

Commission for the Compact

Company No. 05932855

# **Annual Report and Accounts**

For the year ended 31 March 2011

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For the year ended 31 March 2011

Presented to Parliament pursuant to article 6(2)(b) of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009.

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# Directors' report and commentary 2010-11

## Background, constitution and governance

These accounts cover the year from 1 April 2010 to 31 March 2011. They have been prepared in accordance with the Accounts Direction given to the Commission for the Compact ("the Commission") by the Minister for the Cabinet Office on 10 February 2009.

The Commission was a Non-Departmental Public Body (NDPB) sponsored by the Office for Civil Society (a management unit in the Cabinet Office).

On 14 October 2010 the Government published the results of its Public Bodies Review. The Commission was one of the NDPBs which the Review earmarked for abolition. The Minister for Civil Society asked the Commission's directors to ensure that it had ceased operating by 31 March 2011 and that the legal formalities for its winding-up be completed as soon as possible after that date.

Accordingly, the Commission ceased operating, and all of its remaining staff were made redundant, on 31 March 2011. However, the Commission for the Compact Limited still exists as a legal entity in the form of a registered company. The directors intend to apply after a three month dormancy period, no later than 30 September 2011, to the Registrar of Companies to strike the Commission off the register.

Although the Commission still exists it is for all practical purposes defunct and is therefore referred to in the past tense in this report, except where the context otherwise requires.

Unlike many NDPBs the Commission was not a creature of statute and had no statutory functions. It was established as a company limited by guarantee with functions prescribed by its Memorandum and Articles of Association dated 12 September 2006.

The Commission's purpose under its Memorandum of Association was to "promote the voluntary and community sector for the benefit of the public by the strengthening of partnership working between public sector bodies and voluntary and community sector ("VCS") organisations through the operation of the Compact." The Compact is the agreement which sets out shared commitments and guidelines for working between government and the third sector.

The Commission was governed by a board of directors which, when complete, was required to consist of the Commissioner for the Compact, the Chief Executive, and other elected or appointed directors. The Commission had an Audit and Risk Committee and a Remuneration Committee as committees of the board.

The directors in 2010-11 were as follows:

Name	Date of appointment	Date of resignation
Lady (Helen) Baker	7 September 2007	31 March 2011
David Cutler	10 September 2007	31 March 2011
Fred Heddell CBE	10 September 2007	still a director on 31 March 2011 but resigned on 11 May 2011
Sir Bert Massie CBE	24 April 2008	still a director on 31 March 2011
Richard Corden	15 July 2008	still a director on 31 March 2011

Lady Baker, David Cutler, Fred Heddell and Sir Bert Massie were Non-Executive Directors. Richard Corden, as the Commission's Chief Executive Officer, was an executive director.

The Commission had a sole member. Membership of the Commission in 2010-11 was as follows:

<b>Name</b>	<b>Date of appointment</b>	<b>Date of withdrawal</b>
The Chancellor of the Duchy of Lancaster	30 May 2007	still the member on 31 March 2011

## **Principal activities**

To pursue its purpose of strengthening partnership working between public sector bodies and VCS organisations through the operation of the Compact, the Commission adopted objectives and a work programme to:

- Increase awareness and understanding of the Compact by public bodies and by VCS organisations
- Disseminate evidence of the benefits to public bodies and to VCS organisations of working in accordance with the Compact
- Promote adherence to the Compact by public bodies and by organisations in the VCS
- Maintain the relevance of the Compact by ensuring that its contents keep pace with changes in legislation and developments in policy.

## **Financial overview**

The accounts on pages 16 to 32 show the income, expenditure and surplus for the year. The notes on pages 21 to 32 form part of the accounts.

The Commission's sole revenue during the year was Grant-in-Aid funding provided by the Office for Civil Society. 2010-11 was the third year of the three years of the 2007 Comprehensive Spending Review (CSR) period, during which the Government was to have provided the Commission with £6.0 million of Grant-in-Aid funding (£2.0 million in each of the three years). However, on 29 June 2010 the Commission's settlement for 2010-11 was adjusted downwards to £1.6 million.

The Office for Civil Society accordingly made available to the Commission in 2010-11 Grant-in-Aid funding of £1.6 million, consisting of resource (i.e. revenue) funding of £1.59 million and capital funding of £0.01 million.

Against its available budget of £1.6 million the Commission's cash drawdown consisted of £1.59 million for resource expenditure and £0.01 million for capital expenditure. In addition the Commission retained the brought forward amount held in general reserves, £113,468 for use in 2010-11. The Commission's total expenditure during the year, which was in accordance with its revised plans, was £1,663,213, consisting of resource expenditure of £1,652,141 and capital expenditure of £11,072.

## **Basis of preparation of the accounts**

The accounts for the year ended 31 March 2011 are set out on pages 16 to 32. The notes on pages 21 to 32 form part of these accounts. Further to the Cabinet Office's decision to close the Commission at 31 March 2011, the accounts have been prepared on the basis that the Commission is no longer a going concern.

