Capacity Builders (UK) Limited

Company No. 05708912

Annual Report and Accounts

For the year ended 31 March 2011

HC 1173

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Introduction from the Chair

Capacitybuilders was the government agency responsible for improving the quality of support and advice available to frontline charities, voluntary organisations and social enterprises in England.

During the 2010-11 financial year, Capacitybuilders continued to provide funding to help charities, voluntary organisations and social enterprises access the support and advice they need to develop, become sustainable and make a real difference to the communities in which they work.

The recent climate of economic downturn and public sector cutbacks, coupled with political changes, including the Government's review of arm's length bodies, has presented challenges across the charitable and voluntary sector. One consequence was that the Cabinet Office announced in early October 2010 that Capacitybuilders would not be funded beyond 31 March 2011 and would cease to operate from that date. Sector organisations face the dual challenge of seeking alternative sources of income and maintaining the benefits of the infrastructure and collaborative frameworks which Capacitybuilders has been able to help them establish.

I am proud of the way in which the Board, the senior management team and all our staff have maintained excellent standards of delivery, customer service and operational control during the second half of the year, whilst also planning and managing an orderly and effective close down. This has been a testament to the professionalism of all concerned during a period of great personal uncertainty.

Stephen Dunmore
Chair and Accounting Officer

Board members and governance

1.1 Board members

All directors served throughout the year, except where stated:

Stephen Dunmore (Chair)	
Caryl Agard	Resigned 31 March 2011
Margaret Bolton	Resigned 31 March 2011
Sir Rodney Brooke	
Jon Fox*	Resigned 1 November 2010
Anthony Freeling	Resigned 31 March 2011
Matt Leach*	Resigned 30 September 2010
Olu Olasode	Resigned 31 March 2011
Angela Sarkis	
Sir Roger Singleton	
Judith Wilson*	Resigned 31 March 2011

***** Executive Directors

1.2 Governance, Board structure and membership

Governance
Capacitybuilders was an executive non-departmental public body accountable to and receiving funding from its sponsoring department, the Cabinet Office, and reporting during 2010-11 to the Minister for Civil Society (Minister for the Third Sector to May 2010). Capacitybuilders is also a company limited by guarantee with the Minister for the Cabinet Office as its sole member.

Articles of Association
The Articles of Association (formerly the Memorandum of Incorporation and Articles of Association) were updated to align the requirements relating to the disposal of assets on closure with the requirements set out in the Framework Document.

Board structure and membership
The Board comprised the Chair, up to ten non-executive directors, and up to four executive directors including the Chief Executive. The Chief Executive, who was also the Accounting Officer, was responsible for the day-to-day running of the organisation until his resignation on 30 September 2010. The Chair was appointed Accounting Officer from 30 September 2010, and an interim Chief Operating Officer was appointed from 27 October 2010. Non-executive directors were appointed initially for a period of up to three years. The level of their remuneration was set by contract, with the approval of the Minister for the Cabinet Office. Meetings of the full Board were held at least four times a year. From April 2011 a reduced Board of four non-executive members remains in place to oversee organisational closure and the preparation of the final Annual Report and Accounts.

Board members are subject to a Code of Practice which is consistent with Guidance on Codes of Practice for Board Members of Public Bodies published and revised from time to time by the Cabinet Office. The Board had appointed a number of sub-committees (committees) consisting of Board members and advised by the Chief Executive, other executive directors, and senior officers. Each committee had agreed terms of reference and delegation from the Board in respect of its responsibilities. The minutes of each committee were reported formally in writing to the Board after each meeting. A summary of the committees and membership is provided below:

Audit and Risk Committee – Four meetings per year. Members: Olu Olasode (Chair), Sir Rodney Brooke, Anthony Freeling and Sir Roger Singleton. The Audit and Risk Committee supports the Board in its responsibilities for risk management, financial control, governance and associated assurance. In line with the HM Treasury Audit Committee Handbook, the Committee provides advice to the Board. This Committee has met in April and June 2011, with reduced membership.

Funding Policy and Programmes Committee – Four to six meetings per year. Members: Angela Sarkis (Chair), Caryl Agard, Margaret Bolton and Stephen Dunmore. The Committee's main responsibility was to approve programme grants and to consider and advise the Board on matters of funding strategy and the management and evaluation of grants programmes. This Committee was discontinued from Autumn 2010 with any business being considered by the Closure Programme Committee as necessary.

Remuneration Committee – At least one meeting per year. Members: Margaret Bolton (Chair), Caryl Agard, Stephen Dunmore and Olu Olasode. The Committee's main responsibilities were to agree the terms and conditions of employment of the Chief Executive; endorse the performance appraisals and pay increases for other executive directors; and decide on severance terms for the Chief Executive and other directors, subject to any necessary clearances by the Cabinet Office/HM Treasury. This Committee was discontinued from 31 March 2011.

Resources Committee – Three to four meetings per year. Members: Sir Roger Singleton (Chair), Sir Rodney Brooke, Anthony Freeling and Angela Sarkis. The Committee's main responsibility was to oversee the management and use of resources, through review and approval of corporate and business plans and receipt of regular performance and management updates from officers. This Committee was replaced by the Closure Programme Committee in Autumn 2010.

Closure Programme Committee - This Committee was established in late October 2010 to oversee the management of the closure programme which included the following projects: grants closure, organisational closure, learning and legacy, and the continued delivery of programmes through to March 2011. The Committee met once or twice each month, as necessary, to receive progress reports on the four projects and to scrutinise the risk register. Members: Stephen Dunmore (Chair), Sir Rodney Brooke, Sir Roger Singleton.

1.3 Executive Directors

Chief Executive
Matt Leach joined Capacitybuilders in December 2008 from the Housing Corporation where he was Director of Policy and Communication. Prior to this, Matt led the establishment of the London Thames Gateway Development Corporation, and has held a range of roles within central government, including senior posts in the Cabinet Office and the Office of the Deputy Prime Minister.

