

CONSUMER COUNCIL FOR POSTAL SERVICES

POSTWATCH

Report & Accounts
for the 6 Months
1 April 2008 to 30 September 2008

Postwatch

Report for the 6 months 1 April 2008 to 30 September 2008

Report of the Consumer Council for Postal Services for the 6 months to 30 September 2008, to the Secretary of State for Business, Enterprise and Regulatory Reform.

The document comprises a report made under section 55(1) and paragraph 15-17 of Schedule 2 of the Postal Services Act 2000.

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Who we are

Postwatch, the Consumer Council for Postal Services was the independent consumer watchdog for the postal services industry in the United Kingdom to 30 September 2008, established by the Postal Services Act 2000. Postwatch ceased operations on 30 September 2008, when its activities were merged with other consumer representation bodies to form the new National Consumer Council (Consumer Focus).

Postwatch's principal statutory objective was to promote and develop the interests of all customers of postal services in the United Kingdom. Postwatch had a special statutory duty to represent the needs of elderly, disabled and chronically sick people, as well as those on low incomes and residents in rural and remote areas. Postwatch was also responsible for representing customers interests to the postal services regulator, Postcomm.

Postwatch and Postcomm had a memorandum of understanding which set out the respective roles of each organisation.

Postwatch was a non-departmental public body (NDPB). Licence fees paid by postal operators to the Exchequer offset its costs.

Postwatch
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CONSUMER COUNCIL FOR POSTAL SERVICES (Postwatch)

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Accounting Officer's report

1. Format of annual accounts

These Accounts have been prepared in a form directed by the Secretary of State for Business, Enterprise and Regulatory Reform with the approval of the Treasury in accordance with paragraphs 15-17 of Schedule 2 to the Postal Services Act 2000. These Accounts and Reports are to be laid before each of the Houses of Parliament in accordance with Treasury guidance.

2. Statutory background

The Consumer Council for Postal Services (Postwatch) was established on 1 January 2001 under the Postal Services Act 2000. Postwatch was designated as an executive non-departmental public body (NDPB) and was funded through grant-in-aid from the Department for Business, Enterprise and Regulatory Reform (BERR). The cost was recouped by the Exchequer from the licence fees paid by operators of postal services.

3. History of the Council

The National Council operated through its nine committees covering the United Kingdom. There were committees for Scotland, Wales and Northern Ireland and six regions covering England.

The Council Members were appointed by the Secretary of State for Business, Enterprise and Regulatory Reform for a period of three years with an option of a further period of up to three years subject to a review of performance. Those appointed on 1 January 2007 had appointments for a maximum of two years. The Regional Chairmen were also members of the National Council.

Postwatch ceased operations on 30 September 2008, when its activities were merged with other consumer representation bodies to form Consumer Focus.

Council members during the period were:–

Millie Banerjee CBE (Chair)

Professor David Croisdale-Appleby JP – Deputy Chair

Judith Donovan CBE – Deputy Chair

Professor Alan Alexander FRSE

Christina Baron

Sheila Button

Helen Charlton

Roger Darlington

Dr Maureen Edmondson OBE

Najma Hafeez

Elizabeth Hodder

Eifion Pritchard QPM

Nigel Walmsley

Dr Charles Winstanley TD, JP, DL

Management Board members during the period were (see page 8 for further details):–

Howard Webber – Accounting Officer and Chief Executive

Dr Ian Leigh (Managing Director)

Ian Fisher (Senior Director)

Andy Frewin (Senior Director)

Postwatch maintained a Register of Interests of Council Members and a Gifts and Hospitality Register. Requests to view these may be made to Consumer Focus.

4. Research and development

Items of research work undertaken during this period included:

1. Presentation by centre for economics and business research (cebr) on the universal service obligation funding mechanisms to the Hooper Review (a review considering the changed context in which Royal Mail operates in terms of competition not only from other mail providers, but from other technologies).
2. Reappraisal of bulk mailers' needs with regard to the universal service obligation.
3. Mystery Shopper – measuring the impact of the post office network closure programme on major post office branches.
4. Research on the quality of customer service available in post offices.
5. Qualitative findings on social customers' mail habits and behaviour.
6. Survey to determine whether customers thought Royal Mail's service was better or worse than 2 years earlier.
7. Research on undeliverable mail.

5. Policy for risk management

The Council was responsible for setting the tone and influencing the culture of risk management within Postwatch and for determining what risks were and were not acceptable. The management had responsibility for day-to-day management of risk and reported regularly to the Audit Committee, which reviewed and considered risk in its entirety.

6. Risks to future performance.

Postwatch ceased to exist on 30 September 2008 with the formation, under the Consumers, Estate Agents and Redress Act 2007, of a cross sector consumer representation body, Consumer Focus, which took over consumer representation of postal services consumers on 1 October 2008.

Responsibility for the post office network closure programme, which commenced under Postwatch, moved to Consumer Focus on 1 October. The programme is expected to finish at the start of 2009. A number of staff and Council Members who began overseeing the programme, and were required past 30 September 2008, transferred to Consumer Focus to see the programme through to its end.

7. Post balance sheet events

Postwatch closed on 30 September 2008. Some of the staff have been retained within Consumer Focus for a short period thereafter to either wind up matters or to finalise the Post Office Network Closure Programme. Those not retained by Consumer Focus have left voluntarily or been made redundant. In accordance with the transfer of undertakings legislation it was Consumer Focus's responsibility to pay redundancy costs for those staff whose posts became redundant.