## **Personal data incidents**

There were no incidents relating to personal data during the year.

## Post balance sheet events

There have been no material events since the year end.

## Payment of creditors

In October 2008 the then Prime Minister announced a commitment by Government organisations to speeding up the process of payment of their suppliers' bills. This commitment, which was designed primarily to improve the cash flow of small and medium-sized enterprises (whether public, private or third sector), has applied to the Commission from January 2009. Accordingly the Commission's aim since then has been to pay valid and correctly-delivered bills from our suppliers within 10 working days of receipt.

In 2010-11 the Commission paid 74% of its bills within 10 working days of receipt, representing 59% of the total value of its supplier invoices.

## Equal Opportunities

The Commission was committed to equality of opportunity and diversity in all its activities. In particular it was the Commission's policy that no actual or potential employee should be unfairly discriminated against, directly or indirectly, because of their ethnicity, national origin or nationality, gender, sexual orientation, marital status, religious beliefs (or lack of them), political affiliation, age, social class, disability, trades union membership, employment status or role as a carer.

## Employees

The Commission ensured that there were arrangements to promote effective consultation and communication with all staff. Meetings of all staff were held periodically at which staff were encouraged to raise and discuss any matter relating to the Commission or its activities.

The table below shows, for each quarter of 2010-11, the percentage of staff working days lost to sickness in that quarter. The average for 2010-11 of 0.3% equates to an average of 0.2 working days lost per staff year.

Quarter	%
Apr-Jun 2010	0.2%
Jul-Sep 2010	0.8%
Oct-Dec 2010	0.3%
Jan-Mar 2011	0.0%

## Environmental Policy

During 2010-11 the Commission's environmental policy consisted of:

- Minimising paper consumption
- Maximising the proportion of waste recycled
- Making efficient use of energy and materials.

## **Audit Information**

All necessary audit information has been disclosed to the auditors. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the directors have taken all the steps they are obliged to take as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## **Auditors**

Under The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009 the Comptroller and Auditor General (“the C&AG”) is required to audit the Commission’s accounts for 2010-11.

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signed by:

Richard Corden  
Accounting Officer  
7 July 2011



# The certificate and report of the Comptroller and Auditor General to the Member of the Commission for the Compact

I certify that I have audited the financial statements of the Commission for the Compact for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure and the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the directors and auditor**

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **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.

## **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

### **Emphasis of matter – Going Concern**

Without qualifying my opinion, I draw attention to Note 1 of the financial statements. The Commission for the Compact ceased operations on 31 March 2011. As a consequence, the financial statements have been prepared on a basis other than going concern. Details of the impact of this on the financial statements are provided in Note 1 to the financial statements.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters for which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

### **Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office,  
157-197 Buckingham Palace Road,  
Victoria, London, SW1W 9SP

Date: 14 July 2011

# Remuneration report

The Commissioner for the Compact and three Non-Executive Directors were appointed by the Chancellor of the Duchy of Lancaster, who determined their remuneration. The Chief Executive was appointed by the Commission. His pay was determined by the Commissioner and the Non-Executive Directors.

The Remuneration Committee did not need to meet during the year.

During 2010-11 the salaries or fees payable to the Commission's Directors were as follows:

## Audited information

<b>The Commissioner for the Compact Sir Bert Massie CBE</b>		
	£s 2010-11	£s 2009-10
Salary	46,350	45,000
Pension contribution	5,794	5,625
Total	52,144	50,625

<b>Non-Executive Director Lady Baker</b>		
	£s 2010-11	£s 2009-10
Salary	3,348	7,855
Pension contribution	-	-
Total	3,348	7,855

<b>Non-Executive Director Fred Heddell CBE</b>		
	£s 2010-11	£s 2009-10
Salary	4,636	6,568
Pension contribution	-	-
Total	4,636	6,568

<b>Non-Executive Director David Cutler</b>		
	£s 2010-11	£s 2009-10
Salary <sup>1</sup>	2,060	2,704
Pension contribution	-	-
<b>Total</b>	<b>2,060</b>	<b>2,704</b>

<sup>1</sup> David Cutler is employed by the Baring Foundation, a charitable trust, as its Director. Mr Cutler's salary in respect of his directorship of the Commission was paid to the Baring Foundation as fees for his services.

<b>Executive Director and Chief Executive Richard Corden,</b>		
	£s 2010-11	£s 2009-10
Salary <sup>2</sup>	91,286	72,471
Pension contribution	14,041	11,233
<b>Total</b>	<b>105,327</b>	<b>83,704</b>

<sup>2</sup> Richard Corden left under compulsory redundancy terms on 31 March 2011. He received a compensation payment of £18,118 included in the salary figure above.

