



CAPACITY BUILDERS (UK) LIMITED
COMPANY NUMBER 05708912

Annual Report and Accounts

For the Year Ended 31 March 2009

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CAPACITY BUILDERS (UK) LIMITED

Annual Report and Accounts 2008-09

Presented to the House of Commons in accordance with Section 6(2)(b)
of the Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009

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1. About us - our values, aims, and delivery

1.1 About us

Capacitybuilders is an executive non-departmental public body which is sponsored by the Cabinet Office, and reports to the Minister for the Third Sector. Its purpose is to improve the quality of advice and support available to frontline third sector organisations in England, enabling them to better meet the needs of the communities they work within. Capacitybuilders was established in 2006 as a company limited by guarantee.

1.2 Our values

Capacitybuilders is committed to a strong, independent third sector, in which frontline groups are able to access the support they need to thrive.

We believe that a strong third sector is critical to building and sustaining strong and resilient communities and developing more effective and responsive public services.

We understand that partnership across organisations and sectors, nationally, regionally and locally, is needed to deliver that vision and seek to achieve that through our work.

1.3 Our aims

Capacitybuilders' principal aims are that:

- in all parts of the country, frontline third sector organisations are able to access the highest quality support and advice;
- organisations providing support to frontline third sector organisations have access to the best possible advice, tools and resources to inform their work;
- Capacitybuilders and its delivery partners are effectively meeting the changing needs of third sector organisations;
- Capacitybuilders' programmes take account of the needs of the diverse communities it and its delivery partners serve;
- Capacitybuilders' investment, and that of Government, is informed by the best possible data and analysis;
- Capacitybuilders will develop its people and systems to ensure the most effective stewardship of public funds and provide the best possible quality of engagement with its delivery partners.

1.4 How we deliver

Capacitybuilders seeks to achieve its aims through:

- effective management and distribution of grant funds;
- the commissioning of innovative projects to facilitate learning across the sector;
- investing in the support organisations and networks working with diverse communities and implementing specific programmes relating to the broad equalities and diversity agenda;
- working with general support bodies in the third sector or with those specialist and functional groups who themselves are offering assistance to their frontline constituencies;
- Working with public, private and third sector organisations to develop new models of support for third sector organisations.

By support we mean:

- more effective advice, training and development;
- better networking, communication and collaboration;
- improved premises and facilities;
- a more effective voice for third sector organisations;
- other initiatives aimed at increasing the effectiveness with which third sector organisations can work more effectively to fulfil their aims.

2. Board Members

All directors served throughout the year, except where stated:

2.1 Appointments

	Date of first appointment	Date of re-appointment	Next review date/ appointment end date
Chris Pond*, Chair	14 November 2005	1 July 2008	31 March 2011
Caryl Agard*	21 November 2005	1 September 2008	31 March 2011
Margaret Bolton*	21 November 2005	1 September 2008	31 March 2011
Sir Rodney Brooke	1 September 2008	n/a	31 March 2011
Stephen Dunmore	1 September 2008	n/a	31 March 2011
Jon Fox*	13 August 2007	n/a	n/a
Anthony Freeling	1 September 2008	n/a	31 March 2011
David Harbourne	23 March 2006	n/a	30 September 2008
Julia Kaufmann*	1 April 2006	1 September 2008	31 March 2011
Matt Leach	8 December 2009	n/a	n/a
Olu Olasode	1 September 2008	n/a	31 March 2011
Angela Sarkis	1 September 2008	n/a	31 March 2011
Sir Roger Singleton*	21 November 2005	1 September 2008	31 March 2011
Margaret Talbot	29 March 2006	n/a	30 September 2008

n/a = not applicable

Note: Directors marked with an asterisk are appointed Companies House Directors

2.2 Board structure and membership

Capacitybuilders is an executive non-departmental public body accountable to and receiving funding from its sponsoring department, the Cabinet Office, and reporting to the Minister for the Third Sector.

The Board comprises the Chair, up to ten non-executive members, the Chief Executive and the Director of Policy and Programmes. The Chief Executive, who is also the Accounting Officer, is responsible for the day-to-day running of the organisation. Non-executive directors are appointed initially for a period of up to three years. The level of their remuneration is set by contract, with the approval of the Minister for the Third Sector.

Ordinary meetings of the full Board are held at least four times a year. Agenda for discussion include minutes from all sub-committees, reports on corporate performance, and issues of major importance affecting the business of the organisation. In addition, the Board holds periodic “away days” to discuss strategic issues.

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 has appointed four sub-committees (committees) consisting of Board members and advised by the Chief Executive, directors, and senior officers. Each committee has agreed terms of reference

and delegation from the Board in respect of its responsibilities. The minutes of each committee are 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 takes decisions and provides advice to the Board.

Funding Policy and Programmes Committee – ten meetings per year. Members: Julia Kaufmann (Chair), Caryl Agard, Margaret Bolton, Stephen Dunmore and Angela Sarkis. The Committee's main responsibility is to approve the Capacitybuilders' programme grants and to consider and advise the Board on matters of funding strategy and policy and management of Capacitybuilders' grants programmes.

Remuneration Committee – two meetings per year. Members: Margaret Bolton (Chair), Caryl Agard, Stephen Dunmore, Olu Olasode and Chris Pond. The Committee's main responsibilities are to agree the terms and conditions of employment of the Chief Executive; decide on the Chief Executive's performance appraisal and annual pay increase; endorse the performance appraisals and pay increases for directors; and decide on severance terms for the Chief Executive and directors, subject to any necessary clearances by the Office of the Third Sector/Treasury.

Resources Committee – two meetings per year. Members: Sir Roger Singleton (Chair), Sir Rodney Brooke, Anthony Freeling, Julia Kaufmann and Angela Sarkis. The Committee's main responsibility shall be to oversee management and use of resources, through review and approval of corporate and business plans and receipt of regular performance and management updates from responsible officers.

2.3 Executive Directors

Chief Executive

Matt Leach joined Capacitybuilders on 8 December 2008 from the Housing Corporation where he was Director of Policy and Communication between January 2005 and November 2008. 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 Civil Service posts in the Cabinet Office and the Office of the Deputy Prime Minister.

Acting Chief Executive/Special Advisor

Catherine Johnstone joined Capacitybuilders in October 2007 as a Special Advisor to the then Chief Executive, and stepped into the Acting Chief Executive post from 1 April 2008. Catherine resigned as Acting Chief Executive on 5 December 2008 and continued as Special Advisor until 28 February 2009.

2.4 Senior management team members acting as directors

Janice Smith joined Capacitybuilders on an interim basis in February 2008 to review financial processes, policies and procedures, stepping into the Director of Finance and Resources role on an interim basis from 25 April 2008. Janice resigned as Interim Director of Finance and Resources on 17 April 2009 and continued in a consultancy capacity until 22 May 2009.

