



# Cabinet Office

## Annual Report and Accounts 2018-19





Cabinet Office

**ANNUAL REPORT  
AND ACCOUNTS  
2018-19**  
(for period ended 31 March 2019)

Accounts presented to the House of Commons pursuant to Section 6 (4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

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*This is part of a series of Departmental publications which, along with the Main Estimates 2018-19 and the document Public Expenditure: Statistical Analyses 2018, present the government's outturn for 2018-19 and planned expenditure for 2019-20.*



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Front Cover



This corridor within the Cabinet Office, known as Cockpit Passage, dates back to the 1500's. During Henry VIII's reign, it led to a cock-fighting pit (referred to as the Cockpit) which was a popular sport at the time. Today it connects the Cabinet Office at 70 Whitehall to 10 Downing Street and is home to a key piece of the Government Art Collection. To find out more about the Government Art Collection follow [@govartcol](https://www.instagram.com/govartcol) on Instagram.

Photographer: André Taylor

# DIRECTORS' REPORT

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### Foreword



**Rt Hon David Lidington CBE MP**  
Chancellor of the Duchy of Lancaster  
and Minister for the Cabinet Office

After my first full year as Chancellor of the Duchy of Lancaster, I am proud of what the Department has achieved. This year has been challenging as we continue to work closely with the Department for Exiting the European Union and other Departments to deliver a successful EU exit, while also delivering real progress across the breadth of our responsibilities.

There have been significant achievements across the Department: the effort by the Civil Contingencies Secretariat to put in place the planning preparations in case of a no deal departure from the EU and support from the cross-government functions to Departments' Brexit preparations; stronger coordination of cross-government policy and delivery by the Prime Minister's Implementation Unit; the response to the Skripal poisoning; reforming our approach to outsourcing in the wake of Carillion; launch of the Government Estate Strategy and the first live year of the Government Property Agency; pilots for voter ID, to help secure our democracy; the Devolution & You programme, to increase Civil Service understanding of devolution and intergovernmental working; and continued work to tackle bullying, harassment and discrimination within the Civil Service.

As always, I am most grateful to all the committed people across the country who make up the Cabinet Office. They have made these achievements possible. Their professionalism and dedication throughout the year has been exemplary and I was delighted to see so many members of the Cabinet Office on the Queen's honours lists this year, recognising their achievements and contribution to creating a brilliant Civil Service.

A great sadness during the year was the untimely death of Jeremy Heywood, Cabinet Secretary and Head of the Civil Service. Jeremy was an extraordinary public servant, serving four Prime Ministers with a resolute determination to make a positive difference to our country and its citizens.

I am proud of the Cabinet Office's role at the centre of government. As we move into a new year, in what will remain a challenging environment, I am confident the Department is well placed to continue its essential support to delivering the government's agenda.

# Annual Report and Accounts 2018-19

## Ministers as at 31 March 2019 (unless stated)



**The Rt Hon. Theresa May MP**  
Prime Minister, First Lord of the Treasury  
and Minister for the Civil Service  
(paid by HM Treasury)



**The Rt Hon. David Lidington CBE MP**  
Chancellor of the Duchy of Lancaster  
and Minister for the Cabinet Office



**The Rt. Hon. Brandon Lewis MP**  
Chairman of the Conservative Party  
and Minister without portfolio (unpaid)



**Oliver Dowden CBE MP**  
Parliamentary Secretary -  
Minister for Implementation



**Chloe Smith MP**  
Parliamentary Secretary -  
Minister for the Constitution  
(on maternity leave from April 2019)



**Kevin Foster MP**  
Parliamentary Secretary –  
Minister for the Constitution (from April  
2019) and Parliamentary Under Secretary of  
State in the Wales Office



**The Rt Hon. Lord Young of Cookham CH**  
Government Spokesman  
in the House of Lords  
(paid by HM Treasury)



**The Rt Hon. Andrea Leadsom MP**  
Leader of the House of Commons  
and Lord President of the Council  
(to May 2019)



**The Rt Hon Mel Stride MP**  
Leader of the House of Commons  
and Lord President of the Council  
(from May 2019)



**The Rt Hon. Baroness Evans of Bowes Park**  
Leader of the House of Lords  
and Lord Privy Seal



**The Rt Hon. Julian Smith MP**  
Chief Whip and  
Parliamentary Secretary to the Treasury  
(paid by HM Treasury)



**The Rt. Hon. Lord Taylor of Holbeach CBE**  
Lords Chief Whip and  
Captain of the Honourable Corps  
of Gentlemen at Arms  
(paid by HM Treasury)

# Directors' Report

## Non-Executive Board Members

### Board Members as at 31 March 2019



**Sir Ian Cheshire**  
Government Lead Non-Executive  
Cabinet Office Lead Non-Executive  
from July 2018



**Mike Ashley**  
Non-Executive Board Member and  
Chair of the Audit and Risk Committee  
from September 2018



**Catherine Brown**  
Non-Executive Board Member  
and Interim Chair of the  
Audit and Risk Committee  
to August 2018



**Karen Blackett OBE**  
Non-Executive Board Member  
from February 2019



**Anand Aithal**  
Non-Executive Board Member  
from February 2019



**Paula Vennells CBE**  
Non-Executive Board Member  
from February 2019

## Former Board Members



**Sir John Parker**  
Cabinet Office Lead Non-Executive  
to May 2018

## Permanent Secretary's perspective on performance



### John Manzoni

Chief Executive of the Civil Service,  
Cabinet Office Permanent Secretary  
and Principal Accounting Officer

The Cabinet Office is more integral to the operation of government today than it has been at any other point in recent memory. From the support we provide to the Prime Minister and Cabinet, to coordinating domestic issues and safeguarding our national security, to our leadership of the efficiency and reform agenda across government, our work touches the lives of citizens in every part of the Union. And on top of our 'business as usual' agenda, the urgent work of teams across the Cabinet Office to help secure and prepare for a successful exit from the European Union has really put our organisation to the test this year. Nevertheless I can confidently say that we have risen to the challenge.

The Department itself is changing: we are now close to 7,000 strong – 5,000 excluding the cross-government Fast Stream; with staff across the country, not just in London. Alongside our traditional role in policy coordination, we continue to grow our portfolio of major delivery responsibilities.

Supporting the government to deliver a successful exit from the EU has dominated the last year. Europe Unit has been at the heart of negotiations, playing a key role in efforts to secure the Withdrawal Agreement with our European partners and recent cross-party talks. At a time of unprecedented political demand, the Economic and Domestic Secretariat has continued to support a range of Cabinet committees and coordinate policy work across the Exit and regular domestic portfolios. UK Governance Group have ensured that the UK Government and the Devolved Administrations are brought together through the Joint Ministerial Committee and Ministerial Forum to deliver Exit in a way that works for the whole of the UK. These discussions have been complex but will set the tone for future work on the Union more broadly.

Across the Department colleagues have responded to this great challenge with typical dynamism and determination. We have stood-up the EU Exit Implementation Group and the Civil Contingencies Secretariat's no deal planning programme at short notice. These two groups have been an essential part of ensuring that the whole Civil Service was ready for a potential No Deal scenario earlier this year. Civil Service HR applied their people and recruitment expertise to recruit and redeploy thousands of civil servants across Departments while the Infrastructure and Projects Authority conducted more than 100 pieces of EU Exit assurance work. All alongside the efforts of the Office of Parliamentary Counsel, who worked on hundreds of essential Bills and Statutory Instruments.

## Directors' Report

But we've been working on much more than just Brexit. Across the Department, our teams have continued to be at the forefront of issues at the heart of government and the nation. Such as the National Security Secretariat, which led the cross-government response to the Skripal poisoning, and ensured effective and coordinated multi-Departmental and multi-agency action at a local, national and international level.

The Race Disparity Unit continue their ground breaking work into the experiences of people from different ethnic and social backgrounds. Their recent partnership with the Centre for Data Ethics to investigate bias in algorithms is an example of how they are driving innovative change across the Civil Service.

The Functions continue to mature and we're now realising the benefits of increased capability and professionalism right across government. Since April 2018 we've launched new programmes and agencies to further drive improvements and efficiencies across government.

The Government Property Agency (GPA) launched last April as a new Executive Agency of the Cabinet Office. The GPA brings much needed specialist property and commercial expertise and negotiation ability into central government property, boosting our ability to manage major property transactions. As such, GPA are leading on the government hubs programme, an integral part of our efforts to rebalance the Civil Service across the UK while providing better quality, shared work spaces for our people.

Following that, in May 2018 we launched the 'GovTech Catalyst' to solve public sector challenges using new digital technologies, such as Artificial Intelligence. The Government Digital Service continue to push boundaries by bringing together public and private sector innovators to develop solutions for a range of public sector challenges using cutting edge technology.

Finally, we've launched the Government Counter Fraud Profession, which brings together senior civil servants, managers and practitioners working in counter fraud from across the public sector. This community of around 10,000 ensures we can continue to support the people who work to fight fraud every day.

At the heart of all of the work that I've touched on here, and everything else that we do as an organisation, are our staff. It's been a challenging year for the Department and I'm sure the next year will be equally demanding for our organisation, our teams and our staff. That's why it's vital that we continue to look after ourselves, acknowledge our own mental health and ensure that the Cabinet Office continues to be an inclusive place to work. A key component of this is considering how we behave towards each other and to others outside the Department.

Last May we launched 'Our Conversation' to ensure everyone understands how they contribute to the Cabinet Office purpose. This year we'll continue the conversation to consider how the behaviours of respect, trust and collaboration help us to meet our purpose. In light of this I am delighted that we have achieved our highest ever staff engagement score in the annual Civil Service staff survey. I am deeply grateful for the professionalism and dedication of Cabinet Office staff over the course of this last year.

Finally, I must pay testament to my friend and colleague, Jeremy Heywood, who passed away in November. Jeremy was not only a brilliant civil servant but he encouraged the Civil Service to be more open, more diverse and more professional in all that it does. His legacy is felt every day throughout the Cabinet Office and the Civil Service, and I know he would be proud of what we have achieved this year.



**The Lord Heywood of Whitehall GCB CVO**

Head of the Civil Service (2014–2018)  
Cabinet Secretary (2012–2018)

## Cabinet Office Lead Non-Executive's Report



### Sir Ian Cheshire

Cabinet Office Lead Non-Executive  
Board Member

### 2018-19 overview

The last 12 months have been largely dominated by EU Exit, and the Cabinet Office has played a central role in supporting the government in its negotiations of the terms of our departure, and in planning for our post-EU future. Alongside this critical work, the Cabinet Office has continued to deliver the government's wider agenda, through strengthening efficiencies and capabilities in security, project management, property services, commercial, digital and people across government, and by coordinating the government's response to issues of national security.

### Board Membership

The Cabinet Office Board membership grew over 2018-19, reflecting improvements to the Department's governance. On the Ministerial side, the Chancellor of the Duchy of Lancaster and the Minister for the Cabinet Office, the Rt Hon David Lidington MP, remained Chair of the Board. Oliver Dowden CBE MP, Minister for Implementation, also continued his membership, as did Chloe Smith MP, Minister for the Constitution, until she departed for maternity leave in April 2019. Her ministerial cover, Kevin Foster MP, attended the Board from May 2019. On the Non-Executive side, I have remained as Lead Non-Executive, and Catherine Brown has continued to serve as a Board member throughout the year. We have also welcomed four new Non-Executive directors, who bring with them a wealth of private and public sector expertise: Mike Ashley joined us in September 2018, and chairs our Audit and Risk Committee, and in January 2019 we were joined by Anand Aithal, Karen Blackett and Paula Vennells. Paula has also joined the Audit and Risk Committee.

### Board Effectiveness

The Board met 5 times during 2018-19, where it provided a strategic steer on EU Exit implementation, strategic risk management, Department and functional performance and developing the Single Departmental Plan. A governance review took place during the summer of 2018, which highlighted the need to strengthen links between the Board and the Executive, and better draw on the expertise of our Non Executives. In response, Catherine Brown now attends the Executive sub-Committee on People, Anand Aithal attends the Performance and Risk Committee, and Paula Vennells is working closely with the EU Exit Implementation Team on lessons learned. A light touch Board effectiveness evaluation will take place in 2019, as part of the Cabinet Office's ongoing commitment to good governance practices.

# PERFORMANCE REPORT

## Overview of the Cabinet Office

The Cabinet Office has three strategic objectives. These are:

- Maintaining the integrity of the Union, coordinating the security of the realm and sustaining a flourishing democracy;
- Supporting the design and implementation of HM Government's policies and the Prime Minister's priorities;
- Ensuring the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government.

In addition, a corporate objective covers all corporate activity within the Department. The main business areas reporting against each objective are listed below.

### Recent changes to our structure

On 1st April 2019, the Government Equalities Office joined the Cabinet Office following the announcement of a machinery of government change in November 2018.

In June 2019, Cabinet Office updated its Single Departmental Plan (SDP); the addition of a fourth strategic objective reflects the importance of EU Exit for 2019-20:

Work with other Departments to prepare for and deliver an orderly exit from the European Union and to establish new relationships with the European Union and with the rest of the world.

### Maintaining the integrity of the Union, coordinating the security of the realm and sustaining a flourishing democracy

Constitution Group  
Intelligence and Security Committee  
Joint Intelligence Organisation  
National Security Secretariat

### Ensuring the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government.

Civil Service Group  
Civil Service Commission  
Civil Service Human Resources  
Civil Service Pensions  
Commercial Models  
Fraud, Error, Debt and Grants  
Government Commercial Function  
Government Communications  
Government Digital Service  
Government Property Agency  
Government Security Group  
Government Shared Services  
Infrastructure & Projects Authority  
Office of Government Property  
Public Bodies Reform

### Supporting the design and implementation of HM Government's policies and the Prime Minister's priorities

Economic and Domestic Secretariat  
EU Exit Implementation  
Europe Unit  
Geospatial Commission  
Government in Parliament Group  
Honours and Appointments  
Office of the Parliamentary Counsel  
Prime Minister's Implementation Unit  
Prime Minister's Office  
Private Office Group

### Corporate activity

Cabinet Office Communications  
Cabinet Office Finance  
Cabinet Office Human Resources  
Cabinet Office Security  
Digital and Technology Team  
Estates Management

### Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy

#### Modern Electoral Registration Programme and registration of voters

HM Government, and the Scottish and Welsh Governments consulted on a joint canvass reform proposal, intended to enable local authority Electoral Registration Officers (EROs) to target their resources more effectively. In 2018-19, the Department provided £15.7 million in financial support to Electoral Registration Officers and supported the Northern Ireland Office in enabling citizens in Northern Ireland to use the Register to Vote service.

Working in partnership with five local authorities, Constitution Group facilitated Voter ID pilots in the 2018. The pilots are providing insight into how best to ensure the security of the voting process and reduce the risk of voter fraud. The evaluation of the first stage has been used to inform its work with a further ten pilot authorities in May 2019.



#### Constitutional Settlements, Governance and Devolution

The government published a draft bill for the Restoration and Renewal of the Palace of Westminster in October 2018, putting in place the governance structure required for the Restoration and Renewal programme. This work will protect and preserve the heritage of the Palace of Westminster and ensure it can continue to serve as the home of the UK Parliament in the 21st century.

There has been a continued focus on effective intergovernmental engagement to support devolution activity, including a Joint Ministerial Committee (Plenary) meeting chaired by the Prime Minister and attended by the Devolved Administrations. We are developing new ways of working with the Devolved Administrations to develop UK wide approaches and common frameworks in areas such as agriculture and the environment where powers are returning from the EU to Belfast, Cardiff, and Edinburgh.

Delivery of Devolution and You, the cross-government programme designed to increase Civil Service understanding of the devolution settlements and the skills needed for intergovernmental working, was stepped up this year. The UK Government, the Scottish Government and the Welsh Government hosted Devolution and You learning events throughout the year to deliver face to face training to civil servants as well as online.

#### Security of the realm

The Cabinet Office has continued to coordinate the delivery of commitments under the National Security Strategy, the Strategic Defence and Security Review (SDSR), and the National Cyber Security Strategy. The National Security Secretariat (NSS) supports decision making by the National Security Council (NSC), the Cabinet and the Prime Minister, implementing the Fusion Doctrine to deliver cross government solutions to national security challenges. This has proved its worth in supporting strategy development and in our responses to crises, which have included the conflict in Syria and responding to the use of a nerve agent in Salisbury, bringing hard and soft power capabilities to bear in an increasingly coordinated way.

NSS has led work to prepare for the immediate impact of a no deal EU Exit, and has continued to upgrade the infrastructure and refine the working practices in the national crisis management centre (COBR). The Joint Intelligence Organisation (JIO) has continued to support the government, and inform effective decision making, by providing all source assessments on the nature and scope of both current and potential threats to national security.

#### International Policy

In April 2018 the UK hosted the Commonwealth Heads of Government Meeting (CHOGM), bringing together leaders from the 53 member countries to reaffirm common values, address shared global challenges and agree how to work to create a better future for all our citizens, particularly young people.

CHOGM 2018, co-ordinated by the Commonwealth Summit Unit, was the largest leaders' summit to be held on the UK and resulted in a number of political commitments and practical actions. These included the development of the Commonwealth Blue Charter; the Commonwealth Cyber Declaration; the Declaration on the Commonwealth Connectivity Agenda for Trade and Investment; and Revised Commonwealth Guidelines for the Conduct of Election Observation in Member Countries. More information on the summit can be found at [chogm2018.org.uk](http://chogm2018.org.uk)

# Support the design and implementation of HM Government's policies and the Prime Minister's priorities

### Implement the government's strategic priorities

In July 2018, the Prime Minister announced a machinery of government change clarifying the division of functions between DExEU and the Europe Unit. The Unit became responsible for the preparation and conduct of the negotiations with the EU, drawing on support from DExEU and other Departments as required. The negotiations culminated in agreement of the Withdrawal Agreement and the Political Declaration on the UK's future relationship with the EU at European Council on 25 November 2018.

The Unit has supported the exchange of letters between the Prime Minister and President Tusk in January 2019, providing further assurances on the Northern Ireland backstop, along with the negotiation of an additional Joint Statement in March 2019. It further supported the Prime Minister in negotiating an extension to Article 50 at the Special European Council in April 2019.

Domestically, the Europe Unit has continued to support coherent and timely cross-government decision-making through its central Secretariat role. This included the publication of the White Paper on the future relationship between the UK and the EU and, since January 2019, technical briefing and secretariat support to cross-party EU Exit talks, including discussions with Her Majesty's Opposition.

To coordinate the Cabinet Office's support to critical EU Exit projects and programmes across government, the EU Exit Implementation Group was established in May 2018. The Department received £63 million in 2018-19 to deliver its EU Exit initiatives. The Group has supported Departments in the delivery of EU Exit priority projects by ensuring Departments have the right people and skills to deliver EU Exit. The EU Exit Clearing Hub, a brokering service for short term EU Exit-related moves across government, has resulted in successfully deploying staff through transfers between Departments to support UK preparedness for leaving the EU.

The Prime Minister's Implementation Unit (PMIU) helps the Government track delivery against its programme and the Prime Minister's priorities. As part of this the team works with Departments to draw up their Single Departmental Plans. The PMIU also undertakes targeted 'deep dive' reviews into crucial delivery challenges, identifying issues and developing solutions.

The Race Disparity Unit (RDU) is responsible for delivering the Race Disparity Audit, a personal priority of the Prime Minister. The purpose of the RDA is to shine a light on ethnic disparities; differences of treatment or outcome affecting people from different ethnic backgrounds. RDU now publishes detailed data about 176 different topics on its website. These range across every major area of public services, including education, healthcare, criminal justice and employment.

In addition, RDU co-ordinates the Government's approach to tackling ethnic disparities. New action announced during the year covers mandatory ethnicity pay reporting, public sector leadership targets, public procurement, a new Race at Work Charter, youth unemployment, mental health and access to universities.

### Deliver the government's legislative agenda

The government's legislative programme in 2018-19 was delivered by the government in Parliament Group alongside the Office of the Parliamentary Counsel and the Parliamentary Business and Legislation team in the Economic and Domestic Secretariat. A full programme of government primary legislation was delivered with over 50 bills, including those preparing for the UK's Exit from the European Union, reaching Royal Assent in the first session and approximately 2,500 Statutory Instruments laid since January 2018.

### Support the effective operation of the Cabinet and Cabinet committees

The Cabinet Office has continued to ensure the effective operation of Cabinet and Cabinet Committees. In January 2019 we announced the creation of a new European Union Exit and Trade (Preparedness) sub-Committee to oversee and ensure effective delivery of plans for an orderly exit from the European Union.

The Department sponsors two Public Inquiries – the Grenfell Tower Inquiry and the Infected Blood Inquiry - ensuring that government meets its commitment to support both inquiries, and that they have the necessary resources in place to fulfil their terms of reference.

We have considered the NAO's report 'Investigation into government-funded inquiries' which was published in May 2018, and take our responsibility to the public in sponsoring these inquiries with the utmost importance. We monitor spend to ensure that the inquiries are resourced effectively and have the oversight needed to ensure value for the tax payer. In 2018, 1,428 historic government files were released from the Cabinet Office and the Prime Minister's Office to the National Archives, the largest ever release of records in a single year.

### Drive policy innovation across government

The Geospatial Commission was formed on 1 April 2018 as an Expert Committee within the Cabinet Office to advise government on the most productive and economically valuable uses of geospatial data (data linked to location) and how to deliver this. Sir Andrew Dilnot and Nigel Clifford were appointed in December 2018 as chair and deputy chair of the Commission.

## Performance Report

The commission recognises the importance of geospatial data and its significance to both public and private sector delivery across a range of existing and emerging markets. As part of the London Tech Week, the Prime Minister announced that key parts of the Ordnance Survey MasterMap would be made openly available for the public and businesses to use with the aim of boosting the economy by £130 million a year.



Geospatial Commission 10 Downing Street Tech Breakfast with industry leaders and Secretary of State for Digital, Culture, Media and Sport (25 October 2018)

Numerous policy design initiatives are being facilitated by the Future Policy Network (FPN), which seeks to boost capability and capacity for evidence gathering and creative policy thinking.

Recent work has included evidence gathering and policy advice in relation to the announcement to establish a new disability unit in the Cabinet Office, to bring a fresh approach to disability into the heart of government and tackle the injustice of disability discrimination. As part of the FPN, the Policy Lab supports teams across Government through live projects, working with a range of experts to build the skills and knowledge they need to develop policy in a more open, data-driven, digital and user-centred way.

The Business Partnerships team works to build successful long-term partnerships between business and government to deliver the voice of business into policy development and policy evolution. Examples of recent projects undertaken by the team include the promotion of shared parental leave and tackling loneliness in the workplace.

### Reform, improve and ensure accountability of public bodies, and ensure the best people fill public appointments and that they act in the right way

The Public Bodies Team provides guidance on the creation, reform or abolition of arm's length bodies (ALBs) and through its Code of Good Practice has embedded key principles and supported relationships between Departments and their ALBs. The team published Public Bodies 2018-19, providing a single transparent source of top-level data on all non-Departmental public bodies, executive agencies and non-ministerial Departments across government.

The Public Appointments Policy team supports Departments across government to secure the best people for public office with diverse backgrounds, experiences and skills.

Monthly events have been raising the profile of public appointments among under-represented groups. We also fulfilled the government's commitment to commission a review of the barriers disabled people face to taking up public appointments and published new guidance on parliamentary scrutiny for the most significant appointments.



The first regional outreach honours conference in Greater Manchester, held at Gorton monastery

In the Honours and Appointments Secretariat (HAS), the 2019 New Year's Honours List recognised a wide range of extraordinary people across the United Kingdom, including those individuals involved in the response to the significant major terrorist events of 2017.



