

Annual Report
and Accounts
2008-09



Commission for the Compact

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

Ordered by the House of Commons to be printed on 9 June 2009

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ISBN 9780 10 296024 2

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Commissioner's introduction

I took over as Commissioner for the Compact in April 2008 after the interim leadership of Helen Baker. I am grateful to Helen, and to our fellow directors Fred Heddell and David Cutler, for their excellent stewardship of the Commission.

My view of the Compact as an outsider in previous years had been that it was worthy in its aims but had been in practice neglected. Consequently it had achieved its objectives to only a limited extent.

What I found as soon as I became an insider largely bore this out. Belief in the idea of partnership working between the public and the third sector was strong on both sides, and the Compact was a Good Thing in principle. However, this belief had not been translated into practical results fully or consistently enough. In the 10 years of the Compact only about five years' worth of practical progress had been made. Some people on each side were questioning whether the Compact in its present form was worth continuing with.

The time was right for an open debate about the future of the Compact, which we carried out during the late summer and autumn at the invitation of the Minister for the Third Sector.

We concluded from the responses to the debate that a number of changes should be made to the Compact and to the arrangements which exist to oversee its implementation and operation.

The changes we identified and recommended to Ministers are the most significant since the Compact was signed in 1998. If successfully introduced they will:

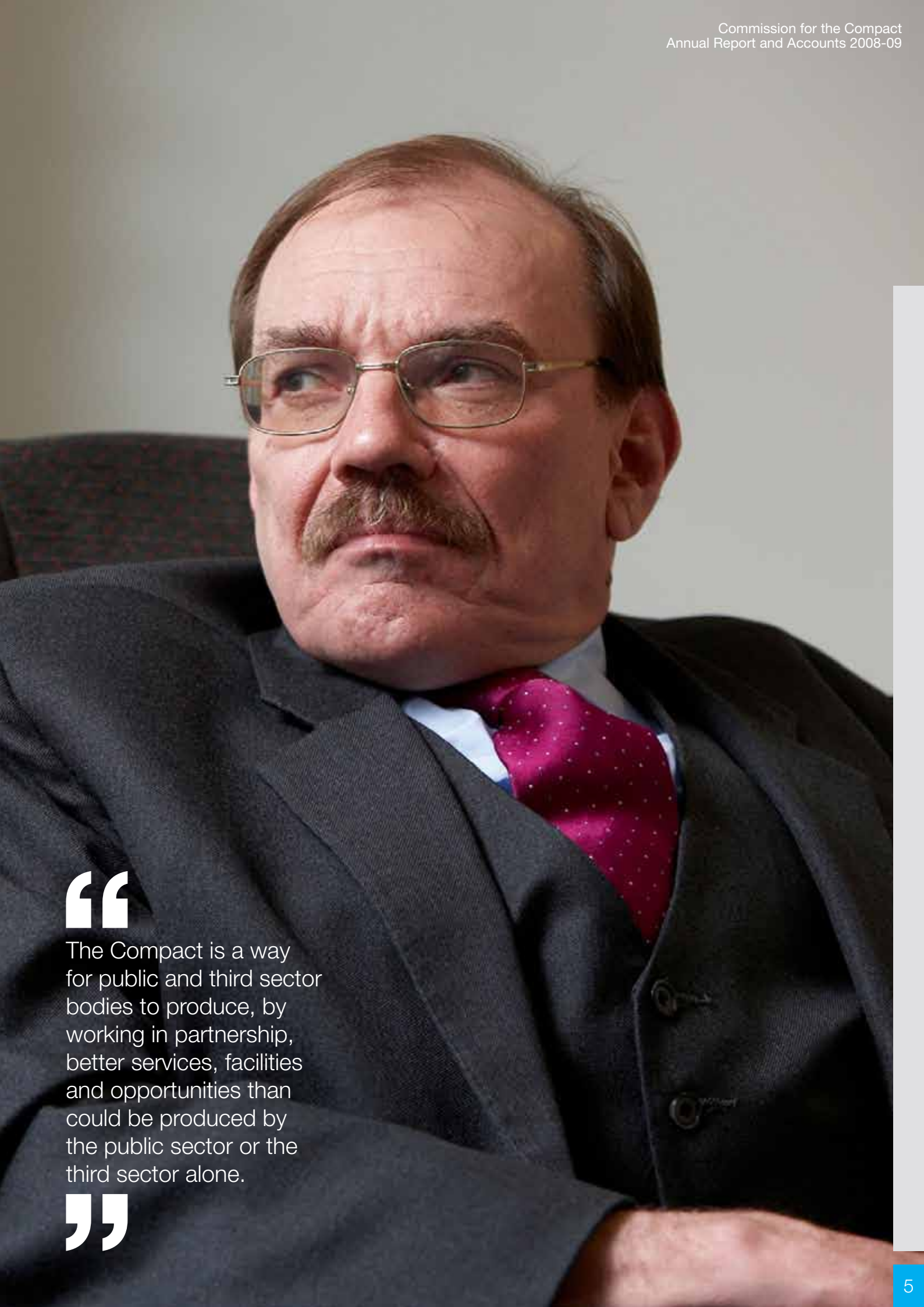
- Remove unnecessary complexity and repetition from the Compact itself and make it consistent with current law, policy and practice. This will make it much easier for public and third sector bodies to understand the Compact and what it asks them to do in conducting their relations with each other.
- Give the Commission power to use a wider range of more effective incentives to promote compliance with the Compact, and make the Commission accountable to Parliament. It seemed from this year's Compact debate that some of the bodies to which the Compact applies (especially in the public sector) see neither advantage in following it nor disadvantage nor lost opportunity if they do not follow it.

We hope to be able to report next year that the first of these changes has been put in place and, at least, that the foundations for the second have been laid.

I am not interested in seeing bodies follow the Compact for the sake of it. The Compact is a way for public and third sector bodies to produce, by working in partnership, better services, facilities and opportunities than could be produced by the public sector or the third sector alone. The attractions of effective partnership working are surely enhanced by the prospect of severely tightening public finances combined with increases in demand for some services.

I would like to thank the Commission's staff, and our collaborators in Compact Voice, the Office of the Third Sector, and the Local Government Association, for their energy and commitment this year.

Sir Bert Massie CBE
Commissioner for the Compact



“

The Compact is a way for public and third sector bodies to produce, by working in partnership, better services, facilities and opportunities than could be produced by the public sector or the third sector alone.

”

The Board

The Commission's Non-Executive Board meets on a bi-monthly basis and consists of:

Sir Bert Massie CBE
Commissioner for the Compact



Sir Bert has worked in the voluntary sector for 40 years. He is a former chairman of the Disability Rights Commission, now part of the recently created Equality and Human Rights Commission (EHRC), and chief executive of RADAR, the Royal Association for Disability and Rehabilitation. He is currently a commissioner for the EHRC in conjunction with his role at the Commission for the Compact.

Sir Bert has served on a number of government advisory committees concerned with disability including the Disabled Persons Transport Advisory Committee and the National Advisory Committee on Employment of Disabled People. In addition, he was deputy chair of the National Disability Council, a member of the Disability Rights Task Force, and a trustee of the Institute for Employment Studies (IES). At present, he is a governor of Motability, the leading car scheme for disabled people, and a trustee of Habinteg Housing Association. He is vice president or patron of a number of disability charities. Sir Bert was created a Knight in 2007 in recognition of his services to disabled people.

Helen Baker
Deputy Commissioner
for the Compact



Helen Baker is a registered social worker and has worked in executive and non-executive roles both in the statutory and voluntary sectors across social care, health, housing and education. Before taking up the chair of the Group Board of Advance Housing and Support, Helen was chair of Oxfordshire Community Health NHS Trust and then Oxfordshire Learning Disability NHS Trust. She was a founder council member of the General Social Care Council, the non-departmental public body which regulates the social care workforce and social work training, and is currently a member of the governing council of the National College for School Leadership.

Helen is also a trustee with the Foundation for Conductive Education, a national charity working with children and adults with physical disabilities. Within Oxfordshire she was a founder, then chair of the Clive Project, which supports adults with early onset dementia and their families. She is also on the advisory group of Oxfordshire Common Purpose and a previous member of the Art Room, a charity that works with children at risk of exclusion from school. Helen was appointed interim Commissioner for the Compact from September 2007 to March 2008.

David Cutler
Non-Executive Director



David Cutler has been the director of the Baring Foundation since 2003. One of the UK's best known independent grant makers, the Foundation has a strong focus on the impendence of the third sector as well as programmes for the arts and international development.

For the past 20 years, David has worked in the voluntary and public sectors. He was director of the Carnegie Young People Initiative, a major research and advocacy initiative to involve young people in public decision making, and ran Divert, the National Charity for Youth Crime Prevention. From 1988-96, David was head of the Hammersmith and Fulham Community Safety Unit which pioneered work on a number of areas including domestic violence and coordinated strategies between local authorities and the police. Before this he worked in racial equality. Among other roles in the voluntary and public sectors, he was a non-executive director of Hammersmith and Fulham Primary Care Trust until 2004, deputy chair of the British Institute for Human Rights, and vice chair of the UK section of Amnesty International.