Celia Adams covered the post of Director of Resources and Planning on an interim basis from 1 November 2007 until 17 April 2008.

Judith Wilson took up the post of Director of Finance, Planning, and Corporate Services on a permanent basis on 20 April 2009.

3. Report of the Directors

3.1 History and background

Capacity Builders (UK) Limited (Capacitybuilders) was incorporated on 14 February 2006 as a company limited by guarantee. It is also an executive non-departmental public body. The company commenced business on 3 April 2006.

3.2 Principal activity

Capacitybuilders' principal activity is to provide Government grant funding to improve the support available to frontline third sector organisations.

3.3 Delivery of activities

Since Capacitybuilders was established in 2006, it has invested some £100 million in improving the support available to frontline third sector organisations under its grants programmes.

Working with the local providers, national delivery partners and Government, we aim to achieve a step change in the quality of support available to local third sector organisations. We do so in the context of the Third Sector Review, our 2008-11 Corporate Plan and annual Business Plans, and the wider strategic vision set out in Destination 2014, published in 2007. These documents are available at www.capacitybuilders.org.uk.

Capacitybuilders invests nationally, regionally and locally: its national support services provide resources and training to the people and organisations who deliver support to frontline groups. At a local level, it provides grant funding to coordinate and improve the direct support available to third sector organisations. Capacitybuilders invests in supporting change and improvements to services; it does not provide core funding for delivery of mainstream support services.

Our investment helps promote change across a wide range of support activities, including:

- more effective advice, training and development;
- better networking, communication and collaboration;
- improved premises and facilities;
- a more effective voice for third sector organisations.

We aim to be a strategic and engaged funder, working with our grant recipients to ensure the maximum impact from our investment.

Capacitybuilders provides more than just grant funding. Our team of Regional Managers works directly with local and regional support providers, strengthening coordination of services, promoting effective communication and learning, identifying opportunities for increased collaboration and helping to ensure that support providers can fully engage with a wide range of stakeholders. We make use of that local delivery information and expertise to inform our policy and programme development, and ensure we are able to respond effectively to changing demands and needs.

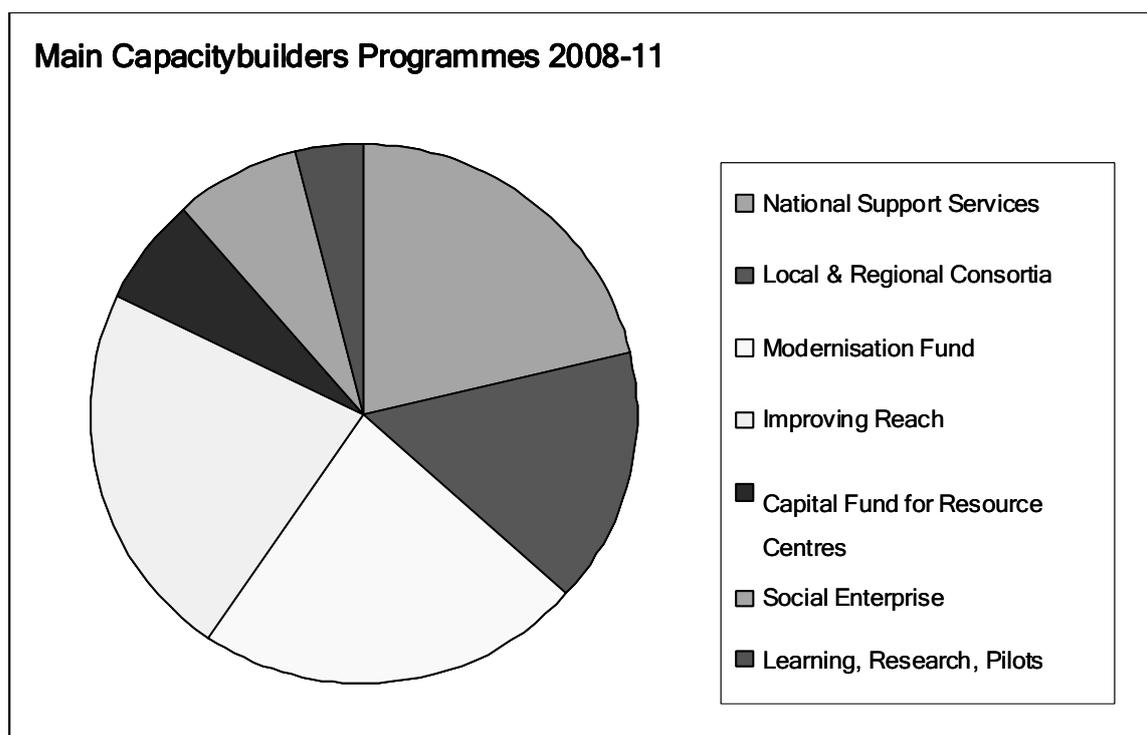
3.4 Our programmes

In 2008-09, Capacitybuilders launched its main programmes covering the years 2008-11, which will deliver funding totalling some £88.5 million over that period. During 2008-09, this included investment of over £24.5 million, including some £9.5 million to improve the quality of help and support third sector organisations can access direct at a local level; £5.6 million invested through its Improving Reach Programme to support the delivery of high quality support to groups working with and through marginalised and excluded communities; capital grants of £1.485 million to over 60 organisations to improve facilities at resource centres supporting third sector organisations; and significant funding

to groups of local support providers to help them respond effectively to the challenges of the recession.

A significant part of Capacitybuilders' funding programmes has been allocated over three years 2008-11, enabling delivery partners to plan with confidence and achieve the maximum value for money from their investment. Our announced funding over 2008-11 includes:

- £16.8 million for national support services, aiming to 'upskill' the agencies and workers delivering support to third sector organisations. The nine sector-led workstreams target key priorities identified by the sector as in need of coordinated national investment;
- £12 million for the further development of consortia of local support providers, helping them to plan and deliver better co-ordinated support at a local and regional level;
- Up to £18 million to support initiatives to modernise support services at a local and regional level;
- £17 million for Improving Reach projects focusing on delivering support and advice to organisations working in excluded communities which have not always benefited from mainstream services;
- £5 million capital investment programme for delivering physical improvements to resource centres which deliver support to a wide range of voluntary and other groups working in and with local communities;
- £6 million for developing networks of support for social enterprises and meeting gaps in support provision, based on regionally identified priorities.



3.5 Learning and improving

Capacitybuilders is committed to ensuring that its investment is informed by the best possible information about the needs of the third sector organisations. We invest in learning to make sure that current and future investment programmes reflect and respond to those needs.

In 2008, we commissioned the first large scale evaluation of ChangeUp investment since 2004. The external team will begin reporting in 2009, adding to our understanding of what is working, and making a real difference on the ground and enabling a baseline to be established against which the impact of our investment can be measured and future targets set. The evaluation team will continue to work across the life of our current programmes, to March 2011, with regular quantitative and qualitative data available. An independent advisory group will support this work, and ensure critical distance from

Capacitybuilders.