There are significant property lease agreements which have been transferred to Consumer Focus. Three of these leases have been determined to be onerous, with provision being made in the accounts.

The financial statements will be authorised for issue following the date the audit certificate is signed.

Ed Mayo the Accounting Officer of Consumer Focus has been appointed as the Accounting Officer designated to sign the accounts, after taking appropriate assurances from Howard Webber, who was the Accounting Officer for the period of operation.

8. Better Payment Practice Code

Postwatch agreed to pay its suppliers in accordance with the Better Payment Practice Code unless other payment terms were agreed. The key principles were to settle the terms of payment with suppliers when agreeing the transaction; to settle disputes on invoices without delays; to ensure that suppliers were made aware of the terms of payment; and to abide by the terms of payment. Excluding disputed items, 98 per cent of suppliers' invoices were paid within thirty days of the suppliers' invoice date (2007-08 was 97 per cent). No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

9. Pension liabilities

See note 1.9 (Notes to the Financial statements) and the Remuneration report.

10. Auditors

The Comptroller and Auditor General (C & AG) has been appointed under statute to audit the financial statements of Postwatch, and to report to Parliament. The work is conducted by the C & AG's staff in the National Audit Office (NAO).

- As far as I am aware there is no relevant audit information of which Postwatch's auditors are unaware, and
- I have taken all the steps which I should have taken to make myself aware of any relevant audit information and to establish that Postwatch's auditors are aware of this information.

The fee for providing audit services was £26,000. There was no other auditor remuneration (actual or notional).

The primary role of Internal Audit (AHL Limited) was to provide Postwatch and its Audit Committee, with an objective evaluation of, and opinions on, the effectiveness of Postwatch arrangements for risk management, control and governance. An audit plan was endorsed by the Audit Committee for the six months to 30 September 2008. Recommendations arising from audits undertaken were endorsed by the Audit Committee, and were addressed by Postwatch management and implemented within the existing system of internal control. The implementation of recommendations was monitored by Internal Audit and reported to the Audit Committee.

Ed Mayo

Designated Accounting Officer

27 February 2009

Management commentary

1. Principal activities and key performance indicators of Postwatch

Postwatch's aims were to protect, promote and develop the interests of all customers of postal services in the United Kingdom.

Postwatch operated throughout the UK, with committees in Scotland, Wales, Northern Ireland and six regions in England. Each Regional Chair was supported by staff and committee members. Regional committees monitored and investigated postal service provision, and were essential in ensuring that where problems were identified, they were addressed swiftly and effectively. Our regional presence also enabled us to undertake several other key work areas. Firstly, informing Postcomm of local or regional failures by Royal Mail to meet its quality of service standards or to comply with licence conditions, and recommending suitable action. Secondly our regional structure allowed us to scrutinise locally Post Office Ltd's proposals under its closure programme.

Postwatch assisted postal customers with complaints, whether individuals, small and medium businesses, or bulk mailers. We investigated cases once the relevant postal company (usually Royal Mail) had had the opportunity to resolve the matter, and where the complaint related to a service or product licensed by Postcomm or which was part of the universal postal service.

Much of our work during our final six months was transitional in preparing for the transfer of our activities, including staff and other resources, to Consumer Focus; preparing and educating postal services customers for the change; and working with all stakeholders to ensure a smooth transition.

Key priorities, with appropriate measures of performance, were:

- contributing to the development of an effective postal service market by representing the interests of consumers and effectively, comprehensively and promptly commenting on proposals and issues affecting them
- pursuing complaints made against postal operators,, efficiently and effectively, as measured by quality and speed of response
- informing consumers about the state of and developments in the postal services market including undertaking research and publicising the outcome
- protecting the interests of all customers, particularly vulnerable customers
- managing Postwatch effectively.

2. Financial review

The net result for the six months to 30 September 2008 was an expenditure of £4,473k (2007-08 [full year] = £8,532k), excluding onerous lease costs, compared to a budget of £5,462k (2007-08 = £9,830k), an underspend of £989k (2007-08 = £1,298k underspend). The current period's underspend was achieved across all areas and represented both continuing savings from prior years' restructuring that provided greater longer term savings than anticipated, together with a continued focus on driving costs down.

Although all leases have transferred to Consumer Focus, an amount of £3,430k was provided for onerous leases, due to a reduced property requirement by Consumer Focus as compared with its predecessor bodies. These costs are excluded from the figures above as they are part of the transitional costs of establishing Consumer Focus and not part of the operational costs of Postwatch: they are included in Postwatch's accounts in accordance with government accounting convention.

Net capital expenditure of £45k, compared to a budget of £70k, was entirely due to capital payments on finance leases.

Expenditure on the Post Office Network Closure Programme, included in the above, is £666k (budget = £724k).

Cash at bank has increased by over £700k during the period as a result of the underspend described above. In addition, creditors have increased. This is due, in part, to a move to other premises at the period end and to some delays in receiving invoices and making the payments.

Postwatch had commitments for the following year of £767k, for operating leases for property and equipment (see note 13 to the accounts). Postwatch also has obligations under finance leases of £377k, of which £308k represents the capital element with £69k the interest component. These commitments transferred to Consumer Focus on 1 October 2008.