No taxable benefits or bonuses were payable in respect of the directors in 2010-11 or 2009-10.

The pension figures above consist of contributions in respect of membership of the Commission's Group Stakeholder Pension Scheme.

Redundancy costs have been paid in accordance with the provisions approved by the Commission's board. Exit costs are accounted for in full in the year of departure and are equivalent to one months' gross salary for every completed year of service.

## **Unaudited information**

Details of Directors' service agreements, all of which had either expired or been terminated by 31 March 2011, are as follows:

- There was a service agreement between Sir Bert Massie CBE and the Chancellor of the Duchy of Lancaster which ran from 1 April 2008 until 31 March 2011.
- There was a service agreement between Lady Baker and the Chancellor of the Duchy of Lancaster which ran from 7 September 2007 until 31 March 2010.
- There was a service agreement between Fred Heddell CBE and the Chancellor of the Duchy of Lancaster which ran from 7 September 2007 until 31 March 2010.
- There was a service agreement between the Baring Foundation, as David Cutler's employer, and the Chancellor of the Duchy of Lancaster, under which the Baring Foundation agreed to provide Mr Cutler's services to the Commission. The agreement ran from 7 September 2007 until 31 March 2010.

The decision by the Chancellor of the Duchy of Lancaster that it was not necessary to renew the service agreements of Lady Baker, Fred Heddell and David Cutler after 31 March 2010 did not affect their continuing appointments as directors after that date.

- There was a contract of employment between the Commission and Richard Corden which ran from 1 July 2008 until its termination by compulsory redundancy on 31 March 2011.

---

signed by:

Richard Corden  
Accounting Officer  
7 July 2011

# Statement of directors' and Accounting Officer's responsibilities

The Commission's Chief Executive is designated, by the Principal Accounting Officer of the Cabinet Office, as the Commission's Accounting Officer.

The Commission's Accounting Officer has personal responsibility for ensuring that the Commission meets the service and other standards, set out in Chapters 1 and 3 of Managing Public Money (HM Treasury), expected of an organisation which manages public resources.

In particular, the Commission's Accounting Officer takes personal responsibility for:

- Safeguarding the public funds under the Commission's control and ensuring regularity and propriety in their handling
- Ensuring that the Commission's resources are applied only for the purposes, and in accordance with the powers, set out in its Memorandum and Articles of Association
- The selection and appraisal of programmes and projects
- Value for money
- The management of risk and opportunity
- Ensuring that the Commission learns from experience
- Accounting accurately for the Commission's transactions and financial position.

The Directors are required under the Companies Act 2006 to prepare financial statements for each financial year. The Directors and the Accounting Officer are responsible for preparing the financial statements in accordance with the applicable law, HM Treasury Guidance, and the Government Financial Reporting Manual (FReM). The FReM provides guidance on the application of International Financial Reporting Standards, adapted and interpreted for the public sector context.

The financial statements are required by law, the Accounts Direction and the FReM to give a true and fair view of the state of affairs and of the surplus or deficit of the Commission for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether the guidance in the FReM and applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Directors are responsible for keeping proper accounting records that

- Disclose, with reasonable accuracy at any time, the financial position of the Commission
- Enable them to ensure that the financial statements comply with the Companies Act 2006 and the Accounts Direction.

The Directors are also responsible for safeguarding the Commission's assets by taking reasonable steps to prevent and detect fraud and other irregularities.

---

signed by:

Richard Corden  
Accounting Officer  
7 July 2011

# Statement on internal control

## Scope of responsibility

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

The Commission was an NDPB sponsored, and wholly funded, by the Cabinet Office, within which the Office for Civil Society was the Commission's sponsor unit. A programme of work designed to achieve the Commission's objectives was agreed between the Commission and the Office for Civil Society each year: progress against it, including any risks to the achievement of the Commission's objectives, was reviewed at least every six weeks by the Commission and officials of the Office for Civil Society together. Similarly, there are monthly reviews by the Commission and the Cabinet Office's financial expenditure management team of the Commission's progress against its budget forecasts.

## The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Commission for the year ended 31 March 2011 and accorded with Treasury guidance.

## Capacity to handle risk

As Accounting Officer I was responsible to the Commission's board, through its Audit and Risk Committee, for ensuring that:

- Risks to which the Commission is exposed were identified and set out in a Risk Register
- An assessment was made of the likelihood of risks materialising and of the impact on the Commission if risks materialised
- Proportionate measures were devised and implemented to mitigate the likelihood and impact of risks
- The arrangements for handling risk were regularly reviewed and, if necessary, altered.

All of the Commission's staff participated in the process of developing the Risk Register, with the aim of promoting among staff a wider understanding both of the risks which the Commission faces and of the arrangements which exist to manage risk.