Fred Heddell CBE
Non-Executive Director



Fred Heddell is a qualified teacher and spent most of his early teaching career teaching in Special Education in East London. For many years he was also the head teacher of an innovatory Special School in Suffolk. Following a period working with the BBC as a writer and advisor on some ground breaking programmes for people with disabilities, he joined Mencap, initially as director of education and subsequently as chief executive. During his 13 years as chief executive, Mencap not only grew nearly ten fold in size but also became a far more inclusive organisation. Much of the expansion was the result of partnership working between the charity and local and central Government.

Following his retirement from Mencap in 2003, Fred founded the Rix Centre for innovation in technology at the University of East London and has been a member of Ofcom's older and disabled people advisory committee. He is currently the co-chair of Speaking Up, a Cambridge based disability advocacy organisation and a trustee of SNAP, a Milton Keynes based organisation providing training and employment for disabled people. In addition to his work in the UK, he is also a trustee and director of Inclusion International, a world wide network of NGOs like Mencap which provides help and consultancy to developing organisations all over the world.

Richard Corden
Chief Executive, Commission
for the Compact



Richard Corden joined the Commission for the Compact as interim chief executive in June 2007 and was confirmed in that role in June 2008. Richard has 20 years' experience of working within Government on voluntary sector policy, on charity law and practice, and on the regulation of charities. He joined the Commission from HM Treasury, where he worked on the Government's review of the role of the third sector in social and economic regeneration. Before that, he worked in the Office of the Third Sector, where he was in charge of Government legislation (the Charities Act 2006) to reform and modernise the law and regulation of charities. His earlier appointments were in the Home Office, the Prime Minister's Strategy Unit, and the Charity Commission.

The Commission's vision and objectives

Established in April 2007, the Commission for the Compact is an independent public body responsible for overseeing and promoting use of the Compact. This is the agreement which sets out shared commitments and guidelines for working between government and the voluntary and community sector.

The Commission is sponsored by the Office of the Third Sector (part of Cabinet Office) and by the Minister for the Third Sector. It was set up to improve awareness of the Compact and its Codes of Good Practice and to address the barriers to its adoption and implementation. The Commission is not a regulatory body and does not have any legal or statutory powers.

Our mission

To promote effective partnerships through the Compact between the third sector, government and the rest of the public sector that lead to benefits for individuals and communities.

Our strategic objectives

- To continue to develop awareness and understanding of the Compact
- To promote greater use of, and build evidence for the impact of, the Compact
- To ensure the continuing relevance of the Compact
- To manage the Commission effectively and efficiently.

Review of the year

April

- Sir Bert Massie CBE is appointed the new Commissioner for the Compact.

“My immediate priorities are to raise awareness and understanding of the Compact and provide evidence of the benefits of following Compact principles.”



- The Government shows its commitment to the Compact with Phil Hope MP, Minister for the Third Sector, pledging an increased investment to the Commission for the Compact of £6 million over the next three years.

May

- Nominations open for the Compact Awards 2008.

Compact Awards 2008

June

- Richard Corden is appointed Chief Executive at the Commission for the Compact.
- The Commission publishes the first issue of a new quarterly newsletter about the Compact called insight.



- A new look Compact website goes live.



Review of the year

(continued...)

July

- The Commission participates in the sector's annual independence day event in London where it shares interim findings from its forthcoming research study about the way government departments are approaching independence issues with the third sector.
- In response to a request by the Minister for the Third Sector, Sir Bert initiates a debate on the future of the Compact and the role of the Commission for the Compact.

August

- The Commission issues a discussion paper on the future of the Compact and the role of the Commission for the Compact.

September

- The Commission publishes its independence research study entitled *The State of Independence*, which explores the understanding and commitment of eight government departments to the Compact principles relating to campaigning and independence.



- The Commission attends the 2008 LGA Conference in Bournemouth as a sponsor and exhibitor.



- The Compact Debate campaign gathers momentum with a one-day conference at the International Convention Centre (ICC) in Birmingham attended by the Commissioner for the Compact, the Minister for the Third Sector, the Chair of Compact Voice, the Vice Chair of the Local Government Association (LGA) and 180 delegates from across government and the voluntary and community sector.

- The judging of the 2008 Compact Awards takes place.

October

- The Commission publishes its research study entitled *What makes a successful Compact?* which identifies practical approaches to increase the effectiveness of Local Compacts and effective local partnership working. A series of four research seminars exploring the key factors of this research are held in Birmingham, London, Liverpool and Newcastle during the autumn attracting over 120 delegates.



- The Commission publishes its research study entitled *Positive Engagement, Future Practice: Learning for End of Life Care*. Produced in partnership with Help the Hospices, this research looks at the vital relationship between charitable hospices and NHS Primary Care Trusts and focuses on how well the Compact is being implemented in relation to supportive and palliative care.
- The Commission publishes a legal analysis of the Compact's Black and Minority Ethnic (BME) Code and related legislation.
- A new monthly e-bulletin is launched called e-Compact News.
- Blogs and a forum facility are added to the Compact website.

November

Compact Week 2008

- Compact Week, a national awareness week to promote the Compact and engage people across both Government and the voluntary and community sector, takes place from 1 to 8 November 2008. Nearly 50 events and activities take place across the length and breadth of the country and Sir Bert and members of the Commission's Non-Executive Board as well as staff members from the Commission visit and support activities.
- An early evening reception hosted by the new Minister for the Third Sector, Kevin Brennan MP, and attended by senior figures involved in the Compact is held at No 11 Downing Street. The event, organised by the Commission, marks the tenth anniversary of the Compact and congratulates the winners and finalists from the 2008 Compact Awards.

"Government's commitment to the Compact is stronger than ever. As we move into the Compact's second decade, we need to make sure that the Compact can meet the challenges ahead".
The Prime Minister, The Rt Hon Gordon Brown MP

- Compact partnerships from across the country have their achievements recognised when the winners of the 2008 Compact Awards are announced at a ceremony held at 195 Piccadilly in London, home of BAFTA. Derby Compact wins the prestigious title of Local Compact of the Year.



Katy Wing, Vivene McCalla and Hazel Simpson from Derby Compact with Sir Bert



Kevin Brennan MP

continued...

Review of the year

(continued...)

November *continued*

- The Commission publishes the Concise Compact Guide to act as a checklist to help both public sector and third sector organisations and explain why the Compact applies and highlight relevant undertakings.

The Concise Compact Guide

Compact
Creating Regeneration. Inspiring Progress.

- Sir Bert delivers his recommendations about the future of the Compact and the Commission for the Compact. The findings from the Compact Debate show that there is near unanimous support for the rewriting of the Compact and Codes (98 per cent), and for the consolidation of the Compact into a single document (85 per cent). In addition, there is majority support for measures to establish a permanent and independent Commission for the Compact, and to give it a mandate and the appropriate powers to secure better implementation of the Compact (98 per cent).

- In collaboration with Voice4Change England, the Commission holds a series of three regional workshops in Leicester, Manchester and London to discuss the findings of the Commission's legal review and what it means for the BME Code.

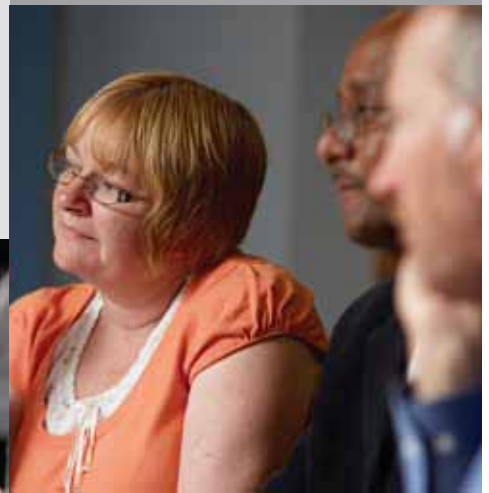
December

- Nearly 100 delegates representing the Government and the voluntary and community sector attend the Annual Meeting to review the Compact, which was organised by the Commission and held in the East Room at Tate Modern in London. The event was chaired by the Minister for the Third Sector, Kevin Brennan MP, and Simon Blake, Chair of Compact Voice.



January

- Compact awareness raising workshops take place in Bodmin and Preston.



February

- The Commission publishes implementation guidance on commissioning, the first in a series of Compact implementation guides.



- Sir Bert speaks at a meeting of the All-Party Parliamentary Group on the Community and Voluntary Sector, chaired by Tom Levitt MP. Sir Bert reminds the group of his recent recommendations about the future of the Compact.

- The Commission attends the NCVO Conference in London as a sponsor and exhibitor, as well as the bassac Conference in Leicester.

March

- The Commission for the Compact and the Charity Commission hold a joint event in London entitled *Commissioning and the Third Sector: what funders want*. This event focuses on the information needs of government funders and their agencies and how a revised SORP (statement of recommended practice) could better address those needs and capture the core information that all funders need.

- Activity gets underway on the 'refresh' of the national Compact. A letter asking the Commission for the Compact to lead a process to redraft the Compact documents for public consultation later in 2009 is sent to Sir Bert by the Minister for the Third Sector and the Chair of Compact Voice.

Compact Refresh

- The Commission is an exhibitor at both the ACEVO Spring Conference in London and the Regeneration and Renewal Conference at the Birmingham NEC.

60 second update

- **In 2008**

the Commissioner for the Compact and other representatives from the Commission spoke at approximately 90 events, covering every region of England, with an estimated audience reach of over 5,000 people.