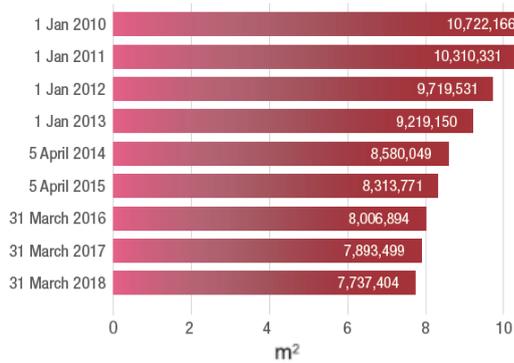
Jane Marriott, Cabinet Office Financial Controller, receiving her OBE in June 2018 as recognised in the 2018 New Year's Honours List

As part of wider reforms to the honours system, HAS introduced quarterly regional outreach events designed to widen knowledge of the honours system, increase the number of nominations from under-represented communities and address regional disparities. This work is starting to bear fruit, with 12% of awards going to BAME recipients on the most recent list.

## Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of Government

### Office of Government Property

The Office of Government Property (OGP) published the Government Estate Strategy (GES) in July 2018. This strategy sets out our commitment to deliver a sustainable estate that works for everyone, not only by delivering better outcomes and value for money, but by considering property as a platform for the delivery of the government's wider objectives. The central government estate is now nearly a third smaller than it was in 2010 with running cost savings of £760 million. Over the course of 2018-19 alone, the estate has reduced by 156,000 m<sup>2</sup>



Total Size of the Estate - Graph taken from State of the Estate 2017-18 report - Published Dec 2018

The One Public Estate (OPE) programme has increased its coverage across England, achieving 79 co-locations with public sector partners. As this far exceeds the original target of 45 co-locations by 2020 we have increased this target to 200. As of October 2018, OPE projects had delivered £164 million capital receipts, £25 million running cost savings, 5,745 new jobs and released land for 3,336 new homes.

The Government Property Agency (GPA) was formally launched as a new Executive Agency of the Cabinet Office on 1 April 2018, sponsored by OGP. The opening of 10 South Colonnade, the GPA's first custom government Hub, took place on 16 October 2018.



Minister for Implementation, Oliver Dowden CBE opening the Canary Wharf Hub, 10 South Colonnade

### Civil Service Group

As part of the work to embed the vision for 'A Brilliant Civil Service – a great place to work, with skilled people, effective leaders and improved outcomes', Civil Service Local has focussed on building and strengthening links between Whitehall, regional civil servants and the communities they serve to ensure we can share opportunities and support teams to overcome challenges.

CSG is strengthening governance and decision making across government, working with the Civil Service Leadership Group, to help them develop their collective leadership of the whole Civil Service and supporting the next phase of International Civil Service Effectiveness (InCiSE) Index. The InCiSE is a comprehensive index of international indicators of civil service effectiveness which the UK topped in 2019, rising from 4<sup>th</sup> place in 2017.

### Government Communication Service

The Rapid Response Unit and National Security Communications Team have been introduced, bringing together specialists including analyst-editors, data scientists and media and digital experts to efficiently and effectively tackle threats to citizens' security and online safety.

The EU Exit Public Information Campaign is helping prepare the public, businesses, and both EU citizens in the UK and UK nationals living in the EU, for leaving the EU. The cross-Departmental campaign has been centralised through the Cabinet Office to provide clear and consistent messaging to our audiences and provide value for money, adopting a 'no citizen left behind' strategy to ensure people do not miss information critical to their livelihoods and quality of life.

### Fraud, Error, Debt and Grants (FEDG)

In October 2018, the Government Counter Fraud Profession was launched, to bring a professional structure for those who work to find and fight fraud in government; since its launch, 3,728 individuals have joined the profession. The profession continued to bring together representatives from the 'Five Eyes' community (the UK, Australia, Canada, New Zealand and the United States) through the International Public Sector Fraud Forum, for member countries to share leading practice.

2018 also saw the launch of the Debt Standard as part of the cross-government Debt Strategy implementation. The Standard helps Departments to ensure that those who can pay do pay, whilst taking a proportionate approach to the most vulnerable in society. The Debt Market Integrator (DMI), a joint venture that provides access to debt collection, analytics and enforcement & litigation services has continued to see progress, with £472 million of government debt being recovered since inception.

# Performance Report

## Government Digital Service (GDS)

Throughout 2018-19, GDS programmes have continued to deliver on our commitment to help government understand user needs and meet them through the design and delivery of great public services, leading to over £353 million in savings in 2018-19 from the technology controls process.

Beyond central government, GDS and the Ministry of Housing, Communities and Local Government launched the Local Digital Declaration in July 2018, a set of guiding principles that helps support local authorities of all sizes and capabilities to deliver digital services and platforms that meet the needs of citizens. More than 150 local authorities have signed up so far.

GDS supported 712 services to send 282 million notifications through GOV.UK Notify. In 2018-19 GOV.UK Pay achieved 2.8 million payments to a total value of £123 million and GovWifi reached 83,800 unique visitors in over 700 locations.

By end of 2018-19, over 3.9 million GOV.UK Verify accounts had been created, used in over 10 million secure transactions with government. GOV.UK Verify is used by 8 government Departments and 19 services. New contracts with identity providers were signed for an 18 month period from October 2018 which will move GOV.UK Verify to the next phase of its development, and enable the private sector to broaden the digital identity market in the UK.



The Digital Academy

The Digital Academy celebrated its 5th birthday in February 2019, and has now trained over 10,000 civil servants. The Academy opened its fourth venue in Leeds this year, and has expanded the curriculum to include topics such as emerging technology and artificial intelligence.

## Commercial Models

The purpose of the Commercial Models Team (CMT) is to provide decision-makers across government with an external and independent (but government) perspective on interacting with the private sector. It provides capability informed by senior private sector experience to ensure the government can provide better services more cost-effectively.

CMT assisted the Outsourcing Project established following the Carillion insolvency to review outsourcing best practice and has been a key contributor to the cross-government initiative, Modern Energy Partners (MEP).

MEP is a ground-breaking collaboration between the Department for Business, Energy and Industrial Strategy (BEIS), Cabinet Office and Energy Systems Catapult (ESC), working with SALIX Finance Ltd, Crown Commercial Service and the public sector estate. It seeks to utilise the public sector estate and private sector supply chain to develop innovative energy efficiency solutions that support the cost-effective transition to a low carbon energy system, deliver savings to consumers and stimulate the UK market to lead a potential £100bn annual global industry.

In September 2018 we sold our stake in MyCSP, a pension administrator that administers the main Civil Service pension schemes, injury benefit claims and compensation awards for 1.5 million public and private sector employees. This was in addition to the sale of a 5% shareholding in Behavioural Insights Ltd in June 2018.

## Commercial

In December 2018, The Government Commercial Function (GCF), headed by the Government Chief Commercial Officer, launched a suite of contract management courses to improve delivery of the c. £49 billion of contracted spend across government. With an offering of Expert, Practitioner and Foundation courses, the aim is to reach c.30,000 civil servants across every government Department. Over 2,600 civil servants had signed up by February 2019.

In February 2019 the Minister for Implementation, Oliver Dowden, launched *The Outsourcing Playbook* in collaboration with industry to improve how government works with industry and deliver better public services while being prepared for the rare occasions should things go wrong.

GCF have worked alongside the Crown Commercial Service (CCS) which has increased the volume of spend through its commercial agreements for common goods and services, leveraging its increasing depth of category expertise, growing from £13 billion in 2017-18 to over £15.7 billion in 2018-19, helping the UK public sector gain commercial benefits valued at over £945 million.

## Government Shared Services

Government Shared Services (GSS) leads on strategy for cross government back office operations for human resources (HR) and finance, to deliver a more efficient and cost-effective service. During 2018-19, GSS established effective governance arrangements for shared services with the main board chaired by the Chief Executive of the Civil Service and Departmental representation at a senior level, allowing us to respond to customer needs and drive forward on our objectives to deliver value and efficiency much more effectively.

In 2018 we supported the move of 2000 Fast Streamers on to a cloud based system and led preparations for 400 commercial specialists to move in April 2019, transforming the way they carry out their everyday personal HR transactions and allowing for enhanced reporting.

# Annual Report and Accounts 2018-19

## Infrastructure and Projects Authority (IPA)

As the government's centre of expertise for infrastructure and major projects, it is the IPA's ambition to create the best performing project system of any government in the world. The IPA supports government Departments to ensure projects are delivered efficiently and effectively, to help them deliver benefits for society and provide value for money. This includes the continuously evolving government Major Projects Portfolio (GMPP) portfolio which contains the most complex and high risk projects.

The GMPP includes approximately 140 projects, valued at around £450 billion, for which over 200 independent assurance reviews were conducted last year. The IPA builds delivery capability in government by leading the project delivery profession, offering world-class leadership programmes, career pathways for project practitioners and building specific skills and capabilities, for instance most recently to support the delivery of government projects related to EU Exit. More than 650 professionals have enrolled on the Major Projects Leadership Academy, and over 400 have graduated.



IPA Project Delivery Conference

The IPA held the inaugural cross-government Project Delivery Conference in January. Over 1,400 project delivery professionals came together to share experiences, best practice and hear from some of our most senior project leaders from across both the public and private sector.

The IPA recently took the next step in this long-term programme by defining a more consistent approach and methodology for benchmarking through its 'Best Practice in Benchmarking' guidance document. Better benchmarking will help both government and industry make more informed and transparent decisions about the future of our infrastructure investment by leveraging insight and data from previously completed projects.

## Civil Service Human Resources (CSHR)

During 2018-19, CSHR has continued to lead on numerous transformation changes across the Civil Service and HR Function. In July 2018 a new Civil Service Careers site was launched featuring 28 Departments and 12 Professions and the new Success Profiles were launched in January 2019, changing the way the Civil Service recruits and opening up recruitment to more external applicants.

The Fast Stream has an excellent track record in The Times Top 100 and has continued to be ranked as one of the top five graduate employers, alongside being awarded The Times 2019 Public Sector Graduate Employer of Choice and Best Graduate HR Programme.

In October 2018 the Public Service Leadership Taskforce, chaired by Sir Gerry Grimstone, published their report 'Better Public Services', setting out how a new centre for public services leadership could enhance the effectiveness of public sector leadership. In response, Cabinet Office, on behalf of government, created the new National Leadership Centre (NLC), the first of its kind, to support the leaders of public services in England to improve the services they run.

## Cabinet Office People

In the annual Civil Service People Survey, Cabinet Office achieved its highest ever engagement score of 67%, with a response rate of 90%. This year we focused on embedding the Cabinet Office Purpose and developed the 'Our Conversation' initiative, in which staff across the organisation took part in a shared conversation about our objectives, purpose, team contribution and objectives.

In terms of diversity and inclusion, representation rates at Senior Civil Service (SCS) levels have tripled for staff declared disabled (3%-9%), with staff from ethnic minorities also increasing (6%-7%) and women now making up 43% of the SCS. Across all grades we have seen a similar trend in staff declared disabled (9%-12%) with staff from ethnic minorities making up 16% of all staff and women now making up 52% of all staff (figures as published at 31 December 2018).

We have focused on a number of key interventions in relation to wellbeing over the last year, including running wellbeing confident leaders training for SCS, an interactive workshop which supports them in leading and supporting the wellbeing of their teams. We saw significant engagement with the first Cabinet Office 'Wellbeing Month' in January. This focus has seen the relevant People Survey scores increase, with an improvement in 75% of the wellbeing questions since 2017.

Bullying and harassment scores have risen slightly in the last year, with 13% of staff stating they feel they have been bullied or harassed in the past 12 months (October 2018 People Survey). We have developed a People Engagement Plan which addresses four key themes of activity; building an inclusive culture, developing our leaders, embedding a career offer for staff and continuing to embed the Cabinet Office Purpose. These themes will support us in tackling bullying, harassment and discrimination (BH&D), and each theme has a senior champion to drive the work forward. Sir Ian Cheshire, Cabinet Office Lead Non Executive Board Member, is a senior champion for the work on building an inclusive culture and combating BH&D.

In addition we have developed a detailed BH&D action plan which looks to address the feedback we have received from staff. This has included training over 30 members of staff as investigating officers for BH&D cases, delivering mediation training and reviewing our support services offering.

# Performance Report

## Other Reporting

The Freedom of Information (FOI) team exceeded its 90% timeliness target for FOI requests and published the revised FOI Code of Practice in July 2018, fulfilling our Open Government Partnership commitment. The Data Transparency Team oversaw the successful publication of quarterly cross-government transparency returns, improving timeliness and quality of the data.

There were two reportable incidents from the Cabinet Office to the Information Commissioner's Office in 2018-19: unencrypted recruitment data sent to incorrect personal email address and inadvertent sharing of an individual's work-place adjustments. No further action was taken by ICO in either case.

In 2018-19, five complaints were received about the Cabinet Office to the Parliamentary and Health Service Ombudsman. One of these complaints was open at the end of the financial year. Of the five complaints, none were accepted for investigation.

## Sustainable development

### Compliance with environmental legislation

The Cabinet Office is committed to reducing the environmental impacts associated with day-to-day operations. The Cabinet Office Environmental Policy, roles and responsibilities have been updated in line with the Government's Sustainable Development Policy. We also strive to embed the targets and indicators of the 17 Sustainable Development Goals into operational service delivery.

### Greening Government Commitments (GGC)

The Cabinet Office continues to reduce its carbon footprint through the implementation of projects which offer reductions throughout the project lifecycle. The Cabinet Office has benefitted from a reduction in total emissions from electricity consumption, through an overall reduction in consumption, and a year on year reduction in the emissions factor for electricity between 2017-18 and 2018-19.

Total estate water consumption has increased. However, total efficiency has improved against the baseline and there has been a demonstrable improvement compared with last year. Waste generation has reduced against the baseline. No waste was sent to landfill throughout the 2018-19 period, and there has been a reduction in non-recyclable waste overall. Throughout the period, water and waste audits have taken place, which have highlighted areas where changes can be implemented to aid the Cabinet Office in meeting the GGC commitments in these areas. Staff travel has decreased despite an increase in operations. In order to reduce the need for staff travel, the Cabinet Office has continued to implement alternatives to face-to-face meetings, building on the Smart Working and Green ICT programmes.

### Sustainable procurement

The Department continues to work with all suppliers in accordance with the Government Buying Standards (GBS) and in alignment with the GGC. All food is procured in line with GBS requirements. Working with our FM provider, we have reviewed plastics within our supply chain, and worked to reduce plastic waste and prevent it where possible.

### Employee engagement

In 2018, Cabinet Office was accredited with the gold standard for our environmental standards and efficiency measures, the ISO 14001 certification.

In celebration of the Department's progress to date and to encourage future improvements, a competition was launched asking employees to submit ideas identifying further environmentally friendly initiatives.

Four winners were selected; their proposals included introducing volunteer 'sustainable office champions' across Cabinet Office, which will be scoped and considered for implementation.

# Annual Report and Accounts 2018-19

## Sustainable development (continued)

### Single Use Plastics

The Cabinet Office has been successful in replacing many single use plastics across its operations, with all catering plastics replaced with a Vegware alternative. Many plastics have been phased out throughout Phase 1 of the CSUP scheme, with the help of the FM provider.

### Future Developments

Cabinet Office has committed to switching all ministerial vehicles to electric vehicles. The Government Car Service have set two targets: to have a quarter of all Ministerial vehicles electric powered by 2022 and to have all vehicles powered by electricity by 2030. This aligns with the Government's commitment to zero carbon emissions by 2050.

Greening Government Commitments Data							
	Baseline	2014-15	2015-16	2016-17	2017-18	2018-19	Reduction
<b>Emissions (tonnes of CO<sub>2</sub>e)</b>							
Scope 1 <sup>1</sup>	1,088	576	447	388	435	533	51%
Scope 2 <sup>2</sup>	9,166	5,720	4,642	4,223	4,025	2,554	72%
Scope 3 <sup>3</sup>	1,373	1,020	854	991	282	1,039	24%
Emissions total	11,627	7,316	5,943	5,602	4,742	4,126	64%
Emissions per FTE		2.0	2.2	1.9	1.5	0.75	
<b>Domestic business travel flights</b>							
Flights total	2,306	2,034	1,254	1,311	1,488	1,480	36%
<b>Waste generated</b>							
Waste generated (tonnes)	1,226	511	418	351	376	518	58%
Waste generated per FTE		0.15	0.16	0.12	0.12	0.09	
<b>Paper consumption</b>							
Paper use A4e (reams)	56,396	8,124	19,723	20,353	15,800	15,642	72%
Paper use per FTE		2.42	7.38	7.10	5.1	2.1	
<b>Water consumption</b>							
Water consumption (m <sup>3</sup> )	52,388	41,639	26,102	28,493	28,383	34,163	35%
Water consumption (m <sup>3</sup> /FTE)	12.0	13.2	8.4	9.9	9.1	8	33%
Total Water Expenditure (£k)		97.7	39.0	75.9	75.6	90.8	

<sup>1</sup> Direct emissions from sources owned or controlled

<sup>2</sup> Indirect emissions from consumption of purchased electricity or sources of energy generated upstream

<sup>3</sup> Other Indirect emissions occurring as a consequence of the Cabinet Office's operations but not directly owned or controlled by the Cabinet Office



**John Manzoni**

Chief Executive of the Civil Service,  
Cabinet Office Permanent Secretary  
and Principal Accounting Officer

17 July 2019

# ACCOUNTABILITY REPORT

## Governance Report

### Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Cabinet Office to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-Departmental and other arm's length public bodies. This is designated by order made under the GRAA by Statutory Instrument 2018/313 & Statutory Instrument 2018/1335 (amendment) (together known as the 'Departmental group', consisting of the Department and sponsored bodies listed at Note 23 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental group, and of the income and expenditure, Statement of Financial Position and cash flows of the Departmental group for the financial year.

In preparing the accounts, the Principal Accounting Officer of the Department is required to comply with the requirements of the *Government Financial Reporting Manual (FReM)* and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-Departmental and other arm's length public bodies;
- state whether applicable accounting standards as set out in the *FReM* have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer and the Board confirms that this Annual Report and Accounts as a whole is fair, balanced and understandable. The Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary, John Manzoni, as Principal Accounting Officer of the Cabinet Office.

The Principal Accounting Officer of the Department has also appointed as Accounting Officers, Harry Rich, The Registrar of Consultant Lobbyists, a corporation sole, and Peter J Lawrence OBE, Chief Executive of the Civil Service Commission, an executive non-Departmental public body, and an additional Accounting Officer, William Priest, Chief Executive, Geospatial Commission.

HM Treasury also appointed as Accounting Officer, Mike Parsons, Interim Chief Executive of the Government Property Agency, an executive agency. This was a dual role as Mike was already appointed as Chief Operating Officer of the Cabinet Office on 7 February 2019. Stephen Boyd took over as Chief Executive and Accounting Officer of the GPA on 10 June 2019.

These appointments do not detract from the head of Department's overall responsibility as Principal Accounting Officer for the Department's accounts.

The Principal Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department or non-Departmental or other arm's length public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Cabinet Office's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

### Governance statement

The Cabinet Office governance statement records the stewardship of the organisation, drawing together evidence on governance and risk management to give a sense of how successfully the Department has coped with the challenges faced during the year. As Principal Accounting Officer, the governance statement represents my assurance to Parliament that I am satisfied that the Department's system of internal control is effective and supports good decision-making.

# Accountability Report

## Governance framework

### Cabinet Office Board

The Cabinet Office Board provides the collective strategic and operational leadership of the Department, bringing together Cabinet Office Ministers, senior members of the Department's executive leadership team with senior Non-Executives from outside government. Its purpose is to provide advice on the Cabinet Office's Single Departmental Plan, monitor performance and advise on significant risks. The Board is provided with relevant, high-quality information prior to each meeting to enable it to fulfil its role effectively.

The Board also ensures there is oversight in place to scrutinise the performance and risk management of the Department's sponsored bodies (Arm's Length Bodies, Commissions and Inquiries). The Board met 5 times in 2018-19.

The role of Non-Executives is crucial in providing independent challenge, support and scrutiny to ensure the Department is running effectively and supporting other government Departments and we felt it necessary to increase their presence and collective expertise on the Board. We welcomed our three new Non Executive Board Members in February 2019.

### Board membership and attendance

Number of meetings attended by members

1 April 2018 - 31 March 2019

	Name	Date of in-year appointment/ departure	No. of meetings attended
Ministerial Members	Rt Hon David Lidington CBE MP		4
	Chloe Smith MP		2
	Oliver Dowden CBE MP		3
	Rt Hon Brandon Lewis MP		1
Non-executive Members	Sir Ian Cheshire		4
	Mike Ashley	Appointed 1 September 2018	4
	Catherine Brown		4
	Anand Aithal	Appointed 1 Feb 2019	2
	Karen Blackett OBE	Appointed 1 Feb 2019	2
	Paula Vennells CBE	Appointed 1 Feb 2019	1
	Sir John Parker	Departed 24 May 2018	-
Officials	Lord Heywood of Whitehall GCB CVO	Retired - 24 October 2018 following a period of ill health	-
	John Manzoni		5
	Sir Mark Sedwill KCMG	Appointed 5 November 2018	2
	Mike Parsons	Appointed 7 Feb 2019	2
	Elizabeth Gardiner		4
	Tracey Waltho		4
	Guy Lester		5

The Board continues to be supported by the Cabinet Office Audit and Risk Committee which was chaired by Catherine Brown until September when Mike Ashley was appointed as Chair of the Committee. Its role is to support the Board and Accounting by providing an independent view of the Department's risk, control and governance arrangements and to review and make recommendations on the approval of the accounts for Cabinet Office, Registrar of Consultant Lobbyists, Civil Service Commission, Civil Superannuation and Royal Mail Statutory Pension Scheme. In 2018-19 the Committee met five times with an additional meeting to review the 2017-18 financial statements.

The Executive Committee (ExCo) is the senior executive leadership of the Cabinet Office, chaired by the Permanent Secretary. Operating within the overall strategic context set by Ministers and taking account of the steers of the Cabinet Office Board, ExCo monitors Departmental delivery and performance, communicates decisions taken by the Permanent Secretary and takes collective decisions on corporate issues affecting the Department.

A significant amount of time has been spent on the impact of UK Exit from the EU and how to resource this work within the Department. ExCo has also ensured that diversity and inclusion and the health and wellbeing agenda have featured regularly in their discussions throughout the year. This year ExCo members also focused on its role as a collective leadership team as well as our preparations for the Spending Review.

As part of their commitment to provide visible leadership, a number of meetings have been held across the country, regional meetings have been held in Newcastle and Northern Ireland in 2018-19 and provided a chance to meet with a range of private sector, third sector and public sector stakeholders. ExCo meets monthly (with additional strategic Away Days) throughout the year, with 14 meetings in total in 2018-19. At each ExCo meeting, the committee receives regular updates from its sub-committees which are:

### Investment Approval Committee

The Investment Approval Committee (IAC), chaired by the Finance Director, reviews business cases and has the authority to approve spending of up to £5 million (where business cases require funding above this, further approval is required from HMT). The IAC met fifteen times in 2018/19 to review, challenge, and, where appropriate, approve business cases. During 2018/19 43 business cases have been approved.

The IAC has now evolved into a new Investment and Portfolio Committee (IPC) as part of an internal Governance Review. In addition to reviewing and evaluating business cases, the IPC will oversee delivery of the Cabinet Office Portfolio of projects and programmes.

### People Committee

The People Committee, chaired by the Chief Operating Officer, provides strategic oversight of the delivery of the Cabinet Office people strategy, to ensure the Department is managing its people issues effectively and to track organisational people performance.

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Over the last 12 months, the Committee has focused on development and delivery of the 2019-2023 Cabinet Office People Strategy and enhanced our approach to wellbeing. The Committee has also implemented the bullying, harassment and discrimination strategy and the diversity and inclusion programme, but there is more work to be done.

## Operations Committee

Operations Committee, also chaired by the Chief Operating Officer, provides strategic direction and oversight to corporate service within the Cabinet Office and provide assurance across the Cabinet Office business activities. The last 12 months have seen the Committee concentrate on the development of Corporate Services strategies and priorities.

In particular, it reviewed the preparedness of Business Continuity in the Cabinet Office, provided oversight of a programme to improve our control environment and provided assurance of the Cabinet Office estate and location plan.

## Performance and Risk Committee

Performance and Risk Committee is a recently established sub-Committee of ExCo, chaired by the Strategy Directors. The role of the Committee is to manage Departmental performance and strategic risks in delivering against the Single Departmental Plan (SDP).