Director of Strategy and Programmes
Jon Fox joined Capacitybuilders from BVSC, the Centre for Voluntary Action in Birmingham, where he was Director of Sector Development and Active Citizenship. Prior to this, Jon worked within the Home Office in the Active Communities Unit. Jon has over 10 years' experience at a national and regional level working with charities, voluntary organisations and social enterprises.

Director of Finance, Planning and Corporate Services
Judith Wilson joined Capacitybuilders from the Learning and Skills Council (LSC) where she held the post of Director of Provider Financial Assessment. Judith trained as a Chartered Accountant before moving to a large further education (FE) college to set up financial systems and procedures to support FE incorporation. In 1995 she joined the Further Education Funding Council which merged into the LSC in 2001, holding a range of senior finance roles.

1.4 Senior manager acting as a Director

Interim Chief Operating Officer
Ann Sanders joined Capacitybuilders as Interim Chief Operating Officer from 27 October 2010 to 31 March 2011.

Directors' Report

2.1 History and background

Capacity Builders (UK) Limited (Capacitybuilders) was incorporated on 14 February 2006 as a company limited by guarantee. It was also an executive non-departmental public body, which during 2010-11 was sponsored by the Cabinet Office and reported to the Minister for Civil Society (the Minister for the Third Sector to May 2010). The Minister for the Cabinet Office is the sole member of the company. The company commenced business on 3 April 2006 and ceased operating on 31 March 2011. The company became dormant on 1 April 2011.

The names of the persons who served as directors during the year 2010-11 are set out in section 1.1.

2.2 Principal activity

Capacitybuilders' principal activity was to provide government grant funding to improve the quality of advice and support available to frontline charities, voluntary groups and social enterprises.

2.3 Business review

Capacitybuilders' business plan for 2010-11 was approved by the Office for Civil Society. Performance against the business plan targets is reported below.

Target	Status	Progress
Objective 1: Throughout the country, frontline third sector organisations have access to high quality support and advice.		
All consortia of local support providers continue to meet "fit for purpose" criteria during 2010-11, in particular in relation to: • Awareness of local third sector needs • Effective engagement • Inclusiveness of approach • Effective delivery	Achieved	Assessments undertaken during 2010-11 confirmed that all consortia continued to meet fit for purpose criteria.
60% of consortia of local support providers demonstrate performance improvement compared to 2009-10 assessment exercise.	Achieved	Assessments during 2010-11 confirmed that 61% of consortia demonstrated improvement compared to the 2009-10 assessment exercise.
Ten medium and large scale capital investments in improving local third sector resource centres, totalling over £2m, proceed and meet key delivery milestones during 2010-11.	Achieved	Eight medium scale capital projects were completed by January 2011. Four larger scale capital projects were completed by March 2011. The total value of the funded projects was £3.024 million of which £2.081 million was provided in 2010-11.
All Regional Network Fund grant holders' work plan priorities are reviewed by October 2010 in light of the changing policy environment. An evaluation report on the programme to be published by Spring 2011.	Achieved	Work plan priorities were reviewed in September 2010. The evaluation report on the Regional Networks Fund programme was published in March 2011.
Over 500 bursaries to be awarded under the Volunteer Management Programme and to be in progress by September 2010, with 75% positive feedback from bursary beneficiaries on completion of their courses.	Achieved	848 bursaries were awarded and were in progress by September 2010. 79.3% of respondents to a survey of bursary holders were satisfied or very satisfied with the quality of the programme.

Target	Status	Progress
Objective 2: Those supporting frontline third sector organisations have access to the advice, tools and resources they need to inform their work		
Upgraded website to be launched by Autumn 2010.	Achieved	The upgraded website was launched in October 2010.
All National Support Services and National Priorities Programmes to commission an evaluation of the impact of programmes. The evaluation confirms 75% of those accessing resources continue to rate resources as good or above.	Achieved	All evaluations were completed by 31 March with an overall rating of good or above by 75% of respondents.
Monitoring returns demonstrate that all National Support Services and National Priority Programmes are meeting work plan targets in 2010-11, including those related to sustainability and legacy.	Achieved	Monitoring returns confirmed that work plan targets were being met.
Objective 3: Capacitybuilders works with delivery partners to contribute effectively to meeting third sector organisations' needs arising out of the recession.		
The rolling survey of local support providers continues, with at least one further wave of information gathering in 2010-11, supported by effective dissemination of survey results.	Achieved	The survey was carried out in December 2010 and disseminated via email and the Improving Support website.
The RHC Modernisation Fund overall outcome evaluation to be published by March 2011.	Achieved	Evaluation of the fund completed and circulated by Cordis Bright in March 2011.
Objective 4: Capacitybuilders' programmes reflect the needs of the diverse communities it serves.		
The 45 projects funded through the social enterprise programme continue to deliver effective support to over 5000 social enterprise organisations through their final year of funding. Evaluation report on the impact of the 2010-11 programme to be published by Spring 2011.	Achieved	The 45 projects continued to deliver support to over 5,000 social enterprises. The evaluation report was published on Capacitybuilders' website in March 2011.
Objective 5: Capacitybuilders' investment and that of Government is informed by high quality data and analysis.		
A revised approach to evaluation to be agreed with The Office for Civil Society during Autumn 2010.	Achieved	An approach was agreed with The Office for Civil Society in November 2010. The existing evaluation contracts were confirmed.
At least 5 further research reports to be published by March 2011.	Achieved	Five research papers were published on the Improving Support website including: • Learning from merger, • Evaluation of the DEFRA rural community action network RCAN investment programme, • Local Enterprise Partnerships and civil society infrastructure, • Third survey of local third sector support providers, • Fourth survey of local third sector support providers.

