

Home Office Resource Accounts

2007-08



Home Office

**Resource Accounts
2007-08**

(For the year ended 31 March 2008)

*Ordered by the House of Commons
to be printed 21 July 2008*

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 9780102957570

Contents

	Page
Annual Report	3
Statement of Accounting Officer's Responsibilities	33
Statement on Internal Control	34
The Certificate of the Comptroller and Auditor General to the House of Commons	38
The Accounting Schedules:	
Statement of Parliamentary Supply	40
Operating Cost Statement	41
Statement of Recognised Gains and Losses	42
Balance Sheet	43
Consolidated Cashflow Statement	44
Consolidated Statement of Operating Costs by Department Aim and Objectives	45
Notes to the Accounts	46

Annual Report

These accounts relate to the Home Office for the year ended 31 March 2008. On 9 May 2007 the Department's activities were changed. The responsibility for prisons, probation and the criminal law and sentencing was transferred to a new Ministry of Justice. The re-focused Home Office is responsible for co-ordinating security and counter-terrorism in addition to the existing responsibilities for policing and crime reduction, borders and immigration, and identity and passports.

ANNUAL REVIEW

Principal Activities

The central headquarters of the Home Office set the framework of objectives, financial allocations, strategy and performance management for the key services for which the Home Secretary was responsible, along with providing common support services and driving delivery toward objectives. The Home Office group also comprised the public services of the Border and Immigration Agency. The Home Office also had responsibility for a number of smaller services, including the Identity and Passport Service, the Criminal Records Bureau and the Forensic Science Service, as well as lead responsibility for a number of Non-Departmental Public Bodies (as listed on page 5-6).

The Home Office relies on Parliamentary voted funding to finance its operations.

Aims and Objectives

The Home Office is the government department responsible for internal affairs in England and Wales. During 2007-08 the Home Office had responsibility for policing, crime reduction, counter terrorism, borders and immigration, identity and passports. Our stated purpose is "working together to protect the public". With our partners we tackle some of the most difficult problems in modern society while striking an appropriate balance between maintaining public safety and guarding individual freedoms.

From February 2008, the Home Office had seven Strategic Objectives. These objectives, against which performance during 2007-08 was measured, are set out below:

Objective 1 – Help people feel secure in their homes and local communities;

Objective 2 – Cut crime, especially violent, drug and alcohol related crime;

Objective 3 – Lead visible, responsive and accountable policing;

Objective 4 – Support the efficient and effective delivery of justice;

Objective 5 – Protect the public from terrorism;

Objective 6 – Secure our borders and control immigration for the benefit of our country; and

Objective 7 – Safeguard identity and the privileges of citizenship.

It should be noted that the Statement of Operating Costs by Department Aims and Objectives and supporting notes is based on the following objectives that were agreed through the Estimate process with HM Treasury.

Objective 1 – Protecting the nation from terrorist attack;

Objective 2 – Cutting crime, especially violent and drug-related crime;

Objective 3 – Ensuring people feel safer in their homes and daily lives, particularly through more visible, responsive and accountable local policing; and

Objective 4 – Securing our borders, preventing abuse of our immigration laws and managing migration to the benefit of the nation.

MANAGEMENT

The Department is headed by a team of Ministers, supported by officials.

Ministers

The following Ministers were responsible for the Department during 2007-08:

Rt Hon Dr John Reid	Home Secretary (until 28 June 2007)
Rt Hon Jacqui Smith	Home Secretary (from 29 June 2007)
Liam Byrne MP	Minister of State for Borders and Immigration and (from 28 June 2007) Minister for the West Midlands
Vernon Coaker MP	Parliamentary Under Secretary of State for Crime Reduction
Meg Hillier MP	Parliamentary Under Secretary of State for Identity (from 29 June 2007)
Tony McNulty MP	Minister of State for Security, Counter terrorism, Crime and Policing
Joan Ryan MP	Parliamentary Under Secretary for Immigration, Citizenship and Nationality (until 28 June 2007)
Baroness Patricia Scotland of Asthal QC	Minister of State for Criminal Justice and Offender Management (until 27 June 2007)
Gerry Sutcliffe MP	Parliamentary Under Secretary for Criminal Justice and Offender Management (until 8 May 2007)
Lord West	Parliamentary Under Secretary of State for Security and Counter terrorism (from 28 June 2007)

Officials

The Home Office Board has responsibility for leading the Home Office, including its Agencies, to ensure that it delivers on the aims set by Ministers, builds its capability for the future and maintains high standards of propriety. Officials serving on the Board during the year were:

Sir David Normington	Permanent Secretary
Ursula Brennan	Chief Executive, Office for Criminal Justice Reform (until 13 May 2007)
Yasmin Diamond	Director, Communications (from 13 February 2008)
Helen Edwards	Chief Executive, National Offender Management Service (until 8 May 2007)
Charles Farr	Director General, Office for Security and Counter Terrorism (from 16 July 2007)
James Hall	Chief Executive, Identity and Passport Service
Lin Homer	Chief Executive, Border and Immigration Agency
Helen Kilpatrick	Director General, Financial and Commercial
Peter Makeham	Director General, Strategy and Reform
John Marsh	Group Director, Human Resources (until 11 June 2007)
Jonathan Sedgwick	Acting Chief Executive, Office for Criminal Justice Reform (from 14 May 2007 until 15 February 2008)
Moira Wallace	Director General, Crime Reduction and Community Safety Group
Kevin White	Director General, Human Resources (from 21 June 2007)
Simon Wren	Acting Director, Communications (from 21 May 2007 until 12 February 2008)

Non-Executive Directors

Derrick Anderson	Chief Executive of Lambeth Borough Council
John Heywood	Formerly Senior Partner and CEO of Price Waterhouse Coopers Eastern Europe

Appointment of Senior Officials

The Permanent Head of the Department was appointed by the then Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial Head of the Department. Other members of the Departmental Board were appointed by the Permanent Secretary. These appointments are for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

Ministers' and Board Members' Remuneration

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991.

The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995 (Hansard, cols 245-247).

The pay of the Management Board is determined by the Permanent Secretary in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code.

Further details on remuneration are set out in the Remuneration Report beginning on page 23.

Departmental Report

The Home Office Departmental Report for 2007-08 was published in May 2008. The report covers the Home Office strategic objectives, main activities, performance against Public Service Agreement (PSA) targets in 2007-08 and expenditure plans for 2007-08 to 2010-11. The report presents the targets that the Home Office is solely responsible for delivering and those targets that are jointly owned with other departments, such as the Ministry of Justice and the Crown Prosecution Service. The report is available from The Stationery Office or from the Home Office website at www.homeoffice.gov.uk.

Entities Consolidated

The Home Office departmental accounting boundary encompassed the central government department and two Executive Agencies. Included within the central government department is the Border and Immigration Agency (BIA) which is aiming to become an Executive Agency from 1 April 2009 (to be known as the UK Border Agency – refer to Note 38).

The Executive Agencies were the Identity and Passport Service and the Criminal Records Bureau. The accounts of these entities form part of the Home Office's consolidated financial statements.

Identity and Passport Service (IPS)

IPS was formed on 1 April 2006 with the merging of the UK Passport Service and the Home Office Identity Cards Programme. Its mission is to safeguard identity, which is delivered within the objectives of delivering excellent customer service in passport production, providing a highly secure document, and developing the National Identity Scheme (NIS) for delivering identity cards for UK citizens.

Criminal Records Bureau (CRB)

CRB helps protect children and other vulnerable people through safer recruitment by making information from police records and other data sources more readily available to employers, ensuring greater consistency of vetting.

Forensic Science Service Ltd (FSS)

FSS is principally responsible for supplying scientific support for criminal investigations and for providing expert evidence to the courts. FSS is a government owned company having previously been a Government Trading Fund. FSS is treated as an investment on the Home Office Balance Sheet.

Entities not Consolidated

Public bodies for which the Home Office had lead policy responsibility during 2007-08 within Government, but which are outside of the consolidation boundary for accounting purposes, are set out below. Non-Departmental Public Bodies (NDPBs) are reflected in the Home Office accounts by the inclusion of funds paid to them as grants or expenses and by the reflection of any control issues in the Home Office's Statement on Internal Control. The executive NDPBs publish their own annual reports and accounts which can be obtained from The Stationery Office or the relevant body.

Non-Departmental Public Bodies (NDPBs)

Executive NDPBs: these carry out a wide variety of administrative, regulatory and commercial functions. They generally operated under statutory provisions, employed their own staff and had responsibility for their own budgets.

Independent Police Complaints Commission
Independent Safeguarding Authority *Created 1 January 2008 and is also known as the Independent Barring Board*
National Policing Improvement Agency *Created 1 April 2007 from the Central Police Training and Development Authority (CENTREX) and Police Information Technology Organisation (PITO)*
Office of the Immigration Services Commissioner
Security Industry Authority (SIA)
Serious and Organised Crime Agency (SOCA)

Advisory NDPBs: these are generally set up administratively by Ministers to advise them and their departments on matters within their sphere of interest. Some Royal Commissions are classified as advisory NDPBs, but departmental committees of officials are not. Generally, advisory NDPBs are supported by staff from within the sponsor department, and do not incur expenditure on their own account.

Advisory Board on Naturalisation and Integration
Advisory Council on the Misuse of Drugs
Advisory Panel on Country Information
Animal Procedures Committee
BIA Complaints Audit Committee
Police Advisory Board for England and Wales
Police Negotiating Board
Technical Advisory Body

Tribunal NDPBs: these are bodies with jurisdiction in a specialised field of law. Tribunals generally operate under statutory provisions and, independently of the Executive, decide the rights and obligations of private citizens towards each other or towards a government department or other public authority. In general, tribunals are serviced by staff from the sponsor department or other public authority. There are two types of tribunal system: standing tribunals, which have a permanent membership; and tribunals that are convened from panels, so that the actual number of tribunals sitting varies. Although their functions are essentially judicial, they are not part of the Courts.

Investigatory Powers Tribunal
Office of Surveillance Commissioners
Police Arbitration Tribunal
Police Discipline Appeals Tribunal

Other NDPBs: Independent Monitoring Boards perform a vital 'watchdog' role on behalf of Ministers and the general public in providing a lay and independent oversight of prisons and immigration removal centres. Independent Monitoring Board of Penal Establishments and Immigration Centres (formerly the Board of Visitors to Penal Establishments and Visiting Committee Immigration Detention/Reception Centres).

Other Public Bodies

Annual Reviewer of the Terrorism Act 2006
Annual Reviewer of the control order provisions of the Prevention of Terrorism Act 2005 and Part 1 of the Terrorism Act 2006
Asylum Support Adjudicators
HM Inspectorate of Constabulary
Independent Race Monitor
Intelligence Services Commissioner
Interception of Communications Commissioner
Selection Panels for Independent Members of Police Authorities
BIA Complaints Audit Committee

OPERATING AND FINANCIAL REVIEW

The following paragraphs are a summary of the operating and financial performance during the financial year and the investment strategy for the future. Further information is available in the Departmental Annual Report which was published in May 2008 and Working Together to Protect the Public – The Home Office Strategy 2008-11.

Operating Review

Strategy

The Home Office Reform Plan published in July 2006 set out a detailed programme for transforming the Home Office into a more responsive organisation that puts protecting the public at its heart. In summary, the four key parts of the plan are:

- a focus on front line delivery;
- a leadership strategy, which will strengthen the Board and wider leadership team;
- a new operating model, with a reshaped Department better placed to meet future challenges; and;
- a transformation of our systems and processes.

These reform programmes are ambitious but much has already been achieved. In summary:

The Reform Action Plan is set firmly within the tight overall Home Office settlement for the period through until 2010-11, reached in the 2006 Budget. In order to live within the 'zero real' increase for the Comprehensive Spending Review (CSR) years, we are taking a number of additional steps to ensure that business area allocations are deliverable and risks minimised. The department received new resources for counter-terrorism in the CSR announced in July 2007 taking the settlement to just over 1% in real terms. We have completed a number of Zero Based Reviews in areas such as the police workforce, asylum, police IT and drugs. We have undertaken a review of all of our major projects and the Home Office capital programme. We will also be seeking to reduce HQ costs, particularly through a move to a shared service model for financial, HR and procurement transactional services. We have reviewed our executive NDPBs to secure better value for money, as part of a wider Value for Money (VfM) programme.

The Home Office's new three-year strategy, 'Working together to protect the public', was published in February 2008. The strategy emphasises the need to put the public more clearly at the centre of all that the Home Office does and how the Department should work differently with partners and the public to achieve the objectives.

The strategy describes not only what the Home Office will achieve, but it also lays out how the Department will work differently, by:

- listening much harder to public concerns and where possible building those into policy development and delivery;
- devolving decision-making, where possible, to a local level and making services more accountable;
- acknowledging that the strategy cannot be delivered alone – it will only be successful through working effectively with partners at international, national and local levels; and
- using staff commitment and professionalism to work together across all of the objectives – not just the one which is most relevant to their business area.

The strategy puts public protection very clearly at the heart of the Department's work to counter terrorism, cut crime, provide effective policing, secure the UK's borders and protect personal identity.

Investment for the Future

Following the Machinery of Government change the investment strategy has changed to invest in maintaining security and counter-terrorism to put alongside the existing responsibilities for policing and crime reduction, borders and immigration, and identity and passports. Additionally, significant grants are made to Police Authorities to support the police estate and fund core activities and for three major projects: Airwave digital radio communications project; Case and Custody; and Command Control Communications and Information System for the Metropolitan Police. These grants are classified as resource spend in these accounts included in the Statement of Parliamentary Supply but this is capital grant from the Home Office to the arm's length body pursuant to the achievement of the Department's strategic objectives. These bodies are not included in the accounting boundary and the Police Authorities, rather than the Home Office, will ultimately own the assets.

More details on Home Office investment over the period 2005-06 to 2007-08 are included in the Departmental Investment Strategy published in June 2005 and available on the Department's website www.homeoffice.gov.uk.

Performance against PSA Targets

In common with other government departments, the Home Office targets for the period 2005-06 to 2007-08 are set out in its Public Service Agreement (PSA). The following table summarises progress and performance during 2007-08 against the five PSA targets, a Value for Money target and a Police Standard.

Reported performance against each PSA target is measured on the basis of clearly defined performance criteria and key performance indicators. These are set out in detail within the Home Office Targets Autumn Performance Report 2007.

Summary of Performance of SR04 Targets TARGET		PROGRESS
PSA1	Reduce crime by 15%, and further in high crime areas, by 2007-08.	Overall: on course 15% reduction: on course (data year to December 2007) High-crime areas: on course
PSA2	Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System without compromising fairness.	Overall: on course Fear of crime: ahead Concern that anti-social behaviour is a problem: on course Confidence in the local police: ahead Victim and witness satisfaction: on course Public confidence in Criminal Justice System: ahead Black and minority ethnic perceptions of fair treatment: on course
PSA3	Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007-08.	Overall: ahead Offences brought to justice: ahead
PSA4	Reduce the harm caused by illegal drugs, including substantially increasing the number of drug-misusing offenders entering treatment through the Criminal Justice System.	Overall: on course Reducing harm caused by illegal drugs: on course Number of drug misusing offenders entering treatment through the Criminal Justice System: on course
PSA5	Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration.	Overall: ahead Reducing unfounded asylum claims: ahead

Value for Money	Home Office Value for Money target: to achieve gains worth £1,970 million per annum (of which £1,240 million per annum would be cashable) by 2007-08, including by reducing the size of headquarters by 2,700 full time equivalent (FTE) posts.	Overall: met Value for money: met
Police Standard	Maintain improvements in police performance, as monitored by the Police Performance Assessment Framework in order to deliver the outcomes expressed in the Home Office PSA.	Overall: on course
Summary of Performance of SR02 Targets		
	TARGET	PROGRESS
PSA6	Reduce the harm caused by drugs by: reducing the use of Class A drugs and the frequent use of any illicit drugs among all young people under the age of 25, especially by the most vulnerable young people; and reducing drug-related crime, including as measured by the proportion of offenders testing positive at arrest.	Class A drug use among young people: stable Frequent drug use by young people: on course Frequent drug use by vulnerable young people: ahead Class A drug use by vulnerable young people: stable Drug misusing offenders/drug related crime: on course

Key Home Office achievements for 2007-08 are listed below. Greater detail is listed in the Departmental Annual Report 2008. The report sets out achievements against the seven new objectives from the Home Office Strategy published in February 2008.

The accounts show expenditure against the previous Home Office Objectives.

Objective 1 Protecting the nation from terrorist attack

The UK faces a sustained threat from acts of terrorism. CONTEST, our long-term strategy for countering international terrorism, was published in July 2006 and we are currently refreshing it to build on our knowledge and experience. Our aim is to reduce the risk from international terrorism, so that people can go about their daily lives freely and with confidence. CONTEST is divided into four principal areas of work to enable us to combat the threat of international terrorism. We will achieve this by:

- preventing terrorism by tackling the radicalisation of individuals;
- pursuing terrorists and those who sponsor them;
- protecting the public, key national services and UK interests overseas; and
- preparing for the consequences of terrorist action.