## EU Exit Portfolio Board

EU Exit Portfolio Board, chaired by Director General, Civil Service Group, provides robust governance and assurance to the programmes/projects that Cabinet Office is delivering in readiness for EU Exit. This has included development of a policy position on Civil Service Nationality Rules (CSNRs) to protect the current European Economic Area nationals employed in the Civil Service and the introduction of a new public procurement regime.

## Governance review

The Department complies with the principles of the *Corporate governance in central government departments: code of good practice* (April 2017). We carried out an internal governance review in the summer of 2018 which recommended a range of improvements, some of which have already been implemented. Following a GIAA recommendation, we are implementing a Nominations Committee which will operate from next year.

This will evaluate the skills and capability needed in board candidates and bring us in line with the code. We are also undertaking a review of Terms of Reference for the Executive Committee, Cabinet Office Board and all sub committees.

## Returning Officers' expenses

During 2018-19, the Elections Claim Unit (ECU) within the Elections Division managed the day-to-day administration involved in processing and accounting for expense claims received from Returning Officers in England and Wales. The ECU is also responsible for making advance payments to returning officers in relation to elections. Returning Officers have six months from the date of the poll in which to submit their expenses claims for a national poll. The Cabinet Office may impose sanctions if Returning Officers do not submit their claims within the statutory deadline.

The Elections Division provides rigorous oversight of the assessment of claims and make any policy decisions that are required. Since 2017-18, the ECU is required to refer all overspend claims to the Elections Funding team in the Cabinet Office for further scrutiny. This helps to ensure that the amounts spent by Returning Officers are in accordance with the purposes intended by Parliament. The Cabinet Office Annual Report and Accounts include Returning Officers' Expenses for England and Wales.

## Risk Management and Control

Active management of risk is essential to delivering the Cabinet Office's objectives through informing operational decision making, planning, and the financial management and control framework. A risk management policy is in place and guidance sets out how the policy should be implemented within business units. The Cabinet Office's Strategic Risk Register brings together the key risks facing the Department in achieving its strategic objectives as set out in the SDP.

It is a tool through which the Executive Committee, the Board and the Audit and Risk Committee can maintain regular oversight of risks and gain assurance that the appropriate actions are carried forward to address these. We continue to review our approach to risk to ensure we can respond to changes in the environment we operate. During 2018-19 we enhanced our approach to capture mitigated risk ratings for present and future scenarios to enable discussion on whether the future state of the risk was within risk appetite.

Internal audit assurance is provided by the Government Internal Audit Agency (GIAA) and is based on internal audit work performed over the course of the year, combined with knowledge of the governance, risk and control framework operating throughout the Department.

GIAA audits across this year covered contract management, portfolio management, use of interims and financial controls.

## Accountability Report

Audit and assurance work on delivery included audits of the Strategic Supplier Relationship Management Programme; devolution and capability; public bodies Reform and release of documents.

The Head of Internal Audit annually provides an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The Internal Audit reviews conducted during the year contribute to that opinion: the Internal Audit review opinion for 2018-19 is "moderate". The rating of "moderate" is improved from the rating of "limited" in 2017-18. This recognises that progress has been made in several areas.

Following an internal Governance review there is now more coherence to the structures and roles below Executive Committee. Significant improvements have also been made in the governance of the Programme and Project portfolio and a programme was put in place to improve financial compliance.

GIAA have noted that there remain areas for improvement, noting the following:

- Enhanced management information to support challenge of the Functions;
- Greater clarity on the interface between the Cabinet Office Board and the Civil Service Board on risk management, and embed risk management at lower levels within business units;
- The need for an integrated assurance framework that sets out the three lines of assurance for programmes and projects; and
- There is a need for documentation and roll out of standard contract management practice, together with improved change control and improved risk management practices.

The Department's external audit function is provided on behalf of Parliament by the Comptroller and Auditor General, supported by staff from the NAO.

As part of the process, representatives from the NAO see all Audit and Risk Committee papers and attend its meetings.

In their Audit Completion Report for 2017-18, the NAO noted a number of concerns, summarised under the following themes:

- The impact of a new enterprise resource planning system on business as usual processes
- Embedded issues within the payroll environment and the loss of corporate memory
- Improvement is needed to record management and a full assessment of financial balances is needed, along with improved availability of audit evidence for decisions and transactions.

These issues have been addressed through an intensive programme to improve the control environment within Cabinet Office, overseen by the Operations Committee and reporting to COARC to ensure progress remains on track. NAO have noted the improvements, particularly in relation to the availability of audit evidence.

Through 2018-19 NAO published five investigations and three value for money reports relating to Cabinet Office wholly or in part, covering a range of topics.

The investigations are factual reports and have supported us in responding to emerging issues. Reports this year were: Investigation into government funded Inquiries; Investigation into the government's handling of the collapse of Carillion; Investigation into National Security Vetting; and Investigation into Verify and Contingency preparation for exiting the EU with no deal.

Value for money studies examine a major area of government expenditure in order to form a judgement on whether value for money has been achieved.

The three value for money studies published this year covered: tracking of benefits delivered by projects on the Government Major Project Portfolio, progress made in improving the government's planning and spending framework and progress of the 2016-2021 National Cyber Security Programme.

The NAO investigation into Verify noted Verify's broader objectives including the development of an identity assurance framework and the Verify platform, but also identified that departmental adoption of Verify as a service, one of the four objectives, has been considerably slower than expected. The programme is in the process of transitioning to a private sector led model, as announced in October 2018, to ensure government can deliver its commitment to developing ubiquitous digital identity that can be safely used to access services across international borders.

Following the collapse of Carillion in 2018, NAO led an investigation on the role of the UK Government in preparing for and managing the liquidation. The NAO noted that Cabinet Office had started early contingency planning following the company's initial profit warning and that this was completed across government by 15 January 2018, when Carillion collapsed.

Although the report did not publish recommendations, Cabinet Office led a review into what the government outsources, why we outsource and how we outsource and identified 11 policy reforms to set the conditions for more effective practices in the future. These reforms were published in The Outsourcing Playbook in 2019.

NAO published its study into improving the government's planning and spending framework in November 2018, concluding that government has been working to improve the maturity of planning across Departments and has, through the Single Department Plans regime, helped to improve Departments' business planning processes.

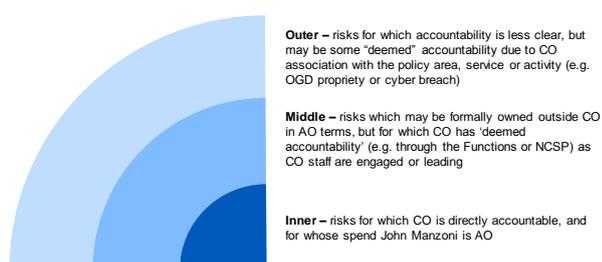
Cabinet Office is working closely with HM Treasury to ensure a more integrated planning and spending framework, particularly as we prepare for the next Spending Review.

I also rely on the governance statements produced by the Department's ALBs such as the Government Property Agency, Civil Service Commission and the Registrar of Consultant Lobbyists, as well as the Cabinet Office Executive Agency and Trading Fund, Crown Commercial Service. These are subject to the normal scrutiny by internal and external auditors.

## Significant risks identified during the year

Because of the unique nature of its business at the heart of government, the Department's strategic risks cover a broader range of risks than would normally be the case. The Cabinet Office has a number of cross-government responsibilities and operates functions that provide services to other government Departments. Due to this, the Cabinet Office is exposed to risks that may be formally managed and owned within other Departments but for which Cabinet Office may have some degree of 'deemed accountability'.

The Cabinet Office uses a risk classification system to capture these deemed risks better. Our risk classification system uses concentric circles of risk with differing proportions of deemed accountability relative to direct accountability.



## Inner ring risks

Inner ring risks are defined as those for which the Cabinet Office is directly and wholly accountable. These include risks associated with projects and programmes directly managed by SROs within the Cabinet Office and for which I, as the Principal Accounting Officer of the Cabinet Office, am ultimately accountable.

Additional work arising from the UK's exit from the EU and new ministerial priorities continues to place significant pressures on the Department. This is being treated through an agreed re-prioritisation strategy in three phases: prioritisation of internal priorities and needs before submitting resourcing to the cross-government hub, retaining options of calling on cross-government hub and temporary recruitment.

GPA on-boarded £195 million of properties in 2018-19, along with responsibility for facilities management service provision. The risks associated with GPA in its first year of operation have been managed throughout the year through increased programme leadership and close working to ensure that the Department isn't exposed to significant financial pressure.

Business Continuity has seen a renewed focus this year to ensure that we can operate following major incidents. We have set up a dedicated business continuity team and carried out test simulations. In addition, a new Security Breaches policy was launched in June 2018 which introduced the use of disciplinary and other measures that will be taken against those who lose data, and highlights the individual responsibility staff have for protecting data.

The Verify identity verification programme was subject to an NAO investigation in 18-19 which we actively participated in. The programme has been reset and a revised business case was agreed with HM Treasury in October 2018. Furthermore, a new cross-government governance board has been established to support Verify's delivery and pace, focusing on operational excellence.

The appointment of dedicated resource to deal with staff on-boarding and the development of new, more efficient processes have substantially improved management, facilitation and oversight of security vetting. This has not only enabled the Department to effectively resource activity, but also ensure that civil servants and our information remain secure.

Cabinet Office is responsible for managing the Civil Servants and Others Pension Scheme (CSOPS) and the Royal Mail Statutory Pension Scheme (RMSPS). The schemes themselves each produce annual reports and accounts with detailed governance statements. The administration of both schemes is undertaken by third parties and is overseen by the Civil Service Pensions Board and the Scheme Advisory Board.

## Middle ring risks

Middle ring risks are defined as those risks for which formal exposure and accountability may be external to the Cabinet Office, but for which the Cabinet Office has 'deemed' accountability as Cabinet Office employed staff are closely engaged. Such risks are likely to include those associated with the Cabinet Office led cross-government functions where the Cabinet Office is responsible for the development of standards but for which Accounting Officers of individual Departments are responsible for implementing.

As we continue to work towards the UK's exit from the EU, the Department is ensuring that the devolution dimensions of this work are sufficiently prioritised and understood across the UK Government. Portfolio management capability has been increased to tackle this, with robust oversight through the newly established EU Exit and Devolution Governance Board.

The Government Security Group provides oversight, coordination and delivery of protective security across government. The cross government and collective approach allows us to support other Departments and to build capability across government so we are able to identify emerging risks and provide early intervention. Cabinet Office also leads the response for government in the event of major security incidents including cyber and physical threats.

The Cabinet Office has a framework agreement with Shared Services Connected Limited (SSCL) to deliver transactional financial, employee-related HR, payroll and procurement services across government. I have received and considered the letter of assurance in respect of SSCL's performance. The opinion provided is based on the Independent Standard on Assurance Engagements 3402 (ISAE 3402) report prepared by PwC LLP (the service auditor).

# Accountability Report

PwC reported that the description of controls fairly presents the government shared services process; controls were suitably designed to provide reasonable assurance; and specified control objectives would be achieved if the described controls operated effectively. However, despite recognising improvements, PwC were not able to obtain sufficient appropriate evidence that controls were operating effectively to achieve all of the control objectives. PwC therefore issued a qualified opinion.

To mitigate risks associated with our shared service provision we are increasing capability in relation to contract management and also introducing strengthened assurance of service provision and review of security incidents. This is working in conjunction with our overall control environment improvement programme.

## Outer ring risks

Outer ring risks are defined as those where exposure and accountability are less direct than for inner and middle ring, but for which there may be some degree of 'deemed' accountability for the Cabinet Office, because the Cabinet Office is associated with the policy area, service or activity.

There continues to be a risk that insolvency of a supplier could create loss or disruption of services to the Department. This risk is actively managed and led by the Department's Markets and Supplier team who mitigate the impact a supplier's insolvency would create through supplier monitoring, contract management and contingency planning with Departments.

## Whistleblowing

The Speak Up communications campaign, launched in April 2017, has continued throughout the year and progress has been made, including promotion of the campaign during Whistleblowing Awareness Day in October 2018. In addition, we appointed a senior civil servant to act as the Whistleblowing champion for Cabinet Office who regularly promotes the campaign and provides support to staff on whistleblowing issues as required.

We reviewed our list of Nominated Officers to ensure we had broad representation across the Cabinet Office and provided training to them to ensure they have the skills to support staff raising concerns. The Nominated Officers are based across the country to ensure all regions are supported, and with different levels of security clearance.

During 2018-19, four whistleblowing cases (2017-18: three cases) were reported to Nominated Officers.

## Fraud

Any form of fraud, corruption or bribery affects the Department's ability to meet its objectives by diverting resources away from delivery. The Department's counter-fraud policy requires staff at all times to act honestly, with integrity and to safeguard the public resources for which they are responsible. A zero tolerance policy applies to those found guilty of any form of economic crime.

During 2018-19 work began on the preparation of a refreshed counter fraud strategy to be launched in 2019. This will set out the Department's approach and commitments regarding counter fraud, bribery and corruption.

## Data losses

Cabinet Office continue to manage actively risks around data breaches and data losses. General Data Protection Regulation (GDPR) champions are established within Cabinet Office to ensure compliance with EU regulations. A new security breaches policy has been approved by the Executive Committee which introduces measures to highlight the individual responsibility of staff for protecting data.

During the period there have been two incidents of loss of sensitive data which were reported to the Information Commissioner's Office.

## Conclusion

Cabinet Office has made significant improvement this year to strengthen our governance and to ensure we can identify and respond to risks effectively. Our position at the heart of government and the leadership role we play in setting and monitoring standards means we must always strive for excellence and as we move into the next financial year, we will continue to enhance our controls.

The work delivered in 2018-19 to further improve the governance arrangements and controls within the Department and the priority placed on these across all areas of the Department have allowed me to assure myself of Departmental performance, risk management and internal controls, and I am satisfied that the mechanisms in place to manage risks are adequate.

## John Manzoni

Chief Executive of the Civil Service,  
Cabinet Office Permanent Secretary  
and Principal Accounting Officer

# Remuneration and staff report

## Overview

This report sets out remuneration policy and provides details on remuneration and staff that Parliament considers key to accountability.

## 1. Remuneration report

### 1.1 Remuneration policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries (SSRB). The SSRB also sometimes advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

The SSRB takes a variety of factors into consideration when formulating its recommendations. These include:

- the need to recruit, retain and motivate suitably able and qualified people;
- 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;
- the government's inflation target; and
- the evidence it receives about wider economic considerations and the affordability of its recommendations.

The [Review Body on Senior Salaries website](#) contains further information about its work.

The performance management system for senior civil servants is common across all government Departments. Pay awards are made in two parts: non-consolidated variable payments, which are used to reward members of staff who demonstrate exceptional performance; and base pay progression, to reward growth in competence.

Non-consolidated payments are paid a year in arrears, so those paid to Cabinet Office staff in 2018-19 relate to their performance during 2017-18, and are restricted to the top 25% of performers within the Senior Civil Service.

### 1.2 Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The [Recruitment Principles](#) published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments that are open-ended. 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 Commission can be found at:

[civilservicecommission.independent.gov.uk](http://civilservicecommission.independent.gov.uk).

# Accountability Report

## 1.3 Remuneration (including salary) and pension entitlements

The following section is subject to audit.

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. Board members) of the Department. The following were Cabinet Office ministers or members of the Department's board during the 2018-19 financial year:

### Ministers

**The Rt Hon. David Lidington CBE MP**

Chancellor of the Duchy of Lancaster  
and Minister for the Cabinet Office

**Chloe Smith MP**

Parliamentary Secretary (Minister for the Constitution)

**Oliver Dowden CBE MP**

Parliamentary Secretary (Minister for Implementation)

**The Rt Hon. Andrea Leadsom MP**

Leader of the House of Commons  
and Lord President of the Council

**The Rt Hon. Baroness Evans of Bowes Park**

Leader of the House of Lords and Lord Privy Seal

### Board Members

**The Lord Heywood of Whitehall GCB CVO**

Cabinet Secretary and  
Head of the Civil Service *until 24 October 2018*

**Sir Mark Sedwill KCMG**

Interim Cabinet Secretary and *from 25 June 2018*  
Head of the Civil Service *until 23 October 2018*

Cabinet Secretary and  
Head of the Civil Service *from 24 October 2018*

**John Manzoni**

Chief Executive of the Civil Service, Permanent Secretary  
and Principal Accounting Officer

**Elizabeth Gardiner CB**

First Parliamentary Counsel and  
Permanent Secretary of the Government in Parliament Group

### Board Members (continued)

**Tracey Waltho**

Director General, Civil Service Group

**Guy Lester**

Finance Director

**Mike Parsons**

Chief Operating Officer and Director *from 7 February 2019*  
General Government Property

### Non-Executive Board Members

**Sir Ian Cheshire**

Government Lead Non-Executive

Lead Non-Executive for the Cabinet Office *from 15 July 2018*

Member of the Audit and Risk Committee

**Sir John Parker GBE**

Lead Non-Executive Board Member *until 24 May 2018*

**Mike Ashley**

Non-Executive Board Member  
and Chair of the Audit and Risk *from 1 September 2018*  
Committee

**Catherine Brown**

Non-Executive Board Member

Interim Chair of the Audit and *until 31 August 2018*  
Risk Committee

**Karen Blackett OBE**

Non-Executive Board Member *from 1 February 2019*

**Anand Aithal**

Non-Executive Board Member *from 1 February 2019*

**Paula Vennells CBE**

Non-Executive Board Member *from 1 February 2019*

# Annual Report and Accounts 2018-19

## 1.4 Remuneration (salary, benefits in kind and pensions) of ministers

The following sections is subject to audit.

Single total figure of remuneration								
Ministers	Salary		Benefits in kind		Pension benefits <sup>1</sup>		Total	
	(to nearest £)		(to nearest £100)		(to nearest £1,000)		(to nearest £1,000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
The Rt Hon. David Lidington CBE MP Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office	67,505	15,425 <sup>2</sup>	–	–	15,000	5,000	82,000	20,000
Leader of the House of Commons and Lord President of the Council	–	13,126 <sup>3</sup>	–	–	–	3,000	–	16,000
The Rt Hon. Damian Green MP	–	31,756 <sup>4</sup>	–	–	–	5,000	–	37,000
The Rt Hon. Ben Gummer MP	–	6,072 <sup>5</sup>	–	–	–	1,000	–	7,000
Chloe Smith MP	22,375	3,993 <sup>6</sup>	–	–	5,000	1,000	28,000	5,000
Chris Skidmore MP	–	17,323 <sup>7</sup>	–	–	–	4,000	–	21,000
Oliver Dowden CBE MP	22,375	5,052 <sup>8</sup>	–	–	6,000	2,000	28,000	7,000
The Rt Hon. Caroline Nokes MP	–	13,052 <sup>9</sup>	–	–	–	3,000	–	16,000
The Rt Hon. Andrea Leadsom MP	31,880	23,760 <sup>10</sup>	–	–	7,000	8,000	38,000	31,000
The Rt Hon. Baroness Evans of Bowes Park <sup>11</sup>	104,858	104,858	–	–	184,000	28,000	289,000	133,000
Michael Ellis MP	–	13,263 <sup>12</sup>	–	–	–	6,000	–	19,000

Parliament was dissolved on 3 May 2017. From this date, every seat in the House of Commons became vacant until after the general election on 8 June 2017.

When a minister moves from one Department to another, it is customary for the exporting Department to pay their salary at the current rate of pay until the end of the month of departure, and the importing Department pays in the month following at the appropriate salary along with any arrears.

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights

<sup>2</sup> The figure quoted is for the period 9 January 2018 to 31 March 2018. The full-year equivalent is £67,505

<sup>3</sup> The figure quoted is for the period 1 April 2017 to 10 June 2017. The full-year equivalent is £67,505

<sup>4</sup> The figure quoted is for the period 1 July 2017 to 20 December 2017. The full-year equivalent is £67,505

<sup>5</sup> The figure quoted is for the period 1 April 2017 to 9 June 2017. The full-year equivalent is £31,680

<sup>6</sup> The figure quoted is for the period 1 February 2018 to 31 March 2018 plus arrears for the period 10 January 2018 to 31 January 2018. The full-year equivalent is £22,375

<sup>7</sup> The figure quoted is for the period 1 April 2017 to 9 January 2018. The full-year equivalent is £22,375

<sup>8</sup> The figure quoted is for the period 10 January 2018 to 31 March 2018. The full-year equivalent is £22,375

<sup>9</sup> The figure quoted is for the period 1 July 2017 to 31 January 2018. The full-year equivalent is £22,375

<sup>10</sup> The figure quoted is for the period 1 July 2017 to 31 March 2018. The full-year equivalent is £31,680

<sup>11</sup> The figure quoted includes Lord Office Holders' Allowance of £3,820, which is the reduced rate for Lord's ministers whose main home is within Greater London

<sup>12</sup> The figure quoted is for the period 1 July 2017 to 31 January 2018 plus arrears for the period 14 June 2017 to 30 June 2017. The full-year equivalent is £22,375. Prior to the 1 July 2017, Michael Ellis MP was unpaid for his services as Deputy Leader of the House of Commons

# Accountability Report

## 1.5 Remuneration (salary, benefits in kind and pensions) of official Board members

The following section is subject to audit.

Single total figure of remuneration										
Board members	Salary (£000)		Non-consolidated payments (£000)		Benefits in kind <sup>1</sup> (to nearest £100)		Pension benefits <sup>2</sup> (to nearest £1,000)		Total (£000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
The Lord Heywood of Whitehall GCB CVO	120 – 125 <sup>3</sup>	195 – 200	15 – 20	15 – 20	6,000	26,100	20,000	1,000	165 – 170	240 – 245
Sir Mark Sedwill KCMG	155 – 160 <sup>4</sup>	–	15 – 20	–	21,400	–	35,000	–	230 – 235	–
John Manzoni	235 – 240	230 – 235	–	–	–	–	91,000	90,000	325 – 330	320 – 325
Mike Parsons	20 – 25 <sup>5</sup>	–	–	–	– <sup>6</sup>	–	–	–	20 – 25	–
Elizabeth Gardiner CB	175 – 180	175 – 180	–	–	–	–	89,000	61,000	265 – 270	235 – 240
Guy Lester	90 – 95	90 – 95	–	–	–	–	35,000	9,000 <sup>7</sup>	125 – 130	95 – 100
Tracey Waltho	115 – 120	115 – 120	–	–	–	–	36,000	134,000	150 – 155	250 – 255

The figures presented above relate only to the amounts received during the period the individuals were Board members. When a civil servant moves from one Department to another, it is customary for the exporting Department to pay their salary at the current rate of pay until the end of the month of departure and the importing Department pays in the month following at the appropriate salary along with any arrears.

<sup>1</sup> See the below 1.7 Benefits in kind

<sup>2</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights

<sup>3</sup> The figure quoted is for the period 1st April 2018 to 24 October 2018. The full-year equivalent is £200,000 – 205,000

<sup>4</sup> The figure quoted is for the period 25 June 2018 to 31 March 2019. The full-year equivalent is £200,000 – 205,000

<sup>5</sup> The figure quoted is for the period 7 February 2019 to 31 March 2019. The full year equivalent is £155,000 – 160,000

<sup>6</sup> Mike Parsons chose not to be covered by the Civil Service pension arrangements during the reporting year

<sup>7</sup> 2017-18 pension figure restated. This is due to the real increase being higher in 2018-19 compared to 2017-18

## 1.6 Salary

'Salary' includes: gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued 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 an MP (£77,379 from 1 April 2018) and the 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.

## 1.7 Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HMRC as a taxable emolument. The disclosed benefits in kind include income tax and national insurance liabilities that are met by the Cabinet Office. Lord Heywood and Sir Mark Sedwill had the use of an allocated car in the circumstances permitted by the Civil Service Management Code. Lord Heywood and Sir Mark used the car predominantly for home-to-office journeys.

Cabinet Office ministers and other senior officials also had use of the car for official journeys. The value of the benefit in kind received by Lord Heywood and Sir Mark was calculated in accordance with the relevant instructions published by HMRC and HM Treasury.

