Company Registration No. 10016446 (England and Wales)

FUNDRAISING REGULATOR

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2017

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CHAIR'S STATEMENT

I am proud of the progress the Fundraising Regulator has made since January 2016. We created the organisation from scratch in six months and launched on 7 July 2016, with funding for our start-up costs provided by 46 of the 50 largest fundraising charities.

A regulator, statutory or voluntary, cannot be effective without the confidence of the sector it regulates and we have worked hard to gain that confidence through an intensive programme of engagement with charities, umbrella bodies and key stakeholders. We have also engaged the public in our first consultation on changes to the Code of Fundraising Practice and in the development of the Fundraising Preference Service, and helped to fund the work of the Commission on the Donor Experience. We exist to represent the interests of donors and raising our public profile will be a key challenge in the year ahead.

We are committed to transparency in all that we do; we hope that our website, newsletter and consultations bear witness to that.

We aim to regulate all forms of fundraising by and on behalf of all charities, whether or not they pay the levy or register with us. Our remit includes England, Wales and Northern Ireland. In Scotland, we operate a co-regulatory system with the Independent Fundraising Standards and Adjudication Panel for Scotland. Our Code of Fundraising Practice is UK-wide, differing in Scotland and Northern Ireland only where there are legal reasons for such differences.

Since July 2016, we have completed our first Code consultation; issued comprehensive guidance on data protection and consents; dealt with over 700 complaints, with thirty investigations completed or in train and a major adjudication; determined the shape and scope of the Fundraising Preference Service, which will go live in July 2017; and launched the process whereby charities and fundraising agencies register and display our badge as a sign of their commitment to ethical fundraising.

Collecting the voluntary levy – a central proposition in the Cross-Party Parliamentary Review of Fundraising – has presented some challenges. Many 'qualifying' charities have responded promptly and willingly. Paying the levy is, of course, not simply a financial transaction. It demonstrates a commitment to the cultural change in fundraising highlighted as essential in the Parliamentary Review. I am delighted that all but a handful of the larger charities amongst the 1,960 charities invoiced have paid. Other charities have proved to be less engaged. Effective regulation benefits all fundraising charities by raising standards, thereby bolstering public trust and confidence in the sector; charities that decline to pay the levy are in effect being subsidised by those that do. This is neither fair nor within the spirit of voluntary regulation agreed by the Government and endorsed by the Charity Commission and the National Council for Voluntary Organisations (NCVO).

We are therefore carrying out a levy review to determine our next course of action and, depending on the outcome of our final reminders to non-payers, one option may be to recommend that Ministers move to a statutory arrangement in 2018-19. None of us – the Regulator, the Charity Commission, the NCVO, the sector, the Office for Civil Society – would welcome that outcome.

The apparent reluctance in some quarters to pay the levy contrasts with the clear indications, in the last six months, that large parts of the charity sector now recognise the need for a change in fundraising practices. Despite a few persistent negative voices, the tone of the debate, both in the sector media and at conferences and seminars, is now very different from what confronted us in January 2016. I am encouraged that, partly as a result of the Information Commissioner's strategic intervention in relation to data protection and consents, larger fundraising charities are, rightly, leading the way in reviewing their fundraising practices and ensuring compliance with data protection legislation. It is our role to follow up those compliance issues with the sector as a whole.

CHAIR'S STATEMENT

A wide variety of organisations have willingly worked with us, but I am particularly grateful for the support and advice we have received from the NCVO and its counterparts in Northern Ireland, Wales and Scotland, the Charity Commission, the Institute of Fundraising, the Higher Education Funding Council for England (HEFCE), the Information Commissioner, the Office for Civil Society and many larger and some smaller charities. The regulatory field for charities is a crowded one, so collaboration and clarity about who does what are essential.

Finally, I would like to thank my fellow Board and Committee members and staff team who have ensured that we have achieved so much in such a short space of time.

Lord Grade of Yarmouth

PERFORMANCE, ACHIEVEMENTS AND FUTURE PRIORITIES

Background and set-up

The Cross-Party Review of Fundraising in September 2015 proposed the creation of a new, voluntary regulator for all forms of fundraising in the charitable sector. This recommendation was supported by the Government, the National Council for Voluntary Organisations (NCVO), the Charity Commission, the Institute of Fundraising (IoF) and the Public Fundraising Association (PFRA).

The process of setting up the Fundraising Regulator began in January 2016. A key initial task was to secure set-up funding from the 50 charities with the largest fundraising expenditure. 46 of the 50 contributed £640k to support the Regulator's costs in the set-up period (to August 2016). Thereafter, the Regulator is funded through a voluntary levy on the charitable sector.

In the set-up period, the Board and two Committees (Standards and Adjudication) were put in place and a staff team recruited. Essential organisational systems, including a website and a complaints procedure, were created and a two-year business plan developed and published.

