</b>					
Debtors	10	1,816		1,655	
Cash at bank and in hand	11	1,116		1,086	
		<u>2,932</u>		<u>2,741</u>	
<b>Creditors (amounts falling due within one year)</b>	12	<u>(3,731)</u>		<u>(4,258)</u>	
		(3,731)		(4,258)	
<b>Net current assets</b>			<u>(799)</u>		<u>(1,517)</u>
<b>Total assets less current liabilities</b>			<b>3,635</b>		<b>3,725</b>
<b>Provisions for liabilities and charges</b>	13		<u>(1,341)</u>		<u>(1,111)</u>
			<u>2,294</u>		<u>2,614</u>
<b>Taxpayers' equity:</b>					
General fund	14		2,294		2,614
			<u>2,294</u>		<u>2,614</u>

**Andrew Hind**  
Chief Executive and Accounting Officer

24 June 2009

## Cash Flow Statement

for the year ended 31 March 2009

	<u>2008-09</u>	<u>2007-08</u>
<u>Note</u>	<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities	15a (30,753)	(29,778)
Capital expenditure and financial investment	15b (501)	(968)
Payments of amounts due to the Consolidated Fund	15d (2)	(248)
Financing	15c 31,286	30,608
<b>Increase/(decrease) in cash in the period</b>	<b><u>30</u></b>	<b><u>(386)</u></b>

## Resource by Departmental Aim and Objectives

for the year ended 31 March 2009

	<b>Gross</b>	<b>Income</b>	<b>2008-09 Net</b>	<b>Gross</b>	<b>Income</b>	<b>2007-08 Net</b>
	£000	£000	£000	£000	£000	£000
<b>Aim: to give the public confidence in the intergrity of charity</b>						
Objective 1	2,982	(125)	2,857	3,035	(103)	2,932
Objective 2	662	(28)	634	674	(23)	651
Objective 3	10,930	(460)	10,470	11,129	(380)	10,749
Objective 4	7,617	(321)	7,296	7,757	(265)	7,492
Objective 5	10,930	(460)	10,470	11,129	(380)	10,749
<b>Net operating costs</b>	<b>33,121</b>	<b>(1,394)</b>	<b>31,727</b>	<b>33,724</b>	<b>(1,151)</b>	<b>32,573</b>

The department's objectives were as follows:

- Objective 1 - Public Confidence
- Objective 2 - Public Benefit
- Objective 3 - Compliance
- Objective 4 - Charitable Resources
- Objective 5 - Accountability

## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008–09 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM 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 FRoM 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 Cost by Departmental Aim and Objectives and supporting notes analyse the Commission's income and expenditure by the objectives agreed by the Board. Where the FRoM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department 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 and Intangible fixed assets

Tangible fixed assets are stated at the lower of the replacement cost and the 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. IT equipment and Office equipment 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 life is 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 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 Relieved assets

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

## **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 direct to the Operating Cost Statement 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 3.2%).

## **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.

### 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

					<u>Outturn</u>	<u>Estimate</u>	<u>2008-09</u>	<u>2007-08</u>
	<u>Admin</u>	<u>Other</u>	<u>Gross</u>	<u>A in A</u>	<u>Net Total</u>	<u>Net Total</u>	<u>Net Total</u>	<u>Prior Year</u>
	<u>£000</u>	<u>Current</u>	<u>Resource</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>Estimate</u>	<u>Outturn</u>
		<u>£000</u>	<u>Expenditure</u>				<u>£000</u>	<u>£000</u>
<b>Request for resources 1:</b>								
Giving the public confidence in the integrity of charity								
<b>Section A</b>								
Administration	33,121	-	33,121	(1,357)	31,764	32,422	658	32,575
<b>Resource Outturn</b>	<b>33,121</b>	<b>-</b>	<b>33,121</b>	<b>(1,357)</b>	<b>31,764</b>	<b>32,422</b>	<b>658</b>	<b>32,575</b>

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

The underspend for the year of £0.658m is due in part to lower actual pay costs compared to budgeted levels. This was due to delays at the start of the financial year in filling new posts created as a result of a review of the Commission's activities in 2007-08.

