

ANNUAL REPORT AND ACCOUNTS 2006–07



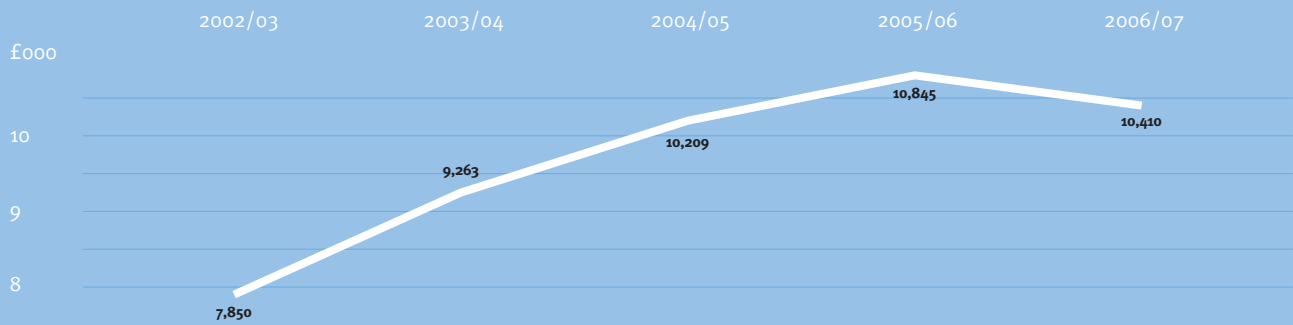
ANNUAL REPORT AND ACCOUNTS 2006–07

Presented to Parliament pursuant to Section 4(6) of the Government Trading Funds Act
1973 as amended by the Government Trading Act 1990

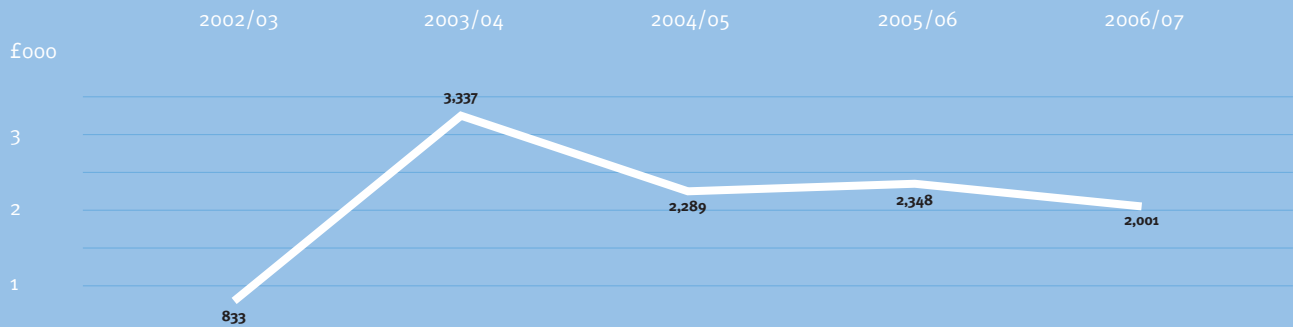
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5 YEAR RECORD OF TURNOVER AND SURPLUS

TURNOVER

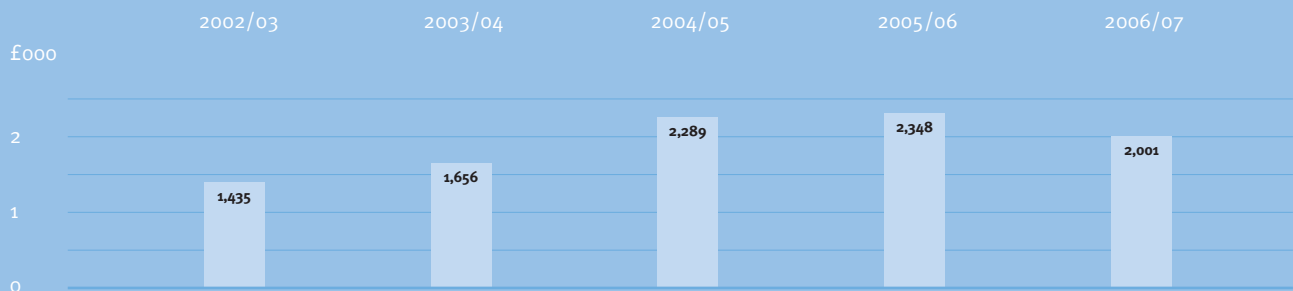


REPORTED SURPLUS ON ORDINARY ACTIVITIES



PRO FORMA SURPLUS ON ORDINARY ACTIVITIES

The exceptional receipt in 2003/04 of a rate rebate of £1.681 million has been allocated to the three years ending in 2002/03 to which it refers



MESSAGE FOR THE ANNUAL REPORT 2006–07

The Queen Elizabeth II Conference Centre (QEIIICC) celebrated its twentieth anniversary during the year and it is pleasing to know that The QEIIICC still retains a position as one of the busiest conference centres in the UK for high impact professional meetings and events.

In fact, the financial year 2006/07 has been another very successful trading period during which our results were strong across all sectors of our operation. The year finished with The QEIIICC having hosted approximately 380 conferences, many of which were highly significant government meetings or professional association events, as well as numerous important company annual general meetings.

The trading fund's strengths lie in the positive way in which it markets the conference centre to prospective users not only from the UK but also from other countries around the globe. It also combines this professional approach to marketing with an active internal regime that continually monitors costs and drives forward an efficiency and value-for-money agenda. Maximising revenues and controlling costs enable the trading fund to achieve consistent results year-on-year.