3. Future developments

See notes 7 and 8 in the Accounting Officer's Report. Postwatch ceased to exist on 30 September 2008, with responsibility for postal consumer representation passing to the newly formed organisation Consumer Focus on 1 October 2008.

4. Risk to future performance

Postwatch ceased to exist on 30 September 2008, with most of its activities being transferred to Consumer Focus. The only activity that was not transferred to Consumer Focus is the Belfast call centre which has been transferred to Consumer Direct.

5. Employment issues

All Postwatch employees were transferred to Consumer Focus under a transfer scheme on 1 July 2008. They were then seconded back to Postwatch with Postwatch remaining responsible for all salary costs until 30 September 2008. After Postwatch ceased to exist, all employees returned to Consumer Focus to be retained, on a temporary basis, or to be made redundant.

Attendance levels improved during the period with sickness levels reducing to 4.4% from 5.3% for 2007-08.

6. Disabled employees

Postwatch complied with the requirements of the Disability Discrimination Act and provided open access to specialist training, counselling or advisory services to disabled members of staff in order to assist their personal and work-orientated development.

7. Provision of information to employees

Postwatch policy was to maximise communication throughout the organisation. The Staff Consultative Committee (SCC) was the main vehicle for consultation with staff on all issues affecting terms and conditions of employment, including pay and reward issues. In addition we had Extranet systems supported by hard copies of office and vacancy notices.

8. Equal opportunities

Postwatch was committed to the principle and practice of equality of opportunity. Postwatch's Equal Opportunity Policy aimed to ensure that we employed staff who reflected the diverse community at large and that we valued their individual contribution irrespective of personal circumstances or background. Being fair to people was at the heart of that commitment. We aimed to ensure that no member of staff or job applicant received less favourable treatment on grounds of gender, race, disability, ethnic or national origin, age, religion or belief, marital status, caring responsibilities, alternative working patterns, sexual orientation, trade union activity or political beliefs. Our policy complied with all statutory obligations and was in line with government policy.

9. Going concern

With effect from 1 October, all Postwatch's assets and liabilities have been transferred to Consumer Focus at book value. As the NDPB was funded by BERR and a substantial part of the functions continue within it, albeit in Consumer Focus, the accounts have been prepared on a going concern basis.

The balance sheet as at 30 September 2008 shows a net negative value of £2,261k (negative taxpayers' equity). This reflects the inclusion of liabilities relating to property leases for which there is no future use due to restructuring following the merger to form Consumer Focus. These fall due in future years and are to be financed by grant-in – aid from BERR. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

10. Social and community

Postwatch had a statutory duty to represent the community on postal services and to ensure that disadvantaged groups were adequately represented, with their postal service needs being appropriately addressed. This responsibility passed to Consumer Focus on the closure of Postwatch on 30 September 2008.

Postwatch also aimed to act responsibly and without detriment within the communities it operated or influenced.

11. Environment

Postwatch policy was to act responsibly on environmental issues, operating environmentally friendly policies including energy saving measures and recycling paper.

Remuneration report

Executive directors' remuneration policy

The Council appointed a Remuneration Committee to ensure good governance throughout the organisation in all matters relating to pay and associated conditions of service. The Remuneration Committee was separate from the Executive to ensure the maximum degree of independence. The Committee reported directly to the Council.

This report covers the remuneration of the executive directors.

Remuneration Committee membership and advisors

Members of the Remuneration Committee were appointed from the National Council.

During the period to 30 September 2008 the members of the Remuneration Committee, any two of whom might form a quorum, were David Croisdale-Appleby (Chair), Helen Charlton, Millie Banerjee and Nigel Walmsley. The Chief Executive attended all meetings of the Committee, except those that discussed his personal remuneration. The Head of Human Resources also attended meetings, with the Council Secretary acting as Secretary to the Committee.

In considering matters within its remit, the Committee took account of recommendations from the National Chair in respect of the Chief Executive and from the Chief Executive and National Chair in respect of the other executive directors.

Service contracts

Andy Frewin held an open-ended appointment until he reached the normal retiring age of 65. Howard Webber, Dr Ian Leigh and Ian Fisher were permanent civil servants on renewable secondment contracts until June 2008, when they became employees of Postwatch on similar terms to Andy Frewin. Howard Webber had been seconded from the Ministry of Justice and Dr Ian Leigh and Ian Fisher from BERR.

All were transferred to Consumer Focus on 1 July 2008, in accordance with the transfer of undertakings legislation and seconded back to Postwatch so that job matching and redundancy consultation could begin.

Early termination, other than for misconduct, would result in compensation as set out in the Civil Service Compensation Scheme. Andy Frewin and Dr Ian Leigh were made redundant on 30 September, while Howard Webber and Ian Fisher were retained by Consumer Focus on similar terms to assist with finalising Postwatch activities. Ian Fisher left during October 2008 with Howard Webber expected to finish at the end of January 2009.

Remuneration

The remainder of this report has been audited.

The remuneration packages comprised:

Base salary

Base salaries were reviewed annually having regard to personal performance against tough personal objectives linked to the objectives of the organisation. Performance increases were limited to 6% for the best level of performance.

Performance related annual bonuses

The executive directors could earn a performance-related bonus of up to 5% of salary.

The remuneration package for the Chief Executive followed that of Senior Civil Servants in BERR. This was in accordance with the terms of his appointment.