Key Achievements during 2007-08 included:

- agreeing a new CONTEST Prevent strategy across government, now underpinned by a comprehensive set of programmes and a delivery plan;
- establishing the Research, Information and Communications Unit (RICU);
- piloting a range of projects to provide targeted support for vulnerable individuals in communities, in prisons and on release;
- introducing the Counter-Terrorism Bill;

- delivering a programme of large-scale, real-time, multi-agency exercises, designed to test and improve our ability to respond to a range of scenarios;
- developing technology and guidance on the detection and decontamination of chemical, biological, radiological and nuclear (CBRN) materials; and
- producing evidence on the effectiveness of potential actions to prevent radicalisation, to inform policy development.

Objective 2 Cutting crime, especially violent and drug-related crime

Ten years of sustained investment in crime reduction has seen crime fall by around a third since 1997 and more in high-crime areas. This has been achieved through record levels of financial investment, growth in expertise and know-how, the development of new policy and legislation, and a rigorous focus on delivery. But new challenges continually emerge and these must be addressed if we are to sustain reductions in crime for years to come.

Our Crime Strategy, *Cutting Crime: A New Partnership* (July 2007), builds on the successes and lessons of the last decade. It renews our approach to tackling crime. In step with public priorities, it focuses on reducing serious violence, improving crime prevention and securing public confidence. Partnership working is central to its success. At a national level, the Home Secretary leads this effort through the National Crime Reduction Board. At the same time, we are transforming how we work with our delivery partners by being more enabling and less directive, thereby ensuring that priority is given to the issues that matter most to the communities we serve.

Key Achievements during 2007-08 included:

- publishing a revised National Community Safety Plan (NCSP), which sets out clear direction and the approach that should be taken by all partners delivering community safety, and ensures that it is in line with the new crime strategy and PSAs;
- implementing measures from the Violent Crime Reduction Act 2006, which gave police and other agencies further powers they need to tackle guns, knives and alcohol-related violence;
- developing, through the Tackling Violent Crime Programme (TVCP), a range of interventions to respond to alcohol-related and domestic violence, which contributed towards a greater reduction in more serious violence in TVCP areas than in other areas;
- driving progress towards the PSA1 crime reduction target through the implementation of the Priority 44 Programme, which supported key CDRPs and others to deliver core business more effectively;
- setting up four Alcohol Arrest Referral pilots, which aim to make binge drinkers face up to the consequences of their drinking; and
- overhauling our approach to high-harm drug users, with tougher conditions, tougher enforcement and new follow-up assessments, and aligning the Prolific and other Priority Offenders Programme with the Drug Interventions Programme.

Objective 3 Ensuring people feel safer in their homes and daily lives, particularly through more visible, responsive and accountable local policing

The Home Secretary's strategic priorities for policing, set out in the National Community Safety Plan 2008-11, embody the Government's vision for safer communities. For policing, those priorities are:

- reducing crime, particularly more serious and alcohol related crime and anti-social behaviour;
- increasing public confidence in, and engagement with, the police;
- in partnership, delivering a more effective criminal justice system (CJS) for victims and the public;

- ensuring that there is capacity and capability to deliver effective policing to tackle serious and organised crime and provide other protective services;
- enabling the police to protect the public and disrupt terrorist attacks; and
- making the best use of resources through improved resource management.

Key Achievements during 2007-08 included:

- implementing neighbourhood policing teams for every area. Over 16,000 Police Community Support Officers (PCSOs) were recruited by the milestone of 30 April 2007. These PCSOs support the work of the 13,500 officers in the 3,600 dedicated neighbourhood policing teams across England and Wales;
- responding to some bureaucracy recommendations in the Flanagan Review, so that forces can pilot a new stop and account procedure and a streamlined crime-reporting form;
- launching a £50m programme for 10,000 mobile data devices for front-line police officers; and
- Operation Quest, which puts power to overcome operational or performance challenges into the hands of front-line staff and backs this up by giving them the skills to deliver significant performance improvement through this direct engagement.

Objective 4 Securing our borders, preventing abuse of our immigration laws and managing migration to boost the benefit of the nation

The Border and Immigration Agency (BIA) has been responsible for protecting the UK's border, deciding who should be admitted to the UK to visit, work or study, and for deciding eligibility for citizenship. The first objective of this work is to protect the public, but we also need to ensure that we attract those with the right skills to the UK since this plays a major part in the Government's efforts to boost the UK economy.

We have already made huge reforms to our immigration system, but are very aware that the British public wants us to do more. Greater accountability has been achieved by regionalising the operations, with six Regional Directors taking the lead in casework operations and working closely with local stakeholders to meet the needs of their regions.

We have streamlined the way we manage asylum casework, are putting in a range of improvements to strengthen migration control within the UK and have exceeded the set target to deport 4,000 foreign national prisoners. Nevertheless, the scale of the migration challenge and the need fully to restore public confidence means that we must build on these achievements and deliver the biggest shake-up to our border protection and immigration system for 45 years.

Key Achievements during 2007-08 included:

- stopping at least 85 per cent of all detected illegal migrants before they reached our shores through our documentation checks and juxtaposed controls;
- fully implementing our biometric visa programme. We now collect biometric visa data from all visa applicants, irrespective of nationality and where in the world they apply;
- carrying out 7,119 illegal working operations;
- making over 1.1 million immigration decisions from April 2007 to the end of January 2008 across all work areas, with improved standards and quality;
- processing an estimated 2.7 million visa applications overseas;
- issuing 135,000 work permits, of which 38 per cent were for the health, medicine and IT sectors;
- setting up the Migration Advisory Committee and the Migration Impacts Forum which will advise on skill shortages and the impact of migration on public services; and

- substantially reducing asylum support costs.

Safeguarding Identity

The Identity and Passport Service (IPS) is an executive agency of the Home Office and was formed on 1 April 2006 with the merging of the UK Passport Service and the Home Office Identity Cards Programme. Its mission is to safeguard identity, which is delivered within the objectives of delivering excellent customer service in passport production, providing a highly secure document, and developing the National Identity Scheme (NIS) for delivering identity cards for UK citizens.

Actions during 2007-08 included:

- processing 5.9 million passport applications within our customer service targets;
- introducing a high street network of interview offices and conducting interviews for first-time adult customers;
- engaging the market for suppliers to deliver the NIS;
- strengthening our fraud intelligence and fraud deterrence activity;
- extending the passport validation service to private and public sector customers; and
- announcing the merger with the General Register Office (GRO) effective from 1 April 2008 and working on a smooth integration plan.

Financial Review

The Home Office, like other government departments, needs to report its financial performance in a number of ways. These are identified below:

1. Resource Estimate (Estimates Boundary)

This is a statement presented by HM Treasury to the House of Commons in which the Home Office seeks approval for its estimated spending for the coming financial year. The Estimate summarises both the resources and the cash required for the year and the Home Office actual outturns against these Estimates are reported in the Statement of Parliamentary Supply. This is a statement which only applies to Central Government and has no equivalent statement in UK GAAP (Generally Accepted Accounting Practice) based accounts.

2. Resource Accounts (Accounting Boundary)

These are prepared annually and present the financial results of the Home Office. These accounts are prepared on the basis of UK GAAP and the Government Financial Reporting Manual (FReM). The Operating Cost Statement, Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement have been adapted for central government from their commercial equivalents. The accounting boundary includes the financial results for the Home Office plus its Agencies. The Resource Accounts only include the Grant in Aid paid to the NDPBs sponsored by the Home Office. The financial performance and assets and liabilities of the NDPBs are not consolidated within these accounts.

3. Resource Budgeting (Budgeting Boundary)

Resource budgeting involves using resource accounting information as the basis for planning and controlling public expenditure. It introduces concepts such as capital consumption and requires the Home Office to match costs to the period in which the economic activity takes place. HM Treasury controls Home Office spending through the use of Departmental Expenditure Limits (DEL) and controls capital spending separately from resource spending. This is the basis on which HM Treasury controls (and the Home Office manages) spending in-year, and includes the full resource and capital DEL spending of the Home Office as opposed to the Grant in Aid provided by the Home Office to finance the activities of NDPBs.

Financial reporting in the Departmental Annual Report and other documents published by the Home Office reported on the resource consumption of those bodies which are included within the budgeting boundaries (i.e. includes the full resource and capital consumption of the Home Office sponsored NDPBs). This is to ensure that the costs of those bodies involved in delivering the performance reported in PSA targets are matched against the delivery reported against the appropriate PSA target. In this respect they will differ from those amounts reported in the Consolidated Statement of Operating Costs by Departmental Aim and Objectives.

Funding

The Home Office is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The Department draws down voted funds in year from the Consolidated Fund as required.

The Estimates are structured by 'Requests for Resources' (RfR) and include a formal description ('ambit') of the services to be financed under each RfR. Voted money cannot be used to finance services that do not fall within the ambit of the RfR. The Home Office has one RfR which covers all of its activities.

Outturn

The Summary of Resources Outturn, which is the main parliamentary control schedule, reports the outturn against Estimate (the Estimates Boundary) for each RfR. Additional detailed actual spending during 2007-08 against Estimate sub-heads is reported in the Analysis of Net Resource Outturn by Section. Estimates for each sub-heading are finalised in the Spring Supplementary Estimate with work to formulate these numbers taking place in December each year. It is possible that spending decisions taken in the last quarter of the financial year can result in monies being transferred from one delegated budget to another within individual Strategic Objectives. These changes cannot, however, be reflected in individual Estimate sub-heads and are dealt with after the year end by agreement with HM Treasury to vire monies between sub-heads.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	<u>2007-08</u>	<u>2006-07</u>
	Outturn	Outturn
	£000	£000
Net Resource Outturn (Estimates)	9,423,817	13,887,890
Prior year adjustment	–	105,319
<u>Adjustments to remove:</u>		
Adjustments to additionally include:		
Consolidated Fund Extra Receipts in the OCS:	(207,099)	(199,139)
Remove grants to National Probation Service (local area boards)	–	(848,547)
Resource DEL of National Probation Service (local area boards)	–	809,159
Net Operating Cost (Accounts)*	<u>9,216,718</u>	<u>13,754,682</u>
<u>Adjustments to remove:</u>		
Capital grants to local authorities	(290,037)	(215,669)
Capital grants financed from the Capital Modernisation Fund	–	(10,084)
Voted expenditure outside the budget	(32,879)	–
Loan Charges	(6,770)	(10,076)
Fine Refund to Carriers	(46)	(18)
<u>Adjustments to additionally include:</u>		
Other Consolidated Fund Extra Receipts	–	63,150
Resource consumption of Non-Departmental Public Bodies	100,282	(196,468)
Resource Budget Outturn (Budget)	<u>8,987,268</u>	<u>13,385,517</u>
of which		
Departmental Expenditure Limits (DEL)	8,634,027	12,989,448
Prior year adjustment in 06/07	–	105,319
Annually Managed Expenditure (AME)	353,241	290,750
	<u>8,987,268</u>	<u>13,385,517</u>

* The 2006-07 restated Net Operating Costs resulting from the Machinery of Government changes is disclosed in Note 3.

Resource spend as reported in the Consolidated Statement of Operating Costs by Departmental Aim and Objectives, identifies amounts spent by Strategic Objective for both the current and previous year. The differences between the Estimate and Accounting boundaries are disclosed in Note 3 of the accounts.

Reporting performance against the Estimates, the Home Office underspent by £318m in 2007-08, as detailed in the Schedule of Parliamentary Supply. This reflects the net impact of the variances identified in Note 2 to the accounts.

The explanations for the variances have been summarised as per the Department's organisational structure rather than listed as per sub heads per Note 2. For the reporting year 2007-08 the Home Office had 4 Directorates:

- Crime Reduction and Community Safety Group (CRCSG);
- Border and Immigration Agency (BIA);
- Office for Security and Counter Terrorism (OSCT); and
- Central Services.

Explanation of Significant Variances Against Estimates

In accordance with HM Treasury's Financial Reporting Manual (FRoM), explanations have been provided for variances from the Estimate of 10% or £500k (whichever is the greater). Where it is thought appropriate additional disclosure has been provided:

Crime Reduction and Community Safety Group (CRCSG)**Core Department and Agencies:**

Grouping directly related subheads, distinguished according to whether funding was expected to be spent within central or local government, the main factors at work are:

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
A – Police	43,175	162,556	119,381	73%
O – Police Grants	5,313,162	5,038,506	(274,656)	(5%)
	<u>5,356,337</u>	<u>5,201,062</u>	<u>(155,275)</u>	<u>(3%)</u>

The restructuring of CRCSG and separation of OSCT has meant that estimate lines do not accurately reflect the mix of actual expenditure between the Police, Crime Reduction, Counter Terrorism and Drugs subheads. A £50m planning round adjustment was included under subhead E rather than subhead A. Taking lines A and O together, the overall variance is within 3% of estimate.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
B – Crime Reduction	37,604	109,177	71,573	66%
P – Crime Reduction Grants	103,863	102,242	(1,621)	(2%)
	<u>141,467</u>	<u>211,419</u>	<u>69,952</u>	<u>33%</u>

The apparent underspend is due to the in-year restructuring of the CRCSG and separation of OSCT which has meant that estimate lines and actual expenditure on the Police, Crime Reduction, Counter Terrorism and Drugs lines are not aligned. The overall variance for the CRCSG subheads was less than 1%.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
D – Counter Terrorism	120,396	225,312	104,916	47%
Q – Counter Terrorism Grants	755,454	724,618	(30,836)	(4%)
	<u>875,850</u>	<u>949,930</u>	<u>74,080</u>	<u>8%</u>

Counter Terrorism has been expanded into the Office for Security and Counter Terrorism (OSCT) and as a new directorate is in the process of growing to fit its expanded remit. This has led to underspends caused by lower than expected head count and grant allocations and slippage in major projects.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
E – Drugs	(17,597)	66,938	84,535	126%

The Estimate includes a £50m planning round adjustment that should have been included under the Police subhead, A. Within the Estimate there is also a shortfall of £22m for grants that have been reallocated as local authority grants and are shown under subhead Q. Net outturn against this subhead includes £41m of income from the Department of Health in respect of drugs related grants which were disbursed under subhead Q. The remaining variance is due to the restructuring of CRCSG and OSCT.

NDPBs:

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
X – Serious Organised Crime Agency (SOCA)	<u>426,023</u>	<u>490,575</u>	<u>64,552</u>	<u>13%</u>

The over estimation of SOCA's Grant in Aid requirement in the Estimate was due to approximately £65m of Machinery of Government transfers received by SOCA during the year which were not taken into account when setting SOCA's Grant in Aid limit.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
Y – Security Industry Authority (SIA)	<u>2,000</u>	<u>1</u>	<u>(1,999)</u>	<u>N/A</u>

The SIA was allocated £2m to cover IT capital improvements. This was not reflected in the Estimates.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
AH – National Policing Improvement Agency (NPIA)	<u>465,000</u>	<u>612,968</u>	<u>147,968</u>	<u>24%</u>

The NPIA was set up as a new organisation in 2007-08 and on calculating its Grant in Aid requirements there was an over estimation of the Grant in Aid it would require by £48m. NPIA returned budget underspends of £20m resource and £49m capital as a result of slippage in projects and programmes, which resulted in a Grant in Aid underspend of £99m. Together these items give a total underspend against the estimate of £148m.

The NPIA was funded in 2007-08 by taking a top slice from the total funds available to provide for policing, including grants to police authorities. The NPIA's resource and capital budget for the year (before any under spend) was £598m, including non-cash which is outside of the Grant in Aid process.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
AI – Independent Safeguarding Authority (ISA)	<u>0</u>	<u>713</u>	<u>713</u>	<u>100%</u>

The ISA was vested in January 2008 but did not obtain power to incur expenditure until March and the first GIA payment was not made until April.

**Border and Immigration Agency
Core Department:**

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
K – Border and Immigration Agency (BIA)	<u>1,332,386</u>	<u>1,240,451</u>	<u>(91,935)</u>	<u>(7%)</u>
R – Border and Immigration Agency Grants	<u>84,982</u>	<u>166,627</u>	<u>81,645</u>	<u>49%</u>
	<u>1,417,368</u>	<u>1,407,078</u>	<u>(10,290)</u>	<u>(1%)</u>

BIA grants are being reported against the main Border and Immigration Agency line, K. The net spend is within 1% of the Estimate.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
L – Identity and Passport Service	<u>56,816</u>	<u>79,900</u>	<u>23,084</u>	<u>29%</u>

The variance is caused by slippage in delivery of National Identity Scheme projects and trials (£18m), and a fall in demand for passports (£6m).

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
N – European Refugee Fund	<u>1,646</u>	<u>1</u>	<u>(1,645)</u>	<u>N/A</u>

The variance on the European Refugee Fund expenditure reflects a timing difference on receipt of funds claimed from the European Union.

Central Services
Core Department:

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
M – Central Services	<u>219,556</u>	<u>224,975</u>	<u>5,419</u>	<u>2%</u>

The outturn underspend largely reflects a £7m release of provision relating to HMRC charges that is no longer needed which was not included in the Estimate.

Other:

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
AG – Loan Charges	<u>6,770</u>	<u>9,669</u>	<u>2,899</u>	<u>30%</u>

Loan charges relate to outstanding loans taken out by Police Authorities prior to 1990 when capital schemes were financed entirely by local authorities' loans. The Home Office paid 20% of the principle and interest. The variance reflects fluctuations in interest rates and the rate at which principle is paid off.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
S – Local Authority Agreements	<u>83,299</u>	<u>90,019</u>	<u>6,720</u>	<u>7%</u>

Grants under this heading relate to grants made to the Department of Communities and Local Government (DCLG). The underspend relates to variations in Crime Reduction (£5m) and Drugs (£1m) Grants.