The QEIIICC is an Executive Agency of the Department for Communities and Local Government and holds trading fund status – it continues to be financially viable.

Performance for the year included the following highlights:-

- Approximately a quarter of a million business and professional visitors attended events at the conference centre;
- Many famous multi-national companies such as Barclays Bank plc and British Airways plc held meetings at the conference centre;
- Numerous members of HM Government addressed important meetings covering many areas of the national agenda; and
- International delegations visited the conference centre including those from Europe, the United States, Russia, Africa and India.

As expected, in the absence of special factors such as G7, G8 and the EU Presidency, which boosted room hire in 2005/06, room hire in 2006/07 fell short of the previous year. In spite of this, the level of revenue from production services, IT services and catering was maintained, a reward for their emphasis on quality of service. Costs were slightly lower than the previous year. Cash flow was very positive allowing the payment to the Exchequer to be increased to £1.55 million.

The QEIIICC continues to receive positive commentaries from its users and the client satisfaction targets for the year have been met. The conference centre currently trades at around the 70% occupancy mark and is looking to increase occupancy to almost 80% by 2012. To facilitate this improvement plans are in place to continue to market as aggressively as has been the case in the past whilst also enlarging some of the conference rooms to increase capacities. During the year the conference centre also became more active in driving forward a sustainability initiative; it put in place a new equal opportunities policy; and it gained Investors in People re-accreditation.

Again I must emphasise that the year's results are achieved via teamwork. I must formally record my appreciation to our Directors and Managers, our team leaders, our non-executive members of the board and each and every member of staff for their contribution to this year's achievements. I must also thank the management and staff of Leith's, whose catering is such an important ingredient to our success; Haden Building Management, our facility managers up to 31st March for their loyal support over the years; GBM, who supply cleaners and porters, and Pegasus, our provider of security guards.



Ernest H. Vincent, Chief Executive

PERFORMANCE AGAINST TARGETS

METHODS OF MEASUREMENT

Capacity utilisation of the Centre is the relationship between the annual room hire revenue and a theoretical annual maximum expressed as 240 days hire of the whole Centre.

The overall score for value for money in client questionnaires is the calculated average of responses to a specific question in the client questionnaire that accompanies each event. Expressions of satisfaction with value for money are scored as 100 per cent and expressions of dissatisfaction are scored as 0 per cent.

COMPARISON AGAINST TARGETS SET FOR THE YEAR ENDED 31 MARCH 2007

Contribution to the Exchequer of £1,550,000 (*target £1,500,000*)

Capacity utilisation of the Centre of 69.6% (*target 70%*)

Overall score for value for money in client questionnaires of 98.0% (*target 90%*)

The number of complaints per 100 events was 0.74 (*target less than 2*)

The average response time to deal with complaints was 2.6 days (*target less than 4 days*)

3 YEAR RECORD OF PERFORMANCE AGAINST TARGETS

		2005	2006	2007
Contribution to the Exchequer	Target	£1.00m	£1.40m	£1.50m
	Outturn	£1.30m	£1.45m	£1.55m
Capacity utilisation of the Centre	Target	n/a	n/a	69.6%
	Outturn	n/a	n/a	70.0%
Occupancy of the three key conference areas	Target	470 days	495 days	n/a
	Outturn	495 days	526 days	n/a
Overall score for value for money	Target	90.0%	90.0%	90.0%
	Outturn	97.0%	95.0%	98.0%
The number of complaints per 100 events	Target	◀2.0	◀2.0	◀2.0
	Outturn	0.72	0.27	0.74
The average response time to deal with complaints	Target	◀4.0 days	◀4.0 days	◀4.0 days
	Outturn	1.3 days	1.0 days	2.6 days

ANNUAL REPORT AND ACCOUNTS 2006–07

DIRECTORS' REPORT

1. History and Principal Activities

The Queen Elizabeth II Conference Centre (the Agency) was opened by Her Majesty the Queen in 1986. Trading Fund status was granted on 1 April 1997 under the Government Trading Funds Act 1973. In 2001 a formal review concluded that the Agency should remain in the public sector. Its role is to provide conference facilities for national and international meetings up to the highest level and to market its facilities commercially as a high quality venue for both Government and private sector use.

2. Management Board

The following served as members of the Management Board during the year. The catering contract with Leith's Limited entitles them to a seat on the Management Board; their nominee, Nick Moorhouse, is a Director of Leith's UK Leisure Division; their nominee, Andrew Hardy is Divisional Manager of Leith's UK Leisure Division.

Ernest Vincent		Chief Executive
Adam Lewis	(joined 25 October 2006)	H.R. Director
Andrew Hardy	(joined 2 March 2007)	Non-executive
Jeremy Galbraith		Non-executive
Kenneth Ludlam		Non-executive
Nick Moorhouse	(until 1 March 2007)	Non-executive
Robert Jackson		Finance Director
Stephen Norcliffe		Chief Operating Officer

3. Employee Involvement

The Agency is committed to improving the quality of service it provides to clients and delegates through the involvement and development of its staff, consistent with its Investor in People accreditation, which was renewed in September 2006 for a further three years. It maintains regular contacts with managers and staff through circulars and forums and through consultation with trade union representatives. Employees participate in a group bonus scheme based on the surplus for the financial year.

4. Policy in Relation to Employment of People with a Disability

The Agency operates a policy of full and fair consideration to applicants with a disability, having due regard to their individual aptitudes, skills and capabilities.

5. Pension Scheme

Staff are eligible to join the Principal Civil Service Pension Scheme. The accounting policy on pension costs can be found in note 1.7 of the Financial Statements and information on the Scheme can be found in note 5 to the Financial Statements.