- **The Compact website**

received 247,138 distinct visits and downloadable files were requested 9,675 times.

- **Over 800 people**

participated in events organised by the Commission this year. Events included workshops and seminars on research concerning Local Compacts and the BME Code, National Compact workshops in Bodmin and Preston, a Compact Debate event at the ICC in Birmingham, a reception celebrating 10 years of the Compact at No 11 Downing Street, the Compact Annual Meeting at Tate Modern, the Compact Awards presentation event at 195 Piccadilly (home of BAFTA) and a commissioning event with the Charity Commission.

- **The Compact Debate,**

launched by the Commissioner for the Compact, took place from 7 July 2008 to 10 November 2008 and generated responses from the statutory, public and voluntary and community sectors, together representing and advocating the views of over 60,000 regional and local third sector groups from across the country.

- **Research undertaken**

by the Commission in 2008 included:

- » A study into the relationships between hospices and Primary Care Trusts
- » A study into what makes a successful Local Compact
- » A BME legal analysis report and review of the BME Code
- » A report about independence of third sector organisations and how government departments approach this issue.

Performance report 2008-09

The last 12 months have seen significant progress to embed Compact principles in new legislation, policy and statutory guidance. The Joint Compact Action Plan (JCAP) for 2008-09, agreed at the 2007 Annual Meeting, contained five outcome-focused targets.

The five targets:

1. Stronger relationships and partnerships at national level, to deliver the national Compact

2. Stronger relationships and partnerships at local level, supported by Local and Regional Compacts and Compact Action Plans

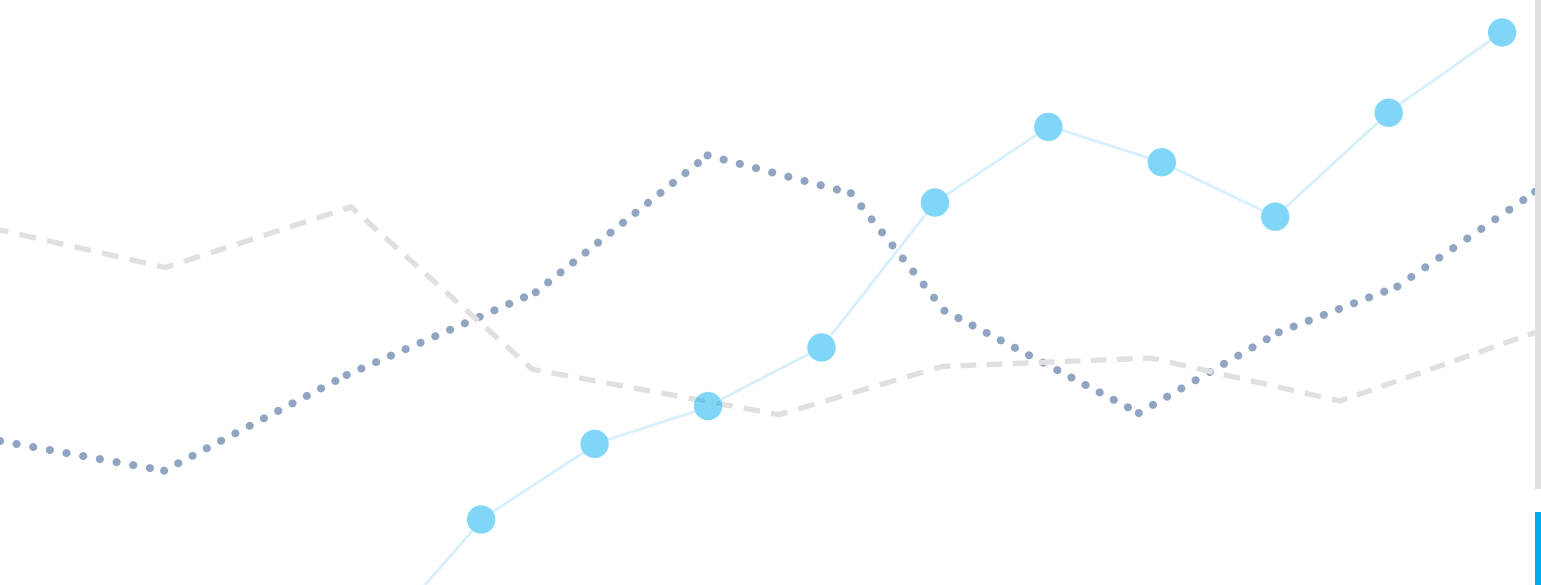
3. To increase understanding of the role of the Compact in promoting equality and community cohesion

4. To strengthen the independence, voice and campaigning work of the third sector

5. To ensure the continued relevance of the Compact in a changing legislative and policy environment.

In addition, the Commission for the Compact led a review of the Compact and the Codes of Practice to bring them in line with policy development and public service reform and to examine the legal status of the Compact.

All of this work has been delivered in partnership with the Office of the Third Sector on behalf of central government, Compact Voice on behalf of the third sector and the Local Government Association on behalf of local government. The successful delivery of this ambitious and challenging programme arises out of the partners' commitment to a shared vision of the value of partnership working.



Performance report

2008-09 *(continued...)*

Progress on **Target 1**

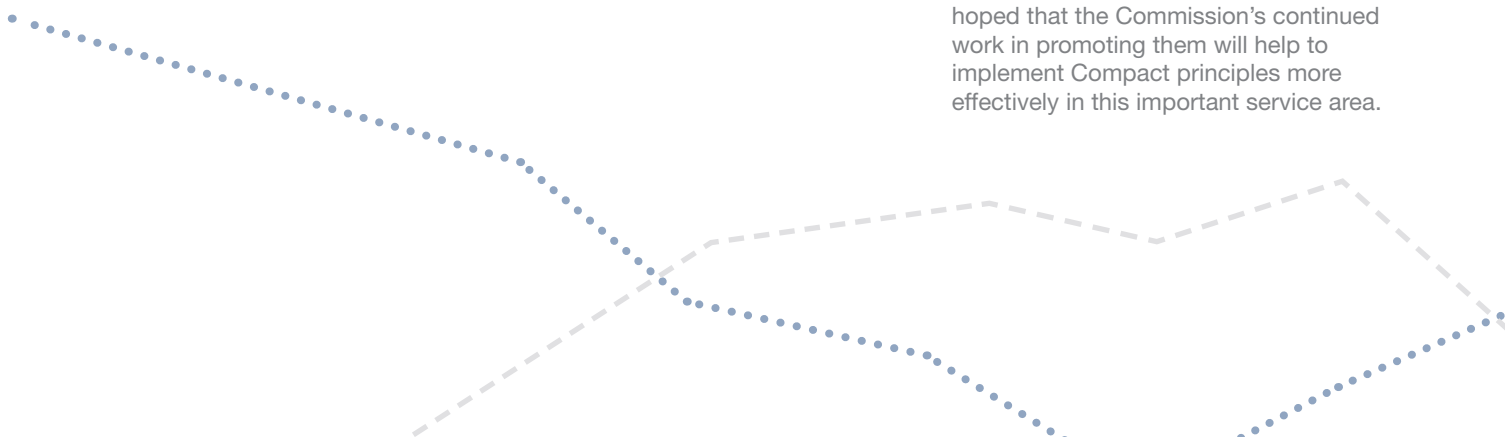
Stronger relationships and partnerships at national level, to deliver the national Compact

- This year, the Commission for the Compact developed its strategic relationships and partnerships at a national level, working across Government and public bodies, bringing together third sector organisations and engaging with government inspectors and regulators.
- Responding to calls to make the Compact documentation more accessible, the Commission for the Compact produced the Concise Compact Guide. The guide is for all public sector and third sector organisations, and aims to help them understand when the Compact applies, and how to meet their undertakings. This has proved popular within government, with the third sector Champions sub-group on the Compact agreeing to promote it in order to improve officials' understanding of their Compact undertakings and when they apply.
- The Commission also conducted a number of thematic reviews, such as European funding administration and the relationships between charitable hospices and Primary Care Trusts, which has provided a valuable opportunity to explore and propose solutions for reported problems in Compact implementation at a national level.
- Other ongoing work sees a continuation of the Commission's work to build a robust evidence base of awareness, understanding and relevance of the Compact at a national level. The results will be used in 2009-10 to identify implementation issues and to work systematically with government departments to address specific issues.

Case study: Palliative care and the Compact

In its work with third sector organisations, the Commission for the Compact identified the funding of palliative care as a potential problem area in Compact implementation. In partnership with the third sector umbrella group Help the Hospices, the Commission for the Compact commissioned a research study to look at the vital relationship between charitable hospices and NHS Primary Care Trusts, and the role the Compact is playing in them.

Published in October 2008, the report *Positive Engagement, Future Practice: Learning for End of Life Care* uses interviews and real life examples from a series of ten anonymous case studies to explore how well the two sectors work together and draw out learning points. A key finding is that effective personal relationships are important for successful relationships between hospices and Primary Care Trusts, but that the Compact and its principles underpin good relationships and could be used as a useful tool in improving and developing them. The report concludes with a series of learning points designed to be useful for both charitable hospices and Primary Care Trusts, and it is hoped that the Commission's continued work in promoting them will help to implement Compact principles more effectively in this important service area.