Remuneration and pension entitlements earned by the Chairman and the Management Board members: 2008 – 6 months to 30 September

Name Position	Column 1 Salary and other earnings, including performance pay (£k)	Column 2 Real Increase in pension (£k)	Column 3 Real Increase in lump sum (£k)	Column 4 pension at age 60 at 30.09.08 (£k)	Column 5 Lump sum at age 60 at 30.09.08 (£k)	Column 6 CETV at 31-03-08 (£k)	Column 7 CETV at 30-09-08 (£k)	Column 8 Real increase in CETV after adjustment for inflation and charges in market investment factors (£k)
Chair Millie Banerjee (2007-08)	20-25 (45-50)	-	-	-	-	-	-	-
Chief Executive Howard Webber (2007-08)	55-60 (95-100)	0.2	-	42.6	-	685.9	708.0	2.6
Senior Director Ian Fisher (2007-08)	45-50 (85-90)	0.1	0.3	39.0	117.1	795.4	818.6	1.4
Senior Director Andy Frewin (2007-08)	40-45 (85-90)	0.1	0.2	32.3	97.0	547.8	581.9	0.5
Managing Director Dr Ian Leigh (2007-08)	45-50 (85-90)	0.8	-	37.1	82.5	656.3	686.6	11.0

Current period pay in column 1 was for the six months to 30 September 2008.

CETV s are calculated by our pension administrator in accordance with the formula and factors provided by the Cabinet Office. The factors used in calculating CETVs were updated in October 2008. As a result of this the opening CETV calculations for 31 March 2008 are different to the closing CETVs from the 2007-08 calculations.

The members of the Management Board were Howard Webber, Ian Fisher, Andy Frewin and Dr Ian Leigh.

Benefits in kind

Neither the Chair nor any member of the Management Board received any benefits in kind.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

Pension

Pension benefits were provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of his pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for classic, premium and classic plus and 65 for members of nuvos.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

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

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Ed Mayo

Designated Accounting Officer

27 February 2009

Statement of Accounting Officer's responsibilities

Under Paragraph 16 (1), Schedule 2 of the Postal Services Act 2000 the Secretary of State with the approval of the Treasury has directed Postwatch to prepare for each financial period a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Postwatch and of its income and expenditure, recognised gains and losses and cash flows for the financial period.

In preparing the accounts, Postwatch and the Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departure in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume Postwatch will continue in operation.

The Accounting Officer for BERR has designated the Chief Executive as Accounting Officer of Postwatch. 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 Postwatch's assets, are set out in Managing Public Money published by the Treasury.

During December 2008 the BERR Accounting Officer confirmed that the Consumer Focus's Chief Executive would be the designated Accounting Officer for the purposes of signing the accounts for the six month period to 30 September 2008. He will obtain assurance from Postwatch's Chief Executive, who had responsibilities for the activities relating to the period.

Statement on internal control

On 10 December 2008, the BERR Accounting Officer confirmed that, as the Chief Executive of Consumer Focus, I would be the designated Accounting Officer for the purposes of signing the Postwatch Annual Report & Accounts for the six month period to 30 September 2008. As designated Accounting Officer for Postwatch, I have obtained appropriate assurances from Postwatch's Accounting Officer, Howard Webber, who retained responsibilities for the activities relating to the period.

Scope of responsibility

The Postwatch Accounting Officer was responsible for maintaining a sound system of internal control that supported the achievement of Postwatch's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Accounting Officer was personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

A process of accountability was agreed with BERR whereby Postwatch was required to submit annually a corporate plan and budget. The agreement also required quarterly meetings to provide progress reports and explanations of any significant variances between forecast and actual expenditure.

The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore provide only reasonable and not absolute assurance of effectiveness.

The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of Postwatch's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in Postwatch during the six months ended 30 September 2008. Postwatch ceased operations on the 30 September with responsibilities transferring to Consumer Focus. Appropriate staff and resources have been retained by Consumer Focus to maintain internal control through to the date of approval of the final report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Postwatch Accounting Officer also had responsibility for reviewing Postwatch's capacity to handle risk.

The National Council met five times during the period to 30 September 2008 to consider the plans and overall strategies of Postwatch, including oversight of Postwatch's closure and staffing and other resourcing issues linked with the closure and transfer of activities to Consumer Focus. The Management Board met on a monthly basis to manage all executive activities.

The Management Board was responsible for identifying and reviewing risks, which were set out in the risk register, against Postwatch's objectives. Postwatch policy identified the roles of the National Council, the Audit Committee, the Management Board, the Accounting Officer and the wider management team in managing risk in the organisation. In particular, the Audit Committee was responsible for reviewing, as a minimum, annually the level of risk and effectiveness of internal control in Postwatch, based on information provided by the Management Board, and for reporting to the National Council.

The risk and control framework

The key responsibilities of all those in Postwatch with managerial responsibility, which were in addition to the regular reviews by the Management Board, were to:

- manage risk in their own areas of responsibility through the implementation of risk mitigation processes and by following the overall risk policies for Postwatch;
- translate the risk register into day-to-day team planning;
- report to the Management Board on the status of risks and controls;
- manage personal and other confidential data securely, ensuring staff are aware and understand their responsibilities; and
- participate in the annual review of effectiveness of the system on internal control and contribute to the Management Board report to the Audit Committee.

The Council was responsible for setting the tone and for influencing the culture of risk management and for determining risk appetite.