6. Value of Property

The Department for Communities and Local Government holds title to the land and building. The property was valued at £28.8 million in the accounts of the Department for Communities and Local Government at 31 March 2006.

7. Changes in Fixed Assets

Changes in fixed assets are summarised in note 8 to the Financial Statements. In addition the Department for Communities and Local Government, in its capacity as owner of the building, paid out £0.985 million to fund the replacement of air handling units.

8. Important Events Occurring After the Year End

The financial statements were authorised for issue by the Chief Executive on 14 May 2007.

9. Future Developments

The Agency has a capital expenditure programme aimed at increasing capacity, improving facilities and expanding audio-visual and technological support while continuing to offer high quality service and customer care in order to maintain its reputation as an internationally recognised location for major conferences, banquets and award ceremonies.

10. Auditor's remuneration

The Comptroller and Auditor General is appointed auditor under the provisions of the Government Trading Funds Act 1973 and reports his findings to the Houses of Parliament. The cost of the audit is £31,500 (2006 £31,000). No other services were provided.

11. Information supplied to Auditors

The Agency and its Chief Executive have taken all reasonable steps to ensure that the auditors have been made aware of all information relevant to their audit, to ensure that there is no relevant information of which the auditors are unaware and to establish that this is so.

12. Accounts Direction

This statement of accounts has been prepared in accordance with a Treasury direction, dated 18 December 2006, given in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973.

MANAGEMENT COMMENTARY

1. Development and performance during the financial year

1.1 Trading performance

Turnover in 2006/07 is 4 per cent lower than in the previous year: room hire was 6 per cent lower; the in-house production unit maintained its income; the IT sales unit declined by 7 per cent; and rental income from non-conference space remained at a similar level.

Costs were contained to a slightly lower level than in the previous year. The surplus on ordinary activities of £2.001 million was 14.8 per cent lower than the figure reported for the previous year.

1.2 Innovations and improvements

A new software system of diary and event management was installed during the year; the system incorporates all accounting, invoicing and procurement functions. Capturing the data on one system provides the basis for a wide range of reports essential to effective business management.

Enhancement of the Centre's website is a continuing process. Omission of a telephone number from Centre advertising in all publications has the aim of directing interested parties to the website. The number of unique visits to the website is increasing each month.

A further £317,000 has been spent on improvements to the building and its equipment. The house lights in the Churchill Auditorium were replaced with more energy-efficient modern fittings and the range of the emergency lighting system was enlarged.

2. Position at the end of the year

2.1 Capital structure

The amount of Public Dividend Capital remains unchanged at £821,000. A final instalment of £82,000 extinguished the ten-year loan. A payment to the Exchequer of £1.55 million was above the target level of £1.5 million. Income of £445,000 is being retained to fund the next stage of the refurbishment programme. The General Reserve at 31 March 2007 stands at £5.898 million.

2.2 Cash management

Cash balances increased by £1.19 million in the year. All suppliers' invoices were paid in accordance with CBI guidelines, 30 days from the delivery of goods or services or, if later, receipt of an agreed invoice. Credit control measures were again effective in limiting exposure to the risk of bad debts.

2.3 Fixed asset management

All fixed assets were checked in December and January to confirm that they are still in good condition and relevant to our business. Those assets not meeting these criteria have been sold or scrapped. Depreciation rates are influenced by the speed with which assets become outdated by changes in technology and fashion.

3. Performance against targets

3.1 Summary of performance against targets

A payment to the Exchequer of £1.55 million exceeded the financial target of £1.5 million. The four business strategy and quality of service targets were exceeded. A more detailed report of performance against targets can be found on page 4.

4. Trends and factors affecting underlying performance during financial year

4.1 The market in which we operate

The conference and meetings market is both local and international and it is very competitive by nature. A wide range of facilities suitable for hosting conferences is available from large purpose-built conference centres in major cities to single rooms in institutions and hotels, with new and additional capacity regularly coming on stream.

The Queen Elizabeth II Conference Centre can accommodate the largest conferences either alone or as part of a London syndicate and small to medium sized events in rooms that can be let singly. It enjoys a prestigious location facing Westminster Abbey and close to Whitehall, the Houses of Parliament and the London Eye.

The products and services offered by The Queen Elizabeth II Conference Centre target sections of the market that value quality, reliability, security and the latest technology. Its competitive advantage is enhanced by its partnership with Leith's, whose reputation for quality catering and excellent service is widely recognised. The Queen Elizabeth II Conference Centre is an ideal venue for large conferences, with or without exhibition space, and for annual general meetings and gatherings of international organisations. It also continues to compete successfully for smaller events, award ceremonies and banquets.

4.2 Market conditions

Competition has been strong from newer venues trying to increase their market share and from established venues trying to regain it. Clients continue to search for the best value for money. Trading conditions were difficult in the first half of the year but have been more buoyant in the second half. Confirmed bookings for 2007/08 are 18 per cent higher at the start of the year than confirmed bookings one year ago for 2006/07.

4.3 Management of principal risks

The corporate plan prepared for the period 2007/12 included a review of strategic risks and the means of managing them. A Risk Register of potential risks has been maintained by a Risk Management Working Group at its quarterly meetings. The Group continues to evaluate the potential impact of these risks on profitability, to determine what controls are in place to minimise each risk and to propose additional control measures where appropriate. It evaluates and adds to the Risk Register new risks identified in a Risk Report, which is presented monthly to the Directors and Managers Meeting. Its activity is monitored by the Audit Committee, which is chaired by a non-executive director, Kenneth Ludlam.