The Fundraising Regulator was formally launched on 7 July 2016, taking over responsibility for fundraising regulation from the Fundraising Standards Board (FRSB) and taking ownership of the Code of Fundraising Practice from the IoF and the Rulebooks on street and door-to-door collections from the PFRA. To ensure continuity, intellectual property and two members of staff were transferred from the Fundraising Standards Board (FRSB).

Values, profile and relationships

Our vision is an ethical fundraising environment that regards donors and beneficiaries as equally important; a consents regime, including the Fundraising Preference Service, that enables donors to manage their communications with charities; and as a result, a substantial reduction both in complaints about fundraising and in negative media coverage; delivering overall a culture change in charities' approach to fundraising, which will help restore public confidence in the charitable sector.

We regulate all forms of fundraising across the sector, whether or not individual charities have paid the levy or registered with us. We also regulate other philanthropic and benevolent organisations that may also be fundraising.

In the set-up period and since, a priority has been to raise our profile with, and gain the confidence of, the charitable sector and the public. We have carried out around 100 speaking engagements (conferences, seminars, meetings) and met a variety of individual charities. We have worked with the Commission on the Donor Experience to engage the voice of fundraisers who are themselves considering how donors' experience of fundraising can be improved.

We have built positive working relationships with fellow regulators and key bodies in the sector - the Charity Commission and its counterparts in Scotland and Northern Ireland, the IoF, the Higher Education Funding Council for England (HEFCE), the Information Commissioner (ICO), the Direct Marketing Association (DMA), the Independent Panel in Scotland, NCVO, Wales Council for Voluntary Action (WCVA), Scottish Council for Voluntary Organisations (SCVO), Northern Ireland Council for Voluntary Action (NICVA) and the Office for Civil Society.

We have Memorandums of Understanding in place with the Charity Commission, IoF, HEFCE and the ICO.

PERFORMANCE, ACHIEVEMENTS AND FUTURE PRIORITIES

Transparency has been a key consideration. We have published our business plan, budget and key performance indicators (KPIs) on the website; communicated extensively via the website, a monthly newsletter, press releases, Twitter and webinars; and carried out consultations on the levy and registration, the Fundraising Preference Service and changes to the Code of Fundraising Practice. In implementing the Fundraising Preference Service we have user-tested at every stage with charities and members of the public.

Media interest, both sector and national, in the development of the Fundraising Regulator has not diminished. On balance, coverage has moved over time from a degree of scepticism and suspicion, particularly in some of the sector press, to a more positive acknowledgement of the collaborative and transparent approach we have taken and a recognition of the need for changes in fundraising practice.

Geographical scope

The Fundraising Regulator's remit covers England, Wales and Northern Ireland.

Charity regulation is a devolved matter in Scotland and Northern Ireland. The decision has been taken in Scotland to operate a co-regulatory model, with Scottish charities registered with the Office of the Scottish Charity Regulator (OSCR) regulated by an Independent Panel and charities operating in Scotland, but based and registered primarily in England and Wales regulated by the Fundraising Regulator. Members of the public in Scotland thus need to interact with two fundraising regulators and two complaints processes. In Northern Ireland, a decision has been made to work with the Fundraising Regulator.

The Code of Fundraising Practice is UK-wide and owned by the Fundraising Regulator.

What we have done

Our regulatory work in 2016/17 has included –

- Complaints handling, investigations and adjudications.
- Developing the Code of Fundraising Practice.
- Developing the Fundraising Preference Service.
- Handling enquiries and providing information.
- Rolling out a levy and registration system.
- Guidance and support on processing personal information.

Complaints handling

Our complaints process, available on our website, is operating smoothly. In 2016-17 we received a total of 713 complaints. We inherited 11 live complaints from the Fundraising Standards Board (FRSB).

We have received a large number of complaints that are outside of our remit and, where possible, we have referred these to other bodies better able to help, such as the Charity Commission.

We have also received a significant number of complaints about fundraising charities or agencies which have not at the outset been made to the charities direct. As part of our complaints process, we think it is better to give organisations an opportunity to respond to complaints before we become involved. This is often the quickest way to resolve a complaint and for the organisation concerned to implement learning if there are any lessons identified. Unless we identify an issue with systemic implications, we will refer those complaints to the organisations concerned for them to consider in the first instance.

We have also issued eight decisions following investigations and published one adjudication. Adjudications apply to cases of wider public interest and are determined by the Adjudication Committee. Of the eight investigations, seven were upheld, where we identified breaches of the Code and made recommendations for improvement including, where appropriate, remedies for the complainants such as an apology.

Summaries of the outcomes of all our investigations are published on our website. These summaries are anonymised except where a charity declines to accept our recommendations.