£000	Net Outturn	Net Estimate	Under/(Over)	Variance
AJ – Impairments	<u>0</u>	<u>4,000</u>	<u>4,000</u>	<u>100%</u>

There were no impairments.

Cash Requirement

The overall cash requirement at 31 March 2008 was £505m lower than the full year estimate.

Contingent Liabilities

As required by the FReM, Note 32 discloses the Department's contingent liabilities not required to be disclosed under FRS12, but included for parliamentary reporting and accountability purposes. The Department is taking steps to help minimise the risks of these contingent liabilities crystallising as part of its normal risk management processes.

Machinery of Government Changes

On 1 April 2007 the National Policing Improvement Agency (NPIA) was created from the Central Police Training and Development Authority (CENTREX), the Police Information Technology Organisation (PITO) and elements of activity of the Department.

On 9 May 2007 the responsibility for prisons, probation and criminal law and sentencing was transferred to a new Ministry of Justice.

On 28 June 2007 the Respect Task Force transferred to the Department for Children, Schools and Families.

Going Concern

The Balance Sheet as at 31 March 2008 shows taxpayers' negative equity of £65m (restated 2006-07 £1m). This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be in the form of Supply, approved annually by Parliament, to meet the Department's net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specific year or retained in excess of that need. All unspent monies including those derived from the Department's income, are surrendered to the Fund.

In common with other government departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Events Since the Year End

On 1 April 2008 the UK Border Agency was created which combines the work of the Border and Immigration Agency (currently part of the central Department), UKvisas from the Foreign and Commonwealth Office (FCO) and customs detection work at the border from Her Majesty's Revenue and Customs (HMRC). The UK Border Agency will regulate the flow of people and goods into the UK, strengthening our borders before, on, and after entry. The UK Border Agency will continue operating as a shadow agency for the 2008-09 year.

On 1 April 2008 the General Register Office merged with the Identity and Passport Service. IPS will now be responsible for the process by which births, deaths and marriages are registered. The new function will strengthen the Identity and Passport Service's focus on safeguarding personal identify.

STATEMENT ON CORPORATE GOVERNANCE

The HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments (issued in July 2005) sets out good corporate governance practice that should be followed by central government departments. The Code sets out six underlying principles, each with specific supporting provisions.

The Code mandates the following areas of reporting:

- how the departmental Board operates, including its delegations and committees;
- which Board members the Board considers to be independent;
- the work of the Board's Audit Committee; and
- how the Department manages its relationships with arm's length bodies with which it operates, including NDPBs, public corporations and wholly or largely owned companies.

In addition, the Code requires the reporting of those provisions where the recommended approach is not followed in its entirety.

Each area requiring mandatory reporting is discussed below.

The Home Office Board was responsible for the corporate leadership of the Department and was the key group through which Ministers were supported in the leadership and corporate governance of the Home Office. Chaired by Sir David Normington, the Permanent Secretary, it brings together the heads of business areas and corporate services. External scrutiny and support to the Board was provided by two independent non-executive directors.

The role of the Board is to provide the corporate leadership of the Home Office (including its Executive Agencies), supporting Ministers in:

- setting the overall strategic direction and priorities, with particular attention to issues which cut across individual directorates or groups;
- efficient and effective allocation and use of resources;
- driving performance and improvement, and effective delivery of priorities;
- assessing and managing risk;
- ensuring effective arrangements are in place to develop and deliver policy and services;
- leading public sector reform and change;
- developing the present and future leadership cadre;
- building the external reputation of the Home Office; and
- embedding Home Office values.

The Home Office Audit Committee's role is to advise the Accounting Officer on internal control, risk management, audit and financial management and reporting. It met five times during the year and was chaired by John Heywood who is also a non-executive Board member. It had an additional four Audit Committee members.

The Home Office complies with the main principles and provisions of the Code reflecting the continuing determination and desire of the Home Office and the Board to implement effectively current corporate governance good practice. The Home Office is also working on improving and refining the current position with the objective of maintaining an early adoption of corporate governance good practice.

Risk Management

Risks are assessed, managed and reported at strategic, programme and project level. Over-arching threats to delivery by the Home Office are tracked and managed on a corporate risk register. The Home Office Board formally reviews this risk register on a quarterly basis as part of an integrated performance management report. In addition, Operating Reviews, chaired by the Permanent Secretary, monitor the performance and risks to the Home Office on a business by business basis. Operating Reviews are held monthly for the major businesses and quarterly for corporate functions.

Within Agencies, corporate risks are managed and reviewed by the appropriate Management Board, and escalated where appropriate to the Home Office's corporate risk register.

Further information is provided in the Statement on Internal Control.

Information Assurance

The Home Office recognises the critical importance of information to enable us to protect the public. We take most seriously our responsibilities to protect sensitive data and have in place a range of measures for this purpose. We initiated a review of information assurance in August 2007, have been fully engaged with the Hannigan review of data handling initiated by the Cabinet Office in November 2007, and are undertaking a programme to implement further information assurance measures. Notwithstanding all these activities, given the scale and range of our information handling and the number of delivery partners and staff through whom we deliver, there is a small residual risk of incidents occurring. An increased focus on information assurance and the further measures we are taking are aimed at reducing the potential for incidents even further in future.

The tables below provide details of personal data related incidents.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2007/08				
Date of incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
June 2007	A parent was able to discover the existence of a child's passport application by using the on line application progress checking service, possibly without entitlement.	Passport application	1	Parent concerned contacted IPS. ICO informed.
Further action on information risk in respect of June incident	Following advice from the ICO, we now require enquirers to provide the passport application unique reference number. Planned steps for the coming year involve managing a range of interlinked, change-related work items to help IPS senior management reduce the number and impact of security incidents within their respective Directorates.			
March 2008	Loss of two CD's, in transit to UKBA	Details of Seasonal Agricultural Workers Including: Name Date of Birth Govt. issuing Passport Passport Number	3,000	ICO informed
Further action on information risk in respect of March incident	In June 2008 an encryption service was introduced within the core department, which covers both the sending and receiving of personal data.			
Further action on information risk	The Department will continue to monitor and assess its information risk in the light of these events, in order to identify and address any weaknesses and ensure continuous improvements of its systems.			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA INCIDENTS IN 2007/08		
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 in the table 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.	–
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	–
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	–
IV	Unauthorised disclosure.	–
V	Other	–

PUBLIC INTEREST AND OTHER

Employment of Disabled Persons Policy

The Home Office is committed to the employment and career development of disabled people and is a holder of the Jobcentre Plus 'Positive about disabled people' Two Tick symbol. The symbol is a recognition given by Jobcentre Plus to employers who can demonstrate they are serious about achieving equality of opportunity for disabled people. The Department has been a symbol holder since its inception.

Disability is not regarded as a bar to recruitment or promotion and selection is based upon the ability of the individual to do the job. The Department is committed to ensuring that disabled staff have access to the same opportunities as other staff, not only when they first join the department but all stages in their career.

The Department operates the Guaranteed Interview Scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. Once in post, disabled staff are provided with any reasonable support they might need to carry out their duties.

Currently 2.3 per cent of staff working within the Department have declared some form of disability, although the number of disabled members of staff is likely to be much higher. Staff are encouraged to record their disability on their personnel files. By doing so the Department is better placed to meet any necessary reasonable adjustments.

Equal Opportunities

The Home Office is an equal opportunities employer. Policies are in place to guard against discrimination and to ensure that there are no unfair or unlawful discriminatory barriers to employment and advancement in the Department.

The Cabinet Office is responsible for developing, formulating and promulgating equal opportunity policies for the Civil Service as a whole, but operational responsibility lies with the Home Office. The Home Office has an Equal Opportunities team, which is responsible for developing equal opportunities policies and liaising with the Cabinet Office and other government departments.

The Department's equal opportunities policy states that there shall be no discrimination against staff on grounds of ethnic origin, religious belief, gender, sexual orientation, disability or any other irrelevant factor. Employment and promotion are based solely on merit. Staff who have alternative working patterns are assessed on exactly the same basis as those working traditional hours. The Home Office continues to work to ensure that equal opportunities are brought into the mainstream of Home Office personnel policies.

In May 2007 a three year diversity strategy for the Home Office and its agencies was published. The strategy sets out commitments and plans for delivering diversity in all areas of Home Office business.

The strategy has five aims:

- managers at all levels demonstrate effective leadership on equality and diversity;
- the potential of under represented groups is developed to create a representative workforce at all levels;
- a working environment where staff respect and value each other's diversity;
- effective Home Office implementation of statutory obligations on equality and diversity; and
- services are delivered in a way that promotes equality and respects diversity.

Provision of Information to and Consultation with Employees

The Home Office has in place a consultative framework, known as the Whitley system, for engaging workforce representatives. There are four recognised Trade Unions and facility time is provided to allow employee representatives to take part in industrial relations duties. Alongside this, the Department has specific bodies

for consulting minority groups – these include “The Network” covering members of staff from black and minority ethnic communities, “HODS” covering staff with disabilities and “Spectrum” covering homosexual and lesbian members of staff. The Department provides resources for these and other representative bodies.

In addition, the Department has a variety of communication channels in place to deliver information on organisation and business developments to staff, and to provide an opportunity for feedback. The channels used range from timely electronic communications to face-to-face briefings.

The Department gained Investors in People (IiP) accreditation in September 2000, retained accreditation in January 2004 following the three yearly review of performance against the standard and was re-assessed against the IiP Standard in January 2008. A departmental survey took place in November and December 2007 and the results were published in February 2008. The Home Office retained accreditation.

Environmental Policy

The Home Office remains committed to reducing its impact on the environment by improving the environmental performance of its estate. This policy is endorsed by Meg Hillier the Department’s Sustainable Development Minister and Helen Kilpatrick the Sustainable Development Champion.

The Department continues to work towards achieving the cross-departmental Sustainable Operations on the Government Estate targets aimed at improving performance in: key areas of climate change and energy; sustainable consumption and production; and natural resource protection. Performance against the targets is assessed by a series of sustainability key performance indicators which are monitored on a quarterly basis. We intend to move to a corporate Environmental Management System for the office estate within the next year.

In addition the Department is committed to a series of actions set out in its latest Sustainable Development Action Plan (SDAP), published in January 2008. The Plan is designed to ensure that the principles of sustainable development are integral to all that we do. The sustainable development action plan can be found by following this link <http://www.homeoffice.gov.uk/documents/sustainable-dev-plan>.

This is the second Home Office SDAP. The first, covering 2006-07 was published in September 2006 and was well received by the Sustainable Development Commission. Developed in consultation with stakeholders and linking into the Government’s Sustainable Development Strategy, the Department’s SDAP aims to identify actions in the long, medium and short terms. These actions are associated with our operational issues, human resources and the Department’s key policies which have an impact on sustainable development (primarily reducing crime and the fear of crime).

Pension Scheme Liabilities

Employees in the parent department are primarily members of the Principal Civil Service Pension Scheme (PCSPS). This scheme is an unfunded multi-employer defined benefit scheme with benefits paid by the Cabinet Office as they fall due, secured against future tax yield. The Cabinet Office produces a separate annual PCSPS scheme statement. The Home Office pays contributions to meet the actuarially calculated cost of pensions and is responsible for certain costs associated with early retirements. These costs are charged to the Operating Cost Statement. The Home Office (in common with other departments) is unable to identify its share of the underlying PCSPS assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Civil servants may be in one of three statutory based ‘final salary’ defined benefit schemes within the PCSPS (classic, premium and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a ‘money purchase’ stakeholder based arrangement with a significant employer contribution (partnership pension account).

Ministers of the Home Office are members of the Ministerial Pension Scheme (MPS) which is a part of the Parliamentary Contributory Pension Fund (PCPF) and provides benefits on a ‘final salary’ basis. It is a funded scheme and is administered by the House of Commons Pensions Unit. These accounts include the Home Office liabilities for undischarged contribution payments, and for the future costs of early retirement

compensation payable to the PCSPS. They do not show the total pension liability in respect of employees or pensioners within the Departmental boundary.

Payment of Suppliers

The Home Office has signed up to the CBI's prompt payment code and BS 7890, the British Standard for prompt payment. The contractual terms and conditions of payment require that a supplier's invoice be paid within 30 days of acceptance of relevant goods and services, or the receipt of a valid invoice if that is later. The consolidated Home Office prompt payment record for the 12 months to 31 March 2008 was 85% (84% in 2006-07).

External Auditor

These financial statements have been prepared in accordance with the Government Resources and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General.

The notional NAO audit fee for 2007-08 Core Department was £600k and Consolidated £911k (2006-07 Core Department £625k, Consolidated £936k). The full 2007-08 amount represents non cash costs.

In so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditor is unaware. The Accounting Officer has quarterly meetings with the Head of Audit and Assurance and 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 Comptroller and Auditor General is aware of that information.

REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits; and
- the government's inflation target.

In making recommendations, the Review Body considers any factors that the Government and other witnesses may draw to its attention. In particular it has regard to:

- differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;
- changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts;

- the need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and
- the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

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, the officials covered by this report hold appointments which are open-ended until they reach the normal retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Independent non-executive members of the Home Office Board are recruited through fair and open competition. All non-executive members of the Board are appointed by the Permanent Secretary. Non-executive members of the Board are appointed for an initial period of three years with an option to extend for a further three years. These appointments can be terminated with one month's notice period.

Remuneration Committee

The Home Office Remuneration Committees determine the salaries paid to senior civil servants (SCS) within the Home Office. During 2007-08 the committees comprised:

Pay Band 3 Remuneration Committee
David Normington (Chair), Derrick Anderson
Pay Band 2 Remuneration Committee
David Normington (Chair), Helen Edwards, Moira Wallace, Ursula Brennan, Helen Kilpatrick, Lin Homer, Peter Makeham, James Hall, John Marsh and Phil Wheatley
Pay Band 1 Remuneration Committee
John Marsh (Chair), Mandie Campbell, Jane Carwardine, John Collington, Alastair Bridges, Ken Sutton, Peter Brook and Robin Wilkinson

In previous years departments were asked to place their SCS into one of three performance tranches. These reflected the skills and competence of the job holder and were directly related to uplift in base pay. Bonus payments were separate to tranches and reflected the performance in year.

The assessment for the 2006-07 year was based on performance groups. These groups (rated 1 to 4) directly affected the level of bonus given for performance in year. Having four performance groups rather than three allows the Department to differentiate performance amongst 65-70% of SCS who have traditionally fallen within the medium performer bracket.

Group 1 – Top 25% of performers – receive the highest bonus level of at least 10% of base salary.

Group 2 – Next 40% of performers – typically receive a bonus level of between 5-10% of base salary.

Group 3 – Next 25-30% of performers – do not receive a bonus (there may be some scope for exceptions).

Group 4 – Bottom 5-10% of performers – do not receive a bonus and have action taken to address under performance or ongoing poor performance, including the drawing up of a performance improvement plan.

Salary and Pension Entitlements (audited)

The salary and pension entitlements of senior managers of the Department during 2007-08 have been reported in accordance with the requirements of HM Treasury's Financial Reporting Manual (FRoM).

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; ex-gratia payments; payments in lieu of notice; and any other allowance to the extent that it is subject to UK taxation.

Home Office Board members are eligible for bonus payments in accordance with the recommendations of the Senior Salaries Review Body. The bonus payments relating to the 2006-07 year were paid in September 2007 and the 2007-08 payments will be made in the 2008-09 year.

In respect of the transfer of Ministers and officials between the Home Office and other government departments, the Home Office has a policy of agreeing with the departments involved to pay the full month's salary in the month of leaving and no salary in the month of joining.

Benefits in Kind

Benefits in kind includes any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. Benefits reported in 2007-08 are calculated as the taxable value and include the private use of a car, travel and accommodation. The 2006-07 figures have been calculated at cost.

Ministers	2007-08		2006-07	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
Rt Hon Jacqui Smith MP Home Secretary (From 29 June 2007)	58,105	–	–	–
Rt Hon Dr. John Reid MP* Secretary of State (From 6 May 2006 until 28 June 2007)	38,452	–	63,407	–
Hazel Blears MP (Until 5 May 2006)	–	–	13,473	–
Andy Burnham MP (Until 5 May 2006)	–	–	4,915	–
Liam Byrne MP	39,893	–	35,602	–
Rt Hon Charles Clarke MP* (Until 5 May 2006)	–	–	25,974	–
Vernon Coaker MP	30,280	–	25,278	–
Paul Goggins MP (Until 5 May 2006)	–	–	4,915	–
Meg Hillier MP (From 29 June 2007)	22,878	–	–	–
Tony McNulty MP	39,893	–	39,404	–
Fiona McTaggart MP* (Until 5 May 2006)	–	–	10,227	–
Joan Ryan MP* (From 6 May 2006 until 28 June 2007)	15,056	–	25,211	–
Baroness Patricia Scotland of Asthall QC** (Until 27 June 2007)	28,501	–	115,230	–
Gerry Sutcliffe MP (From 6 May 2006 until 8 May 2007)	3,175	–	24,965	–
Lord West ** (From 28 June 2007)	53,832	–	–	–

* The Rt Hon Charles Clarke MP, Rt Hon John Reid MP, Fiona McTaggart MP and Joan Ryan MP received a payment in lieu of notice upon leaving the Home Office.

