

Home Office

Resource Accounts

2008-09

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2008-09

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ANNUAL REPORT

These accounts relate to the Home Office for the year ended 31 March 2009. The Home Office is the lead department responsible for policing and crime reduction, co-ordinating security and counter terrorism, borders and immigration, and identity and passports.

ANNUAL REVIEW

Principal Activities

The central headquarters of the Home Office set the framework of objectives, financial allocations, strategy and performance management for the key services for which the Home Secretary was responsible, along with providing common support services and driving delivery toward objectives. The Home Office group also comprised the public services of the UK Border Agency (UKBA). The Home Office also had responsibility for a number of smaller services, including the Identity and Passport Service, the Criminal Records Bureau and the Forensic Science Service, as well as lead responsibility for a number of Non-Departmental Public Bodies.

The Home Office relies on Parliamentary voted funding to finance its operations.

Aims and Objectives

The Home Office is the government department responsible for internal affairs in England and Wales. During 2008-09, the Home Office had responsibility for policing, crime reduction, counter terrorism, borders and immigration, identity and passports. Our stated purpose is "working together to protect the public". With our partners we tackle some of the most difficult problems in modern society while striking an appropriate balance between maintaining public safety and guarding individual freedoms.

Since February 2008, the Home Office has had one overarching objective and six strategic objectives. The overarching objective is:

- Help people feel secure in their homes and local communities

The six strategic objectives, against which performance during 2008-09 was measured, are set out below:

- Cut crime, especially violent, drug and alcohol related crime
- Lead visible, responsive and accountable policing
- Protect the public from terrorism
- Secure our borders and control immigration for the benefit of our country
- Safeguard identity and the privileges of citizenship
- Support the efficient and effective delivery of justice

Management

The Department is headed by a team of Ministers, supported by officials.

Ministers

The following Ministers were responsible for the Department during 2008-09:

Rt Hon Jacqui Smith MP	Secretary of State for the Home Department
Rt Hon Liam Byrne MP	Minister of State for Borders and Immigration (until 2 October 2008)
Alan Campbell MP	Parliamentary Under Secretary of State for Crime Reduction (from 6 October 2008)
Vernon Coaker MP	Minister of State for Security, Counter Terrorism, Crime and Policing (from 6 October 2008)
Meg Hillier MP*	Parliamentary Under Secretary of State for Identity
Rt Hon Tony McNulty MP	Minister of State for Security, Counter Terrorism, Crime and Policing (until 3 October 2008)
Lord West of Spithead	Parliamentary Under Secretary of State for Security and Counter Terrorism
Phil Woolas MP	Minister of State for Borders and Immigration (from 6 October 2008)

*On 20 March 2009, Meg Hillier MP commenced maternity leave and, from that date until 15 May 2009, her portfolio was covered by Shahid Malik MP, who was a Minister in the Ministry of Justice. Meg Hillier MP remains on the Home Office payroll and Shahid Malik MP stayed on the Ministry of Justice payroll. Full year costs have, therefore, been disclosed in these Resource Accounts for Meg Hillier MP, and full year costs for Shahid Malik MP have been disclosed in the 2008-09 Resource Accounts of the Ministry of Justice.

Officials

The Home Office Board has responsibility for leading the Home Office, including its Agencies, to ensure that it delivers on the aims set by Ministers, builds its capability for the future and maintains high standards of propriety. Officials serving on the Board during 2008-09 were:

Sir David Normington	Permanent Secretary
Yasmin Diamond	Director, Communications
Charles Farr	Director General, Office for Security and Counter Terrorism
James Hall	Chief Executive, Identity and Passport Service
Vic Hogg	Acting Director General, Crime Reduction and Community Safety Group (from 6 October 2008 until 27 February 2009)
Lin Homer	Chief Executive, UK Border Agency
Helen Kilpatrick	Director General, Financial and Commercial
Peter Makeham	Director General, Strategy and Reform
Stephen Rimmer	Director General, Crime Reduction and Community Safety Group (from 2 March 2009)
Moira Wallace	Director General, Crime Reduction and Community Safety Group (until 3 October 2008)
Kevin White	Director General, Human Resources

Non-Executive Directors

Derrick Anderson	Chief Executive of Lambeth Borough Council (until 31 December 2008)
John Heywood	Formerly Senior Partner and CEO of Price Waterhouse Coopers Eastern Europe

Appointment of Senior Officials

The Permanent Head of the Department was appointed by the then Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial Head of the Department. Other members of the Departmental Board were appointed by the Permanent Secretary. These appointments are for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

Ministers' and Board Members' Remuneration

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991.

The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee. The Committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995 (Hansard, cols 245-247).

The pay of the Management Board is determined by the Permanent Secretary in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code.

Further details on remuneration are set out in the Remuneration Report beginning on page 21.

Departmental Report

The Home Office Departmental Report for 2008-09 was published in June 2009. The report covers the Home Office strategic objectives, main activities, performance against Public Service Agreement (PSA) targets in 2008-09 and expenditure plans for 2009-10 and 2010-11. The report presents the targets that the Home Office is solely responsible for delivering and those targets that are jointly owned with other departments, such as the Ministry of Justice and the Attorney General's Office. The report is available from The Stationery Office or from the Home Office website at www.homeoffice.gov.uk/documents/ho-annual-report-09.

Entities Consolidated

The Home Office departmental accounting boundary encompassed the central government department and two Executive Agencies. Included within the central government department is the UK Border Agency (UKBA) which operated as a shadow Executive Agency during 2008-09. The UKBA became a formal Executive Agency of the Home Office on 1 April 2009.

The two formal Executive Agencies during 2008-09 were the Identity and Passport Service and the Criminal Records Bureau. The accounts of these entities form part of the Home Office's consolidated financial statements.

Identity and Passport Service (IPS)

IPS was formed on 1 April 2006 with the merging of the UK Passport Service and the Home Office Identity Cards Programme. Its mission is to safeguard identity, which is delivered within the objectives of delivering excellent customer service in passport production, providing a highly secure document, and developing the National Identity Scheme (NIS) for delivering identity cards for UK citizens. On 1 April 2008, the General Register Office, formerly of the Office for National Statistics, merged with the Identity and Passport Service. IPS is now responsible for the process by which births, deaths and marriages are registered. The new function strengthens the IPS's focus on safeguarding personal identity.

Criminal Records Bureau (CRB)

CRB helps protect children and other vulnerable people through safer recruitment by making information from police records and other data sources more readily available to employers, ensuring greater consistency of vetting.

Forensic Science Service Ltd (FSS)

FSS is principally responsible for supplying scientific support for criminal investigations and for providing expert evidence to the courts. FSS is a government owned company, having previously been a Government Trading Fund. FSS is treated as an investment on the Home Office Balance Sheet.

Entities not consolidated

Public bodies for which the Home Office had lead policy responsibility during 2008-09 within government, but which are outside of the consolidation boundary for accounting purposes, are set out below. Non-Departmental Public Bodies (NDPBs) are reflected in the Home Office accounts by the inclusion of funds paid to them as grants or expenses and by the reflection of any control issues in the Home Office's Statement on Internal Control. The Executive NDPBs publish their own Annual Reports and Accounts which can be obtained from The Stationery Office or the relevant body.

Non-Departmental Public Bodies (NDPBs)

Executive NDPBs: typically established in statute and carrying out executive, administrative, regulatory and/or commercial functions.

Independent Police Complaints Commission
Independent Safeguarding Authority
National Policing Improvement Agency
Office of the Immigration Services Commissioner
Security Industry Authority
Serious and Organised Crime Agency

Advisory NDPBs: provide independent, expert advice to Ministers on a wide range of issues.

Advisory Board on Naturalisation and Integration
Advisory Council on the Misuse of Drugs
Animal Procedures Committee
Migration Advisory Committee
National DNA Database Ethics Board
Police Advisory Board for England and Wales
Police Negotiating Board
Technical Advisory Body
UKBA Complaints Audit Committee

Tribunal NDPBs: have jurisdiction in a specialised field of law.

Investigatory Powers Tribunal
Office of Surveillance Commissioners
Police Appeals Tribunal
Police Arbitration Tribunal

Independent Monitoring Boards: of Immigration Removal Centres and Immigration Holding Rooms. These are independent “watchdogs” of the detention system. Their duty is to satisfy themselves as to the state of certain immigration premises, their administration and the treatment of detainees.

OPERATING AND FINANCIAL REVIEW

Operating Review

The Home Office Departmental Report summarises the key activities and achievements of the Home Office over 2008-09 – year one of the Department’s 3-year “Working Together to Protect the Public” strategy. This is a short summary and the full document can be found at www.homeoffice.gov.uk/documents/ho-annual-report-09

2008-09 was the first year of our new Public Service Agreements (PSAs), with the Home Office in the lead for the delivery of four which run to 2010-11 and are listed below:

PSA 3: ensuring controlled and fair migration that protects the public and contributes to economic growth;

PSA 23: making communities safer;

PSA 25: reducing the harm caused by drugs and alcohol; and

PSA 26: reducing the risk to the UK and its interests overseas from international terrorism.

While the Ministry of Justice has the overall responsibility for the delivery of PSA 24: delivering a more effective, transparent and responsive Criminal Justice System for victims and the public, it is led jointly with the Crown Prosecution Service and the Home Office.

The Report highlights the action that the Department has taken, working in close collaboration with our partners and other government departments to deliver on our PSAs and the Department’s Strategic Objectives (DSOs). It also sets out the priorities for the Department over the year ahead.

Help people feel secure in their homes and local communities

The overarching strategic objective of the Home Office is to help people feel secure in their homes and local communities and it underpins and supports all elements of Home Office business. In order to ensure people have the security and confidence they need to go about their daily lives, we are focused on delivering the following objectives:

- cut crime, especially violent, drug and alcohol related crime;
- lead visible, responsive and accountable policing;
- protect the public from terrorism;
- secure our borders and control migration for the benefit of our country;
- safeguard people’s identity and the privileges of citizenship; and
- support the efficient and effective delivery of justice.

As a department we continue to work closely with our partners to ensure that the services we provide make a real, practical difference and are responsive to the needs of communities.

Cut crime, especially violent, drug and alcohol-related crime

We work closely with local partnerships to ensure that local crime priorities are identified and efforts are focused on delivering those priorities - whether anti-social behaviour, women's safety, violent crime, burglary or drug and alcohol related crime. Furthermore, we have worked to ensure that local people are consulted fully about their crime priorities, and local crime maps - provided jointly by the police and the Home Office - provide the public with a clear view of the incidents of crime in their area.

In addition, although the problems of guns, gangs and knives affect a comparatively small number of people, they cause more widespread concern. In response, we have delivered and will continue to deliver, successful programmes to tackle guns, gangs and knives.

Lead visible, responsive and accountable policing

The police play a vital role in ensuring the safety and security of the communities in which we live, and building public confidence has been at the heart of all of the Department's work in this area. We launched a key public service reform in the shape of the Policing Green Paper in June 2008: *From the neighbourhood to the national: policing our communities together*. Included in the paper is the new "Policing Pledge", which all forces have signed up to, aimed at increasing public confidence in policing by setting out the minimum level of service that the public can expect from the police.

We have made cuts in unnecessary bureaucracy, enabling officers to focus more time delivering front-line services. We have also replaced police targets with a single top-down target on public confidence. This will allow us to ensure that the police are fully responsive to public needs and means that the public can hold the police to account for, and have a real say on, the issues that matter most to their communities.

Protecting the public from terrorism

The Home Office, through the Office for Security and Counter Terrorism (OSCT), has the lead for developing and co-ordinating the Government's cross-departmental strategy for counter terrorism, CONTEST; a revised CONTEST strategy was published in March 2009.

Through the work done by OSCT and its delivery partners, we seek to pursue terrorists with the variety of legal means at our disposal, to prevent people becoming or supporting violent extremists, to protect people and places at risk of becoming terrorist targets, and to prepare for an attack should one take place.

Securing our border and controlling migration for the benefit of the country

In April 2009, the UK Border Agency (UKBA) moved to full Agency status, bringing together staff from the Border and Immigration Agency and UK Visas as a single organisation, working with staff from HM Revenue and Customs, to protect the public by delivering a stronger border and to control migration.

Since UKBA was first established as a shadow agency in April 2008, we have strengthened the UK border. We have made it harder for illegal immigrants and criminals to get into the UK through the introduction of fingerprinting for visa applicants overseas and introduced a single border force with police-like powers, resulting in the interception of significant quantities of drugs and weapons coming to the UK. We have also strengthened control of migration through counting foreign nationals in and out of the country, carrying out enhanced watch-list checks for high risk journeys and introducing the Points Based System for non-EEA migrants. Additionally, we have introduced ID cards for foreign nationals, introduced civil penalties for rogue employers and deported a record number of foreign national prisoners.

Safeguarding people's identity and the privileges of citizenship

The Identity and Passport Service (IPS) is responsible for safeguarding the public's identity by issuing secure biometric passports, developing and implementing the National Identity Scheme (NIS) and modernising the civil registration service.

Through IPS we continue to provide a high quality passport service focusing on excellence in customer service whilst ensuring the highest integrity document, all delivered with the best possible value for money. In 2008 we launched the National Identity Service, which saw IPS working in collaboration with the UK Border Agency to successfully deliver the introduction of identity cards for foreign nationals.

Supporting the effective and efficient delivery of justice

Building on the previous success of the Home Office, Ministry of Justice and Crown Prosecution Service in raising the number of offences brought to justice, a new focus has been introduced on efficiency and effectiveness, particularly in dealing with serious crime with a more effective and proportionate response to local crime and disorder priorities.

Public confidence and improving victims and witness satisfaction are key priorities for the Department and its partners within the Criminal Justice System (CJS) and these have been reflected in our approach to delivering on PSA (24) and in our response to the Casey Review. The Neighbourhood Crime and Justice Group (NCJG) has been established within the Home Office in order to help drive delivery of the Casey Review recommendations. NCJG is leading the *Justice seen, justice done* campaign and is introducing Community Crime Fighters across the country among other measures.

In the course of 2009-10, we will:

- continue to put the impact we have at local level at the heart of everything we do – tackling the crimes that matter most to the public including addressing violence against women, knife crime and anti-social behaviour;
- continue to focus on the delivery of our PSAs and on the confidence agenda. We will continue to work in partnership with our Non-Departmental Public Bodies (NDPBs) and agencies to deliver our strategies, our commitments in the Policing Green Paper and our major programmes;
- move forward our work on counter terrorism in line with the key principles set out in the refreshed CONTEST strategy;
- continue to build on our planning work for the Olympic Games. With our partners we are aiming to achieve a Games that everyone can share in and celebrate safely;
- continue to work to maintain the right balance between security and privacy, recognising that surveillance is a vital component in ensuring that this country remains secure;
- continue to build public confidence on migration by continuing to focus on practical ways of delivering a firm, fair system that serves the best interests of this country;
- continue to work on the delivery of the NIS scheme which includes delivery of the first phase of identity cards to airside workers to evaluate the experience and consider how the process can be further developed for future phases; and
- continue to focus on supporting Local Criminal Justice Boards (LCJBs) working with local partners and communities to deliver a more effective, transparent and responsive Criminal Justice System for victims and the public.

Measuring Performance

It is the public that will be the judge of our success in meeting our overarching objective: *to help people feel secure in their homes and local communities*. We are committed to delivering our objectives and making a real impact on front-line services. We have set confidence targets for policing and the criminal justice system as a whole to ensure that driving confidence is at the heart of everything we do.

We are measured and are accountable for the delivery of the PSAs we lead on. The table below summarises the progress that we are making in meeting these PSAs. As this is the first year of the delivery of this set of PSAs, a full data set is not yet available against all indicators and, therefore, an overall assessment cannot be made in all cases. We expect a fuller assessment to be available in the next Autumn Performance Report.

PSA		PROGRESS
PSA3	Ensure controlled, fair migration that protects the public and contributes to economic growth.	<p>Overall: Strong progress</p> <p>Deliver robust identity management systems at the UK border: Not yet assessed</p> <p>Reduce the time to conclusion for asylum applications: Improvement</p> <p>Increase the number of enforced removals and voluntary departures year-on-year: Improvement</p> <p>Increase the proportion of 'higher harm' enforced removals and voluntary departures: Improvement</p> <p>By effective management of migration, reduce vacancies in shortage occupations: Not yet assessed</p>
PSA23	Make communities safer.	<p>Overall: Not yet assessed</p> <p>All recorded violence with injury: Not yet assessed</p> <p>Level of serious acquisitive crimes in local areas when compared to peers: Not yet assessed</p> <p>Public confidence in local agencies involved in tackling crime and anti-social behaviour: Not yet assessed</p> <p>Percentage of people perceiving anti-social behaviour as a problem: Not yet assessed</p> <p>Level of proven re-offending by young and adult offenders: Improvement</p> <p>Level of serious re-offending: Improvement</p>
PSA25	Reduce the harm caused by alcohol and drugs.	<p>Overall: Not yet assessed</p> <p>Percentage change in the number of drug users recorded as being in effective treatment: Improvement</p> <p>Rate of hospital admissions per 100,000 for alcohol related harm: Improvement</p> <p>Rate of drug related offending: Not yet assessed</p> <p>Percentage of the public who perceive drug use or dealing to be a problem in their area: Not yet assessed</p> <p>Percentage of the public who perceive drunk and rowdy behaviour to be a problem in their area: Not yet assessed</p>
PSA26:	Reduce the risk to the UK and its interests overseas from international terrorism.	Overall: Classified

Reform

We set out our plans for reforming the Home Office in July 2006, and have since then made substantial progress in tackling the weaknesses and failings for which we were publicly criticised.

In June 2008, the Home Office underwent its second Capability Review. It was recognised just how much progress the Department has made since 2006. In particular, the report acknowledged:

- the leadership provided by the Permanent Secretary and Board;
- our development of strong leaders at Senior Civil Service (SCS) level;
- the direction provided by our new strategy;
- our strong focus on outcomes and the way we met our delivery targets; and
- our action to address weaknesses in our systems, processes and capabilities.

The Review also recognised that there is still room for improvement in some areas, such as improving leadership below SCS level and developing the skills of our staff. To address these issues, we have identified four priorities going forward.

Our first priority is to convert the passion, pace and pride visible in the senior team into greater energy and enthusiasm throughout the organisation. Second, we will deliver our People Strategy, set out in *High motivation, high performance, high achievement*, published in May 2008, which shows our determination to improve the capability of our staff in the areas of management and leadership, skills, performance and working in partnership. Third, we will put the Home Office values visibly at the heart of our work:

Home Office values:

- we deliver for the public, through greater engagement with the public and the front line;
- we are professional and innovative. We will encourage innovation and streamline our internal processes;
- we work openly and collaboratively. We will follow through our programme to improve our relationships with stakeholders and partners, make more strategic use of volunteering and secondments, and develop our understanding of how we work with local delivery partnerships; and
- we treat everyone with respect. We will continue to engage our staff in the issues that affect them and develop a more systematic approach to celebrating success.