Review of effectiveness

The Postwatch Accounting Officer was also responsible for reviewing the effectiveness of the system of internal control. This was informed by the work of the internal auditors and the executive managers within Postwatch who had 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. The Postwatch Accounting Officer had been advised on the implications of the result of the review of the effectiveness of the system of internal control by the National Council, the Management Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place through to the end of Postwatch's existence.

The Management Board regularly reviewed the effectiveness of the system through its risk and control reviews, reviews of internal and external audit reports and through weaknesses identified or brought to its attention as part of the management process.

The Postwatch Audit Committee, which met in July 2008 as Postwatch and in December 2008 under the authority of Consumer Focus, reviewed the effectiveness of the system through its review of internal and external audit and other reports and also through its own initiatives. The Audit Committee requested that the minutes of the final meeting in December, which reviewed the last six months of Postwatch's existence and recommended approval of the final accounts, be copied to the Audit Committee for Consumer Focus.

Internal Audit agreed its forward workplan with the Postwatch Audit Committee and reported back to the Committee with its findings at the final meeting in December 2008.

Postwatch established and maintained arrangements for internal audit in accordance with the objectives, standards, scope and practices set out in the Treasury's Government Internal Audit Standards.

Postwatch Audit Committee

The Postwatch Audit Committee was established six years ago. The members of the Audit Committee were appointed from the National Council. From 30 September 2008 the committee comprised two Regional Chairmen and two National Council Members. The Chief Executive of Postwatch attended Audit Committee meetings and the external auditors, the NAO, the internal auditors and the Head of Finance were invited to attend each meeting.

The Audit Committee received terms of reference from the National Council, which included a remit to consider the adequacy of risk management and internal control.

The internal audit function provided assurance on risk management and governance and control processes.

Other committees

Postwatch had a Remuneration Committee which had agreed terms of reference and met as required to discuss pay issues. The committee consisted of the National Chair and three National Council Members. The Remuneration Committee took an active role in monitoring the operation of the pay and grading system.

The Finance Committee was established with the principal purpose of 'resolving issues where Council direction of the priorities of competing demands for resource was required.' The Finance Committee consisted of four full members, three from National Council and the Accounting Officer. The committee's focus was the in-period budget for Postwatch together with oversight of property leases.

Significant internal control problems

There were no significant control problems or data handling incidents during this final period.

Ed Mayo

Designated Accounting Officer

27 February 2009

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Consumer Council for Postal Services for the period to 30 September 2008 under the Postal Services Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Gains and Losses 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 Consumer Council for Postal Services, the Accounting Officer and Auditor

The Consumer Council for Postal Services and the Chief Executive as Accounting Officer are responsible for preparing the Report, which includes the Remuneration Report and the financial statements in accordance with the Postal Services Act 2000 and Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Postal Services Act 2000 and Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Accounting Officer's Report and Management Commentary, included in the Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Consumer Council for Postal Services has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Consumer Council for Postal Services' compliance with the Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Consumer Council for Postal Services' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Report and consider whether it is consistent with the audited financial statements. This information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Postal Services Act 2000 and directions made thereunder by the Secretary of State for Business, Enterprise and Regulatory Reform, of the state of the Consumer Council for Postal Services' affairs as at 30 September 2008 and of its deficit for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Postal Services Act 2000 and the Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder; and
- the information, which comprises the Accounting Officer's Report and the Management Commentary included within the Report, 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.

T J Burr

Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

10 March 2009

Income and expenditure account

6 months ended 30 September 2008

	<i>Note</i>	<i>2008 6 months £'000</i>	<i>2007-08 12 months £'000</i>
Income			
Rental income	2	(40)	(110)
Total income		(40)	(110)
Administration costs			
Staff costs	3	2,376	4,426
Other administrative costs	4a	2,176	4,220
Total operating expenditure		4,552	8,646
Net operating cost		4,512	8,536
Exceptional items			
Onerous lease costs arising on closure	4b	3,430	–
Net operating cost after exceptional items		7,942	8,536
Interest receivable	5	(31)	(79)
Notional (credit)/cost of capital	6	(22)	42
Finance charges payable on leases		14	33
Net operating cost after exceptional items and interest		7,903	8,532
		7,903	8,532
Add/(deduct) notional (credit)/cost of capital		22	(42)
CHARGE TO INCOME & EXPENDITURE RESERVE		7,925	8,490

Statement of recognised gains and losses

	<i>2008 6 months £'000</i>	<i>2007-08 12 months £'000</i>
Net gain on revaluation of tangible fixed assets	7	40

The Accounting Policies and Notes on pages 20 to 32 form part of these Financial Statements.

Balance sheet

As at 30 September 2008

	<i>Note</i>	<i>As at 30 September 2008 £'000</i>	<i>As at 31 March 2008 £'000</i>
Fixed assets			
Intangible assets	7	61	86
Tangible assets	8	76	328
TOTAL		137	414
Current assets			
Debtors	9	92	263
Cash at bank and in hand		2,149	1,398
TOTAL		2,241	1,661
Creditors: amount payable within 1 year	10	835	637
Net current assets		1,406	1,024
Total assets less current liabilities		1,543	1,438
Creditors: amount payable after more than 1 year	10	314	347
Provisions for liabilities and charges	11	3,490	48
TOTAL ASSETS LESS TOTAL LIABILITIES		(2,261)	1,043
Represented by:			
General reserve	16	(2,269)	993
Revaluation reserve	15	8	50
		(2,261)	1,043

Approved

Ed Mayo

Designated Accounting Officer

27 February 2009

The Accounting Policies and Notes on pages 20 to 32 form part of these Financial Statements.