In February 2009, the National Audit Office published its review looking at the effects of Capacitybuilders' investment on support services for the sector. It found evidence that this investment has had a positive impact on the quality of support now available to frontline organisations. The report also highlighted a number of areas where improvements needed to be made in the way the programme is administered, which we will seek to respond to as a priority.

3.6 Summary of achievement of 2008-09 business planning targets

During 2008-09, Capacitybuilders made significant progress against business plan targets set at the start of the year.

Of the 39 targets, 24 were substantively met, including all of those relating to the launch of successful new grants programmes. The remaining 15 were partially met. These included a significant number of targets in relation to achieving improvements in our internal systems and administration. Whilst significant progress in these areas was made in 2008-09, we will continue to work to reduce bureaucratic burdens on staff and delivery partners and to ensure that our systems support our business as effectively as possible. We also need to continue to focus on improving the extent to which we engage and influence - working effectively with other parts of the public sector, and contribute to the development of wider approaches to providing support to the third sector.

Activity	Flag	Achievement
Strategic, engaged funder investing in change		
Final agreement of Business Plans as basis for three year £13.8 million investment in National Support Services , including joint frameworks for communications, evaluation and equalities	Achieved	Business plans agreed, programme manager in place and workstreams now entering delivery phase
Commission national priority projects , investing £3 million over three years to address third sector needs and opportunities around skills, workforce and ICT	Achieved	National priority projects commissioned, including transitional support for TSLC and net:gain for 2008-09 (although TSLC support subsequently withdrawn for 2009-10)
Three year £12 million fund to support role of local and regional consortia in planning and co-ordinating more effective, efficient and sustainable support services for frontline organisations	Achieved	Three year CDGs approved; consortia engaged with to increase targeted activity around partnership working and joining up
Invest £18 million over three years in the modernisation of support services	Achieved	On track. Grant awards made; second window awards made in autumn 2008; capital programme launched in autumn 2008

Activity	Flag	Achievement
Target £18 million in Improving Reach Grants over three years to extend and improve the support services for organisations working in and with excluded communities	Achieved	On track. Grant awards made and available online
Launch social enterprise investment programme	Achieved	Programme launched and awards made in all regions by end 2008-09
Increase use of evidence of need, reference to regional/local strategy and other funders to inform investments	Achieved	Now embedded in grant processes
Improve monitoring and evaluation processes across all programmes	Achieved	Enhanced monitoring framework now in place. Impact of investment being addressed in national evaluation exercise
Embed a risk-based approach to grants management	Achieved	Embedded and working well
Ensure effective and efficient payment of grants	Partially achieved	Robust systems in place, delivering significant improvements in control and monitoring. However, further improvements to be made through enhanced use of ICT and continued focus on reducing bureaucratic processes
Delivery of tailored communications with grant-holders by programme.	Achieved	E-bulletins now regular and high quality; new Improving Support e-bulletin successfully launched – current joint subscriber base of 3,910; on track for 2009-10 launch of Improving Support website and online community
Ongoing review and evaluation of programmes impact	Achieved	National Evaluation project commissioned and on track
Improve knowledge management systems regarding investments	Partly achieved	The Customer Relations Management (CRM) system was not fully functional during 2008-09; will now be launched in early 2009-10. Further improvements in knowledge management will be achieved through improvements in our grant management systems

Activity	Flag	Achievement
Learning agency in supporting capacity building across the third sector		
Develop and implement evaluation and learning strategy	Achieved	Strategy approved by Board in November 2008. Initial research commissioned during Q4 2008-09
Comprehensive evaluation of ChangeUp 2004-08	Achieved	National Evaluation project commissioned and on track
Learning programme for grants recipients	Achieved	Learning events held across regions
Develop a range of communication approaches to encourage connections across programmes	Achieved	Substantially achieved. Significant engagement of grant holders in national and regional events; first edition of Improving Support magazine published to positive feedback; joint events for National Support Services delivery partners; www.improvingsupport.org.uk website on track to be soft launched in 2009-10
Establish research programme	Achieved	Initial research commissioned following agreement to research strategy. Links to TSRC established through evaluation programme
Commissioning of innovation projects to increase understanding of alternative approaches to capacity building in the third sector	Partially achieved	Reprioritisation of approach, with greater focus on mainstream grants programme; consideration of alternative approaches to capacity building integrated into mainstream research programme
Develop and launch National Communications Portal	Partially achieved	Development of www.improvingsupport.org.uk substantially complete now on track for soft launch in Q2 2009-10
Share and publish learning from the evaluation & programmes; showcase success from each grants programme	Partially achieved	Evaluation due to report in Q3 2009-10. Case studies continue to be worked up and made available online and integrated into other documentation
Embed commitment to learning across staff and Board	Achieved	Learning highlighted as positive strength culturally within company
Valued & influential partner to the third sector, its funders & Government agencies		
Develop strategic approach to influencing public sector and other funders of infrastructure	Partially achieved	Strong links established with Big Lottery Fund (BLF), DEFRA and developing engagement with Communities and Local Government (CLG). Continued development of strategic links a priority for 2009-10

Activity	Flag	Achievement
Further establish working relationships with key Government departments and national agencies	Partially achieved	Strong links established with BLF, DEFRA and developing engagement with CLG. However continued need to develop wider relationships across the public sector
Stimulate debate on future public investment in support services	Partially achieved	Internal milestones met, however limited external engagement in 2008-09
Influence local and regional funders of sector support services	Partially achieved	Internal milestones all met, but further development of this work needed to achieve objectives in 2009-10
Develop collaborative approaches to funding between Capacitybuilders and other funders of capacity building in the third sector	Achieved	Target for 2008-09 was to introduce one jointly owned programme – during Q4 joint working initiated between Futurebuilders England and Capacitybuilders on OTS-led Modernisation Fund
Establish robust forums and structures to underpin stakeholder engagement	Partially achieved	Significant stakeholder engagement during 2008-09; however output target of developing a “strategic approach” not fully achieved. Remains a priority for organisation during 2009-10
Development of Customer Relationship Management database	Achieved	CRM largely developed in 2008-09 with roll out now to scheduled for early 2009-10
High performing organisation		
Implement revised governance, management and organisation structure	Achieved	New Board, revised committee, SMT structures in place
Ensure robust procedures for financial and process controls	Partially achieved	Robust systems now in place. However, further improvements to be made through enhanced use of ICT and continued focus on reducing bureaucratic processes
Embed risk-management across business	Achieved	New risk management framework and risk reporting now in place
IT Security	Achieved	All relevant requirements complied with
Business Continuity Plans and Processes	Partially achieved	Initial work undertaken, however insufficient capacity to complete work during 2008-09. Key priority for 2009-10