4.4 Agency strengths and resources

The Agency's principal strengths are its location and the quality of its product. Its principal resource is the considerable experience, expertise and professionalism of its staff and of its on-site contractors. Analysis of the client feedback questionnaires confirms that the Centre is preferred mainly because of the quality of service provided, whether it be the creativity of Leith's cuisine, the flair of the Interface in-house production team, the attentiveness of our event managers or our flexibility in dealing with changing circumstances.

5. Trends and factors affecting future performance

5.1 Strategy

The strategic aim of the Agency is to meet the financial objectives of the Trading Fund Order. To this end it aims to retain its position as a premium quality and internationally acclaimed conference venue, drawing strength from its prestigious location. Its corporate priorities anticipate a growth in clients' expectations of the quality and range of available services, the use of leading-edge technology and, in particular, value for money. Integrated commercial, operational, financial and HR strategies are updated annually in the light of past performance and perceived changes in market conditions.

5.2 Objectives

The broad operational objective of the Agency, as set out in its Framework Document, is to achieve best value for money in operating the conference centre as a high quality facility for use, on a commercial basis, by government and private sector customers for national and international events.

Its specific objectives are to further strengthen commercial performance by optimising use of the Centre, to maximise revenue from room hire and the sales of ancillary services, to maintain the interior of the building and its services consistent with a high quality venue and to ensure that all staff members are properly trained, well motivated and have opportunities to develop their full potential.

5.3 Building enhancement

The Department for Communities and Local Government completed its renovation programme on the air conditioning system during the year, replacing further air handling units and refurbishing others. A three year programme to enlarge and refurbish the major rooms commenced in August 2006 in the Churchill Auditorium with the installation of more energy-efficient fittings to replace the house lights.

5.4 Staff Resources

The Agency maintains a significant pool of technical expertise in the areas of engineering, audio-visual presentation, IT and telecommunications. Further technical support continued to be provided by the Department for Communities and Local Government in respect of matters relating to the fabric of the building and by the contractors who operate building systems and facilities on the Agency's behalf.

In September 2006, the Agency renewed for a further three years its IIP accreditation and continues to apply those principles in the management and motivation of staff. Training and development remains focussed on individual improvement.

5.5 Competitive facilities

Two new venues with hotel facilities are scheduled to open in 2008/09 in Waterloo and Battersea. The award of the 2012 Olympic Games to London will provide the impetus for change, although to date there have been no specific developments in the Conference market.

5.6 Trading outlook

Demand for space in the Centre continues to be strong; the level of confirmed bookings for 2007/08 is higher at the start of the year than its equivalent one year ago of bookings for 2006/07. In addition, increasing demand for high quality is generating growth for Leith's catering and for the associated production services and computer technology supplied by the Agency.

6. Environmental, social and community issues

6.1 Recycling success

The Agency raised the proportion of waste that is recycled to 79.4 per cent in 2006/07 from 75.3 per cent achieved in 2005/06. In addition to paper, cardboard and bottles, which are high volume items, metal cans, wooden pallets, fluorescent tubes and toners are also being recycled.

6.2 Energy efficiency

The Agency has an active programme to reduce its consumption of electricity. During 2006/07 the power consumption of the house lights in the Churchill Auditorium was reduced by 25 per cent by substitution of more energy-efficient fittings. At present large increases in the unit costs of both electricity and gas have been offsetting any cost savings from reduced consumption.

REMUNERATION REPORT

Paragraphs 1 to 7 are not audited. Paragraphs 8 to 12 have been audited.

1. Membership of Remuneration Committee

The Remuneration Committee comprises the Chief Executive, Chief Operating Officer, Finance Director, HR Director and Kenneth Ludlam, non-executive director and Chairman of the Audit Committee.

2. Policy on remuneration of senior managers

The remuneration of the Chief Executive, comprising salary and bonus, is determined by the Department for Communities and Local Government.

Salaries of all other staff, including Directors and senior managers, are determined by a Performance Management Pay Scheme under which most receive a basic award, ten per cent receive an increase 33 per cent higher for high performance and non-performers receive no increase.

In addition all staff, other than the Chief Executive, participate in a Group Bonus Scheme. The size of the bonus pot is determined by the size of the net surplus and limited to 6 per cent of the payroll. Two Directors receive 6.75 per cent of the bonus pot and the remaining 93.25 per cent is shared equally among the other staff.

3. Methods used to measure performance

Biannually staff are appraised against a set of competencies and individually targeted objectives.

4. Relationship between performance and remuneration

Apart from some small allowances, all remuneration is based on either individual performance or group performance.

5. Policy on duration of contracts

All staff contracts can be terminated by either party by giving one month's notice.

6. Details of directors' service contracts relevant to the cost of early termination

	Years of service at 31 March 2007	Over 40	Length of notice
Ernest Vincent, <i>Chief Executive</i>	3.50	Yes	6 months
Stephen Norcliffe, <i>Chief Operating Officer</i>	6.00	Yes	1 month
Adam Lewis, <i>H.R. Director</i>	17.00	No	1 month
Robert Jackson, <i>Finance Director</i>	10.75	Yes	1 month

7. Awards to past senior managers

There were no awards to past senior managers.

8. Table of remuneration

Details of the remuneration of members of the Management Board are set out below. None of the members received any benefits in kind. There were no expense allowances and no payments of compensation for loss of office.