Cash flow statement

6 months ended 30 September 2008

	<i>Note</i>	<i>2008</i> <i>6 months</i> <i>£'000</i>	<i>2007-08</i> <i>12 months</i> <i>£'000</i>
Net cash (outflow) from operating activities	17a	(3,835)	(7,640)
Financing	17b	4,614	8,152
Net cost of financing	17c	17	46
Financing – capital element of finance lease payments		(47)	(66)
Capital expenditure	17d	2	(95)
INCREASE IN CASH IN THE PERIOD	17e	751	397

The Accounting Policies and Notes on pages 20 to 32 form part of these Financial Statements.

Accounting policies and notes to the financial statements

1. Accounting policies

1.1 *Statement of accounting policies*

The Financial Statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the guidance follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where guidance permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Postwatch for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by Postwatch are described below. They have been applied consistently in dealing with items considered to be material in relation to the accounts. The Financial Statements are in accordance with the Accounts Direction issued by the Secretary of State on 3 May 2002 with the approval of HM Treasury.

1.2 *Accounting conventions*

These accounts have been prepared under the modified historical cost convention.

1.3 *Fixed assets and depreciation*

Assets are revalued annually using indices provided by the Office of National Statistics and adjustments are made to values where material. Depreciation is provided on all tangible and intangible fixed assets at rates calculated to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Furniture and fittings	– 5 years
Computer equipment	– 3 years
Software licences	– 3 years

Leasehold improvements – As Postwatch ceased to exist on 30 September 2008 and due to the leasehold improvements being specific to Postwatch requirements, the leasehold properties being surplus to the successor organisation's needs, and having no, or minimal, resale value on marketing the unexpired lease terms, depreciation has been advanced to write the assets down to nil over the previous year and current six month period to 30 September.

All capital expenditure over £1,000 is capitalised in the year purchased. Where capital expenditure such as furniture and IT equipment is bought in lots these are grouped together and capitalised.

1.4 *Government grants*

Grant-in-Aid is receivable by the Council in order to discharge its functions under the Postal Services Act 2000. Grant-in-Aid is treated as financing and is taken directly to the General Reserve.

1.5 *Value Added Tax*

Irrecoverable Value Added Tax is included with the expenditure to which it relates.

1.6 Operating and finance leases

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

1.7 Capital charge

The charge, reflecting the cost of capital utilised by Postwatch is included in operating costs. The charge is calculated at the real rate set by HM Treasury (3.5 percent for 2007-08) on the average carrying amount of all assets less liabilities.

1.8 Research

Expenditure on research is written off in the year in which it is incurred.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS), which are described at note 3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Postwatch recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, Postwatch recognises the contributions payable for the year.

No recognition of the staff PCSPS scheme is or will be made in Postwatch's accounts as this is a multi-employer scheme and liability for payment of future benefits does not lie with Postwatch.

There is also a partnership pension available to employees, which is a stakeholder-type arrangement. Further details of this pension arrangement are set out in note 3.

1.10 Going concern

Postwatch's accounts are prepared on the basis of a going concern on the basis that Postwatch merged with other bodies to form Consumer Focus on 1 October 2008. All assets and liabilities transferred to Consumer Focus at their book value on 1 October 2008.

2. Rental income

	2008 6 months £'000	2007-08 12 months £'000
Rental income from sub-let of property	40	110
	40	110

3. Staff and Council costs

Salaries of all staff, permanent and temporary, are paid directly by the Council.

	<i>2008</i> <i>6 months</i> <i>£'000</i>	<i>2007-08</i> <i>12 months</i> <i>£'000</i>
Wages and salaries	1,893	3,546
Social security costs	150	280
Pension contributions	288	551
Casual/agency	45	49
	2,376	4,426

	<i>2008</i> <i>6 months</i> <i>No.</i>	<i>2007-08</i> <i>12 months</i> <i>No.</i>
Average monthly number of employees		
Policy	10	11
Operations	15	16
External Relations (consumer advisors)	33	34
Regions	19	20
Post Office Network	21	16
Executive	2	2
Casual/agency	2	2
	102	101

	<i>2008</i> <i>6 months</i> <i>No.</i>	<i>2007-08</i> <i>12 months</i> <i>No.</i>
Average monthly number of Council members during the year		
Chairman	1	1
Regional Chairmen	9	9
National Council members	4	4
	14	14

Council members' costs	2008	2007-08
	6 months	12 months
	£'000	£'000
M Banerjee	24	48
J Donovan CBE	17	31
E Pritchard, QPM	14	26
Dr D Bland OBE	-	14
Dr C Winstanley, JP	14	27
Helen Charlton*	3	9
Dr M Edmondson	14	26
R Darlington	14	26
N Hafeez	14	26
Professor A Alexander	14	26
C Baron	14	26
S Button*	14	18
N Walmsley*	3	8
E Hodder*	3	6
Professor D Croisdale-Appleby*	4	6
Total	166	323

* These Council members were remunerated on the basis of daily rates and not salaries. S Button became salaried on 15 October 2007.

Council members were appointed by the Secretary of State for Business, Enterprise and Regulatory Reform. Their appointment was generally for an initial period of three years, subject to a review of performance after one year, with the possibility of an extension for a further three years thereafter. Those appointed on 1 January 2007 were for a maximum of two years.