Activity	Flag	Achievement
Develop and embed strategic equalities and diversity	Partially achieved	Equality and Diversity NSS established; IR grants awarded; internal Board Equalities Group established. Single Equality Scheme now under development with aim of publishing mid-2009-10
Publish annual report and accounts	Achieved	2007-08 accounts published to timetable
Develop a Corporate Communications Strategy (internal) to build on earlier work with staff handbook and staff away day	Achieved	Internal communications strategy published
Embed commitment to continuous improvement and effective project management across organisation	Partially achieved	Culture of continuous improvement and learning developing within the organisation; project management approaches adopted wherever appropriate. However wider project management training for staff deferred to 2009-10
Continue to develop a range of tools and activities for staff to deliver a "high performance workplace"	Partially achieved	Staff morale high (recent survey suggested 85% agreed with statement that they worked in "a high performing workplace"). However tools and processes continue to need development to reduce bureaucracy and increase efficiency

3.7 Freedom of information

Capacitybuilders is 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 is recorded. In accordance with the Act, Capacitybuilders proactively publishes information, and will be continuing this work, building on a new Freedom of Information Policy and publication scheme. During 2008-09 one formal request for information under the Act was received and a response has been given. No cases were referred to the Information Commissioner's office for external review during 2008-09.

3.8 Diversity

The staffing complement is made up as follows:

Category	2009 %	2008 %
Male	42	32
Female	58	68
Black or Black British	9	12
White	76	77
Mixed	2	-
Asian or Asian British	13	11
Other ethnic group	-	-
Not declared	-	-
Disabled	-	-

Capacitybuilders recognises the importance of embracing equality and diversity issues in our policy development and programme delivery. We are developing a single equality scheme that not only reflects Capacitybuilders' legal obligations under equal opportunities legislation but also reinforces Capacitybuilders' equality and diversity commitment to staff, partners, stakeholders and the wider community. We seek to accomplish this by mainstreaming and embedding equality and diversity in all our working relationships with our partners and stakeholders.

3.9 Health and safety

Capacitybuilders has maintained health and safety policies during 2008-09. Staff awareness continues to be raised on all aspects of health and safety through the operation of a health and safety committee. Members of the health and safety committee receive periodic training to help ensure continued compliance with health and safety requirements.

3.10 Financial/Management commentary

Basis for preparing the accounts

The accounts for the year ended 31 March 2009 are set out on pages 25 to 37. The notes on pages 28 to 37 form part of the accounts. The accounts cover the year from 1 April 2008 to 31 March 2009 and were prepared on a going concern basis. Capacitybuilders' financing is mainly via grant in aid.

Capacitybuilders and all other Government agencies are required to produce accounts which conform to the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) in accordance with Section 7(2) of the Government Resources Act 2000. As a company limited by guarantee, Capacitybuilders is also required to comply with the Companies Act (Capacitybuilders uses format 1 of the Companies Act).

Funding

Capacitybuilders has been allocated £88.5 million of funding (including £5 million for capital) for the comprehensive spending review period 2008-11.

Performance

In 2008-09, all outstanding and current funding commitments were fulfilled by 31 March. A number of organisations have subsequently confirmed to Capacitybuilders that they have not completed activity in relation to their allocated funding for 2008-09. This activity is valued at £195,092 and has been shown in debtors. This amount together with an amount of £20,656 which relates to a 2007-08 underspend is also shown as a creditor and will be returned to the Treasury via the Cabinet Office. The unspent amounts which relate to 2008-09 have been credited against programme expenditure.

Capacitybuilders is reporting a surplus for the year of £1,700,829 after taking grant in aid received into account. After taking account of £602,000 which was drawn down in 2008-09 in respect of activities completed during 2007-08, Capacitybuilders' total expenditure represents 96.3% of the funds available to draw down for 2008-09. This was the first year of a three year grant programme. The surplus arose due to the time necessary for a number of programme streams to take effect following grant award.

As an executive non-departmental public body Capacitybuilders is audited by the Comptroller and Auditor General. The remuneration of the external auditors was £31,750, of which £28,875 related to the provision of the statutory audit of the 2008-09 accounts and £2,875 to audit work relating to the implementation of International Financial Reporting Standards. (In 2007-08 Grant Thornton received fees of £55,283 of which £28,200 related to the provision of audit services and £27,083 to other services).

No charitable donations were made during the year ended 31 March 2009.

Matt Leach
Chief Executive and Accounting Officer

Chris Pond
Chair

24 June 2009

4. Financial statements and notes

4.1 Statement of directors' and accounting officer's responsibilities

The Minister for the Cabinet Office and Social Exclusion (Chancellor of the Duchy of Lancaster) has directed Capacity Builders (UK) Limited (Capacitybuilders) to prepare for each financial year a statement of accounts in the form of the Companies Act format 1 which must conform to the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) in accordance with section 7(2) of the Government Resources and Accounts Act 2000. Company law also requires the Directors to prepare financial statements for each financial year. The 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) as interpreted by the FReM.

The Accounting Officer for the Cabinet Office has designated the Chief Executive of Capacitybuilders as Accounting Officer of Capacitybuilders. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of 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 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 Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the guidance in the FReM and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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 1985 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matt Leach
Chief Executive and Accounting Officer
24 June 2009

Chris Pond
Chair

4.2 Remuneration report

The Remuneration Committee meets twice each year. The work of the Committee encompasses making recommendations to the Board and Cabinet Office on the terms of service and remuneration of the Chief Executive, Directors and senior staff, having regard to appropriate comparator organisation, recruiting, retaining and motivating staff and meeting output targets. During 2008-09 the Committee was chaired by Margaret Bolton and the other members were Caryl Agard, Stephen Dunmore, Olu Olasode and Chris Pond.

The Chief Executive is appointed by the Chairman with the approval of the Minister for the Cabinet Office and Social Exclusion (Chancellor of the Duchy of Lancaster). The other Board members are appointed by the Minister. Directors served throughout the period unless otherwise stated. The amount of the Chief Executive's bonus is dependent on performance and will be decided by the Remuneration Committee; the bonus will also be approved by the Minister. All pension arrangements relate to defined contribution pension schemes.

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 Chair was eligible to continue in the Group Stakeholder Pension and then to transfer to the Group Personal Pension, also a defined contribution pension scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the arrangements.

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

Chris Pond (Chair)	2009 £	2008 £
Salary	18,000	18,000
Pension contribution	2,790	2,790
Total	20,790	20,790

Matt Leach (Chief Executive) Appointed 8 December 2008	2009 £	2008 £
Salary ¹	32,530	-
Pension contribution	3,312	-
Total	35,842	-

¹ full year equivalent salary was £101,900

Simon Hebditch (former Chief Executive) Resigned 31 March 2008	2009 £	2008 £
Salary	-	80,520
Pension contribution	-	12,636
Ex gratia amount	-	71,000
Total	-	164,156

* 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 2008-09.