	Basic salary 2007 £000	Bonus 2007 £000	Total 2007 £000	Total 2006 £000
Ernest Vincent, <i>Chief Executive</i>	80 – 85	10 – 15	95 – 100	90 – 95
Adam Lewis, <i>Human Resources</i>	40 – 45	0 – 5	40 – 45	n/a
Robert Jackson, <i>Finance</i>	55 – 60	0 – 5	60 – 65	60 – 65
Stephen Norcliffe, <i>Chief Operating Officer</i>	65 – 70	5 – 10	70 – 75	65 – 70
Andrew Hardy, <i>Non-executive</i>	0 – 5	nil	0 – 5	0 – 5
Jeremy Galbraith, <i>Non-executive</i>	0 – 5	nil	0 – 5	0 – 5
Kenneth Ludlam, <i>Non-executive</i>	0 – 5	nil	0 – 5	0 – 5
Nick Moorhouse, <i>Non-executive</i>	0 – 5	nil	0 – 5	0 – 5

9. Details of non cash elements of remuneration

There were no non cash elements of remuneration given to any employee during the year.

10. Table of pension benefits

Pension benefits of members of the Management Board are set out below. The capitalised value of accrued benefits transferable to another scheme is shown under Cash Equivalent Transfer Value, (CETV). Non-executive members accrue no pension benefits from the Agency.

	Accrued pension £000	Accrued lump sum £000	CETV 2007 £000	CETV 2006 £000
Ernest Vincent, <i>Chief Executive</i>	0 – 5	nil	96	68
Adam Lewis, <i>Human Resources</i>	5 – 10	20 – 25	97	79
Robert Jackson, <i>Finance</i>	10 – 15	nil	225	172
Stephen Norcliffe, <i>Chief Operating Officer</i>	5 – 10	15 – 20	103	78

The real increases during the year of pension benefits are set out below.

	Accrued pension £000	Accrued lump sum £000	CETV £000
Ernest Vincent, <i>Chief Executive</i>	0 – 2.5	nil	23
Adam Lewis, <i>Human Resources</i>	0 – 2.5	2.5 – 5	17
Robert Jackson, <i>Finance</i>	2.5 – 5.0	nil	54
Stephen Norcliffe, <i>Chief Operating Officer</i>	0 – 2.5	2.5 – 5	21

11. Compensation payable to former senior managers

Geoffrey Booth, former Operations Director, received payment of the following benefits as compensation for early retirement.

	£000
Early retirement pension	5 – 10

12. Amounts payable to third parties for senior manager services

There were no amounts paid during the year to third parties for senior manager services.

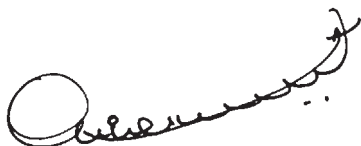
STATEMENT OF RESPONSIBILITIES OF THE AGENCY AND ITS CHIEF EXECUTIVE

The functions of The Queen Elizabeth II Executive Agency are set out in Statutory Instrument 933, 1997. Primarily these are to provide conference and related services. A more detailed description of aims, objectives, responsibilities and governance arrangements are set out in a Framework Document issued by the Secretary of State.

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed The Queen Elizabeth II Conference Centre to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. These accounts accord with a Treasury direction dated 18 December 2006. The accounts are prepared on an accruals basis to give a true and fair view of the state of affairs of The Queen Elizabeth II Conference Centre at the year end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts The Queen Elizabeth II Conference Centre is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation; to observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements; to apply appropriate accounting policies on a consistent basis; to make judgements and estimates on a reasonable basis; to follow applicable accounting standards and to disclose and explain any material departure from those standards.

The Treasury has appointed the Chief Executive of The Queen Elizabeth II Conference Centre as the Accounting Officer for the Trading Fund. The Framework Document defines the duties and responsibilities of the Chief Executive. Further, his relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for the keeping of proper records and for the safeguarding of the Agency's assets are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.



Ernest H. Vincent, Chief Executive • 14 May 2007

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of The Queen Elizabeth II Conference Centre set by the Secretary of State for Communities and Local Government, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me as a Trading Fund Accounting Officer.

The Director General, Finance and Corporate Service Delivery, at the Department for Communities and Local Government chairs meetings of the Advisory Board, which met twice during the year, to assist the Permanent Secretary in advising the Secretary of State on setting appropriate performance targets for The Queen Elizabeth II Conference Centre, agreeing its corporate and business plans and evaluating its performance.

2. 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 risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Centre's policies, aims and objectives, to evaluate the likelihood of those risks being realised, to assess the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control, which accords with Treasury guidance, has been in place in The Queen Elizabeth II Conference Centre for the year ended 31 March 2007 and up to the date of approval of this annual report and accounts.

3. Capacity to handle risk

In addition to regular advice from Directors and managers, I receive advice on the handling of risk from a Management Board, a Directors and Managers Meeting and the Audit Committee. The Management Board met twice in the year to review and agree strategic and business plans for the Centre, to review progress against those plans and to receive reports from the Audit Committee. The Directors and Managers Meeting prepared strategic and business plans for the Centre and met monthly to consider performance against those plans and to take action on unplanned events. The Audit Committee met quarterly to review reports from the Internal Auditor and the National Audit Office and to review the Centre's risk management activities.

To increase the amount of expertise available to the Chief Executive, use is made of independent non-Executives. Throughout the year there have been three non-Executive Directors on the Management Board, one of them also acting as Chairman of the Audit Committee. There is a further independent member of the Audit Committee.

Guidance to staff is provided on their desk-top computers in the form of a set of policies and procedures, maintained to accommodate organisational and system changes and recommendations from auditors. A Performance Management System appraises staff and identifies job-related training to enhance their performance.