Progress on **Target 2**

Stronger relationships and partnerships at local level, supported by Local and Regional Compacts and Compact Action Plans

- At a local level, the Commission for the Compact was successful in supporting and influencing organisations to recognise the importance of the Compact as the basis for effective partnership working, providing those involved with Compact delivery the tools to increase implementation and effectiveness.
- The Commission worked closely with the Audit Commission to shape the development of the Comprehensive Area Assessment (CAA) process. It lobbied strongly, through consultation responses, membership of the CAA third sector task group and direct meetings with senior Audit Commission officials, to ensure that Compact principles formed part of the methodology.
- The Office of the Third Sector and the Commission for the Compact established a cross government department funding practitioners group. This has provided the opportunity to promote the use of Compact principles to government departments in funding relationships with the third sector.
- In February 2009, the Commission published commissioning implementation guidance. This guidance helps commissioners identify where and how Compact principles can be applied to commissioning. To further support this work, the Commission will develop an online commissioning best practice database in 2009-10.
- Work on the role and impact of Regional Compacts has been undertaken with the Commission playing an active role in development processes in the East Midlands, the North West and Yorkshire and the Humber in particular.
- The Commission, in partnership with Compact Voice, commissioned research to assess the role and impact of Compact Champions. The report will highlight skills, resources and approaches required by Compact Champions to increase Compact implementation. This work provides an excellent opportunity to support Compact Champions across the country.

Case study:

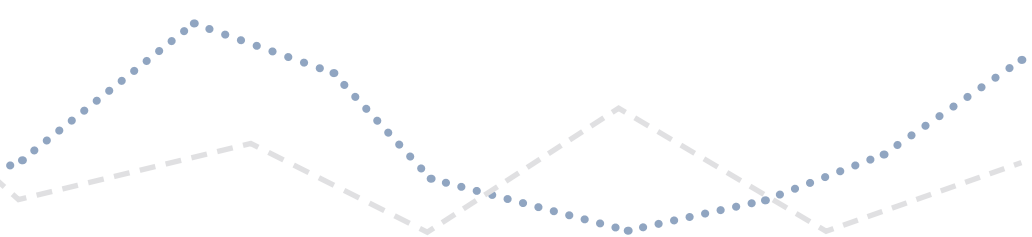
What makes a successful Local Compact?

Every top tier local authority area has a Local Compact. Whilst there is quantity and coverage, there is a view that many are not meaningfully implemented, outdated or do not reflect changing local policy environment.

The Commission for the Compact, in recognising that the number of partnerships can only be a partial measure of success, commissioned research to identify those factors that contribute to successful Local Compacts. The research was undertaken to increase partnership working at the local level through the effective implementation of Local Compacts. It also provided valuable evidence and best practice on Compact implementation for the Commission.

The research focused on one Local Compact in each Government Office area. Published in October 2008, the final report is not a traditional piece of research and is designed to be an accessible guide to increasing Local Compact implementation. It highlights a number of approaches, tools and ways of working that were used in the case study areas. The research also clearly highlights that better local partnership working and better outcomes for individual and communities results from Compact principles being applied on a day to day basis.

To disseminate the findings of the research and to engage with a range of organisations, the Commission held a series of regional workshops in the autumn of 2008. These events were attended by over 120 people, from both the public and voluntary and community sectors.



Performance report

2008-09 *(continued...)*

Progress on **Target 3**

To increase understanding of the role of the Compact in promoting equality and community cohesion

- Karon Monaghan QC from Matrix Law was engaged by the Commission for the Compact to conduct a legal review of the Compact BME Code, examining its compliance with current race relations and anti-discrimination law, and with the Government's stated intentions on equalities law. A similar process is underway for the remaining Codes of Good Practice. The Commission publicised the results of this review through a series of seminars across the country in autumn 2008 to discuss the future of the BME Code of Good Practice.
- The Commission made contact with bassac and the Community Sector Coalition with a view to undertaking more detailed discussions on the way in which the aptitudes, support needs and aspirations of the community sector can be reflected in the Compact in future.
- The Commission appointed CSV Consulting to conduct a major research study on the costs and benefits of volunteering by groups currently under-represented in the volunteer "workforce". This will build on the recommendations of the Commission on the Future of Volunteering, which identified a number of groups under-represented in volunteering: single parents; asylum seekers and refugees; and disabled people. The project will include two phases of large-scale qualitative and quantitative research, culminating in the production of a "full-cost recovery tool". The tool will be designed to help volunteer-supporting organisations and commissioners to have a clearer idea of the ancillary costs of such volunteering.

Case study:

Reviewing the Code of Good Practice on Relations with BME Voluntary and Community Organisations ("the BME Code")

To ensure the Compact keeps pace with changes in the legal environment of discrimination and equality law, work was undertaken to develop and strengthen the BME Code. Karon Monaghan's review of the Code made recommendations on the legal compliance of the Code and on redrafting the Code to better reflect the changing legal and policy framework. These were published on the Commission's website on a BME Review sub-site, along with an online survey and discussion forum.

Seminar events were held in Leicester, Manchester and London, in collaboration with Voice4Change England, the national BME third sector network, to promote discussion of the review's conclusions. These events attracted nearly 100 participants in all. Commission staff also attended a variety of other meetings to inform representatives of the BME third sector and organisations promoting equality of the progress of the review, including meetings organised by Voice4Change England and the Equality and Diversity Forum. The results of this consultation will feed into the broader review of the Compact documentation, which the Commission will be conducting during the course of 2009-10.

Progress on **Target 4**

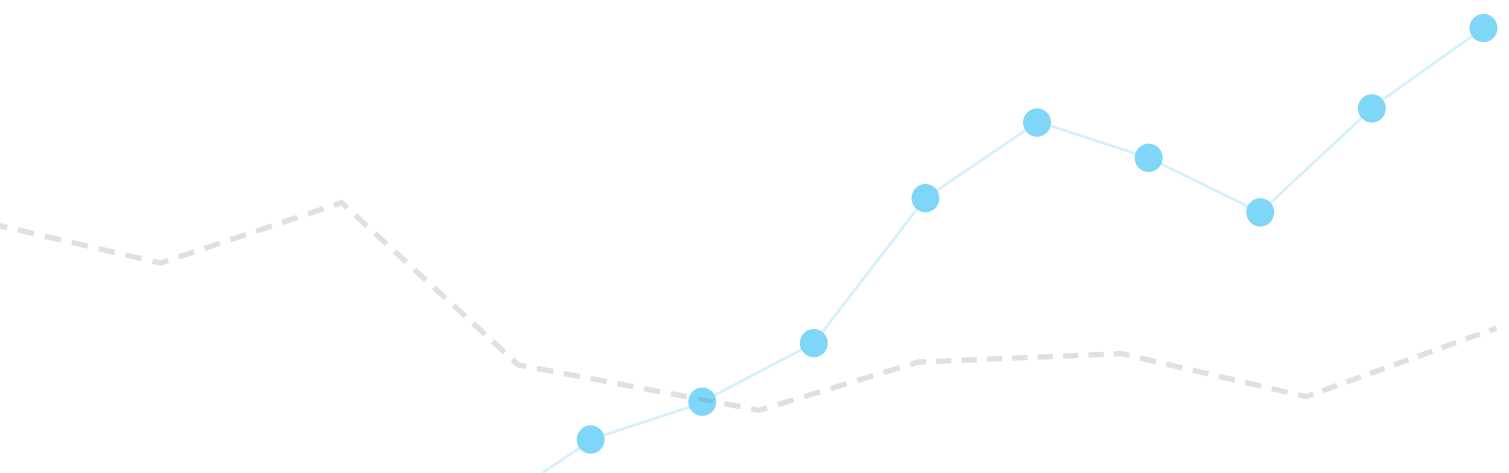
To strengthen the independence, voice and campaigning work of the third sector

- In 2008-09, the Commission's work on independence, voice and campaigning was research-focused and a significant success was conducting parallel research projects with partner organisations, examining independence from different perspectives.
- In June 2008, Compact Voice ran a series of focus groups with national third sector organisations, to explore their perceptions of the issue of third sector independence. At the same time, the Commission for the Compact commissioned a research study exploring the understanding and commitment of eight government departments to the Compact principles relating to campaigning and independence.
- Particularly valuable was the capturing of information around good practice within departments, which was shared and publicised. Collecting robust monitoring data on the extent to which Compact commitments in this area are being met was more challenging however, and resource constraints meant it was not possible to extend the research to look at non-departmental public bodies and local authorities as planned. Nevertheless, the evidence gathered provides an excellent base for focusing on more practical activities in 2009-10, as well as further research. Future plans include developing and publicising a piece of guidance to help both sectors find out about practical ways in which they can strengthen the independence and voice of the third sector.

Case study: Independence Day

Following complementary research projects by Compact Voice and the Commission for the Compact, the two partners worked together to hold an 'Independence Day' event on Friday 4 July 2008. The event aimed to recognise, support and strengthen the independence of voluntary and community organisations and encourage them to exercise their independence.

Well attended by participants from both the statutory and third sectors, the event was an opportunity to compare the findings from both research studies and highlight any gaps between the perceptions of those working in central government and those in the sector. Attendees had the chance to participate in workshops to share experiences of the ways in which the Compact is being used to strengthen independence and identify what can be learnt from them. The information gathered from the workshops will be used to inform future work on independence and campaigning, including the production of a guidance pack in 2009-10.