Non-Executive Member emoluments (all served throughout the year except where stated)*

Caryl Agard	2009 £	2008 £
Emoluments	8,817	10,000
Pension contribution	563	1,550
Total	9,380	11,550

Margaret Bolton	2009 £	2008 £
Emoluments	11,367	13,000
Pension contribution	605	2,085
Total	11,972	15,085

Sir Rodney Brooke (appointed 1 September 2008)	2009 £	2008 £
Emoluments	1,500	-
Total	1,500	-

Stephen Dunmore (appointed 1 September 2008)	2009 £	2008 £
Emoluments	2,100	-
Total	2,100	-

Anthony Freeling (appointed 1 September 2008)	2009 £	2008 £
Emoluments	3,300	-
Total	3,300	-

David Harbourne (resigned 30 September 2008)	2009 £	2008 £
Emoluments	5,000	10,000
Total	5,000	10,000

* 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 2008-09.

Julia Kaufmann	2009 £	2008 £
Emoluments	8,367	10,000
Total	8,367	10,000

Olu Olasode (appointed 1 September 2008)	2009 £	2008 £
Emoluments	3,450	-
Total	3,450	-

Angela Sarkis (appointed 1 September 2008)	2009 £	2008 £
Emoluments	4,500	-
Total	4,500	-

Sir Roger Singleton	2009 £	2008 £
Emoluments	7,317	10,000
Total	7,317	10,000

Margaret Talbot (resigned 30 September 2008)	2009 £	2008 £
Emoluments	5,000	10,000
Pension contribution	646	1,550
Total	5,646	11,550

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

Jon Fox (Director of Policy and Programmes)	2009 £	2008 £
Emoluments	61,140	38,065
Pension contribution	7,948	5,300
Total	69,088	43,365

* 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 2008-09.

Emoluments of Senior Management Team members acting as Directors*

Catherine Johnstone (Acting Chief Executive from 1 April 2008 to 5 December 2008, then Special Advisor to 28 February 2009)	2009	2008
	£	£
Emoluments	77,235	30,000
Pension contribution	11,709	-
Total	88,944	30,000

Celia Adams (Interim Director of Resources and Planning, resigned 17 April 2008)	2009	2008
	£	£
Emoluments†	45,500	69,508
Total	45,500	69,508

Janice Smith (Employed as a consultant throughout the year. Appointed interim Director of Finance and Resources, from 25 April 2008 to 17 April 2009. Continued as a consultant to 22 May 2009)	2009	2008
	£	£
Emoluments†	151,089	-
Total	151,089	-

Senior managers (other than those stated to be interim above) are appointed on a permanent basis. No awards have been made to former senior managers in 2008-09.

* 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 2008-09.

† The emoluments represent the amounts paid for the above services exclusive of agency fees (where applicable) and VAT.

4.3 Statement of internal control

4.3.1 Scope of responsibility

As Chief Executive and Accounting Officer of Capacitybuilders, 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, Capacitybuilders' Governance, Management and Accountability Protocol, and Accounting Officer letters.

4.3.2 Accountability arrangements

Capacity Builders (UK) Limited is a company limited by guarantee and an executive non-departmental public body, sponsored by the Cabinet Office, reporting to the Minister for the Third Sector.

Arrangements for securing accountability between Capacitybuilders and the Office of the Third Sector (OTS) and Cabinet Office are set out principally in the Appointment as Accounting Officer letter issued to me by the Cabinet Office Accounting Officer in Capacitybuilders' Memorandum and Articles of Association, and the Governance, Management and Accountability Protocol (GMAP) which sets out our relationship with our sponsoring department. OTS and Capacitybuilders are currently reviewing the GMAP, and intend to replace it with an updated Management Framework during 2009-10.

An ongoing dialogue is maintained at both ministerial and officer level with the sponsoring department. A series of scheduled formal meetings are held throughout the year with officers from OTS, members of my Executive team and myself to discuss specific and general business issues. The Chair periodically meets with the Minister for the Third Sector to update him on key issues. A monthly Finance Review meeting between Capacitybuilders and Cabinet Office takes place at which the monthly management report and accounts are discussed. In addition, a number of other meetings regarding the Business Plan, budget, new programmes and a range of other topics are held with officers within OTS and Cabinet Office.

4.3.3 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Capacitybuilders' policies, aims, and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in Capacitybuilders for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

During 2008-09, the system of internal control has gone through significant revision to ensure that administrative and grant payments are effectively administered, and that all issues identified in our 2007-08 accounts and in previous and subsequent audit reviews are fully addressed. In particular, the recommendations of reviews of our internal systems and structures carried out in 2007-08 have been implemented, and internal controls have been strengthened by the introduction of a new risk management framework, which accords with Treasury guidance. This assists with the identification and prioritisation of risks to the achievement of Capacitybuilders' 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.

Due to the turnover of senior level staff during 2007-08 and 2008-09, the Board has sought to ensure through its oversight of the organisation that funds are properly managed and that controls are appropriately applied. This has included the introduction of a delegation framework which ensures that all grant awards and all significant expenditure are subject to Board-level approval.

Following the recruitment of a full permanent senior management team which is now complete, a priority during 2009-10 will be the introduction of a delegation framework which ensures accountability of staff and managers through internal structures and networks of delegated powers; and encourages staff and managers to act in the desired manner without requiring continual detailed intervention and oversight. This will be set within a framework of operational, procedural and financial controls based around a framework of planning, recording, monitoring, reporting and review.

4.3.4 Capacity to handle risk

Capacitybuilders' updated Risk Management Framework was approved by its Board in November 2008. Following its publication, the organisation has developed its risk management capability in line with the framework:

- involving all levels of staff and Board in the creation and regular review of the corporate risk register, which is broadly consistent with the Treasury's Orange Book model;
- all committee and Board papers include a mandatory section on risk management which ensures risks are highlighted and considered at an early stage and management of risk is used effectively to inform decisions on financial and business planning and to assist in achieving objectives and targets;
- the latest draft of the risk register, including an overview of headline risks, is brought to each meeting of Audit and Risk Committee and significant risks regularly reported to Board.

In addition:

- arrangements have been put in place to ensure that an assessment of risk is carried out in respect of each of our grant recipients, enabling proportionate levels of supervision to be put in place to ensure that public money is properly administered and protected, whilst minimising bureaucratic burdens on the majority of those we fund;
- an effective system of project and contract management is maintained;
- internal management and financial controls are maintained to ensure that all public funds made available to Capacitybuilders are used for the purpose intended by Parliament, and such monies, together with Capacitybuilders' assets, equipment and staff, are used economically, efficiently and effectively, and fraud and theft prevented.