The estimated construction costs of the fit out for the Commission's new London premises were provided for in the Commission's Estimate for 2008-09 but this expenditure will now be reflected in the Commission's accounts for 2009-10.

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

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

	<u>Note</u>	<u>Outturn</u>	<u>Supply</u>	<u>2008-09</u>	<u>2007-08</u>
				<u>Outturn</u>	<u>Prior Year</u>
		<u>£000</u>	<u>Estimate</u>	<u>Compared</u>	<u>Outturn</u>
			<u>£000</u>	<u>with</u>	<u>£000</u>
				<u>Estimate</u>	
Net Resource Outturn	2	31,764	32,422	658	32,575
Non-Supply Income (CFERS)	5	(37)	-	37	(2)
<b>Net Operating Costs</b>		<b>31,727</b>	<b>32,422</b>	<b>695</b>	<b>32,573</b>

### 3(b) Outturn against final Administration Budget

	<u>Budget</u>	<u>2008-09</u>	<u>2007-08</u>
	<u>£000</u>	<u>Outturn</u>	<u>Outturn</u>
		<u>£000</u>	<u>£000</u>
Gross Administration Budget	34,126	33,121	33,724
Income allowable against the Administration Budget	(1,704)	(1,357)	(1,149)
<b>Net Outturn against final administration Budget</b>	<b>32,422</b>	<b>31,764</b>	<b>32,575</b>

**4. Reconciliation of resources to cash requirement**

	Note	Estimate £000	Outturn £000	Net Total outturn compared with Estimate: saving/ (excess) £000
<b>Net total resources</b>	2	<b>32,422</b>	<b>31,764</b>	658
<b>Capital:</b>				
- Acquisition of fixed assets	9	1,100	501	599
- Investments		-	-	-
Non-operating cost in A in A				
- Proceeds of fixed asset disposals		-	-	-
<b>Accrual adjustments:</b>				
- Non-cash items	8	(1,150)	(1,766)	616
- Changes in working capital other than cash	15a	-	705	(705)
- Changes in creditors falling due after one year			-	
- Use of provision	13	-	89	(89)
<b>Net cash Requirement</b>		<b>32,372</b>	<b>31,293</b>	<b>1,079</b>

**Explanation of variation between estimated net cash requirement and outturn:**

The Commission also recorded a surplus of £1.079m in the Net Cash Requirement resulting from the underspends explained in Note 2, plus the receipt of £0.3m of deferred revenue in respect the Commission's work on Faith and Social Cohesion from the Department for Communities and Local Government. This revenue will be spent in support of the Commission's expenditure in 2009-10.

**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):

	2008-09 Income £000	Forecast Receipts £000	2008-09 Income £000	Outturn Receipts £000
Operating income and receipts - excess A in A	-	-	-	-
Other operating income and receipts not classified as A in A	-	-	37	37
<b>Sub total</b>	-	-	37	37
Other non-operating income and receipts not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
Excess surrenderable to the Consolidated Fund	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	-	-	<b>37</b>	<b>37</b>

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

	Note	2008-09 £000	2007-08 £000
Operating income		1,394	1,151
Income authorised to be appropriated-in-aid		(1,357)	(1,149)
Operating income payable to the Consolidated Fund	5	<b>37</b>	<b>2</b>

**7. Staff numbers and related costs****Staff Costs**

	<b>2008-09</b>	<b>2007-08</b>
	<u>£000</u>	<u>£000</u>
Staff costs comprise		
Wages and salaries	14,115	13,453
Social security costs	1,041	998
Other pension costs	2,722	2,569
Agency staff	621	254
Voluntary severance scheme	-	2,302
<b>Total</b>	<b>18,499</b>	<b>19,576</b>
Charged to Capital	(35)	(89)
<b>Total Net Costs</b>	<b>18,464</b>	<b>19,487</b>

The Charity Commission is a non-Ministerial Government Department, therefore all pay costs relate to staff.