** Baroness Scotland and Lord West sit in the House of Lords and are not in receipt of an MP's salary therefore their full Minister's salary is reported here. The salary shown for the other Ministers only relates to the difference between their MP's salary and their Minister's salary, as the MP element is paid via the House of Parliament and not the Home Office.

Officials	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Sir David Normington <i>Permanent Secretary</i>	195-200	3,900	185-190	1,300
Ursula Brennan* <i>Chief Executive, Office for Criminal Justice Reform (Until 13 May 2007)</i>	15-20 150-155 full year equivalent	–	110-115 130-135 full year equivalent	2,300
Martin Bryant <i>Director of Strategy (Until 19 November 2006)</i>	–	–	95-100 150-155 full year equivalent	–
Mark Carroll <i>Director General (Acting), Communities Group (Until 30 Nov 2006)</i>	–	–	75-80 110-115 full year equivalent	–
Yasmin Diamond <i>Director, Communications (From 13 February 2008)</i>	75-80 140-145 full year equivalent	–	–	–
Helen Edwards <i>Chief Executive, National Offender Management Services (Until 8 May 2007)</i>	15-20 175-180 full year equivalent	1,700	150-155	12,400
Charles Farr <i>Director General, Office for Security and Counter Terrorism (from 16 July 2007)</i>	85-90 120-125 full year equivalent	–	–	–
Mary (Jane) Furniss <i>Chief Executive (acting), Office for Criminal Justice Reform (Until 4 June 2006)</i>	–	–	15-20 95-100 full year equivalent	–
James Hall <i>Chief Executive, Identity and Passport Services (From 11 Oct 2006)</i>	185-190	10,800	80-85 170-175 full year equivalent	5,900
Lin Homer <i>Chief Executive, Border and Immigration Agency</i>	220-225	13,300	200-205	8,100
Helen Kilpatrick <i>Director General, Financial and Commercial</i>	210-215	–	185-190	–
Peter Makeham <i>Director General, Strategy and Reform (From 10 July 2006)</i>	165-170	–	100-105 150-155 full year equivalent	–
John Marsh <i>Group Human Resources Director (Until 11 June 2007)</i>	25-30 140-145 full year equivalent	–	115-120	400
Jonathan Sedgwick** <i>Acting Chief Executive, Office for Criminal Justice Reform (From 14 May 2007 until 15 Feb 2008)</i>	–	–	–	–

* Ursula Brennan was a Home Office employee until 8 May 2007 and on the Home Office Board until 13 May 2007.

** Jonathan Sedgwick is a Ministry of Justice (MoJ) employee and his salary is reported in the MoJ resource accounts.

Officials	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Moira Wallace <i>Director General, Crime Reduction and Community Safety Group</i>	165-170	12,200	150-155	7,800
Kevin White <i>Director General, Human Resources (From 21 June 2007)</i>	120-125 135-140 <i>full year equivalent</i>	19,700	–	–
Simon Wren <i>Acting Director, Communications (From 21 May 2007 until 12 February 2008)</i>	80-85 100-105 <i>full year equivalent</i>	–	–	–

Non-Executive Board Members	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Derrick Anderson CBE	10-15	–	10-15	–
John Heywood <i>(From 2 January 2007)</i>	15-20	–	0-5 15-20 <i>full year equivalent</i>	–
Lord Patrick Carter <i>(Until 30 November 2006)</i>	–	–	10-15 15-20 <i>full year equivalent</i>	–

The above non-executive Board members are those who sit on the Home Office Board. Other non-executive Directors are employed by the Department's Agencies and NDPBs and their details can be found in the accounts of these bodies.

Starting and Leaving Dates

Ursula Brennan, Chief Executive Office for Criminal Justice Reform left the Home Office Board on 13 May 2007, John Marsh left the Home Office Board on 11 June 2007, Kevin White was appointed as Director General, Human Resources on 21 June 2007, Helen Edwards left the Home Office Board on 8 May 2007 and Simon Wren was appointed Acting Director, Communications on 21 May 2007. Yasmin Diamond was permanently appointed to Director, Communications on 13 February 2008.

Jonathan Sedgwick joined the Home Office Board on 14 May 2007 and is an employee of the Ministry of Justice (MoJ). As such his salary is reported in the accounts of that Department. Ursula Brennan's salary was paid by the MoJ from 8 May 2007.

Pensions (audited)

Ministers	Accrued pension at age 65 as at 31 March 2008 £000	Real increase in pension at age 65 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 £000	Real increase in CETV £000
Rt Hon Jacqui Smith MP Secretary of State <i>(From 29 June 2007)</i>	5-10	0-2.5	60	51	4
Rt Hon Dr. John Reid MP Secretary of State <i>(Until 28 June 2007)</i>	15-20	0-2.5	242	229	8
Liam Byrne MP	0-5	0-2.5	18	11	3
Vernon Coaker MP	0-5	0-2.5	29	22	4
Meg Hillier MP <i>(From 29 June 2007)</i>	0-5	0-2.5	4	–	2
Tony McNulty MP	5-10	0-2.5	64	52	5
Joan Ryan MP <i>(Until 28 June 2007)</i>	0-5	0-2.5	33	32	1
Baroness Patricia Scotland of Asthal QC <i>(Until 27 June 2007)</i>	10-15	0-2.5	139	133	2
Gerry Sutcliffe MP <i>(Until 8 May 2007)</i>	5-10	0-2.5	56	55	0.5
Lord West MP* <i>(From 28 June 2007)</i>	–	–	–	–	–

* Lord West has opted out of the PCPF and therefore a value is not reported.

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Officials	Accrued pension at age 60 as at 31 March 2008 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Sir David Normington Permanent Secretary	75-80 plus lump sum of 230-235	0-2.5 plus lump sum of 2.5-5.0	1,785	1,541	32	–
Ursula Brennan Chief Executive, Office for Criminal Justice Reform (Until 13 May 2007)	55-60 plus lump sum of 165-170	0-2.5 plus lump sum of 0-2.5	1,081	1,122	11	–
Yasmin Diamond Director, Communications (From 13 February 2008)	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 5-7.5	231	169	26	–
Helen Edwards Chief Executive, National Offenders Management Service (Until 8 May 2007)	5-10 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	159	158	10	–
Charles Farr Director General, Office for Security and Counter Terrorism (from 16 July 2007)	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 12.5-15	601	427	77	–
James Hall* Chief Executive, Identity and Passport Services	–	–	–	–	–	–
Lin Homer Chief Executive, Border and Immigration Agency	80-85 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1,429	1,246	1	–
Helen Kilpatrick Director General, Financial and Commercial	65-70 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1,108	927	30	–
Peter Makeham Director General, Performance and Reform	85-90 plus lump sum of 0-5	2.5-5 plus lump sum of 0-2.5	1,957	1,667	76	–
John Marsh Group Human Resources Director (Until 11 May 2007)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	403	443	13	–

Officials	Accrued pension at age 60 as at 31 March 2008 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Jonathan Sedgwick** Acting Chief Executive, Office for Criminal Justice Reform <i>(From 14 May 2007)</i>	-	-	-	-	-	-
Moira Wallace Director General, Crime Reduction and Community Safety Group	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 0-2.5	767	633	25	-
Kevin White Director General, Human Resources <i>(From June 2007)</i>	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 2.5-5	1,168	952	23	-
Simon Wren Acting Director, Communications <i>(From 21 May 2007)</i>	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 5-7.5	389	294	36	-

* James Hall is not a member of any Civil Service Pension Scheme and has opted out of the Stakeholder Pension Scheme.

** Jonathan Sedgwick is a Ministry of Justice (MoJ) employee and his pension is reported in the MoJ resource accounts.

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 up rated 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 Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The 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 pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

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

David Normington
Accounting Officer
15 July 2008

Statement of Accounting Officer's Responsibilities

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

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the Accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual (FReM) prepared by HM Treasury, 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 (FReM), have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

David Normington
Accounting Officer
15 July 2008

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 Home Office'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.

I discharge my responsibilities as Accounting Officer in conjunction with Accounting Officers of the Department's Agencies, Non-Departmental Public Bodies (NDPBs) and other public bodies. My relationship with these Accounting Officers is set out in statements contained in the respective Framework Agreements, Financial Memoranda and designatory letters.

As Accounting Officer, I involve ministers in the management of risk at strategic level.

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 departmental 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 Home Office for the year to date and accords with HM Treasury guidance.

Capacity to handle risk

Leadership in risk management is provided through the commitment, processes and behaviours set out in the Home Office Risk Management Policy, which was signed by the Board and issued in November 2007 along with accompanying guidance. This draws on good practice from across government and has been recognised by our Audit Committee and others as exemplary.

Staff are trained to ensure they are equipped with the skills and tools they need to fulfil their duties. We have our own internal training provider with courses tailored to our policy.

We introduced this year a "risk management maturity model" against which we have assessed our capacity and are measuring future improvements. The results indicate a good basic understanding was in place across businesses and progress has been made over the year to improve risk awareness, risk management behaviours, planning and process risk management. Further progress is planned in 2008-09.

The risk and control framework

Our risk management strategy is to be clear about what we are trying to achieve, to identify what might stop us from achieving our objectives, to assess these risks, take action to mitigate them to an agreed level and then to review progress. This includes public protection risks as well as risks to our operations and projects.

This strategy is implemented throughout the organisation using a control framework which was updated during the year in line with our new strategy which places more emphasis on managing risk to the public. This framework comprises:

- clear accountabilities for the action to tackle risks which are set out in the Home Office Departmental Framework (issued in May 2007) and risk registers. Actions are reviewed through our performance management system which is described in the Home Office Departmental Framework and covers the headquarters, Agencies, NDPBs and delivery partners;

- a structured process for identifying, assessing, communicating, escalating and managing risks. This is defined in the Home Office Risk Management Policy and Guidance (issued in November 2007); and
- expected behaviours which are set out in the Home Office Risk Management Policy and Guidance.

The control framework for information risk management is being improved as set out below under “significant internal control issues”.

The results of risk assessment and the effects of the actions to address risk are documented in risk registers at corporate, directorate/Agency, NDPB and unit/project levels. These are used to track change over time and implement our process for escalating risks between levels.

The Home Office Board considers risk appetite quarterly when it reviews the corporate risk register and decides on its response to the prevalent level of risk exposure.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department 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, the Audit Committee and a standing group of Home Office Directors. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Ongoing review of the effectiveness of the control and risk management system across the Home Office is provided by:

- the Home Office Board which meets monthly to consider the plans and strategic direction of the organisation;
- the Operating Reviews which I hold on a risk based frequency, typically monthly, to consider the top performance issues and risks faced by each Home Office business in detail. Operating Reviews were introduced in 2006-07 and are now fully embedded at corporate level. We are working to ensure Operating Reviews are undertaken throughout the organisation;
- the Group Investment Board which approves and monitors projects above threshold criteria based on priority, risk, value, complexity and sensitivity;
- the Audit Committee provides independent advice to me, Board members and Ministers on the adequacy of arrangements for corporate governance, risk management, internal control and performance;
- Internal Audit completes a risk based programme of audits annually and provides independent advice to the Audit Committee;
- the National Audit Office forms an external opinion on the Department’s financial statements and conducts good governance reviews and value for money audits; and
- the “Risk Directors Group” provide the Board with advice on the top risks that the Board should consider for escalation to the corporate risk register.

Significant internal control issues

I reported in my 2006-07 Statement of Internal Control the progress and plans to address internal control issues raised in the 2005-06 statement in the following areas:

- financial management;

- reform – which included leadership, improving systems, a structure focused on front line delivery, being more alert to operational risks and matching resources to priorities;
- the creation of the Office of Security and Counter Terrorism and the Ministry of Justice; and
- record management issues.

I am pleased to report that progress has been made in all these areas although there is still much work to do to sustain and build on the improved performance:

- we are improving our internal financial training provision and continue to support staff seeking membership of a professional body. We have undertaken a project to improve the accuracy of our capital financial forecasting and will review the quality of forecasting in general. We have also taken steps to assess, and where necessary, improve compliance with financial, HR and commercial processes;
- we have met all of the milestones and commitments published in our 2006 Reform plan with only two exceptions (a reduction in sickness absence by April 08 and finalisation of the SCS pay and reward strategy). External assessments carried out by the Cabinet Office Capability Review Team confirmed good progress had been made against our four Reform priorities which were: organised for effective frontline delivery and high performance; resources matched to priorities; systems which work and make delivery easier; and people at all levels are skilled, involved, take responsibility and are determined to make a difference; and
- we have in post a new Director General to lead the Office of Security and Counter Terrorism and agreed with HM Treasury increased investment in this area as part of the CSR2007 published in October 2007. And we have completed our transfer of staff and associated resources to the Ministry of Justice.

The significant internal control issues identified by my 2007-08 review are:

- during the year there were disturbances at two UKBA Detention Centres by detainees. Risk assessments are being undertaken on a daily basis and detainees moved to more secure accommodation when appropriate;
- internal audits of UKBA operational guidance and assurance arrangements for operational activities identified the need for local areas to be consistently compliant with national systems and the need to raise awareness and compliance with data security standards;
- internal audits highlighted deficiencies in the management of some grants which we are addressing by improvements to monitoring and control arrangements. Furthermore, the Crime Reduction and Community Safety Group of the Home Office have taken action, with the NDPBs, to improve the systems of financial control of the National Policing Improvement Agency and the Independent Safeguarding Authority (which vested in January 2008);
- during the year we audited compliance with procurement, HR, risk management and finance processes, and introduced a set of compliance metrics to track progress. The results indicate that compliance levels need to be improved in all these areas and some of the processes need more simplified, quality guidance. We have undertaken to do this through 2008-09;
- in relation to risk management, the compliance audits found that this was not universally embedded at Unit level. Through 2008-09 we will be working to embed the Home Office Risk Management Policy and Guidance at Unit level, and improve information risk management;
- we have identified several unauthorised releases of information during the year. Such releases are unacceptable and in response we are strengthening our information assurance arrangements. In August 2007 we initiated an independent review of information assurance. The first phase is complete and it is estimated that the full review and implementation will be completed by March 2009; and
- we have identified a relatively small number of losses of personal information as set out on page 20. In response to the recommendations in the report on Data Handling Procedures in Government, we

have set in hand a comprehensive plan to increase information security across the Home Office and its delivery partners.

Looking forward to 2008-09:

- on 1 April 2008 we created a unified border force by bringing together the work of Customs, the Border and Immigration Agency and UK Visas. The UK Border Agency Business Plan published on 3 April 2008 sets out the challenging plan for integration. This includes moving to full Agency status for 2009-10; and
- on the 1 April 2008 the government's new Public Service Agreements (PSAs) came into effect. The Home Office is responsible for leading the cross-government PSAs on safer communities, counter terrorism, drugs and alcohol, and migration. The new cross-government governance arrangements provide an opportunity to improve the management of risks that cut across organisational boundaries;
- in 2008-09, we will be progressing a number of innovative projects and programmes where the delivery risks are high including the Points Based System, the National Identity Scheme and projects relating to national security. In doing so we aim to manage delivery risks to a reasonable level rather than eliminate all risks.

My review of the system of internal control has identified many improvements in structures and procedures over the last year but the overall effectiveness of its implementation remains limited. Work is underway to improve performance and embed changes within business areas.

David Normington
Accounting Officer
15 July 2008

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 Home Office for the year ended 31 March 2008 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 Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the annual review, operating review and financial review, 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 corporate governance, public interest and other, and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been

applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to 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 given within the Annual Report, which comprises the annual review, operating review and financial review included within the Annual Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T.J. Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

17 July 2008

Statement of Parliamentary Supply

Summary of Resources Outturn 2007-08

	Note	Estimate			2007-08 Outturn			2006-07 Outturn*	
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate saving/ (excess)	Prior year Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1	2	10,712,312	(970,315)	9,741,997	10,256,964	(833,147)	9,423,817	318,180	13,887,890
Total Resources	3	10,712,312	(970,315)	9,741,997	10,256,964	(833,147)	9,423,817	318,180	13,887,890
Non-operating cost A in A	4		(1,193)			(1,193)		-	(17,286)

Net Cash Requirement 2007-08

	Note	2007-08 £000	2007-08 £000	2006-07 £000
		Estimate	Outturn	Outturn*
Net Cash Requirement	4	9,823,212	9,318,397	14,133,858

Summary of income payable to the Consolidated Fund

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

	Note	Forecast 2007-08		Outturn 2007-08	
		Income £000	Receipts £000	Income £000	Receipts £000
Total	5	219,964	219,964	207,099	205,809

* The 2006-07 outturn figures have not been restated as these numbers were previously reported to Parliament.

Explanations of variances between Estimates and Outturn are given on pages 15 to 17 of the Annual Report.