The Audit and Risk Committee considers and advises the Board on the strategic processes and policies for risk management, control and governance and gives detailed consideration to the risk register. Having a separate committee responsible for the overall management of the risk agenda has the effect of focusing attention and the appropriate resources to the effective management of risk.

As Chief Executive I discharge my responsibilities in relation to risk management by:

- providing leadership and direction over 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 is regularly reviewed and tested.

4.3.5 The risk and control framework

Capacitybuilders has in place a number of structures and processes that are designed to both identify, evaluate and manage the risks to the achievement of objectives. The principal risks relate to the successful delivery of intended outcomes funded by our investment of grant.

The Risk Management Framework outlines in detail the arrangements by which we identify, categorise, assess and address risks. Risk is monitored by the inherent and residual risk assessment figures within our risk profile document, with risks ranked on a HIGH, MEDIUM, LOW scale for both impact and likelihood, producing a combined risk score. The Board considers in particular the management of all risks scoring H/H, H/M and M/H, including controls and intended mitigating actions. All risks on the corporate risk profile have a designated owner who is a member of the senior management team.

Risks are reviewed and reported regularly through the maintenance of a rolling risk register document which is reviewed at least quarterly by the senior management team, Audit and Risk Committee, and Board as part of overall reporting on corporate performance. The Funding Policy and Programmes Committee and the Resources Committee consider risk arising within their own terms of reference.

During the year an Information Security Policy was introduced which aims to ensure the 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 developed policies on fraud, whistle blowing, and responses to queries under the Freedom of Information Act, which have been introduced for 2009-10.

4.3.6 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the senior managers within Capacitybuilders, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee (ARC) and a plan to address weaknesses and ensure continuous improvement of the systems and processes is in place.

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2008-09 include:

- regular meetings of the ARC to consider risk and internal controls;
- the Chair of the ARC reporting to the Board on any issues arising;
- the introduction of more systematic reporting on corporate performance, including regular comprehensive reviews of performance against business plan objectives, financial performance, and risk, by the Board and senior management team;
- 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.

Early in 2009-10, this will be supplemented by an Audit Review Group (audit clinic), chaired by me, which will meet regularly to ensure that agreed recommendations contained in the audit reports are implemented on a timely basis.

4.3.7 Data protection

Capacitybuilders has policies and processes in place to address the protection of data, and in particular any data held which falls into the category of protected personal data. We are registered under Data Protection Act. We have a copy of ISO27001:2005 and have built our policies and procedures based on good practice as set out in the standard. Information on the requirements of the Data Protection Act is incorporated into our IT policy on Security and Data which all staff have in their staff handbook. A review of our approach was carried out by a CLAS consultant in 2008-09, and all risk areas addressed; a further review will be commissioned shortly. I have reviewed our practice in relation to the protection of personal data, in light of the areas in the Data Handling Report identified by Cabinet Office as most significant to Capacitybuilders' business, and am content that our policies and processes in those areas is consistent with the report's recommendations.

Matt Leach
Accounting Officer and Chief Executive
24 June 2009

4.4 The Certificate and Report of the Comptroller and Auditor General to the Members 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 2009 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and auditor

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Directors and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. I report to you whether, in my opinion, the information given in the Report of the Directors is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I review whether the Statement on Internal Control reflects Capacity Builders (UK) Limited's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Capacity Builders (UK) Limited's corporate governance procedures or its risk and control procedures.

In addition, I report to you if, in my opinion, Capacity Builders (UK) Limited has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the sections entitled: About us – our values, aims and delivery, Board Members and the unaudited parts of the Remuneration Report, included within the Annual Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its deficit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and 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 Report of the Directors is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Date 3 July 2009

4.5 Income and expenditure account for the year ended 31 March 2009

		Year ended 31 March 2009	Year ended 31 March 2008
	Note	£	£
Income			
Deferred income released	19	77,849	27,104
Release from donated assets reserve	21	30,305	30,306
Other grant income (DEFRA)		31,250	-
Total income		139,404	57,410
Expenditure			
Administration costs:			
- Staff	2	(2,118,302)	(1,381,382)
- Other costs	3	(1,196,387)	(1,715,206)
- Depreciation, impairment, & losses on disposal	3	(108,153)	(57,409)
Programme expenditure	4	(24,685,539)	(33,200,250)
Commissioned expenditure	5	(504,213)	(111,581)
Total expenditure		(28,612,594)	(36,465,828)
Deficit before interest and cost of capital		(28,473,190)	(36,408,418)
Interest Payable	6	-	(1,581)
Cost of capital	7	(12,458)	(181)
Deficit after interest and cost of capital		(28,485,648)	(36,410,180)
Tax charge	8	(3,981)	(18,685)
		(28,489,629)	(36,428,865)
Reversal of cost of capital	7	12,458	181
Deficit for the year		(28,477,171)	(36,428,684)
Receipt of Grant in Aid - revenue financing	9	30,178,000	35,589,576
Surplus/(Deficit)		1,700,829	(839,108)

There is no material difference between the results as disclosed in the income and expenditure account and the results on an unmodified historical cost basis.

All activities derive from continuing operations.

The company has no other recognised gains or losses other than the surplus above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 28 to 37 form part of these accounts.

4.6 Balance sheet as at 31 March 2009

	Note	2009	2008
		£	£
Fixed assets			
Tangible fixed assets	12	25,009	133,163
Current assets			
Debtors due within one year	13	247,336	328,552
Cash at bank and in hand	14	2,087,824	-
		2,335,160	328,552
Creditors: amounts falling due within one year	15	(1,372,073)	(707,617)
Net current assets/(liabilities)		963,087	(379,065)
Net assets/(liabilities)		988,096	(245,902)
Deferred income	19	25,009	102,858
Capital and reserves			
General reserves	20	963,087	(379,065)
Donated assets reserve	21	-	30,305
	22	963,087	(348,760)
		988,096	(245,902)

The financial statements were approved by the Board of Directors on 24 June 2009.

Matt Leach
Chief Executive and Accounting Officer

Chris Pond
Chair

4.7 Cashflow statement for the year ended 31 March 2009

	Note	2009	2008
		£	£
Net cash outflow from operating activities	23	(28,057,084)	(39,809,966)
Capital expenditure			
Payments to acquire tangible fixed assets	12	-	(55,773)
Net cash outflow from capital expenditure		-	(55,773)
Returns on investment and servicing of finance			
Bank Interest Paid	6	-	(1,581)
Net cash outflow from returns on investment and servicing of finance		-	(1,581)
Taxation			
Payment of previous year's Corporation Tax liability	8	(18,685)	(24,026)
Net cash outflow from taxation		(18,685)	(24,026)
Financing			
Receipt of Grant in Aid - revenue financing	9	30,178,000	35,589,576
Net cash inflow from financing		30,178,000	35,589,576
Net cash inflow/(outflow)	24	2,102,231	(4,301,770)

4.8 Notes to the financial statements

1. Statement of accounting policies

As an executive non-departmental public body, the company prepares its financial statements in accordance with the Accounts Direction given by the company's sponsoring department – the Cabinet Office, with approval from the Treasury. This requires the company to comply with the Government Financial Reporting Manual (FReM), issued for each year by the Treasury, which in turn requires the company to comply with the accounting and disclosure requirements of the Companies Act and UK GAAP and applicable accounting standards. The particular accounting policies adopted by the company are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue to operate. The validity of this assumption is dependent upon continued support from the company's funder and upon obtaining future funding confirmation. As an executive non-departmental public body, the company's funder is its sponsoring department – the Cabinet Office. If the company were unable to continue to operate, adjustments would have to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities that might arise and to reclassify fixed assets as current assets.