Fourth, we will continue the improvement of our systems and processes that began in 2006. This will involve embedding consistent business planning processes across the Department, continuing our use of the 'maturity model' for risk management, strengthening the use of evidence and analysis, and applying a consistent approach to policymaking.

Financial Review

The Home Office, like other government departments, needs to report its financial performance in a number of ways. These are identified below:

Resource Estimate (Estimates Boundary)

This is a statement presented by HM Treasury to the House of Commons in which the Home Office seeks approval for its estimated spending for the coming financial year. The Estimate summarises both the resources and the cash required for the year and the Home Office actual outturns against these Estimates are reported in the Statement of Parliamentary Supply. This is a statement which only applies to central government and has no equivalent statement in UK GAAP (Generally Accepted Accounting Practice) based accounts.

Resource Accounts (Accounting Boundary)

These are prepared annually and present the financial results of the Home Office. These accounts are prepared on the basis of UK GAAP and the Government Financial Reporting Manual (FRM). The Operating Cost Statement, Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement have been adapted for central government from their commercial equivalents. The accounting boundary includes the financial results for the Home Office plus its Agencies. The Resource Accounts only

include the Grant in Aid paid to the NDPBs sponsored by the Home Office. The financial performance and assets and liabilities of the NDPBs are not consolidated within these accounts.

Resource Budgeting (Budgeting Boundary)

Resource budgeting involves using resource accounting information as the basis for planning and controlling public expenditure. It introduces concepts such as capital consumption and requires the Home Office to match costs to the period in which the economic activity takes place. HM Treasury controls Home Office spending through the use of Departmental Expenditure Limits (DEL) and controls capital spending separately from resource spending. This is the basis on which HM Treasury controls (and the Home Office manages) spending in-year, and includes the full resource and capital DEL spending of the Home Office as opposed to the Grant in Aid provided by the Home Office to finance the activities of NDPBs.

Financial reporting in the Departmental Annual Report and other documents published by the Home Office reported on the resource consumption of those bodies which are included within the budgeting boundaries (i.e. includes the full resource and capital consumption of the Home Office sponsored NDPBs). This is to ensure that the costs of those bodies involved in delivering the performance reported in PSA targets are matched against the delivery reported against the appropriate PSA target. In this respect they will differ from those amounts reported in the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives.

Funding

The Home Office is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The Department draws down voted funds in year from the Consolidated Fund as required.

The Estimates are structured by 'Requests for Resources' (RfR) and include a formal description ('ambit') of the services to be financed under each RfR. Voted money cannot be used to finance services that do not fall within the ambit of the RfR. The Home Office has one RfR which covers all of its activities.

Outturn

The Summary of Resources Outturn, which is the main parliamentary control schedule, reports the outturn against Estimate (the Estimates Boundary) for each RfR. Additional detailed actual spending during 2008-09 against Estimate sub-heads is reported in the Analysis of Net Resource Outturn by Section. Estimates for each sub-heading are finalised in the Spring Supplementary Estimate with work to formulate these numbers taking place in December each year. It is possible that spending decisions taken in the last quarter of the financial year can result in monies being transferred from one delegated budget to another within individual Strategic Objectives. These changes cannot, however, be reflected in individual Estimate sub-heads and are dealt with after the year end by agreement with HM Treasury to vire monies between sub-heads.

Excess Vote

The outcome of the Judicial Review on the backdating of the new commutation rates for lump sum pension payments resulted in an excess vote of £79m against the 2008-09 Estimate. Backdating to December 2006, rather than October 2007, required the Home Office to create a provision for costs of £130m in 2008-09. The Home Office could not take Supply Estimates provision before the judgment as that would have suggested that the Home Office expected to lose. And it was too late to do so after the JR announcement on 17 March and the passage of the possible appeal date on 31 March.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	<u>2008-09</u>	<u>2007-08</u>
	<u>Outturn</u>	<u>Outturn</u>
	<u>£000</u>	<u>£000</u>
Net Resource Outturn (Estimates)	10,221,560	9,423,817
<u>Adjustments to remove:</u>		
Adjustments to additionally include:		
Consolidated Fund Extra Receipts in the OCS:	(252,943)	(207,099)
Reduction in planned spend unable to be included in the Estimates	-	-
Net Operating Cost (Accounts)	<u>9,968,617</u>	<u>9,216,718</u>
<u>Adjustments to remove:</u>		
Capital grants to local authorities	(280,633)	(290,037)
Voted expenditure outside the budget	-	(32,879)
Loan Charges	(3,994)	(6,770)
Fine Refund to Carriers	(22)	(46)
<u>Adjustments to additionally include:</u>		
Other Consolidated Fund Extra Receipts	97,163	-
Resource consumption of Non-Departmental Public Bodies	(184,532)	100,282
Unallocated Resource Provision	-	-
Other adjustments	11,315	-
Resource Budget Outturn (Budget)	<u>9,607,914</u>	<u>8,987,268</u>
of which		
Departmental Expenditure Limits (DEL)	8,934,561	8,634,027
Annually Managed Expenditure (AME)	<u>673,353</u>	<u>353,241</u>
	<u>9,607,914</u>	<u>8,987,268</u>

Resource spend as reported in the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives, identifies amounts spent by Strategic Objective for both the current and previous year. The differences between the Estimate and Accounting boundaries are disclosed in Note 3 of the accounts.

Reporting performance against the Estimates, the Home Office over spent by £79.1m in 2008-09, as detailed in the Schedule of Parliamentary Supply. This reflects the net impact of the variances identified in Note 2 to the accounts.

The explanations for the variances have been summarised as per the Department's organisational structure rather than listed as per sub heads per Note 2. For the reporting year 2008-09, the Home Office had four Directorates:

- Crime Reduction and Community Safety Group (CRCSG);
- United Kingdom Border Agency (UKBA);
- Office for Security and Counter Terrorism (OSCT); and
- Central Services.

Explanation of Significant Variances Against Estimates

In accordance with HM Treasury's Financial Reporting Manual (FRM), explanations have been provided for significant variances from the Net Estimate for Resources, or where it is thought appropriate to provide additional disclosure.

Grouping directly related subheads, distinguished according to whether funding was expected to be spent within central or local government, the main factors at work are:

Core Department and Agencies:**Crime Reduction and Community Safety Group (CRCSG)**

£000	<u>Net</u> <u>Outturn</u>	<u>Net</u> <u>Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
A – Police	87,067	49,855	(37,212)	(75%)

The variance against the estimate reflects the realignment of £69m of expenditure relating to Recovered Assets Incentivisation payments from subhead J (Police Grants) to subhead A. These payments were originally included in the estimate as grants but are now considered part of police funding. The difference (£31,788k) is due to underspends on planned payments to the Forensic Science Service related to its pension scheme position, Police Special Grant activity, police projects and local accountability work.

£000	<u>Net</u> <u>Outturn</u>	<u>Net</u> <u>Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
B – Crime Reduction	80,161	73,620	(6,541)	(9%)

The outturn includes approximately £5m of expenditure made in respect of the Neighbourhood Crime and Justice Group which was managed outside of the Crime Reduction and Community Safety Group, which accounts for the bulk of the variance against the estimate.

£000	<u>Net</u> <u>Outturn</u>	<u>Net</u> <u>Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
E – Drugs	16,021	19,769	3,748	19%
K – Crime Reduction and Drugs Grants	227,033	195,757	(31,276)	(16%)
N – Area Based Grants	76,870	91,933	15,063	16%
	319,924	307,459	(12,465)	(4%)

The estimate for line N, Area Based Grants, was set on the basis of the inclusion of £19m of expenditure in relation to the Safer Stronger Communities Fund, for which the outturn has actually been reported against subhead K, Crime Reduction and Drugs Grants.

£000	<u>Net</u> <u>Outturn</u>	<u>Net</u> <u>Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
J – Police Grants	5,383,058	5,455,358	72,300	1%

The variance is due to the realignment of £69m of Recovered Assets Incentivisation funding from subhead J of the estimate to subhead A.

Annually Managed Expenditure

£000	<u>Net</u> <u>Outturn</u>	<u>Net</u> <u>Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
O – Police Superannuation (AME)	-	(6,100)	(6,100)	(100%)
P – Police Superannuation Grants (AME)	668,451	545,000	(123,451)	(23%)

The variance is due to the creation of a provision for the sum of £130m made in respect of payments to be made to Police Authorities in respect of their liability for a backdated increase in the commutation rates applying to police pension lump sums paid in period 1 December 2006 to 30 September 2007.

Office for Security and Counter Terrorism (OSCT)

£000	<u>Net outturn</u>	<u>Net Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
D – Office for Security and Counter Terrorism	176,320	256,215	79,895	31%

The main driver of this variance relates to expenditure on Chemical, Biological, Radiological, Nuclear and Explosive (CBRNE) projects which cover a range of initiatives. Many of these are being delivered over a number of years. Some elements of these projects had to be re-profiled since budgets were set.

United Kingdom Border Agency (UKBA)

£000	<u>Net Outturn</u>	<u>Net Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
F – UK Border Agency	1,277,791	1,031,397	(246,394)	(24%)
M – UK Border Agency Grants	196,153	381,265	185,112	49%
I – European Refugee Fund	1	1	-	-
	1,473,945	1,412,663	(61,282)	(4%)

The UKBA grant budget overstated the amount required in practice. The overall overspend relates to additional costs for Asylum support, a downturn in Visa applications income, and new provisions for dilapidation of buildings. This was funded through the Departmental Unallocated Provision (see below).

Central Services

£000	<u>Net Outturn</u>	<u>Net Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
H – Central Services	251,594	277,775	26,181	9%

The Departmental Unallocated Provision was drawn down in the Spring Supplementary Estimate and placed in the Central Services budget. The utilisation of the Departmental Unallocated Provision was a managed process, with some being allocated to UKBA (see above), with any unutilised retained within Central Services at year end.

Non Budget**Other Non Budget:**

£000	<u>Net Outturn</u>	<u>Net Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
T – Loan Charges	3,994	9,669	5,675	59%

Loan charges relate to outstanding loans taken out by Police Authorities prior to 1990 when capital schemes were financed entirely by local authorities' loans. The Home Office paid 20% of the principal and interest. The variance reflects fluctuations in interest rates and the rate at which principal is paid off.

Annually Managed Expenditure

£000	<u>Net Outturn</u>	<u>Net Estimate</u>	<u>Under/(Over)</u>	<u>Variance</u>
X – Impairments	4,902	4,000	(902)	(23%)

The downturn in the property market has resulted in the value of land and building assets reducing more than anticipated when the budget was set.

Cash Requirement

The overall cash requirement at 31 March 2009 was £241.6m lower than the full year estimate.

Contingent Liabilities

As required by the FReM, Note 32 also discloses the Department's contingent liabilities not required to be disclosed under FRS12, but included for parliamentary reporting and accountability purposes. The Department is taking steps to help minimise the risks of these contingent liabilities crystallising as part of its normal risk management processes.

Machinery of Government Changes

On 1 April 2008, the UK Border Agency was created as a shadow Executive Agency within the central Department, which combines the work of the former Border and Immigration Agency of the central Department and UK Visas from the Foreign and Commonwealth Office (FCO), and works with HM Revenue and Customs (HMRC) at the border. The UK Border Agency regulates the flow of people and goods into the UK, strengthening our borders before, on, and after entry. On 1 April 2008, UK Visas formally merged with the Home Office. The customs detection work of HMRC at the border is not due to formally merge into the UK Border Agency until some point during financial year 2009-10. The UK Border Agency operated as a shadow agency for the 2008-09 year, and became a formal Executive Agency of the Home Office on 1 April 2009. These accounts, therefore, show the UKBA, including UK Visas, as part of the core Department in 2008-09.

On 1 April 2008, the General Register Office, formerly of the Office for National Statistics, merged with the Identity and Passport Service. IPS is now responsible for the process by which births, deaths and marriages are registered. The new function strengthens the Identity and Passport Service's focus on safeguarding personal identity.

The 2007-08 comparatives of these accounts have, therefore, been restated to include UK Visas within the central Department, and the GRO within IPS.

Going Concern

The Balance Sheet as 31 March 2009 shows negative taxpayers' equity of £100.2m (restated 2007-08 negative £21.9m). This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be in the form of Supply, approved annually by Parliament, to meet the Department's net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specific year or retained in excess of that need. All unspent monies, including those derived from the Department's income, are surrendered to the Fund.

In common with other government departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Events Since the Year End

On 3 June 2009, the Rt Hon Jacqui Smith MP resigned as Home Secretary. On 5 June 2009, the Rt Hon Alan Johnson MP was appointed Home Secretary.

STATEMENT ON CORPORATE GOVERNANCE

The HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments (issued in July 2005) sets out good corporate governance practice that should be followed by central government departments. The Code sets out six underlying principles, each with specific supporting provisions.

The Code mandates the following areas of reporting:

- how the departmental Board operates, including its delegations and committees;
- which Board members the Board considers to be independent;
- the work of the Board's Audit Committee; and
- how the Department manages its relationships with arm's length bodies with which it operates, including NDPBs, public corporations and wholly or largely owned companies.

The Home Office complies with the main principles and provisions of the Code reflecting the continuing determination and desire of the Home Office and the Board to implement effectively current corporate governance good practice. The Home Office is also working on improving and refining the current position with the objective of maintaining an early adoption of corporate governance good practice.

In addition, the Code requires the reporting of those provisions where the recommended approach is not followed in its entirety.

Each area requiring mandatory reporting is discussed below.

The Home Office Board was responsible for the corporate leadership of the Department and was the key group through which Ministers were supported in the leadership and corporate governance of the Home Office. Chaired by Sir David Normington, the Permanent Secretary, it brings together the heads of business areas and corporate services. External scrutiny and support to the Board was provided by two independent non-executive directors.

The role of the Board is to provide the corporate leadership of the Home Office (including its Executive Agencies), supporting Ministers in:

- setting the overall strategic direction and priorities, with particular attention to issues which cut across individual directorates or groups;
- efficient and effective allocation and use of resources;
- driving performance and improvement, and effective delivery of priorities;
- assessing and managing risk;
- ensuring effective arrangements are in place to develop and deliver policy and services;
- leading public sector reform and change;
- developing the present and future leadership cadre;
- building the external reputation of the Home Office; and
- embedding Home Office values.

Audit Committee

The Audit Committee comprises five non-executive members and is chaired by John Heywood who is also a non-executive member of the Home Office Board. The other Committee members are: Mike Hawker, Sarah Blackburn, Bob Chilton and Peter Conway.

During the year the Committee sat six times. Members reviewed the comprehensiveness of assurances in meeting the Board and Accounting Officer's needs and assessed the reliability and integrity of these assurances.

They gave consideration to the:

- strategic processes for risk, control and governance and the content of the Statement on Internal Control;
- Department's Annual Resource Accounts and accounting policies;
- planned activity and results of both internal and external audit;

- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements;
- assurances on information handling including the status of implementation of recommendations made in the Hannigan Report; and
- the process within the Department for providing a level of assurance regarding value for money.

Following each meeting the Chair updates the Board on the work of the Committee and annually submits a report in respect of the Department's control framework, highlighting any issues which the Board should give attention to.

Risk Management

Risks are assessed, managed and reported at strategic, programme and project level. Over-arching threats to delivery by the Home Office are tracked and managed on a corporate risk register. The Home Office Board formally reviews this risk register on a quarterly basis as part of an integrated performance management report. In addition, Operating Reviews, chaired by the Permanent Secretary, monitor the performance and risks to the Home Office on a business by business basis. Operating Reviews are held on a risk based frequency which in general means monthly for the major businesses and quarterly for corporate functions.

Within Agencies, corporate risks are managed and reviewed by the appropriate Management Board, and escalated, where appropriate, to the Home Office's corporate risk register. Further information is provided in the Statement on Internal Control.

Information Assurance

The Home Office recognises the critical importance of information to enable us to protect the public. We take most seriously our responsibilities to protect sensitive data and have in place a range of measures for this purpose. Following the loss of data disks from HM Revenue and Customs and the subsequent publication in June 2008 of *Data handling procedures in government (the Hannigan Report)*, emphasis has been on strengthening the Department's capability in managing its information assets and improving its information asset risk management capability. As a result, the Department now has top-level information asset risk registers for key business areas and these registers are linked directly to the existing risk management system.

Notwithstanding all these activities, given the scale and range of our information handling and the number of delivery partners and staff through whom we deliver, there is a risk of incidents occurring. An increased focus on information assurance and the further measures we are taking are aimed at reducing the potential for incidents even further in future.

The tables below provide details of personal data related incidents.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE (ICO) IN 2008/09

Date of incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
May 2008	Unauthorised disclosure of paper document containing the personal details of sponsors of visa applicants.	Names, addresses, telephone numbers, nationalities and visa application numbers.	67	As the incident was contained, the individuals were not notified.
Further action on information risk	Immediately after being informed of the incident, staff were reminded of their obligations under the Data Protection Act (DPA) and the importance of adhering to these. Staff are aware that failure to comply with guidance could lead to the instigation of disciplinary procedures. Steps over the coming year include further training and guidance for staff, to include mandatory e-learning training to help raise awareness of protecting information.			
August 2008	USB stick lost at PA Consulting containing Police National Computer (PNC) data and Prisoner data.	PNC and Prisoner data. Personal details.	377,000	Incident was fully investigated, ensuring ICO was fully informed of the investigation. A full report was submitted to the ICO on completion of the investigation.
Further action on information risk	Following an investigation, a member of PA Consulting was dismissed and the contract with PA Consulting terminated. A full review of the system and procedures was also carried out and recommendations made.			
The Department will continue to monitor and assess its information risk in the light of these events, in order to identify and address any weaknesses and ensure continuous improvement of its systems.				

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA INCIDENTS IN 2008/09

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	4
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	4

III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	3
IV	Unauthorised disclosure.	4
V	Other.	5

PUBLIC INTEREST AND OTHER

Employment of Disabled Persons Policy

The Home Office is committed to the employment and career development of disabled people and is a holder of the Jobcentre Plus 'Positive about disabled people' Two Tick symbol. The symbol is a recognition given by Jobcentre Plus to employers who can demonstrate they are serious about achieving equality of opportunity for disabled people. The Department has been a symbol holder since its inception.

Disability is not regarded as a bar to recruitment or promotion and selection is based upon the ability of the individual to do the job. The Department is committed to ensuring that disabled staff have access to the same opportunities as other staff, not only when they first join the Department but all stages in their career.

The Department operates the Guaranteed Interview Scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. Once in post, disabled staff are provided with any reasonable support they might need to carry out their duties.

Currently three per cent of staff working within the consolidated Department have declared some form of disability, although the number of disabled members of staff is likely to be higher. Staff are encouraged to record their disability on their personnel files. By doing so the Department is better placed to meet any necessary reasonable adjustments.