4. The risk management and control framework

The risk management strategy of The Queen Elizabeth II Conference Centre is to pursue those opportunities within the scope of the funded operations set out in The Queen Elizabeth II Conference Centre Trading Fund (Variation) Order 2002 where the risks can be managed sufficiently well to enable a financial surplus to be generated, each risk being contained at an acceptable level for an acceptable level of cost.

At the heart of the risk management process is an integrated system of long-term planning, allocation of responsibilities and budgetary control. A Corporate Plan with a five year horizon, examining the risks and opportunities facing the Centre and charting the probable course of trading income, capital investment and human and financial resources, is prepared annually. Responsibility for delivering a specific section of the Corporate Plan is allocated to each Director. Targets are set for the coming year and a Business Plan is drawn up incorporating income expectations and acceptable levels of cost to contain risks at an acceptable level. The Business Plan is divided into monthly budgets against which each month's performance is measured.

Directors carry the process further by allocating specific responsibilities, financial authority and budgets to the managers within their departments. Directors and managers supply regular reports on the management of risks in their areas of responsibility including progress reports on key projects. The core system is supplemented by the activities of a Risk Management Working Group and an Internal Auditor. All identified risks are held on a Risk Register which ranks risks by their degree of potential damage and logs current control measures.

An inter-departmental Risk Management Working Group met quarterly to maintain the Risk Register, to assess business risks and the means of managing them and to identify possible improvements. Since September 2006 a Risk Report, identifying new risks and how they have been dealt with, has been presented monthly to the Directors and Managers Meeting. New permanent risks identified by the Risk Report were referred to the Risk Management Working Group for addition to the Risk Register. The Internal Auditor has submitted regular reports, prepared to Government Internal Audit Standards, which included the Internal Auditor's independent opinion on the adequacy and effectiveness of the Centre's system of internal control together with recommendations for improvement.

5. 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 Auditor and the executive managers within The Queen Elizabeth II Conference Centre, who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office 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 Management Board and the Audit Committee. A plan is in place to address weaknesses and to ensure continuous improvement of the system.

The Management Board, the Audit Committee and the Internal Auditor all participate in the review of the effectiveness of the system of internal control. During the year the Management Board received written reports from the Chairman of the Audit Committee. The Audit Committee reviews all reports from internal and external auditors, which include management responses and agreed remedial action, and receives a written report on the progress of implementing the agreed remedies. It also receives regular reports from the Chairman of the Risk Management Working Group. The Internal Auditor provides me with a written opinion annually on the effectiveness of the system of internal control. The report for 2006/07 contained recommendations on a separate Equal Opportunities Policy and the need to raise awareness of business continuity plans amongst key staff, both of which were acted upon by me.

6. Significant internal control problems

I am pleased to report that no internal control problems of any significance were identified during the year.



Ernest H. Vincent, Chief Executive • 14 May 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of The Queen Elizabeth II Conference Centre for the year ended 31 March 2007 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement 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 Agency, the Chief Executive and auditor

The Queen Elizabeth II Conference Centre and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Responsibilities of the Agency and its Chief Executive.

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 the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency 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 Agency'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 form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report 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 opinion

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 Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency'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 Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of The Queen Elizabeth II Conference Centre's affairs as at 31 March 2007 and of its profit 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 the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn, Comptroller and Auditor General • 18 May 2007

National Audit Office, 157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2007

	NOTES	2007 £000	2007 £000	2006 £000	2006 £000
Income from operating activities	2		10,410		10,845
Staff costs	4	2,550		2,422	
Depreciation	8	832		787	
Other operating charges	7	5,283	(8,665)	5,486	(8,695)
Operating surplus	2		1,745		2,150
Interest receivable – bank interest			256		198
Surplus on ordinary activities			2,001		2,348
Interest payable on long-term loan	13		(6)		(12)
Surplus for the financial year			1,995		2,336
Payment to Exchequer			(1,550)		(1,450)
Retained surplus	14		445		886

Notes to the Income and Expenditure Account:

- i All activities are continuing.
- ii There were no other recognised gains or losses during the year.

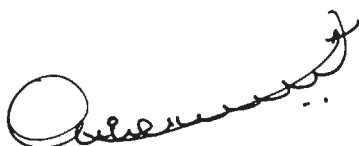
The notes on pages 14 to 16 form an integral part of these accounts.

BALANCE SHEET

as at 31 March 2007

	NOTES	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets	8		2,418		2,933
Current assets					
Debtors	9	1,699		1,918	
Cash at bank and in hand		5,901		4,711	
		7,600		6,629	
Current liabilities					
Creditors falling due within one year	10	(3,053)		(2,961)	
Net current assets			4,547		3,668
Total assets less current liabilities			6,965		6,601
Financed by:					
Deposits invoiced more than one year in advance	11		139		181
Provisions for liabilities and charges	12		107		64
Capital and Reserves					
Public Dividend Capital	14	821		821	
Long term loan	13 & 14	–		82	
General reserve	14	5,898	6,719	5,453	6,356
			6,965		6,601

The notes on pages 14 to 16 form an integral part of these accounts.



CASH FLOW STATEMENT

for the year ended 31 March 2007

	NOTES	2007 £000	2006 £000
Net cash flow from operating activities	15	2,889	2,460
Returns on investment and servicing of finance			
Interest received		256	198
Payment to Exchequer		(1,550)	(1,450)
Interest paid on long-term loan		(6)	(12)
Capital expenditure			
Fixed asset purchases		(317)	(519)
Fixed asset sales		-	2
Cash inflow before financing		1,272	679
Financing			
Part repayment of loan		(82)	(82)
Movement in cash and cash equivalents	16	1,190	597

The notes on pages 14 to 16 form an integral part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

NOTE 1

Accounting Policies

1.1 Accounting basis

These financial statements have been prepared under the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act and of accounting standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate. They also meet the requirements of the Treasury Financial Reporting Manual.