Accounting convention

The financial statements are prepared under the historical cost accounting convention.

Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. Costs of acquisition comprising only those costs that are directly attributable to bringing the asset into working condition for its intended use are capitalised. The minimum level for capitalisation of a tangible fixed asset is £5,000. Tangible fixed assets are depreciated on a straight line basis in order to write off the value of the asset over their estimated economic lives as follows:

IT equipment	-	3 years
Furniture and fittings	-	5 years

Donated tangible fixed assets are capitalised at valuation, which represents current cost, on receipt. This valuation is credited to the donated assets reserve. Donated assets are depreciated in the same way as other fixed assets.

Tangible fixed assets are stated net of any impairments.

Operating leases

Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

Cost of capital

In compliance with the FReM, a charge, reflecting the cost of capital, is included in the income and expenditure account. This charge is calculated at the Government's standard rate of 3.5% in real terms on all assets and liabilities except for donated assets. As the non-departmental public body is also a company limited by guarantee, the cost of capital is then reversed out after the result for period.

1. Statement of accounting policies (continued)

Provisions

Provisions are recognised when it is probable that Capacitybuilders will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Grant in aid

As the company is an executive non-departmental public body, grant in aid for revenue purposes is treated as financing from the Sponsoring Department. The grant in aid is recognised as a credit into general reserves and is treated on a cash basis rather than an accruals basis according to guidance given in the FReM. Grant in aid for capital purposes is credited to deferred income and released to the income and expenditure account over the useful life of the asset in amounts equal to the depreciation charge on the asset and in impairment.

Programme accounting basis

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

Pension and superannuation costs

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

VAT

The company is not VAT registered. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised cost of fixed assets.

2. Directors and employees

Information in respect of individual Board members and senior managers' emoluments and their pension entitlements is provided in the Remuneration Report on pages 15 to 18.

The aggregate payroll costs for the company were as follows:

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
Wages and salaries	1,806,317	1,037,920
Social security costs	137,598	90,090
Other pension costs	108,655	122,852
	2,052,570	1,250,862
Secondment costs	65,732	130,520
	2,118,302	1,381,382

2. Directors and employees (continued)

Directors' emoluments

	Year ended 31 March 2009	Year Ended 31 March 2008
	£	£
Emoluments	446,212	341,156
Contributions to money purchase pension schemes	27,573	45,911
	473,785	387,067

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 2009	Year ended 31 March 2008
	£	£
Salary	151,089	80,520
Ex gratia amount	-	71,000
Pension contributions	-	12,636
	151,089	164,156

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. Both pension schemes were defined contribution (money purchase) schemes. Employers' contributions of £108,655 were paid to pension providers during the year. No contributions were outstanding to the pension providers at the balance sheet date of 31 March 2009.

The monthly average number of employees during the period was as follows:	Year ended 31 March 2009	Year ended 31 March 2008
	Number	Number
Administration staff - on company payroll	32	33
Administration staff - seconded from other organisations	1	2
	33	35

3. Deficit before interest and cost of capital

The deficit before interest and cost of capital is stated after charging:

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
Depreciation of tangible fixed assets	68,550	57,409
Impairment of tangible fixed assets	8,978	-
Loss on disposal of tangible fixed assets	30,626	-
Operating lease rentals:		
- plant and machinery	-	-
- other	76,256	76,256
Fees payable to external auditor for:		
- audit of annual accounts	28,875	28,200
- tax services	-	27,083
- audit work relating to IFRS	2,875	-
Internal audit fees	19,646	42,085

4. Programme expenditure

Programme Expenditure by Programme

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
National Hubs	-	10,649,333
Continuation Fund	-	487,469
Consortia Programme Projects	-	8,675,408
Consortia Development Fund	5,079,258	7,285,454
Modernisation Fund	4,388,825	-
Improving Reach	5,618,114	5,604,259
Discretionary Projects	-	115,407
NSS	4,703,935	532,708
National Priorities	1,277,208	-
Social Enterprise	1,165,213	-
Learning, Evaluation & Innovation	260,000	-
Policy & Programme Development	494,712	-
Regional Network	127,070	-
Capital Grants	1,485,648	-
Programme set up and support	85,556	(149,788)
	24,685,539	33,200,250

4. Programme expenditure (continued)

Programme Expenditure by Region

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
East	1,286,661	1,664,716
East Midlands	1,597,797	1,940,893
London	3,551,291	3,770,970
North East	1,383,606	1,575,113
North West	2,253,408	2,834,938
South East	1,785,721	2,232,979
South West	2,015,874	2,166,072
West Midlands	1,750,189	2,867,782
Yorkshire and Humber	2,013,287	2,368,657
National	6,962,149	11,173,446
Programme set up and support	85,556	604,684
	24,685,539	33,200,250

5. Commissioned expenditure

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
ChangeUp programme evaluation	375,387	(151,667)
Other programmes	128,826	263,258
	504,213	111,581

6. Interest receivable

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
Bank interest received	18,958	93,431
Bank interest repayable – to be netted off against future Grant in Aid	(18,958)	(93,431)
	-	-

The company received interest on its bank account. All interest received is netted off against future grant in aid from the sponsor department. In 2007-08 the company paid £1,581 interest in the early part of the year on a short term bank overdraft.

7. Cost of capital

Guidance given by the Treasury in the FReM requires non-departmental public bodies to disclose the full cost of their activities in their accounts. The company has therefore included in its accounts as an amount for the cost of capital. The cost of capital has been arrived at by calculating a rate of 3.5% to the average capital employed. The average capital employed is defined as an average of total assets less total liabilities at the start and end of the accounting period. The total assets are to exclude donated assets. For the period to 31 March 2009, the cost of capital represents a notional charge of £12,458 (2007-08: £181). As a non-departmental public body that is also a company limited by guarantee, this cost of capital is then reversed out after the result for the period on the income and expenditure account.