Our first adjudication was published in November 2016 following our investigation into Neet Feet Ltd and eight of its charity clients. We identified a number of breaches of the Code on the part of Neet Feet Ltd. We also concluded that seven of the eight charities under investigation had breached the Code in that they had not made '*all reasonable efforts*' to ensure ongoing compliance with Section 4 of the Code ('Working with Third Parties').

Following the FRSB's practice, we have gathered and analysed data from charities relating to the complaints they have received about fundraising in 2016.

We are preparing advice for charities on the key principles necessary for an effective complaints procedure.

Code of Fundraising Practice

Our first consultation on changes to the Code of Fundraising Practice took place from February to April 2017 in England, Wales and Scotland, in collaboration with the NCVO, the IoF, WCVA and the Independent Panel in Scotland. Because NICVA was at that time consulting on the options for fundraising regulation, there were no Code consultation events in Northern Ireland, although the NICVA did respond to the consultation.

The consultation covered Trustee responsibilities; the 'fundraising ask'; solicitation statements; whistleblowing; protecting vulnerable people; charity collection bags; and compliance of third parties.

We will ensure the Code reflects changes required in regard to data protection and consent. A more wide-ranging review of the Code, including how it is organised, is also being considered.

Fundraising Preference Service

The creation of a FPS was a key recommendation of the Cross-Party Review of Fundraising.

Following extensive consultation, the FPS Working Group presented its report to the Board in August 2016. The Board determined its approach to the FPS and published its decision. The agreed model provides members of the public with the means to manage their communications with charities and specifically, either on-line or via telephone, to opt out of further direct marketing contact from named charities. FPS suppressions can have statutory force under the Data Protection Act.

Contractors have been selected to develop the IT system and the call centre function. Donors and charities were given the opportunity to have their say in the implementation phase by registering for weekly emails which posed key questions.

The FPS is on track to go live in July 2017. It will be available to the public in England, Wales and Northern Ireland and to members of the public in Scotland who wish to manage their contacts with charities registered in England and Wales. The decision has been taken in Scotland that the FPS will not be available to members of the public in relation to Scottish charities registered with OSCR.

Enquiries and information

Over the year, we have created a website, with 250,000 visitors; responded to over 1,000 enquiries; signed up 1,400 Twitter followers; produced eight editions of our newsletter (with around 4,000 subscribers); brokered contact data from over 6,000 charities; carried out over 120 speaking engagements across different parts of the sector; and organised and led a conference on data protection and consents, in partnership with the Charity Commission and the ICO.

Levy and registration

The levy was launched in October 2016 after the initial set-up funding was all but exhausted. We established the formula for the levy after a review and public consultation exercise.

Administering and collecting the voluntary levy from 1,960 charities in England and Wales, covering the period September 2016 to August 2017 (year 1), has been more resource intensive and time-consuming than we expected. Charities spending over £100k on fundraising, based on their 2104 SORP return, were asked to pay the levy, graduated according to the amount of spend.

Payment of the levy is not just a financial transaction; it demonstrates a commitment to working with the Regulator to ensure that in future all charitable fundraising is fair and ethical. Levy payers sign up to the Fundraising Promise and can display the Fundraising Regulator badge.

A number of issues have arisen with collection of the levy:

- Operational – establishing the right financial and CRM management systems to support timely invoicing and follow-up; and recruiting sufficient staff in the regulator to ensure effective credit control.
- Data inaccuracies – it became clear, once invoices had been issued, that some charities had incorrectly completed their 2014 Annual Return to the Charity Commission and did not incur costs of fundraising at over £100,000 or at all and so should not have been within the scope of the levy. This meant over 200 invoices were cancelled.
- Resistance to paying the levy – whilst most charities have paid, some have declined giving various reasons for doing so, namely:
  - disagreement with the principle of a voluntary levy;

- maintaining that, as they do not fundraise publicly, they should be excluded;
- concern that the levy is based on 2014 data, which is unreflective of current fundraising costs, and that their levy banding is therefore incorrect;
- claiming fundraising costs are incorrectly stated in their accounts, as they include other operational costs or the costs of fundraising for restricted income.

At 31 March 2017, 1,100 charities had paid, including almost all the larger charities. We are following up refusals and failures to respond with over 500 mainly smaller charities. Our optimistic estimate is that we will collect £1.8m from the first levy round, out of the £2.0m-£2.4m originally envisaged in the Etherington Review, plus income of, perhaps, £100k from registrations (see below).

This income level is less than we need to meet a draft budget of £1.96m, but we should be able to operate effectively in 2017/18 by drawing on our reserves. We are, however, reviewing the options for the levy in year 2 (September 2017 to August 2018), including the basis for calculating the amounts payable and the pros and cons of moving to a statutory levy in year 3.

Ministers have taken reserve powers in the Charities Act 2016 to move to a statutory arrangement should charities fail to provide adequate support for the Fundraising Regulator.