The notes on pages 46 to 80 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2008

	Note	2007-08			2007-08			Restated 2006-07	
		£000 Costs	£000 Costs	£000 Income	£000 Costs	£000 Costs	£000 Income	Core Department £000	Conso- lidated £000
Administration									
Costs:									
Staff costs	9	182,094			193,550			158,166	258,701
Other administration costs	10		198,042			273,578		240,847	527,067
Income	12			(45,871)			(143,480)	(11,935)	(417,214)
Programme Costs									
Request for									
Resources 1									
Staff costs	9	569,486			723,302			521,080	538,225
Programme costs	11		8,848,213			9,066,534		8,459,037	8,474,163
Income	12			(522,598)			(896,766)	(361,508)	(403,061)
Totals		751,580	9,046,255	(568,469)	916,852	9,340,112	(1,040,246)	9,005,687	8,977,881
Net Operating Cost	3, 13			9,229,366			9,216,718	9,005,687	8,977,881

All activities are from continuing operations. The Machinery of Government changes reflected in these financial statements are disclosed in Note 37.

The notes on pages 46 to 80 form part of these accounts.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

		2007-08		Restated 2006-07	
	Note	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Net gain/(loss) on revaluation of tangible fixed assets	14, 23	32,756	42,700	97,330	99,581
Net gain/(loss) on revaluation of investments	16	–	–	6,067	6,067
Recognised Gains and Losses for the Financial Year		32,756	42,700	103,397	105,648

The notes on pages 46 to 80 form part of these accounts.

Balance Sheet

as at 31 March 2008

		2007-08		Restated 2006-07	
	Note	Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Fixed Assets:					
Tangible assets	14	508,358	635,940	389,868	520,568
Intangible assets	15	1,000	1,380	178	300
Investments	16	67,260	67,260	68,453	68,453
		<u>576,618</u>	<u>704,580</u>	<u>458,499</u>	<u>589,321</u>
Debtors falling due after more than one year	18	–	2,301	–	244
Current Assets:					
Stocks	17	–	6,214	–	2,201
Debtors	18	246,092	272,124	286,534	336,813
Cash at bank and in hand	19	439,619	505,107	414,109	443,435
		<u>685,711</u>	<u>783,445</u>	<u>700,643</u>	<u>782,449</u>
Creditors (amounts falling due within one year)	20	(1,399,965)	(1,479,662)	(1,211,222)	(1,290,539)
Net Current Assets		<u>(714,254)</u>	<u>(696,217)</u>	<u>(510,579)</u>	<u>(508,090)</u>
Total Assets less Current Liabilities:		<u>(137,636)</u>	<u>10,664</u>	<u>(52,080)</u>	<u>81,475</u>
Creditors (amounts falling due after more than one year)	20	–	(3,489)	–	(3,778)
Provisions for liabilities and charges	21	(67,304)	(72,506)	(75,277)	(79,107)
		<u>(204,940)</u>	<u>(65,331)</u>	<u>(127,357)</u>	<u>(1,410)</u>
Taxpayers' Equity:					
General fund	22	(295,779)	(167,989)	(284,155)	(162,721)
Revaluation reserve	23	90,839	102,658	156,798	161,311
		<u>(204,940)</u>	<u>(65,331)</u>	<u>(127,357)</u>	<u>(1,410)</u>

David Normington
Accounting Officer

15 July 2008

The notes on pages 46 to 80 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2008

		<u>2007-08</u>	<u>Restated</u> <u>2006-07</u>
	Note	£000	£000
Net cash outflow from operating activities	24a	(8,989,704)	(8,886,655)
Capital expenditure and financial investment	24b	(161,539)	(129,229)
Payments of amounts due to the Consolidated Fund		(253,269)	(300,042)
Financing	24d	9,461,500	9,940,830
Increase/(decrease) in cash in the period	24e	<u>56,988</u>	<u>624,904</u>

The notes on pages 46 to 80 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

Aim	Gross	Income	2007-08	Gross	Income	Restated
	Expenditure		Net	Expenditure		2006-07
	£000	£000	£000	£000	£000	Net
						£000
Objective 1	900,589	(2,170)	898,419	682,085	(7,148)	674,937
Objective 2	346,464	(143,151)	203,313	592,460	(139,204)	453,256
Objective 3	6,861,142	(201,680)	6,659,462	6,475,085	(142,968)	6,332,117
Objective 4	2,148,769	(693,245)	1,455,524	2,048,526	(530,955)	1,517,571
Net Operating Cost	10,256,964	(1,040,246)	9,216,718	9,798,156	(820,275)	8,977,881

Objective 1: Protecting the nation from terrorist attack

Objective 2: Cutting crime, especially violent and drug-related crime

Objective 3: Ensuring people feel safer in their homes and daily lives, particularly through more visible, responsive and accountable local policing

Objective 4: Securing our borders, preventing abuse of our immigration laws and managing migration to the benefit of the nation

Explanations of variances between Estimates and Outturn are given on pages 15 to 17 of the Annual Report.

The notes on pages 46 to 80 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2008

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2007-08 **Government Financial Reporting Manual (FReM)** issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department 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 consolidated Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The Balance Sheet as at 31 March 2008 shows negative taxpayers' equity of £65.3m. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be in the form of Supply, approved annually by Parliament, to meet the Department's net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specific year or retained in excess of that need. All unspent monies including those derived from the Department's income, are surrendered to the Fund.

In common with other government departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Home Office and its Agencies: the Identity and Passport Service and the Criminal Records Bureau. The Agencies also produce and publish their own annual reports and accounts.

1.3 Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. The capitalisation threshold for expenditure on tangible fixed assets across Home Office is between £500 and £5,000. On initial recognition, they are measured at cost, including any costs directly attributable to bringing them into working condition, such as installation. All tangible fixed assets are restated to current value each year.

Land and buildings are restated to current value using professional valuations every five years and in the intervening years by the use of published indices appropriate to the type of land or building. Other operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable.

Published indices appropriate to the category of asset are normally used to estimate value. Residual interest in off balance sheet PFI properties are included in tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual to the balance sheet date plus an adjustment based on the net present value of the change in the fair value of the residual as estimated at the start of the contract and its

estimated fair value at the balance sheet date. The Revaluation Reserve does not include any values where fixed assets suffer from permanent downward indexation as this is charged to the Operating Cost Statement as impairment.

1.4 Intangible Assets

Intangible assets comprise purchased computer software licences that are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. Where reliable evidence of current value cannot be readily ascertained these are restated to current value each year. Published indices appropriate to the category of asset are normally used to estimate value. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.5 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 and residual interests in off balance sheet PFI contracts are not depreciated until the asset is brought into use or reverts to the Department respectively. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives. Asset lives are normally in the following ranges:

Buildings	up to 60 years or life of lease
Plant and equipment	2 – 15 years
Computers	2 – 5 years
Software	3 – 5 years
Vehicles	5 – 7 years
Furniture and fittings	3 – 10 years

The asset lives stated above vary according to the policy adopted in the respective Agencies or the core Department.

1.6 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated assets 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. At present the Department has no donated assets.

1.7 Investments

Loans and Public Dividend Capital (PDC) issued by the Home Office to the Forensic Science Service are shown at historic cost. The Forensic Science Service was converted into a government company during 2005-06.

1.8 Stocks and Work in Progress

Stocks for resale and work in progress are valued at the lower of current replacement cost and net realisable value. Consumable stocks are valued at current replacement cost which is not materially different from historical cost.

1.9 Third Party Assets

The Department does not hold as custodian or trustee assets belonging to third parties.

1.10 Research and Development Costs

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the FReM which

are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project or according to the asset category if the asset is to be used for subsequent production work.

1.11 Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It also includes other income such as that from investments. It includes both income appropriated in aid and income due to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Operating income is stated net of VAT. Operating income also includes:

- i) the turnover for the Identity and Passport Service from their continuing activities, representing the sale value of all services provided during the year. All income is recognised when the passport is issued. Income from free passports issued for all British Nationals born on or before 2 September 1929 that was introduced on 18 October 2004 is centrally funded by the Home Office when a passport is issued. Income from this initiative is shown under turnover and the cash settlement for the service provided is deducted from the amounts paid to the Home Office; and
- ii) the turnover of the Criminal Records Bureau from their continuing activities, representing the sale value of all services provided during the year. Turnover represents:
 - fees charged to applicants for applications for enhanced and standard disclosure of prescribed criminal record information; and
 - fees charged to register corporate bodies and signatories to access the criminal record process.

CRB recognises income on the receipt of a counter-signed application. Monies received for Disclosure notices that are not expected to be returned are included in Other Creditors.

1.12 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department. These include both the administration costs and associated operating income. Income is analysed in the notes under which the administration 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.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.13 Capital Charge

A charge, reflecting the cost of capital utilised by the Home Office, is included in operating cost. 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.

1.14 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates at that date. These translation differences are dealt with in the Operating Cost Statement.

1.15 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Except in respect of dependants' benefits the Home Office recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees services by payments to the 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 Home Office recognises the contributions payable for the year.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Home Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

1.16 Early Departure Costs

The Home Office is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in the current or previous years.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.18 Home Office Grants

Grants (excluding Grant in Aid) are usually accounted for on an accruals basis and are paid as a reimbursement against expenditure that the grant recipient has already made. Grant in Aid is a funding mechanism to finance all or part of the costs of the body receiving the Grant in Aid.

The Home Office provides funding to Local Authorities to support activities delivered locally to help deliver Home Office aims and objectives. Some of that funding takes the form of specific grants, which are provided directly by the Department to Local Authorities to spend on specific activities, within prescribed terms and conditions. The remaining funding is provided through the Local Area Agreement (LAA) mechanism. This provides the Local Authorities with a greater degree of discretion over the precise nature of the activities funded. The Department and other contributing departments channel their LAA funding through a centrally pooled funding stream which is managed within the Department for Communities and Local Government (DCLG). DCLG is responsible for making the grant payments from the central LAA pool to the various Local Authorities, who are the Accountable Bodies in respect of LAAs. The roles and responsibilities of the contributing departments and DCLG are defined in a "Memorandum of Understanding between Departmental Accounting Officers". In 2007-08, those Local Authorities that did not have an LAA also received Home Office funding through DCLG's centrally pooled freestanding Safer and Stronger Communities Fund (SSCF) arrangements; similar roles and responsibilities were agreed between the two departments.

1.19 PFI Transactions

The Home Office has accounted for PFI transactions in accordance with Treasury Taskforce Guidance Technical Note 1 (revised) "How to Account for PFI transactions". The guidance allows for both on and off balance sheet transactions.

Off Balance Sheet Transactions

Where the balance of risks and rewards of ownership of PFI property are borne by the PFI operator payments are recorded as an operating cost. Where the Department has contributed assets a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Operating Cost Statement. Where at the end of the PFI contract a property reverts to the Home Office, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge and a service charge.

On Balance Sheet Contracts

Where the balance of risks and rewards of ownership of the PFI asset are borne by the Home Office, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.20 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of 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 HM Treasury (currently 2.2%).

1.21 Contingent Liabilities

In addition to contingent liabilities disclosed, the Department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- i) items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- ii) all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.22 Value Added Tax

Most of the activities of the Department 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 tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.23 Machinery of Government Changes

Machinery of Government changes which involve the transfer of functions or responsibilities between two or more government departments are accounted for in accordance using merger accounting in accordance with Financial Reporting Standard (FRS 6). The prior year comparatives have been restated to reflect these Machinery of Government changes. By doing so it appears that the entity always existed in its present form. This enables the user of the accounts to make useful comparisons between the data from the prior year to the current year.

1.24 Statement of Operating Costs by Departmental Aim and Objectives and Note 25

In relation to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives and Note 25, the information disclosed has been compiled using information obtained directly from the general ledger accounting system based on cost centres.

Costs (other than central services) are specifically allocated to the appropriate Home Office objective on the basis of expenditure incurred. The spend on central services has been allocated to each of the objectives on a proportional basis.

1.25 Intra-Government Debtor and Creditor Balances

Intra-Government Debtor and Creditor balances detailed in notes 18 and 20 have been derived from information obtained directly from the accounts payable/receivable sub-ledgers based on supplier.

Items which cannot be directly attributed to an individual supplier or customer are allocated on a proportional basis.

2. Analysis of Net Resource Outturn by Section

						Outturn		2007-08 £000 Estimate	2006-07* £000
	Admin	Other Current	Grants	Gross resource expendi- ture	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	Prior-year outturn
Request for Resources 1: Protecting the public and securing our future									
SPENDING IN DEPARTMENTAL EXPENDITURE (DEL):									
Central Government Spending:									
A – Police	24,492	34,561	25,984	85,037	(41,862)	43,175	162,556	119,381	599,656
B – Crime reduction	21,247	9,901	9,267	40,415	(2,811)	37,604	109,177	71,573	144,820
C – Criminal Records Bureau	86,945	–	–	86,945	(86,945)	–	–	–	(13,618)
D – Counter Terrorism and Intelligence	12,324	92,180	16,830	121,334	(938)	120,396	225,312	104,916	567,012
E – Drugs	10,497	5,212	8,549	24,258	(41,855)	(17,597)	66,938	84,535	221,993
F – Criminal Justice	–	–	–	–	–	–	–	–	111,162
G – National Offender Management Service HQ	–	–	–	–	–	–	–	–	837,203
H – Prisons – private sector	–	–	–	–	–	–	–	–	239,162
I – Prisons – public sector	–	–	–	–	–	–	–	–	1,936,342
J – Probation HQ	–	–	–	–	–	–	–	–	49,593
K – Border and Immigration Agency	107,091	1,512,552	18,069	1,637,712	(305,326)	1,332,386	1,240,451	(91,935)	1,455,546
L – Identity and Passport Service	–	379,659	–	379,659	(322,843)	56,816	79,900	23,084	33,028
M – Central Services	204,531	45,398	194	250,123	(30,567)	219,556	224,975	5,419	263,461
N – European Refugee Fund	–	–	1,646	1,646	–	1,646	1	(1,645)	(1,015)
Support for Local Authorities:									
O – Police grants	–	–	5,313,162	5,313,162	–	5,313,162	5,038,506	(274,656)	4,548,881
P – Crime reduction grants	–	–	103,863	103,863	–	103,863	102,242	(1,621)	35,183
Q – Counter Terrorism and Intelligence	–	–	755,454	755,454	–	755,454	724,618	(30,836)	96,427
R – Border and Immigration Agency grants	–	–	84,982	84,982	–	84,982	166,627	81,645	–
S – Local Area Agreements	–	–	83,299	83,299	–	83,299	90,019	6,720	58,538
T – Other grants	–	–	–	–	–	–	–	–	(1)
SPENDING IN ANNUALLY MANAGED EXPENDITURE									
Central Government Spending:									
U – Police superannuation	–	–	897	897	–	897	897	–	–
Support for Local Authorities:									
V – Police superannuation	–	–	352,344	352,344	–	352,344	355,000	2,656	290,750
Non-budget									
V – Police Information Technology Organisation	–	–	–	–	–	–	–	–	348,548
W – Central Police Training and Development Agency	–	–	–	–	–	–	–	–	82,500
W – Independent Police Complaints Commission	–	–	31,500	31,500	–	31,500	32,307	807	30,600
X – Serious Organised Crime Agency	–	–	426,023	426,023	–	426,023	490,575	64,552	423,354
Y – Security Industry Authority	–	–	2,000	2,000	–	2,000	1	(1,999)	(2,985)
Z – Parole Board	–	–	–	–	–	–	–	–	6,281
AA – National Probation Service (local area boards)	–	–	–	–	–	–	–	–	848,547
AB – Youth Justice Board	–	–	–	–	–	–	–	–	409,513
AC – Criminal Injuries Compensation Authority	–	–	–	–	–	–	–	–	245,750
AD – Criminal Cases Review Commission	–	–	–	–	–	–	–	–	6,744
AE – Office of the Immigration Service Commissioner	–	–	4,495	4,495	–	4,495	4,495	–	4,313
AF – Fine refunds to carriers	–	46	–	46	–	46	50	4	18
AG – Loan charges	–	–	6,770	6,770	–	6,770	9,669	2,899	10,076
AH – National Policing Improvement Agency	–	–	465,000	465,000	–	465,000	612,968	147,968	–
AI – Independent Safeguarding Authority	–	–	–	–	–	–	713	713	–
AJ – Impairments	–	–	–	–	–	–	4,000	4,000	–
AM – Criminal Justice grants	–	–	–	–	–	–	–	–	508
Resource Outturn	467,127	2,079,509	7,710,328	10,256,964	(833,147)	9,423,817	9,741,997	318,180	13,887,890

This analysis is required for control purposes and to obtain parliamentary approval.

Explanations of variances between Estimate and Outturn are given in the Annual Report pages 15 to 17.

* The 2006-07 figures have not been restated as these numbers were previously reported to Parliament.

3. Reconciliation of Outturn to Net Operating Cost and Against Administration Budget

3(a) Reconciliation of Net Resource Outturn to Net Operating Cost

		Outturn	Supply Estimate	2007-08 Outturn compared with Estimate	Restated 2006-07 Outturn
	Note	£000	£000	£000	£000
Net resource outturn*	2	9,423,817	9,741,997	318,180	13,887,890
Prior period adjustments		–	–	–	105,319
Non-supply income (CFERs)	12	(207,099)	(219,964)	(12,865)	(199,139)
Non-supply expenditure		–	–	–	(39,388)
Machinery of Government transfers	37	–	–	–	(4,776,801)
Net Operating Cost		9,216,718	9,522,033	305,315	8,977,881

*The 2006-07 net resource outturn has not been restated as this figure had been previously reported to Parliament.