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## 1.8 Non-consolidated payments

Non-consolidated payments are based on performance levels attained and are made as part of the appraisal process. They are not accrued or provided for at 31 March, because the appraisal process is not completed until the summer.

As a result, the payments reported in 2018-19 relate to performance in 2017-18 and the comparative payments reported for 2017-18 relate to performance in 2016-17. This is consistent with the approach adopted in previous years.

## 1.9 Fair pay disclosure

The following section is subject to audit.

	2018-19	2017-18
Band of highest paid Board member's total remuneration (£000)	240 – 245	240 – 245
Median remuneration (£)	33,140	32,703
Remuneration ratio	7.32	7.42

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Board member in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid Board member in the Cabinet Office in the financial year 2018-19 was £240,000 – £245,000 (2017-18: £240,000 – £245,000). This was 7.32 times (2017-18: 7.42 times) the median remuneration of the workforce, which was £33,140 (2017-18: £32,703).

The remuneration of agency and other temporary staff employed by the Cabinet Office was excluded when calculating the median remuneration.

In 2018-19, two (2017-18: one) employees received remuneration in excess of the highest paid Board Member. The remuneration of Cabinet Office employees ranged from £17,316 to £285,000 (2017-18: £16,600 to £297,500<sup>1</sup>).

Total remuneration as at 31 March includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

<sup>1</sup> 2017-18 figure restated from £307,500 due to a payroll error, which was corrected

## 1.10 Fees paid to Non-Executive Board Members

The following section is subject to audit.

£	Annual fee entitlement	Fees paid 2018-19	Fees paid 2017-18
<b>Non-Executive Board Members</b>			
Sir Ian Cheshire Government Lead Non-Executive and Cabinet Office Non-Executive Board Member	20,000	Waived	Waived
Lead Non-Executive for the Cabinet Office	5,000	Waived	Waived
Sir John Parker GBE Lead Non-Executive Board Member	20,000	Waived	Waived
Mike Ashley Non-Executive Board Member	15,000	8,750	–
Chair of the Audit and Risk Committee	5,000	2,917	–
Catherine Brown Non-Executive Board Member	15,000	15,000	15,000
Interim Chair of the Audit and Risk Committee	5,000	1,671	1,699 <sup>1</sup>
Karen Blackett OBE Non-Executive Board Member	15,000	2,500	–
Anand Aithal Non-Executive Board Member	15,000	2,500	–
Paula Vennells CBE Non-Executive Board Member	15,000	2,500	–

<sup>1</sup> Restated from £nil due to amounts claimed in 2018-19 relating to 2017-18

Non-Executive Board Members are offered a fee of £15,000 per annum in line with the Non-Executive Directors of the Bank of England. The Government Lead Non-Executive, the Department Lead Non-Executive and the Chair of the Audit and Risk Committee are offered a further £5,000 per annum. Individual Board members may waive all or part of their fee entitlement. Claimed fees are included within the staff costs.

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## 1.11 Pension benefits of ministers

The following section is subject to audit.

Ministers	Accrued pension at age 65 as at 31 March 2019 £000	Real increase in pension at age 65 £000	CETV at 31 March 2019 £000	CETV at 31 March 2018 <sup>1</sup> £000	Real increase in CETV £000
The Rt Hon. David Lidington CBE MP Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office	5 – 10	0 – 2.5	170	144	12
Chloe Smith MP	0 – 5	0 – 2.5	33	28	1
Oliver Dowden CBE MP	0 – 5	0 – 2.5	5	1	2
The Rt Hon. Andrea Leadsom MP	0 – 5	0 – 2.5	51	42	4
The Rt Hon. Baroness Evans of Bowes Park	20 – 25	15 – 20	239 <sup>2</sup>	51	34

<sup>1</sup> CETV calculations were changed by the Government Actuary in November 2018. Therefore, the CETV figure for the start of the period in 2018-19 do not correspond with the CETV figure for the end of the period in 2017-18 as the factors used to calculate that figure are no longer the same.

<sup>2</sup> Baroness Evans made private transfers-in during 2018-19 which are reflected in the calculation of her CETV.

## 1.12 Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and its rules, the *Rules of the Parliamentary Contributory Pension Fund (The Ministers' Etc Pension Scheme 2015)*, can be found on the [Parliamentary Contributory Pension Fund website](#).

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). A new MPs' pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MPs' final salary pension scheme.

Benefits for ministers are payable from state pension age under the 2015 scheme. Pensions are revalued annually in line with pensions increase legislation, both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

## 1.13 Cash equivalent transfer value (CETV)

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 an arrangement to secure pension benefits in another pension scheme or an 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 2008 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.

## 1.14 Real increase in the value of the CETV

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

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## 1.15 Pension benefits of official Board members

The following sections are subject to audit.

Board members	Accrued pension at pension age as at 31 March 2019 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2019 £000	CETV at 31 March 2018 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
The Lord Heywood of Whitehall GCB CVO	80 – 85 plus lump sum of 250 – 255	0 – 2.5 plus lump sum of 5 – 7.5	1,807	1,748	17	-
Sir Mark Sedwill KCMG	85 – 90	0 – 2.5	1,528	1,355	11	-
John Manzoni	25 – 30	5 – 7.5	439	319	66	-
Elizabeth Gardiner CB	65 – 70 plus lump sum of 155 – 160	5 – 7.5 plus lump sum of 2.5 – 5	1,305	1,105	58	-
Tracey Waltho	35 – 40 plus lump sum of 80 – 85	0 – 2.5 plus a lump sum of 0	583	487	12	-
Guy Lester	55 – 60	0 – 2.5	1,102	956 <sup>1</sup>	33	-
Mike Parsons <sup>2</sup>	-	-	-	-	-	-

<sup>1</sup> This figure has been restated. This is due to the real increase being higher in 2018-19 compared to 2017-18

<sup>2</sup> Mike Parsons chose not to be covered by the Civil Service pension arrangements during the reporting year

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## 1.16 Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants, and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium and classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked'.

Those with earlier benefits in one of the final salary sections of the PCSPS have those benefits based on their final salary when they leave alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of one-eightieth of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of one-sixtieth 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 for service before 1 October 2002 calculated broadly as per classic and benefits for service from 1 October 2002 worked out as for premium. In nuvos a member builds up a pension based on their 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 uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

# Accountability Report

## 1.16 Civil Service pensions (continued)

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. The pension figures quoted for Board members show the pension earned in PCSPS or alpha, as appropriate. Where the Board member has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes, but it should be noted that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found on the [Civil Service Pensions website](#).

## 1.17 Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or an arrangement to secure pension benefits in another pension scheme or an arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of them buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

## 1.18 Real increase in CETV

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

## 1.19 Compensation for loss of office

The following section is subject to audit.

No compensation payments for loss of office were made to Cabinet Office Board members or ministers during the 2018-19 financial year.

The following severance payments were made under section 4 of chapter 5 of the [Ministerial and Other Pensions and Salaries Act 1991](#) during the period 1 April 2017 to 31 March 2018.

Minister <sup>1</sup>	Severance Payment (to nearest £)
The Rt Hon. Ben Gummer MP	7,920
The Rt Hon. Damian Green MP	16,876
Chris Skidmore MP	5,594

<sup>1</sup> Parliament was dissolved on 3 May 2017. From this date, every seat in the House of Commons became vacant until after the general election on 8 June 2017

## 1.20 Registers of public interest

### Board members

The Cabinet Office maintains a register of Cabinet Office Board members' interests, which contains details of company directorships and other significant interests held by Board members. A copy is deposited in the House of Commons library annually and it is published on [GOV.UK](#) shortly afterwards.

### House of Commons

The Register of Members' Financial Interests can be found on the [UK Parliament website](#).

### House of Lords

The Register of Lords' Interests can be found on the [UK Parliament website](#).

## 2. Staff report

The following section is subject to audit.

### 2.1 Staff costs

£000	Permanently employed staff	Others	Special advisers	Ministers	2018-19	2017-18 Restated <sup>1</sup>
Wages, salaries and fees	274,506	-	3,566	257	278,329	217,998
Social security costs	30,250	-	443	29	30,722	24,369
Apprenticeship levy	1,343	-	-	-	1,343	964
Other pension costs	52,909	-	804	-	53,713	43,759
Untaken annual leave	202	-	-	-	202	4,780
Agency/temporary	-	54,645	-	-	54,645	47,907
Termination benefits	225	-	-	-	225	1,001
<b>Sub total</b>	<b>359,435</b>	<b>54,645</b>	<b>4,813</b>	<b>286</b>	<b>419,179</b>	<b>340,778</b>
Inward secondments		5,704	-	-	5,704	3,131
<b>Total</b>	<b>359,435</b>	<b>60,349</b>	<b>4,813</b>	<b>286</b>	<b>424,883</b>	<b>343,909</b>
Less: Recoveries in respect of outward secondments		(1,384)	-	-	(1,384)	(1,553)
<b>Total staff costs</b>	<b>359,435</b>	<b>58,965</b>	<b>4,813</b>	<b>286</b>	<b>423,499</b>	<b>342,356</b>
Staff engaged on capital projects	(6,793)	(5,314)	-	-	(12,107)	(10,818)
<b>Total net staff costs</b>	<b>352,642</b>	<b>53,651</b>	<b>4,813</b>	<b>286</b>	<b>411,392</b>	<b>331,538</b>

<sup>1</sup> Restated due to machinery of government transfers. See Note 2 to the Financial Statements

During the year, costs of £53,713,519 were incurred in respect of pensions (2017-18: £43,759,017). Of this amount, £52,513,070 (2017-18: £43,591,730) was borne by the core Department, £1,037,892 (2017-18: £nil) was borne by the Government Property Agency, £148,371 (2017-18: £152,121) was borne by the Civil Service Commission and £14,186 (2017-18: £15,166) was borne by the Registrar of Consultant Lobbyists.

The PCSPS and the Civil Servants and Others Pension Scheme (known as 'alpha') are unfunded multi-employer defined benefit schemes. The Cabinet Office is unable to identify its share of the two schemes' underlying assets and liabilities. The Scheme Actuary valued the PCSPS as at 31 March 2016. More information about this and the assets and liabilities of both schemes can be found in the Civil Superannuation accounts, which are prepared by the Cabinet Office and published on the [Civil Service Pensions website](#).

For the period 1 April 2018 to 31 March 2019, employers' contributions of £52,135,813 were payable to the PCSPS (2017-18: £42,493,796) at one of four rates in the range 20% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid to existing pensioners during this period.

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. During the period 1 April 2018 to 31 March 2019, employers' contributions of £589,401 (2017-18: £506,371) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £21,626 (2017-18: £17,814), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers as at the 31 March 2019 were £62,665 (31 March 2018: £42,478). Contributions prepaid as at the same date were £nil (31 March 2018: £nil).

Special Advisers' pension costs incurred during the period 1 April 2018 to 31 March 2019 were £804,122 (2017-18: £573,749).

One individual (2017-18: one individual) retired early on ill-health grounds during the period 1 April 2018 to 31 March 2019; the resulting additional accrued pension liabilities amounted to £11,434 (2017-18: £nil).

# Accountability Report

## 2.2 Reporting of Civil Service and other compensation schemes – exit packages

The following section is subject to audit.

Exit packages for permanently employed staff included in Staff costs – see Note 2.1

Exit package cost band	Departmental group					
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
<£10,000	-	-	-	1	-	1
£10,000 – £25,000	-	-	-	10	-	10
£25,001 – £50,000	-	-	2	8	2	8
£50,001 – £100,000	-	-	2	5	2	5
£100,001 - £150,000	-	-	-	1	-	1
<b>Total number of exit packages</b>	-	-	4	25	4	25
<b>Total cost (£)</b>	-	-	225,352	971,247	225,352	971,247

The total cost of the exit packages of £225,352 (2017-18: £971,247) is included in the staff costs table in Note 2.1 and Note 4 to the accounts. Ministerial severance can be found at Note 1.19.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. In cases where the employee has accepted the offer made by the Department, the cost of termination benefit is accrued within wages, salaries and fees.

During 2018-19 there were four members of staff that left the Department due to early retirement, see Early Departures in Note 16 to the Accounts.

During 2017-18, as part of the transformation of the Civil Service Learning (CSL) function some restructuring activity was undertaken in the last quarter, which resulted in a voluntary exit scheme being offered to CSL staff. The obligating event making the offer binding is when the individual accepts the MyCSP valuation of the payment to be made. Five CSL staff accepted the offers.

In a separate scheme Civil Service Resourcing (CSR) had one voluntary redundancy case. This individual's role ceased to exist following the migration of CSR Expert Services into Cabinet Office from HMRC and there was no long term role available to them in HMRC.

In 2017-18, there were also five individuals that left the Department due to early retirement.

All Departmental Special Advisers had to resign their posts either on 30 March 2017, at the commencement of Purdah, or by 8 June 2017, following the general election, in line with their contracts. Special Advisers are not entitled to a notice period and are given a severance payment to compensate for this. The payment is calculated based on their length of service and is capped at six months' salary. Any Special Advisers returning to their posts after the election are required to repay their severance payments.

The figure quoted in table 2.1 includes 14 separate severance payments made to Special Advisers in 2017-18 totalling £308,842. In addition to this, there were 31 other severance payments made to Special Advisers in 2017-18 totalling £419,498, which were repaid to the Cabinet Office due to the Special Adviser returning to work for HM Government.

# Annual Report and Accounts 2018-19

## 2.3 Average number of persons employed

The following section is subject to audit.

The average number of full-time equivalent persons employed during the year is shown in the table below. These figures include both those working in the core Department and those working in other entities within the Departmental boundary.

Operating segment	Permanently employed staff	Commissioners	Others <sup>1</sup>	Ministers	Special Advisers	2018-19 Total	2017-18 Total Restated <sup>2</sup>
Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	524	-	30	-	-	554	514
Support the design and implementation of HM Government's policies and the Prime Minister's priorities	564	-	70	6	42	682	448
Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	4,310	-	234	-	7	4,551	3,134
Ensure the effective running of the Department and contribute to the government's cross cutting priorities	194	-	35	-	-	229	244
Government Property Agency	72	-	55	-	-	127	-
Arm's Length Bodies <sup>3</sup>	18	12	-	-	-	30	29
Staff engaged on capital projects	86	-	25	-	-	111	136
<b>Total</b>	<b>5,768</b>	<b>12</b>	<b>449</b>	<b>6</b>	<b>49</b>	<b>6,284</b>	<b>4,505</b>
<i>Of which:</i>							
Core Department	5,678	-	394	6	49	6,127	4,476
Executive Agency	72	-	55	-	-	127	-
Other designated bodies <sup>3</sup>	18	12	-	-	-	30	29
<b>Total</b>	<b>5,768</b>	<b>12</b>	<b>449</b>	<b>6</b>	<b>49</b>	<b>6,284</b>	<b>4,505</b>

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The above headcount has been prepared on a basis which is compliant with the requirements of the Office for National Statistics; this excludes fee paid staff and non-Departmental employees. The increase from 4,505 in 2017-18 to 6,284 in 2018-19 is largely attributable to an increase in staff numbers in CSHR Fast Stream, Commercial profession, CSHR recruitment, EU Exit Implementation, Geospatial Commission and Government Communications.

<sup>1</sup> The 'Others' category includes agency staff, interim managers, specialist contractors and consultants

<sup>2</sup> See Note 2 to the accounts

<sup>3</sup> The costs of the Civil Service Commission and The Registrar of Consultant Lobbyists are reported in this line

## 2.4 Senior civil servants

The table below shows the number of senior civil servants (SCS) employed by the Cabinet Office as at 31 March 2019. The total includes 45 staff (2017-18: 47) in SCS equivalent grades within the Office of the Parliamentary Counsel. The equivalent grades are: Parliamentary Counsel (Director-General), Parliamentary Counsel (Director) and Parliamentary Counsel (Deputy Director).

Grade	2018-19	2017-18
Permanent Secretary	4	6
SCS 3	20	18
SCS 2	83	79
SCS 1	291	233
<b>Total</b>	<b>398</b>	<b>336</b>

The increase in 62 SCS since 2017-18 is principally a consequence of a general increase in the size of the Department. In particular, the EU Exit Implementation Unit came with 13 additional SCS, and the Government Commercial Organisation continued to grow and increased its SCS by 12. But overall, SCS numbers remain at 6% of the total workforce.

# Accountability Report

## 2.5 Staff composition

The below tables provide a breakdown, by gender, of all the staff who have worked for the Cabinet Office during the period 1 April 2018 to 31 March 2019

No.	Men		Women		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Official Board members	4	3	2	2	6	5
Senior civil servants	237	225	224	184	461	409
All staff	3,345	2,956	3,764	3,182	7,109	6,138

%	Men		Women	
	2018-19	2017-18	2018-19	2017-18
Official Board members	66.67	60.00	33.33	40.00
Senior civil servants	51.04	55.01	48.96	44.99
All staff	47.05	48.16	52.95	51.84

## 2.6 Reporting of high-paid, off-payroll appointments

Table 1

For all off-payroll engagements as of 31 March 2019, of more than £245 per day and that last longer than six months.

2018-19 No.	Core Department	Executive Agency	Arm's length bodies
<b>No. of existing engagements as of 31 March 2019</b>	<b>243</b>	<b>10</b>	<b>-</b>
<i>Of which:</i>			
No. that have existed for less than one year at time of reporting	118	7	-
No. that have existed for between one and two years at time of reporting	75	2	-
No. that have existed for between two and three years at time of reporting	18	1	-
No. that have existed for between three and four years at time of reporting	6	-	-
No. that have been existed for four or more years at time of reporting	26	-	-

Table 2

For all new off-payroll engagements, or those that have reached six months in duration between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

2018-19 No.	Core Department	Executive Agency	Arm's length bodies
<b>No. of new engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019</b>	<b>118</b>	<b>7</b>	<b>-</b>
<i>Of which:</i>			
No. assessed as subject to IR35 <sup>1</sup>	16	3	-
No. assessed as not subject to IR35 <sup>1</sup>	102	4	-
No. engaged directly (via Personal Services Contract contracted to Department) and are on the Departmental payroll	-	-	-
No. of engagements reassessed for consistency / assurance purposes during the year	-	-	-
No. of engagements that saw a change to IR35 status following the consistency review	-	-	-

Table 3

For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019.

2018-19 No.	Core Department	Executive Agency	Arm's length bodies
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	-	-	-
Total no. of individuals on payroll and off-payroll that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year	26	9	-

<sup>1</sup>IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used

## 2.7 Staff Loans

The table below shows the number of staff loaned to or loaned out from the Cabinet Office as at 31 March 2019.

No.	Headcount	FTE
<b>Staff loaned in by grade</b>		
SCS 3	4	4
SCS 2	22	22
SCS 1	70	68
Band A	428	421
Band B2	230	226
Band B1	57	57
Band C	3	3
<b>Total staff loaned in by grade</b>	<b>814</b>	<b>801</b>
<b>Staff loaned out by grade</b>		
SCS 2	2	2
SCS 1	5	4
Band A	12	12
Band B2	7	7
Band B1	2	2
Band C	1	1
<b>Total staff loaned out by grade</b>	<b>29</b>	<b>28</b>

## 2.8 Sickness and absence

The sickness absence figure for the rolling 12 months to 31 March 2019 stands at 2.22 (1.70 for the rolling 12 months to 31 March 2018) average working days lost per member of staff.

## 2.9 Employment, training and advancement of disabled persons

The Cabinet Office applies the Recruitment Principles of the Civil Service Commission, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which has a core focus of raising awareness of unconscious bias, is offered to all chairs of Cabinet Office recruitment panels. The Cabinet Office is a Level 3 Disability Confident employer, which includes having a guaranteed interview scheme that encourages candidates with a disability to apply for the jobs it advertises. If a candidate declares a disability and meets the minimum standards required for a job, he or she is offered an interview. The Cabinet Office also promotes training for all staff on avoiding unconscious bias.

The Cabinet Office has rolling targets to encourage applications to the Senior Civil Service from candidates with disabilities. This contributes to the wider Civil Service target of being the most inclusive employer in the UK by 2020.

The Cabinet Office has an active disability network championed by a director general and a disability action group with the aim of taking positive action to break down barriers in the workplace, including raising issues relating to the Department's estate.

To maintain and promote a diverse and inclusive workforce, the Cabinet Office has a workplace adjustments procedure to support any alterations to the working environment required by disabled persons. This procedure is incorporated into the induction process for new members of staff.

The Cabinet Office promotes a number of cross-government talent schemes that seek to attract staff with disabilities, amongst other protected characteristics. These include the Positive Action Pathway (for staff below the Senior Civil Service), the Senior Leaders Scheme (aimed at staff in Senior Civil Service pay band 1) and the Future Leaders Scheme (aimed at staff in grades 6 and 7), which now includes DELTA (Disability Empowers Leadership Talent), an accelerated talent mentoring approach specifically for staff with disabilities.

## 2.10 Monitoring spending on consultancy and temporary staff

Professional services external resources can generally be split into two broad categories. Temporary staff includes temporary workers, interim managers and specialist contractors who are used to cover business-as-usual or service delivery activities within an organisation. Consultancy includes staff who provide objective advice relating to strategy, structure, management or operations of an organisation and may include the identification of options with recommendations. Expenditure on consultancy increased from £23.992 million in 2017-18 to £36.893 million in 2018-19 and expenditure on temporary staff increased from £47.907 million in 2017-18 to £54.645 million in 2018-19; see Note 4 to the accounts.

Spend on consultancy and the need for temporary staff within the Cabinet Office is largely dependent on the nature of the projects being undertaken and the expertise required.

There are a number of reasons for the increase in expenditure on consultancy. Consultancy services were used to assist with the running of the National Cyber Security Programme; the Programme has a broad scope, from developing cyber skills in the UK, to technical measures to defend attacks, to considering how to incentivise organisations to make their digital systems more secure. Consultancy services have also been used to assist with preparations for exiting the European Union.

The increase in expenditure on temporary staff can largely be attributed to contractors doing work in relation to the Grenfell Tower Inquiry and temporary staff working for the Government Property Agency which was launched in April 2018. Temporary staff have also been used to assist with the creation of cross-government secure IT.

## 2.11 Health and safety

The Cabinet Office recognises its obligations under the Health and Safety at Work etc. Act 1974, for ensuring, so far as is reasonably practicable, the health, safety and welfare of its employees and others that may be affected by its operations and/or activities. 20 accidents were reported of which two were reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

# Accountability Report

## 2.12 Diversity and inclusion

Representation rates at Senior Civil Service (SCS) levels have tripled for staff declared disabled in 2018-19 to 9% (2017-18: 3%), with staff from ethnic minorities also increasing to 7% (2017-18: 6%) and women now making up 49% (2017-18: 45%) of the SCS.

Across all grades there was an increase in staff declared disabled to 12% (2017-18: 9%) with staff from ethnic minorities making up 16% (2017-18: 16%) of all staff and women now making up 53% (2017-18: 52%) of all staff.

## 2.13 Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

**Table 1 – Relevant Union Officials**

Total number of employees who were relevant union officials between 1 April 2018 and 31 March 2019.

	2018-19 No.	2017-18 No.
Employees who were relevant union officials during the relevant period <sup>1</sup>	19	4
Full-time equivalent employee number	18.4	4

**Table 2 – Percentage of time spent on facility time**

For employees who were relevant union officials employed between 1 April 2018 and 31 March 2019, percentage of their working hours on spent on facility time.

	2018-19 No.	2017-18 No.
0%	9	4
1% – 50%	10	–
51% – 99%	–	–
100%	–	–

**Table 3 – Percentage of pay bill spent on facility time**

For employees who were relevant union officials employed between 1 April 2018 and 31 March 2019, percentage of pay bill spent on facility time.

	2018-19	2017-18
The total cost of facility time (£000)	17	–
The total annual pay bill for Cabinet Office (£000) <sup>1</sup>	361,179	292,188
The percentage of the total pay bill spent on facility time (%)	0.005%	–

<sup>1</sup>See Note 2.1 and exclude 'Others'

**Table 4 – Paid trade union activities**

For employees who were relevant union officials employed between 1 April 2018 and 31 March 2019, percentage of time spent on paid trade union activities.