Registration, for a fee of £50 per annum, was opened in March 2017 to all those fundraising charities in England and Wales who fall outside the levy. The response has been positive. Registration will shortly be made available to fundraising businesses and agencies (at a fee analogous to the levy) and will also be extended to Northern Ireland. As with levy payers, registrants sign up to the Fundraising Promise and can display the Regulator's badge. Optimistically we expect that income from registration will raise around £100k per year, so it is unlikely to fill the funding gap we have identified.

Processing personal information

The key challenge for the sector and the Fundraising Regulator's first priority are the cultural changes required to move to legally compliant and transparent processes in handling personal information in relation to direct marketing. The aim is that donors should be able to exert much greater control over their communications with charities. The FPS will provide the backstop for members of the public where charities have failed to secure the right consents for contact or otherwise behaved unethically.

The Fundraising Regulator, the Charity Commission and the ICO are working together closely on these issues, and in February 2017 we issued comprehensive guidance for the sector, building on previous recommendations from a NCVO working party.

The ICO has fined thirteen larger charities for breaches of data protection legislation. We are taking the lead in following this up with those charities to ensure that the appropriate remedial action is taken.

In spite of some previous resistance, there are encouraging signs that the sector is now understanding both the legal requirements and the need for compliance.

Performance measurement

The Cross-Party Review of Fundraising in September 2015 proposed the following measures of success for the new Fundraising Regulator, to be reported on after 18 months – namely that:

- The new governance structure be in place;
- The fundraising levy be set with a relevant banding system;
- Clear memorandums of understanding be set up;
- Responsibility for the Code of Fundraising Practice to have moved from the IoF to the new regulator;
- Enough organisations to have registered with the Fundraising Regulator to ensure that it can be financially sustainable; and
- The Fundraising Regulator to have developed a three-year strategic plan.

At 31 March 2017, the Fundraising Regulator has met all of these performance measures, except that we opted initially for a two-year rather than a three-year strategic plan and the collection of the levy and registration is still work in progress.

In summary, the Fundraising Regulator's main achievements in its first 15 months have been

- A successful set-up, robust governance and a smooth transition from FRSB;
- A clear and prominent profile and identity – we are independent, transparent, principles-based, accessible, balanced, putting donors first;
- The roll out of the levy (following sector-wide consultation) with a banding system;
- User-friendly and effective complaints processing and handling;
- Close working with key partners, including the Charity Commission, the ICO, the IoF, HEFCE and the NCVO;
- A proactive approach to amending the Code of Fundraising Practice;
- Securing and maintaining widespread support across the sector;
- Registration launched, enabling non-levy paying charities to demonstrate commitment to best practice fundraising;
- The development of a Fundraising Preference Service;
- The publication of detailed guidance on data protection and consents; and
- Encouraging signs that the Fundraising Regulator's work has played a part in persuading the charitable sector to begin to move towards a positive cultural change in its approach to donors, balancing their needs with those of beneficiaries.

Future priorities

A key challenge in 2017-18 will be to maintain the momentum of change in a way that charities approach fundraising, ensuring that donors have greater control over their communications with, and from, charities.

The implementation and donor usage of the FPS will be an important driver of change. Equally, we will need to continue to support the sector in ensuring full compliance with data protection and consent requirements by the time the General Data Protection Regulation (GDPR) comes into force in May 2018.

We will continue to take a proactive approach to updating the Code of Fundraising Practice - for example, in key areas such as the FPS and GDPR. The sector's and the public's confidence in the Code lie at the heart of what we do, providing the yardstick for consideration of complaints, our investigations and adjudications.

We will produce guidance for charities on the principles underlying effective complaints handling; share learning derived from our investigatory work; and review the annual complaints return to see whether improvements can be made.

PERFORMANCE, ACHIEVEMENTS AND FUTURE PRIORITIES

The collection of the levy in year 1 has been more challenging than we had hoped or expected. We will review the levy arrangements for year 2 and consider whether to recommend a statutory levy for year 3.

Although we have developed and will continue to build good working relations with the larger charities and a range of umbrella bodies in the sector, below that level we recognise that awareness of compliance issues and reputational risk and commitment to the need for cultural change and the role of the Fundraising Regulator are still patchy. We are exploring ways to address this, working with key partners to encourage donors and the public to use the various forms of redress we provide.

Stephen Dunmore

Chief Executive

FINANCE, MANAGEMENT AND GOVERNANCE

Financial review

Total recognised income for the year is £1,545k. This income came from three sources - initial contributions of £639k from leading charities; levy payments of £886k from c.1,100 charities; and registration income of £20k. Allowing for first year expenses of £1,300k, the Regulator achieved a surplus of £245k.

As the levy year runs to 1 September, a proportion of levy income (£633k) has been deferred in line with accounting rules. This sum will be recognised in the next accounting period.