Equal Opportunities

The Home Office is an equal opportunities employer. Policies are in place to guard against discrimination and to ensure that there are no unfair or unlawful discriminatory barriers to employment and advancement in the Department.

The Cabinet Office is responsible for developing, formulating and promulgating equal opportunity policies for the Civil Service as a whole, but operational responsibility lies with the Home Office. The Home Office has an Equal Opportunities team, which is responsible for developing equal opportunities policies and liaising with the Cabinet Office and other government departments.

The Department's equal opportunities policy states that there shall be no discrimination against staff on grounds of ethnic origin, religious belief, gender, sexual orientation, disability or any other irrelevant factor. Employment and promotion are based solely on merit. Staff who have alternative working patterns are assessed on exactly the same basis as those working traditional hours. The Home Office continues to work to ensure that equal opportunities are brought into the mainstream of Home Office personnel policies.

In May 2007 a three year diversity strategy for the Home Office and its agencies was published. The strategy sets out commitments and plans for delivering diversity in all areas of Home Office business.

The strategy has five aims:

- managers at all levels demonstrate effective leadership on equality and diversity;
- the potential of under represented groups is developed to create a representative workforce at all levels;
- a working environment where staff respect and value each other's diversity;
- effective Home Office implementation of statutory obligations on equality and diversity; and
- services are delivered in a way that promotes equality and respects diversity.

Provision of Information to and Consultation with Employees

The Home Office has in place a consultative framework, known as the Whitley system, for engaging workforce representatives. There are four recognised Trade Unions and facility time is provided to allow employee representatives to take part in industrial relations duties. Alongside this, the Department has specific bodies for consulting minority groups – these include “The Network” covering members of staff from black and minority ethnic communities, “HODS” covering staff with disabilities and “Spectrum” covering lesbian, gay, bisexual, and transgender members of staff. The Department provides resources for these and other representative bodies.

In addition, the Department has a variety of communication channels in place to deliver information on organisation and business developments to staff, and to provide an opportunity for feedback. The channels used range from timely electronic communications to face-to-face briefings.

The Department gained Investors in People (IiP) accreditation in September 2000, retained accreditation in January 2004 following the three yearly review of performance against the standard and was re-assessed against the IiP Standard in January 2008. A departmental survey took place in November and December 2007 and the results were published in February 2008. The Home Office retained accreditation.

Environmental Policy

The Home Office remains committed to reducing its impact on the environment by improving the environmental performance of its estate. This policy is endorsed by Meg Hillier the Department's Sustainable Development Minister and Helen Kilpatrick the Sustainable Development Champion.

The Department continues to work towards achieving the cross-departmental Sustainable Operations on the Government Estate targets aimed at improving performance in: key areas of climate change and energy; sustainable consumption and production; and natural resource protection. Performance against the targets is assessed by a series of sustainability key performance indicators which are monitored on a quarterly basis. We intend to move to a corporate Environmental Management System for the office estate within the next year.

In addition, the Department is committed to a series of actions set out in its latest Sustainable Development Action Plan (SDAP), published in January 2008. The Plan is designed to ensure that the principles of sustainable development are integral to all that we do. The sustainable development action plan can be found at <http://www.homeoffice.gov.uk/documents/sustainable-dev-plan>.

Developed in consultation with stakeholders and linking into the Government's Sustainable Development Strategy, the Department's SDAP aims to identify actions in the long, medium and short terms. These actions are associated with our operational issues, human resources and the Department's key policies which have an impact on sustainable development (primarily reducing crime and the fear of crime).

Pension Scheme Liabilities

Employees in the core Department are primarily members of the Principal Civil Service Pension Scheme (PCSPS). This scheme is an unfunded multi-employer defined benefit scheme with benefits paid by the Cabinet Office as they fall due, secured against future tax yield. The Cabinet Office produces a separate annual PCSPS scheme statement. The Home Office pays contributions to meet the actuarially calculated cost of pensions and is responsible for certain costs associated with early retirements. These costs are charged to the Operating Cost Statement. The Home Office (in common with other departments) is unable to identify its share of the underlying PCSPS assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Civil servants may be in one of four defined benefit schemes; either a ‘final salary’ scheme (classic, premium or classic plus) which are now closed to new members, but which continue to take new contributions from existing members; or a ‘whole career’ scheme (nuvos). Nuvos has been available to new members since 30 July 2007. Since 1 October 2002, civil servants have also been able to opt for a good quality ‘money purchase’ stakeholder pension with a significant employer contribution (partnership pension account).

Ministers of the Home Office are members of the Ministerial Pension Scheme (MPS) which is a part of the Parliamentary Contributory Pension Fund (PCPF) and provides benefits on a ‘final salary’ basis. It is a funded scheme and is administered by the House of Commons Pensions Unit. These accounts include the

Home Office liabilities for undischarged contribution payments, and for the future costs of early retirement compensation payable to the PCSPS. They do not show the total pension liability in respect of employees or pensioners within the departmental boundary.

Staff absence due to sickness

The Home Office is committed to reducing sickness absence in the workplace and supporting the well-being of staff. The Department's procedures are designed to provide support to staff who are ill or who have a long-term disability. Home Office sickness absence management policy recognises that whilst a certain level of sickness absence is inevitable, this must also be balanced with the pursuit of business needs and action will be taken where attendance is not satisfactory. During 2008-09, the average number of days recorded as absent due to sickness per member of staff was 9 days.

Payment of Suppliers

The contractual terms and conditions of payment require that a supplier's invoice be paid within 30 days of acceptance of relevant goods and services, or the receipt of a valid invoice if that is later. The consolidated Home Office prompt payment record for the 12 months to 31 March 2009 was 85% (85% in 2007-08).

On 8 October 2008, the Prime Minister announced a new target that all government departments should aim to pay small and medium size enterprises (SMEs) within 10 working days of receipt of a valid invoice. Whilst this does not alter the contractual terms and conditions of payment, the Home Office is working toward meeting that target. The March 2009 prompt payment record on this measure in the core Home Office excluding UK Visas was 99%. Regular reporting of this measure across the consolidated Department does not commence until April 2009.

External Auditor

These financial statements have been prepared in accordance with the Government Resources and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General.

The notional NAO audit fee for 2008-09 core Department was £596k (which includes £46k for the cost of the audit of the IFRS restatement of the Balance Sheet at 31 March 2008) and consolidated £979k (restated 2007-08 core Department £600k, consolidated £948k). The full 2008-09 amount represents notional cost.

As required by Regulations made under Section 494 of the Companies Act 2006, no remuneration has been paid to the NAO during 2008-09 for any non-audit work.

In so far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditor is unaware. The Accounting Officer has quarterly meetings with the Head of Audit and Assurance and has taken all the steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the Comptroller and Auditor General is aware of that information.

REMUNERATION REPORT

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits; and
- the government's inflation target.

In making recommendations, the Review Body considers any factors that the Government and other witnesses may draw to its attention. In particular it has regard to:

- differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;
- changes in national pay systems, including flexibility and the reward of success, and job weight in differentiating the remuneration of particular posts;
- the need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and
- the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' recruitment code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated, the officials covered by this report hold appointments which are open-ended until they reach the normal retirement age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Independent non-executive members of the Home Office Board are recruited through fair and open competition. All non-executive members of the Board are appointed by the Permanent Secretary. Non-executive members of the Board are appointed for an initial period of three years with an option to extend for a further three years. These appointments can be terminated with one month's notice period.

Remuneration Committees

The Home Office Remuneration Committees determine the salaries paid to senior civil servants (SCS) within the Home Office. During 2008-09 the Committees comprised:

Pay Band 3 Remuneration Committee
David Normington (Chair), John Heywood
Pay Band 2 Remuneration Committee
David Normington (Chair), Kevin White, Helen Kilpatrick, Yasmin Diamond, Charles Farr, Stephen Rimmer, Lin Homer, James Hall, Peter Makeham and David Seymour
Pay Band 1 Remuneration Committee
David Normington (Chair), Kevin White, Helen Kilpatrick, Yasmin Diamond, Charles Farr, Stephen Rimmer, Lin Homer, James Hall, Peter Makeham and David Seymour

The assessment is based on performance groups. These groups (rated 1 to 4) directly affected the level of bonus given for performance in year. Having four performance groups allows the Department to differentiate performance amongst 65-70% of SCS who have traditionally fallen within the medium performer bracket.

Group 1 - Top 25% of performers – receive the highest bonus level of at least 10% of base salary.

Group 2 - Next 40% of performers – typically receive a bonus level of between 5-10% of base salary.

Group 3 - Next 25-30% of performers – do not receive a bonus (there may be some scope for exceptions).

Group 4 - Bottom 5-10% of performers – do not receive a bonus and have action taken to address under performance or ongoing poor performance, including the drawing up of a performance improvement plan.

Home Office Board members are eligible for bonus payments in accordance with the recommendations of the Senior Salaries Review Body. The bonus payments relating to the 2007-08 year were paid in September 2008 and the 2008-09 payments will be made in the 2009-10 year.

The salary disclosed for Officials for 2008-09 includes the payout of the 2007-08 bonus (paid out in September 2008), and the salary disclosed for 2007-08 prior year comparatives includes the payout of the 2006-07 bonus (paid out in September 2007). The total Home Office Board bonus pot for 2007-08 performance was £119,000 and that for 2008-09 performance (to be paid out in September 2009) was £100,000. Therefore, the salaries disclosed in the Remuneration Report for 2008-09 would not have been materially different had they been based on the 2008-09 bonus accrued, rather than the 2007-08 bonus actually paid out within 2008-09.

Salary and Pension Entitlements (audited)

The salary and pension entitlements of senior managers of the Department during 2008-09 have been reported in accordance with the requirements of HM Treasury's Financial Reporting Manual (FRM).

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; ex-gratia payments; payments in lieu of notice; and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as a MP (£63,291 from 1 April 2008), and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is, therefore, shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. Benefits reported in 2008-09 are calculated as the taxable value and include the private use of a car, travel and accommodation.

Ministers	2008-09		2007-08	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
Rt Hon Jacqui Smith MP Home Secretary (From 29 June 2007)	79,179	-	58,105	-
Rt Hon Dr. John Reid MP* Secretary of State (Until 28 June 2007)	-	-	38,452	-
Liam Byrne MP (Until 2 October 2008)	20,830	-	39,893	-
Alan Campbell MP (From 6 October 2008)	15,093	-	-	-
Vernon Coaker MP	36,028	-	30,280	-
Meg Hillier MP*** (From 29 June 2007)	31,174	-	22,878	-
Tony McNulty MP (Until 3 October 2008)	20,830	-	39,893	-
Joan Ryan MP* (Until 28 June 2007)	-	-	15,056	-
Baroness Patricia Scotland of Asthal QC** (Until 27 June 2007)	-	-	28,501	-
Gerry Sutcliffe MP (Until 8 May 2007)	-	-	3,175	-
Lord West ** (From 28 June 2007)	73,087	-	53,832	-
Phil Woolas MP (From 6 October 2008)	19,777	-	-	-

* The Rt Hon John Reid MP and Joan Ryan MP received a payment in lieu of notice upon leaving the Home Office.

** Baroness Scotland and Lord West sit in the House of Lords and are not in receipt of an MP's salary, therefore, their full Minister's salary is reported here. The salary shown for the other Ministers only relates to the difference between their MP's salary and their Minister's salary, as the MP element is paid via the House of Parliament and not the Home Office.

*** Meg Hillier MP began maternity leave on 20 March 2009, but remains on the Home Office payroll. Full year figures are reported.

Officials	2008-09		2007-08	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind *** (to nearest £100)
Sir David Normington <i>Permanent Secretary</i>	200-205	17,700	195-200	6,500
Ursula Brennan* <i>Chief Executive, Office for Criminal Justice Reform (Until 13 May 2007)</i>	-	-	15-20 150-155 <i>full year equivalent</i>	-
Yasmin Diamond <i>Director, Communications (From 13 February 2008)</i>	125-130	2,300	75-80 140-145 <i>full year equivalent</i>	-
Helen Edwards <i>Chief Executive, National Offender Management Services (Until 8 May 2007)</i>	-	-	15-20 175-180 <i>full year equivalent</i>	2,800
Charles Farr <i>Director General, Office for Security and Counter Terrorism (From 16 July 2007)</i>	125-130	-	85-90 120-125 <i>full year equivalent</i>	-
James Hall <i>Chief Executive, Identity and Passport Services</i>	195-200	17,800	185-190	18,000
Vic Hogg <i>Acting Director General, Crime Reduction and Community Safety Group (From 6 October 2008 to 27 February 2009)</i>	45-50 110-115 <i>full year equivalent</i>	-	-	-
Lin Homer <i>Chief Executive, UK Border Agency</i>	225-230	3,500	220-225	22,170
Helen Kilpatrick <i>Director General, Financial and Commercial</i>	220-225	-	210-215	-
Peter Makeham <i>Director General, Strategy and Reform</i>	170-175	-	165-170	-
John Marsh <i>Group Human Resources Director (Until 11 June 2007)</i>	-	-	25-30 140-145 <i>full year equivalent</i>	-
Stephen Rimmer <i>Director General, Crime Reduction and Community Safety Group (From 2 March 2009)</i>	10 - 15 125 – 130 <i>full year equivalent</i>	-	-	-
Jonathan Sedgwick** <i>Acting Chief Executive, Office for Criminal Justice Reform (From 14 May 2007 until 15 Feb 2008)</i>	-	-	-	-
Moira Wallace <i>Director General, Crime Reduction and Community Safety Group (Until 3 October 2008)</i>	95 - 100 180-185 <i>full year equivalent</i>	10,200	165-170	20,300
Kevin White <i>Director General, Human Resources (From 21 June 2007)</i>	145-150	48,800	120-125 135-140 <i>full year equivalent</i>	32,800

Officials	2008-09		2007-08	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Simon Wren <i>Acting Director, Communications</i> <i>(From 21 May 2007 until 12 February 2008)</i>	-	-	80-85 100-105 full year equivalent	-

* Ursula Brennan was a Home Office employee until 8 May 2007 and on the Home Office Board until 13 May 2007.

** Jonathan Sedgwick is a Ministry of Justice (MoJ) employee and his salary is reported in the MoJ Resource Accounts.

*** The 2007-08 figures have been restated due to an update in the basis of calculation of the benefit. This has been applied to both the figures for 2007-08 and the current year.

During 2008-09, Yasmin Diamond, the Director of Communications, held a standard housing loan which is available to all Home Office employees who meet the requirements of public expense moves. The loan had an original value of £30,065.05 and was issued before 1 April 2008. The value of the loan outstanding at 1 April 2008 was £28,465.80, which was its maximum value in the year, and at 31 March 2009 was £24,627.60. The repayment of principal during 2008-09 was £3,838.20. During 2008-09, no interest was payable, and so it qualified as a taxable benefit in kind.

Non-Executive Board Members	2008-09		2007-08	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Derrick Anderson CBE <i>(Until 31 December 2008)</i>	10-15	-	10-15	-
John Heywood	15-20	-	15-20	-

The above non-executive Board members are those who sit on the Home Office Board. Other non-executive Directors are employed by the Department's Agencies and NDPBs and their details can be found in the accounts of these bodies.

Starting and Leaving Dates

Moira Wallace, Director General of Crime Reduction and Community Safety Group left the Home Office Board on 3 October 2008. Vic Hogg was appointed Acting Director General of Crime Reduction and Community Safety Group on 6 October 2008. Stephen Rimmer was appointed Director General of Crime Reduction and Community Safety Group and took up post on 2 March 2009, replacing Vic Hogg on the Home Office Board.

Derrick Anderson CBE left the Home Office Board on 31 December 2008.

Pensions (audited)

Ministers	Accrued pension at age 65 as at 31 March 2009 £000	Real increase in pension at age 65 £000	CETV at 31 March 2009** £000	CETV at 31 March 2008 £000	Real increase in CETV £000
Rt Hon Jacqui Smith MP Secretary of State (From 29 June 2007)	5 - 10	0 - 2.5	88	76	6
Liam Byrne MP (Until 2 October 2008)	0 - 5	0 - 2.5	28	22	2
Alan Campbell MP (From 6 October 2008)	0 - 5	0 - 2.5	34	29	3
Vernon Coaker MP	0 - 5	0 - 2.5	49	39	7
Meg Hillier MP (From 29 June 2007)	0 - 5	0 - 2.5	12	5	4
Tony McNulty MP (Until 3 October 2008)	5 - 10	0 - 2.5	91	83	4
Lord West of Spithead* (From 28 June 2007)	-	-	-	-	-
Phil Woolas MP (From 6 October 2008)	5 - 10	0 - 2.5	83	75	3

* Lord West has opted out of the PCPF and, therefore, a value is not reported.

** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Officials	Accrued pension at age 60 as at 31 March 2009 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2009** £000	CETV at 31 March 2008 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Sir David Normington <i>Permanent Secretary</i>	80-85 plus lump sum of 245-250	0-2.5 plus lump sum of 0-2.5	1,801	1,684	5	-
Yasmin Diamond <i>Director, Communications</i>	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 2.5-5	238	204	18	-
Charles Farr <i>Director General, Office for Security and Counter Terrorism</i>	40-45 plus lump sum of 130-135	5-7.5 plus lump sum of 20-25	695	544	90	-
James Hall* <i>Chief Executive, Identity and Passport Services</i>	-	-	-	-	-	-
Vic Hogg <i>Acting Director General, Crime Reduction and Community Safety Group (From 6 October 2008 until 27 February 2009)</i>	50-55 plus lump sum of 155-160	2.5-5 plus lump sum of 7.5-10	1,170	1,062	63	-
Lin Homer <i>Chief Executive, UK Border Agency</i>	85-90 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1,398	1,309	(11)	-
Helen Kilpatrick <i>Director General, Financial and Commercial</i>	70-75 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1,069	996	(5)	-
Peter Makeham <i>Director General, Performance and Reform</i>	90-95 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	1,821	1,779	3	-
Stephen Rimmer <i>Director General, Crime Reduction and Community Safety Group (From 2 March 2009)</i>	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 0-2.5	539	531	6	-
Moira Wallace <i>Director General, Crime Reduction and Community Safety Group (Until 3 October 2008)</i>	45-50 plus lump sum of 140-145	0-2.5 plus lump sum of 2.5-5	758	693	18	-
Kevin White <i>Director General, Human Resources</i>	55-60 plus lump sum of 165-170	2.5-5 plus lump sum of 7.5-10	1,243	1,099	68	-

* James Hall is not a member of any Civil Service Pension Scheme and has opted out of the Stakeholder Pension Scheme.

** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

Civil Service Pensions

Pension benefits are 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 final pensionable earnings 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. 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 their 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 their pensionable earnings in that scheme year and the accrued pension is up rated 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 members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash Equivalent Transfer Values

This 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and is worked out using common market valuation factors for the start and end of the period.