Target	Status	Progress
Objective 6: Capacitybuilders manages public funds effectively, works closely with partners and ensures a high standard of customer service.		
To maintain appropriate systems of internal control, governance and risk management to ensure effective accountability and safeguarding of resources and assets.	Achieved	A full assurance rating was given by the Internal Audit Services in their annual report and opinion.
The time taken for decisions on grant applications to average less than 6 weeks from close of deadline for applications during 2010-11.	Achieved	All applications were considered for award within 6 weeks of the application being received. The average time taken was 5.42 weeks.
Automatic payments to be made for the first three quarterly grant instalments for all "green" risk rated delivery partners, within 15 working days of start of quarter.	Achieved	All automatic payments were made within this timescale for all three quarters.
Capacitybuilders will ensure key stakeholders are up to date with news and developments from the organisation. Newsletters to be issued at least every other month until December 2010, with a minimum of 10% click throughs to the website from the opened E-bulletins.	Achieved	Newsletters were issued in May, June, July, September, November and December. Each exceeded a 10% click through rate with an average of 22% across the period.
Programme timetables are set out at the start of programmes with a target of 80% of published milestones being met.	Achieved	Timetables were published and 97% of published milestones were met.
Capacitybuilders spends within its delegated authority, with an under spend of no more than 5% of budget.	Achieved	Capacitybuilders has reported an under spend of 2.59% of its delegated authority.

Business development
During 2010-11 Capacitybuilders continued to deliver the final year of its grant programmes and developed and implemented its organisational closure plan.

Financial performance
Capacitybuilders is reporting a surplus for the year of £799,528 after taking into account grant in aid received. At 31 March 2011 Capacitybuilders reported closing net assets of £nil (all assets and liabilities were transferred to the Cabinet Office as at 31 March 2011) including 26 cash days in hand (2009-10; net assets £1,390,553, with 18 cash days in hand).

In 2010-11 all funding commitments were fulfilled by 31 March. A number of grant recipient organisations have subsequently confirmed to Capacitybuilders that they have not completed activity in relation to their allocated funding for 2010-11. This activity is valued at £41,040 and has been shown in debtors. This amount, together with an amount of £1,580 which relates to a 2009-10 under spend, is also shown as a creditor and will be returned to HM Treasury via the Cabinet Office. The unspent amounts which relate to 2010-11 have been credited against programme expenditure.

Under the terms of Parliamentary Supply, Capacitybuilders was given a budget of £30,855,000 grant in aid of which it was intended £28,772,000 would be spent for resource purposes and £2,083,000 on capital programmes. This amount was fully drawn down and the outturn was as shown in the table below.

Outturn for the year

Funds	Budget	Outturn	Variance	Variance
	£	£	£	%
Resource	28,772,000	27,974,856	797,144	2.77
Capital	2,083,000	2,080,616	2,384	0.11
	30,855,000	30,055,472	799,528	2.59

The above figures reflect a strong, carefully managed performance for the year. Grant payments were made as planned. A number of other planned activities did not take place following the Government's review of arm's length public bodies, resulting in the reported resource under spend.

As an executive non-departmental public body Capacitybuilders is audited by the Comptroller and Auditor General. The remuneration of the external auditor is £29,000 of which £29,000 (2009-10: £29,000) related to the provision of the statutory audit of the accounts. In 2009-10 there was an additional audit fee of £3,000 for audit work relating to the implementation of International Financial Reporting Standards. No remuneration for non-audit work was paid to the external auditor for either 2010-11 or 2009-10.

No charitable donations were made during the year.

Principal risks
Capacitybuilders ceased to operate at 31 March 2011.

Basis of preparation of the accounts
The accounts for the year ended 31 March 2011 are set out on pages 19 to 32. The notes on pages 23 to 32 form part of these accounts. Further to the Cabinet Office's decision to close Capacitybuilders at 31 March 2011, the accounts have been prepared on the basis that Capacitybuilders is no longer a going concern.

Capacitybuilders is required to produce accounts which conform to the accounting principles and disclosure requirements of Government Financial Reporting Manual 2010-11 (FReM). As a company limited by guarantee, Capacitybuilders is also required to comply with the Companies Act 2006.

Pension liabilities
Capacitybuilders operated a Group Personal Pension Plan which was a defined contribution money purchase scheme. At 31 March 2011 all pension contributions had been paid to the pension provider and there was no liability outstanding.

Board members' interests
Board members disclose any company directorships and other significant interests which may conflict with their management responsibilities in the Register of Interests. This is available on request for public inspection at the registered office.

Staff absence due to sickness
Staff absence due to sickness during the year represented a loss of 4.01% of the available working days. Excluding long term illness, the underlying figure was 1.74%

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

2.4 Freedom of information

Capacitybuilders was a public body subject to a right of access under the Freedom of Information Act 2000 to all recorded documentation held, regardless of how the information was recorded.

In accordance with the Act, Capacitybuilders proactively published information in line with its Freedom of Information Policy and publication scheme. During 2010-11, 14 formal requests for information under the Act were received and responses were given within statutory deadlines.

2.5 Health and safety

Capacitybuilders had appropriate policies and procedures to safeguard employees and meet legislative requirements. Capacitybuilders used the services of a health and safety provider to assist in continuing to reflect good practice throughout the year. The Health and Safety Committee included representatives from across the organisation and met a number of times to provide leadership and a continuous focus on health and safety at Capacitybuilders.

2.6 Equality

Against the legislative backdrop and a track record of promoting equality, recognising diversity and challenging discrimination through various funding programmes, Capacitybuilders maintained its Single Equality Scheme. Published in December 2009 this stated Capacitybuilders' approach and commitment to equality and diversity. The Single Equality Scheme covered all of Capacitybuilders' work and encompassed each of the seven major equality strands.

The scheme focused on three key strategic areas, headed 'people', 'business' and 'governance'. These represented the areas in which Capacitybuilders could have the greatest impact on reducing inequality and promoting equality and diversity.

Capacitybuilders was committed to managing its business fairly and with proper respect for issues of equality and diversity. Its progress on this was monitored by its Equality Working Group which was chaired by a member of the Board and included representatives from across the organisation.