Forecasts of total levy income changed as a result of the collection issues noted on page 8. The initial levy aimed to raise £2.4m. Cancellation or amendment of 200 invoices has reduced this to £2.1m. Added to this, around 500 charities (mainly smaller ones) have so far not paid. As a result of negotiations some are likely to pay, but some charities have refused and this will reduce income.

In summary, provisional outturn figures for levy round 1 indicate that income of c.£1.8m will probably be secured. This reduced income from the levy compares with the Fundraising Regulator's initial budget of £1.96m for 2017/18.

The funding gap can be met from reserves in the short term, but this is not a sustainable solution. Although there may be scope to make some cost savings, the Regulator needs to stabilise its funding stream from the levy and registration payments in 2017/18 so that it can carry out its regulatory tasks effectively.

Performance against budget

A budget for the new Regulator was published in September 2016. This underpinned the first year of our 2016-18 Business Plan.

The table below illustrates performance against the published budget.

Cost centre	Budget 2016-17	Actual 2016-17	Variance
Casework & Adjudications	£151,000	£122,000	*-£29,000*
IT Projects	£150,000	£105,000	*-£45,000*
Secretariat	£192,000	£160,000	*-£32,000*
Policy & Communications	£215,000	£219,000	*+£4,000*
FPS Set-Up & Finance	£1,230,000	£228,000 *	*-£1,002,000*
Professional fees	£111,000	£88,000	*-£23,000*
Board and Governance	£166,000	£154,000	*-£12,000*
Administration	£127,000	£74,000	*-£54,000*
Premises	£92,000	£55,000	*-£37,000*
Public Relations	£94,000	£95,000	*+£1,000*
Total	**£2,529,000**	**£1,300,000**	***-£1,229,000***

**This figure includes both FPS investment and the costs of the Finance, Levy and Registration team.*

FINANCE, MANAGEMENT AND GOVERNANCE

With the funding provided through contributions to our set-up costs and the levy we were able to recruit key staff, develop core management systems and launch key services.

Despite the uncertainties of a start-up, the budget spend has been below or in line with the initial forecasts. A significant element of first year spend was on set-up activity, which included legal advice, tax and VAT advice, temporary staff, recruitment expenses, accommodation and IT systems investment. Some of these costs are non-recurring.

Key underspends are evident on the FPS project. The initial views of the working group suggested that the FPS system development would cost £750k, but, following a close examination of the requirements and a keen tender exercise, the FPS set-up has been achieved for an investment of around £200k in the financial year. The total costs of the FPS system set-up are likely to be around £274k and annual running costs are estimated at around £459k, including both the web application and call centre support service.

Risk management

We maintain a system of risk management. Significant risks are identified and monitored regularly and mitigation is applied to reduce the likelihood of a risk crystallising.

Risks are reported in a register and this is regularly monitored and reviewed by the Senior Management Team. The Board also discusses the risk register at its bi-monthly meetings.

The top three keys risks currently being managed are -

Funding risks – the levy is voluntary and not all charities within the scope of the levy have agreed to pay. Consequently, generating the level of funding that the Regulator needs to be effective is uncertain and costs of collection are greater than anticipated. As this is the first year of the levy, the Regulator is adapting its approaches to securing income and adjusting its budget to reflect available income and cash flow.

Operational risks – successful implementation of the new FPS system successfully remains the key risk to service delivery. Much of the development risk has now been mitigated, but risks remain in terms of operability of the system. The limited budget of the Fundraising Regulator restricts what it can spend on support for those who cannot use the web application and who prefer to contact us by telephone.

External risks – the Regulator is dependent on both the wider charity sector and Government support if it is to be successful. The election of a new Government may pose a risk to the political support the Regulator has enjoyed so far and to the prospects for making funding a statutory requirement, should that be necessary.

Reserves

The Board agreed a reserves policy in September 2016 and keeps this under review.

The reserves policy aims to ensure that the Fundraising Regulator has adequate funds at any time to wind the company up in an orderly fashion so that its legacy can be passed on to any successor body and liabilities are met before it is closed.

FINANCE, MANAGEMENT AND GOVERNANCE

At the present time reserves will be maintained at £200k to ensure all contractual liabilities - for staff and contractors – can be met in the event of any wind-up. This sum is under review and it is likely that the Fundraising Regulator will increase its reserves levels as and when funding allows.

Ideally, it is a longer term policy aim to maintain a level of reserves equivalent to between three and six months' expenditure – that is a range of £400k- £700k. Reserves at this level will ensure that, in the event of a significant drop in funding, the Regulator will be able to continue its current activities while consideration is given to ways in which additional funds may be raised.

Governance and management

The Board

The Fundraising Regulator is a company limited by guarantee with a **Board of Directors**. The Chair of the Board is supported by a Vice-Chair and seven other members. In addition to the Board there are two sub-committees - the Standards Committee and the Adjudication Committee - that make decisions delegated by the Board. The Board is supported by an executive function, led by the Chief Executive. A list of members for each committee can be found at on page 15.