	2018-19	2017-18
Time spent on paid trade union activities as a percentage of total paid facility time hours (%)	–	–

## Parliamentary accountability and audit report

### Overview

This section presents key documents which contribute to the Department's accountability to Parliament.

Statement of Parliamentary Supply (SOPS) and related notes report outturn against Parliamentary control limits. SOPS is informed by budgeting principles set out in *Consolidated Budgeting Guidance* and used in Supply Estimates which follow *Supply Estimates Guidance*.

Regularity of expenditure reports losses and special payments - regularity refers to the principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and the principles set out in *Managing Public Money*. Disclosures on fees and charges, remote contingent liabilities and entities outside the Departmental boundary are required by *Managing Public Money*.

In his certificate and report, the Comptroller and Auditor General to the House of Commons provides his opinion on regularity and whether the Remuneration and Staff Report and Parliamentary Accountability Disclosures have been properly prepared and are consistent with the financial statements, and whether the information given in the Performance Report and Accountability Report is consistent with the financial statements.

The following sections are subject to audit: SOPS and related notes and Parliamentary accountability disclosures Notes 1. Regularity of expenditure; 2. Remote Contingent Liabilities; 3. Fees and Charges; and 4. Entities outside the Departmental boundary.

### Cabinet Office Group Structure

This includes:

- Core Cabinet Office
- Executive Agency, Government Property Agency
- Arm's length bodies, Civil Service Commission and Registrar of Consultant Lobbyists

### Cabinet Office's Purpose

The Cabinet Office is at the centre of government. Its Purpose is achieved through objectives set out in the Single Departmental Plan.

The Single Departmental Plan - 2018, published in May 2018, contained the following three:

**Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy**

1. Deliver a stable constitutional settlement that represents a fair deal for every part of our United Kingdom;
2. Coordinate, deliver and implement the National Security Strategy and respond to National Security threats at home and abroad;

3. Coordinate and develop international policy across government;
4. Ensure a stable electoral system and a democracy that works for all; and
5. Increase devolution capability and engagement.

**Support the design and implementation of HM Government's policies and the Prime Minister's priorities**

1. Establish, monitor and implement the government's strategic priorities;
2. Drive policy innovation across government;
3. Draw up and facilitate the delivery of the government's legislative agenda;
4. Support the effective operation of Cabinet and Cabinet Committees; and
5. Deliver cross-cutting projects and services.

**Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government**

1. Supporting an effective UK exit from the EU, and managing its implications for maintaining the integrity of the Union;
2. Through the functions, support Departments to create better public services by bringing the latest and best knowledge and skills to bear on an issue;
3. Ensure government continues to work in an open and transparent way
4. Make the Civil Service more effective and efficient and improve the performance of the Cabinet Office, including by the delivery of new commercial models;
5. Reform, improve and secure accountability of public bodies, and ensure the best people fill public appointments and that they act in the right way;
6. Deliver and enhance shared services across government; and
7. Deliver Civil Service and Royal Mail Pensions Scheme.

The Single Departmental Plan - 2019, published on June 2019, includes 2 additional objectives:

**Work with other departments to prepare for and deliver an orderly exit from the European Union**

**Deliver excellent corporate services, make Cabinet Office a great place to work, and create a department that better represents the people and places it serves**

See [www.gov.uk - Cabinet Office Single Departmental Plan](http://www.gov.uk - Cabinet Office Single Departmental Plan).

# Accountability Report

## Statement of Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the *Government Financial Reporting Manual (FRM)* requires the Department to prepare a Statement of Parliamentary Supply (SOPS) and related notes to show resource outturn against the supply Estimate presented to Parliament, in respect of each budgetary control limit. The SOPS and related notes are subject to audit.

### Summary of resource and capital outturn 2018-19

£000				2018-19			2017-18 Restated <sup>1</sup>		
Estimate				Outturn			Voted outturn compared with Estimate:	Outturn	
SOPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	saving/(excess)	Total	
<b>Departmental Expenditure Limit</b>									
- Resource	1.1	576,177	8,870	585,047	551,177	1,685	552,862	25,000	677,249
- Capital	1.2	120,486	-	120,486	118,197	-	118,197	2,289	190,306
<b>Annually Managed Expenditure</b>									
- Resource	1.1	5,000	-	5,000	(15,785)	-	(15,785)	20,785	13,848
- Capital	1.2	-	-	-	-	-	-	-	-
<b>Total</b>		<b>701,663</b>	<b>8,870</b>	<b>710,533</b>	<b>653,589</b>	<b>1,685</b>	<b>655,274</b>	<b>48,074</b>	<b>881,403</b>
Total resource		581,177	8,870	590,047	535,392	1,685	537,077	45,785	691,097
Total capital		120,486	-	120,486	118,197	-	118,197	2,289	190,306
<b>Total</b>		<b>701,663</b>	<b>8,870</b>	<b>710,533</b>	<b>653,589</b>	<b>1,685</b>	<b>655,274</b>	<b>48,074</b>	<b>881,403</b>

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### Net cash requirement 2018-19

£000			2018-19	2017-18 Restated <sup>1</sup>
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
3	747,173	622,051	125,122	682,240

### Administration costs 2018-19

£000			2018-19	2017-18 Restated <sup>1</sup>
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
1.1	215,994	197,044	18,950	185,850

<sup>1</sup> Restated due to machinery of government changes: see Note 2 to the accounts

Figures in the shaded areas are voted totals or other totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between Estimate and outturn are given in Notes SOPS1 and SOPS3.

Notes SOPS1 to SOPS4 form part of these accounts

# Annual Report and Accounts 2018-19

## Notes to the Statement of Parliamentary Supply

### SOPS1. Net outturn

#### SOPS1.1 Analysis of net resource outturn by section

£000								2018-19			2017-18 Restated <sup>1</sup>
Outturn								Estimate			Outturn
Administration				Programme							
Spending in Departmental Expenditure Limit	Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net total compared to Estimate: saving/ (excess)	Comparison adjusted for virements	Total
	<b>Voted DEL</b>										
<b>A:</b> Integrity of the Union, security and democracy	33,876	(1,032)	32,844	113,194	(17,499)	95,695	128,539	126,292	(2,247)	3,994	91,456
<b>B:</b> HM Gov's policies and the PM's priorities	56,728	(10,437)	46,291	65,341	50	65,391	111,682	106,629	(5,053)	-	61,879
<b>C:</b> Efficiency of government	311,625	(271,950)	39,675	188,791	(24,567)	164,224	203,899	197,805	(6,094)	-	186,809
<b>D:</b> Effective running of the Department	72,866	(4,627)	68,239	22,730	(8,894)	13,836	82,075	128,514	46,439	18,836	216,378
<b>E:</b> Executive Agency – GPA	159,883	(151,535)	8,348	20,418	(5,601)	14,817	23,165	14,722	(8,443)	1,772	-
<b>F:</b> ALBs (net)	1,647	-	1,647	170	-	170	1,817	2,215	398	398	2,030
<b>Total Voted</b>	<b>636,625</b>	<b>(439,581)</b>	<b>197,044</b>	<b>410,644</b>	<b>(56,511)</b>	<b>354,133</b>	<b>551,177</b>	<b>576,177</b>	<b>25,000</b>	<b>25,000</b>	<b>558,552</b>
<b>Non-voted DEL</b>											
<b>Returning Officers' expenses, England and Wales</b>											
<b>G:</b> Elections	-	-	-	(291)	-	(291)	(291)	6,500	6,791	6,791	116,790
<i>Of which</i>											
- 2017 UK General	-	-	-	(564)	-	(564)	(564)	-	564	563	117,053
- 2015 UK General	-	-	-	-	-	-	-	-	-	-	80
- UK Parliamentary by-elections	-	-	-	277	-	277	277	1,250	973	973	111
- Petition to recall an MP	-	-	-	222	-	222	222	250	28	28	-
- 2016 PCC elections	-	-	-	(227)	-	(227)	(227)	5,000	5,227	5,227	(455)
- Bank charges	-	-	-	1	-	1	1	-	(1)	-	1
<b>H:</b> UK MEPs	-	-	-	2,116	-	2,116	2,116	2,500	384	384	2,038
<b>I:</b> CFER	-	-	-	-	(140)	(140)	(140)	(130)	10	10	(131)
<b>Total DEL</b>	<b>636,625</b>	<b>(439,581)</b>	<b>197,044</b>	<b>412,469</b>	<b>(56,651)</b>	<b>355,818</b>	<b>552,862</b>	<b>585,047</b>	<b>32,185</b>	<b>32,185</b>	<b>677,249</b>
<b>Voted AME</b>											
<b>J:</b> Cabinet Office AME	-	-	-	(1,410)	-	(1,410)	(1,410)	4,000	5,410	5,410	13,848
<b>K:</b> GPA AME	-	-	-	(14,375)	-	(14,375)	(14,375)	1,000	15,375	15,375	-
<b>Total AME</b>	-	-	-	<b>(15,785)</b>	-	<b>(15,785)</b>	<b>(15,785)</b>	<b>5,000</b>	<b>20,785</b>	<b>20,785</b>	<b>13,848</b>
<b>Total</b>	<b>636,625</b>	<b>(439,581)</b>	<b>197,044</b>	<b>396,684</b>	<b>(56,651)</b>	<b>340,033</b>	<b>537,077</b>	<b>590,047</b>	<b>52,970</b>	<b>52,970</b>	<b>691,097</b>

<sup>1</sup> Restated due to machinery of government changes: see Note 2 to the accounts

# Accountability Report

## Explanations between Estimate and 2018-19 resource outturn before adjustment for virements

Spend against budgets may be explained as below. Depreciation is budgeted within segment D but incurred across segments A to E which gives rise to apparent under or overspend. Overall underspend on depreciation is explained under the section on Administration budget below.

### A: Maintain the integrity of the Union, co-ordinate the security of the realm and sustain a flourishing democracy – £2.247 million overspend

This comprises depreciation of £11.328 million budgeted against segment D and an underspend of £9.081 million which is mainly attributable to costs of £6.9 million lower than expected for the Commonwealth Summit 2018 and a reclassification of cross-government secure IT resource expenditure to capital.

### B: Support the design and implementation of HM Government's policies and the Prime Minister's priorities – £5.053 million overspend

This comprises depreciation of £2.768 million budgeted against segment D and an overspend of £2.285 million due to an increase in legal costs for the Grenfell Tower inquiry.

### C: Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government – £6.094 million overspend

This comprises depreciation of £19.373 million budgeted against segment D and an underspend of £12.871 million due to a £14 million payment of One Public Estate grants to Local Authorities which did not take place until May 2019.

### D: Ensuring the effective running of the Department and contribute to the government's cross-cutting priorities – £46.439 million underspend

This is mainly due to £44.032 million of depreciation expenditure in other segments, with the budget held here. A small underspend in Security (£1 million) and additional income (£2 million) have offset a £1 million accommodation increase caused by more office moves than planned.

### E: Executive Agency – Government Property Agency – £8.443 million overspend

This comprises depreciation of £10.563 million budgeted against segment D.

### G: Elections – £6.791 million underspend

Budgetary provision was made for six Parliamentary by-elections whereas only one took place, and for two Police and Crime Commissioner by-elections and none took place.

### Administration budget – £18.950 million underspend

Prudent forecasting has resulted in an underspend on depreciation of £8.7 million (GPA £6 million and Cabinet Office £2.7 million) and a contingency budget for impairment of £8 million has not been utilised. Plus an underspend of £2 million largely due to additional income generated by GPA.

### J and K: AME – £20.785 million underspend

It was assessed that the dilapidations provisions were no longer required as obligations for the final liability reside with the tenants, as detailed in their occupation agreements.

## Explanations of resource variances between 2018-19 and 2017-18 outturn

Cabinet Office spend has decreased by £154.020 million (22.3%) owing to the following

### A: Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy – £37.083 million increase

An increase in expenditure this year is due to the Commonwealth Summit with an increase in spending by £14 million. There has also been a significant increase in spending across the security functions; cross-government secure IT (£10 million) and a new business unit Government Security Group (£12 million).

### B: Support the design and implementation of HM Government's policies and the Prime Minister's priorities – £49.803 million increase

An increase in spend is mainly due to the setup of a new inquiry in 2018-19 for Infected Blood (£8 million), a significant increase in expenditure for the Grenfell Inquiry (£35 million) and costs for the Geospatial Commission (£7 million).

### C: Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government – £17.090 million increase

An increase in spend is partially attributed to Government Communications expenditure increasing to £25 million this year (2017-18: £8 million) due to additional funding for EU Exit activity.

# Annual Report and Accounts 2018-19

## Explanations of resource variances between 2018-19 and 2017-18 outturn (continued)

### D: Ensure the effective running of the Department and contribute to the government's cross-cutting priorities – £134.303 million decrease

The decrease was mainly due to the provision of £150 million working capital in 2017-18 to the Official Receiver in relation to the liquidation of Carillion plc.

### E: Government Property Agency - Executive Agency – £23.165 million resource expenditure in first year of operation

The Government Property Agency (GPA) launched on 1 April 2018 as a new Executive Agency of the Cabinet Office and therefore has no prior year comparative.

### G: Elections – £117.081 million decrease

The decrease reflects a UK general election held in June 2017 at a cost of £117.053 million compared to no full elections taking place in 2018-19.

### J and K: AME – £29.633 million decrease

Dilapidation provisions were established in 2017-18 for properties including the office hub at 10 South Colonnade. Upon creation of the Government Property Agency, these provisions became the responsibility of occupier Departments and were written back.

## SOPS1.2 Analysis of net capital outturn by section

£000	2018-19			2017-18 Restated <sup>1</sup>			
	Outturn		Estimate	Estimate		Outturn	
Spending in Departmental Expenditure Limit	Gross	Income	Net	Net total	Net total compared to Estimate: saving/(excess)	Comparison adjusted for virements	Total
<b>Voted DEL</b>							
<b>A:</b> Maintain the integrity of the Union, security and democracy	14,424	(7)	14,417	11,794	(2,623)	-	25,198
<b>B:</b> HM Government's policies and the PM's priorities	77,453	(9)	77,444	76,720	(724)	-	74,296
<b>C:</b> Efficiency of government	15,031	-	15,031	11,283	(3,748)	-	86,292
<b>D:</b> Ensure the effective running of the Department	1,328	(8,522)	(7,194)	288	7,482	387	4,520
<b>E:</b> Executive Agency - GPA	32,495	(13,996)	18,499	20,401	1,902	1,902	-
<b>Total DEL</b>	<b>140,731</b>	<b>(22,534)</b>	<b>118,197</b>	<b>120,486</b>	<b>2,289</b>	<b>2,289</b>	<b>190,306</b>

<sup>1</sup> Restated due to machinery of government changes: see Note 2 to the accounts

## Explanations between Estimate and 2018-19 capital outturn before adjustment for virements

Cabinet Office has an underspend of £2.289 million (1.9%).

# Accountability Report

## Explanations of capital variances between 2018-19 and 2017-18 outturn

Cabinet Office spend has decreased by £72.109 million (37.9%) owing to the following:

### A: Maintain the integrity of the Union, coordinate the security of the realm and ensure a flourishing democracy – £10.781 million decrease

The decrease is mainly attributable to a reduction in IT expenditure on cross-government secure IT following completion of capitalised development and implementation across central government.

### B: Support the design and implementation of HM Government's policies and the Prime Minister's priorities – £3.148 million increase

The increase is mainly attributable to an increase in Geospatial capitalised research costs under the European System of Accounts 10 (ESA 10) and the fit-out costs of a new Cabinet Office leasehold property as part of the Infected Blood Inquiry at Fleetbank House, London.

### C: Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government – £71.261 million decrease

The decrease is mainly attributable to the completion early in the financial year of a long programme of fit-out works spanning multiple financial years of the government property hub at 10 South Colonnade, London. Plus reclassification of the Government Property Agency from shadow agency under segment C: Improving the efficiency and responsiveness of government to its own executive agency section E.

There was also a reduction in capitalised expenditure on Government Digital Service and Government Shared Services platforms reaching development maturity.

### D: Ensure the effective running of the Department and contribute to the government's cross-cutting priorities – £11.714 million decrease

The decrease is mainly attributable to a decrease in expenditure on Cabinet Office core IT.

### E: Government Property Agency - Executive Agency – £18.499 million capital expenditure in first year of operation

Reclassification of the Government Property Agency from shadow agency under segment C: Improving the efficiency and responsiveness of government to its own executive agency section.

## Annual Report and Accounts 2018-19

### SOPS2. Reconciliation of net outturn

#### SOPS2.1 Reconciliation of net resource outturn to net operating expenditure

£000			2018-19	2017-18 Restated <sup>1</sup>
Total resource outturn in Statement of Parliamentary Supply	Note	Estimate	Outturn	Outturn
<b>Budget</b>	<b>SOPS1.1</b>	<b>590,047</b>	<b>537,077</b>	<b>691,097</b>
Add:				
Capital Grants	4	40,606	1,007	2,127
Dividends received from associates	10	-	14,281	8,775
Geospatial data (capital under ESA10 definition) <sup>2</sup>	4	-	74,945	72,572
Fair value gain on financial assets – associate put options (non-cash)	11.1	-	(71,948)	-
Less:				
Capital grant and capital grant-in-kind income	5	-	(14,003)	(9,052)
Capital receipts	5	-	(8,522)	-
UK members of the European Parliament salaries and pension	SOPS1.1	(2,500)	(2,116)	(2,038)
Share of associates' profit	10	-	(17,025)	(13,874)
Disposal of shareholdings in associates	4	-	(2,299)	-
<b>Returning Officers' expenses, England and Wales</b>				
Forfeited deposits payable to the Consolidated Fund	5	-	-	(728)
<b>Net expenditure in Consolidated Statement of Comprehensive Net Expenditure</b>		<b>628,153</b>	<b>511,397</b>	<b>748,879</b>

<sup>1</sup> Restated due to machinery of government changes: see Note 2 to the accounts

<sup>2</sup> Research and development costs have been classified to capital budgets under ESA 10 as set out in the Consolidated Budgeting Guidance

#### SOPS2.2 Reconciliation of net capital outturn to accounts

£000			2018-19	2017-18 Restated <sup>1</sup>
<b>Total capital outturn in Statement of Parliamentary Supply</b>	<b>Note</b>	<b>Estimate</b>	<b>Outturn</b>	<b>Outturn</b>
	<b>SOPS1.2</b>	<b>120,486</b>	<b>118,197</b>	<b>190,306</b>
<b>Comprises:</b>				
Property, plant and equipment				
- Additions	6	96,897	43,270	103,305
- Donations	6	-	7,779	48
- Disposals	6	-	(9)	(31)
Intangible assets				
- Additions	7	-	13,730	19,234
- Allowances purchased	7	-	-	60
- Donations	7	-	-	2,043
Capital grant expenditure	4	-	1,000	2,127
Capital grant-in-kind expenditure	4	-	7	-
Geospatial data (capital under ESA10 definition) <sup>2</sup>	4	74,944	74,945	72,572
Capital grant income	5	(34,543)	(6,224)	(6,961)
Capital grant income – donated assets	5	-	-	(48)
Capital grant in kind income – transfers from other government Departments	5	-	(7,779)	(2,043)
Capital receipts	5	-	(8,522)	-
Sale of assets classified as held for sale	12	(16,812)	-	-
		<b>120,486</b>	<b>118,197</b>	<b>190,306</b>

<sup>1</sup> Restated due to machinery of government changes: see Note 2 to the accounts

<sup>2</sup> Research and development costs have been classified to capital budgets under ESA 10 as set out in the Consolidated Budgeting Guidance

## Accountability Report

### SOPS3. Reconciliation of net resource outturn to net cash requirement

£000				2018-19
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
<b>Resource outturn</b>	SOPS1.1	<b>590,047</b>	<b>537,077</b>	<b>52,970</b>
<b>Capital outturn</b>	SOPS1.2	<b>120,486</b>	<b>118,197</b>	<b>2,289</b>
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	4	(74,245)	(27,759)	(46,486)
Amortisation	4	-	(12,485)	12,485
Impairment – property, plant and equipment	4	-	(9,150)	9,150
Impairment – intangible assets	4	-	(1,284)	1,284
Revaluation – property, plant and equipment	4	-	1,056	(1,056)
Bad debt write-off	4	-	(309)	309
Write off – property, plant and equipment	4	-	(9)	9
Write off – intangible assets	4	-	(561)	561
New provisions and adjustments to previous provisions	4	(1,123)	14,198	(15,321)
Impairment for trade receivables	4	-	151	(151)
Audit fee	4	(620)	(648)	28
Carbon dioxide emissions allowance surrendered	4	-	(30)	30
Notional Expenditure Digital Apprenticeship Service	4	-	(178)	178
Notional Income Digital Apprenticeship Service	5	-	178	(178)
Discount of receivable from Equiniti Ltd	4	-	(212)	212
<i>Adjustments for ALBs:</i>				
Remove voted resource and capital	SOPS1.1	(2,215)	(1,817)	(398)
Add cash grant-in-aid		2,215	2,264	(49)
<i>Adjustment to reflect movements in working balances:</i>				
Increase in inventories		-	35	(35)
Decrease in trade receivables		46,130	(14,819)	60,949
Increase in non-current receivables		-	36,727	(36,727)
Increase in trade payables		75,000	(14,229)	89,229
Increase in non-current payables		-	(3,163)	3,163
Use of provisions	16	368	495	(127)
<b>Net Total</b>		<b>756,043</b>	<b>623,725</b>	<b>132,318</b>
<b>Removal of non-voted budget items:</b>				
Salary and pension costs of the UK members of European Parliament	SOPS2.1	(2,500)	(2,116)	(384)
<b>Returning Officers' expenses, England and Wales</b>				
- 2017 UK Parliamentary general election	4, SOPS1.1	-	564	(564)
- UK Parliamentary by-elections	4, SOPS1.1	(1,250)	(277)	(973)
- UK Parliamentary recall petitions	4, SOPS1.1	(250)	(222)	(28)
- 2016 Police and Crime Commissioner elections	4, SOPS1.1	(5,000)	227	(5,227)
- Bank charges	4, SOPS1.1	-	(1)	1
<b>Registrar of Consultant Lobbyists</b>				
- Cash surrendered to the Consolidated Fund	15, SOPS4	-	(139)	139
- Cash surrenderable to the Consolidated Fund – registration fees	15, SOPS4	-	149	(149)
- Cash surrenderable to the Consolidated Fund – civil penalties	15, SOPS4	-	1	(1)
- Non-voted resource income	SOPS1.1	130	140	(10)
<b>Net cash requirement</b>		<b>747,173</b>	<b>622,051</b>	<b>125,122</b>

Net cash requirement is under budget by £125.122 million due to movement in working capital (£150.423 million) being less than expected, an underspend on capital (£2.289 million) and offset by voted resource (£27.589 million).

# Annual Report and Accounts 2018-19

## SOPS4. Income payable to the Consolidated Fund

In addition to income retained by the Cabinet Office, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

£000	Note	Outturn 2018-19		Outturn 2017-18	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
<b>Disposal of financial assets</b>					
Disposal of shareholding in MyCSP Limited	10, 14, 15	8,000	<i>4,000</i>	-	-
<b>Returning Officers' expenses England and Wales</b>					
Forfeited deposits					
- 2017 UK Parliamentary general election	5	-	-	728	<i>728</i>
- UK Parliamentary by-elections		-	<i>6</i>	-	-
<b>Registrar of Consultant Lobbyists</b>					
Registration fees from consultant lobbyists	5, 15	140	<i>149</i>	131	<i>137</i>
Civil penalties applied to consultant lobbyists	15	-	<i>1</i>	-	<i>2</i>
<b>Sale of properties</b>					
Additional lease premium on sale of Admiralty Arch	15	-	<i>488</i>	-	-
<b>Total amount payable to the Consolidated Fund</b>		<b>8,140</b>	<b><i>4,644</i></b>	<b>859</b>	<b><i>867</i></b>

### Income payable to the Consolidated Fund

#### *Disposal of shareholdings in associates*

On 26 September 2018 the Cabinet Office sold its remaining 24% shareholding in MyCSP Ltd to Equiniti Group plc for a consideration of £8 million of which £4 million is deferred until September 2020.