3(b) Outturn Against Final Administration Budget

		Budget	2007-08 Outturn	2006-07 Outturn*
	Note	£000	£000	£000
Gross administration budget	2	502,748	467,127	932,912
Income allowable against the administration budget	12	(108,148)	(143,480)	(468,171)
Income not allowable against the administration budget		–	–	45,072
Net outturn against the final administration budget		394,600	323,647	509,813

*The 2006-07 outturn figures have not been restated as these numbers were previously reported to Parliament.

4. Reconciliation of Resources to Cash Requirement

		Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)
	Note	£000	£000	£000
Resource Outturn	2	9,741,997	9,423,817	318,180
Capital				
Acquisition of fixed assets	24	183,172	162,732	20,440
Investments		–	–	–
Non operating A in A				
Loan repayments		(1,193)	(1,193)	–
Accruals adjustments				
Non-cash items	24	(114,942)	(95,894)	(19,048)
Changes in working capital other than cash		14,178	(145,846)	160,024
Use of provision	21	–	14,726	(14,726)
Machinery of Government transfers		–	(39,945)	39,945
Net Cash Requirement		9,823,212	9,318,397	504,815

5. Analysis of Income Payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2007-08		Outturn 2007-08	
		Income £000	Receipts £000	Income £000	Receipts £000
Other operating income and receipts not classified as A in A	12	157,256	<i>157,256</i>	145,109	<i>143,819</i>
Excess receipts payable to the Consolidated Fund		–	–	–	–
		<u>157,256</u>	<u><i>157,256</i></u>	<u>145,109</u>	<u><i>143,819</i></u>
Other amounts collectable on behalf of the Consolidated Fund	12	62,708	<i>62,708</i>	61,990	<i>61,990</i>
Total income payable to the Consolidated Fund		<u>219,964</u>	<u><i>219,964</i></u>	<u>207,099</u>	<u><i>205,809</i></u>

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

	Note	2007-08	Restated 2006-07
		£000	£000
Operating income	12	1,040,246	820,275
Income authorised to be appropriated in aid	2	(833,147)	(1,105,920)
Non supply adjustments – EU income*	9,12	–	(5,945)
Non supply adjustments – MOG income*		–	(46,213)
Reconciliation to unrestated parliamentary schedule		–	536,942
Operating income payable to the Consolidated Fund		<u>207,099</u>	<u>199,139</u>

* For the prior year, non supply adjustments relate to EU and NPS income. For the purposes of Note 12 this income is shown as Appropriations in Aid.

7. Non-Operating Income – Excess A in A

	2007-08	2006-07
	£000	£000
Proceeds on disposal of fixed assets	–	20,535
Other (analysed as appropriate)	–	–
Non operating income – excess A in A	<u>–</u>	<u>20,535</u>

8. Non-Operating Income not classified as A in A

The Home Office does not have any non operating income not classified as Appropriation in Aid.

9. Staff Numbers and Related Costs

Staff costs comprise:

						2007-08		Restated 2006-07	
						Consolidated		Consolidated	
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total	Permanently employed staff	Others	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Wages and salaries	609,082	567,261	41,397	330	94	754,397	651,852	102,545	646,494
Social security costs	41,696	41,655	–	32	9	47,233	46,799	434	44,802
Other pension costs	102,446	102,413	–	14	19	116,866	115,807	1,059	109,207
Sub Total	753,224	711,329	41,397	376	122	918,496	814,458	104,038	800,503
Less recoveries in respect of outward secondments	(1,644)	(1,644)	–	–	–	(1,644)	(1,644)	–	(3,577)
Total Net Costs*	751,580	709,685	41,397	376	122	916,852	812,813	104,038	796,926
*Of which:									
Charged to administration costs						193,550			258,701
Charged to programme costs						723,302			538,225
						916,852			796,926
Core Department									
Charged to administration costs						182,094			158,166
Charged to programme costs						569,486			521,080
						751,580			679,246

An insignificant proportion of the total net staff costs was charged to capital expenditure.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Home Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employer's contributions of £102m were payable to the PCSPS (£106m in 2006-07) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009) The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £296,834 (£263,858 in 2006-07) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £11,207 (£12,857 in 2006-07), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date.

15 persons (13 in 2006-07) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £23,499 (£23,756 in 2006-07).

Number of Persons Employed

The 2007-08 staff in post figures are based on average staff in post. For 2006-07, the core Home Office excluding Executive Agencies are based on the year end position and not the average staff in post.

Objective					2007-08	Restated 2006-07
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
1	449	411	37	1	–	404
2	750	720	28	1	1	743
3	583	496	85	2	–	690
4	25,827	22,582	3,242	2	1	25,566
	<u>27,609</u>	<u>24,209</u>	<u>3,392</u>	<u>6</u>	<u>2</u>	<u>27,403</u>
Of which:						
Core Department	23,402	20,541	2,853	6	2	23,383

Objective 1: Protecting the nation from terrorist attack

Objective 2: Cutting crime, especially violent and drug-related crime

Objective 3: Ensuring people feel safer in their homes and daily lives, particularly through more visible, responsive and accountable local policing

Objective 4: Securing our borders, preventing abuse of our immigration laws and managing migration to the benefit of the nation

10. Other Administration Costs

Note	2007-08		Restated 2006-07	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Rentals under operating leases	1,027	1,027	9,721	9,721
Interest charges	–	–	–	431
PFI and service charges	37,032	83,056	30,407	76,203
Non-cash items:				
Depreciation	7,268	7,421	(13,395)	3,128
Amortisation	2	2	445	517
Impairment	14	2,462	44,406	51,091
(Profit)/loss on disposal of assets	–	–	(490)	(55)
Cost of capital charges	(7,323)	(7,373)	(18,998)	(16,622)
Notional charges	–	41	–	388
Auditor's remuneration and expenses	600	736	625	936
Movement on provisions	21	(21,745)	42,890	43,594
Other:				
Publication stationery and printing	3,441	3,441	4,486	6,796
Facilities management and services	64,926	64,926	42,127	128,724
Accommodation and maintenance	19,983	21,633	13,830	32,580
Travel, subsistence and hospitality	10,853	10,853	10,423	18,037
Professional fees	24,209	25,240	35,100	35,793
Media and IT	7,874	7,874	13,278	35,675
Diminution of Investment	–	–	–	–
Early Retirement Costs	15,138	15,138	–	–
Other administration expenditure	32,295	58,868	25,992	100,130
Total	198,042	273,578	240,847	527,067

11. Programme Costs

	Note	2007-08		Restated 2006-07	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Rentals under operating leases		50,317	50,317	53,190	53,190
Interest charges		-	-	-	-
Finance charges – pension costs		-	-	-	-
PFI and service charges		141,790	141,790	96,749	96,749
Non-cash items:					
Depreciation		36,893	66,896	33,496	33,975
Amortisation		327	424	14	14
Impairment		3,973	9,240	24,826	24,826
(Profit)/loss on disposal of assets		-	53	-	-
Cost of capital charges		2,767	5,141	10,045	11,106
Notional charges		7,522	3,414	-	-
Auditor's remuneration and expenses		-	175	-	-
Movement on provisions	21	14,942	15,166	(10,863)	(10,863)
Other					
Grants – current		7,083,617	7,083,617	6,823,602	6,823,602
Grants – capital		292,752	292,752	256,220	256,220
Grants – EU		2,085	2,085	4,929	4,929
Publication stationery and printing		5,249	9,395	6,286	6,286
Facilities management and services		111,038	233,568	103,878	103,878
Accommodation and maintenance		370,240	396,487	154,098	154,098
Travel, subsistence and hospitality		32,787	37,710	44,936	44,936
Professional fees		82,900	85,732	72,008	72,008
Media and IT		43,662	57,202	31,775	31,775
Grants – pension costs*		354,779	354,779	290,005	290,005
Other programme costs		210,573	220,591	463,843	477,429
Total		8,848,213	9,066,534	8,459,037	8,474,163

*Pension costs were shown as "Other programme costs" in the 2006-07 Resource Accounts.

12. Income

	Core Total	2007-08 Consolidated Total	Core Total	Restated 2006-07 Consolidated Total
	£000	£000	£000	£000
Appropriated in Aid				
Passport fees	–	316,832	–	300,534
Non cash notional income	–	300	–	300
Other administration income	41,704	128,649	15,486	114,268
Programme income	380,001	385,711	200,089	200,089
EU Income	1,654	1,655	5,945	5,945
Total Appropriated in Aid	423,359	833,147	221,520	621,136
Payable to Consolidated Fund				
Passport fees	–	51,326	–	45,072
Other administration income	4,166	4,166	3,611	5,755
Other programme income	140,943	140,943	148,312	148,312
Other CFER receipts	–	10,664	–	–
EU income	–	–	–	–
Total payable to Consolidated Fund	145,109	207,099	151,923	199,139
Total	568,468	1,040,246	373,443	820,275
Of which				
Administration income	45,871	143,480	11,935	417,214
Programme Income	522,598	896,766	361,508	403,061
	568,469	1,040,246	373,443	820,275

12(a). Analysis of Income from Services Provided to External and Public Sector Customers

Objective	2007-08			Restated 2006-07		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
1 Bomb Search Training*	-	-	-	39	1,280	(1,241)
1 Data Subject Access Requests	69	1,654	(1,585)	2,072	1,015	1,057
1 HMIC chargeable inspection work/ Inspection of non-HO Police Forces	579	579	-	1,016	1,016	-
2 Perimeter detection system	2,035	2,035	-	2,770	2,770	-
2 Gun club licences	8	8	-	10	10	-
3 CRB Enhanced Disclosures**	88,030	81,193	6,837	85,983	72,234	13,749
3 CRB Standard Disclosures**	8,281	5,768	2,513	5,677	6,132	(455)
3 CRB POVA First**	1,454	1,077	377	1,382	1,019	363
3 CRB Other**	79	151	(72)	125	164	(39)
3 Licences issued under the misuse of drugs act***	-	-	-	318	528	(210)
3 Animals (Scientific Procedures), Licences	3,762	3,776	(14)	3,734	3,550	184
4 Nationality Fees	59,583	29,303	30,280	26,088	26,851	(763)
4 Identity and Passport Service****	329,053	316,496	12,557	306,449	308,534	(2,085)
4 Immigration: Detention Costs Recovered	1,222	28,047	(26,825)	1,211	21,810	(20,599)
4 Immigration: Certificates Right of Abode	268	240	28	63	193	(130)
4 Immigration: Additional Services	775	1,497	(722)	655	2,068	(1,413)
4 Travel documents refugee passports	747	3,121	(2,374)	451	4,114	(3,663)
4 Travel documents Certificates of Identity	1,875	2,036	(161)	1,176	741	435
4 Work Permits	62,206	44,143	18,063	53,534	43,216	10,318
4 Accommodation provided for non-Home Office Bodies	5,351	5,351	-	8,823	8,823	-
4 Leave to Remain General Postal	95,389	102,155	(6,766)	63,249	75,856	(12,607)
4 Leave to Remain General Premium	50,577	19,918	30,659	35,965	19,353	16,612
4 Leave to Remain Work Permit Postal	18,413	12,617	5,796	22,976	13,590	9,386
4 Leave to Remain Work Permit Premium	6,424	4,692	1,732	7,237	1,958	5,279
4 Certificate of Approval	4,216	2,848	1,368	2,042	3,170	(1,128)
4 Point Based System	40	114	(74)	-	-	-
	740,436	668,819	71,617	633,045	619,995	13,050

This analysis of income satisfies the Fees and Charges requirements of HM Treasury rather than SSAP25.

* Income relating to Bomb Search training is now channelled through the Defence Bills Agency.

** CRB income includes £10.6m operating surplus which is surrendered to the consolidated fund.

*** Drug Strategy Unit stopped charging for licences issued under the misuse of drugs act from 01/01/07.

**** The fees and charges balances for the Identity and Passport Service excludes the non retainable element of the passport fee for consular protection (£51.3m in 2007-08 and £45m in 2006-07), which is surrendered to HM Treasury.

13. Analysis of Net Operating Cost by Spending Body

Spending Body:	Estimate	2007-08	Restated
		Total	2006-07
		£000	Total
Core Department	1,885,873	1,598,873	3,087,434
Identity and Passport Service	17,192	5,490	(12,044)
Criminal Records Bureau	-	(10,664)	(13,618)
Non-Departmental Public Bodies	1,141,059	929,018	886,330
Other Central Government	897	897	-
Local Authorities	6,477,012	6,693,104	5,029,779
Net Operating Cost	9,522,033	9,216,718	8,977,881

14. Tangible Fixed Assets

	Land & Buildings excluding Dwellings	Vehicles	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2007*	336,844	50,792	170,057	33,654	35,524	74,910	701,781
Additions	13,650	2,625	6,455	2,686	2,193	133,553	161,162
Disposals	(265)	(8)	(631)	(89)	(1,317)	(37)	(2,347)
Impairment	-	-	-	-	-	(5,267)	(5,267)
Transfers	16,712	-	19,091	-	725	(36,546)	(18)
Revaluations	43,022	(256)	(8,813)	400	658	-	35,011
At 31 March 2008	409,963	53,153	186,159	36,651	37,783	166,613	890,322
Depreciation							
At 1 April 2007*	(54,507)	(12,503)	(71,141)	(20,884)	(22,178)	-	(181,213)
Charged in year	(22,289)	(10,023)	(31,953)	(5,706)	(4,346)	-	(74,317)
Disposals	256	-	627	89	1,317	-	2,289
Revaluations	(3,431)	(5)	2,457	(75)	(87)	-	(1,141)
At 31 March 2008	(79,971)	(22,531)	(100,010)	(26,576)	(25,294)	-	(254,382)
Net book value at 31 March 2008	329,992	30,622	86,149	10,075	12,489	166,613	635,940
Net book value at 31 March 2007*	282,337	38,289	98,916	12,770	13,346	74,910	520,568
Asset financing:							
Owned	329,992	30,622	86,149	10,075	12,489	166,613	635,940
Net book value at 31 March 2008	329,992	30,622	86,149	10,075	12,489	166,613	635,940
Analysis of Tangible Fixed Assets							
The net book value of tangible fixed assets comprises:							
Core Department 2008	283,293	1,732	50,741	9,302	8,053	155,237	508,358
Agencies 2008	46,699	28,890	35,408	773	4,436	11,376	127,582
Total	329,992	30,622	86,149	10,075	12,489	166,613	635,940
Core Department 2007*	245,911	1,058	76,728	12,115	9,471	44,585	389,868
Agencies 2007*	36,426	37,231	22,188	655	3,875	30,325	130,700
Total	282,337	38,289	98,916	12,770	13,346	74,910	520,568

*2006-07 comparatives are restated.

Land and Buildings, excluding dwellings, comprises freehold, long leasehold (leases with 50+ years to run from balance sheet date) and short leasehold buildings.

Other tangible assets were revalued on the basis of the latest available indices.

15. Intangible Fixed Assets

	Total
	<u>£000</u>
Cost or Valuation	
At 1 April 2007 – restated	1,171
Additions	1,570
Donations	–
Disposals	–
Revaluations	(90)
At 31 March 2008	<u>2,651</u>
Amortisation	
At 1 April 2007 – restated	(871)
Charged in year	(426)
Disposals	–
Revaluations	26
At 31 March 2008	<u>(1,271)</u>
Net book value at 31 March 2008	<u>1,380</u>

Analysis of Intangible Fixed Assets

The net book value of intangible fixed assets comprises:

	Total
	<u>£000</u>
Core Department 2008	1,000
Agencies 2008	380
Total	<u>1,380</u>
Core Department 2007 – restated	178
Agencies 2007 – restated	122
Total	<u>300</u>

16. Investments

	Forensic Science Service (GovCo)			Total
	Share Capital	Loan Stock	Other Investments	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	
Cost or valuation				
At 1 April 2007	48,000	20,453	–	68,453
Additions	–	–	–	–
Repayments	–	(1,193)	–	(1,193)
Transfers	–	–	–	–
Revaluations	–	–	–	–
At 31 March 2008	<u>48,000</u>	<u>19,260</u>	<u>–</u>	<u>67,260</u>

The Forensic Science Service Ltd accounts for the year ended 31 March 2008 report the following:

(NB. These figures are subject to audit.)

	31 March 2008
	Forensic Science Service
	<u>£000</u>
Net assets	43,500
Turnover	138,001
(Profit)/Loss for the period (before financing)	1,013

17. Stocks and Work in Progress

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Stocks	-	5,224	-	1,808
Work in Progress	-	990	-	393
	-	6,214	-	2,201

18. Debtors

18(a) Analysis by Type

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors and provision for bad and doubtful debts	133,252	122,836	86,963	99,566
VAT debtors net of creditors	33,307	36,539	22,197	24,813
Staff debtors	10,183	10,557	10,360	10,659
Debtors – government departments	11,481	14,722	17,691	17,716
Other debtors, prepayments and accrued income	57,869	87,470	149,323	184,059
Amounts due from the Consolidated Fund in respect of supply	-	-	-	-
	246,092	272,124	286,534	336,813

	2007-08		2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due after more than one year:				
Trade debtors	-	-	-	-
Staff debtors	-	-	-	244
Prepayments and accrued income	-	2,301	-	-
	-	2,301	-	244

Included within trade debtors is £32.9m (£31.7m in 2006-07) that will be due to the Consolidated Fund once debts are collected.