Performance report

2008-09 *(continued...)*

Progress on **Target 5**

To ensure the continued relevance of the Compact in a changing legislative and policy environment

- Much of the Commission for the Compact's work in assessing Compact Codes against current legislation and guidance has been embedded in the previous outcome-focussed targets. For example, work has been completed on a legal review of the BME code and work is in progress looking at the Compact and European Union funding.
- The Commission is continuing to develop approaches to assess the Volunteering and the Community Groups Codes against recent legislation. This work will help to clarify the role of the Compact within the current legislative framework, and ensure the Compact and its principles remain relevant.
- In response to a request by the Minister for the Third Sector in July 2008, the Commissioner for the Compact initiated a debate on the future of the Compact and the role of the Commission for the Compact. This took place between July and early November 2008 and activity undertaken to stimulate the debate included one-to-one meetings, promotion through existing events, a dedicated email address for responses and a sub-site on the Compact website, advertising and holding an interactive event at the International Convention Centre in Birmingham on Tuesday 9 September 2008, which involved 180 delegates from across government and the voluntary and community sector.

Case study:

Taking the Compact forward

In July 2008, the Commission for the Compact held a working group entitled *Taking the Compact forward*. The group contained key representatives from all Compact partners, Local Compact Voice, key third sector umbrella organisations, the Public Law Project, and Bates, Wells & Braithwaite.

The group was set up by the Commission for the Compact to consider whether there was a shared view on the current challenges to the Compact, what is meant when people call for the Compact to have "teeth", and why placing the Compact in law or giving the Commission for the Compact statutory powers would be the most appropriate solution to improve Compact implementation.

The group then considered a number of potential models that were used to illustrate the possible future form of the Compact and Commission for the Compact.

The robust and informative discussion provided an invaluable opportunity for partners to share their views on the future direction of the Compact. It also afforded the opportunity for those involved to begin considering, discussing and formulating views on the implications of changing the current status of the Compact and the Commission for the Compact.

The Commission's work in the year ahead

The Commission has agreed for 2009-10 a joint programme of work with the other three members of the Compact quartet: Compact Voice, the Office of the Third Sector, and the Local Government Association. This programme of work (the Joint Compact Action Plan 2009-10) has been published at www.thecompact.org.uk

The majority of the projects in the programme will be led by the Commission, which has the greatest resources of the quartet, but will be carried out in collaboration with the other members. The programme contains a range of some 30 projects designed to pursue in a purposeful and balanced way the shared objectives of the quartet.

Refresh

The most important project in the 2009-10 programme will without doubt be the "refresh" of the Compact. There is a general consensus that the Compact, as a set of documents recording the national partnership working agreement between the Government and the voluntary and community sector, is in danger of falling behind the times. The aim of the refresh will be to:

- Preserve the sound principles on which the Compact is founded
- Bring the Compact up to date with recent developments in the law, policy and practice
- Remove repetition and complexity which acts only as a deterrent to efforts to understand and implement the Compact
- Better illustrate how the Compact's principles can be put successfully into practice.

Particular care will be taken to ensure that these changes to the national Compact are sympathetic to Local Compacts and their continuing development. It is at the local, not the national, level that relationships between the public and the third sector are most numerous and important.

The process of refresh will begin in May 2009, include a full open consultation, and result in publication of a refreshed Compact in November 2009.

Annual survey

Beyond the refresh of the Compact, we propose to carry out the first of a series of annual surveys that we believe will be of long term importance. The 2009-10 survey will establish a baseline for the level of awareness, understanding and use of the Compact in Government departments and major NDPBs. Changes in the level over time will contribute to a much more robust base of evidence about the value of the Compact and about the effectiveness of the Commission.

Other highlights

- A project to identify and demonstrate the economic, as well as the social, advantages of working in accordance with the Compact
- 2009's Compact Awards, which we believe will continue to have a powerful effect in giving well-earned reward and fresh incentive to individuals and groups who work for the most part unrecognised at local level
- A project to produce a full and accurate record of Local Compacts and their members and activities
- Development of the Commission's Knowledge Bank, which will become an open repository of information and evidence about the Compact
- A project to evaluate the use, and further potential, of Alternative Dispute Resolution where partnerships break down
- The production of guidance on the links between the Compact and the new local performance assessment regime
- Analysis of the implications for public/third sector partnerships of individualised budgets and self-directed support.

Directors' report and commentary 2008-09

Background, constitution and governance

These accounts cover the year from 1 April 2008 to 31 March 2009. They have been prepared in accordance with the Accounts Direction given to the Commission for the Compact ("the Commission") by an Officer of the Cabinet Office on 10 February 2009.

The Commission is a Non-Departmental Public Body (NDPB) sponsored by the Office of the Third Sector (a management unit in the Cabinet Office).

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

The Commission's purpose under its Memorandum of Association is to "promote the voluntary and community sector for the benefit of the public by the strengthening of partnership working between public sector bodies and voluntary and community sector ("VCS") organisations through the operation of the Compact."

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

The directors in 2008-09 were as follows:

| Name | Date of appointment | Date of resignation |
|---------------------|---------------------|-----------------------------------|
| Helen Baker | 7 September 2007 | still a director on 31 March 2009 |
| David Cutler | 10 September 2007 | still a director on 31 March 2009 |
| Fred Heddell CBE | 10 September 2007 | still a director on 31 March 2009 |
| Sir Bert Massie CBE | 24 April 2008 | still a director on 31 March 2009 |
| Richard Corden | 15 July 2008 | still a director on 31 March 2009 |

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

A register of the directors' interests is published on the Compact website at www.thecompact.org.uk

The Commission has a sole member. Membership of the Commission in 2008-09 was as follows:

| Name | Date of appointment | Date of withdrawal |
|--|---------------------|-----------------------------------|
| The Chancellor of the Duchy of Lancaster | 30 May 2007 | still the member on 31 March 2009 |

Principal activities

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

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

The Commission works closely with, and for 2008-09 adopted a joint programme of work (the Joint Compact Action Plan)¹ with:

- Compact Voice, the organisation which represents the views and interests of the VCS on the Compact
- The Office of the Third Sector, which similarly represents the views and interests of the Government
- The Local Government Association, which similarly represents the views and interests of local authorities.

Each year a meeting is held between Government, the VCS and local government to review progress on the implementation of the Compact during the year in accordance with the Joint Compact Action Plan. A record of the meeting, and of actions agreed at it, is laid before Parliament. The record of the 2008 meeting, held on 2 December 2008, is due to be laid before Parliament and published in May 2009.

A Joint Compact Action Plan for 2009-10 has been agreed and adopted by the same four bodies and is due to be published in May 2009.

Financial overview

The Accounts on pages 33-36 show the income, expenditure and deficit for the year. The notes on pages 37-47 form part of the Accounts.

The Commission's sole source of income during the year was (apart from a small amount of interest on bank deposits) Grant-in-Aid provided by the Office of the Third Sector. The Office of the Third Sector has made a commitment to provide the Commission with £6m of Grant-in-Aid funding over the three years of the 2007 Comprehensive Spending Review period (ie £2m in each of the years from 2008-09 to 2010-11). The Office of the Third Sector made available to the Commission in 2008-09 Grant-in-Aid funding of £2.0m, consisting of Resource (ie revenue) funding of £1.9m and Capital funding of £0.1m.

Against its budget of £2.0m the Commission's cash drawdown consisted of £1.7m for Resource expenditure and £0.1m for Capital expenditure. In addition the Commission retained the brought forward amount held in general reserves, £139,508 for use in 2008-09. The total expenditure during the year, which was in accordance with its plans, was £1,892,843, consisting of Resource expenditure of £1,801,103 and Capital expenditure of £91,740.

¹ Available at www.thecomcompact.org.uk

Directors' report and commentary 2008-09 *(continued...)*

Post balance sheet events

There have been no material events since the year end.

Payment of creditors

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

A review of all payments made since 1 April 2008, conducted to measure how promptly the Commission pays its bills, found that 87% of bills were paid within 30 days. A review of all invoices received from January 2009 found that 44% of bills were paid within 10 days of receipt.

Equal Opportunities

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

Employees

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

The table below shows, for each quarter of 2008-09, the percentage of staff working days lost to sickness in that quarter. The average for 2008-09 1.1% compares favourably with 2007-08 1.0% (The Commission's staff was not in place for the whole of the financial year 2007-08 so data relating only to the final six months of the year has been used).

| Quarter | % |
|--------------|-----|
| Apr-Jun 2008 | 1.6 |
| Jul-Sep 2008 | 0.8 |
| Oct-Dec 2008 | 0.6 |
| Jan-Mar 2009 | 1.5 |

Environmental Policy

During 2008-09 the Commission's environmental policy consisted of:

- Reducing paper consumption
- Increasing the proportion of waste recycled
- Making efficient use of energy and materials.


Audit Information

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

Auditors

Under The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General ("the C&AG") is required to audit the Commission's accounts for 2008-09.

signed by:



Richard Corden
Accounting Officer
14 May 2009



Sir Bert Massie CBE
Director
14 May 2009

The Certificate and Report of the Comptroller and Auditor General to the Member of the Commission for the Compact

I certify that I have audited the financial statements of the Commission for the Compact for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total 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 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' 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 Directors' 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.