#### *Registration fees from consultant lobbyists*

The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014 at Part 1, section 22 'Charges' stipulates:

- The Registrar may impose charges for or in connection with the making, updating and maintenance of entries in the register.
- The charges are to be determined by or in accordance with regulations.
- In making the regulations, the minister must seek to ensure that the total paid to the Registrar in charges is sufficient to offset the total of the costs incurred by the Registrar in exercising the functions under this Part (whether or not those costs are directly connected with the keeping of the register).
- If a charge imposed for making an application or return to the Registrar is not paid, the Registrar may treat the application or return as not having been made.
- The Registrar must pay into the Consolidated Fund any sums received in respect of charges under this section.

Although cash is surrenderable to the Consolidated Fund, HM Treasury has approved a 'netting-off' arrangement that enables the body to spend the funding generated through the charges. This does not apply to civil penalties charged upon consultant lobbyists.

### Revenue collected on behalf of the Consolidated Fund

#### *Civil penalties applied to consultant lobbyists*

The Registrar of Consultant Lobbyists acts as a collecting agent of the Consolidated Fund in respect of civil penalties applied to consultant lobbyists. The amount collected was £550 (2017-18: £1,500) with an additional £150 issued but yet to be received.

#### *Parliamentary elections forfeited deposits*

Deposits are forfeited by those candidates who fail to obtain one-twentieth of the total votes cast at UK Parliamentary elections, by-elections and Police and Crime Commissioner elections. European Parliamentary elections candidates must obtain one-fortieth of the vote in order to have their deposit returned. Returning Officers are required to return any forfeited deposits to the Consolidated Fund via the Cabinet Office no later than one working day after the result of the election has been declared. The amount collected was £5,500 (2017-18: £727,500).

#### *Additional lease premium on sale of Admiralty Arch*

On 17 June 2015 Admiralty Arch was sold on a long lease of 250 years to Admiralty Arch Holdings Limited in return for a premium of £60 million and an additional premium of £5.5 million of which £0.5 million was due to be paid on the third anniversary of the date of the lease. Both the premium and additional premium were to be surrendered to the Consolidated Fund. This additional lease premium, less costs of collection, are being surrendered to the Consolidated Fund (£0.488 million).

### Excess cash surrenderable to the Consolidated Fund

All claims for 2016 Police and Crime Commissioner elections were settled in year and excess cash of £1.063 million was returned to the Consolidated Fund.

# Accountability Report

## Long-term expenditure trends

This section is not subject to audit.

Trends over financial years 2014-15 to 2019-20 are illustrated in the charts below and detailed by spending control aggregates in Table 1 'Total Departmental Spending' and Table 2 'Administration Budget'. Budgets are negotiated with HM Treasury by means of Spending Reviews, the most recent being the 2015 Spending Review covering financial years 2016-17 to 2019-20.

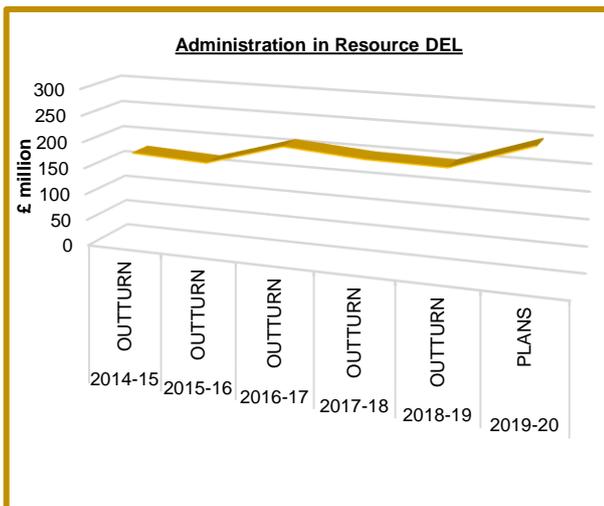
### Resource Departmental Expenditure Limit (RDEL)

The 2015 Spending Review expected savings from efficiencies in corporate services and provided funding to deliver a number of significant programmes.

#### Administration budget

Administration budgets are controlled to ensure that as much money as practicable is available for front-line services and programmes.

Chart 1 Total Resource Departmental Administration Expenditure 2014-15 to 2019-20



In 2013-14 a decrease in net administration costs resulted from the sale of shares in AXELOS Limited, an associate, to its immediate parent, Capita Business Services Limited (£38.200 million).

Significant increases in income to fund expenditure from 2017-18 onwards reflect the transfer from HMRC of Civil Service Resourcing Expert Services, which includes volume recruitment services, Executive Recruitment, Fast-stream graduate programme and Fast Track Apprenticeship recruitment and management of the Civil Service Jobs portal. Other Civil Service Expert Services transferred to the Cabinet Office from their host Departments in 2016-17: Organisation and Design, Civil Service Employee Policy, and Civil Service Learning.

The purpose of the transfer is to increase flexibility, collaboration, resourcing, efficiencies and improvement of HR services provided to government.

#### Programme budget

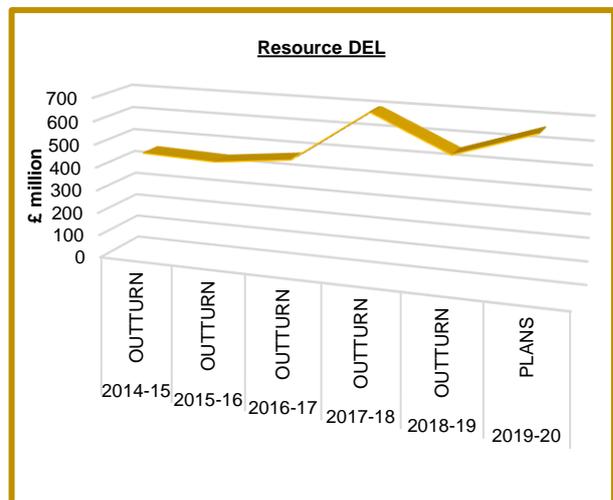
Programme budget mainly relates to the Modern Electoral Registration Programme, National Security Secretariat, Government Digital Service, Office of Government Property, Infrastructure and Projects Authority, Government Commercial Organisation, Geospatial Commission (from 1st February 2018) and Government Property Agency (from 1st April 2018).

Election expenditure in England and Wales covers the 2014 European Parliamentary election in 2014-15 (£96.509 million), 2015 UK Parliamentary general election in 2015-16 (£100.184 million), Police and Crime Commissioner elections in 2016-17 (£50.280 million) and 2017 UK general election in 2017-18 (£116.895 million).

In 2017-18 to ensure the Official Receiver has sufficient liquidity to maintain public service continuity when managing Carillion plc in liquidation, the government provided working capital (£150 million) and is underwriting centrally the costs and liabilities of the Official Receiver. The Official Receiver will seek to recoup his operating costs through liquidation of assets and from customers of those services. This financing arrangement does not represent the contractual cost to the taxpayer of the failure of the company.

In 2019-20 the budget for the 2019 European Parliamentary general election in Great Britain and Gibraltar was £151.690 million. All else represents funding approved to date from Spending Review 2015, Autumn Budget measures, Reserve funding and transfers from other government Departments. This may be augmented during the Supplementary Estimate process.

Chart 2 Total Resource Departmental Expenditure 2014-15 to 2019-20

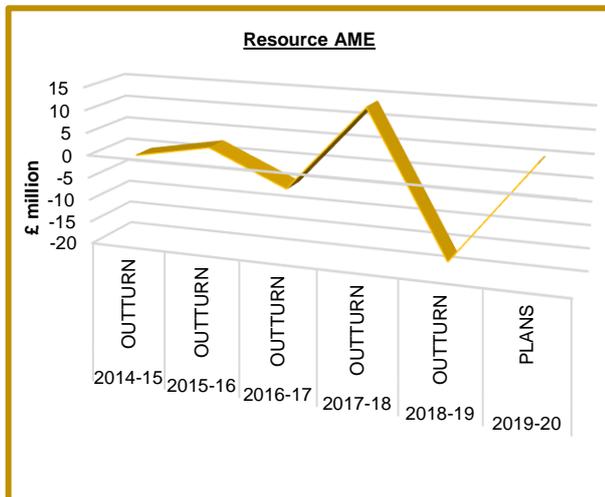


# Annual Report and Accounts 2018-19

## Resource Annually Managed Expenditure (RAME)

RAME is less predictable and controllable than expenditure in DEL. It includes property revaluations and provisions for early departures, onerous contracts and vacant properties.

Chart 3 Total Resource Annually Managed Expenditure 2014-15 to 2019-20



In 2015-16 a provision was established for a voluntary exit scheme (£4.209 million) and in 2016-17 this provision was utilised resulting in negative RAME.

In 2017-18 dilapidation provisions were established for new leasehold properties at 10 Whitechapel High Street (£0.760 million) 10 South Colonnade (£14.015 million) and Windsor House, 42-50 Victoria Street (£2.286 million).

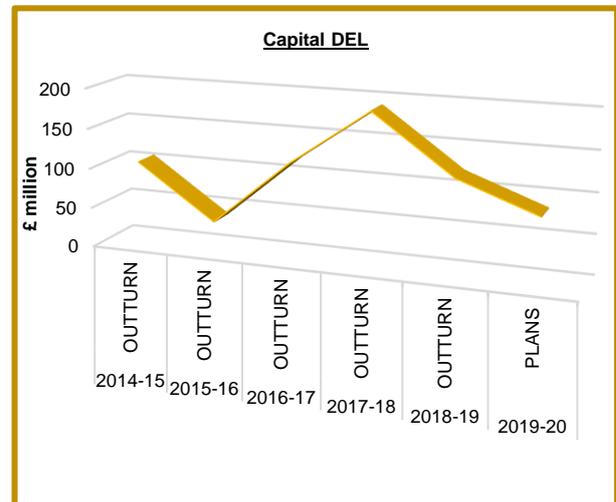
In 2018-19 dilapidation provisions were written back by the Government Property Agency because it was assessed that the dilapidations provisions were no longer required as obligations for the final liability reside with the tenants, as detailed in their occupation agreements (£17.174 million).

2019-20 plans reflect 2015 Spending Review provision for the risk of property impairments due to falls in market value.

## Capital Departmental Expenditure Limit (CDEL)

CDEL includes investment in the Cabinet Office estate and IT and in cross-government efficiency programmes.

Chart 4 Total Capital Departmental Expenditure 2014-15 to 2019-20



During 2014-15 the Department increased investment in its estate and IT and increased capital grant expenditure for Electoral Registration Transformation Programme grants to local authorities.

In 2015-16 a benefit to CDEL (£64.221 million) resulted from the sale of Admiralty Arch in June 2015 on a long lease of 250 years (the title to the freehold is retained by government).

The 2015 Spending Review provided funding to deliver a range of projects including: estates, digital and technology, Next Generation Shared Services, Government as a Platform, Common Technology Services, GOV.UK Verify Identity Assurance and the development of a cross-government secure IT system.

In 2017-18 an increase in capital spend reflected the fit-out costs of the leasehold property at 10, South Colonnade, London E14. This is the first project, led by the Government Property Agency, in the government hubs programme and which will enable more than 6,000 full-time equivalent staff to move from their existing accommodation into an office environment that supports modern working practices and allow the government to exit expensive leasehold properties in central London.

# Accountability Report

## Long-term expenditure tables

Table 1 – Cabinet Office total Departmental spending 2014-15 to 2019-20

£000	2014-15 Outturn <sup>1</sup>	2015-16 Outturn <sup>1</sup>	2016-17 Outturn <sup>1</sup>	2017-18 Outturn <sup>1</sup>	2018-19 Outturn	2019-20 Plans
<b>Resource DEL</b>						
Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	79,888	67,652	90,984	91,458	128,539	93,785
Support the design and implementation of HM Government's policies and the Prime Minister's priorities	73,989	58,997	59,106	74,019	111,682	133,971
Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	138,247	125,966	188,820	187,034	203,899	141,699
Ensure the effective running of the Department and contribute to the government's cross-cutting priorities	41,799	70,088	71,267	216,421	82,075	98,577
Government Property Agency - Executive agency	-	-	-	-	23,165	13,129
Arm's length bodies (net)	21,419	17,950	18,646	13,305	1,817	20,541
Elections	96,509	99,509	47,706	116,790	(291)	158,690
UK members of the European Parliament <sup>2</sup>	2,550	2,433	2,145	2,038	2,116	2,500
Cabinet Office CFER	(309)	(82)	(128)	(131)	(140)	(135)
<b>Total resource DEL</b>	<b>454,092</b>	<b>442,513</b>	<b>478,546</b>	<b>700,934</b>	<b>552,862</b>	<b>662,757</b>
<i>Of which:</i>						
Staff costs <sup>3</sup>	191,694	180,028	214,159	341,780	413,508	-
Purchase of goods and services	335,251	325,809	296,941	408,656	475,052	1,124,419
Income from sales of goods and services	(128,705)	(126,628)	(111,478)	(74,927)	(375,553)	(525,198)
Current grants to local government (net)	35,456	30,376	33,919	39,833	17,896	-
Current grants to persons and non-profit bodies (net)	4,192	12,798	3,589	3,811	1,225	6,378
Current grants abroad (net)	-	-	-	1,531	(493)	-
Subsidies to public corporations	3,001	-	-	-	-	-
Rentals	9,006	13,115	19,152	30,650	(7,408)	11,424
Depreciation <sup>4</sup>	13,082	19,219	22,272	34,787	51,164	60,600
Other resource <sup>5</sup>	(8,885)	(12,204)	(8)	(85,187)	(22,529)	(14,866)
<b>Resource AME</b>						
Cabinet Office AME	(482)	2,646	(4,885)	13,861	(1,411)	4,000
Government Property Agency - Executive agency - (AME)	-	-	-	-	(14,374)	1,000
<b>Total resource AME</b>	<b>(482)</b>	<b>2,646</b>	<b>(4,885)</b>	<b>13,861</b>	<b>(15,785)</b>	<b>5,000</b>
<i>Of which:</i>						
Depreciation <sup>4</sup>	2,269	2,974	(118)	(846)	(1,093)	5,000
Take-up of provisions	(787)	5,057	(128)	15,404	(14,197)	-
Release of provision	(1,928)	(1,164)	(4,583)	(697)	(495)	-
Other resource	(36)	(4,221)	(56)	-	-	-
<b>Total resource budget</b>	<b>453,610</b>	<b>445,159</b>	<b>473,661</b>	<b>714,795</b>	<b>537,077</b>	<b>667,757</b>
<i>Of which:</i>						
Depreciation <sup>4</sup>	15,351	22,193	22,154	33,941	50,071	65,600

# Annual Report and Accounts 2018-19

## Table 1 – Cabinet Office total Departmental spending 2014-15 to 2019-20<sup>1</sup> (continued)

£000	2014-15 Outturn <sup>1</sup>	2015-16 Outturn <sup>1</sup>	2016-17 Outturn <sup>1</sup>	2017-18 Outturn <sup>1</sup>	2018-19 Outturn	2019-20 Plans
<b>Capital DEL</b>						
Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	3,729	7,854	19,214	25,198	14,417	5,396
Support the design and implementation of HM Government's policies and the Prime Minister's priorities	77,198	78,322	75,498	74,316	77,444	67,403
Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	16,859	10,398	17,903	86,292	15,031	8,614
Ensure the effective running of the Department and contribute to the government's cross-cutting priorities	7,736	(58,064)	8,327	4,520	(7,194)	2,156
Government Property Agency - Executive agency	-	-	-	-	18,499	-
Arm's length bodies (net)	400	96	391	245	-	520
<b>Total capital DEL</b>	<b>105,922</b>	<b>38,606</b>	<b>121,333</b>	<b>190,571</b>	<b>118,197</b>	<b>84,089</b>
Of which:						
Staff costs (ESA10) <sup>3</sup>	69	70	87	110	-	-
Purchase of goods and services (ESA10)	75,601	75,568	73,272	72,462	74,945	66,653
Capital support for local government (net)	3,390	-	-	2,127	1,000	-
Capital grants to persons & non-profit bodies (net)	(16)	-	(1,625)	(9,052)	-	720
Capital receipts from private sector companies	-	-	-	-	(8,515)	-
Purchase of assets	28,161	26,623	49,599	124,955	64,778	16,716
Income from sales of assets	(3)	(64,285)	-	(31)	(7)	-
Net lending to the private sector and abroad	(1,280)	630	-	-	-	-
Other capital	-	-	-	-	(14,004)	-
<b>Total capital budget</b>	<b>105,922</b>	<b>38,606</b>	<b>121,333</b>	<b>190,571</b>	<b>118,197</b>	<b>84,089</b>
<b>Total Departmental spending<sup>6</sup></b>						
Of which:						
Total DEL	546,932	461,900	577,607	856,718	619,895	686,246
Total AME	(2,751)	(328)	(4,767)	14,707	(14,692)	-

<sup>1</sup> Prior year Departmental spending has been restated for machinery of government transfers of function. 2017-18 Outturn per SOPS comparatives and per Public Expenditure Tables 1 and 2 differ due to a machinery of government transfer actioned at Main Estimate 2019-20. A machinery of government transfer from the Department for Education and the Department for International Development was actioned at Main Estimate 2019-20 for the Government Equalities Office (GEO) and its non-Departmental public body, the Equality and Human Rights Commission (EHRC). 2019-20 plans include GEO and EHRC budget and prior year Outturn Departmental spending has been restated to include GEO and EHRC. 2018-19 Outturn excludes GEO and EHRC and this will be restated during financial year 2019-20. In contrast SOPS Outturn aligns with the consolidated financial statements which do not yet include GEO and EHRC and will do so from financial year 2019-20. Therefore 2018-19 and 2017-18 Outturn exclude GEO and EHRC.

<sup>2</sup> It is custom for HM Treasury to provide funding for Consolidated Fund Standing Services, in this case Parliamentary elections and the salary and pension costs of the UK members of the European Parliament, on an annual basis rather than at Spending Review

<sup>3</sup> In line with HM Treasury guidance, the Department is not publishing future staffing and pay plans. These are included in 'Purchase of goods and services'

<sup>4</sup> Includes impairments

<sup>5</sup> In 2017-18 the Cabinet Office adopted HM Treasury's standard account codes. Income, not classified as income from goods and services is now shown in other resource. This aligns with HM Treasury OSCAR reporting. Other resource for 2017-18 includes income: payment from Barclays plc £48.051 million see Note 5 to the Accounts, Fees and Charges £149.144 million see Note 3 to the Parliamentary accountability disclosures; Expenditure: Grants to the Official Receiver £150 million, see Note 4 to the Accounts

<sup>6</sup> Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME

## Accountability Report

Table 2 – Cabinet Office administration budget 2014-15 to 2019-20

£000	2014-15 Outturn <sup>1</sup>	2015-16 Outturn <sup>1</sup>	2016-17 Outturn <sup>1</sup>	2017-18 Outturn <sup>1</sup>	2018-19 Outturn	2019-20 Plans
<b>Resource DEL</b>						
Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	13,751	15,472	37,970	29,650	32,844	40,760
Support the design and implementation of HM Government's policies and the Prime Minister's priorities	59,550	42,299	45,639	48,249	46,291	60,377
Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	42,816	44,384	47,627	46,651	39,675	38,339
Ensure the effective running of the Department and contribute to the government's cross-cutting priorities	41,770	50,942	66,033	65,649	68,239	93,848
Government Property Agency - Executive agency	-	-	-	-	8,348	-
Arm's length bodies (net)	17,689	15,491	14,125	10,325	1,647	15,218
Cabinet Office CFER	(309)	-	-	-	-	-
<b>Total administration budget</b>	<b>175,267</b>	<b>168,588</b>	<b>211,394</b>	<b>200,524</b>	<b>197,044</b>	<b>248,542</b>
<i>Of which:</i>						
Staff costs <sup>2</sup>	131,204	124,835	139,017	247,594	289,898	-
Purchase of goods and services	155,663	125,126	146,625	169,750	247,720	631,290
Income from sales of goods and services	(118,533)	(101,546)	(102,164)	(56,027)	(332,951)	(423,366)
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	-
Rentals	8,245	12,355	15,130	14,677	(10,521)	11,424
Depreciation <sup>3</sup>	8,532	14,740	12,721	12,855	20,164	35,625
Other resource <sup>4</sup>	(9,844)	(6,922)	65	(188,325)	(17,266)	(6,431)

<sup>1</sup> Prior year Departmental spending has been restated for machinery of government transfers of function

<sup>2</sup> In line with HM Treasury guidance, the Department is not publishing future staffing and pay plans. These are included in 'Purchase of goods and services'

<sup>3</sup> Includes impairments

<sup>4</sup> In 2017-18 the Cabinet Office adopted HM Treasury's standard account codes. Income, not classified as income from goods and services is now shown in other resource. This aligns with HM Treasury OSCAR reporting. Other resource for 2017-18 includes Fees and Charges income £149.144 million, see Note 3 to the Parliamentary accountability disclosures

## Parliamentary accountability disclosures

The following sections are subject to audit.

### 1. Regularity of expenditure

#### 1.1 Losses statement

The Statement of Comprehensive Net Expenditure includes losses, such as write-offs of unrecoverable debts and fruitless payments.

	2018-19	2017-18
	Departmental group	Departmental group
Total number of losses	73	167
Total value of losses (£000)	1,120	1,752

##### 1.1.1 Details of closed cases over £300,000

£000	2018-19	2017-18
Asset Write Offs	Departmental group	Departmental group
Discontinuation of a Common Technology Services intangible asset at the development stage	561	–
Abandonment of building construction project enabling works at 70 Whitehall, London	–	377
Abandonment of a Government as a Platform intangible asset at the development stage	–	321

#### 1.2 Special payments

The Statement of Comprehensive Net Expenditure includes extra contractual special payments.

	2018-19	2017-18
	Departmental group	Departmental group
Total number of special payments	110	74
Total value of special payments (£000)	557	37

##### 1.2.1 Details of closed cases over £300,000

£000	2018-19	2017-18
	Departmental group	Departmental group
The Centre for Excellence on Information Sharing <sup>1</sup>	499	–

<sup>1</sup>The Centre for Excellence on Information Sharing (CEIS) was a local-national partnership which aimed to support the joining up of information sharing across central government and Local Authorities. It was funded via multiple central government Departments but hosted in Leicestershire County Council. This extra contractual payment was agreed by Cabinet Office to help fund outstanding liabilities on closure of the centre. MHCLG made a similar payment

### 2. Remote contingent liabilities

The following sections are subject to audit.

In addition to contingent liabilities reported within the meaning of IAS 37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. The Cabinet Office has given the following indemnities whose amounts are unquantifiable, since the likelihood of a transfer of economic benefit in settlement is remote. No claims have been made yet.

#### Indemnity for Returning Officers at the UK Parliamentary elections, May 2015

For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The Cabinet Office provided an indemnity to Returning Officers for the UK Parliamentary general election held on 7 May 2015. The indemnity is to cover the costs of any claims against them, which are not covered under the existing insurance policies that Returning Officers hold.

The indemnity will cover costs arising in relation to UK Parliamentary elections including by-elections, where the date of the poll is on or before the 31 March 2020. This indemnity also applied to the extraordinary general election held on 8 June 2017 and will apply to any by-elections held until 31 March 2020.

#### Indemnity for Returning Officers at the Police and Crime Commissioner elections, May 2016

For the purposes of Police and Crime Commissioner elections, Police Area Returning Officers and Local Returning Officers throughout England and Wales are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs.

The Cabinet Office provided an indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner elections held on 5 May 2016. The indemnity is to cover the costs of any claims against them, which are not covered under any existing insurance policies that Police Area Returning Officers and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees.

# Accountability Report

The indemnity and certificate will remain in place to provide cover to Police Area Returning Officers and Local Returning Officers for any by-elections that are held prior to the next scheduled Police and Crime Commissioner elections in May 2020.

## Indemnity for Returning Officers at the European Parliamentary elections, May 2014 and May 2019

For the purposes of European Parliamentary elections, Regional Returning Officers and Local Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs.

The Cabinet Office provided an indemnity to Regional and Local Returning Officers for the European Parliamentary general election held on 22 May 2014 and any subsequent by-elections before the European Parliamentary general election in 2019. This indemnity expired on 22 May 2019.