David Normington
Accounting Officer
16 July 2009

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Department is required to prepare Resource Accounts for each financial year, in conformity with a HM Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the Accounts the Accounting Officer is required to comply with the Government Financial Reporting Manual (FReM) prepared by HM Treasury, and in particular to:

- observe 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 (FReM), have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Managing Public Money*.

David Normington
Accounting Officer
16 July 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 Home Office'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*.

I discharge my responsibilities as Accounting Officer in conjunction with Accounting Officers of the Department's Agencies, Non-Departmental Public Bodies (NDPBs) and other public bodies. My relationship with these Accounting Officers is set out in statements contained in the respective Framework Agreements, Financial Memoranda and designatory letters. As Accounting Officer, I involve ministers in the management of risk at strategic level.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental 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 Home Office for the year to date and accords with HM Treasury guidance.

Capacity to handle risk

Leadership in risk management is provided through the commitment, processes and behaviours set out in the Home Office Risk Management Policy, which was signed by the Board and issued with accompanying guidance. This draws on good practice from across government which has been recognised by our Audit Committee and others.

Staff are trained to ensure they are equipped with the skills and tools they need to fulfil their duties. We have our own internal training provider with courses tailored to our policy.

The control framework for information risk management has been strengthened during the year through the introduction of an Information Risk Management Policy (issued in July 2008) to supplement the Home Office Risk Management Policy. We introduced last year a 'Risk Management Maturity Model' against which we have tracked a measurable improvement in the Department's capability which has moved from a basic understanding of risk management to a widespread application of knowledge, skills and behaviours. In October 2008, specific metrics were added on information risk management.

The risk and control framework

Our risk management strategy is to be clear about what we are trying to achieve, to identify what might stop us from achieving our objectives, to assess these risks, take action to mitigate them to an agreed level and then to review progress. This includes public protection risks as well as risks to our information, operations and projects.

This strategy is implemented throughout the organisation using a control framework comprising:

- clear accountabilities for the action to tackle risks which are set out in the Home Office Departmental Framework and risk registers. Actions are reviewed through our performance management system which is described in the Home Office Departmental Framework and covers the headquarters, Agencies, NDPBs and delivery partners;
- a structured process for identifying, assessing, communicating, escalating and managing risks. This is defined in the Home Office Risk Management Policy and Guidance which is complemented by Policy and Guidance on managing risk in relation to Information Management; and

- expected behaviours which are set out in the Home Office Risk Management Policy and Guidance.

The results of risk assessment and the effects of the actions to address risk are documented in risk registers at corporate, directorate, Agency, NDPB and unit/project levels. These are used to track change over time and implement our process for escalating risks between levels.

The Home Office Board considers risk appetite quarterly when it reviews the corporate risk register and decides on its response to the prevalent level of risk exposure. It also conducts regular reviews of the mitigating actions concerning risk.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a standing group of Home Office directors. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Ongoing review of the effectiveness of the control and risk management system across the Home Office is provided by:

- the Home Office Board which meets monthly to consider the strategic direction of the organisation and the risks facing the Department along with the effectiveness of the mitigating actions;
- the Operating Reviews which I hold on a risk based frequency, typically monthly, to consider the top performance issues and risks faced by each Home Office business in detail. Operating Reviews were introduced in 2006-07 and are now fully embedded. These include a review of PSA and DSO performance. Assessments of performance against PSAs and DSOs are set out on page 8;
- The Value for Money (VfM) Board which oversees delivery of the Department's VfM programme. Performance against VfM targets was published in the Department's Annual Report in June 2009;
- the Group Investment Board which approves and monitors projects above threshold criteria based on priority, risk, value, complexity and sensitivity;
- the 'Risk Directors Group' provides the Board with advice on the top risks that the Board should consider for escalation to the corporate risk register. The Risk Directors Group will become a sub-committee of the Home Office Board for 2009-10;
- the Audit Committee provides independent advice to me, Board members and Ministers on the adequacy of arrangements for corporate governance, risk management, internal control and performance;
- Internal Audit completes a risk based programme of audits annually and provides independent advice to the Audit Committee;
- the National Audit Office forms an external opinion on the Department's financial statements and conducts good governance reviews and value for money audits;
- the Senior Information Risk Owner provides an assessment of the Department's information risk exposure and provides assurance on this; and
- an Assurance Framework was introduced this year to help make clear at all levels of the organisation the standards that are expected in our management and control processes.

Significant internal control issues

I reported in my 2007-08 Statement of Internal Control plans to address specific internal control issues. The following sets out progress made in these areas:

- we have continued to improve financial management within the Home Office which has been recognised by the NAO. They found that the Home Office has made substantial improvements since 2006 although good financial management was not yet fully embedded throughout the organisation;
- we have further strengthened our approach to risk management as evidenced by our 'Risk Management Maturity Model' as mentioned on page 30 under 'Capacity to handle Risk';
- in response to the report on Data Handling Procedures in Government, we set in hand a comprehensive programme of work to increase information security across the Home Office and its delivery partners. The programme has made significant progress by introducing new governance, policy, procedures, encryption services, and training. Assurance processes have been introduced recently and, where complete, indicate a high degree of compliance but do not indicate that the Department is fully compliant. Staff training on information security is ongoing and well ahead of the Cabinet Office target to have full coverage of the Department by August 2009. At the end of June 2009, 3,600 members of staff, including contracted staff, had completed the training with a further 258 having started it;
- audit reports have flagged concerns with the effectiveness of operational guidance and consistency of its implementation across the UKBA. The Agency is in the process of tackling these issues;
- we have recently taken core HR business processes onto our single, centrally managed shared service. Early indications are that this has improved both compliance and management of these areas; and
- the Home Office was subject to a Capability Review during 2008 which confirmed that significant progress had been made since the previous review and that our Reform Plan had been successful in improving the Department.

The significant internal control issues identified by my 2008-09 review are:

- we experienced a series of unauthorised releases of information since 2007 due to one individual acting in contravention of departmental security guidance and policy and in breach of the terms of their employment. This was discovered and resolved and the individual was dismissed;
- we have identified a small number of losses of personal information as set out on page 17. One high profile information loss by a contractor led to the termination of their contract and monthly reporting on the status of the loss. We have also experienced three significant IT system outages which affected the availability of information and tested our business continuity arrangements. Contractors employed by one of our NDPBs were found to be employing staff before security clearances had come through. We have used the learning from these events to further improve our information and security processes;
- three financial management issues were identified during the year. As a result of improvement work, it was revealed that expenditure had been incurred against a number of grants without formally receiving prior agreement from HM Treasury. We have been working with HM Treasury and the National Audit Office to strengthen this process. UKBA overpaid asylum support, as shown in Note 33 to the Accounts, and made a payment in advance of need to a contractor for which agreement from HM Treasury was secured retrospectively; and
- the outcome of the Judicial Review on the backdating of the new commutation rates for lump sum pension payments resulted in an excess vote of £79m against the 2008-09 Estimate. Backdating to December 2006, rather than October 2007, required the Home Office to create a provision for costs of £130m in 2008-09. The Home Office could not take Supply Estimates provision before the judgment as that would have suggested that the Home Office expected to lose. And it was too late to do so after the JR announcement on 17 March and the passage of the possible appeal date on 31 March.

Looking forward to 2009-10:

- we have refreshed our Financial Improvement Strategy to embed good financial management throughout the organisation. This includes embedding the Department's new Assurance Framework;
- we will continue to develop our risk management capacity to ensure that good practice is fully embedded and the new requirements set for government departments by the Cabinet Office to control information risk are applied across the Department and its delivery partners;
- the Cabinet Office has updated the Security Policy Framework for government departments and we will be producing a Home Office Security Policy Framework based on this document and refreshing our Business Continuity arrangements;
- through 2009-10 we will be progressing a number of challenging projects and programmes where the delivery risks are high such as e-borders, the National Identity Scheme, projects relating to national security and the Vetting and Barring Scheme; and
- we will continue our strong performance on efficiency and value for money, challenging areas of the business as needed to meet current and future pressures and build on efficiency gains made to date.

I am satisfied that risks are generally well managed and that our internal controls are improving significantly and, where there are weaknesses, action is in place to tackle them.

David Normington
Accounting Officer
16 July 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Home Office for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives 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 Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the annual review and operating and financial review included in the Annual 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 Department 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 Department'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 to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises sections entitled corporate governance, public interest and other, and the unaudited part of the Remuneration 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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 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 Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the annual review and operating and financial review, included within the Annual Report, is consistent with the financial statements.

Qualified Audit Opinion on Regularity arising from resource expenditure in excess of amounts authorised

Parliament authorised a Request for Resources 1: "working together to protect the public" of £10,142,466,000. Against this limit, the Department incurred net resource expenditure of £10,221,560,000, as shown in the Summary of Parliamentary Supply for 2008-09, and has thus exceeded the authorised limit. This excess arose as a result of a Judicial Review judgement on 17 March 2009 which obligated the Home Office to provide an additional £130m of funding to police authorities to fund deficits on police pension funds. This expenditure was not included in the Department's Parliamentary Estimates.

The net resource expenditure was £79,094,000 in excess of the amount authorised for Request for Resources 1. In my opinion, except for this excess, in all other 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.

More details are set out in my following Report.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
20 July 2009

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**Introduction**

1. In 2008-09, the Home Office spent some £79,094,000 more resources than Parliament had authorised in the Supply Estimate. This represents an “excess” for which further Parliamentary authority is required and I have, therefore, qualified my opinion on the Department’s Resource Accounts.
2. Under section 6(1) of the Government Resources and Accounts Act 2000 Act, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Resource Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them. In doing so, I have regard, in particular, to the Supply limits Parliament has set on expenditure.

Expenditure Limits

3. For 2008-09, the Department had one Request for Resources, ‘Working together to protect the public’ for which Parliament authorised amounts for current expenditure, net of forecast income (Appropriations in Aid). These amounts represent a limit on the gross current expenditure that may be incurred. Parliament also sets a limit on the overall net cash the Department may use in total, known as the net cash requirement.
4. The Home Office Resource Accounts (The Statement of Parliamentary Supply) show net expenditure outturn of £10,221,560,000 which is £79,094,000 more than the authorised limit of £10,142,466,000. The Department proposes to ask Parliament to grant an Excess Vote for the £79,094,000.
5. The Department did not exceed its net cash requirement.

Reasons for the excess expenditure

6. The Police Pension Regulations 2007 (the Regulations) require police authorities to maintain a police pension fund into which officer and employer contributions are paid, and out of which pension payments for retired officers are made. Under the Regulations if, in any given year, a deficit or surplus arises on these funds, they are to be balanced through a top up grant from the Home Office, or payment back to the Department by the police authority.
7. In May 2008, the Home Secretary, on the advice of the Government Actuary’s Department, introduced new tables of lump sum commutation factors for the police pension schemes to be applied from 1 October 2007. On 17 March 2009 a Judicial Review judged that application of the new commutation factors should be backdated to 1 December 2006. This ruling resulted in an additional £130m in back payments owed to police pensioners and associated HM Revenue and Customs charges, for which, in accordance with its obligations under the Regulations, the Department was liable. The Department has provided for these costs in its 2008-09 Resource Accounts. The funding payments to police authorities were made in 2009-10.
8. The risks and the financial consequences of the Review ruling against the Department before the financial year end were assessed by operational teams and reported to management at the highest level. The Department concluded that it was probable that it would win the case and did not request resource cover in its Supply Estimate for the £130m, estimated as costs of back dating the commutation rates to December 2006. As the Review ruling came in March, after the final Supplementary Estimate for 2008-09, the Department did not then have the opportunity to make a further request for resources and, as a consequence, breached the expenditure limit authorised by Parliament.

Financial Management

9. In May 2009, my predecessor reported to Parliament on Financial Management in the Home Office (HC299 2008-09). He found that the Department had improved substantially its financial management since weaknesses had been highlighted by the Public Accounts Committee (PAC) in 2006 (HC1079). He noted, however, that the Department had not reached the stage of maturity at which good financial management is part of “business as usual” operations. The PAC took evidence on this matter in June 2009 but has yet to report its findings.

10. The Department had assessed the financial risk of losing the court case but had not fully anticipated the funding and accounting consequences. I do not consider, however, that the Excess Vote can be attributed wholly to this failure. As he set out to the PAC in June, the Accounting Officer is aware of the challenge of ensuring that the business understands and acts on the financial impacts of operational and policy decisions and has an appropriate financial improvement strategy in place to address it.

Conclusion

11. The Home Office has incurred an Excess Vote on Request for Resource 1 of £79,094,000 for which it requires retrospective Parliamentary approval. It will, therefore, seek Parliament's approval to authorise an Excess Vote for the amount of £79,094,000.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
20 July 2009

Statement of Parliamentary Supply

Summary of Resources Outturn 2008-09

Request for Resources	Note	Estimate			2008-09 Outturn			Net Total outturn compared with Estimate saving/ (excess) £000	2007-08 Outturn*	
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total			Prior year Outturn
		£000	£000	£000	£000	£000	£000			£000
Request for Resources 1	2	11,494,680	(1,352,214)	10,142,466	11,453,660	(1,232,100)	10,221,560	(79,094)	9,423,817	
Total Resources	3	11,494,680	(1,352,214)	10,142,466	11,453,660	(1,232,100)	10,221,560	(79,094)	9,423,817	
Non-operating cost A in A	4		(5,520)			(6,733)		(1,213)	(1,193)	

Net Cash Requirement 2008-09

Net Cash Requirement	Note	Estimate		Outturn		2008-09 Net Total outturn compared with Estimate saving/ (excess) £000	2007-08 Outturn*
		£000	£000	£000	£000		
		10,397,827		10,156,247	241,580		

Summary of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Total	5	Forecast 2008-09		Outturn 2008-09	
			Income £000	Receipts £000	Income £000	Receipts £000
			125,000	125,000	254,156	229,068

The Department has incurred an Excess of £79,094k because of spending above the amount provided in Request for Resources 1. The Department will seek Parliamentary approval by way of an Excess Vote in the next Appropriation Act.

*The 2007-08 outturn figures have not been restated as these numbers were previously reported to Parliament.

Explanations of variances between Estimates and Outturn are given on pages 12 to 13 of the Annual Report.

The notes on pages 44 to 85 form part of these accounts.

Operating Cost Statement

For the year ended 31 March 2009

	Note	Core Department			Consolidated			2008-09	Core Department	Restated 2007-08
		Staff Costs £000	Other Costs £000	Income £000	Staff Costs £000	Other Costs £000	Income £000	£000	Consolidated £000	
Administration Costs:										
Staff costs	9	177,667			192,441			182,094	193,550	
Other administration costs	10		205,967			296,942		198,042	273,578	
Income	12			(44,602)			(159,113)	(45,871)	(143,480)	
Programme Costs Request for Resources 1										
Staff costs	9	663,943			804,812			620,739	788,673	
Programme costs	11		9,909,470			10,178,792		9,079,431	9,307,337	
Income	12			(974,345)			(1,345,257)	(786,805)	(1,178,696)	
Totals		841,610	10,115,437	(1,018,947)	997,253	10,475,734	(1,504,370)	9,247,630	9,240,962	
Net Operating Cost	3, 13			9,938,100			9,968,617	9,247,630	9,240,962	

All activities are from continuing operations. The Machinery of Government changes reflected in these financial statements are disclosed in Note 37.

The notes on pages 44 to 85 form part of these accounts.

Statement of Recognised Gains and Losses

For the year ended 31 March 2009

	Note	2008-09		Restated 2007-08	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Net gain/(loss) on revaluation of tangible fixed assets	14	(14,402)	(14,737)	32,767	42,711
Net gain/(loss) on revaluation of intangible fixed assets	15	(56)	(56)	-	-
Net gain/(loss) on revaluation of investments	16	(57,999)	(57,999)	-	-
Recognised Gains and Losses for the Financial Year		(72,457)	(72,792)	32,767	42,711

The notes on pages 44 to 85 form part of these accounts.

Balance Sheet

As at 31 March 2009

	Note	Core Department £000	2008-09 Consolidated £000	Core Department £000	Restated 2007-08 Consolidated £000
Fixed Assets:					
Tangible assets	14	703,386	844,321	545,725	695,823
Intangible assets	15	3,851	5,666	1,000	2,343
Investments	16	18,068	18,068	67,260	67,260
		<u>725,305</u>	<u>868,055</u>	<u>613,985</u>	<u>765,426</u>
Debtors falling due after more than one year	18	-	7,778	-	2,301
Current Assets:					
Stocks	17	1,615	8,260	1,448	7,662
Debtors	18	287,289	335,126	246,586	273,250
Cash at bank and in hand	19	278,289	307,600	439,619	505,107
		<u>567,193</u>	<u>650,986</u>	<u>687,653</u>	<u>786,019</u>
Creditors (amounts falling due within one year)	20	(1,265,751)	(1,344,618)	(1,416,635)	(1,499,554)
Net Current Assets		<u>(698,558)</u>	<u>(693,632)</u>	<u>(728,982)</u>	<u>(713,535)</u>
Total Assets less Current Liabilities		26,747	182,201	(114,997)	54,192
Creditors (amounts falling due after more than one year)	20	(43,882)	(47,088)	-	(3,489)
Provisions for liabilities and charges	21	(229,087)	(235,269)	(67,304)	(72,646)
		<u>(246,222)</u>	<u>(100,156)</u>	<u>(182,301)</u>	<u>(21,943)</u>
Taxpayers' Equity:					
General Fund	22	(319,684)	(181,742)	(273,152)	(126,050)
Revaluation Reserve	23	73,462	81,586	90,851	104,107
		<u>(246,222)</u>	<u>(100,156)</u>	<u>(182,301)</u>	<u>(21,943)</u>

David Normington
Accounting Officer
16 July 2009

The notes on pages 44 to 85 form part of these accounts.

Consolidated Cash Flow Statement
For the year ended 31 March 2009

	Note	2008-09	Restated
		£000	2007-08
			£000
Net cash outflow from operating activities	24a	(9,681,527)	(8,997,957)
Capital expenditure and financial investment	24b	(245,652)	(192,856)
Payments of amounts due to the Consolidated Fund		(251,559)	(253,269)
Financing	24d	9,990,685	9,501,070
Increase/(decrease) in cash in the period	24e	<u>(188,053)</u>	<u>56,988</u>

The notes on pages 44 to 85 form part of these accounts.

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives For the year ended 31 March 2009

Objective	Gross		2008-09 Net	Gross		Restated 2007-08 Net
	Expenditure	Income		Expenditure	Income	
	£000	£000		£000	£000	
Objective a	1,024,370	(299,252)	725,118	782,010	(281,849)	500,161
Objective b	7,011,768	(138,790)	6,872,978	6,423,542	(62,495)	6,361,047
Objective c	839,103	(12,801)	826,302	902,643	(3,853)	898,790
Objective d	2,177,821	(681,263)	1,496,558	2,050,037	(581,899)	1,468,138
Objective e	414,016	(372,264)	41,752	404,906	(392,080)	12,826
Objective f	5,909	-	5,909	-	-	-
Net Operating Cost	11,472,987	(1,504,370)	9,968,617	10,563,138	(1,322,176)	9,240,962

Since February 2008, the Home Office has had one overarching objective and six strategic objectives. The overarching objective is:

Help people feel secure in their homes and local communities

The six strategic objectives, against which performance during 2008-09 was measured, are set out below:

- a) Cut crime, especially violent, drug and alcohol related crime
- b) Lead visible, responsive and accountable policing
- c) Protect the public from terrorism
- d) Secure our borders and control immigration for the benefit of our country
- e) Safeguard identify and the privileges of citizenship
- f) Support the efficient and effective delivery of justice

Figures for 2007-08 have been restated, both for the Machinery of Government changes, and the changes in the Department's objectives.