1.2 Fixed assets

The fixed assets are re-valued internally each year by reference to the cost of modern equivalent assets. Major structural enhancements are capitalised as building improvements. Items of furniture and equipment valued under £1,000 are written off in the year of purchase.

The cost or valuation of a fixed asset is written off on a straight-line basis over its expected useful life. Expected useful lives are as follows:

	Life in years
Building improvements	4–15
Furniture	3–10
IT & telecommunications equipment	2–10
Operational equipment	3–10

1.3 Value added tax

In the financial statements all figures are shown net of Value Added Tax. The Agency is registered for Value Added Tax.

1.4 Income recognition

Income is recognised on the day that a service is provided. Income invoiced less than one year in advance is shown as a creditor. Income invoiced more than one year in advance is shown as a deposit invoiced more than one year in advance.

1.5 Foreign currencies

Amounts paid or received in foreign currency are converted to sterling at the rate ruling on the day of the transaction. Differences on exchange are immediately written off to the Income and Expenditure Account.

1.6 Insurance

In accordance with Government policy, the Agency is self-insured. Payments in respect of insurable losses are charged to the Income & Expenditure Account as they occur.

1.7 Pensions

Pension costs are the monthly contributions by the Agency to the Principal Civil Service Pension Scheme, which accepts the liability for the payment of pensions after retirement.

NOTE 2

Segmental reporting

Whilst its principal source of income arises from conference activities, The Queen Elizabeth II Conference Centre also receives income from renting space within and on the Centre. None of the Centre's costs or net assets is identified specifically with the rental activities.

	2007 £000	2006 £000
Income from conference activities	10,087	10,524
Other rental income	323	321
Income from operating activities	10,410	10,845
Surplus on conference activities	1,422	1,829
Surplus on rental activities	323	321
Operating surplus	1,745	2,150

NOTE 3

Staff numbers

	2007	2006
Average number of staff for the year		
Administration	8	7
Operations	17	18
Presentations	16	16
Sales and Marketing	10	11
Total average number of staff	51	52

NOTE 4

Staff costs

	2007 £000	2006 £000
Wages and salaries	1,931	1,844
Social security costs	164	160
Pension	320	307
Redundancy and early retirement costs	61	59
Temporary agency staff	74	52
Total staff costs	2,550	2,422

NOTE 5

Pension costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Queen Elizabeth II Conference Centre is unable to identify its share of the underlying assets and liabilities. The Scheme's Actuary reviews employers' contributions every four years following a full scheme valuation. 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).

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Employers' contributions of £319,604 (2005/06 £307,128) were payable to the PCSPS at one of four rates in the range based on salary bands of 17.1 to 25.5 per cent of pensionable pay. Rates in 2007/08 are in the range of 17.1 to 25.5 per cent of pensionable pay.

NOTE 6

Remuneration of the Management Board

Details of the remuneration and pension benefits of members of the Management Board are given in the Remuneration Report on page 8.

NOTE 7

Other operating charges

	2007 £000	2006 £000
Advertising and marketing	175	191
Auditors' remuneration	31	31
Entertaining	6	16
Equipment hire	213	266
Insurable losses	5	(18)
Maintenance and cleaning	1,553	1,750
Other costs	954	1,014
Rates	498	485
Sub-contracted services	1,305	1,266
Travel and subsistence	56	48
Utilities	487	437
Total	5,283	5,486

There were no payments to the auditors for non-audit services

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

NOTE 8

Fixed assets

	Building Improvements	Furniture	IT & Telecoms Equipment	Operational Equipment	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2006	3,452	1,556	461	1,400	6,869
Disposals	(564)	(52)	(69)	(100)	(785)
Additions	223	6	18	70	317
At 31 March 2007	3,111	1,510	410	1,370	6,401
Depreciation					
At 1 April 2006	1,704	1,027	246	959	3,936
Disposals	(564)	(52)	(69)	(100)	(785)
Charge for year	422	180	76	154	832
At 31 March 2007	1,562	1,155	253	1,013	3,983
Net book value					
At 1 April 2006	1,748	529	215	441	2,933
At 31 March 2007	1,549	355	157	357	2,418

NOTE 9

Debtors due within one year

	2007 £000	2007 £000	2006 £000	2006 £000
Trade debtor balances due from				
Central Government Bodies	95		101	
Local Authorities	191		162	
NHS Bodies	–		36	
Public Corporations & Trading Funds	168		161	
Other trade debtors	1,129	1,583	1,314	1,774
Department for Communities & Local Government		–		66
Prepayments and accrued income		101		59
Other debtors		15		19
		1,699		1,918

NOTE 10

Creditors falling due within one year

	2007 £000	2007 £000	2006 £000	2006 £000
Deposits invoiced in advance to				
Central Government Bodies	60		21	
Local Authorities	170		31	
NHS Bodies	17		17	
Public Corporations & Trading Funds	37		143	
Other clients	1,302	1,586	1,300	1,512
Trade creditors		447		374
Value Added Tax		307		268
Other taxes and NI		46		44
Accruals & deferred income		609		701
Other creditors		58		62
		3,053		2,961

NOTE 11

Deposits invoiced more than one year in advance

	2007 £000	2006 £000
Central Government Bodies	8	–
Local Authorities	2	–
Non-Government Clients	129	181
	139	181

NOTE 12

Provisions for liabilities and charges

	2007 £000	2006 £000
Early Retirement Pensions (see following note)	22	39
Estimated cost of claims for compensation (see following note)	85	25
	107	64

There is an obligation to pay early retirement pension benefits until the sixtieth birthday of the beneficiary. The future liability, which at 31 March 2007 extended for a period of one month, is fully provided at current award levels.