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

In addition, I report to you if, in my opinion, the Commission for the Compact 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 Commissioner's introduction, The board, The Commission's vision and objectives, Review of the year, 60 second update, Performance report 2008-09, The Commission's work in the year ahead, Directors' report and commentary 2008-09 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
- The information given in the Directors' 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

20 May 2009

Remuneration report

The Commission's Directors – that is, the Commissioner for the Compact, the Chief Executive and the Non-Executive Directors - were appointed by, or with the approval of, the Chancellor of the Duchy of Lancaster, who has determined their remuneration.

During 2008-09 the board decided to deal itself with matters relating to the pay of the Commission's staff (including the Chief Executive) rather than delegating those matters to the Remuneration Committee. Consequently the Remuneration Committee did not meet during the year.

During 2008-09 the salaries or fees payable to the Commission's Directors were as follows:

Audited information

the Commissioner for the Compact Sir Bert Massie CBE, from 1 April 2008 to 31 March 2009

| | £s |
|----------------------|---------------|
| Salary ¹ | 45,000 |
| Pension contribution | 5,453 |
| Taxable benefit | - |
| Total | 50,453 |

Non-Executive Director Helen Baker, from 1 April 2008 to 31 March 2009

| | £s |
|----------------------|--------------|
| Salary | 5,583 |
| Pension contribution | - |
| Taxable benefit | - |
| Total | 5,583 |

Non-Executive Director Fred Heddell CBE, from 1 April 2008 to 31 March 2009

| | £s |
|----------------------|--------------|
| Salary | 4,187 |
| Pension contribution | - |
| Taxable benefit | - |
| Total | 4,187 |

Non-Executive Director David Cutler, from 1 April 2008 to 31 March 2009

| | £s |
|----------------------|--------------|
| Salary ² | 3,299 |
| Pension contribution | - |
| Taxable benefit | - |
| Total | 3,299 |

Executive Director and Chief Executive Richard Corden, from 1 April 2008 to 31 March 2009

| | £s |
|----------------------|---------------|
| Salary ³ | 68,665 |
| Pension contribution | 13,123 |
| Taxable benefit | - |
| Total | 81,788 |

¹ Sir Bert Massie CBE was Commissioner to 24 April 2008, then Commissioner and Director from 24 April 2008. The Remuneration Report presents amounts payable for the full year from 1 April 2008 to 31 March 2009.

² David Cutler is employed by the Baring Foundation, a charitable trust, as its Director. Mr Cutler's salary in respect of his directorship of the Commission is paid to the Baring Foundation as fees for his services.

³ Richard Corden was interim Chief Executive to 1 July 2008, then Chief Executive from 1 July 2008 to 15 July 2008, then Chief Executive and Director from 15 July 2008. The Remuneration Report presents amounts payable for the full year from 1 April 2008 to 31 March 2009.

The Chief Executive, Richard Corden, was for the period 1 April 2008 to 31 July 2008 paid by the Cabinet Office as a civil servant on secondment to the Commission, although the Commission reimbursed the Cabinet Office for Mr Corden's salary. His membership of the civil service was then effectively suspended to allow him to be employed directly by the Commission. His salary figure above consists of £21,554 paid to him by the Cabinet Office and £47,111 paid to him by the Commission. Similarly, his pension contribution figure consists of £5,000 in respect of his membership of the Principal Civil Service Pension Scheme and £8,123 in respect of his membership of the Commission's Group Stakeholder Pension Scheme.

Unaudited information

Details of Directors' service agreements are as follows:

- There is a service agreement between Sir Bert Massie CBE and the Chancellor of the Duchy of Lancaster. The agreement runs from 1 April 2008 until 31 March 2011. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice. In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Sir Bert not likely to exceed three months' remuneration.
- There is a service agreement between Helen Baker and the Chancellor of the Duchy of Lancaster. The agreement runs from 7 September 2007 until 31 March 2010. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice. In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Mrs Baker not likely to exceed three months' remuneration.
- There is a service agreement between Fred Heddell CBE and the Chancellor of the Duchy of Lancaster. The agreement runs from 7 September 2007 until 31 March 2010. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice. In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Mr Heddell not likely to exceed three months' remuneration.
- There is a service agreement between the Baring Foundation, as David Cutler's employer, and the Chancellor of the Duchy of Lancaster, under which the Baring Foundation agrees to provide Mr Cutler's services to the Commission. The agreement runs from 7 September 2007 until 31 March 2010. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice.
- There is a contract of employment between the Commission and Richard Corden. The contract runs from 1 July 2008 to 30 June 2011 and is terminable by either party with three months' written notice or, in certain circumstances, by the Commission without notice or compensation. The contract may, by mutual agreement, be extended for up to a further two years from 1 July 2011.

signed by:



Richard Corden
Accounting Officer
14 May 2009



Sir Bert Massie CBE
Director
14 May 2009

Statement of Directors' and Accounting Officer's responsibilities

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

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

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

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

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

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether the guidance in the FReM and applicable 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 Commission will continue in business.

The Directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Commission 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 Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

signed by:



Richard Corden
Accounting Officer
14 May 2009



Sir Bert Massie CBE
Director
14 May 2009

Statement on internal control

Scope of responsibility

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

The Commission is an NDPB sponsored, and wholly funded, by the Cabinet Office, within which the Office of the Third Sector is the Commission's sponsor unit. A programme of work (the Commission's component of the Joint Compact Action Plan) designed to achieve the Commission's objectives is agreed between the Commission and the Office of the Third Sector each year: progress against it, including any risks to the achievement of the Commission's objectives, is reviewed at least monthly by the Commission and officials of the Office of the Third Sector. Similarly, there are monthly reviews by the Commission and the Cabinet Office's financial expenditure management team of the Commission's progress against its budget forecasts.

The purpose of the system of internal control

The system of internal control 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 the ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Commission 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.

Capacity to handle risk

As Accounting Officer I am responsible to the Commission's board and its Audit and Risk Committee for:

- Identifying risks to which the Commission is exposed
- Assessing the likelihood of risks materialising and the impact on the Commission if that happens
- Proposing and implementing proportionate measures to mitigate the likelihood and impact of risks
- Regularly reviewing the arrangements for handling risk and, if necessary, proposing changes.

The Commission's staff is small enough to have been able to involve every member in the process of developing the risk register which has been put in place along the lines above. The aim of doing that is to promote among staff a wider understanding both of the risks the Commission faces and of the arrangements which exist to manage risks.

Statement on internal control *(continued...)*

The risk and control framework

Risks, and measures in mitigation, are analysed under five headings (which may overlap):

- Risks to the successful completion by the Commission of its tasks under the Joint Compact Action Plan
- Risks to the Commission's reputation
- Risks arising from impropriety, financial or other, within or towards the Commission
- Risks arising from the Commission's failure to comply with regulatory requirements
- Risks arising from the Commission's failure to foresee and/or respond to changes in the (policy etc) environment in which it operates.

The Commission has engaged the Department of Communities and Local Government's Internal Audit Services (IAS), who will undertake in 2009-10 a full programme of external inspection of the Commission's internal risk management measures.

In 2008-09, an external inspection of the Commission's key financial controls was subcontracted by IAS to RSM Bentley Jennison.

RSM Bentley Jennison's report on key financial controls concluded that

the Commission's board could "take adequate assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective". The report further concluded that "there is reliance on the Finance and Resources Manager for the operation of the majority of the key financial controls. This also results in segregation of duty being diminished. These risks are inherent in the size of the Commission and thus we raise these for the awareness of the Board."

The report made three "significant" recommendations and nine recommendations as "meriting attention". I have accepted two of the three "significant" recommendations and all of those "meriting attention". Action to implement them has begun. The recommendation I have not accepted was to move from repaying staff out-of-pocket expenses within a few days of their presentation by staff to repaying those expenses once a month. My view, and that of the Commission's Audit and Risk Committee, is that the small saving to the Commission in administrative costs is, on balance, outweighed by the need to ensure prompt return to staff of their own money.

A business continuity plan is in place.

I am satisfied that the Commission has no potential data vulnerabilities of any significance. The Commission holds minimal amounts of protected personal data, and the data are accessible only on a protected site.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, including controls which exist in relation to the Commission's outsourced payroll service. My review of the effectiveness of the system of internal control will be informed by the work of Internal Audit Services, by managers within the Commission, and by comments made by the external auditors in their management letter and other reports. I will be advised on the implications of the result of my reviews of the effectiveness of the system of internal control by the board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system will be put in place.