There are currently nine members of the Board in total; two members resigned during the year and one new Board member (for Wales) was recruited following an open competition. Board members were initially appointed for 2-year terms and may be extended for up to a further 3 years. The Board has agreed to staggered second terms for some members to ensure that continuity and experience are retained whilst also attracting new expertise. All future Board recruitment will be subject to open competition.

Board members collectively bring a range of skills and experience to the Board, including charitable activity, fundraising, law, communications and regulation.

The Terms of Reference for the **Board** are available on the Fundraising Regulator's website.

The Board met formally on six occasions during the period of this report. The focus of the Board over the year has included:

- Governance
- Staffing and premises
- Development and collection of the levy
- Finance and risk management
- Complaints policy and handling
- Registration of charities and other bodies
- Changes to the Code of Fundraising Practice
- Development of the Fundraising Preference Service
- Communications planning and strategy
- Data protection guidance.

Summaries of the discussion at each Board meeting can be found on the website.

Standards Committee

The Terms of Reference for the **Standards Committee** are available on the website.

The role of the Committee is to:

- Exercise oversight of the Code of Fundraising Practice
- Respond to issues of public concern and future changes in fundraising practice, including those resulting from new legislation
- Take a proactive approach to issues both to reduce the likelihood of complaints and to respond effectively when they arise
- Access consumer opinion, for example through workshops with members of the public, ensuring that the needs and voices of donors and the public interest are at the centre of discussions about fundraising standards
- Determine guidance and advise on the Code of Fundraising Practice, fundraising standards and practice generally and any other matter that the Board may wish the Committee to address.

The Committee includes two members of the Board, three external members and two observers. During the year one member of the Committee resigned. External members were initially appointed for 2-year terms; any new appointments will be made competitively and will be for 3 years. The Committee met on 3 occasions.

During the year the Committee discussed:

- The Committee's Terms of Reference
- Consultation policy
- The Code of Fundraising Practice - suggested amendments
- Communications and stakeholder engagement.

Adjudications Committee

The Terms of Reference for the **Adjudications Committee** are available on the website.

The role of the Adjudication Committee is to:

- Determine complaints arising under the Code of Fundraising Practice where resolution between the complainant and the respondent fundraising organisation has not proved possible
- Initiate its own investigations and/or inquiries, where appropriate
- Where a breach of the Code is identified, take remedial action against fundraising organisations, where appropriate
- Following adjudication, reconsider a case remitted to the Committee by the Vice Chair of the Board or the External Reviewer:
    - Where a material defect in process is alleged or identified
    - Where material new evidence becomes available (an explanation of why it was not made available previously will be required)
    - Where it is alleged that the Committee's decision is manifestly unreasonable (in the sense that it was not one which the Committee could sensibly make having regard to all of the relevant facts)
- Undertake any other relevant responsibilities, activities, decisions or duties that the Board and the Committee may decide to delegate to the Committee to perform on its behalf.

The Committee includes four members of the Board and three external members. External members were initially appointed for 2-year terms; any further appointments will be made competitively and will be for 3 years. The Committee met on four occasions.

Discussions during the year have included:

- The Committee's Terms of Reference
- Adjudication Process
- External Review Process
- Updates on complaints and investigations
- Decisions on the Neet Feet adjudication.

Conflicts of Interest

Board and Committee members hold a range of executive and non-executive roles outside the Fundraising Regulator. A **Register of Interests** is held centrally by the executive and is regularly updated. Any actual or perceived conflicts are raised either in advance of or at the start of each Board and Committee meeting and are noted in the minutes.

If a member's other interests cause or are perceived to cause a conflict of interest with the Fundraising Regulator's regulatory functions, our procedures oblige the member concerned to declare the interest and withdraw from discussion and decision-making.

In the wake of interests they disclosed, two members of the Adjudication Committee played no part in the investigation into Neet Feet Ltd. and a number of charities for which Neet Feet was providing a service.

Executive Team

The Board and Committees are supported by an **executive team** of approximately 20 staff. The Senior Management Team is made up of the Chief Executive and the Heads of Finance and Procurement, Policy and Communications, Secretariat and Corporate Services and Casework and Adjudication. The staff team includes permanent and fixed term appointments and full and part time staff. During the year two members of staff transferred from the FRSB and one member of staff transferred from the Public Fundraising Association (PFRA). One member of staff is on loan from the Charity Commission.