## The risk and control framework

Risks, and measures in mitigation, were analysed in the Risk Register under five headings (which may overlap):

- Risks to the successful completion by the Commission of its work programme
- Risks to the Commission's reputation



- Risks arising from impropriety, financial or other, within or towards the Commission
- Risks arising from the Commission's failure to comply with regulatory requirements (including requirements for the protection of personal data and other sensitive information)
- Risks arising from the Commission's failure to foresee and/or respond to changes in the environment in which it operates.

I am satisfied that the Commission has no potential data vulnerabilities of any significance. The Commission no longer holds any protected personal data, having transferred to the Cabinet Office in April 2011 all of its data of that description.

## **Review of effectiveness**

As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control, including controls which existed in relation to the Commission's outsourced payroll service. My review of the effectiveness of the system of internal control is informed by the work of the Commission's internal auditor (the Department for Communities and Local Government's Internal Audit Services ("IAS")), by managers within the Commission, and by comments made by the external auditors in their management letter and other reports.

In 2009-10 IAS undertook a full programme of inspection of the Commission's internal risk management measures. Had the Commission been continuing in operation beyond 31 March 2011 it would have been appropriate for IAS to have repeated in 2010-11 the same full programme of inspection. But because the Commission was not continuing in operation beyond 31 March 2011, I and the Commission's Audit Committee agreed with IAS that a single audit - of the Commission's Key Financial Controls - was appropriate.

IAS's audit report on Key Financial Controls gave the opinion that:

"There are no significant audit issues which I will be recommending the Accounting Officer should include in his SIC as at the date of my report dated 6 April 2011.

I am able to give an Amber/Green (substantial assurance) opinion. The governance arrangements, risk management and control processes were found to be working effectively, but with some minor weaknesses."

And, in relation to the Commission's closure, concluded by saying that:

"The Commission for the Compact has liaised with its own staff and the Cabinet Office as the sponsoring Department during the closure of the organisation. We are not aware of any material risk management, control and governance issues regarding the closure of the organisation."

There are no significant internal control weaknesses to report.

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signed by:

Richard Corden  
Accounting Officer  
7 July 2011

# Statement of comprehensive net expenditure

For the year ended 31 March 2011

		2010-11	2009-10 Restated
	Notes	£s	£s
Expenditure			
Administration:			
Staff costs	4a	(767,913)	(720,427)
Depreciation and amortisation	5	(139,742)	(88,505)
Other expenditure	5	(744,486)	(1,221,265)
Total expenditure		(1,652,141)	(2,030,197)
Total income		0	0
Net expenditure		(1,652,141)	(2,030,197)
Interest receivable	8	0	0
Interest payable	8	0	0
Net expenditure after interest before taxation		(1,652,141)	(2,030,197)
Tax charge	9	0	0
Net expenditure after interest and taxation		(1,652,141)	(2,030,197)
Total comprehensive net expenditure		(1,652,141)	(2,030,197)

All activities derive from operations which ceased at 31 March 2011.

Change in accounting policy: a charge to reflect the cost of capital utilised by the Company was shown in previous years' accounts below the heading 'Net expenditure' in accordance with the accounting requirements for Government bodies set out in the FReM (2009-10: £4,635). With effect from 1 April 2010 HM Treasury has removed the requirement to make this charge and has confirmed that this change constitutes a change in accounting policy. As the net impact of the cost of capital charge on the Company's reserves in prior years was £nil, no adjustments are necessary in relation to this change in accounting policy.

The notes on pages 21 to 32 form part of these accounts.

# Statement of financial position

As at 31 March 2011

		31 March 2011	31 March 2010
	Notes	£s	£s
Non-current assets			
Property, plant and equipment	11	0	111,238
Intangible assets	12	0	17,432
Total non-current assets		0	128,670
Current assets			
Trade and other receivables	13	31,642	5,104
Cash and cash equivalents	14	235,366	293,165
Total current assets		267,008	298,269
Total assets		267,008	426,939
Current liabilities			
Trade and other payables	15	(267,008)	(261,354)
Total current liabilities		(267,008)	(261,354)
Non-current assets less net current liabilities		0	165,585
Assets less liabilities		0	165,585
Reserves			
General reserve		0	113,468
Donated assets reserve		0	52,117
Total reserves		0	165,585

The notes on pages 21 to 32 form part of these accounts

The financial statements, which comprise the statement of comprehensive net expenditure, the statement of financial position, the statement of cash flows, the statement of changes in reserves and the related notes, were approved by the Board on 7 July 2011 and signed on its behalf by:

---

Richard Corden  
Accounting Officer  
7 July 2011

Sir Bert Massie CBE  
Director  
7 July 2011

# Statement of cash flows

For the year ended 31 March 2011

		2010-11	2009-10
	Notes	£s	£s
Cash flows from operating activities			
Net expenditure before taxation		(1,652,141)	(2,030,197)
Increase in trade and other receivables	13	(26,538)	(272)
Depreciation of property, plant and equipment	11	122,310	70,030
Amortisation of intangible assets	12	17,432	18,475
Decrease in trade and other payables	15	(55,673)	78,778
Donated asset reserve released	5	(52,117)	(26,059)
Net cash outflow from operating activities		(1,646,727)	(1,889,245)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(11,072)	(12,553)
Purchase of intangible assets	12	0	0
Net cash outflow from investing activities		(11,072)	(12,553)
Cash flows from financing activities			
Receipt of Grant-in-Aid financing	3	1,600,000	1,992,300
Net cash inflow from financing activities		1,600,000	1,992,300
Net (decrease)/increase in cash		(57,799)	90,502
Cash and cash equivalents at the beginning of the year	14	293,165	202,663
Cash and cash equivalents at the end of the year	14	235,366	293,165

The notes on pages 21 to 32 form part of these accounts.

# Statement of changes in reserves

For the year ended 31 March 2011

	General Reserve	Donated Asset Reserve	Total
Notes	£s	£s	£s
Balance at 1 April 2009	151,365	78,176	229,542
Changes in reserves 2009-10			
Comprehensive net expenditure for the year	(2,030,197)	0	(2,030,197)
Release to comprehensive net expenditure	0	(26,059)	(26,059)
Grant in Aid receipt	1,992,300	0	1,992,300
Balance at 31 March 2010	113,468	52,117	165,585
Changes in reserves 2010-11			
Comprehensive net expenditure for the year	(1,652,141)	0	(1,652,141)
Release to comprehensive net expenditure	0	(52,117)	(52,117)
Grant in Aid receipt	1,600,000	0	1,600,000
Net assets/liabilities as at 31 March to be transferred to Cabinet Office	61,327		61,327
Balance at 31 March 2011	0	0	0

The notes on pages 21 to 32 form part of these accounts.

# Notes to the accounts

## For the year ended 31 March 2011

### 1. Accounting policies

#### 1(a) Statement of accounting policies

As a Non Departmental Public Body (NDPB), the Commission's financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is the Commission's Sponsoring Department. So far as appropriate they meet the requirements of the Companies Act 2006 and the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

#### 1(b) Going concern

The financial statements have been prepared on the basis that the Company is no longer a going concern. The Cabinet Office announced in early October 2010 that the Company would cease to operate at 31 March 2011. Adjustments have been made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities arising due to closure.

#### 1(c) Accounting convention

The accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets.

#### 1(d) Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Commission's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

As the Commission is no longer a going concern from 31 March 2011, all assets have been written down to their recoverable amounts. The write down has been treated as an impairment.

#### ***Onerous Contract Provision***

As the Commission is no longer a going concern from 31 March 2011, all contracts relating to the Commission had to be terminated and settlement costs associated with the termination incurred. The MOTO agreement relating to occupation of the Commission's office had a break clause in it allowing the Commission to terminate the agreement and vacate the premises on 31 March 2012. A provision for onerous contracts for the rent, rates and service charges has therefore been included as part of the winding up costs of the Commission.

#### 1(e) Property, plant and equipment

Property, plant and equipment are valued at the lower of depreciated replacement cost and recoverable amount. Depreciated historical cost is used as a proxy for depreciated replacement cost where there is considered to be no significant difference between depreciated historical cost and depreciated replacement cost.

Cost comprises the amount of cash paid to acquire the asset and includes any costs directly attributable to bringing the asset to its current state. The capitalisation threshold for expenditure on property, plant and equipment is £2,500, or where an asset forms part of a larger group that in total is more than £2,500.

Operational assets are assessed annually to ensure the carrying values are not materially different to fair value and the assets revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable.

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the net expenditure account, in which case the increase is recognised in the Net expenditure account. A revaluation deficit is recognised in the net expenditure account, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

#### **1(f) Depreciation**

Property, plant and equipment are depreciated on a straight line basis in order to write down the costs of the assets to their estimated residual value over their expected useful lives, as follows:

- Information technology over 3 years
- Furniture and fittings over 5 years.

Depreciation is calculated on a monthly basis and is charged from the month the asset is brought into use. The depreciation period and the depreciation method are reviewed at least at each financial year end.

#### **1(g) Intangible assets**

Intangible assets are measured on initial recognition at cost. Following initial recognition, where an active market exists, intangible assets are carried at fair value at the statement of financial position date. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Net expenditure account in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. All intangible assets are currently assessed to have a finite life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

#### **Software licences**

Externally acquired computer software licences with a life of more than one year are amortised over the shorter of the term of the licence and the useful economic life of three years.

#### **Other software**

Externally acquired purchased database software with a life of more than one year is amortised over the useful economic life of three years.

The capitalisation threshold for expenditure on intangible assets is £2,500, or where an asset forms part of a larger group that in total is more than £2,500.

Expenditure which does not meet the criteria for capitalisation is treated as an expense in the year in which it is incurred.