In their management letter for 2007-08 the Commission's external auditors recommended that I review the arrangement under which the Commission outsourced accounting, invoice payment and payroll functions to a small, unaudited private company. Accordingly, I reviewed the arrangement. As a result, the outsourced accounting and invoice payment functions were brought in-house during 2008-09 and an alternative supplier of payroll services is now being sought.

signed by:



Richard Corden
Accounting Officer
14 May 2009

Income and expenditure account

For the year ended
31 March 2009

| | | 2008-09 | 2007-08 |
|--|-------|--------------------|------------------|
| | Notes | £s | £s |
| Income | | 0 | 0 |
| Total Income | | 0 | 0 |
| Expenditure | | | |
| Administration: | | | |
| Staff | 3a | (586,558) | (490,316) |
| Other Costs | 4 | (1,214,436) | (422,638) |
| Programme: | | | |
| Staff | | 0 | 0 |
| Other costs | 6 | 0 | (2,538) |
| Total Expenditure | | (1,800,994) | (915,492) |
| Deficit before interest and cost of capital | | (1,800,994) | (915,492) |
| Interest received | 7 | 293 | 235 |
| Interest repaid/repayable | 7 | (293) | (235) |
| Notional cost of capital | 8 | (3,113) | (2,441) |
| Deficit before taxation | | (1,804,107) | (917,933) |
| Tax charge | 9 | (109) | 0 |
| | | (1,804,216) | (917,933) |
| Reversal of cost of capital | 8 | 3,113 | 2,441 |
| Deficit for the year | | (1,801,103) | (915,492) |
| Receipt of Grant-in-Aid revenue financing | 2 | 1,700,000 | 1,055,000 |
| (Deficit)/Surplus carried forward | | (101,103) | 139,508 |

All operations are classed as continuing.

Statement of total recognised gains and losses

For the year ended
31 March 2009

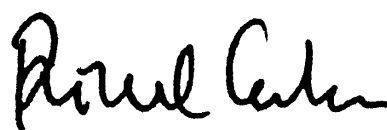
| | | 2008-09 | 2007-08 |
|---|-------|--------------------|------------------|
| | Notes | £s | £s |
| Deficit transferred to general reserves | 18 | (1,801,103) | (915,492) |
| Receipt of donated assets | 18 | 0 | 130,293 |
| Recognised Gains and Losses for the period | | (1,801,103) | (785,199) |

Balance sheet

For the year ended
31 March 2009

| | | 2008-09 | 2007-08 |
|--|-------|------------------|-----------------|
| | Notes | £s | £s |
| Fixed Assets | | | |
| Tangible fixed assets | 11 | 204,622 | 177,118 |
| | | 204,622 | 177,118 |
| Current Assets | | | |
| Debtors due within one year | 12 | 4,832 | 2,354 |
| Cash at bank and in hand | 13 | 202,663 | 209,681 |
| | | 207,495 | 212,035 |
| Current Liabilities | | | |
| Creditors: amounts falling due within one year | 14 | (176,626) | (92,117) |
| | | (176,626) | (92,117) |
| Net Current Assets | | 30,869 | 119,918 |
| Total assets less current liabilities | | 235,491 | 297,036 |
| Creditors: amounts falling due after one year | 14 | (118,910) | (53,293) |
| Net assets | | 116,581 | 243,743 |
| Capital and Reserves | | | |
| General reserves | 18 | 38,405 | 139,508 |
| Donated assets reserve | 18 | 78,176 | 104,235 |
| Total reserves | | 116,581 | 243,743 |

The financial statements, which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes, were approved by the Board on 8 May 2009 and signed on their behalf by:



Richard Corden
Accounting Officer
14 May 2009



Sir Bert Massie CBE
Director
14 May 2009

Cash flow statement

For the year ended
31 March 2009

| | | 2008-09 | 2007-08 |
|--|-------|-------------|-----------|
| | Notes | £s | £s |
| Net Cash Outflow from Operating Activities | 20 | (1,615,278) | (750,729) |
| Taxation | | 0 | 0 |
| Capital Expenditure | | | |
| Payments to acquire tangible fixed assets | | (91,740) | (94,590) |
| Net Cash Outflow from Capital Expenditure | | (91,740) | (94,590) |
| Financing | | | |
| Receipt of Grant-in-Aid revenue financing | | 1,700,000 | 1,055,000 |
| Net Cash Inflow from Financing | | 1,700,000 | 1,055,000 |
| Net Cash (Outflow)/Inflow | 21 | (7,018) | 209,681 |

Notes to the accounts

For the year ended 31 March 2009

1 Accounting policies

Statement of accounting policies

As a Non Departmental Public Body (NDPB), the Commission's financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is the Commission's Sponsoring Department. So far as appropriate they meet the requirements of the Companies Acts and of the Government Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Going concern

The accounts have been prepared on the going concern basis which assumes that the Commission's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from the Commission's funder and in response to the progress made by the Commission in obtaining future funding confirmation. The Commission's sole funder is its Sponsor Department, the Cabinet Office.

Accounting convention

The accounts are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are valued at the lower of depreciated replacement cost and recoverable amount. Depreciated historical cost is used as a proxy for depreciated replacement cost as there is considered to be no significant difference between depreciated historical cost and replacement cost. Costs of acquisition comprising only those costs directly attributable to bringing the asset into working condition for its intended use are capitalised. Expenditure on the acquisition of tangible fixed assets is capitalised where these costs exceed £2,500 or where an asset forms part of a larger group that in total is more than £2,500.

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.

Depreciation

Tangible fixed assets are depreciated on a straight line basis in order to write off the value of the asset over its expected useful life, as follows:

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

Depreciation is calculated on a monthly basis and is charged from the month the asset is brought into use.

Operating leases

Operating lease rentals are charged to the Income and Expenditure account over the period of the lease.

Notional Cost of Capital

In accordance with FRoM, which requires NDPBs to disclose the full cost of their activities, a non cash capital charge, reflecting the cost of capital is included in the Income and Expenditure account. The charge is calculated at the Government's standard rate of 3.5 per cent in real terms on total assets less liabilities.

Grant-in-Aid

As a Non Departmental Public Body, Grant-in-Aid for revenue purposes is treated as financing from the Sponsor Department, the Cabinet Office. This is credited to the general reserve. 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 on impairment.

Value Added Tax

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

Financial instruments

The Financial instruments of the Commission comprise:

- Financial assets: other debtors and cash and cash equivalents
- Financial liabilities: trade and other creditors.

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

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

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

Notes to the accounts

For the year ended 31 March 2009

(continued...)

Provisions

The Commission makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

Pensions

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

2 Grant-in-Aid receipts

Funding from the Sponsor Department, the Cabinet Office, is received as Grant-in-Aid income. Funding received for revenue purposes is to be treated as financing and credited to the general reserve. Funding received for capital purposes is to be credited to the deferred income creditor. A summary of Grant-in-Aid received is as follows:

| | 2008-09 | 2007-08 |
|---|------------------|------------------|
| | £s | £s |
| Receipt of Grant-in-Aid revenue financing | 1,700,000 | 1,055,000 |
| Receipt of Grant-in-Aid Capital financing | 100,000 | 75,000 |
| Total | 1,800,000 | 1,130,000 |

3 Staff costs

| a. The total administrative staff costs | 2008-09 | 2007-08 |
|---|----------------|----------------|
| | £s | £s |
| Salaries and benefits | 476,192 | 429,823 |
| Social security costs | 49,553 | 32,018 |
| Pension contributions | 60,813 | 28,475 |
| Total | 586,558 | 490,316 |

Information in respect of individual Board Members is provided in the Remuneration Report on pages 28 to 29. Further information on pensions is included in note 3d.

Included within salaries and benefits and pension contributions are £3,046 (2007-08 £nil) and £706 (2007-08 £nil) respectively paid to the Cabinet Office for making available the services of a director.

| b. Directors' emoluments | 2008-09 | 2007-08 |
|----------------------------------|----------------|---------------|
| | £s | £s |
| Emoluments | 105,454 | 46,525 |
| Contributions to pension schemes | 13,936 | 8,174 |
| Total | 119,390 | 54,699 |

| c. Number of employed staff | 2008-09 | 2007-08 |
|--|-----------|-----------|
| Administration staff – on company payroll | 15 | 10 |
| Administration staff – seconded from other organisations | 0 | 1 |
| Total | 15 | 11 |

The above excludes non-executive directors.

d. Pension costs

Commission employees are eligible to join the Group Stakeholder Pension scheme. This is a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The Commission also matches any employee contributions up to 3% of pensionable pay.

Notes to the accounts

For the year ended 31 March 2009

(continued...)

4 Administration (Other Costs)

| | 2008-09 | 2007-08 |
|---|------------------|----------------|
| | £s | £s |
| Other staff related costs | 90,941 | 73,930 |
| Travel and subsistence | 73,451 | 34,281 |
| Premises | 150,861 | 167,687 |
| ICT | 339,859 | 42,150 |
| General running costs | 214,323 | 60,223 |
| Legal fees | 9,043 | 18,104 |
| Fees payable to external auditor for audit of Annual Accounts | 14,375 | 5,757 |
| Fees payable to external auditor for audit of IFRS Accounts | 2,128 | 0 |
| Non audit fees for IFRS preparation | 5,750 | 0 |
| Internal audit fees | 7,235 | 0 |
| Consultancy fees | 22,181 | 0 |
| Professional fees | 7,375 | 2,350 |
| Contract and service costs | 273,120 | 18,156 |
| Depreciation | 64,236 | 47,765 |
| Capital grant released | (34,383) | (21,707) |
| Donated asset reserve release | (26,059) | (26,058) |
| Total | 1,214,436 | 422,638 |

Payments made in the year relating to operating leases:

| | 2008-09 | 2007-08 |
|---------------------|---------|---------|
| | £s | £s |
| Plant and machinery | 1,494 | 851 |
| Property | 76,256 | 100,171 |

5 Depreciation,
impairment
and losses
on disposal

| Tangible Fixed Assets | | 2008-09 | 2007-08 |
|------------------------------------|-----------|---------------|---------------|
| | | £s | £s |
| Depreciation charge for the period | Donated | 26,058 | 26,058 |
| | Purchased | 38,178 | 21,707 |
| Total | | 64,236 | 47,765 |

6 Programme
(Other Costs)

| | | 2008-09 | 2007-08 |
|---|--|----------|--------------|
| | | £s | £s |
| Discretionary projects, private sector recipients | | 0 | 2,538 |
| Total | | 0 | 2,538 |

7 Interest

| | | 2008-09 | 2007-08 |
|-------------------------|--|----------|----------|
| | | £s | £s |
| Bank interest received | | 293 | 235 |
| Bank interest repaid | | (293) | (67) |
| Bank interest repayable | | 0 | (168) |
| Total | | 0 | 0 |

The Commission receives interest on its bank accounts but has to return the interest to the Cabinet Office. These funds are shown as a creditor until paid back to the Cabinet Office.