8. Tax charge

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
Current tax		
UK corporation tax based on results for the year at 21% (2007-08:20%)	3,981	18,685
Deficit on ordinary activities before taxation	(28,485,648)	(36,410,180)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2007-08:20%)	(5,981,986)	(7,282,036)
Adjustment re funds not liable for corporation tax	5,985,967	7,300,721
Current tax	3,981	18,685

9. Receipt of grant in aid - revenue financing

	Year ended 31 March	Year ended 31 March
	2009	2008
	£	£
Programmes – current year	24,685,539	33,200,250
Programmes – prior year	602,000	-
Commissioned	504,213	111,581
Administration	3,422,842	2,277,745
Grant not committed at end of year	963,406	-
	30,178,000	35,589,576

10. Assurances on entitlement to and the proper use of Capacitybuilders' funds

In order to gain assurance over the proper use of public funds by Programme Providers, the company has established a programme of provider financial assurance checks. As set out in the Accounting Officer's Statement of Internal Control, the programme is co-ordinated by the programme and finance teams, who are responsible for the planning, coordinating and delivery of a programme of visits to secure this assurance.

11. Operating lease commitments

As at 31 March 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£	£
Land and Buildings (expiring in two to five years)	76,256	76,256

12. Tangible fixed assets

	IT equipment	Furniture and fittings	Total
	£	£	£
Cost			
At 1 April 2008	159,594	75,861	235,455
Disposals	-	(60,896)	(60,896)
Impairment	-	(14,965)	(14,965)
At 31 March 2009	159,594	-	159,594
Depreciation			
At 1 April 2008	81,207	21,085	102,292
Charge for the year	53,378	15,172	68,550
On disposals	-	(27,279)	(27,279)
Impairment	-	(8,978)	(8,978)
At 31 March 2009	134,585	-	134,585
Net book value at 31 March 2009	25,009	-	25,009
Net book value at 31 March 2008	78,387	54,776	133,163

13. Debtors

	2009	2008
	£	£
Grants not committed at year end by third sector	195,092	303,257
Compact commissioner	68	827
Other debtors	5,150	1,514
Accrued Income – (2008-09: DEFRA; 2007-08: bank interest receivable)	7,813	3,599
Prepayments	39,213	19,355
	247,336	328,552

14. Cash at bank and in hand

	2009	2008
	£	£
Cash at bank	2,087,824	-

15. Creditors: Amounts falling due within one year

	2009	2008
	£	£
Trade creditors	(221,268)	(249,378)
Bank Overdraft	-	(14,407)
Interest repayable to be returned to Cabinet Office	(620)	-
Grants not committed by third sector, to be returned to Cabinet Office	(215,748)	(113,759)
Corporation tax	(3,981)	(18,685)
Accruals and deferred income	(930,456)	(311,388)
	(1,372,073)	(707,617)

16. Capital commitments

Commitments for capital expenditure (authorised and contracted for) by the company at the end of the year were £nil (2007-08: £nil).

17. Contingent liabilities

The company had no material contingent liabilities as at 31 March 2009 or 31 March 2008.

18. 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 FRS 25, 26, and 29 mainly apply. 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. The levels of cash balances held at the bank are monitored regularly and the Company aims to draw down Government funds on a basis which minimises the balances held.

Liquidity risk

The Company's net revenue resource requirements are financed almost entirely by the Cabinet Office, as is most of 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 balance sheet date.

19. Deferred income

	2009	2008
	£	£
Opening balance	102,858	85,422
Capital grant in period	-	44,540
Capital grant released to income and expenditure account	(77,849)	(27,104)
Closing balance	25,009	102,858

20. General reserve

	2009	2008
	£	£
Opening balance	(379,065)	404,583
Reserve movements:		
- grants not committed by third sector at 31 March 2008	(189,498)	-
- grants not committed due to Cabinet Office re 2007-08	25,913	-
- grants not committed by third sector at 31 March 2009	(195,092)	-
Grant in Aid revenue receipt	30,178,000	35,589,576
Unspent Capital Grant	-	55,460
Deficit for the year	(28,477,171)	(36,428,684)
Closing balance	963,087	(379,065)

21. Donated assets reserve

	2009	2008
	£	£
Opening balance	30,305	60,611
Assets donated and included in tangible fixed assets	-	-
Depreciation movement	(30,305)	(30,306)
Closing balance	-	30,305

22. Reconciliation of movement in funds

	2009	2008
	£	£
Opening balance of funds	(348,760)	465,194
Reserve movements:		
- grants not committed by third sector at 31 March 2008	(189,498)	-
- grants not committed due to Cabinet Office re 2007-08	25,913	-
- grants not committed by third sector at 31 March 2009	(195,092)	-
Operating deficit (after interest and tax)	(28,477,171)	(36,428,684)
Grant in Aid revenue receipt	30,178,000	35,589,576
Donated asset reserve release	(30,305)	(30,306)
Unspent Capital grant	-	55,460
Closing balance of funds	963,087	(348,760)
Represented by:		
General reserve	963,087	(379,065)
Donated asset reserve	-	30,305
	963,087	(348,760)

23. Reconciliation of operating deficit to net cashflow from operating activities

	2009	2008
	£	£
Operating deficit before interest and tax	(28,473,190)	(36,408,418)
Reserve movements:		
- grants not committed by third sector at 31 March 2008	(189,498)	-
- grants not committed due to Cabinet Office re 2007-08	25,913	-
- grants not committed by third sector at 31 March 2009	(195,092)	-
Depreciation, loss, and impairment	108,153	57,409
Release from donated asset reserve	(30,305)	(30,306)
Decrease in debtors	81,216	814,025
Increase/(decrease) in creditors	693,568	(4,315,572)
Transfer to general reserve (unspent capital grant)	-	55,460
Deferred income	(77,849)	17,436
Net cash outflow from operating activities	(28,057,084)	(39,809,966)

24. Reconciliation of net cashflow to movement in net funds

	2009	2008
	£	£
Net (overdraft)/funds at the start of the year	(14,407)	4,287,363
Increase/(decrease) in net funds for the year	2,102,231	(4,301,770)
Net funds/(overdraft) at the end of the year	2,087,824	(14,407)

25. Analysis of changes in net funds

	At 1 April 2008	Cashflow	At 31 March 2009
	£	£	£
Cash at bank and in hand	-	2,087,824	2,087,932
Overdraft	(14,407)	14,407	-
	(14,407)	2,102,231	2,087,932

26. Related party transactions

Capacitybuilders is an executive non-departmental public body sponsored by the Cabinet Office; the Cabinet Office is regarded as a related party. Transactions with the Cabinet Office related to our grant in aid. The majority of Capacitybuilders' business is undertaken with the Third Sector. Transactions were also entered into with the Commissioner for the Compact, amounting to a debtor of £68 as at the year end (2008: £811).

Funding allocations of £2,602,145 were made to London Councils where Sir Rodney Brooke is Chair of the Remuneration Committee. Funding allocations of £599,884 were also made to ACEVO for which Margaret Bolton acted as a consultant.

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

27. Losses and special payments

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



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