Dear Sir or Madam,

Charity Commission Supplementary Estimate 2018-19: Estimates Memorandum

1  Overview

1.1  Objectives
The Commission is a non-ministerial Government Department, established by law to be the registrar and regulator of charities in England and Wales. The Commission maintains an electronic public register of charities, provides guidance and advice to charities, monitors their activities through their accounts and annual returns and seeks to identify and investigate any impropriety that may place charitable assets at risk. These activities aim to give the public confidence in the integrity of charity.

1.2  Spending controls
The Commission’s net spending is broken down into a several different spending totals, for which Parliament’s approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("Resource DEL") - a net limit comprising day-to-day running costs, less income funded projects from other Government Department.
- Capital Departmental Expenditure Limit ("Capital DEL") - investment in capital equipment such as IT infrastructure.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require the Commission to pay out cash in year.

1.3  Comparison of net spending totals sought
The table below shows how the net spending sought for the Commission compare to last year:
<table>
<thead>
<tr>
<th>Net Spending total</th>
<th>Compared to original budget</th>
<th>Compared to final budget last year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts sought this year</td>
<td>(Main Estimate 2018-19)</td>
<td>(Outturn 2017-18)</td>
</tr>
<tr>
<td>(Supplementary Estimate 2018-19)</td>
<td>£ m</td>
<td>%</td>
</tr>
<tr>
<td>Resource DEL</td>
<td>£25.45m</td>
<td>-£0.5m</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>£2.20m</td>
<td>£0m</td>
</tr>
</tbody>
</table>

A breakdown of spending and income within the net total is shown in section 2.1. The above table shows a 24% increase in Resource DEL for 2018-19. This relates to additional funding granted by Treasury to help the Commission address increasing workloads and case volumes. The funding will remain in place until such time as the Commission is able to levy additional funding from the charity sector.

1.4 Key drivers of spending changes since original budget this year

The Resource DEL has been reduced from the original budget by £0.5m – the budget exchange mechanism has been used to bolster investment in our IT Roadmap Programme during 2019-20.

The Capital DEL is unchanged from the original budget.

1.5 Spending and income trends

The charts below show overall resource DEL spending and income trends for the last five years, plans presented in Estimates for 2018-19, and current future spending plans.
1.6 Administration costs and efficiency plans

<table>
<thead>
<tr>
<th>Spending total Amounts sought this year (Supplementary Estimate 2018-19)</th>
<th>Compared to original budget last year (Main Estimate 2018-19)</th>
<th>Compared to final budget last year (Outturn 2017-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin costs</td>
<td>£25.45 m</td>
<td>£0.5 m</td>
</tr>
</tbody>
</table>

The Commission has an efficiency plan to deliver £0.5 million of annual efficiencies by the end of the 4 years covered by SR 2015 (2016-17 to 2019-20). By the end of 2018-19, these savings will have been delivered through estate rationalisation, including lease termination at its former Taunton office and relocation into smaller premises sublet by Department for Work and Pensions.

It can be seen from the above table that admin costs increased by 24% on 2017-16, but also decreased in-year by 1.9%. The step increase in admin costs is attributable to the extra funding provided by Treasury – see section 1.3 for explanation.

1.7 Funding: Spending Review and Budgets

The Commission received a “flat cash” settlement through the last Spending Review. As explained in section 1.3, an increase in funding of 24% was approved by Treasury for 2018-19 and 2019-20.

Expenditure is funded through a combination of:

- Treasury Resource DEL funding of £25m per annum
- Additional funding of £1.65m transferred from other departments
2. Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

The table below shows how spending plans for Resource DEL compare with last year.

<table>
<thead>
<tr>
<th>Resource</th>
<th>DEL</th>
<th>change from last year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This year (2018-19)</td>
<td>This year (2018-19)</td>
</tr>
<tr>
<td></td>
<td>Supplementary Estimates budget sought</td>
<td>Main Estimates budget approved</td>
</tr>
<tr>
<td>Giving the public confidence in the integrity of charity</td>
<td>£ million 27.10</td>
<td>£ million 27.45</td>
</tr>
<tr>
<td>Gross expenditure</td>
<td>£ million 25.45</td>
<td>£ million 25.95</td>
</tr>
<tr>
<td>Income from OGD's</td>
<td>£ million -1.65</td>
<td>£ million -1.50</td>
</tr>
<tr>
<td>Net expenditure</td>
<td>£ million 25.45</td>
<td>£ million 25.95</td>
</tr>
</tbody>
</table>

2.2 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets.

The following table illustrates a 63% increase in ring-fenced charges this year, wholly attributable to an enlarged asset base following roll-out of digital services

Resource DEL

<table>
<thead>
<tr>
<th>Ring fenced budgets</th>
<th>Compared to original budget last year</th>
<th>Compared to final budget last year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts sought this year</td>
<td>(Main Estimate 2018-19)</td>
<td>(Outturn 2017-18)</td>
</tr>
<tr>
<td>(Supplementary Estimate 2018-19)</td>
<td>£ m</td>
<td>£m</td>
</tr>
<tr>
<td>Depreciation</td>
<td>£1.6m</td>
<td>0m</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

page 4 of 5
2.3 changes to contingent liabilities
There is no change: £nil reported in our Annual Report and Accounts

3. Priorities and performance

3.1 Measures of performance against each priority

The Commission’s new strategic plan 2018-22 sets out the following five high-level objectives. As the strategic plan has recently been launched, the executive team is currently working up a set of performance measures for approval by the Board in March 2019.

Objective 1: Holding charities to account

Objective 2: Dealing with wrongdoing and harm

Objective 3: Giving charities the understanding and tools they need to succeed

Objective 4: Informing public choice

Objective 5: Keeping charities relevant for today’s world

3.2 Commentary on steps being taken to address performance issues

In November 2017, the National Audit Office (NAO), published a report recognising the progress made by the Commission in becoming a more effective regulator, including through our digital transformation. The NAO commended our progress in a number of key areas: including becoming a more risk-based regulator, securing new powers and using them, our improved services, including the launch of a new registration system, and our work with others, including an increased number of memoranda of understanding with key partner organisations and agencies. It also stressed that a sustainable funding model will be crucial to our continuing transformation.

3.3 Major projects

The Commission successfully completed the first phase of its digital rollout in 2017-18, and the second phase went live into public beta in November 2018. Feedback from customers on our latest digital offering has been encouraging.

4. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Departmental Accounting Officer.

Helen Stephenson
Accounting Officer, Charity Commission for England and Wales

11 Feb 2019