Notes to the accounts

For the year ended 31 March 2009

(continued...)

8 Cost of Capital

| | 2008-09 | 2007-08 |
|-----------------|--------------|--------------|
| | £s | £s |
| Cost of Capital | 3,113 | 2,441 |
| Total | 3,113 | 2,441 |

In accordance with FReM, NDPBs are required to disclose the full cost of their activities in their accounts. The Commission has included in its accounts 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. As an NDPB which 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.

9 Tax charge

| | 2008-09 | 2007-08 |
|--|-------------|----------|
| | £s | £s |
| Current tax | | |
| Deficit on ordinary activities before taxation 2008-09 | (1,804,107) | 0 |
| Deficit on activities not liable for corporation tax 2008-09 | 1,804,400 | 0 |
| Interest receivable liable for corporation tax 2008-09 | 293 | 0 |
| UK corporation tax based on results for the year at 21% | 62 | 0 |
| Previous year tax (not accounted for in 2007-08) | | |
| Deficit on ordinary activities before taxation 2007-08 | (917,933) | 0 |
| Deficit on activities not liable for corporation tax 2007-08 | 918,168 | 0 |
| Interest receivable liable for corporation tax 2007-08 | 235 | 0 |
| UK corporation tax based on results for the year at 20% | 47 | 0 |
| Total | 109 | 0 |

10 Operating lease commitments

As at 31 March the Commission had annual commitments under operating leases as follows:

| | 2008-09 | 2007-08 |
|-----------------------------------|---------------|---------------|
| | £s | £s |
| Between two and five years | | |
| Property | 76,256 | 76,256 |
| Other | 1,494 | 1,527 |
| Total | 77,750 | 77,783 |

11 Tangible Fixed assets

| | 2008-09 | | | |
|---|------------------------|----------------------|---------------------------|---------|
| | Information Technology | Furniture & Fittings | Assets under Construction | Total |
| | £s | £s | £s | £s |
| Cost or valuation as at 1 April 2008 | 65,120 | 130,293 | 29,470 | 224,883 |
| reclassification to Information Technology on bringing into use | 29,470 | 0 | (29,470) | 0 |
| additions | 82,053 | 9,687 | | 91,740 |
| As at 31 March 2009 | 176,643 | 139,980 | 0 | 316,623 |
| Depreciation as at 1 April 2008 | 21,707 | 26,058 | 0 | 47,765 |
| charge in year | 37,597 | 26,639 | 0 | 64,236 |
| As at 31 March 2009 | 59,304 | 52,697 | 0 | 112,001 |
| Net book value as at 31 March 2009 | 117,339 | 87,283 | 0 | 204,622 |
| Net book value as at 31 March 2008 | 43,413 | 104,235 | 29,470 | 177,118 |

Tangible fixed assets include donated assets at original cost of £130,293 at 31 March 2008 and 31 March 2009. The net book value of these donated assets at 31 March 2009 was £78,177 (31 March 2008 £104,235).

Additions in the year include irrecoverable VAT.

Notes to the accounts

For the year ended 31 March 2009

(continued...)

12 Debtors

| | 2008-09 | 2007-08 |
|---------------------|--------------|--------------|
| | £s | £s |
| Due within one year | | |
| Other debtors | 2,588 | 0 |
| Prepayments | 2,244 | 2,354 |
| Total | 4,832 | 2,354 |

Other debtors were within 30 days, not overdue and no provision has been made for credit losses. Other debtors pertained to a single transaction with Capacitybuilders (UK) Limited. Refer to Note 24.

13 Cash at bank and in hand

| | 2008-09 | 2007-08 |
|--------------|----------------|----------------|
| | £s | £s |
| Cash at bank | 202,663 | 209,681 |
| Petty cash | 0 | 0 |
| Total | 202,663 | 209,681 |

14 Creditors

| | 2008-09 | 2007-08 |
|--|------------------|------------------|
| | £s | £s |
| Amounts falling due within one year | | |
| Trade creditors | (3,554) | (31,794) |
| Corporation tax | (109) | 0 |
| Other taxation and social security costs | (16,814) | (10,082) |
| Other creditors | (9,916) | 0 |
| Interest repayable | 0 | (168) |
| Accruals | (146,233) | (50,073) |
| | (176,626) | (92,117) |
| Amounts falling due after one year | | |
| Deferred income | (118,910) | (53,293) |
| | (118,910) | (53,293) |
| Total creditors | (295,536) | (145,410) |

15 Capital commitments

There are no amounts committed and contracted for in respect of capital expenditure as at 31 March 2009.

16 Contingent liabilities

There are no material contingent liabilities as at 31 March 2009.

17 Deferred income

| | 2008-09 | 2007-08 |
|--|----------------|---------------|
| | £s | £s |
| Opening balance | 53,293 | 0 |
| Capital grant received in period | 100,000 | 75,000 |
| Capital grant released to Income and Expenditure Account | (34,383) | (21,707) |
| Capital grant remaining | 118,910 | 53,293 |

18 Reserves

| | 2008-09 | 2007-08 |
|---|----------------|----------------|
| | £s | £s |
| General reserves | | |
| Opening balance | 139,508 | 0 |
| Grant-in-Aid revenue receipt | 1,700,000 | 1,055,000 |
| Deficit for the period | (1,801,103) | (915,492) |
| Total | 38,405 | 139,508 |
| Donated asset reserve | | |
| Opening balance | 104,235 | 0 |
| Donated asset receipt | 0 | 130,293 |
| Release to Income and Expenditure Account | (26,059) | (26,058) |
| Total | 78,176 | 104,235 |
| Total reserves | 116,581 | 243,743 |

Notes to the accounts

For the year ended 31 March 2009

(continued...)

| | | | |
|--|------------------------------------|-----------|---------|
| 19 Reconciliation of movement in funds | | 2008-09 | 2007-08 |
| | | £s | £s |
| | Opening balance of funds | 243,743 | 0 |
| | Movement in general reserves | (101,103) | 139,508 |
| | Movement in donated asset reserves | (26,059) | 104,235 |
| Closing balance of funds | 116,581 | 243,743 | |

| | | | |
|--|---|-------------|-----------|
| 20 Reconciliation of operating deficit to net cashflow from operating activities | | 2008-09 | 2007-08 |
| | | £s | £s |
| | Operating deficit before interest and tax | (1,800,994) | (915,492) |
| | Depreciation | 38,177 | 21,707 |
| | Increase in debtors | (2,478) | (2,354) |
| | Increase in creditors | 150,017 | 145,410 |
| Net cash outflow from operating activities | (1,615,278) | (750,729) | |

| | | | |
|--|-------------------------------|---------|---------|
| 21 Reconciliation of net cashflow to movement in cash balance held | | 2008-09 | 2007-08 |
| | | £s | £s |
| | Net cash (outflow)/inflow | (7,018) | 209,681 |
| | Movement in cash balance held | (7,018) | 209,681 |

| | | | | |
|--|--------------------------|--------------------|----------|---------------------|
| 22 Analysis of changes in net funds held | | As at 1 April 2008 | Cashflow | As at 31 March 2009 |
| | | | £s | £s |
| | Cash at bank and in hand | 209,681 | (7,018) | 202,663 |

23 Financial instruments

The Commission is an NDPB that is wholly funded by the Cabinet Office through Grant-in-Aid.

It is not the policy of the Commission and it does not actually hold financial instruments for the purpose of financing, risk management or hedging, or trading or speculation. All material assets and liabilities are denominated in sterling.

The Commission receives interest on cash at bank only, at variable rate of interest and is therefore not exposed to interest rate risk.

It is also the Commission's policy to pay creditors within 10 working days.

There is no material difference between the carrying value of the Commission's financial assets and liabilities and their fair values.

The Commission is not exposed to significant market risk; no sensitivity analysis has therefore been prepared.

The Commission considers that its capital comprises general reserves only. The Commission receives Resource Grant-in-Aid which is credited to general reserves and aims to drawdown such Grant-in-Aid facilities so as to match as far as possible, expenditure needs.

24 Related party transactions

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

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

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

25 Losses and special payments

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

Further information

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the Compact website at:
www.thecompact.org.uk

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Majesty's Stationery Office
ID 6152418 07/09

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ISBN 978-0-10-296024-2