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 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation. ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employer's contributions of £2.427m were payable to the PCSPS (2007-08 £2.531m) at rates in the range 17.1 to 25.5% (2007-08 17.1 to 25.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10 the rates will be in the range of 16.7% to 24.3%. 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 £294,746 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% (2007-08 3 to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,577, 0.8% (2007-08 £1,356, 0.8%) 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 £2,178.

Contributions prepaid at that date were Nil.

Two staff (2007-08: 2 persons) retired early on ill health grounds; the total additional accrued pension liabilities amounted to £66,726 (2007-08: £70,602).

**Average number of persons employed**

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

	<b>2008-09</b>	<b>2007-08</b>
	<u>Number</u>	<u>Number</u>
Objective 1	42	43
Objective 2	10	10
Objective 3	156	159
Objective 4	110	112
Objective 5	156	159
Staff engaged on capital projects	1	2
<b>Total</b>	<b>475</b>	<b>485</b>
Agency Staff	13	8
<b>Total</b>	<b>488</b>	<b>493</b>

**8. Other administration costs****8 (a) Other administration costs by category of spend**

a: - Other administration costs by category of spend

	Note	2008-09		2007-08	
		£000	£000	£000	£000
<b>Rentals under operating leases:</b>					
Hire of plant and machinery		424		690	
Other operating leases		<u>2,892</u>	3,316	<u>2,887</u>	3,577
<b>Non cash items:</b>					
Depreciation of fixed assets	9	1,286		1,055	
Impairment of assets	9	10		25	
Write off of asset under construction		-		-	
Loss on disposal of fixed asset	9	1		3	
Cost of capital charge		84		117	
Auditor's remuneration and expenses		66		60	
Provisions provided in year	13	<u>319</u>	1,766	<u>772</u>	2,032
<b>Other expenditure</b>	8b		<u>9,575</u>		<u>8,628</u>
			<b><u>14,657</u></b>		<b><u>14,237</u></b>

**8 (b) Other expenditure by category of spend**

	Note	2008-09	2007-08
		£000	£000
Personnel related		2,481	1,965
Accommodation		1,942	1,583
Office Services		2,590	2,434
Consultancy		870	497
Specialist Services		1,924	2,137
Losses and Special Payments	21	24	12
Reclassification of 2007/08 severance accrual to provisions		(256)	-
<b>Total other expenditure</b>		<b><u>9,575</u></b>	<b><u>8,628</u></b>

**9. Tangible fixed assets**

	IT	IT	Office	Assets Under	Total
	Equipment	Databases	Equipment	Construction	
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
At 1 April 2008	504	6,727	285	1,037	8,553
Additions	102	-	-	399	501
Relifed assets	1	-	-	-	1
Disposals/transfers	(31)	1,116	-	(1,116)	(31)
Revaluation	(11)	-	(4)	-	(15)
<b>At 31 March 2009</b>	<b><u>565</u></b>	<b><u>7,843</u></b>	<b><u>281</u></b>	<b><u>320</u></b>	<b><u>9,009</u></b>
<b>Depreciation</b>					
At 1 April 2008	351	2,809	164	-	3,324
Charged in year	74	1,181	31	-	1,286
Disposals	(30)	-	-	-	(30)
Revaluations	(4)	-	(1)	-	(5)
<b>At 31 March 2009</b>	<b><u>391</u></b>	<b><u>3,990</u></b>	<b><u>194</u></b>	<b><u>-</u></b>	<b><u>4,575</u></b>
<b>Net book value at 31 March 2009</b>	<b><u>174</u></b>	<b><u>3,853</u></b>	<b><u>87</u></b>	<b><u>320</u></b>	<b><u>4,434</u></b>
<b>Net book value at 31 March 2008</b>	<b><u>153</u></b>	<b><u>3,918</u></b>	<b><u>121</u></b>	<b><u>1,037</u></b>	<b><u>5,229</u></b>

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.