Capacitybuilders' employee breakdown across the seven major diversity strands was as follows:

Age years	
21-25	2%
26-30	12%
31-35	14%
36-40	16%
41-45	14%
46-50	16%
51-55	12%
56-60	5%
61+	9%

Ethnicity	
White Irish	7%
White British	56%
White	2%
Any other white background	5%
Black or Black British Caribbean	5%
Black	2%
White and Black African	2%
White and Black Caribbean	2%
Asian or Asian British – Indian	12%
Any other Asian background	3%
Other ethnic group	2%
Preferred not to say	2%

Disability	
Yes	5%
No	93%
Preferred not to say	2%

Gender	
Male	35%
Female	63%
Preferred not to say	2%

Gender the same as assigned at birth	
Yes	98%
No	2%

Sexual Orientation	
Heterosexual or straight	81%
Gay or lesbian	5%
Preferred not to say	14%

Religion and Belief	
Buddhist	5%
Christian	39%
Sikh	12%
Hindu	2%
None	28%
Preferred not to say	14%

2.7 Environmental sustainability

Capacitybuilders had an Environmental Sustainability Policy which included:

- reducing waste wherever possible and recycling waste through a local charity
- a travel and subsistence policy which encouraged travelling by public transport
- adopting sustainable measures within Capacitybuilders' ICT strategy, in line with government good practice.

Stephen Dunmore
Chair and Accounting Officer
23 June 2011

Governance reports, financial statements and notes

3.1 Statement of Directors' and Accounting Officer's responsibilities

The Minister for the Cabinet Office has directed Capacity Builders (UK) Limited (Capacitybuilders) to prepare for each financial year a statement of accounts in compliance with the accounting principles and disclosure requirements of the Companies Act. In addition, the statement of accounts must have regard to the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) which is in force for the financial year for which the accounts are being prepared to the extent that they clarify or build on the requirements of the Companies Act. Company law also requires the directors of Capacitybuilders to prepare financial statements for each financial year.

The company's directors and the Accounting Officer are responsible for preparing the financial statements in accordance with applicable law and regulations. Under that law and Treasury guidance the directors have prepared financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and International Financial Reporting Standards as interpreted by the FReM. The accounts are prepared so as to:

- give a true and fair view of the state of affairs at the end of the financial year and the result, total recognised gains and losses and cash flows for the financial year; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not confirmed to the authorities which govern them.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:

- observe the Accounts Direction issued by the Cabinet Office, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis, and
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts.

The Accounting Officer is also normally required to prepare the accounts on a going concern basis. However, further to the Cabinet Office's decision to close Capacitybuilders at 31 March 2011, the accounts have been prepared on the basis that Capacitybuilders is no longer a going concern.

The Accounting Officer for the Cabinet Office has designated the Chair of Capacitybuilders as Accounting Officer of Capacitybuilders. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Capacitybuilders' assets, are set out in *Managing Public Money*, published by HM Treasury.

The directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Accounts Direction. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the directors and the Accounting Officer are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors and Accounting Officer have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors were responsible for the maintenance and integrity of the corporate and financial information included on the Company's website up to 31 March 2011. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Capacitybuilders' former websites have been stored within the National Archives.

3.2 Remuneration report

The Remuneration Committee met at least once a year. The work of the Committee encompassed making recommendations to the Board and Cabinet Office on the terms of service and remuneration of the Chief Executive and other directors. During 2010-11 the Committee was chaired by Margaret Bolton and the other members were Caryl Agard, Stephen Dunmore, and Olu Olasode.

The Chief Executive was appointed by the Chair with the approval of the Minister for the Cabinet Office. The non-executive Board members are appointed by the Minister. Directors served throughout the year unless otherwise stated.

All pension arrangements related to defined contribution pension schemes. All Board members were eligible to join the Group Stakeholder Pension up to 31 August 2008, a defined contribution pension scheme.

From 1 September 2008 only the executive directors and the Chair were eligible to continue in the Group Stakeholder Pension and then to transfer to the Group Personal Pension, also a defined contribution pension scheme. Contributions were charged in the statement of comprehensive income as they became payable in accordance with the rules of the arrangements.

Board Member emoluments (all served throughout the year except where stated)*

Directors	**2010-11 Salary band £000**	**2010-11 Pension Contribution to nearest £100**	**2009-10 Salary band £000**	**2009-10 Pension Contribution to nearest £100**
Caryl Agard, Non-Executive Director	0-5	-	5-10	-
Margaret Bolton, Non Executive Director	0-5	-	5-10	-
Sir Rodney Brooke, Non Executive Director	5-10	-	0-5	-
Stephen Dunmore, Chair throughout the year, Accounting Officer from 30 September 2010	20-25	2,000	5-10	300
Jon Fox, Director of Strategy and Programmes; Director to 1 November 2010, employee throughout the year	110-115[1]	11,200	75-80	10,300
Anthony Freeling, Non Executive Director	0-5	-	5-10	-
Julia Kaufmann, Non Executive Director (resigned 18 December 2009)	-	-	0-5	-
Matt Leach, Chief Executive (resigned 30 September 2010)	45-50	7,300	100-105	13,400
Olu Olasode, Non Executive Director	5-10	-	5-10	-
Chris Pond, Chair (until 31 October 2009)	-	-	10-15	1,600
Angela Sarkis, Non Executive Director	5-10	-	5-10	-
Sir Roger Singleton, Non Executive Director	5-10	-	5-10	-
Janice Smith, Interim Director of Finance and Resources (until 17 April 2009)	-	-	25-30	-
Judith Wilson, Director of Finance, Planning and Corporate Services (from 20 April 2009)	125-130[2]	9,700	75-80	7,000

1 Including severance related payments of £44,170.
2 Including severance related payments of £41,471

Directors (other than where stated to be interim above) were appointed on a permanent basis.
No awards have been made to former Directors in 2010-11.

*Information in the Remuneration Report which is marked with an asterisk is subject to audit under the terms of the Government Financial Reporting Manual for 2010-11.

Senior Management Team member acting as a Director

Ann Sanders, Interim Chief Operating Officer, acted as a Director from 27 October 2010 to 31 March 2011 on a part-time basis (a full time equivalent of 0.6) and received remuneration in the salary band £30,000 to £35,000.

Stephen Dunmore
Chair and Accounting Officer
23 June 2011

3.3 Statement on internal control

Scope of responsibility
As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of agreed policies, aims and objectives, as set by the Minister for the Cabinet Office, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*, the Articles of Association, the Framework Document and the letter of delegation. An ongoing dialogue is maintained at both Ministerial and officer level with the sponsoring department.