	2007 £000	2006 £000
Early retirement liability at 1 April	39	39
Charge to the Income & Expenditure Account	1	59
Payments made during the year	(18)	(59)
Early retirement liability at 31 March	22	39
Claims for compensation at 1 April	25	50
Charge to the Income & Expenditure Account	60	(18)
Payments made during the year	–	(7)
Claims for compensation at 31 March	85	25

NOTE 13

Long term loan

In March 2007 the final instalment was repaid of a loan, which had borne interest at 7.625 per cent, from the Secretary of State for Communities and Local Government.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

NOTE 14

Reconciliation of movements in capital and reserves

	Public Dividend Capital £000	Long Term Loan £000	General Reserve £000
Balance at 1 April 2006	821	82	5,453
Movements in the year			
Repayment of loan		(82)	
Transfer of surplus on Income & Expenditure Account			445
Total movements in the year	–	(82)	445
Balance at 31 March 2007	821	–	5,898

NOTE 15

Reconciliation of operating surplus for the year to net cash flow from operating activities

	2007 £000	2006 £000
Operating surplus	1,745	2,150
Depreciation	832	787
Increase/(decrease) in provisions	43	(25)
Decrease/(increase) in debtors	219	(249)
Increase/(decrease) in creditors	50	(203)
Net cash in flow from operating activities	2,889	2,460

NOTE 16

Analysis of changes in net funds

	1 April 2006 £000	Cash flow £000	Loan repaid £000	31 March 2007 £000
Cash at bank and in hand	4,711	1,190	–	5,901
Loans due within one year	(82)	–	82	–
Total	4,629	1,190	82	5,901

NOTE 17

Financial instruments

Short-term debtors and creditors have been excluded from this disclosure. The fair values of the Agency's financial assets and liabilities at 31 March 2007 are as follows

	Book value £000	Fair value £000
Financial assets		
Cash at bank and in hand	5,901	5,901
Financial liabilities		
Deposits paid more than one year in advance	(139)	(139)

NOTE 18

Financial risks

Liquidity risk

The levels of capital expenditure and Exchequer payment are both managed to be met from available cash balances. The Agency is reliant on the liquidity of the Department for Communities and Local Government to meet a major insurable loss.

Interest rate risk

88 per cent of capital and reserves is in the form of cash on deposit, earning interest at a rate that varies broadly in line with the Bank Rate.

Foreign currency risk

The Agency has no exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

NOTE 19

Capital commitments

At 31 March 2007 the Agency had contracts for capital expenditure valued at £104,000 (2006, £nil).

NOTE 20

Losses, special payments and gifts

Costs falling into the category of losses, special payments and gifts were below the level, currently £250,000, at which they need to be reported separately.

NOTE 21

Contingent liabilities

There were no material contingent liabilities at 31 March 2007. (2006, none)

NOTE 22

Related party transactions

The Queen Elizabeth II Conference Centre is an executive agency of the Department for Communities and Local Government, which is regarded as a related party. £698,781 (2006, £1,074,353) was paid by the Department to reimburse the cost of air handling units procured on its behalf. There were several other transactions with the Department during the year to the total value of £60,385 (2006, £72,577). There were many normal business transactions with other Government bodies, amounting to significant value in the cases of Department for Education and Skills and the Greater London Authority.

Leith's Limited, part of the Compass Group, has the right to a place on the Management Board; transactions with the Compass Group totalled £1,062,574 (2006, £1,088,186)

No Director, key manager or other related party has undertaken any material transaction with the Agency during the year.

NOTE 23

Memorandum Account for the year ended 31 March 2007

The Department for Communities and Local Government incurs costs as owner of the building. The following account incorporates these costs with the results of the Agency.

	2007 £000	2006 £000
Surplus for the financial year per I & E account	1,995	2,336
Deduct expenditure incurred by owner of the building	951	1,061
Net surplus for the financial year	1,044	1,275

In addition the Department for Communities and Local Government incurred capital expenditure on the building during the financial year of £0.985 million (2006 £1.468 million).

NOTE 24

Financial performance indicators

The Queen Elizabeth II Conference Centre is set performance targets annually by the Secretary of State for Communities and Local Government. The financial target and the actual outturn are given below.

	2007 Target £000	2007 Actual £000	2006 Target £000	2006 Actual £000
Contribution to Exchequer	1,500	1,550	1,400	1,450

RECRUITMENT POLICY

The Centre continues to ensure that equality of opportunity applies throughout the recruitment process.

Recruitment into the Civil Service is regulated by the Civil Service Order in Council 1995 (as amended) and the Diplomatic Service Order in Council 1991 (as amended). The Council requires the Civil Service Commissioners to:

- Maintain the principle of selection for appointment on merit on the basis of fair and open competition in recruitment to the Civil Service;
- Prescribe and Publish a recruitment code on the interpretation and application of the principle;
- Incorporate in the code restricted circumstances in which exceptions to the principle can be made;
- Approve appointments at the most Senior levels in the Civil Service; and
- Audit the recruitment systems of departments and agencies for compliance with the code.

The Centre's recruitment policy; the Centre's core competencies against which all applicants for vacancies at the Centre are assessed and the Centre's recruitment statistics can be found on our website at: www.qeiicc.co.uk/Corporateinformation/recruitment.



The Queen Elizabeth II Conference Centre

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