#### **1(h) Impairment of non-financial assets**

The Company assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

#### **1(i) Donated assets**

Donated assets are capitalised at their fair value on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Net expenditure account.



### **1(j) Operating leases**

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the net expenditure account on a straight line basis over the lease term.

### **1(k) Financial instruments**

The financial instruments of the Commission comprise:

- Financial assets: other receivables and cash and cash equivalents
- Financial liabilities: trade and other payables

Financial assets are recognised at the fair value of the consideration receivable i.e. cash to be paid less any impairment provision. A provision for impairment is accounted for when the Commission deems specific receivable balances not to be collectable. Other receivables fall due within one year.

Cash and cash equivalents comprise cash in hand and deposits that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial liabilities are recognised at the fair value of the consideration payable i.e. cash to be paid. Trade and other payables all fall due within one year.

### **1(l) Grant-in-Aid**

As an NDPB, Grant-in-Aid, whether for revenue or capital purposes is treated as financing from the Sponsor Department, the Cabinet Office. This is credited to the general reserve and is treated on a cash (rather than accruals) basis according to the guidance given in the FReM.

### **1(m) Value Added Tax**

The Commission is not registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure account or included in the capitalised cost of fixed assets.

### **1(n) Provisions**

The Commission makes provisions for liabilities and charges where, at the statement of financial position date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the outflow of economic benefits is probable and a reasonable estimate can be made. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time. If the effect is material, expected future cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

### **1(o) Pensions**

The costs of all employer pension contributions are charged to the net expenditure account when incurred. Employees are eligible to join the Commission's Group Stakeholder Pension scheme on successful completion of their three month probation period. The scheme is a defined contribution scheme.

### **1(p) Impending application of newly issued accounting standards not yet effective**

The Commission has reviewed the IFRSs in issue but not yet effective to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' include new interpretations and any new amendments to IFRSs and Interpretations. The Company provides disclosure:

- that it has not yet applied a new accounting standard, and
- of any known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Company's financial statements.

IFRS 9 *Financial instruments, classification and measurement* is due for implementation in January 2013. As the Commission ceased to operate from 1 April 2011, this standard will have no impact on the company's financial statements.

## 2. Segmental analysis

Management considers that all operations carried out by the Commission are of a similar nature, and that these operations are carried out in one geographical location. Therefore there is only one operating segment. Refer to the primary statements for the analysis of gross expenditure, income, net expenditure and total assets.

## 3. Grant-in-Aid receipts

	2010-11	2009-10
	£s	£s
Receipt of Grant-in-Aid revenue financing	1,588,928	1,980,000
Receipt of Grant-in-Aid capital financing	11,072	12,300
Total	1,600,000	1,992,300

## 4. Staff costs

<b>a. The total administrative staff costs</b>	2010-11	2009-10
	£s	£s
Salaries and benefits	636,319	593,749
Social security costs	58,341	61,477
Pension contributions	73,253	65,201
Total	767,913	720,427

Further information on pensions is included in note 4d.

<b>b. Directors' emoluments</b>	2010-11	2009-10
	£s	£s
Emoluments	147,680	134,598
Contributions to pension schemes	19,835	16,858
Total	167,515	151,456

Key management personnel includes the board of directors only.

Emoluments include short-term employee benefits comprising directors' salaries and compensation payments in respect of compulsory redundancy.

During the period two directors participated in money purchase pension schemes. The highest paid director's emoluments were as follows:

<b>Highest paid director's emoluments</b>	2010-11	2009-10
Salary	91,286	72,471
Pension contributions	14,041	11,233

In the table above, the highest paid director's emoluments for 2010-11 include a compensation payment of £18,118 in accordance with the Commission's compulsory redundancy terms.

<b>c. Number of employed staff</b>	<b>2010-11</b>	<b>2009-10</b>
Administration staff – on company payroll	16	15
Total	16	15

The table above excludes non-executive directors.

#### **d. Pension costs**

Commission employees are eligible to join the Commission's Group Stakeholder Pension scheme. This is a stakeholder pension with an employer contribution. Employer's contributions in 2009-10 of £65,201 were paid to the pension provider. Employer's contributions of £73,253 were payable to the pension provider during the year 2010-11. As at 31 March 2011, £11,526 of employer contributions remained to be paid over to the pension provider. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The Commission also matches any employee contributions up to 3% of pensionable pay.

#### **e. Reporting of Exit Packages**

During the year 13 employees left the Commission under a compulsory redundancy scheme the terms of which were settled by the Commission's board and approved by the Cabinet Office. The details are as per the table below.