Pension schemes

The PCSPS is an unfunded multi-employer defined benefit scheme but Postwatch is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Service Superannuation (www.civilservice-pensions.gov.uk).

Superannuation benefits are provided under the Principal Civil Service Pension Scheme (PCSPS). The Council's employees are members of the Principal Civil Service Pension Scheme (PCSPS). The scheme is non-contributory for employees, apart from widows' and widowers' benefits and additional contributions to the Classic Plus and Premium schemes. Employer contributions of £285,226 were payable to the PCSPS for the 6 months to 30 September 2008 (2007-08 was £545,622), individual contribution rates vary depending on the level of superannuable pay, as stated below:

Earnings	Contribution
Up to £19,500	17.1%
£19,501 to £40,500	19.5%
£40,501 to £69,000	23.2%
£69,001+	25.5%

The contribution rates reflect benefits, as they accrue, not the costs as they are incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £2,956 (2007-08 was £5,610) were paid to one or more stakeholder pension providers. Employer's contributions are age related and range between 3 and 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. In addition employee, contributions of £757 (0.8 percent of pensionable pay, 2007-08 £1474 = 0.8%) were due to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £619 (2007-08 was £430).

4a. Other administrative costs

	2008 6 months £'000	2007-08 12 months £'000
Council and secretarial expenses	64	111
Networking, travel and subsistence	195	354
Office costs, including postage, computer, copying and telephones	237	515
Printing and publishing	6	64
Research	217	495
Training	58	93
Publicity	64	119
Professional fees	368	659
** Rent, rates and associated services	476	824
Miscellaneous	–	17
Depreciation and amortisation	194	511
Depreciation of finance assets	87	169
Loss/(profit) on disposal of fixed assets	–	(1)
*Auditors' remuneration	26	39
Internal conference costs	15	33
External conference costs	46	52
** Equipment hire	42	125
Office machinery maintenance	18	34
Loss on revaluation of fixed assets	1	7
Outplacement costs	62	–
	2,176	4,220

*Auditors' remuneration related only to statutory audit work.

** Operating lease payments charged to administrative costs:

- on plant and machinery is £42,000 (2007-08 = £125,000)
- on buildings is £373,000 (2007-08 = £647,000)

4b. Onerous lease costs arising on closure of Postwatch

	2008 6 months £'000	2007-08 12 months £'000
Onerous lease costs on leasehold properties	3,430	–
	3,430	–

Postwatch has found it necessary to create a provision for onerous leases on property leases it holds in London, Belfast and Ely. These property leases transferred to Consumer Focus on 1 October but under government accounting convention Postwatch has made provision for the future costs of the leases, that have not been re-assigned and that are surplus to Consumer Focus's requirements, less any receipts for sub-letting. These future costs relate to the minimum remaining term of leases discounted at the government real discount rate advised by HM Treasury (currently 2.2%).

5. Interest receivable and payable

	2008 6 months £'000	2007-08 12 months £'000
Receivable from the bank for funds on short-term deposit (net)	31	79

6. Capital (credit)/charge

	2008 6 months £'000	2007-08 12 months £'000
At 3.5% (2008 = 3.5%) on the average of total assets less total liabilities for the year	(22)	42

7. Intangible fixed assets

	Software & licences 2008 £'000
At 1 April 2008	976
Additions	–
Revaluation gain	14
At 30 September 2008	990
Amortisation	
At 1 April 2008	890
Provided during the year	31
Revaluation gain	8
At 30 September 2008	929
Net book value	
At 30 September 2008	61
At 31 March 2008	86

8. Tangible fixed assets

	<i>Leasehold improvements¹</i> £'000	<i>Furniture & fittings</i> £'000	<i>Computer equipment</i> £'000	<i>Total cost</i> £'000
Cost or valuation				
At 1 April 2008	905	692	417	2,014
Additions	–	–	–	–
Disposals	–	–	(2)	(2)
Revaluation gain/(loss)	–	3	(3)	–
At 30 September 2008	905	695	412	2,012
Depreciation				
At 1 April 2008	696	643	347	1,686
Provided during the year	209	15	26	250
Disposals	–	–	–	–
Revaluation gain/(loss)	–	2	(2)	–
At 30 September 2008	905	660	371	1,936
Net book value				
At 30 September 2008	–	35	41	76
At 31 March 2008	209	49	70	328
Asset financing:				
Owned	–	35	41	76
Finance leased	–	–	–	–
Net book value as at 30 September 2008	–	35	41	76

¹Leasehold improvements: The rate of depreciation was advanced in the previous year so that these assets would be fully written off by 30 September 2008 as they are specific to Postwatch with no on going value to others.

9. Debtors

	<i>As at</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£'000</i>
Amounts falling due within one year:		
Prepayments and accrued income	38	239
Other debtors	54	24
	92	263
Amounts receivable from central government bodies	19	–
Amounts due from non government bodies	73	–
	92	263

10. Creditors

	<i>As at</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£'000</i>
Amounts falling due within one year:		
Trade creditors	51	78
Accruals	632	347
Other taxation and social security	89	104
Deferred income	10	9
Lease payments due	53	74
Income pre paid	–	25
	835	637
Balances with central government departments	95	114
Balances with non-government bodies	740	523
	835	637
Amounts falling due after more than one year:		
Deferred income	59	64
Lease payments due	255	283
	314	347

All amounts falling due after more than 1 year are with non government bodies.