**10. Debtors**

## 10 (a) Analysis by type

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Amounts falling due within one year:		
VAT	172	195
Deposits and advances	11	15
Other debtors	353	305
Prepayments and accrued income	<u>1,280</u>	<u>1,140</u>
	<b>1,816</b>	<b>1,655</b>
Amounts falling due after one year:		
Prepayments	-	13
	<u>-</u>	<u>13</u>

## 10 (b) Intra Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	<u>2008-09</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2007-08</u>
	£000	£000	£000	£000
Balances with other central Government departments	445	344	-	-
Balances with bodies external to Government	<u>1,371</u>	<u>1,324</u>	-	13
Total creditors at 31 March	<b>1,816</b>	<b>1,668</b>	<u>-</u>	<u>13</u>

**11. Cash at bank and in hand**

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Balance at 1 April	1,086	1,472
Net cash inflow/(outflow)	30	(386)
<b>Balance at 31 March</b>	<b>1,116</b>	<b>1,086</b>
<b>The following balances at 31 March are held at</b>		
Office of HM Paymaster General	1,115	1,085
Cash in hand	<u>1</u>	<u>1</u>
	<b>1,116</b>	<b>1,086</b>
<b>The balance at 31 March comprises:</b>		
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,079	1,084
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	<u>37</u>	<u>2</u>
	<b>1,116</b>	<b>1,086</b>

**12. Creditors: amounts falling due within one year**

## 12 (a) Analysis by type

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Taxation and social security	589	364
Trade creditors	1,262	428
Other creditors	16	33
Accruals and deferred income	748	2,347
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,079	1,084
Consolidated Fund extra receipts received and receivable due to be paid to the Consolidated Fund	<u>37</u>	<u>2</u>
	<b>3,731</b>	<b>4,258</b>

## 12 (b) Intra Government balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central Government departments	2,123	1,493	-	-
Balances with bodies external to Government	1,608	2,765	-	-
Total creditors at 31 March	<b>3,731</b>	<b>4,258</b>	-	-

## 13. Provision for liabilities and charges

	Early departure costs	London dilapidation	Liverpool dilapidation	2008-09	2007-08
	£000	£000	£000	£000	£000
Balance at 1 April 2008	244	867	-	1,111	830
Increase in provision	256	-	63	319	772
Amounts utilised in year	(89)	-	-	(89)	(491)
<b>Balance at 31 March 2009</b>	<b>411</b>	<b>867</b>	<b>63</b>	<b>1,341</b>	<b>1,111</b>

## 13 (a) Early departure costs

The increase in the provision for 2008/09 represents the transfer of the balance accrued in 2007/08 for staff severances that is liable to be paid post March 2009.

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 3.2% 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.

## 13 (b) Dilapidation provisions

The Commission's lease on its London property expires in June 2009. The existing provision reflects the results of a survey carried out by the Commission's property consultants. A further provision has been established in respect of the Commission's Liverpool office where the Commission has exercised a lease break on part of the accommodation rented which will be handed back to the Landlord in 2010.

## 14. General Fund

	2008-09	2007-08
	£000	£000
Net operating cost for the year	(31,727)	(32,573)
Income not appropriated in aid payable to the Consolidated Fund	(37)	(2)
	<b>(31,764)</b>	<b>(32,575)</b>
<b>Net Parliamentary funding</b>	31,286	30,608
Consolidated Fund creditor for cash unspent	(1,079)	(1,086)
Settlement of previous year Consolidated Fund creditor for cash unspent	1,084	1,224
Settlement of previous year operating income to Consolidated fund	3	248
Non- cash charges:	-	-
Cost of capital	84	119
Auditor remuneration	66	60
Total	31,444	31,173
<b>Net increase/(decrease) in General Fund</b>	(320)	(1,402)
<b>General Fund at 1 April</b>	2,614	4,016
<b>General Fund at 31 March</b>	<b>2,294</b>	<b>2,614</b>