This indemnity is to cover the costs of any claims against them which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to the employees.

## Indemnity for Petition Officers

The Cabinet Office has provided an indemnity to Petition Officers for any Recall Petition that may be held between the date the indemnity came into force, 8 June 2016, and 6 May 2020. For the purposes of Recall Petitions, Petition Officers throughout Great Britain are statutorily independent officers.

They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at signing locations to recall petition complaints, challenging the outcome of a petition and associated legal costs.

The Cabinet Office has not provided an indemnity for Petition Officers previously as the Recall legislation has only recently been created. This follows the same process where the Cabinet Office has provided an indemnity to Returning Officers for the UK Parliamentary election held on 7 May 2015, as well as all other recent electoral events.

The indemnity is to cover the costs of any claims against Petition Officers, which are not otherwise recoverable under the charges provisions contained in paragraph 3 of Schedule 1 to the Recall of MPs Act 2015.

## Leasehold properties

The Cabinet Office has present obligations under statute of limitations for dilapidation claims in respect of vacated properties, Grosvenor House, Willow Court and Hercules House. The probability of a claim arising is however considered remote due to the subsequent development of both properties.

## European Union exit

An extension to the Article 50 negotiation period was confirmed on 11 April 2019 and the UK departure from the European Union has been postponed until 31 October 2019. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. Until this time, the UK remains a full member of the EU with all the rights and obligations arising from membership. The Cabinet Office has no remote contingent liabilities or assets.

## 3. Fees and charges

The following sections are subject to audit.

The following analysis provides details of the services for which a fee is charged. The information is provided for fees and charges purposes, not for IFRS 8 purposes.

£000	2018-19	2017-18
	<b>Departmental group</b>	<b>Departmental group</b>
<b>Full cost of service to other government Departments</b>		
Digital and Technology Team	7,470	9,247
CSHR Expert Services	131,497	112,374
Government Commercial	51,462	32,960
<b>Total service cost</b>	<b>190,429</b>	<b>154,581</b>
<b>Less: income received</b>		
Digital and Technology Team	(7,470)	(9,465)
CSHR Expert Services	(134,807)	(112,092)
Government Commercial	(50,177)	(27,587)
<b>Total income</b>	<b>(192,454)</b>	<b>(149,144)</b>
<b>Net deficit</b>	<b>(2,025)</b>	<b>5,437</b>

## Digital and Technology Team

The Cabinet Office's Digital and Technology Team (DATT) offers a managed IT service to the Crown Commercial Service, the Department for Digital, Culture, Media & Sport and the Department for Exiting the European Union.

Its financial objective is to offer Departments a cheaper alternative to expensive IT contracts. DATT does not intend to make any surplus for these managed services so is recharging at cost price.

## Civil Service HR Expert Services

Civil Service HR Expert Services share HR expertise and maximise buying power across the Civil Service in a joined-up and effective manner, to deliver a professional and more efficient service. They operate on a cost-sharing basis across the government Departments and agencies participating in the programme.

Expert Services is made up of five key areas to support the Civil Service's strategic priorities: Fast Stream and Early Talent; Civil Service Employee Policy; Civil Service Learning; Civil Service Organisational Design and Development; and Civil Service Talent, with the costs being recharged to other government Departments.

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## 3. Fees and charges (continued)

### Government Commercial Function

The Government Commercial Organisation (GCO) is a professional organisation of commercial specialists housed within the Government Commercial Function (GCF). It employs senior commercial staff across central government who are deployed into Departments to carry out the Departments' commercial activities.

An operational charge is levied annually as a percentage of the full employment cost for each GCO Specialist deployed in a Department to fund the operational costs incurred in the running of the GCO.

Also included in GCF fees and charges is the Complex Transactions team which increases commercial capability on complex deals by providing direct commercial support to Departments.

The total income received by GCF in 2018-19 includes £50 million from fees and charges and £6 million transferred from Crown Commercial Service for the Complex Transactions, Continuous Improvement, Markets and Suppliers, and Commercial Policy teams which moved over to the Cabinet Office during the course of the financial year.

## 4. Entities outside the Departmental boundary

60

### Executive agency – Crown Commercial Service

In July 2013, the Minister for the Cabinet Office announced that a new Crown Commercial Service would be created to act on behalf of the Crown to drive savings for the taxpayer, and improve the quality of commercial and procurement activity across the public sector. It brought together, in one organisation, the Government Procurement Service (GPS), the commercial functions of the Cabinet Office and commercial activity related to common goods and services currently undertaken by Departments.

The Crown Commercial Service became a legal entity on 2 April 2014 and it is an executive agency and trading fund of the Cabinet Office. Services provided by the Crown Commercial Service include direct buying and a procurement advisory service. Further information can be found at Note 11 to the accounts and at:

[GOV.UK – Crown Commercial Service](http://GOV.UK – Crown Commercial Service)

## 5. Cabinet Office public bodies

The Cabinet Office produces a comprehensive annual public bodies directory providing details of non-Departmental public bodies and similar public bodies. The directory can be found at:

[GOV.UK – Cabinet Office Public Bodies directory](http://GOV.UK – Cabinet Office Public Bodies directory)



**John Manzoni**

Chief Executive of the Civil Service,  
Cabinet Office Permanent Secretary  
and Principal Accounting Officer

17 July 2019

# Accountability Report

## The certificate and report of the Comptroller and Auditor General to the House of Commons

### Opinion on financial statements

I certify that I have audited the financial statements of the Cabinet Office and of its Departmental Group for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2018. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2019 and of the Department's net expenditure and Departmental Group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016.

I am independent of the Cabinet Office and of its Departmental Group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

We are required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Cabinet Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit.

# Annual Report and Accounts 2018-19

## Auditor's responsibilities for the audit of the financial statements (continued)

I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Cabinet Office's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the group and the Cabinet Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements

### Gareth Davies

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London, SW1W 9SP

19 July 2019

# FINANCIAL STATEMENTS

# Annual Report and Accounts 2018-19

## Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, including changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

£000		2018-19	2017-18 Restated <sup>1</sup>
	Note	Departmental group	Departmental group
Revenue from contracts with customers	5	(365,953)	(245,587)
Other income	5	(107,155)	(83,733)
Non-cash income	5	(7,957)	(2,107)
<b>Total income</b>	<b>5</b>	<b>(481,065)</b>	<b>(331,427)</b>
Staff costs	4	411,392	331,538
Purchase of goods and services	4	469,122	284,189
Rentals under operating leases	4	64,732	34,458
Geospatial data	4	80,875	78,329
Grants	4	20,121	194,120
Other	4	480	3,207
Returning Officers' expenses, England and Wales	4	(291)	116,790
Depreciation, impairment and property gains	4	48,088	35,708
Provisions and other non-cash costs	4	(13,160)	15,872
<b>Total operating expenditure</b>	<b>4</b>	<b>1,081,359</b>	<b>1,094,211</b>
<b>Net operating expenditure</b>		<b>600,294</b>	<b>762,784</b>
Finance income		(2)	(31)
Finance expenditure		78	-
<b>Net finance expenditure</b>		<b>76</b>	<b>(31)</b>
Share of associates' results	10	(17,025)	(13,874)
Fair value gain on financial assets – associate put options	11.1	(71,948)	-
<b>Net associates (non-cash)</b>		<b>(88,973)</b>	<b>(13,874)</b>
<b>Net expenditure for the year</b>		<b>511,397</b>	<b>748,879</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net operating expenditure:</b>			
Net gain on revaluation of:			
Property, plant and equipment	4, 6	(12,395)	(19,271)
Intangible assets	7	(835)	(246)
<b>Total other comprehensive income</b>		<b>(13,230)</b>	<b>(19,517)</b>
<b>Comprehensive net expenditure for the year</b>		<b>498,167</b>	<b>729,362</b>

<sup>1</sup> See Note 2

Notes 1 to 24 form part of these accounts.

# Financial Statements

## Consolidated Statement of Financial Position

as at 31 March 2019

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

£000	Note	As at	As at
		31 March 2019	31 March 2018
		Departmental group	Departmental group
<b>Non-current assets</b>			
Property, plant and equipment	6	345,623	313,595
Intangible assets	7	28,619	32,869
Investments in associates	10	66,190	69,147
Trade and other receivables	14	36,727	-
Other financial assets	11.2	350	350
<b>Total non-current assets</b>		<b>477,509</b>	<b>415,961</b>
<b>Current assets</b>			
Assets classified as held for sale	12	16,812	16,812
Inventories		569	534
Trade and other receivables	14	247,981	270,648
Cash and cash equivalents	13	74,640	29,937
Other financial assets	11.1	71,948	-
<b>Total current assets</b>		<b>411,950</b>	<b>317,931</b>
<b>Total assets</b>		<b>889,459</b>	<b>733,892</b>
<b>Current liabilities</b>			
Trade and other payables	15	(282,452)	(265,923)
Provisions	16	(2,759)	(882)
<b>Total current liabilities</b>		<b>(285,211)</b>	<b>(266,805)</b>
<b>Total assets less current liabilities</b>		<b>604,248</b>	<b>467,087</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	(4,000)	(837)
Provisions	16	(37,732)	(18,948)
<b>Total non-current liabilities</b>		<b>(41,732)</b>	<b>(19,785)</b>
<b>Total assets less total liabilities</b>		<b>562,516</b>	<b>447,302</b>
<b>Taxpayers' equity and other reserves</b>			
General fund		476,707	371,128
Revaluation reserve		85,809	76,174
<b>Total equity</b>		<b>562,516</b>	<b>447,302</b>

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**John Manzoni**

Chief Executive of the Civil Service,  
Cabinet Office Permanent Secretary  
and Principal Accounting Officer

Notes 1 to 24 form part of these accounts.

17 July 2019

# Annual Report and Accounts 2018-19

## Consolidated Statement of Cash Flows

for the year ended 31 March 2019

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

£000		2018-19	2017-18 Restated <sup>1</sup>
	Note	Departmental group	Departmental group
<b>Cash flows from operating activities</b>			
Net operating expenditure	CSocNE	(600,294)	(762,784)
Adjustments for non-cash expenditure	4	34,928	51,580
Adjustments for non-cash income	5	(7,957)	(2,107)
Remove dividend income	5	(6,158)	(2,000)
Increase in trade and other receivables	14	(14,060)	(161,205)
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure or related to non-cash costs</i>			
Amounts relating to long term and short term debtors which offset dilapidation provision	14	35,354	-
Movement in amounts relating to provision for credit losses	4	151	(5,158)
Amounts relating to bad debt write-off	4	(309)	(2,230)
(Increase)/decrease in inventories		(35)	29
Transitional adjustment on adoption of IFRS 15	14.1	(728)	-
Discount of receivable from Equiniti Ltd	4	(212)	-
Increase in trade and other payables	15	19,692	116,544
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Amounts due to the Consolidated Fund for Supply	15	(56,952)	14,241
Cash surrenderable to the Consolidated Fund	15	(12)	(8)
Movement in capital accruals relating to investing activities		(34,715)	(29,426)
Amounts due to the Consolidated Fund for proceeds from disposal of shareholding in MyCSP Limited	15	(4,000)	-
<b>Returning Officers' expenses, England and Wales</b>			
Excess cash surrenderable to the Consolidated Fund			
- 2015 UK Parliamentary general election	15	-	3,000
- 2016 Police and Crime Commissioner elections	15	-	1,000
Use of provisions	16	(495)	(710)
<b>Net cash outflow from operating activities</b>		<b>(635,802)</b>	<b>(779,234)</b>
<b>Cash flows from investing activities</b>			
Purchase of non-financial assets			
- Purchase of property, plant and equipment (PPE)	6	(43,270)	(103,305)
- Purchase of intangible assets	7	(13,730)	(19,294)
Proceeds from non-financial assets			
- Proceeds from disposal of PPE		2	31
Dividends received from Crown Commercial Service	5	6,158	2,000
Dividends received from associates	10	14,281	8,775
Proceeds from financial assets – disposal of shareholding in MyCSP Limited	10	8,000	-
Movement in capital accruals		34,715	29,426
<b>Net cash inflow/(outflow) from investing activities</b>		<b>6,156</b>	<b>(82,367)</b>

# Financial Statements

## Consolidated Statement of Cash Flows (continued)

£000		2018-19	2017-18 Restated <sup>1</sup>
	Note	Departmental group	Departmental group
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year	CSoCTE	679,000	668,000
From the Consolidated Fund (Non-supply) – current year	CSoCTE	625	118,859
Interest income	CSoCNE	2	31
Interest expense	CSoCNE	(78)	–
From the Consolidated Fund (Supply) in respect of machinery of government transfer of function	2	–	79,172
<b>Net financing</b>		<b>679,549</b>	<b>866,062</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b>49,903</b>	<b>4,461</b>
Payments of amounts due to the Consolidated Fund – disposal of shareholding in MyCSP Limited		(4,000)	–
Payments of amounts due to the Consolidated Fund – consultant lobbyists' registration fees	15	(137)	(129)
<b>Returning Officers' expenses, England and Wales</b>			
Forfeited deposits surrendered to the Consolidated Fund			
- 2017 UK Parliamentary general election	5	–	(728)
Excess cash surrendered to the Consolidated Fund			
- 2015 UK Parliamentary general election		–	(3,000)
- 2016 Police and Crime Commissioner elections		–	(1,000)
- 2016 Police and Crime Commissioner elections (paid in year)		(1,063)	–
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	13	<b>44,703</b>	<b>(396)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>29,937</b>	<b>30,333</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>74,640</b>	<b>29,937</b>

<sup>1</sup>See Note 2

# Annual Report and Accounts 2018-19

## Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the changes in asset values that have not been recognised as income or expenditure. The general fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items.

£000		General Fund	Revaluation Reserve	Taxpayers' Equity
	Note	Departmental group	Departmental group	Departmental group
<b>Balance at 1 April 2017</b>		<b>230,722</b>	<b>66,085</b>	<b>296,807</b>
Net Parliamentary Funding – drawn down	CSoCF	668,000	-	668,000
Net Parliamentary Funding – amounts relating to machinery of government transfer of functions <sup>1</sup>	2	79,172	-	79,172
Net Parliamentary Funding – deemed		16,905	-	16,905
Supply payable adjustment	15	(2,664)	-	(2,664)
Cash surrenderable to the Consolidated Fund – Consultant Lobbyists registration fees	15	(137)	-	(137)
Restated net expenditure for the year	CSoCNE	(748,879)	-	(748,879)
Non-cash charges – auditors' remuneration	4	450	-	450
<b>Returning Officers' expenses, England and Wales</b>				
2017 UK Parliamentary elections				
- Consolidated Fund Standing Services – non supply – drawn down	CSoCF	118,859	-	118,859
- Forfeited deposits surrenderable to the Consolidated Fund	5	(728)	-	(728)
<b>Movements in Reserves</b>				
Net gain on revaluation of property, plant and equipment	CSoCNE	-	19,271	19,271
Net gain on revaluation of intangible assets	CSoCNE	-	246	246
Transfers between reserves		9,428	(9,428)	-
<b>Balance at 31 March 2018</b>		<b>371,128</b>	<b>76,174</b>	<b>447,302</b>
Net Parliamentary Funding – drawn down	CSoCF	679,000	-	679,000
Net Parliamentary Funding – deemed	15	2,664	-	2,664
Supply payable adjustment	15	(59,616)	-	(59,616)
Cash surrenderable to the Consolidated Fund – disposal of shareholding in MyCSP Limited	10	(8,000)	-	(8,000)
Cash surrenderable to the Consolidated Fund – Consultant Lobbyists registration fees	15	(149)	-	(149)
Net expenditure for the year	CSoCNE	(511,397)	-	(511,397)
Transitional adjustment on adoption of IFRS 15	14.1	(728)	-	(728)
Non-cash charges – auditors' remuneration	4	648	-	648
<b>Returning Officers' expenses, England and Wales</b>				
UK Parliamentary by-elections				
- Consolidated Fund Standing Services – non supply - drawn down	CSoCF	625	-	625
2016 Police and Crime Commissioners				
- Excess cash surrenderable to the Consolidated Fund	CSoCF	(1,063)	-	(1,063)
<b>Movements in Reserves</b>				
Net gain on revaluation of property, plant and equipment	CSoCNE	-	12,395	12,395
Net gain on revaluation of intangible assets	CSoCNE	-	835	835
Transfers between reserves		3,595	(3,595)	-
<b>Balance at 31 March 2019</b>		<b>476,707</b>	<b>85,809</b>	<b>562,516</b>

<sup>1</sup> See Note 2

Notes 1 to 24 form part of these accounts.

## Notes to the consolidated financial statements

### 1. Accounting policies, key accounting estimates and judgements

#### 1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Cabinet Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Cabinet Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.2 Basis of preparation

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

#### 1.3 Basis of consolidation

These accounts comprise a consolidation of the core Department, its executive agency and those arm's length bodies which fall within the Departmental boundary as defined in the *FReM* and make up the 'Departmental group'. A list of all those entities within the Departmental boundary is given at Note 23.

The financial reporting year for the core Department, its executive agency and arm's length bodies is co-terminus and their accounting policies are consistent. Transactions between these entities are eliminated.

The accounts of the Civil Service Commission and of the Registrar of Consultant Lobbyists are not material to the Cabinet Office and therefore are not disclosed separately in the financial statements and related notes.

#### 1.4 Going concern

The financial statements for the Cabinet Office have been prepared on the basis that the Department is a going concern. The 2015 Spending Review set out budgets for 2016-17 to 2019-20 and Parliament has authorised spending for 2019-20 in the *Central Government Main Supply Estimates 2019-20 (HC 2154)*.

Legislation requires that election expenses of Returning Officers are met directly from HM Treasury's Consolidated Fund as a Consolidated Fund Standing Service without the need for further annual authorisation from Parliament.

The financial statements for the Civil Service Commission and the Registrar of Consultant Lobbyists have been prepared on the basis that they are going concerns financed by grant-in-aid from the Cabinet Office.

The GPA is 'supply-financed' by the Cabinet Office and invoices property costs to the tenant occupiers with the longer term intention that the GPA becomes a self-funding Agency.

### Accounting policies for expenditure

#### 1.5 Restated amounts

Prior year comparatives are restated for machinery of government transfers of function.

Machinery of government changes involve the transfer of functions or responsibilities between two or more government Departments and are accounted for as a business combination using merger accounting principles in accordance with the *FReM*.

Accordingly, the results and cash flows relating to the in-year transferred functions or responsibilities are written in or out of the accounts from the start of the financial year and prior year comparatives are restated, with corresponding adjustments being made to the general fund. By so doing, it appears that the Department 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; see Note 2.

#### 1.6 Transfer by absorption

Transfers of function between public sector bodies (excluding those between central government Departments to which merger accounting applies) are accounted for as transfers by absorption.

In accordance with the *FReM*, the carrying value of the assets and liabilities of the combining bodies or functions are not adjusted to fair value on consolidation. There is no recognition of goodwill and no restatement of comparatives in the primary financial statements. The recorded amounts of net assets/liabilities are brought into the financial statements of the transferee and written out of those of the transferor from the date of transfer. The net asset/liability carrying value is recorded against non-operating gain/loss through net expenditure. Any revaluation reserves are transferred in full with the remaining balance transferred to the General Fund.

On 1 April 2018, responsibility for the Hubs programme transferred from the Office of Government Property within the Cabinet Office to its newly launched executive agency, the Government Property Agency (GPA). The office Hubs are located at 10 South Colonnade and Windsor House, London. The transfer included Property, Plant and Equipment (£70.208 million) and provisions for dilapidations (£16.301 million) and resulted in a net non-operating gain to GPA (£33.865 million). These amounts have been eliminated upon consolidation.

# Annual Report and Accounts 2018-19

## 1.7 Operating segments

Operating segments are based on the main areas of business activity and align with performance reporting. They are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision makers have been identified as the Principal Accounting Officer and the Minister for the Cabinet Office.

## 1.8 Employee benefits

### *Short-term benefits*

Where an employee has rendered service to the Department during the financial year, the Department recognises as an expense the undiscounted amount of short-term employee benefits expected to be paid wholly in exchange for that service before 12 months after the end of the reporting period.

Annual leave earned but not taken by year-end is recognised on an accruals basis.

Performance non-consolidated payments are not accrued at 31 March since the appraisal process which determines performance pay is only finalised after the accounts have been prepared.

### *Termination benefits*

Termination benefits include lump sum payments and payments in lieu of notice. The Department makes provision for termination benefits in cases of compulsory redundancy on announcement of a detailed plan. The Department makes a provision for voluntary redundancies upon issue of offer letters to employees and where there is full or over-subscription by employee applications to the scheme.

The Department then accrues for termination benefits in cases of both voluntary and compulsory redundancy at the point at which the employee has accepted the offer made by the Department, and then reverses the earlier provision.

## 1.9 Pensions

The majority of past and present employees within the Cabinet Office Departmental boundary are covered by the provisions of the Civil Service pension arrangements. The defined benefit schemes are unfunded.

The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Civil Service pension arrangements of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the Civil Service pension arrangements. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

## 1.10 Grants

Grants are unrequited payments made by the Department to outside bodies to reimburse expenditure on agreed items or functions and are often only paid on statutory conditions being met. Under the terms and conditions of some grants, the unspent element may be returned to the Department, if the conditions are not met or if the grant is no longer required. Grants may be resource or capital. The Department recognises grant expenditure at the point of cash disbursement where there is no material difference from accruals accounting.

Grants-in-aid are financing payments made by the Department to an arm's length body. They are recognised in the accounts of the core Department only and eliminated on consolidation. The Department recognises grants-in-aid at the point of cash disbursement.

## 1.11 Operating leases

Operating leases are charged to the CSoCNE on a straight-line basis over the lease term.

## Accounting policies for income

### 1.12 First time adoption of IFRS 15 *Revenue from contracts with customers*

The Department adopted IFRS 15 *Revenue from Contracts with Customers* in 2018-19 to replace IAS 18 *Revenue*.

IFRS 15 introduces a new model for revenue recognition based upon the transfer of control rather than the transfer of risks and rewards of ownership and upon satisfaction of performance obligations. The core principle of this Standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 does not impact gross rental income, which is currently accounted for under IAS 17 *Leases*, but does impact service charge income.

The Department conducted an impact assessment and upon adoption, a transitional adjustment has been made within the general fund in taxpayers' equity to recognise the difference between the carrying amount as reported at 31 March 2018 under IAS 18 and the opening balance as reported under IFRS 15. This is in accordance with IFRS 15 and *FReM*. Income was recognised earlier (at a point in time) in 2017-18 than it would have been under the new Standard (over time), and so a transitional adjustment has reduced the level of reserves brought forward into 2018-19; see Note 14.1.

## Financial Statements

Under IFRS 15, key judgements in determining the recognition and timing of revenue recognition are identification at the point when:

- control of goods and services is transferred under contractual arrangements and services to the customer; and
- performance obligations are satisfied, whether at a point in time or over time.

A 'point in time' is most likely to apply when transferring goods to a customer and 'over time' when transferring services to a customer. Most of the Department's performance obligations relate to services satisfied over time. Performance obligations relating to assurance reviews, Fast Stream recruitment and supply of IT hardware and licences are satisfied at a point in time; see Note 5.

The standard introduces a five step model to account for revenues:

- 1) Identify the contract with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue as the Cabinet Office satisfies a performance obligation

For service provision, point of recognition is dependent upon contract terms. The transfer of risks and rewards as defined by IAS 18 and transfer of control as defined by IFRS 15 generally coincide with the fulfilment of performance obligations at a point in time. Revenue is measured based on consideration specified in a contract. Revenue related to performance obligations recognised over time as the service is rendered is measured by reference to either input (resources consumed in satisfying a performance obligation) or output (measurements of value to the customer of services transferred) methods. The Department generally measures revenue by reference to input and operates various cost recovery models.

If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset, excluding any amounts presented as a receivable. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer.

A contract liability is recognised where the Department has billed the customer but deferred income into the following financial year in line with a performance obligation being satisfied over a 12 month period.