Deferred income arises from rent free periods at the beginning of property leases. The benefit is spread over the term of the lease.

11. Provisions for liabilities and charges

	<i>Onerous Leases £'000</i>	<i>Leasehold Obligations £'000</i>	<i>Total £'000</i>
Balance at 1 April 2008	–	48	48
Provided for in period	3,430	12	3,442
Balance at 30 September 2008	3,430	60	3,490

Postwatch has found it necessary to create a provision for onerous leases on property leases it holds in London, Belfast and Ely. These properties transferred to Consumer Focus on 1 October but under government accounting convention Postwatch has made provision for the future costs of the leases, that have not been re-assigned, that are surplus to Consumer Focus's requirements less any receipts for sub-letting. These future costs relate to the minimum remaining term of leases discounted at the government discount rate advised by HM Treasury (currently 2.2%).

Leasehold obligations relate to obligations under the terms of the lease agreement for Postwatch's Grosvenor Gardens premises. Payments for these obligations are to be made in 2010-11.

12. Related party transactions

Postwatch was a non-departmental public body sponsored by the Department for Business, Enterprise and Regulatory Reform (BERR). BERR is regarded as a related party, as are other entities sponsored by BERR.

During the year Postwatch purchased IT Helpdesk and other IT services amounting to £28,962 (2007-08 = £55,351) from Energywatch (an NDPB sponsored by BERR). The balance outstanding at the 30 September 2008 was £4,827 (31 March 2008 = nil).

During the year, no Council Member, key manager or other related parties has undertaken any material transactions with Postwatch during the year, other than noted above.

13. Obligations under operating leases

The minimum lease payment commitments under operating leases for the coming year are:

	<i>As at 30 September 2008 £'000</i>	<i>As at 31 March 2008 £'000</i>
On property leases expiring: After more than five years	570	658
On property leases expiring: Between two and five years	158	36
On office equipment leases expiring: Between two and five years	–	1
On office equipment leases expiring: Less than one year	39	59
	767	754

14. Obligations under finance leases

The minimum lease payment commitments under finance leases for the periods of the leases are:

	<i>As at</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£'000</i>
Less than one year	78	101
Between one and five years	299	312
Due thereafter	–	26
Total	377	439
Less interest element	(69)	(82)
Capital due	308	357

15. Revaluation reserve

	<i>As at</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£'000</i>
Balance brought forward	50	114
Arising on revaluations during the year	7	40
Transferred to General Reserve	(49)	(104)
Balance carried forward	8	50

16. General reserve

	<i>As at</i> <i>30 September</i> <i>2008</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2008</i> <i>£'000</i>
Balance brought forward	993	1,227
Grant In Aid – current period	4,614	8,152
Current year net cost	(7,925)	(8,490)
Transferred from revaluation reserve	49	104
Balance carried forward	(2,269)	993

Grant In Aid is provided to finance both revenue and capital expenditure. The amount included for capital purposes was £70k (2007-08 = £278k).

17. Cash flow notes

	2008 6 months £'000	2007-08 12 months £'000
a) Reconciliation of operating profit to operating cash flows		
Net operating cost before exceptional items	(4,512)	(8,536)
Exceptional item – onerous lease costs	(3,430)	–
Depreciation charge	281	680
Decrease in debtors	171	48
Increase in creditors	214	138
Increase in provisions	3,442	24
Revaluation loss	1	7
(Profit)/loss on disposal of fixed assets	–	(1)
Finance lease creditor adjustment	(2)	–
Net cash (outflow) from operating activities	(3,835)	(7,640)
b) Financing		
Grant in aid received to fund current year activities	4,614	8,152
	4,614	8,152
c) Net cost of financing		
Interest paid less interest received	31	79
Finance Lease Interest payments	(14)	(33)
	17	46
d) Capital expenditure		
Payments for intangible fixed assets	–	(65)
Payments for tangible fixed assets	–	(36)
Proceeds from sale of assets	2	6
	2	(95)
Proceeds for the 6 months to September 2008 was a refund for a returned item that was capitalised in 2007-08.		
e) Reconciliation of net cash flow to movement in net funds		
Movement in net funds in the period	751	397
Net funds brought forward	1,398	1,001
NET FUNDS CARRIED FORWARD	2,149	1,398

18. Financial instruments

Postwatch had no borrowings and relied on Grant-in-Aid income from BERR for its cash requirements and was, therefore, not exposed to liquidity risk. It also had no investments and was, therefore, not exposed to interest rate risk. A notional cost of capital (credit)/charge at the Treasury rate of 3.5% as applied to average net assets (including cash at commercial banks) is reflected in the accounts. However, the accounts also include a notional charge/credit equivalent to this interest charge so there is no impact on the financial results for the year. All assets and liabilities are denominated in sterling and, therefore, there is no exposure to currency risk.

As permitted by FRS13 debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from this disclosure.

19. Contingent liabilities

There is a contingent liability in relation to indemnifying Regional Committee Members against any civil liability. The indemnity covers the period whilst the Regional Committee structure was in place and it is not possible to quantify a figure for any potential liability. There are no known contingent liabilities. The Department of Business Enterprise and Regulatory Reform as Postwatch's sponsor, has accepted the contingent liability. Historically there have been no claims against the indemnity.

The latter contingent liability is too remote to require disclosure under FRS 12, but as required by the Treasury, BERR will disclose it as a contingent liability to be reported to Parliament.



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