18(b) Intra-Government Balances

	2007-08	Amounts falling due within one year Restated 2006-07	2007-08	Amounts falling due after more than one year Restated 2006-07
	£000	£000	£000	£000
Balances with other central government bodies	168,891	166,362	-	-
Balances with Local Authorities	10,075	33,911	-	-
Balances with NHS Trusts	-	14,210	-	-
Balances with public corporations and trading funds	31,317	14,592	-	-
<i>Subtotal: intra-government balances</i>	210,283	229,075	-	-
Balances with bodies external to government	61,841	107,738	2,301	244
Total Debtors at 31 March	272,124	336,813	2,301	244

19. Cash at Bank and in Hand

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	414,109	443,435	34,126	30,496
Net change in cash balances	25,510	61,672	379,983	412,939
Balance at 31 March	439,619	505,107	414,109	443,435
The following balances at 31 March were held at:				
Office of HM Paymaster General	434,799	476,691	412,185	436,976
Commercial: banks and cash in hand	4,820	28,416	1,924	6,459
Third Party Monies	-	-	-	-
Balance at 31 March*	439,619	505,107	414,109	443,435

*These balances exclude bank overdraft of £12,814k (£8,130k in 2006-07) which is disclosed under creditors in Note 20.

20. Creditors

20(a) Analysis by Type

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Other taxation and social security	38,110	38,110	57,605	57,605
Trade Creditors	183,812	191,837	84,264	92,551
Other creditors	65,431	67,975	45,916	49,945
Overdraft	-	12,814	-	8,130
Staff Creditors	14,599	14,600	-	-
Accruals and deferred income	518,787	573,002	573,792	626,432
Unpaid Pension Contributions	207	207	218	218
Creditors – Government Departments	53,750	55,848	27,871	27,311
PFI Contracts – Core Home Office	-	-	1	1
Amounts issued from the Consolidated Fund for supply but not spent at year end	407,142	407,142	264,039	264,039
Consolidated Fund – received	85,151	85,151	125,831	132,622
– receivable	32,976	32,976	31,685	31,685
	1,399,965	1,479,662	1,211,222	1,290,539

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due after more than one year:				
Other Creditors	-	3,489	-	3,778
PFI Contracts – Core Home Office	-	-	-	-
	-	3,489	-	3,778

20(b) Intra-Government Balances

	Restated Amounts falling due within one year		Restated Amounts falling due after more than one year	
	2007-08	2006-07	2007-08	2006-07
	£000	£000	£000	£000
Balances with other central government bodies	716,539	477,823	-	-
Balances with Local Authorities	67,765	206,108	-	-
Balances with NHS Trusts	29,859	7,155	-	-
Balances with public corporations and trading funds	68	1,125	-	-
<i>Subtotal: intra-government balances</i>	814,231	692,211	-	-
Balances with bodies external to government	665,431	598,328	3,489	3,778
Total Creditors at 31 March	1,479,662	1,290,539	3,489	3,778

21. Provisions for Liabilities and Charges

	Core Department			Consolidated		
	Early departure costs	Other	Total	Early departure costs	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2007 (restated)	23,249	52,028	75,277	23,362	55,745	79,107
Provided in the year	7,393	22,221	29,614	7,374	24,090	31,464
Provisions not required written back	–	(23,339)	(23,339)	–	(23,339)	(23,339)
Provisions utilised in the year	(10,782)	(3,466)	(14,248)	(10,782)	(3,944)	(14,726)
Balance at 31 March 2008	19,860	47,444	67,304	19,954	52,552	72,506

Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 2.2% in real terms.

Other Provisions

The main component of the “other provisions” relates to outstanding compensation claims. Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flows discounted using HM Treasury discount rate of 2.2% in real terms. No reimbursement will be received in respect of any of these claims. Legal claims, which may succeed but are less likely to do so or cannot be estimated, are disclosed as contingent liabilities in Note 31.

A provision for dilapidations is included within the ‘Other Provision’ balance, the amount is not sufficiently material to require separate disclosure.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(284,155)	(162,721)	3,687,430	3,783,300
Machinery of Government	-	-	(7,000,442)	(8,902,101)
Adjusted opening balance at 1 April	(284,155)	(162,721)	(3,313,012)	(5,118,801)
Net Parliamentary Funding				
Drawn down	9,414,378	9,461,500	12,446,694	14,397,897
Deemed	264,039	264,039	-	-
Net Financing from the Contingencies Fund				
Supply (creditor)/debtor – current year	(407,142)	(407,142)	(264,039)	(264,039)
Net Transfer from Operating Activities				
Net Operating Cost	(9,229,366)	(9,216,718)	(9,005,687)	(8,977,881)
CFERS repayable to Consolidated Fund	(155,815)	(207,141)	(172,458)	(219,674)
Non Cash Charges				
Cost of capital	(4,556)	(2,232)	(8,952)	(5,515)
Auditor's remuneration	600	911	625	936
Notional charges and income	7,522	462	-	(6,957)
Transfer from revaluation reserve	3,291	5,928	10,356	10,949
Transfer from revaluation reserve adjustment	95,425	95,425	-	-
IPS Grant reserve movement	-	(300)	-	(1,962)
Other	-	-	22,318	22,326
Balance at 31 March	(295,779)	(167,989)	(284,155)	(162,721)

23. Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2007-08		Restated 2006-07	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	156,799	161,311	64,093	66,948
Arising on revaluation during the year (net)	32,756	42,700	103,397	105,648
Transferred to general fund in realised element of Revaluation Reserve	(98,716)	(101,353)	(10,692)	(11,285)
Balance at 31 March	90,839	102,658	156,798	161,311

24. Notes to the Consolidated Cash Flow Statement**24(a) Reconciliation of Operating Cost to Operating Cash Flows**

		2007-08	Restated 2006-07
	Note	£000	£000
Net operating cost	13	(9,216,718)	(8,977,881)
Adjustments for non-cash transactions		95,894	142,033
(Increase)/decrease in stock		(4,013)	(802)
(Increase)/decrease in debtors		62,632	156,192
less movements in debtors relating to items not passing through the OCS		–	(299,539)
Increase/(decrease) in creditors		184,150	268,098
less movements in creditors relating to items not passing through the OCS		(96,923)	(161,378)
Use of provisions	21	(14,726)	(13,378)
Net Cash Outflow from Operating Activities		(8,989,704)	(8,886,655)

24(b) Analysis of Capital Expenditure and Financial Investment

		2007-08	Restated 2006-07
	Note	£000	£000
Tangible fixed asset additions	14	(161,162)	(151,464)
Intangible fixed asset additions	15	(1,570)	49
Proceeds of disposal of fixed assets		–	24,573
Investment additions		–	(3,580)
Investment repayments	16	1,193	1,193
Net Cash Outflow from Investing Activities		(161,539)	(129,229)

24(c) Analysis of Capital Expenditure and Financial Investment by Request for Resources

	Capital expenditure	Loans etc	A in A	Net Total
	£000	£000	£000	£000
Request for Resources 1				
Total 2007-08	162,732	(1,193)	–	161,539
Total 2006-07*	539,291	2,387	(36,670)	505,008

*The 2006-07 figures have not been restated as these numbers were previously reported to Parliament.

24(d) Analysis of Financing

		2007-08	Restated 2006-07
	Note	£000	£000
From the Consolidated Fund (supply) – current year	22	9,461,500	14,397,897
From the Consolidated Fund (supply) – prior year		–	–
Machinery of Government transfers	37	–	(4,756,606)
From Consolidated fund (supply) – creditor		–	299,539
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		–	–
Net Financing		9,461,500	9,940,830

24(e) Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

		2007-08	Restated 2006-07
	Note	£000	£000
Net Cash Requirement		(9,318,397)	(14,133,858)
From the Consolidated fund (Supply) – current year	24(d)	9,461,500	14,397,897
From the Consolidated fund (Supply) – prior year	24(d)	–	299,539
Amounts due to the Consolidated Fund – received in a prior year and paid over		(132,622)	(238,684)
Amounts due to the Consolidated Fund received and not paid over		85,151	132,622
Machinery of Government net funds transfer		(38,644)	167,388
Increase/(decrease) in cash		56,988	624,904

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

Administration costs have been attributed to objectives in accordance with the Department's normal management account practices, wherever possible, or have been allocated in the same proportions as programme expenditure.

Programme grants and other current expenditure have been allocated as follows:

	2007-08	Restated 2006-07
	£000	£000
Objective 1	867,342	641,446
Objective 2	178,130	416,252
Objective 3	6,527,680	6,211,753
Objective 4	1,319,918	1,338,648
Total	8,893,070	8,608,099

The Home Office capital is employed for immigration and border control, crime reduction/detection and central services.

Capital Employed by departmental aim and objectives at 31 March 2008

	2007-08	Restated 2006-07
	£000	£000
Objective 1	(79,500)	48,886
Objective 2	8,171	11,339
Objective 3	(203,600)	123,291
Objective 4	209,598	(184,926)
Total	(65,331)	(1,410)

Objective 1 : Protecting the nation from terrorist attack
 Objective 2 : Cutting crime, especially violent and drug-related crime
 Objective 3 : Ensuring people feel safer in their homes and daily lives, particularly through more visible, responsive and accountable local policing
 Objective 4 : Securing our borders, preventing abuse of our immigration laws and managing migration to the benefit of the nation

26. Capital Commitments

	<u>Core</u>	<u>2007-08 Consolidated</u>	<u>Core</u>	<u>Restated 2006-07 Consolidated</u>
	£000	£000	£000	£000
Contracted capital commitments as at 31 March for which no provision has been made	391,349	397,549	70,132	87,636
Approved but not contracted capital commitments	101,187	101,187	1,329	1,329
	<u>492,536</u>	<u>498,736</u>	<u>71,461</u>	<u>88,965</u>

27. Commitments under Leases**27.1 Operating Leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts have been analysed according to the period in which the lease expires:

Obligations under Operating Leases comprise:

	<u>Core</u>	<u>2007-08 Consolidated</u>	<u>Core</u>	<u>Restated 2006-07 Consolidated</u>
	£000	£000	£000	£000
Land and buildings:				
Expiry within 1 year	4,217	6,604	1,658	2,300
Expiry after 1 year but not more than 5 years	17,054	28,008	12,223	21,851
Expiry thereafter	28,700	38,387	20,738	25,716
	<u>49,971</u>	<u>72,999</u>	<u>34,619</u>	<u>49,867</u>
Other:				
Expiry within 1 year	316	316	206	206
Expiry after 1 year but not more than 5 years	1,058	1,058	888	888
Expiry thereafter	1	1	-	-
	<u>1,375</u>	<u>1,375</u>	<u>1,094</u>	<u>1,094</u>
	<u>51,346</u>	<u>74,374</u>	<u>35,713</u>	<u>50,961</u>

27.2 Non-cancellable Lease Contracts

The Department does not have any non-cancellable lease contracts at 31 March 2008.

28. Commitments under PFI Contracts**28.1 Off Balance Sheet****Home Office Central London Accommodation**

On 26 March 2002, a 29 year public private partnership contract was signed for the construction and maintenance of a new central London headquarters building at 2 Marsham Street. The new building houses the majority of staff in the Home Office based in central London. The new property is built and run by Anne's Gate Property (AGP) consortium and is not an asset of the Home Office. Construction was completed by quarter one of 2005 and the building is now fully operational. The contract has an estimated capital value of £200m, and the contract runs for 29 years from the 26 March 2002. The Home Office is committed to making partially indexed annual payments which in 2007-08 totalled £35m plus (recoverable) VAT.

Home Office IT Systems

The core Home Office modernisation programme commenced in February 2001 when the contractor, SIRIUS, a specially constructed consortium of Fujitsu (formerly ICL), PWC (who have now departed from the contract) and Global Crossing assumed responsibility for operating and maintaining the Home Office's IT and telephony. Over the 10 year life span of the programme, the contractor will develop the Home Office's e-mail, Intranet, Extranet and telephone voice services, supporting an estimated 19,000 desktops. The contract is treated as off balance sheet with the separation of payment streams to the contractor for IT and telephony charged to the Operating Cost Statement.

Border and Immigration Agency – IT Support Services

2007-08 was the fourth year of the six year contract awarded under the Public Private Partnerships (PPP) initiative to ATOS Origin for the supply of infrastructure, development and support services for the Border and Immigration Agency. The annual payments are estimated at £39m for the duration of the contract.

Identity & Passport Services PPP Contract

The Identity and Passport Service has a single contract which is classified as an off balance sheet PPP arrangement. This is included within the material contracts with 3M SP&SL (expiry October 2010), Siemens IT Services and Solutions (expiry October 2009), Secure Mail Services (expiry July 2010), Tele-performance (expiry March 2011) and Atos Origin (expiry August 2009). The total value of the contract over the full term is estimated to be £44.8m. Due to commercial sensitivity, the actual supplier has not been disclosed. This amount is excluded from the table below.

Criminal Records Bureau PPP Contract

2007-08 was the sixth year of the ten year contract awarded under the PPP initiative to provide the disclosure processing service. The contract (from March 2002 to March 2012) has an estimated total value of £400m, with the actual final value determined by demand for disclosure notices.

Charge to the Operating Cost Statement and Future Commitments

The payments to which the Department is committed during 2007-08 and beyond, analysed by the period during which the commitment expires are as follows:

	Core Department	2007-08 Consolidated
	<u>£000</u>	<u>£000</u>
Imputed finance lease obligations under off balance sheet for above PFI contracts comprise:		
Rentals due within 1 year	128,322	168,322
Rentals due within 2 to 5 years	319,486	439,596
Rentals due thereafter	941,120	941,120
Less interest element	–	–
Total	<u>1,388,928</u>	<u>1,549,038</u>

Re-stated prior year comparative data has not been provided.

29. Other Financial Commitments

The Department and its Agencies have entered into non-cancellable contracts (which are not leases or PFI contracts).

The Identity and Passport Service has outsourced suppliers and has financial commitments under these contracts until the end of the contract term. These are material contracts with 3M SP&SL (expiry October 2010), Siemens IT Services and Solutions (expiry October 2009), Secure Mail Services (expiry July 2010), Tele-performance (expiry March 2011) and Atos Origin (expiry August 2009). Much of the financial commitment on these contracts is based on volumes of passport produced and is estimated to be £224.2m.

The payments to which the Department and its Agencies are committed during 2007-08, analysed by the period during which the commitment expires are as follows:

	Core	2007-08 Consolidated	Core	Restated 2006-07 Consolidated
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Expiry within 1 year	88,931	88,931	222,705	222,705
Expiry within 2 to 5 years	126,520	126,520	875,361	875,361
Expiry thereafter	137,181	137,181	-	-
Total	<u>352,632</u>	<u>352,632</u>	<u>1,098,066</u>	<u>1,098,066</u>

The payments analysed above exclude the Identity and Passport Service payment of £224.24m due to commercial sensitivity. This is consistent with the disclosure made in the 2007-08 audited Identity and Passport Service audited accounts.

The variance between the figures reported in 2006-07 and those reported in 2007-08 results from a change in the method of calculation. 2006-07 figures included the full life of the contract, 2007-08 includes only the non-cancellable element of the contract.

30. Financial Instruments

30.1 Risk Management Objectives and Policies

Financial Reporting Standard 13 *Derivatives and Other Financial Instruments* requires disclosure of the objectives and policies of an entity in holding financial instruments, and the role financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities. As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures.

Given the largely non-trading nature of its activities and the way government departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department has very limited powers to borrow, invest surpluses, or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Department in undertaking its activities.

30.2 Liquidity Risk

The Department's net revenue resource requirements are financed by resources voted annually by Parliament, as is most of its capital expenditure. It is not, therefore, exposed to significant liquidity risks, and the Department has no need to maintain commercial borrowing facilities.

30.3 Interest Rate Risk

The Department has no material financial assets or financial liabilities carrying variable rates of interest and it is not therefore exposed to significant interest rate risk.

30.4 Currency Risk

The Department does not conduct any material business denominated in foreign currency and therefore is not exposed to any significant risk as a result of currency fluctuations. All foreign currency transactions are accounted for in accordance with accounting policy Note 1.14.

Financial Liabilities

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non interest bearing financial liability	Fixed rate financial liabilities	Fixed rate financial liabilities	Non interest bearing financial liabilities
	£000	£000	£000	£000	Weighted average interest rate	Weighted average period for which rate is fixed	Weighted average period until maturity
					%	Years	Years
At 31 March 2008							
Sterling	75,995	–	–	75,995	–	–	1
Gross Financial Liabilities	75,995	–	–	75,995	–	–	1
At 31 March 2007 (restated)							
Sterling	82,885	–	–	82,885	–	–	1
Gross Financial Liabilities	82,885	–	–	82,885	–	–	1

Financial Assets

	Total	Floating rate financial assets	Fixed rate financial assets	Non interest bearing financial assets
	£000	£000	£000	£000
At 31 March 2008				
Sterling	572,367	–	19,260	553,107
Gross Financial Assets	572,367	–	19,260	553,107
At 31 March 2007 (restated)				
Sterling	511,888	–	20,453	491,435
Gross Financial Assets	511,888	–	20,453	491,435

31. Contingent Liabilities disclosed under FRS 12**31.1 The Home Office has contingent liabilities in respect of the following matters:**

A contingent liability of £11.4m has been reported for costs relating to various legal claims against the Department. The contingent liability reflects estimates of all known claims where legal advice indicates that the criteria for recognition of a provision has not been met.