Explanations of variances between Estimates and Outturn are given on pages 12 to 13 of the Annual Report.

Administration costs have been attributed to objectives in accordance with the Department's normal management account practices, wherever possible, or have been allocated in the same proportions as programme expenditure.

The notes on pages 44 to 85 form part of these accounts.

Notes to the departmental Resource Accounts**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 contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

2008-09 will be the last year in which the FReM, and, therefore, our financial statements, will be prepared according to UK GAAP. For 2009-10, the FReM will follow International Financial Reporting standards (IFRS). Our 2009-10 financial statements will, therefore, be prepared according to IFRS and our 2008-09 prior year comparative for that year, will be restated according to IFRS. Our 2009-10 accounting policies will be revised to accord with the 2009-10 FReM and IFRS.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated Statement of Operating Cost by Departmental Aim and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The Balance Sheet as at 31 March 2009 shows negative taxpayers' equity of £100.2m. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the Consolidated Fund. Such drawings will be in the form of Supply, approved annually by Parliament, to meet the Department's net cash requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than that required for the service of the specific year or retained in excess of that need. All unspent monies including those derived from the Department's income, are surrendered to the Fund.

In common with other government departments, the future financing of the Department's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. It has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Home Office and its formal Executive Agencies: the Identity and Passport Service and the Criminal Records Bureau. The Executive Agencies also produce and publish their own Annual Reports and Accounts.

1.3 Tangible Fixed Assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. The capitalisation threshold for expenditure on tangible fixed assets across the Home Office is between £500 and £5,000. On initial recognition, they are measured at cost, including any costs directly attributable to bringing them into working condition, such as installation. All tangible fixed assets are restated to current value each year.

Land and Building assets are recorded at current value in existing use in accordance with HM Treasury's Financial Reporting Manual. Land and Buildings are restated to current value using professional valuations every five years and in the intervening years, by the use of published indices appropriate to the type of land or building.

The most recent valuation for the Department's land and buildings occurred on 31 March 2006 in accordance with the Royal Institute of Chartered Surveyors Appraisal and Evaluation Manual by chartered surveyors Donaldson's. Other operational assets are revalued to open market value, where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable.

Published indices appropriate to the category of asset are normally used to estimate value. Residual interest in off Balance Sheet PFI properties are included in tangible fixed assets at the amount of unitary charge allocated for the acquisition of the residual to the Balance Sheet date plus an adjustment based on the net present value of the change in the fair value of the residual as estimated at the start of the contract and its estimated fair value at the Balance Sheet date. The Revaluation Reserve does not include any values where fixed assets suffer from permanent downward indexation as this is charged to the Operating Cost Statement as impairment, following any utilisation of Revaluation Reserve built up from previous upward indexation.

1.4 Intangible Assets

Intangible assets comprise purchased computer software licences that are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. Where reliable evidence of current value cannot be readily ascertained these are restated to current value each year. Published indices appropriate to the category of asset are normally used to estimate value. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.5 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction and residual interests in off Balance Sheet PFI contracts are not depreciated until the asset is brought into use or reverts to the Department respectively. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives. Asset lives are normally in the following ranges:

Buildings	up to 60 years or life of lease
Plant and equipment	2 - 15 years
Computers	2 - 5 years
Software	3 - 5 years
Vehicles	5 - 7 years
Furniture and fittings	3 - 10 years

The asset lives stated above vary according to the policy adopted in the respective Agencies or the core Department.

1.6 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement. At present the Department has no donated assets.

1.7 Investments

Loans and Public Dividend Capital (PDC) issued by the Home Office to the Forensic Science Service are initially shown at historic cost, but may then be revalued or impaired. The Forensic Science Service was converted into a government company during 2005-06. The investment has been valued using a discounted cash flow method in accordance with *FRS 26 Financial Instruments: Measurement, Recognition and Derecognition*.

1.8 Stocks and Work in Progress

Stocks for resale and work in progress are valued at the lower of current replacement cost and net realisable value. Consumable stocks are valued at current replacement cost which is not materially different from historical cost.

1.9 Third Party Assets

The Department holds the funds on behalf of the Local Authority in respect of the British Nationality application fee. The cash is not included in our PGO figures for 2008-09, as we are holding the cash pending transfer to the Local Authorities (see Note 19). In 2007-08 this figure had been included within the PGO cash balances.

1.10 Research and Development Costs

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets the criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the FReM which are adapted from SSAP 13 to take account of the not-for-profit context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated project or according to the asset category if the asset is to be used for subsequent production work.

1.11 Operating Income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full cost basis to external customers, as well as public repayment work. It also includes other income such as that from investments. It includes both income appropriated in aid and income due to the Consolidated Fund which HM Treasury has agreed should be treated as operating income. Operating income is stated net of VAT. Operating income also includes:

- i) the turnover for the Identity and Passport Service from their continuing activities, representing the sale value of all services provided during the year. All income is recognised when the passport is issued. Income from free passports issued for all British Nationals born on or before 2 September 1929 that was introduced on 18 October 2004 is financed from Parliamentary Supply drawn down by the Home Office and passed to the Identity and Passport Service; and
- ii) the turnover of the Criminal Records Bureau from their continuing activities, representing the sale value of all services provided during the year. Turnover represents:
 - fees charged to applicants for applications for enhanced and standard disclosure of prescribed criminal record information; and
 - fees charged to register corporate bodies and signatories to access the criminal record process.

CRB recognises income on the receipt of a counter-signed application. Monies received for Disclosure Notices that are not expected to be returned are included in Other Creditors.

1.12 Administration and Programme Expenditure

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department. These include both the administration costs and associated operating income. Income is analysed in the notes under which the administration cost-control regime is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

1.13 Capital Charge

A charge, reflecting the cost of capital utilised by the Home Office, is included in operating cost. The charge is calculated at the real rate set by HM Treasury, currently 3.5%, on the average carrying amount of all assets less liabilities.

1.14 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated

into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the Balance Sheet date are translated at the rates at that date. These translation differences are dealt with in the Operating Cost Statement.

1.15 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Except in respect of dependants' benefits the Home Office recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments 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 schemes, the Home Office recognises the contributions payable for the year.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Home Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

1.16 Early Departure Costs

The Home Office is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. Imminent early retirement costs are written to accrued charges at the Balance Sheet date (see Notes 10 and 20); whereas the balancing liability of payments, up to normal retirement age in respect of early retirement programmes announced in the current or previous years, is discounted to present value and written to early retirement provisions (see Note 21).

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, 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. The interest element of the finance lease payment is charged to the Operating Cost Statement 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 Operating Cost Statement on a straight-line basis over the term of the lease.

1.18 Home Office Grants

Grants (excluding Grant in Aid) are usually accounted for on an accruals basis and are paid as a reimbursement against expenditure that the grant recipient has already made. Grant in Aid is a funding mechanism to finance all or part of the costs of the body receiving the Grant in Aid.

The Home Office provides funding to Local Authorities to support activities delivered locally to help deliver Home Office aims and objectives. Some of that funding takes the form of specific grants, which are provided directly by the Department to Local Authorities to spend on specific activities, within prescribed terms and conditions. The remaining funding is provided through the Local Area Agreement (LAA) mechanism. This provides the Local Authorities with a greater degree of discretion over the precise nature of the activities funded. The Department and other contributing departments channel their LAA funding through a centrally pooled funding stream which is managed within the Department for Communities and Local Government (DCLG). DCLG is responsible for making the grant payments from the central LAA pool to the various Local Authorities, who are the Accountable Bodies in respect of LAAs. The roles and responsibilities of the contributing departments and DCLG are defined in a "*Memorandum of Understanding between Departmental Accounting Officers*". In 2008-09, those Local Authorities that did not have an LAA also received Home Office funding through DCLG's centrally pooled freestanding Safer and Stronger Communities Fund (SSCF) arrangements; similar roles and responsibilities were agreed between the two departments.

1.19 PFI Transactions

The Home Office has accounted for PFI transactions in accordance with Treasury Taskforce Guidance Technical Note 1 (revised) "How to Account for PFI transactions". The guidance allows for both on and off Balance Sheet transactions.

Off Balance Sheet Transactions

Where the balance of risks and rewards of ownership of PFI property are borne by the PFI operator payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by a charge to the Operating Cost Statement. Where at the end of the PFI contract a property reverts to the Home Office, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge and a service charge.

On Balance Sheet Contracts

Where the balance of risks and rewards of ownership of the PFI asset are borne by the Home Office, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.20 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2%).

1.21 Contingent Liabilities

In addition to contingent liabilities disclosed under FRS12, the Department discloses for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- i) items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- ii) all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the Resource Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12, are stated at the amounts reported to Parliament.

1.22 Value Added Tax

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

1.23 Machinery of Government Changes

Machinery of Government changes which involve the transfer of functions or responsibilities between two or more government departments are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS 6). The prior year comparatives have been restated to reflect these Machinery of Government changes. By doing so it appears that the entity always existed in its present form. This enables the user of the accounts to make useful comparisons between the data from the prior year to the current year.

1.24 Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and Note 25

In relation to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and Note 25, the information disclosed has been compiled using information obtained directly from the general ledger accounting system based on cost centres.

Costs (other than central services) are specifically allocated to the appropriate Home Office objective on the basis of expenditure incurred. The spend on central services has been allocated to each of the objectives on a proportional basis.

Since February 2008, the Home Office has had one overarching objective and six strategic objectives. The overarching objective is:

Help people feel secure in their homes and local communities

The six strategic objectives, against which performance during 2008-09 was measured, are set out below:

- a) Cut crime, especially violent, drug and alcohol related crime
- b) Lead visible, responsive and accountable policing
- c) Protect the public from terrorism
- d) Secure our borders and control immigration for the benefit of our country
- e) Safeguard identity and the privileges of citizenship
- f) Support the efficient and effective delivery of justice

Figures for 2007-08 have been restated, both for the Machinery of Government changes, and the changes in the Department's objectives.

1.25 Intra-Government Debtor and Creditor Balances

Intra-Government Debtor and Creditor balances detailed in notes 18(b) and 20(b) have been derived from information obtained directly from the accounts payable/receivable sub-ledgers based on supplier and customer.

Items which cannot be directly attributed to an individual supplier or customer are allocated on a proportional basis.

1.26 Financial Instruments

These accounts adopted *FRS 25 Financial Instruments: Disclosure and Presentation*, *FRS 26 Financial Instruments: Measurement, Recognition and Derecognition* and *FRS29 Financial Instruments: Disclosures* on 1 April 2008. In accordance with *UTIF Abstract 42: Reassessment of Embedded Derivatives*, the Department has assessed whether it held any embedded derivatives during 2008-09 and has concluded that it did not.

Financial assets

Financial assets are recognised when the Department becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets as appropriate. The Department determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are recognised initially, they are measured at fair value, except for loans, Public Dividend Capital (PDC) and other interests in public bodies outside the departmental boundary which are reported at historical cost, less any impairment.

Fair value is determined as the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Department considers whether a contract contains an embedded derivative when the entity first becomes party to it. Embedded derivatives are separated from

the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract.

The subsequent measurement of financial assets depends on their classification. The following classifications are currently applicable:

Financial assets at fair value through profit or loss - Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the balance sheet at fair value with gains or losses recognised in the operating cost statement.

Investments in other public sector bodies - Loans and PDC issued by the Home Office to the Forensic Science Service are shown at historic cost, less any impairment.

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

Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss - Derivatives, including any separated embedded derivatives are classified as held for trading and included in this category. Gains or losses on liabilities held for trading are recognised in profit or loss.

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

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

2. Analysis of Net Resource Outturn by Section

							2008-09	2007-08	
							£000	£000	
							Outturn	Estimate	
	Admin	Other Current	Grants	Gross resource Expenditure outturn	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	Prior-year outturn *
Request for Resources 1: Protecting the public and securing our future									
SPENDING IN DEPARTMENTAL EXPENDITURE (DEL):									
Central Government Spending:									
A – Police	19,865	110,256	3,183	133,304	(46,237)	87,067	49,855	(37,212)	43,175
B – Crime Reduction	21,901	19,170	48,242	89,313	(9,152)	80,161	73,620	(6,541)	37,604
C – Criminal Records Bureau	107,847	-	-	107,847	(107,847)	-	-	-	-
D – Office for Security and Counter Terrorism	24,152	126,738	27,113	178,003	(1,683)	176,320	256,215	79,895	120,396
E – Drugs	8,135	2,826	5,060	16,021	-	16,021	19,769	3,748	(17,597)
F – UK Border Agency	121,111	1,770,873	3,276	1,895,260	(617,469)	1,277,791	1,031,397	(246,394)	1,332,386
G – Identity and Passport Service	-	410,191	-	410,191	(312,185)	98,006	98,130	124	56,816
H – Central Services	186,372	202,749	-	389,121	(137,527)	251,594	277,775	26,181	219,556
I – European Refugee Fund	-	-	1	1	-	1	1	-	1,646
Support for Local Authorities:									
J – Police Grants	-	-	5,383,058	5,383,058	-	5,383,058	5,455,358	72,300	5,313,162
K – Crime Reduction and Drugs Grants	-	-	227,033	227,033	-	227,033	195,757	(31,276)	103,863
L – Office for Security and Counter Terrorism Grants	-	-	629,644	629,644	-	629,644	601,914	(27,730)	755,454
M – UK Border Agency grants	-	-	196,153	196,153	-	196,153	381,265	185,112	84,982
N – Area Based Grants	-	-	76,870	76,870	-	76,870	91,933	15,063	83,299
SPENDING IN ANNUALLY MANAGED EXPENDITURE									
Central Government Spending:									
O – Police Superannuation	-	-	-	-	-	-	(6,100)	(6,100)	897
Support for Local Authorities:									
P – Police Superannuation	-	-	668,451	668,451	-	668,451	545,000	(123,451)	352,344
Non-budget									
Q – Independent Police Complaints Commission	-	-	32,000	32,000	-	32,000	32,747	747	31,500
R – Serious Organised Crime Agency	-	-	464,903	464,903	-	464,903	465,003	100	426,023
S – Office of the Immigration Service Commissioner	-	-	4,270	4,270	-	4,270	4,161	(109)	4,495
T – Loan charges	-	-	3,994	3,994	-	3,994	9,669	5,675	6,770
U – National Policing Improvement Agency	-	-	535,000	535,000	-	535,000	547,105	12,105	465,000
V – Independent Safeguarding Authority	-	-	8,299	8,299	-	8,299	7,855	(444)	-
W – Fine Refunds to Carriers	-	22	-	22	-	22	37	15	46
Y – Security Industry Authority	-	-	-	-	-	-	-	-	2,000
SPENDING IN AME									
Central Government Expenditure	-	4,902	-	4,902	-	4,902	4,000	(902)	-
X – Impairments	-	-	-	-	-	-	-	-	-
Resource Outturn	489,383	2,647,727	8,316,550	11,453,660	(1,232,100)	10,221,560	10,142,466	(79,094)	9,423,817

This analysis is required for control purposes and to obtain parliamentary approval.

Explanations of variances between Estimate and Outturn are given in the Annual Report pages 12 to 13.

* The 2007-08 figures have not been restated as these numbers were previously reported to Parliament.

3. Reconciliation of Outturn to Net Operating Cost and Against Administration Budget (Consolidated only)

3(a) Reconciliation of Net Resource Outturn to Net Operating Cost

	Note	Outturn	Supply Estimate	2008-09 Outturn compared with Estimate	Restated 2007-08 Outturn
		£000	£000	£000	£000
Net Resource Outturn*	2	10,221,560	10,142,466	(79,094)	9,423,817
Non-Supply income (CFERs)	6	(252,943)	(125,000)	127,943	(207,099)
Machinery of Government transfers	37	-	-	-	24,244
Net Operating Cost		9,968,617	10,017,466	48,849	9,240,962

*The 2007-08 net resource outturn has not been restated as this figure had been previously reported to Parliament.

3(b) Outturn against Final Administration Budget

	Note	Budget	2008-09 Outturn	2007-08 Outturn *
		£000	£000	£000
Gross administration budget	2	514,076	489,383	467,127
Income allowable against the administration budget	12	(115,405)	(152,449)	(143,480)
Income not allowable against the administration budget		-	-	-
Net outturn against the final administration budget		398,671	336,934	323,647

* The 2007-08 outturn figures have not been restated as these numbers were previously reported to Parliament.

4. Reconciliation of Resources to Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)
		£000	£000	£000
Resource Outturn	2	10,142,466	10,221,560	(79,094)
Capital				
Acquisition of fixed assets	24	283,597	242,385	41,212
Investments	16	-	10,000	(10,000)
Non-operating A in A				
Proceeds of fixed asset disposals	24	(5,520)	(5,520)	-
Accruals adjustments				
Non-cash items	24	(165,728)	(317,859)	152,131
Changes in working capital other than cash		131,140	(17,315)	148,455
Use of provision	21	11,872	22,996	(11,124)
Net Cash Requirement		10,397,827	10,156,247	241,580

5. Analysis of Income Payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2008-09		Outturn 2008-09	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A	12	125,000	<i>125,000</i>	187,552	<i>162,464</i>
Excess receipts payable to the Consolidated Fund		-	-	-	-
		125,000	<i>125,000</i>	187,552	<i>162,464</i>
Other non-operating income – excess A in A	7	-	-	1,213	<i>1,213</i>
Other amounts collectable on behalf of the Consolidated Fund	12	-	-	65,391	<i>65,391</i>
Total income payable to the Consolidated Fund		125,000	<i>125,000</i>	254,156	<i>229,068</i>

6. Reconciliation of Income recorded within the Operating Cost Statement to Operating Income payable to the Consolidated Fund

	Note	2008-09	Restated
		£000	2007-08 £000
Operating income	12	1,504,370	1,322,176
Income authorised to be appropriated in aid	2	(1,232,100)	(833,147)
Non-Supply adjustments		(19,327)	-
Reconciliation to unrestated parliamentary schedule		-	(281,930)
Operating income payable to the Consolidated Fund		252,943	207,099

Non-Supply adjustments relate to EU income. For the purposes of Note 12 this income is shown as A in A.