The purpose of the system of internal control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational 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. Capacitybuilders ceased operations at 31 March 2011. The system of internal control was in place in Capacitybuilders throughout the year ended 31 March 2011 and accorded with Treasury guidance.

Capacity to handle risk
Capacitybuilders has operated in accordance with its Risk Management Framework which was approved by its Board in November 2008. The organisation maintained its risk management capability in line with the framework up to the cessation of operations at 31 March 2011:

- involving all levels of staff and Board in the creation and regular review of the corporate risk register, which was consistent with the Treasury's Orange Book model;

- all committee and Board papers included a mandatory section on risk management which ensured risks were highlighted and considered at an early stage and management of risk was used effectively to inform decisions on financial and business planning and to assist in achieving objectives and targets;

- the latest version of the risk register, including an overview of headline risks, was considered regularly by the organisation's Senior Management Team and by each meeting of the Audit and Risk Committee (ARC). Significant risks were regularly considered by the Board as part of its overall scrutiny of business performance.

In addition:

- arrangements were in place to ensure that an assessment of risk was carried out at least annually in respect of each grant recipient, enabling proportionate levels of supervision to be put in place to ensure that public money was properly administered and protected, whilst minimising bureaucratic burdens on the majority of grant recipients;

- effective systems of project and contract management were maintained;

- internal management and financial controls were maintained to ensure that public funds made available to Capacitybuilders were used for the purpose intended by Parliament, and such monies, together with Capacitybuilders' assets, equipment and staff, were used economically, efficiently and effectively, and fraud and theft prevented.

- The ARC considered and advised the Board on the strategic processes and policies for risk management, internal control and governance and gave detailed consideration to the risk register. Having a separate committee responsible for the overall management of the risk agenda has had the effect of focusing attention and the appropriate resources to the effective management of risk.

As Accounting Officer and Chair, I discharged my responsibilities in relation to risk management by:

- providing leadership and direction in the risk management process;

- regularly reviewing the risk register and identifying headline risks and intended mitigating measures; and

- ensuring that the effectiveness of the system of internal control was regularly reviewed and tested.

Capacitybuilders sought to minimise risk and to ensure value for money in managing its programmes; it was recognised that some programmes carried greater inherent risk than others.

The main change in the risk environment for 2010-11 was presented by the Government's decision to close Capacitybuilders at the end of the financial year. Following the Government's announcement in early October 2010, a Closure Committee was set up to oversee the management of the closure programme. The Closure Committee met once or twice a month, replacing the Resources Committee and the Funding Policy and Programmes Committee. The risks relating to closure were identified, included in the wider risk management process, and reported to each meeting of the Closure Committee, in addition to the regular reporting to the ARC and the Board.

The risk and control framework
Capacitybuilders had in place a number of structures and processes that were designed to identify, evaluate and manage the risks to the achievement of objectives. The principal risks for 2010-11 related to ensuring successful delivery of intended outcomes funded by investment of grant and to organisational closure.

Risk was monitored based on the inherent and residual risk assessments set out in the risk register. Risks were scored on a scale of 1 to 5 for both impact and probability to produce a combined risk score out of 25 which was then ranked as being high, medium or low. As part of its regular overview of corporate performance, the Board considered the management of all risks where the residual risk assessment score was above 12, including controls and intended mitigating actions. All risks on the corporate risk register had a designated owner who was a member of the senior management team and a designated responsible manager.

Risks were reviewed and reported regularly through the maintenance of a rolling risk register document which was reviewed monthly by the Senior Management Team and at each meeting of the ARC and the Board as part of overall reporting on corporate performance. The Funding Policy and Programmes Committee and the Resources Committee considered risk arising within their own terms of reference during their period of operation up to Autumn 2010 when they were replaced by a new Closure Programme Committee. This new Committee considered risk relating to the closure programme and our funding for projects.

During the year Capacitybuilders managed and controlled information risk in accordance with its Information Security and ICT Usage Policy. This was reviewed and maintained to ensure the continued confidentiality and integrity of information held by Capacitybuilders, balancing this with our legal obligation of openness and the business need for readily available information. Capacitybuilders also maintained its policies on fraud, public interest disclosure and responses to queries under the Freedom of Information Act.

Review of effectiveness
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers (including the former Chief Executive who left on 30 September 2010) within Capacitybuilders who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The internal auditors have reported that the system of internal control was operating effectively during the year. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the ARC.

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during the year included:

- regular meetings of the ARC to consider risk and internal controls;

- the Chair of the ARC reporting to the Board on any issues arising, as necessary;

- systematic reporting on corporate performance to the Board and senior management team, including regular comprehensive reviews of performance against business plan objectives, financial performance and risk;

- ARC approval of an annual risk-based programme for internal audit in accordance with priorities; reports are provided to each Committee meeting on progress and findings; and

- ARC consideration of the audited accounts and external audit Management Letter.

I have faced additional challenges in maintaining an effective system of internal control during the year in relation to business planning, Government spending controls and the prospect of organisational closure which was confirmed in early October.

Despite these challenges, internal controls and operational effectiveness have been fully sustained during the financial year.

Internal control

Internal audit findings reported during the year have confirmed that the system of internal control has been effective in relation to grant and financial management processes, payroll and pensions, performance management (management information) and the Security Management Framework. The internal audit reports received during the year contained no recommendations for improvements in internal controls.

The internal audit programme for the year was planned both to cover all core aspects of internal control and to allow for appropriate internal audit support and scrutiny during the period of organisational change, which was anticipated during the second half of the financial year.

Overall, the organisation maintained its strength in terms of its internal controls, management, key relationships, systems and processes during the year.

There are no significant control issues to report.