Board and Committee Members 2016/17

Name	Board	Adjudication Committee	Standards Committee	
Lord Grade	Chair			
Margaret Moore	Vice-Chair			
Sacha Deshmukh	Member			
George Kidd	Member			To June 2016
Jenny Williams	Member	Member		
Suzanne McCarthy	Member		Chair	
John Stoker	Member	Member		To July 2016
Michael Smyth	Member	Chair		
David Cunningham	Member		Member	
Lucy Caldicott	Member	Member		
Richard Newton	Member for Wales	Member		From January 2017
Theresa Shearer (Scotland)	Observer		Observer	To December 2017
Catherine Cottrell		Ext. Member		
Peter Hills-Jones		Ext. Member		
Andrew Nebel		Ext. Member		
Louise Parkes			Ext. Member	To December 2016
Nick Jones			Ext. Member	
Guy Parker			Ext. Member	
Liz Barclay			Ext. Member	
Dan Fluskey (IoF)			Observer	
Annemarie Devlin (Scotland)			Observer	From January 2017

Attendance 2016/17

Board Members attendance:	9.03.16	4.05.16	13.07.16	7.09.16	16.11.16	25.01.17	22.03.17
Lord Grade, Chair (LG)	Y	Y	Y	Y	Y	Y	Y
George Kidd (GK)	Y	Y	Y				
Margaret Moore (MM)	Y	Y	Y	Y	Y	Y	Y
Sacha Deshmukh (SD)	Y	Y	Y	Y	N	N	Y
Jenny Williams (JW)	Y	Y	Y	Y	Y	Y	Y
Suzanne McCarthy (SM)	Y	Y	Y	Y	Y	Y	Y
John Stoker (JS)	Y	Y	Y				
Michael Smyth (MS)	N	Y	Y	Y	Y	Y	Y
Lucy Caldicott (LC)		Y	Y	N	Y	Y	Y
David Cunningham (DC)		Y	Y	Y	Y	Y	Y
Richard Newton						Y	Y
Theresa Shearer (TS), Observer	Y	Y	N	Y	Y		
Board membership @ 1.12.2016							
	8 / 9	11 / 11	10 / 11	8 / 9	8 / 9	8 / 9	9 / 9
	89%	100%	91%	89%	89%	89%	100%
	Average attendance over 7 meetings = 92.4%						

Standards Committee Members attendance:	19.05.16	6.09.16	08.12.16
Suzanne McCarthy, Chair (SM)	Y	Y	Y
Liz Barclay (LB)	Y	Y	N
David Cunningham (DC)	Y	Y	Y
Nick Jones (NJ)	Y	Y	Y
Guy Parker (GP)	Y	Y	Y
Louise Parkes (LP)	N	Y	N
Daniel Fluskey, IoF (Obs)		Y	Y
Theresa Shearer (TS) (Obs)	Y	N	
Committee membership @ 1.12.16			
	5 / 7	7 / 8	5 / 7
	72%	87%	72%
	Average attendance over 3 meetings = 77%		

Adjudication Committee Members attendance:	22.06.16	20.09.16	03.11.16	12.01.17
Michael Smyth (MS), Chair	Y	Y	Y	Y
Lucy Caldicott (LC)	Y	N	Y	Y
Catherine Cottrell (CC)	N	Y	N	Y
Peter Hills-Jones (PJ) *	Y	Y	Y	Y
Andrew Nebel (AN) *	Y	Y	Y	Y
John Stoker (JS)	Y			
Jenny Williams (JW)	Y	Y	Y	N
Richard Newton				
* External members				
Committee Members @ 12.1.17				
	6 / 7	5 / 6	5 / 6	5 / 6
	86%	83%	83%	83%
	Average attendance over 4 meetings = 84%			

FINANCE, MANAGEMENT AND GOVERNANCE

Administrative

Chief Executive	Stephen Dunmore
Company Secretary	Nick Allaway
Company number	10016446
Registered office	2nd Floor Can Mezzanine 49-51 East Road London N1 6AH
Auditor	HW Fisher & Company Acre House 11-15 William Road London United Kingdom NW1 3ER
Bankers	CAF Bank Ltd 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2017

The Directors present their report and accounts for the period ended 31 March 2017.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Fundraising Regulator's Memorandum and Articles of Association, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016)

The directors who served during the year are noted on page 15.

Auditor

The auditor, HW Fisher & Company, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Objectives

The object for which the Company is established is to promote and carry out the regulation of fundraising carried out by charities and not for profit organisations. There has been no change in this during the period.

Disclosure of information to auditor

Each of the Directors and senior managers has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

This report has been prepared in accordance with the provisions applicable to companies entitled to small companies' exemption.

The report was approved by the Board of the Fundraising Regulator.