7. Non-operating Income – Excess A in A

	2008-09	Restated
	£000	2007-08 £000
Proceeds on disposal of fixed assets	20	-
Repayment of loan principal	1,193	-
Non-operating income - excess A in A	1,213	-

8. Non-operating Income not classified as A in A

The Home Office does not have any non-operating income not classified as Appropriation in Aid.

9. Staff Numbers and Related Costs

Staff costs comprise:

	2008-09 Core Department					2008-09 Consolidated			Restated 2007-08
	Total £000	Permanently employed staff £000	Others £000	Ministers £000	Special advisers £000	Total £000	Permanently employed staff £000	Others £000	Total £000
Wages and salaries	677,493	627,454	49,580	296	163	808,563	734,682	73,881	810,034
Social security costs	42,061	42,018	-	26	17	48,791	48,555	236	49,769
Other pension costs	123,036	122,987	-	23	26	140,879	140,350	529	124,064
Sub Total	842,590	792,459	49,580	345	206	998,233	923,587	74,646	983,867
Less recoveries in respect of outward secondments	(980)	(980)	-	-	-	(980)	(980)	-	(1,644)
Total Net Costs*	841,610	791,479	49,580	345	206	997,253	922,607	74,646	982,223
* Of which:									
Charged to administration costs						192,441			193,550
Charged to programme costs						804,812			788,673
						<u>997,253</u>			<u>982,223</u>
Core Department									
Charged to administration costs						177,667			182,094
Charged to programme costs						663,943			620,739
						<u>841,610</u>			<u>802,833</u>

An insignificant proportion of the total net staff costs was charged to capital expenditure.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Home Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employer's contributions of £116m were payable to the PCSPS (£102m in 2007-08) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £273,840 (£296,834 in 2007-08) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £14,559 (£11,207 in 2007-08), 0.8% of pensionable pay, were payable 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.

There were no contributions due to the partnership pension providers at the Balance Sheet date.

26 persons (15 in 2007-08) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £41,025 (£23,499 in 2007-08).

Number of Persons Employed

The 2008-09 staff in post figures are based on average staff in post.

Objective	Total	Permanently employed staff	Others	Ministers	2008-09 Special advisers	Restated
						2007-08 Total
a	869	826	41	1	1	750
b	653	561	90	2	-	583
c	400	389	10	1	-	449
d	20,682	19,612	1,068	1	1	22,825
e	4,079	3,952	126	1	-	4,314
f	8	8	-	-	-	-
Total	26,691	25,348	1,335	6	2	28,921
Of which:						
Core Department	22,043	20,848	1,187	6	2	23,402

Since February 2008, the Home Office has had one overarching objective and six strategic objectives. The overarching objective is:

Help people feel secure in their homes and local communities

The six strategic objectives, against which performance during 2008-09 was measured, are set out below:

- a) Cut crime, especially violent, drug and alcohol related crime
- b) Lead visible, responsive and accountable policing
- c) Protect the public from terrorism
- d) Secure our borders and control immigration for the benefit of our country
- e) Safeguard identity and the privileges of citizenship
- f) Support the efficient and effective delivery of justice

Figures for 2007-08 have been restated, both for the Machinery of Government changes, and the changes in the Department's objectives.

10. Other Administration Costs

	Note	2008-09		Restated 2007-08	
		Core Department	Consolidated	Core Department	Consolidated
		£000	£000	£000	£000
Rentals under operating leases		3,971	5,945	1,027	1,027
PFI and service charges		78,806	133,070	37,032	83,056
Non-cash items:					
Depreciation		2,897	4,386	7,268	7,421
Amortisation		189	189	2	2
Impairment*	14	(19,148)	(19,148)	2,462	2,462
(Profit)/loss on disposal of assets		4	4	-	-
Cost of capital charges		(9,179)	(8,098)	(7,323)	(7,373)
Notional charges		-	50	-	41
Auditor's remuneration and expenses		596	754	600	736
Movement on provisions	21	(460)	(454)	(21,817)	(21,839)
Bad debt provision		(1,999)	(1,798)	72	72
Other:					
Publication stationery and printing		3,883	3,883	3,441	3,441
Facilities management and accommodation		75,773	75,773	84,909	86,559
Travel, subsistence and hospitality		9,900	9,900	10,853	10,853
Professional fees		26,255	27,822	24,209	25,240
Media and IT		9,735	9,735	7,874	7,874
Early retirement costs		10,016	10,016	15,138	15,138
Other administration expenditure		14,728	44,913	32,295	58,868
Total		205,967	296,942	198,042	273,578

*Impairment includes a fixed asset adjustment. In 2008-09, £27m was written back to fixed asset clearing, having been over written down in 2005-06. This led to £8m being credited to the OCS and £19m being credited to Revaluation Reserves. See also Notes 14 and 23.

As required by Regulations made under Section 494 of the Companies Act 2006, no remuneration has been paid to the NAO during 2008-09 for any non-audit work.

11. Programme Costs

	Note	2008-09		Restated 2007-08	
		Core	Consolidated	Core	Consolidated
		Department £000	£000	Department £000	£000
Rentals under operating leases		56,034	67,730	50,317	50,317
PFI and service charges		154,502	154,502	141,790	141,790
Non-cash items:					
Depreciation		40,202	72,658	40,280	71,684
Amortisation		2,519	2,743	327	624
Impairment		65,438	68,092	4,468	9,735
(Profit)/loss on disposal of assets		20	60	-	53
Cost of capital charges		9,117	13,184	3,292	5,666
Notional charges		-	338	7,522	3,699
Finance lease charge		1,687	1,687	-	-
Auditor's remuneration and expenses		-	225	-	212
Movement on provisions	21	162,243	163,077	13,412	13,636
Bad debt provision		5,259	5,259	1,530	1,530
Other					
Grants - current		7,377,465	7,377,465	7,083,617	7,083,617
Grants - capital		270,633	270,633	292,752	292,752
Grants - EU		19,328	19,328	2,085	2,085
Publication stationery and printing		5,161	7,728	54,616	59,704
Facilities management and accommodation		475,647	497,888	501,901	655,689
Travel, subsistence and hospitality		39,452	44,039	48,879	53,857
Professional fees		115,515	159,320	92,662	95,494
Media and IT		45,214	69,409	47,983	62,523
Grants - pension costs		538,451	538,451	354,779	354,779
Other programme costs		525,583	644,976	337,219	347,891
Total		9,909,470	10,178,792	9,079,431	9,307,337

12. Income

	Core Total £000	2008-09 Consolidated Total £000	Core Total £000	Restated 2007-08 Consolidated Total £000
Appropriated in Aid:				
Passport fees	-	290,734	-	316,832
Non cash notional income	3,230	3,347	-	300
Other administration income	44,602	152,449	41,704	128,649
Programme income	764,236	785,570	644,209	667,641
EU Income	19,327	19,327	1,654	1,655
Total Appropriated in Aid	831,395	1,251,427	687,567	1,115,077
Payable to Consolidated Fund:				
Passport fees	-	58,727	-	51,326
Other administration income	-	-	-	-
Other programme income	181,962	181,962	145,109	145,109
Other CFER receipts	3,000	9,664	-	10,664
EU income	2,590	2,590	-	-
Total Payable to Consolidated Fund	187,552	252,943	145,109	207,099
Total	1,018,947	1,504,370	832,676	1,322,176
Of which				
Administration income	44,602	159,113	45,871	143,480
Programme Income	974,345	1,345,257	786,805	1,178,696
	1,018,947	1,504,370	832,676	1,322,176

12(a). Analysis of Income from Services Provided to External and Public Sector Customers

Objective	2008-09			Restated 2007-08		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
a HMIC chargeable inspection work/Inspection of non-HO Police Forces	962	962	-	579	579	-
a Perimeter detection system	2,143	2,120	23	2,035	2,035	-
a Gun club licences	7	7	-	8	8	-
b CRB Enhanced Disclosures*	101,579	98,351	3,228	88,030	81,193	6,837
b CRB Standard Disclosures*	11,037	8,058	2,979	8,281	5,768	2,513
b CRB POVA First*	1,735	1,176	559	1,454	1,077	377
b CRB Other*	70	108	(38)	79	151	(72)
b Animals (Scientific Procedures), Licences	3,578	3,625	(47)	3,762	3,776	(14)
c Data Subject Access Requests	118	2,182	(2,064)	69	1,654	(1,585)
d Nationality Fees	70,886	20,447	50,439	59,583	29,303	30,280
d Immigration: Detention Costs Recovered	1,289	1,815	(526)	1,222	28,047	(26,825)
d Immigration: Certificates Right of Abode	252	143	109	268	240	28
d Immigration: Additional Services	867	1,641	(774)	775	1,497	(722)
d Travel documents refugee passports	774	3,021	(2,247)	747	3,121	(2,374)
d Travel documents Certificates of Identity	1,427	1,843	(416)	1,875	2,036	(161)
d Work Permits	33,615	24,417	9,198	62,206	44,143	18,063
d Accommodation provided for non-Home Office Bodies	18,222	56,266	(38,044)	5,351	5,351	-
d Leave to Remain General Postal	93,543	91,066	2,477	95,389	102,155	(6,766)
d Leave to Remain General Premium	52,044	23,258	28,786	50,577	19,918	30,659
d Leave to Remain Work Permit Postal	10,557	6,264	4,293	18,413	12,617	5,796
d Leave to Remain Work Permit Premium	6,128	2,881	3,247	6,424	4,692	1,732
d Certificate of Approval	1,294	1,310	(16)	4,216	2,848	1,368
d Point Based System	50,433	64,894	(14,461)	40	114	(74)
d UK Visa	295,464	300,802	(5,338)	273,577	291,840	(18,263)
e Identity and Passport Service**	292,983	302,908	(9,925)	329,053	316,496	12,557
e General Records Office	18,733	25,360	(6,627)	17,723	23,711	(5,988)
	1,069,740	1,044,925	24,815	1,031,736	984,370	47,366

This analysis of income satisfies the Fees and Charges requirements of HM Treasury rather than SSAP25.

* CRB income includes £6.7m operating surplus (2007-08 £10.7m) which is surrendered to the Consolidated Fund.

** The fees and charges balances for the Identity and Passport Service excludes the non retainable element of the passport fee for consular protection (£58.7m in 2008-09 and £51.3m in 2007-08), which is surrendered to HM Treasury.

Analysis of income streams by objective

	2008-09			Restated 2007-08		
	Income	Full cost	Surplus/ (deficit)	Income	Full cost	Surplus/ (deficit)
	£000	£000	£000	£000	£000	£000
a Cut crime, especially violent, drug and alcohol related crime	3,112	3,089	23	2,622	2,622	-
b Lead visible, responsive and accountable policing	117,999	111,318	6,681	101,606	91,965	9,641
c Protect the public from terrorism	118	2,182	(2,064)	69	1,654	(1,585)
d Secure our borders and control immigration for the benefit of our country	636,795	600,068	36,727	580,663	547,922	32,741
e Safeguard identify and the privileges of citizenship	311,716	328,268	(16,552)	346,776	340,207	6,569
	1,069,740	1,044,925	24,815	1,031,736	984,370	47,366

13. Analysis of Net Operating Cost by Spending Body (Consolidated only)

	Estimate	2008-09	Restated
	£000	Total	2007-08
	£000	£000	Total
	£000	£000	£000
Spending Body:			
Central Department	1,583,631	1,701,425	1,617,136
Identity and Passport Service	98,131	39,279	11,471
Criminal Records Bureau	-	(6,664)	(10,664)
Non-Departmental Public Bodies	1,056,871	1,044,472	929,018
Other Central Government	7,606	8,896	897
Local Authorities	7,271,227	7,181,209	6,693,104
Net Operating Cost	10,017,466	9,968,617	9,240,962

14. Tangible Fixed Assets

	Land & Buildings excluding Dwellings £000	Vehicles £000	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Payments on Account & Assets under construction £000	Total £000
Cost or valuation							
At 1 April 2008*	416,850	53,291	244,158	36,917	38,375	170,551	960,142
Additions	60,480	521	8,133	7,085	5,905	159,541	241,665
Disposals	(10,262)	(236)	(1,830)	(34)	(263)	(109)	(12,734)
Impairment	(4,902)	-	(3,452)	-	-	(2,164)	(10,518)
Adjustment **	-	-	-	-	-	27,769	27,769
Transfers	409	-	6,425	-	14	(13,448)	(6,600)
Revaluations	(19,636)	2,152	(9,268)	745	961	-	(25,046)
At 31 March 2009	442,939	55,728	244,166	44,713	44,992	342,140	1,174,678
Depreciation							
At 1 April 2008*	(80,925)	(22,595)	(108,563)	(26,702)	(25,534)	-	(264,319)
Charged in year	(19,004)	(10,422)	(37,887)	(5,075)	(4,656)	-	(77,044)
Disposals	4,871	200	1,771	25	263	-	7,130
Impairment	-	-	865	-	-	-	865
Transfers	-	-	1,009	-	-	-	1,009
Revaluations	3,151	(827)	510	(376)	(456)	-	2,002
At 31 March 2009	(91,907)	(33,644)	(142,295)	(32,128)	(30,383)	-	(330,357)
Consolidated Net book value at 31 March 2009	351,032	22,084	101,871	12,585	14,609	342,140	844,321
Core Net book value at 31 March 2008 *	335,925	30,696	135,595	10,215	12,841	170,551	695,823
Asset financing:							
Owned	351,032	22,084	101,871	12,585	14,609	342,140	844,321
Net book value at 31 March 2009	351,032	22,084	101,871	12,585	14,609	342,140	844,321
Analysis of Tangible Fixed Assets							
The net book value of tangible fixed assets comprises:							
Core Department 2009	305,257	1,690	50,609	12,034	9,781	324,015	703,386
Agencies 2009	45,775	20,394	51,262	551	4,828	18,125	140,935
Total	351,032	22,084	101,871	12,585	14,609	342,140	844,321
Core Department 2008*	283,293	1,732	84,491	9,442	8,053	158,714	545,725
Agencies 2008*	52,632	28,964	51,104	773	4,788	11,837	150,098
Total	335,925	30,696	135,595	10,215	12,841	170,551	695,823

* 2008-09 opening balances have been restated for Machinery of Government changes.

** In 2008-09, £27m was written back to fixed asset clearing, having been over written down in 2005-06. This led to £8m being credited to the OCS and £19m being credited to Revaluation Reserve.

Land and Buildings, excluding dwellings, comprises freehold, long leasehold (leases with 50+ years to run from Balance Sheet date) and short leasehold buildings.

Other tangible assets were revalued on the basis of the latest available indices.

15. Intangible Fixed Assets

	<u>Total</u> <u>£000</u>
Cost or Valuation	
At 1 April 2008 – restated	4,385
Additions	720
Donations	-
Disposals	(36)
Transfers	6,600
Revaluations	(68)
At 31 March 2009	<u>11,601</u>
Amortisation	
At 1 April 2008 – restated	(2,042)
Charged in year	(2,932)
Disposals	36
Transfers	(1,009)
Revaluations	12
At 31 March 2009	<u>(5,935)</u>
Net book value at 31 March 2009	<u>5,666</u>

Analysis of Intangible Fixed Assets

The net book value of intangible fixed assets comprises:

	<u>Total</u> <u>£000</u>
Core Department 2009	3,851
Agencies 2009	1,815
Total	<u>5,666</u>
Core Department 2008 – restated	1,000
Agencies 2008 – restated	1,343
Total	<u>2,343</u>

16. Investments

	Forensic Science Service (GovCo)			Total
	Share Capital	Loan Stock	Other Investments	
	£000	£000	£000	
Cost or valuation				
At 1 April 2008	48,000	19,260	-	67,260
Additions	10,000	-	-	10,000
Repayments	-	(1,193)	-	(1,193)
Transfers	-	-	-	-
Revaluations	(57,999)	-	-	(57,999)
At 31 March 2009	1	18,067	-	18,068

The Forensic Science Service Ltd (FSS) accounts for the year ended 31 March 2009 report the following: (NB. These figures are subject to audit.)

	31 March 2009 Forensic Science Service £000
Net assets	35,099
Turnover	125,794
Profit/(Loss) for the period (before financing)	(12,228)

The FSS, formerly an Executive Agency of the Home Office, was vested as a Government-owned Company (Gov Co) in December 2005. The move to Gov Co status was agreed as the most appropriate structure to enable the FSS to operate as a corporate entity, at arms length from government, but under robust and appropriate shareholder control.

During 2008-09, the FSS approached the Home Office as shareholder and as the lead department with an interest in the role of forensic science as a key component in the Criminal Justice System: in 2007-08, the company returned a small loss on its activities for the year. A detailed analysis by the company of the changing nature of the forensics markets revealed a more pessimistic view of the market share available and of its ability to exploit its share to best effect. It was clear that the company needed to reconfigure its business model in order to place it on a sustainable footing.

The FSS produced a new Strategic Business Plan, which was agreed by the Home Office, following consultation with HM Treasury, in December 2008. At its core is its Transformation Plan, which presents a new more effective, integrated service and on which the company is about to enter into formal consultations with its workforce. Under this new plan, the FSS will be able to finance, and enable the delivery of, its Strategic Business Plan, within the agreed timescales and optimise its commercial potential.

In March 2009, the Home Office, with the agreement of HM Treasury, agreed to a level of grant funding, over the Comprehensive Spending Review period, as a necessary element to enable the FSS to deliver that strategic business plan. The aggregate sum is likely to be £50m, with the following profile: 2008-09 £10m, 2009-10 £30m and 2010-11 £10m. In March 2009, the first £10m was paid by Home Office to the FSS.

In 2007-08, the Home Office valued FSS in accordance with the FReM at its historic cost. In recognition of the increasingly competitive forensics market in which the company operates, the Home Office decided that it would be appropriate to review the valuation of the company in 2008-09. The valuation, in accordance with Accounting Standards, has been undertaken on the basis of the future discounted cash flows and has resulted in the investment being revalued downwards to a nominal sum of £1,000. The Home Office will revalue its investment in the company periodically and substantively, as appropriate, following the completion of the Transformation plan in 2011-12. The enterprise value of the FSS, incorporating the planned £50m injection from the Home Office, is estimated to be £13m.

17. Stocks and Work in Progress

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Stocks	1,615	7,506	1,448	6,672
Work in Progress	-	754	-	990
	1,615	8,260	1,448	7,662

18. Debtors**18(a) Analysis by Type**

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors and provision for bad and doubtful debts	69,858	68,200	133,281	122,865
VAT debtors net of creditors	20,041	29,203	33,307	36,539
Staff debtors	8,476	8,863	11,071	11,451
Debtors - government departments	4,323	11,801	11,058	14,925
Other debtors, prepayments and accrued income	184,591	217,059	57,869	87,470
Amounts due from the Consolidated Fund in respect of Supply	-	-	-	-
	287,289	335,126	246,586	273,250

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Amounts falling due after more than one year:				
Trade debtors	-	-	-	-
Staff debtors	-	-	-	-
Prepayments and accrued income	-	7,778	-	2,301
	-	7,778	-	2,301

Included within Debtors is £62.7m (£32.9m in 2007-08) that will be due to the Consolidated Fund once debts are collected.