32. Contingent Liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes**32.1 Quantifiable**

The Home Office has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2007 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2008	Amount Reported to Parliament by Depart- mental Minute
	£000	£000	£000	£000	£000	£000
Indemnity provided to BAA in respect of damage or injury caused to third parties from the Border and Immigration Agency (BIA) in their use of vehicles operating airside while transporting immigration officers between airside locations.	52,000	-	-	-	52,000	-
Indemnity provided to BAA in respect of damage or injury caused to third parties from negligence of Home Office staff in their use of vehicles operating airside. Minute dated 12 December 2007.	50,000	50,000	-	50,000	50,000	50,000
The Home Office Central London Accommodation (HOCLAS) Project for redundancy costs incurred in the relocation of Home Office accommodation to Marsham Street. Minute dated 23 January 2002.	1,750	-	-	750	1,000	1,750
The Security Industry Authority (SIA) registered a contingent liability concerning the effect of Transfer of Undertakings Protection of Employment (TUPE) with certain local authority staff who currently license door supervisors for the Security Industry. Minute dated 8 May 2003.	3,000	-	-	-	3,000	3,000
Potential costs incurred if the Airwave contract was to fail.	500,000	-	-	-	500,000	-

	1 April 2007 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2008	Amount Reported to Parliament by Depart- mental Minute
	£000	£000	£000	£000	£000	£000
Potential costs incurred if the Sirius IT contract was terminated.	12,000	-	-	-	12,000	-
Indemnity in respect of rolling out the Airwave contract in the London Underground (amount capped per incident).	100,000	-	-	-	100,000	-
Guarantee to the Forensic Science Service (FSS) to meet obligations under its tenancy agreement. Minute dated 26 November 2007.	-	10,300	-	-	10,300	10,300
Indemnities provided to various site authorities of and terminal operators at seaports and London City Airport in respect of any loss, liability cost, expense or damage arising out of, or in connection with, the installation and commissioning of port authorities and terminal operators.	-	46,000	-	-	46,000	46,000
Claims arising from the Simplifying Passenger Travel Interest Group (SPT) not exceeding £5m.	-	5,000	-	-	5,000	-
	718,750	111,300	-	50,750	779,300	111,050

32.2 Unquantifiable

The Home Office has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

Guarantees

Police – City of London Economic Crime Basic Command Unit (ECBCU) (Minute dated 12 March 2004)

If the Home Office reduces or discontinues its share of the match funding of the expanded ECBCU then it will contribute up to 50% to any resulting costs eg, redundancy payment or property cost.

Indemnities

Home Office Central London Accommodation Strategy (HOCLAS) (Minute dated 23 January 2002)

The Home Office has indemnified the contractor for an unquantifiable amount against any financial loss arising from the Home Office providing defective information in respect of the contract.

BIA New Detection Technology (NDT) in Belgium and Eire (Minute dated 10 September 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

- i) Zeebrugge: Fuher Heartbeat equipment and building and One Passive Millimetric Wave Imager Truck.

- ii) Rosslare: One Passive Wave Millimetric Wave Imager Truck.

BIA New Detection Technology (NDT) in Belgium, the Netherlands and Germany (Minute dated 18 December 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

- i) Zeebrugge: Fuher heartbeat equipment and building.
- ii) Ostend and Zeebrugge: Heartbeat equipment and shelters.
- iii) Vlissingen: Heartbeat equipment and shelters.
- iv) Germany: Polish Frontier Two Passive Millimetric Wave Imager Trucks.

BIA New Detection Technology (NDT) in France (Minute dated 18 December 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

Action with UK and French Memorandum of Understanding:

- i) Calais: heartbeat equipment and building, Passive Millimetric Wave Imager trucks.
- ii) Coquelles: heartbeat detection unit at the Euro tunnel operated in the juxtaposed control zone by the UKIS.

Action since English/French convention signed 24 November 2003:

- i) Calais: Heartbeat equipment and two buildings in juxtaposed control zone commenced Spring 2004;
- ii) Caen/Quistreham: Passive Millimetric Wave Imager commenced Spring 2004.
- iii) Caen/Quistreham: Heartbeat equipment and building commenced Summer 2004.
- iv) Cherbourg: Passive Millimetric Wave Imager commenced Spring 2004.
- v) Cherbourg: Heartbeat equipment and building commenced Summer 2004.
- vi) Dieppe: Heartbeat equipment and building commenced Summer 2004.
- vii) Dunkerque: Heartbeat equipment and building commenced Summer 2005. Heartbeat equipment and building operated by the UKIS in the juxtaposed control zone and commenced operation in Spring 2004.
- viii) Le Havre: Passive Millimetric Wave Imager, heartbeat equipment and building commenced Spring 2004.
- ix) Roscoff: Heartbeat equipment and building commenced Summer 2004.
- x) St. Malo: CO2 probes to be operated by French operators.

BIA New Detection Technology France and Austria (Minute dated 16 March 2004)

All NDT equipment is loaned by the United Kingdom Immigration service to recipients:

- i) Coquelles: Shelter for and heartbeat detection equipment which is under control of, and operated by, the United Kingdom Immigration Service in the juxtaposed control zone.
- ii) Austria: Austrian Border Guard receive one Passive Millimetric Wave Imager truck (previously in Germany) for an unspecified period.

BIA New Detection Technology in Europe (Minute dated 2 July 2004)

Indemnity in respect of the deployment and/or demonstration of New Defence Technology by the United Kingdom Immigration Service in Europe. Within the scope of this indemnity "Europe" is defined as the member states of the Organisation for Security and Co-operation in Europe (OCSE); those North African and Middle Eastern countries with which the OCSE has special relationships (Algeria, Israel, Jordan, Morocco and Tunisia); and those countries which participate in Euro-Mediterranean dialogue with the Council of Europe (Libya, Syria, Lebanon and the Palestinian Authority).

Kent Police and Kent Police Authority (Minute laid 10 October 2005)

Indemnity for Kent Police, and the Kent Police Authority, in respect of any financial liability arising from their giving evidence in respect of the Euro Tunnel arbitration claim.

33. Losses, Special Payments and Gifts**33(a) Losses Statement**

	Number of cases	2007-08 <u>£000</u>	Number of cases	Restated 2006-07 <u>£000</u>
Administrative write-offs	11	7,440	7	46,512
Fruitless payments	1	3,207	1	7,622
Bicester write off	-	-	1	1,500
Harmondsworth write off	-	-	1	22,904

33(b) Special Payments

Compensation Payments	880	2,543	3,090	1,331
Ex gratia	275	125	1	693
Total of losses	1,167	13,315	3,101	80,562

Included in fruitless payments are payments made by the Border and Immigration Agency in respect of voids. This is a reduction of £4.3m compared to 2006-07 and reflects the continued efforts being made to reduce these costs. Voids are bed spaces not occupied at a particular time for which the Home Office is contractually liable to pay; their retention has, in the past, allowed the Border and Immigration Agency the flexibility to accommodate applicants at short notice at lower cost than it would otherwise have obtained. However, improved management of the estate has allowed the introduction of new contract arrangements which will reduce the cost of voids still further in the future.

33(b) Gifts Statement

During the year the Department provided £6m to the Foreign and Commonwealth Office to fund a helicopter for the Pakistan Anti-Narcotics Force. Details of the funding were notified to the House of Commons in a Departmental Minute dated 8 March 2006.

34. Related Party Transactions

The Home Office is the parent Department of the Identity and Passport Service and the Criminal Records Bureau and holds an investment in the Forensic Science Service Ltd. These bodies are regarded as related parties, with which the Home Office has had various material transactions during the year.

Bi-annually the Home Office requests that each of its senior managers complete a declaration of interest, stating where they, their spouse and close family members have been in a position of influence or control in

organisations with which the Home Office has transactions. Some Board members and key managerial staff are related to persons employed by bodies with which the Department has had financial dealings. These related party relationships did not in themselves involve any personal financial gain by the individuals concerned. Where these cases are identified, action is taken to avoid the Board or person being involved in any commercial or other financial decision making process in respect of these organisations.

No Board member, key managerial staff or other related parties have undertaken any material transactions with the Department during the reporting period other than those reported.

Notes 18 and 20 provide details of intra-government balances, sponsored NDPBs, and the Forensic Science Service.

Details of related party transactions of the Identity and Passport Service and the Criminal Records Bureau are disclosed in their audited accounts.

35. Disclosure of Seized Assets

During the financial year the Department recognised income of £128m in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation. Expenditure of £65m was incurred in the form of grants to law enforcement agencies.

36. Entities within the Departmental Boundary

The entities within the boundary during 2007-08 were as follows:

Entities Consolidated

The Home Office Departmental accounting boundary encompassed the central government Department and two Executive Agencies. The Executive Agencies were the Identity and Passport Service and the Criminal Records Bureau. The accounts of all of these entities form part of the Home Office's consolidated financial statements.

Identity and Passport Service (IPS)

IPS was formed on 1 April 2006 with the merging of the UK Passport Service and the Home Office Identity Cards Programme. Its mission is to safeguard identity, which is delivered within the objectives of delivering excellent customer service in passport production, providing a highly secure document, and developing the National Identity Scheme (NIS) for delivering identity cards for UK citizens.

Criminal Records Bureau (CRB)

CRB helps protect children and other vulnerable people through safer recruitment by making information from police records and other data sources more readily available to employers, ensuring greater consistency of vetting.

In addition, the Border and Immigration Agency (BIA) (formerly Immigration and Nationality Directorate) is aiming to become an Executive Agency from 1 April 2009. This entity will continue to focus on securing our borders, preventing abuse of our immigration laws and managing migration to boost the UK. BIA has operated as a shadow agency from 1 April 2007 in preparation for becoming a full Executive Agency of the Home Office.

Forensic Science Service Ltd (FSS)

FSS is principally responsible for supplying scientific support for criminal investigations and for providing expert evidence to the courts. FSS is a Government owned company having previously been a Government Trading Fund. FSS is treated as an investment on the Home Office Balance Sheet.

Entities not Consolidated

Public bodies for which the Home Office had lead policy responsibility during 2007-08 within Government, but which are outside of the consolidation boundary for accounting purposes, are set out below. Non-Departmental Public Bodies (NDPBs) are reflected in the Home Office accounts by the inclusion of funds paid

to them as grants or expenses and by the reflection of any control issues in the Home Office's Statement on Internal Control. The executive NDPBs publish their own annual reports and accounts which can be obtained from The Stationery Office or the relevant body.

Non-Departmental Public Bodies (NDPBs)

Executive NDPBs: these carry out a wide variety of administrative, regulatory and commercial functions. They generally operated under statutory provisions, employed their own staff and had responsibility for their own budgets.

Independent Police Complaints Commission

Independent Safeguarding Authority (Created 1 January 2008 and is also known as the Independent Barring Board)

National Policing Improvement Agency (Created 1 April 2007 from the Central Police Training and Development Authority (CENTREX) and Police Information Technology Organisation (PITO))

Office of the Immigration Services Commissioner

Security Industry Authority (SIA)

Serious and Organised Crime Agency (SOCA)

Advisory NDPBs: these are generally set up administratively by Ministers to advise them and their departments on matters within their sphere of interest. Some Royal Commissions are classified as advisory NDPBs, but departmental committees of officials are not. Generally, advisory NDPBs are supported by staff from within the sponsor department, and do not incur expenditure on their own account.

Advisory Board on Naturalisation and Integration

Advisory Council on the Misuse of Drugs

Advisory Panel on Country Information

Animal Procedures Committee

BIA Complaints Audit Committee

Police Advisory Board for England and Wales

Police Negotiating Board

Technical Advisory Body

Tribunal NDPBs: these are bodies with jurisdiction in a specialised field of law. Tribunals generally operate under statutory provisions and, independently of the Executive, decide the rights and obligations of private citizens towards each other or towards a government department or other public authority. In general, tribunals are serviced by staff from the sponsor department or other public authority. There are two types of tribunal system: standing tribunals, which have a permanent membership; and tribunals that are convened from panels, so that the actual number of tribunals sitting varies. Although their functions are essentially judicial, they are not part of the Courts.

Investigatory Powers Tribunal

Office of Surveillance Commissioner

Police Arbitration Tribunal

Police Discipline Appeals Tribunal

Other NDPBs: Independent Monitoring Boards perform a vital 'watchdog' role on behalf of Ministers and the general public in providing a lay and independent oversight of prisons and immigration removal centres. Independent Monitoring Board of Penal Establishments and Immigration Centres (formerly the Board of Visitors to Penal Establishments and Visiting Committee Immigration Detention/Reception Centres)

Other Public Bodies

Annual Reviewer of the Terrorism Act 2006
 Annual Reviewer of the control order provisions of the Prevention of Terrorism Act 2005 and Part 1 of the Terrorism Act 2006
 Asylum Support Adjudicators
 HM Inspectorate of Constabulary
 Independent Race Monitor
 Intelligence Services Commissioner
 Interception of Communications Commissioner
 Selection Panels for Independent Members of Police Authorities

37. Machinery of Government Changes

On 1 April 2007 the National Police Improvement Agency (NPIA) was created from the Central Police Training and Development Authority (CENTREX), the Police Information Technology Organisation (PITO) and elements of activity of the Department.

On 9 May 2007 the responsibility for prisons, probation and criminal law and sentencing was transferred to a new Ministry of Justice.

On 28 June 2007 the Respect Task Force transferred to the Department for Children, Schools and Families.

The impact of the above Machinery of Government changes on the Home Office's 2006-07 comparative figures is detailed below:

	2006-07 Core	2006-07 Consolidated
	£000	£000
Administration staff costs	(69,437)	(121,338)
Other Administration costs	(2,745)	(25,806)
Administration income	8,324	50,957
Programme staff costs	(34,468)	(2,196,795)
Programme income	179,861	485,985
Programme costs	(2,960,936)	(2,969,804)
Total	(2,879,401)	(4,776,801)
Fixed assets	(6,844,973)	(6,957,471)
Intangible assets	(2,352)	(2,352)
Investments	–	(303)
Stocks	(1,395)	(34,765)
Debtors	(55,583)	(126,621)
Cash	–	(59,021)
Creditors	597,889	854,913
Provisions	28,062	112,408
Pension liability	–	534,865
General fund	7,204,837	9,092,804
Reserves	1,952,916	1,362,344
Total	2,879,401	4,776,801

The net cash impact of the machinery of government changes on the 2006-07 net Parliamentary funding is £4,757m.

Corporate Services Costs

The Machinery of Government change of 9 May 2007 resulted in a portion of the 2007-08 budget of the Home Office's corporate services functions transferring to the Ministry of Justice. Certain corporate services activity have permanently transferred to the Ministry of Justice, whilst in other cases, the Home Office continues to provide certain corporate service activities to the Ministry of Justice.

The 2007-08 Operating Cost Statement incorporates the cost reductions arising from the transfer of certain corporate services activity to the Ministry of Justice. It also incorporates the income earned from the Ministry of Justice for services provided by the Home Office.

The table below outlines what was applied to the 2007-08 Operating Cost Statement and makes an estimation of the likely impact had the changes occurred in the prior year. The 2007-08 costs have been deflated to 2006-07 values by using the GDP Deflator at Market Prices published by HM Treasury on 13 March 2008. These estimates have not been applied to the Home Office's restated 2006-07 Operating Cost Statement.

	2007-08	2006-07
	£000	Estimated
	£000	£000
Administration Costs		
Staff Costs	4,533	4,390
Travel, Subsistence and Hospitality	1,763	1,708
Depreciation and Cost of Capital Charges	302	292
Other Administration Expenditure	435	421
	<u>7,033</u>	<u>6,811</u>
Programme Costs		
Publication Stationery and Printing	974	943
Other Programme Expenditure	52	51
	<u>1,026</u>	<u>994</u>
Administration Income		
Payroll Service Provision	(291)	(282)
Accommodation Service Provision	(13,843)	(13,407)
ICT Service Provision	(2,048)	(1,984)
	<u>(16,182)</u>	<u>(15,673)</u>

38. Post Balance Sheet Events

On 1 April 2008 the UK Border Agency was created which combines the work of the Border and Immigration Agency (currently part of the central Department), UKvisas from the Foreign and Commonwealth Office (FCO) and customs detection work at the border from Her Majesty's Revenue and Customs (HMRC). The UK Border Agency will regulate the flow of people and goods into the UK, strengthening our borders before, on, and after entry. The UK Border Agency will continue operating as a shadow agency for the 2008-09 year.

On 1 April 2008 the General Register Office merged with the Identity and Passport Service. The organisation will now be responsible for the process by which births, deaths and marriages are registered. The new function will strengthen the Identity and Passport Service's focus on safeguarding personal identity.

The financial statements were authorised for issue on 17 July 2008.



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

General enquiries: 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295757-0



9 780102 957570