<b>Exit package cost band</b>	<b>Number of voluntary departures</b>	<b>Number of compulsory redundancies</b>	<b>Cost of exit packages by band</b>
Less than £10,000	0	10	10
£10,000 - £25,000	0	3	3
More than £25,000	0	0	0
Total number of exit packages by type	0	13	13

The total cost of redundancy packages was £93,055

## 5. Administration (Other Costs)

	<b>2010-11</b>	<b>2009-10</b>
	<b>£s</b>	<b>£s</b>
Other staff related costs	63,918	29,594
Travel and subsistence	34,082	56,416
Premises	310,102	157,017
ICT	84,511	87,502
General running costs	126,041	462,583
Legal fees	4,680	4,146
Fees payable to external auditor for audit of annual accounts	12,500	10,625
Fees payable to external auditor for audit of IFRS Accounts	0	4,722
Non audit fees for IFRS preparation	0	5,750
Internal audit fees	3,435	6,164
Consultancy fees	0	1,469
Professional fees	8,898	8,302
Contract and service costs	148,230	413,034
Donated asset reserve release	(52,117)	(26,059)
Small amounts write off	206	0
<b>Total other expenditure</b>	<b>744,486</b>	<b>1,221,265</b>
Depreciation/impairment	122,310	70,030
Amortisation/impairment	17,432	18,475
<b>Total depreciation, impairment and amortisation</b>	<b>139,742</b>	<b>88,505</b>
<b>Total other costs</b>	<b>884,228</b>	<b>1,309,770</b>

During 2008-09 the Commission provided for the fees payable to the external auditor for the audit of the 2008-09 annual accounts £14,375 gross 'of VAT'. During 2009-10 the charge received was £12,500 net 'of VAT' leaving a balance of (£1,875). The value of the fee payable to the external auditor for the audit of the 2009-10 annual accounts was £12,500 net 'of VAT'.

Payments made in the year relating to operating leases:

	<b>2010-11</b>	<b>2009-10</b>
	<b>£s</b>	<b>£s</b>
Plant and machinery	1,671	1,503
Property	78,349	77,302

## 6. Depreciation, amortisation, impairment and losses on disposal

		<b>2010-11</b>	<b>2009-10</b>
		<b>£s</b>	<b>£s</b>
Property, plant and equipment			
Depreciation charge for the period	Donated	26,059	26,059
	Purchased	30,790	43,971
Impairment charge	Donated	26,058	0
	Purchased	39,403	0
Total depreciation/impairment property, plant and equipment		122,310	70,030
Intangible assets			
Amortisation charge for the period		14,559	18,475
Impairment charge		2,873	0
Total amortisation intangible assets		17,432	18,475
Total depreciation, amortisation, impairment and losses on disposal		139,742	88,505

## 7. Programme (Other Costs)

		<b>2010-11</b>	<b>2009-10</b>
		<b>£s</b>	<b>£s</b>
Discretionary projects, private sector recipients		0	0
Total		0	0

## 8. Interest receivable and payable

		<b>2010-11</b>	<b>2009-10</b>
		<b>£s</b>	<b>£s</b>
Interest receivable			
Bank interest received		0	0
Interest payable			
Bank interest repaid		0	0
Net interest		0	0

If the Commission receives interest on its bank accounts it must return the interest to the Cabinet Office. These funds are shown as a creditor until paid back to the Cabinet Office.

## 9. Taxation

	<b>2010-11</b>	<b>2009-10</b>
	<b>£s</b>	<b>£s</b>
Current tax		
Net expenditure before taxation	(1,652,141)	(2,030,197)
Net expenditure before taxation not liable for corporation tax	1,652,141	2,030,197
Interest receivable liable for corporation tax	0	0
UK corporation tax based on results for the year	0	0
Under provided in prior years	0	0
Total	0	0

## 10. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are given in the table below; analysed according to the period in which the lease expires.

	<b>2010-11</b>	<b>2009-10</b>
	<b>£s</b>	<b>£s</b>
Property		
Not later than one year	0	763
Later than five years	0	362,216
Other		
Not later than one year	0	0
Later than one year and not later than five years	0	0

Due to the closure of the Commission 31 March 2011 all non-cancellable operating leases were severed with the Commission incurring any severance costs as provisions for onerous contracts in 2010-11.

## 11. Property, plant and equipment

	Information Technology	Furniture & Fittings	Total
	£s	£s	£s
Cost or valuation as at 1 April 2009 1 April 2009	121,217	139,980	261,197
Additions	4,608	7,945	12,553
As at 31 March 2010	125,825	147,925	273,750
Depreciation as at 1 April 2009	39,785	52,697	92,482
Charge in year	41,220	28,810	70,030
As at 31 March 2010	81,005	81,507	162,512
Cost or valuation as at 1 April 2010 1 April 2010	125,825	147,925	273,750
Additions	11,072	0	11,072
As at 31 March 2011	136,897	147,925	284,822
Depreciation as at 1 April 2010	81,005	81,507	162,512
Charge in year	55,892	66,418	122,310
As at 31 March 2011	136,897	147,925	284,822
Net book value as at 31 March 2011	0	0	0
Net book value as at 31 March 2010	44,820	66,418	111,238
Net book value as at 31 March 2009	81,432	87,283	168,715

Property, plant and equipment includes donated assets at original cost of £130,293 at 31 March 2009 and 31 March 2010 and 31 March 2011. The net book value of these donated assets at 31 March 2011 was £nil (31 March 2010 £52,117, 31 March 2009 £78,177).