18(b) Intra-Government Balances

Consolidated

	Amounts falling due within one year		Amounts falling due after more than one year	
	Restated		Restated	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	264,090	169,094	-	-
Balances with Local Authorities	14,164	10,075	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	7	31,317	-	-
<i>Subtotal: intra-government balances</i>	278,261	210,486	-	-
Balances with bodies external to government	56,865	62,764	7,778	2,301
Total Debtors at 31 March	335,126	273,250	7,778	2,301

Core

	Amounts falling due within one year		Amounts falling due after more than one year	
	Restated		Restated	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	252,181	186,105	-	-
Balances with Local Authorities	2,086	9,733	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<i>Subtotal: intra-government balances</i>	254,267	195,838	-	-
Balances with bodies external to government	33,022	50,748	-	-
Total Debtors at 31 March	287,289	246,586	-	-

19. Cash at Bank and in Hand

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	439,619	505,107	414,109	443,435
Net change in cash balances	(161,330)	(197,507)	25,510	61,672
Balance at 31 March	278,289	307,600	439,619	505,107

The following balances at 31 March were held at:

Office of HM Paymaster General*	269,166	274,296	434,799	476,691
Commercial: banks and cash in hand	9,123	33,304	4,820	28,416
Balance at 31 March	278,289	307,600	439,619	505,107

* In 2008-09 £5,997k was collected on behalf of Local Authorities relating to citizenship ceremonies. This has been removed from the Office of HM Paymaster General (PGO) bank balance and disclosed in Note 35(b) as a third party asset. In 2007-08, £2,859k was collected, but this was included in the PGO cash balance.

These balances exclude a bank overdraft of £3,360k (£12,814k in 2007-08) which is disclosed under creditors in Note 20. The movement on overdraft is included as a movement in cash within the Consolidated Cash Flow Statement.

20. Creditors

20(a) Analysis by Type

	2008-09		Restated 2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due within one year:				
Other taxation and social security	51,201	51,201	38,110	38,110
Trade creditors	78,138	84,418	183,826	192,112
Other creditors	9,067	11,391	65,743	68,760
Overdraft	-	3,360	-	12,814
Staff creditors	1,136	1,136	14,599	14,600
Accruals and deferred income	717,851	784,754	535,131	591,834
Unpaid pension contributions	199	199	207	207
Finance lease	509	509	-	-
Creditors - government departments	45,346	45,346	53,750	55,848
Amounts issued from the Consolidated Fund for Supply but not spent at year end	241,580	241,580	407,142	407,142
Consolidated Fund - received	62,660	62,660	85,151	85,151
- receivable	58,064	58,064	32,976	32,976
	1,265,751	1,344,618	1,416,635	1,499,554

	2008-09		Restated 2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Amounts falling due after more than one year:				
Finance lease	43,882	43,882	-	-
Other Creditors	-	3,206	-	3,489
PFI Contracts	-	-	-	-
	43,882	47,088	-	3,489

20(b) Intra-Government Balances

Consolidated	Amounts falling due within one year		Amounts falling due after more than one year	
	Restated		Restated	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	456,808	716,539	6	-
Balances with Local Authorities	385,302	67,765	-	-
Balances with NHS Trusts	581	29,859	-	-
Balances with public corporations and trading funds	8,041	68	-	-
<i>Subtotal: intra-government balances</i>	850,732	814,231	6	-
Balances with bodies external to government	493,886	685,323	47,082	3,489
Total Creditors at 31 March	1,344,618	1,499,554	47,088	3,489

20(b) Intra-Government Balances

Core	Amounts falling due within one year		Amounts falling due after more than one year	
	Restated		Restated	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	449,562	716,900	-	-
Balances with Local Authorities	375,165	64,705	-	-
Balances with NHS Trusts	581	29,859	-	-
Balances with public corporations and trading funds	7,883	-	-	-
<i>Subtotal: intra-government balances</i>	833,191	811,464	-	-
Balances with bodies external to government	432,560	605,171	43,882	-
Total Creditors at 31 March	1,265,751	1,416,635	43,882	-

21. Provisions for Liabilities and Charges

	Core Department			Consolidated		
	Early departure costs	Other	Total	Early departure costs	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008 (restated)	19,860	47,444	67,304	19,954	52,692	72,646
Provided in the year	6,650	202,481	209,131	7,316	202,982	210,298
Provisions not required written back	(2,295)	(22,057)	(24,352)	(2,334)	(22,345)	(24,679)
Provisions utilised in the year	(5,264)	(17,732)	(22,996)	(5,264)	(17,732)	(22,996)
Balance at 31 March 2009	18,951	210,136	229,087	19,672	215,597	235,269

Early Departure Costs

The Department meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 2.2% in real terms.

Other Provisions

Included within Other Provisions is the sum of £130m made in respect of payments to be made to police authorities in respect of their liability for a backdated increase in the commutation rates applying to police pension lump sums paid in the period 1 December 2006 to 30 September 2007.

An important component of the Other Provisions relates to outstanding compensation claims. Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flows discounted using HM Treasury discount rate of 2.2% in real terms. No reimbursement will be received in respect of any of these claims. Legal claims, which may succeed but are less likely to do so or cannot be estimated, are disclosed as contingent liabilities in Note 31.

A provision for the dilapidations on various Home Office leases is included within the Other Provision balance. The largest of these is for the dilapidations on the UK Border Agency estate.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2008-09		Restated 2007-08	
	Core Department £000	Consolidated £000	Core Department £000	Consolidated £000
Balance at 1 April	(273,152)	(126,050)	(284,155)	(162,721)
Machinery of Government	-	-	40,365	65,373
Adjusted opening balance at 1 April	(273,152)	(126,050)	(243,790)	(97,348)
Net Parliamentary Funding				
Drawn down	9,914,536	9,990,685	9,414,378	9,461,500
Deemed Supply	407,142	407,142	264,039	264,039
Net Financing from the Contingencies Fund				
Supply (creditor)/debtor - current year	(241,580)	(241,580)	(407,142)	(407,142)
Net Transfer from Operating Activities				
Net Operating Cost	(9,938,100)	(9,968,617)	(9,247,629)	(9,240,962)
CFERs repayable to Consolidated Fund	(188,765)	(254,156)	(155,815)	(207,141)
Non Cash Charges				
Cost of capital	(62)	5,086	(4,031)	(1,422)
Auditor's remuneration	596	979	600	911
Notional charges and income	(3,230)	(2,842)	7,522	462
Transfer from Revaluation Reserve	2,931	7,728	3,291	5,928
Revaluation Reserve adjustment	-	-	95,425	95,425
IPS Grant Reserve movement	-	(117)	-	(300)
Balance at 31 March	(319,684)	(181,742)	(273,152)	(126,050)

23. Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2008-09		Restated 2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Balance at 1 April	90,851	104,107	156,800	162,749
Arising on revaluation during the year (net)	(14,458)	(14,793)	32,767	42,711
Transferred to General Fund in realised element of Revaluation Reserve	(2,931)	(7,728)	(98,716)	(101,353)
Balance at 31 March	73,462	81,586	90,851	104,107

The Revaluation Reserve includes a fixed asset adjustment, as reported in Note 14.

24. Notes to the Consolidated Cash Flow Statement

24(a) Reconciliation of Operating Cost to Operating Cash Flows

	Note	2008-09	Restated
		£000	2007-08 £000
Net operating cost	13	(9,968,617)	(9,240,962)
Adjustments for non-cash transactions		317,859	102,187
(Increase)/decrease in stock		(598)	(3,145)
(Increase)/decrease in debtors		(67,353)	62,642
less movements in debtors relating to items not passing through the OCS		-	-
Increase/(decrease) in creditors		(101,883)	192,970
less movements in creditors relating to items not passing through the OCS		162,061	(96,923)
Use of provisions	21	(22,996)	(14,726)
Net Cash Outflow from Operating Activities		(9,681,527)	(8,997,957)

24(b) Analysis of Capital Expenditure and Financial Investment

	Note	2008-09	Restated
		£000	2007-08 £000
Tangible fixed asset additions	14	(241,665)	(192,479)
Intangible fixed asset additions	15	(720)	(1,570)
Proceeds of disposal of fixed assets		5,540	-
Investment repayments	16	1,193	1,193
Investment additions		(10,000)	-
Net Cash Outflow from Investing Activities		(245,652)	(192,856)

24(c) Analysis of Capital Expenditure and Financial Investment by Request for Resources

	Capital expenditure	Loans** etc	Equity	A in A	Net Total
	£000	£000	£000	£000	£000
Request for Resources 1	242,385	-	10,000	(5,520)	246,865
Total 2008-09	242,385	-	10,000	(5,520)	246,865
Total 2007-08*	162,732	(1,193)	-	-	161,539

*The 2007-08 figures have not been restated as these numbers were previously reported to Parliament.

** The Forensic Science Service made principal repayments of £1,193k on outstanding loan stock.

In 2008-09, this was not covered in the Estimate and was, therefore, treated as a CFER.

24(d) Analysis of Financing

	Note	2008-09	Restated 2007-08
		£000	£000
From the Consolidated Fund (Supply) - current year	22	9,990,685	9,461,500
From the Consolidated Fund (Supply) - prior year		-	-
Machinery of Government notional transfer	37	-	39,570
From Consolidated Fund (Supply) - creditor		-	-
Capital element of payments in respect of finance leases and on Balance Sheet PFI contracts		-	-
Net Financing		9,990,685	9,501,070

24(e) Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	Note	2008-09	Restated 2007-08
		£000	£000
Net Cash Requirement		(10,156,247)	(9,318,397)
From the Consolidated Fund (Supply) - current year	24(d)	9,990,685	9,461,500
From the Consolidated Fund (Supply) - prior year	24(d)	-	-
Amounts due to the Consolidated Fund - received in a prior year and paid over		(85,151)	(132,622)
Amounts due to the Consolidated Fund received and not paid over		62,660	85,151
Machinery of Government net funds transfer		-	(38,644)
Increase/(decrease) in cash		(188,053)	56,988

25. Notes to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditure have been allocated as follows:

	2008-09	Restated 2007-08
	£000	£000
Objective a	691,371	178,156
Objective b	6,761,070	6,528,665
Objective c	789,374	859,966
Objective d	1,351,574	1,288,911
Objective e	40,227	61,616
Objective f	4,731	-
Total	9,638,347	8,917,314

Capital Employed by departmental strategic objectives at 31 March 2009

	2008-09	Restated 2007-08
	£000	£000
Objective a	2,390	5,410
Objective b	(109,478)	(206,427)
Objective c	2,397	(86,079)
Objective d	4,158	101,429
Objective e	361	163,724
Objective f	16	-
Total	(100,156)	(21,943)

Since February 2008, the Home Office has had one overarching objective and six strategic objectives. The overarching objective is:

Help people feel secure in their homes and local communities

The six strategic objectives, against which performance during 2008-09 was measured, are set out below:

- a) Cut crime, especially violent, drug and alcohol related crime
- b) Lead visible, responsive and accountable policing
- c) Protect the public from terrorism
- d) Secure our borders and control immigration for the benefit of our country
- e) Safeguard identity and the privileges of citizenship
- f) Support the efficient and effective delivery of justice

Figures for 2007-08 have been restated, both for the Machinery of Government changes, and the changes in the Department's objectives.

26. Capital Commitments

	2008-09		Restated 2007-08	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Contracted capital commitments as at 31 March for which no provision has been made	331,095	336,850	391,349	397,549
	331,095	336,850	391,349	397,549

27. Commitments under Leases**27.1 Operating Leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts have been analysed according to the period in which the lease expires:

Obligations under Operating Leases comprise:

	2008-09		Restated 2007-08	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Land and buildings:				
Expiry within 1 year	2,247	3,012	4,217	6,604
Expiry after 1 year but not more than 5 years	24,896	37,130	17,054	28,008
Expiry thereafter	32,229	38,146	28,700	38,387
	59,372	78,288	49,971	72,999
Other:				
Expiry within 1 year	225	465	316	316
Expiry after 1 year but not more than 5 years	498	3,699	1,058	1,058
Expiry thereafter	14	462	1	1
	737	4,626	1,375	1,375
	60,109	82,914	51,346	74,374

27.2 Finance Lease

Obligations under finance leases comprise:

	Core	2008-09 Consolidated
	£000	£000
Rentals due within 1 year	509	509
Rentals due after 1 year but within 5 years	2,569	2,569
Rentals due thereafter	41,313	41,313
	44,391	44,391

Restated prior year comparative data has not been provided as the Department did not have any non-cancellable lease contracts at 31 March 2008.

28. Commitments under PFI Contracts**28.1 Off Balance Sheet****Home Office Central London Accommodation**

On 26 March 2002, a 29 year public private partnership contract was signed for the construction and maintenance of a new central London headquarters building at 2 Marsham Street. The new building houses the majority of staff in the Home Office based in central London. The new property is built and run by Anne's Gate Property (AGP) consortium and is not an asset of the Home Office. Construction was completed by quarter one of 2005-06. The contract has an estimated capital value of £200m, and the contract runs for 29 years from the 26 March 2002. The Home Office is committed to making partially indexed annual payments which in 2008-09 totalled £37m plus (recoverable) VAT.

Home Office IT Systems

The core Home Office modernisation programme commenced in February 2001 when the contractor, SIRIUS, a specially constructed consortium of Fujitsu (formerly ICL), PWC (who have now departed from the contract) and Global Crossing assumed responsibility for operating and maintaining the Home Office's IT and telephony. Over the ten year life span of the programme, the contractor is developing the Home Office's e-mail, Intranet, Extranet and telephone voice services, supporting an estimated 19,000 desktops. The contract is treated as off Balance Sheet with the separation of payment streams to the contractor for IT and telephony charged to the Operating Cost Statement. The contract has an estimated capital value of £5.9m.

UKBA - IT Support Services

2008-09 was the fifth year of the six year contract awarded under the Public Private Partnerships (PPP) initiative to ATOS Origin for the supply of infrastructure, development and support services for the UK Border Agency with an estimated capital value of £3.11m. The annual payments are estimated at £39m for the duration of the contract.

Identity and Passport Services PPP Contract

The Identity and Passport Service has a single contract which is classified as an off Balance Sheet PPP arrangement. This contract commenced in October 1998. The PPP is included within the material contracts with 3M SP&SL (expiry October 2010), Siemens IT Services and Solutions (expiry October 2009), Secure Mail Services (expiry July 2010), Tele-performance (expiry March 2011) and Atos Origin (expiry August 2009). The total value of the contract over the full term is estimated to be £44.8m. Due to commercial sensitivity, the actual supplier has not been disclosed. This amount is excluded from the table below.

Criminal Records Bureau PPP Contract

2008-09 was the seventh year of the ten year contract awarded under the PPP initiative to provide the disclosure processing service. The contract (from March 2002 to March 2012) has an estimated total value of £400m, with the actual final value determined by demand for disclosure notices.

Charge to the Operating Cost Statement and Future Commitments

The total amount charged in the Operating Cost Statement in respect of off Balance Sheet PFI transactions was £171.1m (2007-08: £167.1m) and the payments to which the Department is committed during 2008-09, analysed by the period during which the commitment expires is as follows:

	Core Department £000	2008-09 Consolidated £000	Core Department £000	Restated 2007-08 Consolidated £000
Imputed finance lease obligations under off Balance Sheet for above PFI contracts comprises:				
Expiry within 2 to 5 years	94,422	134,422	91,317	131,317
Expiry within 21 to 25 years	36,655	36,655	35,834	35,834
Total	131,077	171,077	127,151	167,151

29. Other Financial Commitments

The Department and its Agencies have entered into non-cancellable contracts (which are not leases or PFI contracts).

The Identity and Passport Service has outsourced suppliers and has financial commitments under these contracts until the end of the contract term. Material contracts exist with Siemens IT Services and Solutions (expiry October 2009), 3M SP&SL (expiry October 2010), Secure Mail Services (expiry July 2010), Tele-performance (expiry March 2011), ATOS Origin (expiry August 2009) and Thales (expiry July 2012). Much of the financial commitment on these contracts is based on volumes of passports produced. The estimated value for these commitments is £150.1m (2007-08: £269m).

As outlined in Note 16, Investments, the Home Office agreed in March 2009 to a schedule of cash injection by Home Office into FSS, over the Comprehensive Spending Review period, as a necessary element to the delivery of the FSS's strategic business plan. The future payment schedule is £30m in 2009-10 and £10m in 2010-11.

The payments to which the Department and its Agencies are committed during 2008-09, analysed by the period during which the commitment expires are as follows:

	Core £000	2008-09 Consolidated £000	Core £000	Restated 2007-08 Consolidated £000
Expiry within 1 year	30,339	30,339	1,673	1,673
Expiry within 2 to 5 years	66,057	66,057	62,411	62,411
Expiry thereafter	22,333	22,333	-	-
Total	118,729	118,729	64,084	64,084

The payments analysed above exclude the Identity and Passport Service payment of £150.1m due to commercial sensitivity. This is consistent with the disclosure made in the 2008-09 audited Identity and Passport Service accounts.

30. Financial Instruments

30.1 Risk Management Objectives and Policies

The FReM requires disclosure of the objectives and policies of an entity in holding financial instruments, and the role financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities.

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The Department has very limited powers to borrow, invest surpluses, or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Department in undertaking its activities.

The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is, therefore, exposed to little credit, liquidity or market risk.

30.2 Liquidity Risk

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

30.3 Interest Rate Risk

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

30.4 Currency Risk

The Department does not conduct any material business denominated in foreign currency and therefore is not exposed to any significant risk as a result of currency fluctuations. All foreign currency transactions are accounted for in accordance with accounting policy Note 1.14.

2008-09	Loans and receivables	Equity investments	Amortised cost	Total book value	Fair value
	£000	£000	£000	£000	£000
Financial Assets					
Cash	307,600	-	-	307,600	307,600
Loan Notes	18,067	-	-	18,067	18,067
Investments	-	1	-	1	1
Trade and Other Receivables	195,224	-	-	195,224	195,224
Financial Liabilities					
Bank overdraft	-	-	(3,360)	(3,360)	(3,360)
Finance lease and hire purchase obligations	-	-	(44,391)	(44,391)	(44,391)
Trade and other payables	-	-	(843,024)	(843,024)	(843,024)
Total	520,891	1	(890,775)	(369,883)	(369,883)

2007-08	Loans and receivables	Equity investments	Amortised cost	Total book value	Fair value
	£000	£000	£000	£000	£000
Financial Assets					
Cash	505,107	-	-	505,107	505,107
Loan Notes	19,260	-	-	19,260	19,260
Investments	-	48,000	-	48,000	48,000
Trade and Other Receivables	183,886	-	-	183,886	183,886
Financial Liabilities					
Bank overdraft	-	-	(12,814)	(12,814)	(12,814)
Finance lease and hire purchase obligations	-	-	-	-	-
Trade and other payables	-	-	(869,206)	(869,206)	(869,206)
Total	708,253	48,000	(882,020)	(125,767)	(125,767)

All assets and liabilities are Sterling denominated. Amortised costs are quoted at current day prices.