Stephen Dunmore
Accounting Officer and Chair
23 June 2011

3.4 The Certificate and Report of the Comptroller and Auditor General to the Member of Capacity Builders (UK) Limited

I certify that I have audited the financial statements of Capacity Builders (UK) Limited for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of comprehensive income 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. Capacity Builders (UK) Ltd 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

29 June 2011

3.5 Statement of comprehensive income for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Income			
Other grant income		117,467	457,514
Total income		**117,467**	**457,514**
Expenditure			
Administration costs:			
- Staff	3	(2,344,799)	(1,985,860)
- Other costs	4	(846,585)	(1,279,111)
- Depreciation, amortisation and impairment	4	(104,549)	(42,830)
Programme expenditure	2	(26,875,363)	(35,860,772)
Total expenditure		**(30,171,296)**	**(39,168,573)**
Net expenditure		(30,053,829)	(38,711,059)
Interest payable	5	(1,643)	(1,358)
Tax charge	6	-	-
Net expenditure for the year		**(30,055,472)**	**(38,712,417)**
Receipt of Grant in Aid		30,855,000	39,377,000
Total comprehensive income for the year		**799,528**	**664,583**

There is no material difference between the results as disclosed in the statement of comprehensive income account and the results on a modified historical cost basis.

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. As the organisation is also a limited company, the charge was then reversed out below the heading 'Net expenditure for the year'. 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 23 to 32 form part of these accounts.

3.6 Statement of financial position as at 31 March 2011

	Note	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Non-current assets			
Property, plant and equipment	9	-	27,958
Intangible assets	10	-	76,591
Total non-current assets		**-**	**104,549**
Current assets			
Trade and other receivables	12	41,946	329,933
Cash and cash equivalents		2,207,885	1,920,768
Total current assets		**2,249,831**	**2,250,701**
Total assets		**2,249,831**	**2,355,250**
Current liabilities			
Trade payables	13	(6,791)	(259,247)
Other liabilities	13	(2,243,040)	(705,450)
Total current liabilities		**(2,249,831)**	**(964,697)**
Assets less liabilities		**-**	**1,390,553**
Reserves			
General reserve	14	-	1,390,553
		-	**1,390,553**

The financial statements of Capacity Builders (UK) Limited, company number 05708912, were approved by the Board of directors on 23 June 2011.

The notes on pages 23 to 32 form part of these accounts.

Stephen Dunmore
Chair and Accounting Officer

3.7 Statement of cash flows for the year ended 31 March 2011

	2011 £	2010 £
Cash flows from operating activities		
Deficit before tax from operating activities	(30,053,829)	(38,711,059)
Adjustments for:		
- amortisation of intangible assets and impairment	76,591	29,560
- depreciation of property, plant and equipment and impairment	27,958	13,270
Reserve movement:		
- grants not committed by third sector at year end	(41,040)	(262,126)
Decrease/(increase) in trade and other receivables	287,987	(82,598)
Decrease in trade and other payables	(851,249)	(416,052)
Cash outflow from operating activities	**(30,553,582)**	**(39,429,005)**
Corporation tax paid	-	(3,981)
Net cash outflow from operating activities	**(30,553,582)**	**(39,432,986)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(17,022)
Acquisition of intangible assets	-	(81,142)
Net cash outflow from investing activities	**-**	**(98,164)**
Cash flows from financing activities		
Repayment of obligations under finance leases	(12,658)	(11,548)
Interest paid on finance leases	(1,643)	(1,358)
Receipt of Grant in Aid	30,855,000	39,377,000
Net cash inflow from financing activities	**30,840,699**	**39,364,094**
Net (decrease)/increase in cash and cash equivalents	**287,117**	**(167,056)**
Net financing		
Net increase/(decrease) in cash and cash equivalents	287,117	(167,056)
Net cash and cash equivalents at the beginning of the year	1,920,768	2,087,824
Net cash and cash equivalents at the end of the year	**2,207,885**	**1,920,768**
Net debt		
Opening net debt	(12,658)	-
Decrease/(increase) in finance lease obligations	12,658	(12,658)
Closing net debt	**-**	**(12,658)**
Net funds	**2,207,885**	**1,908,110**

The notes on pages 23 to 32 form part of these accounts.

3.8 Statement of changes in reserves for the year ended 31 March 2011

	General Reserve 2010-11 £	General Reserve 2009-10 £
Balance at 1 April	**1,390,553**	**988,096**
Changes in reserves during the year		
Net expenditure for the year	(30,055,472)	(38,712,417)
Reserve movements – grants not committed by grant holders at year end	(41,040)	(262,126)
Total recognised income and expense for the year	**(28,705,959)**	**(37,986,447)**
Grant in Aid	30,855,000	39,377,000
Net assets as at 31 March to be transferred to Cabinet Office	(2,149,041)	-
Balance at 31 March	**-**	**1,390,553**

The notes on pages 23 to 32 form part of these accounts

3.9 Notes to the accounts for the year ended 31 March 2011

1. Statement of Accounting Policies

Basis of preparation
As an executive non departmental public body (NDPB), Capacitybuilders' financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is Capacitybuilders' 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 Capacitybuilders 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.

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.

Judgments and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position and amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Lease commitments: the Company is the lessee of property, plant and equipment. The classification of such leases as operating or finance leases requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

a. Accounting convention

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

b. Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged.

Cost comprises the amount of cash paid to acquire the asset and includes any costs directly attributable to making the asset capable of operating as intended. Any cost of capital charge associated with the item of property, plant or machinery is not capitalised. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Depreciation is calculated to write down the costs of the assets to their estimated residual value on a straight-line basis over their expected useful lives as follows:

- IT equipment – 3 year
- Furniture and fittings – 5 years.

c. Intangible assets

Intangible assets are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of comprehensive income 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 are amortised over the shorter of the term of the licence and the useful economic life of three to five years.

d. Impairment of 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.

As Capacitybuilders 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.

e. Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the statement of comprehensive income so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 statement of comprehensive income on a straight line basis over the lease term.