Lord Grade of Yarmouth

Chairman

Dated: 3 July 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE PERIOD ENDED 31 MARCH 2017

The Directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of Statement of Financial Activities including Income and Expenditure Account of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at anytime the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUNDRAISING REGULATOR

We have audited the accounts of Fundraising Regulator for the period ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and regulations made under that Act. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of Directors' responsibilities, the Directors, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Directors' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts, and the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Director's Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the accounts in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

HW Fisher + Company

Andrew Rich (Senior Statutory Auditor) for and on behalf of HW Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

5/7/17

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD ENDED 31 MARCH 2017

	Notes	***13 months to* 31 March 2017** £
Income from:		
Regulatory activities	3	1,544,929
Expenditure on:		
Regulatory activities	4	1,300,232
Net income for the year/ Net movement in funds		*244,697*
Reserves at 19 February 2016		-
Reserves at 31 March 2017		244,697

The statement of financial activities includes all gains and losses recognised in the period.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	£
Current assets			
Debtors	7	204,328	
Cash at bank and in hand		755,908	
		960,236	
Creditors: amounts falling due within one year	8	(715,539)	
Net current assets			244,697
Reserves			244,697
			244,697

The accounts were approved by the Directors on 30 June 2017.

....
Lord Grade of Yarmouth
Chairman

Company Registration No. 10016446

1 Accounting policies

Company information

Fundraising Regulator is a private company limited by guarantee incorporated on 19 February 2016 in England and Wales. The registered office is 2nd Floor, Can Mezzanine, 49-51 East Road, London, N1 6AH.

1.1 *Accounting convention*

Although the company is not registered as a charity, the accounts have been prepared in accordance with the company's Memorandum of Association, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with FRS 102 Section 1A of the "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") to reflect the not for profit nature.

The accounts are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 *Going concern*

At the time of approving the accounts, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing the accounts.

1.2 *Income*

Income is recognised when the company is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Demands for voluntary annual levy income are issued in advance covering the period from September 2016 to August 2017. Such income is recognised on a receipts basis. At the year end, the levy income relating to the five months from April 2017 to August 2017 has been deferred.

Cash donations are recognised on receipt. Other donations are recognised once the company has been notified of the donation, unless performance conditions require deferral of the amount.

1.3 *Expenditure*

Liabilities are recognised as expenditure once there is a legal or constructive obligation committing the company to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

1 Accounting policies **(Continued)**

All expenditure is accounted for on an accruals basis. All expenses, including support costs and governance costs, are allocated to the one activity in the statement of financial activities.

Governance costs comprise all costs involving the public accountability of the company and its compliance with regulation and good practice.

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1 Accounting policies (Continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.7 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.8 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Directors do not believe there to be judgements or estimates that would be considered critical to the financial statements.

3 Regulatory activities

	2017
	£
2016/2017 Levy income	885,879
Registration income	20,050
Set-up donations	639,000
	1,544,929

4 Regulatory activities

	2017
	£
Staff costs	677,827
Recruitment	49,042
Consultants	145,806
Office supplies	20,071
Events and conferences	8,837
Premises, utilities and rates	54,153
Research	70,073
Travel and entertainment	6,217
Legal and professional fees	85,125
IT and web project development	110,269
Board and CEO expenses	32,560
	1,259,980
Audit and accountancy	40,252
	1,300,232

Audit and accountancy fees include payments to auditors for £9,600 of audit fees and £10,512 for other services.

5 Staff costs

Number of employees

The average monthly number employees during the period was:

	2017 Number
Casework and Adjudications	3
Secretariat	1
Board and Governance	1
Finance and Levy	2
Policy and Communications	2
	9

Staff costs	**2017 £**
Wages and salaries	417,685
Social security costs	36,982
Other pension costs	18,295
Total employment cost	472,962
Agency costs	204,864
Total staff costs	677,826

The number of employees whose annual remuneration was £60,000 or more were:

	2017 Number
£80,000-£90,000	1

The key management personnel comprise the CEO, Head of Policy and Communications, Head of Secretariat, Head of Casework and Adjudications, Head of Finance and Procurement. During the period, the key management personnel received £194,411 in wages and salaries, £76,019 in consultancy fees and £43,353 in secondment fees.

6 Financial instruments

	2017
	£
Carrying amount of financial assets	
Debt instruments measured at amortised cost	19,521
Carrying amount of financial liabilities	
Measured at amortised cost	703,092

7 Debtors

	2017
Amounts falling due within one year:	£
Other debtors	19,521
Prepayments and accrued income	184,807
	204,328

8 Creditors: amounts falling due within one year

	2017
	£
Other taxation and social security	12,447
Trade creditors	46,076
Other creditors	11,483
Accruals and deferred income	645,533
	715,539

9 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017
	£
Within one year	4,182
Between two and five years	3,137
	7,319

10 Related party transactions

Board members can claim a daily amount for attendance at meetings and undertaking other work on behalf of the Fundraising Regulator. This allowance is in line with sums common in other public regulators. The Chair can claim £500 per day, Committee Chairs £350 per day and Board and Committee members £300 per day. Reasonable expenses are also paid for travel and subsistence costs.

During the period, 15 Members were paid £36,530 in total for attendance and 3 Members were paid £2,656 for reimbursed travel and subsistence.

Included in the above is George Kidd, a former director of the Fundraising Regulator, who received £10,677 for chairing a working group on the Fundraising Preference Service.