31. Contingent Liabilities disclosed under FRS12

31.1 The Home Office has contingent liabilities in respect of the following matters:

A contingent liability of £1.935m has been reported for costs relating to various legal claims against the Department. The contingent liability reflects estimates of all known claims where legal advice indicates that the criteria for recognition of a provision has not been met.

32. Contingent Liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability purposes

32.1 Quantifiable

The Home Office has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2008 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount Reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
Indemnity provided to BAA in respect of damage or injury caused to third parties from the UK Border Agency (UKBA) in their use of vehicles operating airside while transporting immigration officers between airside locations.	52,000	-	-	-	52,000	-
Indemnity provided to BAA in respect of damage or injury caused to third parties from negligence of Home Office staff in their use of vehicles operating airside. Minute dated 19 November 2008.	50,000	-	-	-	50,000	50,000

	1 April 2008 Restated	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount Reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
The Home Office Central London Accommodation (HOCLAS) Project for redundancy costs incurred in the relocation of Home Office accommodation to Marsham Street. Minute dated 23 January 2002.	1,000	-	-	-	1,000	1,750
The Security Industry Authority (SIA) registered a contingent liability concerning the effect of Transfer of Undertakings Protection of Employment (TUPE) with certain local authority staff who did license door supervisors for the Security Industry. Minute dated 8 May 2003.	3,000	-	-	3,000	-	3,000
Potential costs incurred if the Airwave contract was to fail.	500,000	-	-	-	500,000	-
Potential costs incurred if the Sirius IT contract was terminated.	12,000	-	-	-	12,000	-
Indemnity in respect of rolling out the Airwave contract in the London Underground (amount capped per incident).	100,000	-	-	-	100,000	-
Guarantee to the Forensic Science Service (FSS) to meet obligations under its tenancy agreement. Minute dated 26 November 2007.	10,300	-	-	7,700	2,600	10,300
Indemnities provided to various site authorities of and terminal operators at seaports and London City Airport in respect of any loss, liability cost, expense or damage arising out of, or in connection with, the installation and commissioning of port authorities and terminal operators.	46,000	-	-	-	46,000	46,000
Claims arising from the Simplifying Passenger Travel Interest Group (SPT) not exceeding £5m.	5,000	-	-	-	5,000	-
	779,300	-	-	10,700	768,600	111,050

32.2 Unquantifiable

The Home Office has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS12 since the likelihood of a transfer of economic benefit in settlement is too remote.

Guarantees

Police – City of London Economic Crime Basic Command Unit (ECBCU) (Minute dated 12 March 2004)

If the Home Office reduces or discontinues its share of the match funding of the expanded ECBCU then it will contribute up to 50% to any resulting costs e.g., redundancy payment or property cost.

Indemnities**Home Office Central London Accommodation Strategy (HOCLAS)** (Minute dated 23 January 2002)

The Home Office has indemnified the contractor for an unquantifiable amount against any financial loss arising from the Home Office providing defective information in respect of the contract.

UKBA New Detection Technology (NDT) in Belgium and Eire (Minute dated 10 September 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

- i) Zeebrugge: Fuher Heartbeat equipment and building and One Passive Millimetric Wave Imager Truck.
- ii) Rosslare: One Passive Millimetric Wave Imager Truck.

UKBA New Detection Technology (NDT) in Belgium, the Netherlands and Germany (Minute dated 18 December 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

- i) Zeebrugge: Fuher heartbeat equipment and building.
- ii) Ostend and Zeebrugge: Heartbeat equipment and shelters.
- iii) Vlissingen: Heartbeat equipment and shelters.
- iv) Germany: Polish Frontier Two Passive Millimetric Wave Imager Trucks.

UKBA New Detection Technology (NDT) in France (Minute dated 18 December 2003)

All NDT equipment is loaned by the United Kingdom Immigration Service to recipients:

Action with UK and French Memorandum of Understanding:

- i) Calais: heartbeat equipment and building, Passive Millimetric Wave Imager trucks.
- ii) Coquelles: heartbeat detection unit at the Euro tunnel operated in the juxtaposed control zone by the UKIS.

Action since English/French convention signed 24 November 2003:

- i) Calais: Heartbeat equipment and two buildings in juxtaposed control zone commenced Spring 2004;
- ii) Caen/Ouistreham: Passive Millimetric Wave Imager commenced Spring 2004.
- iii) Caen/Ouistreham: Heartbeat equipment and building commenced Summer 2004.
- iv) Cherbourg: Passive Millimetric Wave Imager commenced Spring 2004.
- v) Cherbourg: Heartbeat equipment and building commenced Summer 2004.
- vi) Dieppe: Heartbeat equipment and building commenced Summer 2004.
- vii) Dunkerque: Heartbeat equipment and building commenced Summer 2005. Heartbeat equipment and building operated by the UKIS in the juxtaposed control zone and commenced operation in Spring 2004.
- viii) Le Havre: Passive Millimetric Wave Imager, heartbeat equipment and building commenced Spring 2004.
- ix) Roscoff: Heartbeat equipment and building commenced Summer 2004.
- x) St. Malo: CO2 probes to be operated by French operators.

UKBA New Detection Technology France and Austria (Minute dated 16 March 2004)

All NDT equipment is loaned by the United Kingdom Immigration service to recipients:

- i) Coquelles: Shelter for and heartbeat detection equipment which is under control of, and operated by, the United Kingdom Immigration Service in the juxtaposed control zone.
- ii) Austria: Austrian Border Guard receive one Passive Millimetric Wave Imager truck (previously in Germany) for an unspecified period.

UKBA New Detection Technology in Europe (Minute dated 2 July 2004)

Indemnity in respect of the deployment and/or demonstration of New Defence Technology by the United Kingdom Immigration Service in Europe. Within the scope of this indemnity "Europe" is defined as the member states of the Organisation for Security and Co-operation in Europe (OSCE); those North African and Middle Eastern countries with which the OSCE has special relationships (Algeria, Israel, Jordan, Morocco

and Tunisia); and those countries which participate in Euro-Mediterranean dialogue with the Council of Europe (Libya, Syria, Lebanon and the Palestinian Authority).

Kent Police and Kent Police Authority (Minute laid 10 October 2005)

Indemnity for Kent Police, and the Kent Police Authority, in respect of any financial liability arising from their giving evidence in respect of the Euro Tunnel arbitration claim.

Harmondsworth and Campsfield Inquiry Team (Minute laid 14 July 2007)

Indemnity provided to the Chairman and members of the team carrying out, in good faith and honesty, the inquiry into the disturbances at the Harmondsworth and Campsfield Immigration Removal Centres.

Serious Organised Crime Agency (Minute laid 1 July 2008)

A Departmental Minute was laid before Parliament to enable SOCA to indemnify bodies against any losses incurred when using their facilities for firearm training purposes with the maximum value of indemnities live at any given time up to £50m. SOCA entered into 8 indemnities during the year with values up to £1m, such that the maximum live indemnities totalled below £50m. No liabilities crystallised in year and there were no obligations outstanding at 31 March 2009.

The Home Office has given SOCA approval to enter into indemnities for operational need up to £1m. During the year, SOCA entered into one indemnity with a bank relating to the recovery of criminal assets for an estimated value of £550k. No liabilities crystallised in year but the obligation remains outstanding at 31 March 2009.

CIFAS – Fraud Protection Service (Minute laid 1 July 2008)

To indemnify bodies against erroneous data entered on the CIFAS database, resulting in claims lodged against those organisations from 21 July 2008.

Neighbourhood Watch (Minute laid 7 July 2008)

To indemnify Neighbourhood Watch schemes against claims lodged against them. Cover provided in excess of £5m that is provided by public liability insurance paid by the Home Office.

33. Losses, Special Payments and Gifts

33(a) Losses Statement

Losses - are transactions of a type which Parliament could not have known when Supply funding for the Department was voted. The term loss includes loss of public monies, stores, stocks, cash and other property entrusted to the Home Office. Examples include: cash losses, bookkeeping losses, exchange rate fluctuations, losses of pay, allowance and superannuation benefits; losses arising from overpayments, losses arising from failure to make adequate charges, and losses arising from accountable stores.

		2008-09		Restated 2007-08
	Number of cases	£000	Number of cases	£000
Losses Under £250,000	1,251	647	10	4,812
Cases Over £250,000 which comprise:	4	11,271	1	2,628
Overpayments	1	9,600		

During 2008-09, UKBA found that overpayments had been made on sums due for accommodation and direct support to asylum seekers, whose eligibility for the support had ceased. At the point of analysis, the issue was classifiable into two elements:

1. Cases where support should have ceased, but where at the point of analysis the cessation had not occurred; and
2. Cases where cessation had occurred but where the period from the cessation decision to the actual cessation was beyond the grace period allowed by legislation.

These overpayments occurred due to shortfalls in the operation of controls and weaknesses between the legacy casework system and the payment system. When a decision is made for asylum support to be ceased on the casework system, procedures should have ensured that the payment system stopped making payments. There were shortfalls in the controls over those procedures that meant those procedures were not consistently applied.

The two classes of case (items 1 and 2 above) were considered separately.

For item 1 all cases receiving support were reviewed on the casework system. Using a fixed set of criteria cases which had the potential to be receiving benefits incorrectly were identified. These were then reviewed in more detail, and the data from the casework system was compared to the payment system. As a result of this investigation, any cases which were incorrectly receiving benefit had their payment stopped.

For item 2, a review was carried out on all cases which had had benefits ceased in year. These were examined in detail, and the delay in cessation of support payments was calculated.

Overall, overpayments of approximately £9.6m were made. This is comprised of £2.7m to cases in class 1 above and, £6.9m to cases in class 2, in both cases relating to activities in 2008-09. It is possible that cessations made in earlier years were also subject to delays and losses could have occurred - this has not been quantified.

UKBA have addressed the shortfall in controls, including:

- sample checks of conclusions that occur to ensure that payments are stopped;
- managers are now required to review local procedures to ensure compliance with documented processes and provide assurance on their adequacy and effectiveness;
- weekly exception reporting is being implemented which will identify potential cases on the casework system that have reached a trigger point but are still having payments made on the payment system; and
- UKBA has created an assurance team to review and monitor the overall process.

UKBA considered the recoverability of overpayments.

- It is not legally tenable to seek to recover payments for accommodation as providers acted in good faith;
- It is not considered economic to seek to recover the payments of direct support to failed asylum seekers due to legal, practical and hardship issues.

Fruitless payments – are for payments for which liability ought not to have been incurred, or where the demand for the goods or services in question could have been cancelled in time to avoid liability. Examples include forfeitures under contracts as a result of some error or negligence by the Department, for example, payments for travel tickets or hotel accommodation wrongly booked, or for goods wrongly ordered or accepted.

	2008-09		Restated 2007-08	
	Number of cases	£000	Number of cases	£000
Fruitless Payments	2	1,371	1	3,207

1. Included within the fruitless payments are payments by UKBA for five empty properties. Unavoidable payments are made to landlords and others on properties after occupation has ended. These payments are integrated within an estates management and rationalisation plan designed to increase the overall long term benefit of the estate to the business.

2. Payments made by the Border Force Directorate in respect of obsolete uniforms. Border Force launched

a new uniform on the 1 April 2009 and the payment related to contractual commitments for the old style uniform.

Administrative write-off	1	300	-	-
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In respect of a duplicate sales invoice issued.

Special payments - are transactions that Parliament could not have anticipated when passing legislation or approving Supply Estimates for the Department. Examples include: extra contractual payments to contractors, ex gratia payments to contractors, other ex gratia payments, compensation payments, and extra statutory and extra regulatory payments.

	2008-09		Restated 2007-08	
	Number of cases	£000	Number of cases	£000
33(b) Special Payments				
Special Payments Under £250,000	744	3,242	1,155	2,668
Special Payments Over £250,000	-	-	-	-

34. Related Party Transactions

The Home Office is the parent Department of the Identity and Passport Service and the Criminal Records Bureau and holds an investment in the Forensic Science Service Ltd. These bodies are regarded as related parties, with which the Home Office has had various material transactions during the year.

Twice yearly the Home Office requests that each of its senior managers complete a declaration of interest, stating where they, their spouse and close family members have been in a position of influence or control in organisations with which the Home Office has transactions. Some Board members and key managerial staff are related to persons employed by bodies with which the Department has had financial dealings. These related party relationships did not in themselves involve any personal financial gain by the individuals concerned. Where these cases are identified, action is taken to avoid the Board or person being involved in any commercial or other financial decision making process in respect of these organisations.

No Board member, key managerial staff or other related parties have undertaken any material transactions with the Department during the reporting period other than those reported.

Minister's interests are declared and maintained through the Register of Member's Interests at the House of Commons and the Register of Lord's Interest at the House of Lords. The Home Office takes reliance on these declarations of its Ministers, rather than requiring them to complete additional, Departmental declarations.

Notes 18 and 20 provide details of intra-government balances, sponsored NDPBs, and the Forensic Science Service.

Details of related party transactions of the Identity and Passport Service and the Criminal Records Bureau are disclosed in their audited accounts.

35. (a) Disclosure of Seized Assets

During the financial year, the Department recognised £139m of income in relation to amounts recovered under the Proceeds of Crime Act 2002 and earlier legislation. Expenditure of £79.5m was incurred in the form of grants to law enforcement agencies.

35. (b) Third Party Assets

The Department receives applications from foreign nationals to obtain British Nationality. The application money includes a ceremony fee of £80 (2007-08: £68), and the local authorities who carry out the ceremonies are entitled to the whole of the fee after the ceremony has been completed. The Department, therefore, holds the funds on behalf of the Local Authority until the ceremony has taken place. The money is collected in Commercial Banks and then incorporated into the Home Office Paymaster General Account (PGO) so that control over the assets can be maintained.

The cash is not included in our PGO figures for 2008-09, as we are holding the cash pending transfer to the Local Authorities (see Note 19). In 2007-08 this figure had been included within the PGO cash balances. The value of the cash held at the year end is set out in the table below.

	31 March 2009	31 March 2008
	£000	£000
Monetary assets	5,997	2,859
Total	5,997	2,859

36. Entities within the Departmental Boundary

The entities within the boundary during 2008-09 were as follows:

Entities Consolidated

The Home Office departmental accounting boundary encompassed the central government department and two Executive Agencies. Included within the central government department is the UK Border Agency (UKBA) which operated as a shadow Executive Agency during 2008-9. The UKBA became a formal Executive Agency of the Home Office on 1 April 2009.

The two formal Executive Agencies during 2008-9 were the Identity and Passport Service and the Criminal Records Bureau. The accounts of these entities form part of the Home Office's consolidated financial statements. FSS is treated as an investment on the Home Office Balance Sheet.

Entities not consolidated**Non-Departmental Public Bodies (NDPBs)**

Executive NDPBs: typically established in statute and carrying out executive, administrative, regulatory and/or commercial functions.

Independent Police Complaints Commission
 Independent Safeguarding Authority
 National Policing Improvement Agency
 Office of the Immigration Services Commissioner
 Security Industry Authority
 Serious and Organised Crime Agency

Advisory NDPBs: provide independent, expert advice to Ministers on a wide range of issues.

Advisory Board on Naturalisation and Integration
 Advisory Council on the Misuse of Drugs
 Animal Procedures Committee
 Migration Advisory Committee
 National DNA Database Ethics Board
 Police Advisory Board for England and Wales
 Police Negotiating Board
 Technical Advisory Body
 UKBA Complaints Audit Committee

Tribunal NDPBs: have jurisdiction in a specialised field of law.

Investigatory Powers Tribunal
Office of Surveillance Commissioners
Police Appeals Tribunal
Police Arbitration Tribunal

Independent Monitoring Boards: of Immigration Removal Centres and Immigration Holding Rooms. These are independent “watchdogs” of the detention system. Their duty is to satisfy themselves as to the state of certain immigration premises, their administration and the treatment of detainees.

37. Machinery of Government Changes

On 1 April 2008, the UK Border Agency was created as a shadow Executive Agency within the central Department, which combines the work of the former Border and Immigration Agency of the central Department and UK Visas from the Foreign and Commonwealth Office (FCO), and works with HM Revenue and Customs (HMRC) at the border. The UK Border Agency regulates the flow of people and goods into the UK, strengthening our borders before, on, and after entry. On 1 April 2008, UK Visas formally merged with the Home Office. The customs detection work of HMRC at the border is not due to formally merge into the UK Border Agency until some point during financial year 2009-10. The UK Border Agency operated as a shadow agency for the 2008-09 year, and became a formal Executive Agency of the Home Office on 1 April 2009. These accounts, therefore, show the UKBA, including UK Visas, as part of the core Department in 2008-09.

On 1 April 2008, the General Register Office, formally of the Office for National Statistics, merged with the Identity and Passport Service. IPS is now responsible for the process by which births, deaths and marriages are registered. The new function strengthens the IPS’s focus on safeguarding personal identity.

The 2007-08 comparatives of these accounts have, therefore, been restated to include UK Visas within the central Department, and the GRO within IPS.

The impact of the above Machinery of Government changes on the Home Office’s 2007-08 comparative figures is detailed below:

	2007-08 UK Visas £000	2007-08 Core £000	2007-08 GRO £000	2007-08 Consolidated £000
Administration staff costs	-	-	-	-
Other Administration costs	-	-	-	-
Administration income	-	-	-	-
Programme staff costs	51,253	51,253	14,118	65,371
Programme income	(264,208)	(264,208)	(17,722)	(281,930)
Programme costs	231,218	231,218	9,585	240,803
Total	18,263	18,263	5,981	24,244
Fixed assets	37,367	37,367	22,516	59,883
Intangible assets	-	-	963	963
Investments	-	-	-	-
Stocks	1,448	1,448	-	1,448
Debtors	494	494	632	1,126
Bank	-	-	-	-
Creditors	(16,670)	(16,670)	(3,222)	(19,892)
Provisions	-	-	(140)	(140)
Pension liability	-	-	-	-
General Fund	(4,364)	(4,364)	(13,331)	(17,695)
Reserves	(12)	(12)	(1,437)	(1,449)
Total	18,263	18,263	5,981	24,244

The net cash impact of the Machinery of Government changes on the 2007-08 net Parliamentary funding is £39.57m.

38. Post Balance Sheet Events

On 3 June 2009, the Rt Hon Jacqui Smith MP resigned as Home Secretary. On 5 June 2009, the Rt Hon Alan Johnson MP was appointed Home Secretary.

These financial statements were authorised for issue on the same date that the Comptroller and Auditor General signed his Certificate and Report.



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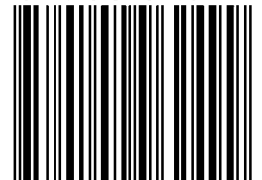
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