Additions in the year include irrecoverable VAT.

## 12. Intangible assets

Intangible assets comprise software licences, including the Commission's Customer Relationship Management and Knowledge Database.

	<b>Software</b>	<b>AUC</b>	<b>Total</b>
	<b>£s</b>	<b>£s</b>	<b>£s</b>
Cost or valuation as at 1 April 2009	55,426	0	55,426
Additions	0	0	0
As at 31 March 2010	55,426	0	55,426
Amortisation at 1 April 2009	19,519	0	19,519
Charge in year	18,475	0	18,475
As at 31 March 2010	37,994	0	37,994
Cost or valuation as at 1 April 2010	55,426	0	55,426
Additions	0	0	0
As at 31 March 2011	55,426	0	55,426
Amortisation at 1 April 2010	37,994	0	37,994
Charge in year	17,432	0	17,432
As at 31 March 2011	55,426	0	55,426
Net book value as at 31 March 2011	0	0	0
Net book value as at 31 March 2010	17,432	0	17,432
Net book value as at 31 March 2009	35,907	0	35,907

Additions in the year include irrecoverable VAT.



### 13. Other receivables

	31 March 2011	31 March 2010	31 March 2009
	£s	£s	£s
Due within one year			
Other receivables	0	0	2,588
Prepayments	31,642	5,104	2,244
Total	31,642	5,104	4,832

Other receivables were within 30 days, not overdue and no provision has been made for credit losses. Prepayment relates to a payment made in advance in regard to a provision for an onerous contract.

### 14. Cash and cash equivalents

	31 March 2011	31 March 2010	31 March 2009
	£s	£s	£s
Cash at bank	235,366	293,165	202,663
Total	235,366	293,165	202,663

All cash is held in commercial banks.

### 15. Trade and other payables

	31 March 2011	31 March 2010	31 March 2009
	£s	£s	£s
Amounts falling due within one year			
Trade payables	0	(142,300)	(3,554)
Corporation tax	0	0	(109)
Other taxation and social security costs	0	(18,670)	(16,814)
Other payables:	-	(5,713)	(9,916)
Net assets as at 31 March 2011 to be transferred to Cabinet Office	(61,327)	-	-
Accruals	(55,690)	(94,671)	(152,183)
Provision for onerous contracts	(149,991)	0	0
Total payables	(267,008)	(261,354)	(182,576)

All payables are due in less than one year and there are no material contingent liabilities as at 31 March 2011.

## **16. Financial instruments**

Given the largely non-trading nature of its activities and the way government entities are financed, the Commission 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 IFRS 7 mainly applies. The Commission 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 Commission in undertaking its activities.

### *Liquidity Risk*

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

### *Interest rate risk*

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

### *Foreign currency risk*

The Commission does not conduct any business denominated in foreign currency and, therefore, is not exposed to any risk as a result of currency fluctuations.

### *Credit risk*

There are no significant concentrations of credit risk within the Commission unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

## **17. Capital commitments**

There are no amounts authorised and contracted for in respect of capital expenditure as at 31 March 2011.

## **18. Contingent liabilities**

There are no material contingent liabilities as at 31 March 2011.

## **19. Related party transactions**

As the Commission is an NDPB sponsored by the Cabinet Office, the Cabinet Office is regarded as a related party. Transactions with the Cabinet Office related to the Commission's Grant-in-Aid and receipt of donated assets.

Related party transactions were also entered into with another NDPB, Capacitybuilders (UK) Limited, also sponsored by the Cabinet Office. The transactions related to the recharging of costs incurred on behalf of the other party.

During the year, the Commission entered into no material transactions with bodies to which board members are related parties.

No board member, key manager or other related party has undertaken any material transactions with the Commission during the year.

## **20. Losses and special payments**

No reportable special payments or losses were made during the course of the year.

## Further information

**The Commission for the Compact ceased to operate on March 31st 2011.**

From 1 April 2011 all enquiries relating to the Compact should be made to either the Office for Civil Society or Compact Voice.

### **Office for Civil Society**

4th Floor, 1 Horse Guards Road, London, SW1A 2HQ

Email: [ocs.info@cabinet-office.gsi.gov.uk](mailto:ocs.info@cabinet-office.gsi.gov.uk)

### **Compact Voice**

Regent's Wharf, 8 All Saints Street, London N1 9RL

Email: [compact@compactvoice.org.uk](mailto:compact@compactvoice.org.uk)

Telephone: 0207 520 2451

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