**15. Notes to the Consolidated Cash Flow Statement**

## 15 (a) Reconciliation of the operating cost to operating cash flows

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
<b>Net operating cost</b>		<b>31,727</b>	<b>32,573</b>
Adjustments for non-cash transactions	4	(1,766)	(2,032)
Increase/(decrease) in debtors	4	148	149
(Increase)/decrease in creditors	4	555	(1,403)
Movements in creditors relating to items not passing through the OCS		-	-
Use of provision	13	89	491
<b>Net cash outflow from operating activities</b>		<b>30,753</b>	<b>29,778</b>

## 15 (b) Analysis of capital expenditure and financial investment

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
Tangible fixed asset additions	9	501	968
<b>Net cash outflow from investing activities</b>		<b>501</b>	<b>968</b>

## 15 (c) Analysis of financing

		<u>2008-09</u>	<u>2007-08</u>
		£000	£000
From Consolidated Fund (Supply) - current year <sup>1</sup>		32,372	31,832
From Consolidated Fund (Supply) - prior year <sup>2</sup>		(1,086)	(1,224)
<b>Net financing</b>		<b>31,286</b>	<b>30,608</b>

<sup>1</sup> Amount of grant actually issued to support the net cash requirement £32,372,000

<sup>2</sup> Amount of grant actually issued to support the prior year net cash requirement £1,085,747

## 15 (d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

		<u>2008-09</u>	<u>2007-08</u>
		£000	£000
Net cash required		(31,293)	(30,748)
From Consolidation Fund (Supply) - current year		32,372	31,832
From Consolidation Fund (Supply) - prior year		(1,084)	(1,224)
Amounts due to the Consolidated Fund - received in a prior year and paid over		(2)	(248)
Amounts due to the Consolidated Fund - received and not paid over		37	2
<b>Increase/(decrease) in cash</b>		<b>30</b>	<b>(386)</b>

**16. Notes to the Statement of Operating Costs by Departmental aim and objectives****Capital employed by Departmental aim and objectives at 31 March 2009**

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

**17. Capital and Financial commitments**

At 31 March 2009 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.

The Commission had commitments of £900k as at 31 March 2009 in respect of the refurbishment of its new office at the Millbank Centre London as a result of its relocation from Harmsworth House London.

## 18. Commitments under leases

### 18 (a) 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

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Obligations under operating leases comprise:		
<b>Buildings</b>		
Expiry within one year	-	-
Expiry after one year, but not more than five years	35	1,575
Expiry thereafter	1,269	1,094
	<u>1,304</u>	<u>2,669</u>
<b>Other</b>		
Expiry within one year	73	151
Expiry after one year, but not more than five years	97	78
Expiry thereafter	-	-
	<u>170</u>	<u>229</u>

## 19. Financial Instruments

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

	<u>Book Value</u>	<u>Fair Value</u>	
	£000	£000	Basis of fair valuation
<b>Primary financial instruments</b>			
<b>Financial assets</b>			
Cash at bank (see Note a)	1,116	1,116	
<b>Financial Liabilities</b>			
Provision for early departure costs	(411)	(411)	Note b
Provision for dilapidation London	(867)	(867)	
Provision for dilapidation Liverpool	(63)	(63)	

### 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 3.2 per cent).

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

The Commission has no contingent liabilities at 31 March 2009.

## 21. Losses and special payments

### 21 (a) Losses statement

	<u>2008-09</u>	<u>2007-08</u>
	No. <u>£000</u>	No. <u>£000</u>
Total losses for the year	-	-

## 21 (b) Special payments

	2008-09	2007-08
	No.      £000	No.      £000
Total special payments for the year	8              24	5              12

There were 8 special payments in 2008-09. All payments arose from complaints made to the Independent Complaints Reviewer.

**22. Related party transactions**

The Commission has undertaken no related party transactions.

**23. Events after the balance sheet date**

There have been no events after the balance sheet date requiring an adjustment to the financial statement. The Annual Report and Accounts were authorised for issue by the Accounting Officer on 24 June 2009.









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