The Company is the lessee of property and plant and equipment under operating and finance leases. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

f. Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

A financial asset is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

g. Cash and cash equivalents

Cash in the statement of financial position comprises cash at bank and in hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

h. Trade and other payables

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

A financial liability is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

i. Grant in Aid

As the Company is an executive non-departmental public body, Grant in Aid is treated as financing from the sponsoring department. This is recognised as a credit into general reserves and is treated on a cash (rather than accruals) basis in accordance with guidance given in the FReM.

j. Programme expenditure

Programme expenditure is recognised in the accounts when the grant is paid to programme providers. Expenditure is de-recognised in the accounts based on information supplied by programme providers in their annual expenditure summary return when grants are unspent. A debtor is recognised representing the unspent and uncommitted grant held by the programme providers at year end. These grant amounts are repayable to Capacitybuilders. Capacitybuilders returns recovered grant to the Treasury via the Cabinet Office.

k. Capital charge: change in accounting policy 2010-11

A charge, reflecting the cost of capital utilised by the Company, was included in operating costs up to 2009-10. The charge was calculated at the real rate set by HM Treasury (3.5 per cent), on the average carrying amount of all assets less liabilities except for donated assets. As the executive non-departmental public body was also a company limited by guarantee, the cost of capital was then reversed out after the result for the period. From 1 April 2010 the cost of capital charge is no longer to be made in public sector bodies' accounts. This represents a change of accounting policy. However, as the charge has always had a net impact of £nil in the Company's accounts, this change of accounting policy is simply noted on the statement of comprehensive income.

l. Pensions

Company employees are eligible to join the Group Personal Pension Plan. This arrangement is defined contribution in nature. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the arrangement.

m. Value Added Tax

Most of the activities of the Company are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

n. Impending application of newly issued accounting standards not yet effective

Capacitybuilders 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 Capacitybuilders ceased to operate from 1 April 2011, this standard will have no impact on the company's financial statements.

2. Income and expenditure analysis

Segmental analysis

	Third sector support (Segment 1) £	Total £
Year ended 31 March 2011		
Gross expenditure	(30,172,939)	(30,172,939)
Income	30,972,467	30,972,467
Net income	799,528	799,528
Total assets	2,249,831	2,249,831
Year ended 31 March 2010		
Gross expenditure	(39,169,931)	(39,169,931)
Income	39,834,514	39,834,514
Net income	664,583	664,583
Total assets	2,355,250	2,355,250

Programme expenditure by programme

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Consortia Development Fund	3,974,160	3,960,561
Consortia Modernisation Fund	4,602,830	5,646,013
Improving Reach	5,580,855	5,845,034
National Support Services	4,600,000	4,620,546
National Priorities	822,500	885,597
Social Enterprise	2,199,562	2,184,558
Learning, Evaluation and Innovation	272,723	594,528
Policy and Programme Development	209,814	277,113
Regional Network	526,473	642,762
Real Help for Communities Modernisation Fund	-	6,520,356
Capital Grants	2,080,616	3,247,867
Capital Project Development	-	257,493
Volunteer Management Programme	1,992,962	828,188
Neighbourhood Watch	6,868	350,156
DEFRA	6,000	-
	26,875,363	**35,860,772**

The Company certifies that the grants received from its sponsoring department and other government departments have been used for their approved purpose.

In order to gain assurance over the proper use of public funds by Programme Providers, the Company established a programme of provider financial assurance checks. The programme was co-ordinated by the programmes and finance teams, who were responsible for the planning, coordinating and delivery of a programme of assessments and visits to secure this assurance.

3. Staff numbers and related costs

Information in respect of individual Board Members and senior managers' emoluments and their pension entitlements is provided in the Remuneration report on pages 12 to 13.

The aggregate payroll costs for the Company were as follows:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Wages and salaries	1,492,292	1,654,434
Termination costs	529,009	-
Social security costs	164,714	153,618
Other pension costs	158,784	177,808
	2,344,799	**1,985,860**

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Directors' emoluments		
Emoluments (including termination payments)	382,753	354,610
Contributions to money purchase pension schemes	30,153	32,676
	412,906	**387,286**

During the year directors were eligible to participate in defined contribution (money purchase) pension schemes as set out in the Remuneration Report. The highest paid director's emoluments were as follows:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Salary (including termination payments)	127,721	101,971
Pension contributions	9,703	13,446
	137,424	**115,417**

Severance packages

Redundancy and other departure costs have been paid in accordance with contract terms and with compensation terms agreed with the Cabinet Office. The compensation terms were broadly similar to those for civil servants under the Civil Service Compensation Scheme. All redundancies were compulsory and were due to organisational closure at 31 March 2011. There were no costs of early retirement or ill-health retirement. The number of redundancies is analysed by cost band as follows:

Cost band	**Number of redundancies 2010-11***	**Number of redundancies 2009-10**
>£10,000	18	0
£10,001-£25,000	15	0
£25,001-£50,000	5	0
>£50,000	0	0
Total	**38**	**0**

*All redundancies were compulsory, on organisational closure.

Pension costs

Up to 31 December 2008, Company employees were eligible to join the Group Stakeholder Pension. This arrangement was a stakeholder pension with age-related employer contributions which ranged from 3% to 12.5% of pensionable pay. From 1 January 2009 new Company employees were eligible to join the Group Personal Pension Plan to which employer contributions were made at a standard rate of 6% of pensionable pay plus up to a further 3% to match employee contributions. Both pension schemes were defined contribution (money purchase) schemes. Employer's contributions of £158,784 were paid to pension providers during the year (2009-10: £177,808).

Average number of persons employed

The monthly average number of whole-time equivalent employees during the period was as follows:	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Administration staff – on Company payroll	40	40
	40	**40**

4. Non staff administration costs

	Year ended 31 March 2011	**Year ended 31 March 2010**
	£	**£**
Depreciation of property, plant and equipment	18,303	13,270
Impairment of property, plant and equipment	9,655	-
Amortisation of intangible assets	35,891	29,560
Impairment of intangible assets	40,700	-
Operating lease rentals: premises	77,018	77,018
Fees payable to external auditor for:		
- audit of annual accounts	29,000	29,000
- audit work relating to IFRS	-	3,000
Internal audit fees	14,431	23,747

5. Finance charges

	Year ended 31 March 2011	**Year ended 31 March 2010**
	£	**£**
Finance lease interest	(1,643)	(1,358)
Net finance charges	**(1,643)**	**(1,358)**

6. Tax charge

	Year ended 31 March 2011	**Year ended 31 March 2010**
	£	**£**
Current tax		
UK corporation tax based on results for the year at 21% (2009-10: 21%)	-	-
Deficit on ordinary activities before taxation	(30,055,472)	(38,754,044)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2009-10: 21%)	(6,311,649)	(8,138,349)
Adjustment re funds not liable for corporation tax	6,311,649	8,138,349
	-	**-**

7. Commitments under operating leases

Total future minimum lease payments under non-cancellable leases are shown below for each of the following periods:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Within one year	-	36,794
Later than one year and not later than five years	-	-

8. Commitments under finance leases

The net book amount of property, plant and equipment at 31 March 2011 did not include any amounts in respect of equipment held under finance leases (2009-10: £13,155).

Total liabilities and future minimum lease payments under non-cancellable finance leases are shown below for each of the following periods:

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Within one year	-	14,301
Present value of lease obligations	-	13,801

9. Property, plant and equipment

	IT equipment £	Total £
Cost		
At 1 April 2010	141,026	141,026
At 31 March 2011	**141,026**	**141,026**
Depreciation		
At 1 April 2010	113,068	113,068
Charge for the year	18,303	18,303
Impairment	9,655	9,655
At 31 March 2011	**141,026**	**141,026**
Carrying amount at 31 March 2011	**-**	**-**

	IT equipment £	Total £
Cost		
At 1 April 2009	99,798	99,798
Additions	41,228	41,228
At 31 March 2010	**141,026**	**141,026**
Depreciation		
At 1 April 2009	99,798	99,798
Charge for the year	13,270	13,270
At 31 March 2010	**113,068**	**113,068**
Carrying amount at 31 March 2010	**27,958**	**27,958**

Net carrying amount at the balance sheet date of assets relating to finance leases £nil (2009-10: £13,155).

10. Intangible assets

	Software £	Total £
Cost		
At 1 April 2010	140,938	140,938
At 31 March 2011	**140,938**	**140,938**
Amortisation		
At 1 April 2010	64,347	64,347
Charge for the year	35,891	35,891
Impairment	40,700	40,700
At 31 March 2011	**140,938**	**140,938**
Carrying amount at 31 March 2011	**-**	**-**

	Software £	Total £
Cost		
At 1 April 2009	59,796	59,796
Additions	81,141	81,142
At 31 March 2010	**140,938**	**140,938**
Amortisation		
At 1 April 2009	34,787	34,787
Charge for the year	29,560	29,560
At 31 March 2010	**64,347**	**64,347**
Carrying amount at 31 March 2010	**76,591**	**76,591**

Intangible software assets are amortised over a period of three years.

11. Impairments

The total impairment charge of £50,355 (2009-10: £nil in respect of property, plant and equipment and intangible assets) has been charged to the statement of comprehensive income.

12. Trade and other receivables

	2011 £	2010 £
Trade receivables	-	-
Other receivables:		
- grants not committed at year end by grant holders	41,040	262,126
- other Government bodies	-	20,173
- other debtors	906	31,649
Prepayments	-	15,985
	41,946	**329,933**

None of the above receivables was impaired. There were no receivables past due but not impaired. The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to financial performance is used.

13. Trade and other payables

	2011 £	2010 £
Other taxation and social security	-	(49,195)
Trade payables	(6,791)	(259,247)
Other payables:		
- grants not committed by grant holders, to be returned to Cabinet Office	(42,620)	(268,006)
- net assets as at 31 March 2011 to be transferred to Cabinet Office	(2,149,041)	-
Finance lease creditor	-	(12,658)
Deferred income	-	(22,308)
Accruals	(51,379)	(353,283)
	(2,249,831)	**(964,697)**

14. Reconciliation of movement in funds

	2011 £	2010 £
Opening balance of funds	1,390,553	988,096
Reserve movements:		
- grants not committed by grant holders at year end	(41,040)	(262,126)
- net assets as at 31 March 2011 to be transferred to Cabinet Office	(2,149,041)	-
Operating deficit (after interest and tax)	(30,055,472)	(38,712,417)
Grant in Aid received	30,855,000	39,377,000
Closing balance of funds	**0**	**1,390,553**
Represented by:		
General reserve	-	1,390,553
	-	**1,390,553**

15. Financial instruments

Given the largely non-trading nature of its activities and the way government entities are financed, the Company 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 Company 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 Company in undertaking its activities.

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

Interest rate risk
The Company 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 Company 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 Company 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.

16. Capital commitments

There were no commitments for capital expenditure (authorised and contracted for) by the Company at the end of the year (2009-10: £nil).

17. Contingent liabilities

The Company had no material contingent liabilities as at 31 March 2011 or 31 March 2010.

18. Related party transactions

Capacitybuilders was an executive non-departmental public body sponsored by the Cabinet Office; the Cabinet Office was regarded as a related party. Transactions with the Cabinet Office related to Capacitybuilders' grant in aid. The majority of Capacitybuilders' business was undertaken with grant holders. Transactions were also entered into with the Commissioner for the Compact; there was no outstanding balance at the year end (2009-10: £173).

The following related party transactions are declared in relation to Directors' activities:

- Funding allocations of £2,651,306 (2009-10: £3,027,324) were made to London Councils where Sir Rodney Brooke acted as a consultant.
- Funding allocations of £600,000 (2009-10: £620,100) were made to ACEVO where Margaret Bolton undertook a consultancy project.
- Funding allocations of £40,000 (2009-10: £63,650) were made to Voice4Change where Caryl Agard held the position of Chair.
- Capacitybuilders made funding allocations of £14,000 (2009-10: £28,000) to and procured services for £69,800 (2009-10: £nil) from FSE World Ltd where Anthony Freeling was a trustee of the parent company during 2010-11.

The Directors listed above declared their interests at meetings and did not participate in any decisions relating to the organisations concerned.

During the year no Board Member, director, senior manager, or other related party has undertaken any material transactions with Capacitybuilders.

19. Losses and special payments

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

Professional advisers to Capacity Builders (UK) Limited

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B3 3BD

Solicitor
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External Auditor
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