The Cabinet Office revenue streams can be analysed as follows:

- IFRS 15 requires a transaction price to be allocated against each performance obligation contained within a single contract. Where a contract contains multiple performance obligations a transaction price must be allocated against each; for example Civil Service HR. As revenue streams for each of the performance obligations are recognised in the period in which the services are delivered, there is no impact of IFRS 15 in 2018-19.

- Under IFRS 15 revenue streams where the performance obligations are delivered over time require appropriate revenue deferrals and accruals to be separately identified; for example the Verify programme. For Verify, as income is required to be spread over the whole period a service is accessible as opposed to a point in time, the opening receivables balance in 2018-19 has been reduced by £0.727 million.

### 1.13 Revenue from contracts with customers

Cabinet Office revenue is principally derived from sale of services to other government Departments. Income is recognised progressively as the performance obligations associated with these engagements are satisfied over time.

Further details of the Cabinet Office's application of IFRS 15 are set out in Note 5.

### 1.14 Rental income

Rental income, including fixed rental uplifts, is recognised in accordance with IAS 17 *Leases* on a straight-line basis over the term of the lease which is considered to be the date of the lease commencement to the earliest termination date. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews.

Lease incentives, such as rent free periods and contributions towards tenant costs are recognised evenly over the period from the date of the lease commencement to the earliest termination date. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction of the rental expense over the lease term, irrespective of the incentive's nature or form, or the timing of payments.

### 1.15 Other income

Dividends are recognised when the Department's right to receive payment has been established. Grant repayments are recognised at the point of cash receipt.

### 1.16 Income payable to the Consolidated Fund and recognised in CSoCNE

Fees charged upon consultant lobbyists for making, updating and maintaining their entries in a Register are returned to the Consolidated Fund. HM Treasury has agreed that these fees may be netted off against expenditure and recorded as income in CSoCNE.

## 1.17 Non-operating income recognised in CSocNE

Non-operating income relates to associates, capital grants in kind and the notional Digital Apprenticeship Service grant.

Sale of intellectual property to associate, AXELOS Limited, and equity accounting for a share of the results of all associates are disclosed at Notes 5 and 10.

The notional Digital Apprenticeship Service grant income offsets the notional grant expenditure which represents apprenticeship training received and funded through the levy paid. See Notes 4 and 5.

Capital grant in kind is the mechanism for deemed funding of non-current assets and this offsets donated assets and assets transfers from other government Departments for nil consideration; see Notes 5, 6 and 7. This recognition criteria is set out in the *FReM* and results in assets recognised as donated assets with equal and opposite capital grant in kind income in accordance with IAS 20.

## 1.18 Non-operating income recognised in CSoFP

Non-operating income relates to the sale of capital assets.

## Accounting policies for assets and liabilities

### 1.19 Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation, except for properties surplus to requirement and art and antiques which are treated as Heritage Assets which are non-depreciating. Cost comprises the amount of cash paid to acquire the asset and includes any costs necessary to bring the asset to working condition for its intended use. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Land and buildings are restated to fair value every five years using professional valuations prepared in accordance with current Royal Institution of Chartered Surveyors Valuation Standards. Each property is revalued on a rotational basis on a five year cycle commencing at the point of acquisition or on boarding into the GPA.

In the intervening years, if material, changes in fair value are determined by reference to current prices on an active market for similar property.

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.

Art and antiques, including some heritage assets, have been inherited by the Department since its earliest existence and are held mainly in 10 Downing Street and 70 Whitehall. They are subject to professional valuation on the basis of insurance value or mid-auction estimate every five years, with the revaluation being taken into the revaluation reserve. They are not depreciated nor indexed.

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the CSocNE, in which case the increase is recognised in the CSocNE. A revaluation deficit is recognised in the CSocNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit are taken to the CSocNE.

### 1.20 Depreciation and impairment on property, plant and equipment

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made going forward.

Asset lives are normally in the following ranges:

Freehold buildings, including dwellings	25 to 60 years
Leasehold building improvements	over the remaining term of the lease
Information technology and office equipment	3 to 8 years
Plant and machinery	3 to 10 years
Furniture and fittings	3 to 14 years

Assets in the course of construction are not depreciated until the assets are available for use. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives, nor on non-current assets held for sale. Assets continue to depreciate until they are derecognised, even if during that period they are idle.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

### 1.21 Donated assets

The value of donated assets is recognised as capital grant-in-kind income and credited to the general fund. Any subsequent revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the CSocNE, in which case the increase is recognised in the CSocNE.

A revaluation deficit is recognised in the CSocNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

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Gifts of ornaments and jewellery received by past and present Prime Ministers and their spouses are treated as donated assets within art and antiques and capitalised at their fair value on receipt. They are subject to professional valuation on a regular basis as required. Gifts are not depreciated, since, by their nature, their useful economic life is indefinite.

The Civil Service Club is recognised as a donated asset. Members of the Civil Service and the Foreign Service contributed to the wedding present for Her Majesty the Queen and part of the sum subscribed was, by her wish, applied to some object of general benefit to the Civil and Foreign Services and consequently the Civil Service Club was purchased; see Note 6.

### 1.22 Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Software that is embedded in computer-controlled equipment that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets is £5,000. Following initial recognition, where an active market exists, intangible assets are carried at fair value in the CSOFP. Where no active market exists, the Department uses published indices to assess the depreciated replacement cost. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Development expenditure is recognised as an intangible asset when the Department can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use; its intention to complete and its ability to use the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

Research costs are expensed as incurred. Following initial recognition of development expenditure as an asset, where an active market exists, the asset is subsequently measured at fair value. Where no active market exists, the asset is carried at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value.

### 1.23 Amortisation on intangible assets

Intangible assets are currently assessed to have a finite life of between three and six years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Assets in the course of construction are not amortised until the assets are brought into use. Externally acquired computer software licences are amortised over the shorter of the term of the licence and the useful economic life of three to six years.

### 1.24 Investments in associates

An associate is an entity over which the Department has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. It is assumed that associate status exists where the Department has a shareholding of 20% or more.

Investments in associates are required to be accounted for using the equity method whereby an investment is initially recorded at cost and subsequently adjusted to reflect the Department's share of the net profit or loss, and thereby of the net assets, and of the other comprehensive income of the associate.

In cases where an associate incurs substantial losses, such that the investment is written down to nil, additional losses are not recognised, given the Department has no legal or constructive obligation in respect of the associate's cumulative losses. Dividend distributions received from the associate reduce the carrying amount of the investment. Recoverable amounts are assessed for each individual associate.

In cases where the associate's and the Department's reporting periods are not coterminous but are no greater than three months apart, the Department uses the most recent audited financial statements of the associate in applying the equity method of accounting and, where necessary, makes adjustments for the effects of significant transactions up to the reporting date of the Department's financial statements. In cases where the associate's and the Department's accounting policies are not uniform, then where material, adjustments are made.

### 1.25 Assets classified as held for sale

Assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For an asset to be classified as held for sale, it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets; its sale must be highly probable; and it must genuinely be expected to be sold, not abandoned. Items of property, plant and equipment that are classified as held for sale are written down to fair value less costs to sell if lower than their carrying value, and are not depreciated further.

### 1.26 Cash and cash equivalents

Cash in the CSOFP comprises cash at bank and in hand. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

## 1.27 First time adoption of IFRS 9 *Financial instruments*

The Department adopted IFRS 9 *Financial instruments* in 2018-19 to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 contains a new impairment model which requires recognition of 'expected' losses rather than 'incurred' losses. IAS 39 incurred loss model delayed recognition of losses until there was evidence of a credit loss.

The Department conducted an impact assessment and concluded that the transition to IFRS 9 did not have a material impact on the group's general fund opening balance and therefore no adjustment has been required.

An allowance for expected credit loss is determined for all financial assets in the context of forecast future economic conditions. IFRS 9 introduces a 3-stage Expected Credit Loss (ECL) impairment model which requires different levels of provision based on relative changes in the credit risk of a debt instrument since its initial recognition.

An adaptation to the *FReM* allows that balances with core central government Departments (including their executive agencies) are excluded from recognising stage 1 and stage 2 impairments. ALBs are excluded from this exemption.

Stage 1 – Credit risk has not increased significantly since initial recognition of the asset. Provision is held for an expected credit loss resulting from possible default events over the next 12 months.

Stage 2 – Credit risk has significantly increased since initial recognition of the asset. Provision is held for expected credit losses from possible default events over the expected life of the asset.

Stage 3 – Objective evidence of impairment exists. Provision is held for full impairment.

The Department takes the 'simplified' approach permitted under the standard which eliminates the need to calculate a 12 month ECL and to assess when a significant increase in credit risk has occurred.

The Department has developed a provision matrix to estimate ECL which groups receivables by sector: private, public and central government Departments and factors in historical experience of write offs and age of the debt; market information is taken into account where available.

## 1.28 Financial assets

Financial assets are recognised when the Department becomes party to the contracts that give rise to them.

The Department determines the classification of its financial assets at initial recognition in accordance with IFRS 9 and, where allowed and appropriate, re-evaluates this designation at each financial year-end. The Department considers whether a contract contains an embedded derivative when the entity first becomes party to it.

The subsequent measurement of financial assets depends on their classification. Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

The following classifications are currently applicable:

### *Investments in other bodies*

Public dividend capital is shown at historical cost, less any impairment. The Cabinet Office has public dividend capital held within the Crown Commercial Service. The Cabinet Office assesses at 31 March whether there is objective evidence that this asset is impaired in terms of whether there has been a decline in value below its cost. Dividends are recognised when the Department's right to receive payment is established.

### *Receivables*

Trade receivables and other contract receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Cabinet Office holds financial assets in order to collect contractual cash flows (Hold to collect) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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, less loss allowance.

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. Details about the Department's impairment policies and calculation of loss allowance are provided in Notes 1.27 and 1.33.

### *Put option arrangements*

The Department holds put options over the equity of its investments in certain associates which allow it to put its shareholdings to the other shareholder at their fair value over a specified period.

The amount that may become receivable under the option on exercise is initially recognised at fair value through profit or loss and is subject to re-measurement to fair value at the end of each reporting period. The receivable is calculated at formula values linked to the associates' net cash or debt positions and prior year earnings and is stated net of the carrying value of the investment; see Note 1.24 Investments in associates.

In the event that the option expires unexercised, the asset will be de-recognised with a corresponding adjustment to profit or loss.

### *Advances to Returning Officers*

Prior to an election, the Department pays an initial advance to each Returning Officer of up to 75% of the estimated cost of running the poll in his or her voting area. Returning Officers can subsequently request further payments, for instance to cover invoices that need to be paid urgently, up to a maximum of 90%.

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Following an election, Returning Officers are required to submit a statement of accounts showing the actual costs incurred in running the poll. Advances are recognised as receivables in the accounts until expense claims are settled.

If Returning Officers have spent more than the amount advanced to them, they will be reimbursed accordingly, unless they have failed to submit an expense claim within agreed deadlines and sanctions are applied against them, in which case no additional payments are made and Returning Officers must bear the additional cost of the elections themselves.

In exceptional cases where the total cost of a claim exceeds the maximum recoverable amount, the Department has the discretion to pay the additional expenses if the Returning Officer can provide evidence that the expenditure was necessary and reasonable for the effective and efficient conduct of the poll.

### *Amounts owed by Returning Officers*

If Returning Officers have spent less than the amount advanced to them, an invoice for the underspend will be raised upon them resulting in a debtor balance.

## 1.29 Value Added Tax

Some of the activities of the core Department are outside the scope of VAT. 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 VAT is recoverable, the amounts are stated net of VAT. The net amount due from/to HM Revenue and Customs in respect of VAT is included within receivables and payables in the CSoFP, respectively.

## 1.30 Financial liabilities

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

### *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.

Trade and other payables include accruals for election expenses, cash receipts from Returning Officers in respect of unsettled claims, and forfeited deposits and excess cash surrenderable to the Consolidated Fund.

### *Accruals for Returning Officers' expenses*

On the date of an election, an accrual is raised for the costs of candidates' mailings and for the maximum recoverable amount for each Returning Officer's constituency as listed in the statutory instrument, the 'Charges Order'. In addition to setting the maximum recoverable amounts, the Charges Order specifies the types of expenses that Returning Officers can claim which must be necessary and reasonable for the effective conduct of the poll.

Accounts regulations issued for elections require Returning Officers to submit statements of account/expense claims within six months of the date on which the result of an election is announced.

### *Accruals for Returning Officers' expenses*

Accruals at 31 March are adjusted to reflect the actual level of claims received from Returning Officers in cases where trends indicate that the actual level of claims may be materially lower than the maximum recoverable amount. Accruals are reversed in full upon settlement of Royal Mail invoices and each Returning Officer's expense claim.

### *Excess cash surrenderable to the Consolidated Fund in respect of elections*

In advance of an election, the Department estimates the likely costs that each Returning Officer will incur. This is based on each Returning Officer's approved expenditure from the last relevant poll adjusted for changes in the electorate size, numbers of postal voters, inflation and the change in the degree of poll combination.

The Department agrees the projected costs with HM Treasury so that funds may be made available from the Consolidated Fund once the Charges Order is made by the Parliamentary Secretary (Minister for the Constitution).

Excess cash arises when Returning Officers' expense claims and invoices for the delivery of candidate mailings are less than the estimated cost of conducting the poll upon which the funding is based.

## 1.31 Provisions

A provision is recognised when the Department has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. See Note 16.

For early departure costs, the Department establishes a provision for the estimated payments discounted by the Treasury rate for post-employment benefits of 0.29% (2017-18: 0.10%) in real terms effective from 31 March 2019. Where discounting is used, the increase in the provision due to borrowing costs is recognised as a finance cost.

For dilapidations, a provision is made for estimated costs based valuations where the likelihood of settlement is material and imminent or via the use of industry standard calculations/methodologies. A corresponding receivable, calculated on the same basis, will also be recognised in the CSoFP with any difference from the established liability arising from voids being recognised in the CSoCNE.

## 1.32 Contingent liabilities and contingent assets

Contingent assets and liabilities are not recognised in the CSOFP but are disclosed in the notes to the accounts in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events, or present obligation arising from past events that is not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament separately noted. The Department discloses a contingent asset where it is probable that there will be an inflow of economic benefits from an event whose outcome is uncertain. An estimate of the financial effect is indicated where possible.

## Accounting estimates and judgements

### 1.33 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Consolidated Statement of Financial Position (CSOFP) and amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Department's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Revenue from contracts with customers*

Judgements are applied to measurement and timing of revenue recognition and related balances for contract assets, trade receivables and accrued and deferred income in the context of satisfaction of performance obligations over time or at a point in time; see Note 1.12.

#### *Development costs*

Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed.

#### *Untaken annual leave*

Annual leave untaken at year-end is accrued. Employees' leave years are determined by the anniversary of their joining the Cabinet Office and so the average number of days leave not taken for each grade is assessed from exercises performed at mid-year and at year-end and multiplied by the average salary and staff in post at year-end.

#### *Staff engaged on capital projects*

The capitalisation of staff and contractor costs is based on time spent directly attributable to capital projects. Staff may be full-time dedicated to a project or their time part-apportioned to a project.

#### *Private Finance Initiative (PFI) arrangements*

The classification of Private Finance Initiative (PFI) arrangements as service concession arrangements requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. See Note 20.

#### *Impairment of assets*

The Department assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. See Notes 6, 7 and 8.

Impairments of non-current assets that are due to a clear consumption of economic benefit are recognised in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) rather than set against an available revaluation reserve. The financial performance of associate companies is assessed annually for indication of any impairment.

For current receivables, such as trade receivables, accrued income and other receivables, a provision is taken against public and private sector debt by reference to payment history and economic conditions against settlement terms using a provision matrix. Debt provisions are established for private sector debt when current, for public sector debt, when 91 days overdue and for other government Departments debt when 361 days overdue and increase as the age of the debt increases.

Debts are written off in cases where the Cabinet Office is unable to collect or where debt is deemed uneconomic to collect. See Note 1.27.

For non-current receivables, such as deferred consideration, criteria specific to the debtor organisation are applied in assessing the impact of its financial position on its ability to settle its debt, for example reviewing borrowing arrangements, financial ratio and market share.

#### *Transfer of assets from other government Departments*

The transfer of assets and programmes to the Department, are assessed for recognition and application in accordance with the *FReM* and other frameworks covering all such transfers. Where individual assets are transferred without a function, they are transferred at fair value from the date of transfer with an equal and opposite operating capital grant-in-kind. This treatment aligns with that applied in IAS 20 to assets funded by way of grant, where assets are transferred for nil consideration and considered to be donated assets in kind.

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### *IAS16 treatment for Property, Plant and Equipment*

IAS 16 *Property, Plant and Equipment* has been applied to all of the property, plant and equipment held by the Department. The prime objective of the Department's Executive Agency, GPA, is to facilitate the efficient use of government assets and these assets are therefore not being held to generate a return or for capital appreciation.

The adoption of IAS 40 *Investment Property* is not considered to be appropriate as assets are considered to be operational rather than investment assets.

The budgeting consequences of adopting IAS 16 will be no different than if properties had remained on an individual Department's books. On this basis, HM Treasury has agreed to the GPA adopting IAS 16.

### *Determining whether an arrangement contains a lease*

The classification of property, plant and equipment leases as operating or finance lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets; and, accordingly, whether the lease requires an asset and liability to be recognised in the CSOFP. See Note 19.2.

The GPA makes judgements about the classification of long-term arrangements as containing a lease based on an evaluation of the terms and conditions of each arrangement, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset.

### *Lease classification*

**GPA as a lessee** - The classification of property, plant and equipment leases as finance or operating leases requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and whether it meets the criteria for recognition in accordance with IAS 17.

The following criteria are used to determine if the lease is finance or operating in nature:

- whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- whether the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- whether the lease term is for the major part of the economic life of the asset even if title is not transferred;
- whether the leased assets are of such a specialised nature that only the lessee can use them without major modifications; and
- whether at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

**GPA as a lessor** - The GPA makes judgement as to who in substance should recognise the asset under the provisos of IAS 16.7. For a tenant to recognise the asset, they would be substantially consuming the benefit of the asset.

To assist with the judgement the following criteria are considered in addition to the criteria as lessee:

- whether the signed Terms of Occupation Agreements (TOA) of a similar length to the useful economic life of the asset;
- whether the building is multi tenanted or just occupied by the prior "owner"; and
- whether the asset is shared or is in use for one particular tenant.

There is a materiality of £1 million for considering assets as standalone for the purposes of the above considerations; where an individual item falls below this threshold, they will be grouped together as appropriate with assets within the same GPA occupation (where possible).

### *Leasehold improvements*

During the assignment of leases from other government Departments to the GPA where historic property leasehold improvements have taken place, a review of the head lease and the TOA in relation to the property is undertaken by the GPA.

If the majority of the property improved is occupied by a sole tenant and the occupant's tenancy is for the life of the head lease then the tenant is deemed to be in receipt of economic benefit and therefore the asset continues to be recognised by the tenant rather than the GPA.

Where the improvements are deemed to be for the benefit of all tenants, the life of those improvements extends past individual tenancies and the cost is collected via increased rent payments, the GPA recognises the leasehold improvements within property, plant and equipment.

### *Property Valuations*

Freehold properties held by the core Department and GPA are shown at fair value as calculated by independent qualified valuation experts. Valuations are based on a number of key assumptions including an estimate of future rental income, anticipated future costs, and a discount rate. The valuers also compare their valuations to market data for other similar assets.

### *Provisions*

Provisions are based on the best estimate of the amount required to settle the obligation following an assessment of risks and uncertainties, terms of legal agreements, and where appropriate, independent professional valuation reports.

HM Treasury discount rates for general provisions and post-employment benefits are applied where appropriate. See Notes 1.31 and 16.

## 1.34 Impending application of newly issued accounting standards not yet effective

*The following standard is expected to be applied in 2019-20 following EU adoption and consultation*

### Conceptual Framework (Amendment)

The revised Conceptual Framework, issued by the Board in March 2018, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

### Impact

Minimal – The framework will only be relevant to preparers in exceptional circumstances where existing reporting standards cannot be applied and a bespoke accounting treatment must instead be developed from the principles in the Framework.

*The following standard is expected to be applied in 2020-21 following EU adoption and consultation; effective 1 April 2020*

### IFRS 16 Leases

IFRS 16 deals with the definition of a lease and recognition and measurement of leases and establishes principles for disclosures and replaces IAS 17 *Leases*. It represents a significant change in lessee accounting by largely removing the distinction between finance and operating leases and introducing a single lessee accounting model.

A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position. There are corresponding changes to the disclosure requirements to show the effect that the leases have on the financial position, financial performance and cash flows of the lessee.

### Impact

The new standard will have a material impact on the Government Property Agency (GPA).

**GPA as lessee** – For arrangements where the Agency is the lessee, IFRS 16 will result in almost all operating leases being brought on balance sheet, as the distinction between finance and operating leases is removed, and is replaced by a model where a right of use asset and a corresponding liability are recognised except for short term leases and leases of low value assets.

The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. Cost comprises the initial measurement of the lease liability together with lease payments made on or before the lease commencement date, initial direct costs and an estimate of any restoration costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The classification of cash flows will also be impacted as operating lease payments under IAS 17 are presented in operating cash flows; whereas under the IFRS 16 model, the lease payments are split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. In addition, extensive disclosures are required by IFRS 16.

**GPA as lessor** - The standard will also impact the GPA's financial position as a lessor, and it will have to assess whether the lease should be treated as a finance or operating lease. Where it is determined that as lessor a finance lease is the appropriate treatment, the right of use asset (or in some cases freehold property asset) will be derecognised in favour of a lease receivable, which will be amortised in a similar manner to the lease liability as described above, but recognising interest as income. A gain or loss on disposal of the right of use or freehold property asset will be recognised in the statement of changes in net expenditure at the time of the recognition of the lease receivable. The GPA does not expect that any of the leases currently held as lessor should be treated as a finance lease.

The GPA will adopt the modified retrospective transition option provided by the standard which allows the right-of-use assets to be measured on transition at the amount of the lease liability on adoption calculated on the basis of prospective cash flows to the end of the lease. The following disclosures relating to the remaining lease commitments are based on leases existing at the current reporting date and will be affected by leases contracted in the ensuing period to 1 April 2020.

The core Department and GPA expect to recognise lease liabilities and an increase to property, plant and equipment of approximately £447.6 million through the recognition of lessee contracts on 1 April 2020. Overall, net assets will be unaffected by the transition. The Agency expects that underlying net expenditure will increase by approximately £6.1 million for 2020 as a result of adopting the new rules.

*The following are expected to be applied in 2019-20 or 2020-21 following EU adoption and review.*

### IAS 1 and IAS 8 Disclosure initiative: Definition of material (Amendment)

The amendments clarify the definition of material and its application by:

- aligning the wording of the definition of material across all IFRS Standards and other publications and making minor improvements to that wording;
- including some of the supporting requirements in IAS 1 Presentation of Financial Statements in the definition to give them more prominence; and
- clarifying the explanation accompanying the definition of material.

### Impact

While updates to the concept of materiality will affect all account preparers, the amendments are unlikely to result in significant changes to materiality limits or disclosures.

## Financial Statements

### 2. Restatement of prior year comparatives

In 2018-19 a number of machinery of government changes affected Cabinet Office, as follows:

MOG Reference	Office/Team	Exporting Department	Importing Department
MOG 1	Strategic geospatial data policy initiatives	Department for Business, Energy and Industrial Strategy	Cabinet Office
MOG 2	Europe unit	Department for Exiting the European Union	Cabinet Office
MOG 3	Data policy and governance team	Cabinet Office	Department for Digital, Culture, Media & Sport

#### Geospatial Commission

A prime ministerial written statement on 29 March 2018 confirmed that the strategic geospatial data policy initiatives from Department for Business, Energy and Industrial Strategy would be consolidated into the Cabinet Office from 1 April 2018 to support the work of the Geospatial Commission. The programmes encompass: Public Sector Mapping Agreement and Open Source Data Agreement.

#### Europe Unit

A prime ministerial written statement on 24 July 2018 confirmed that a number of staff from the Department for Exiting the European Union (DExEU) were to transfer from DExEU to the Cabinet Office.

The Prime Minister led the negotiations with the European Union, with the Secretary of State for Exiting the European Union deputising on her behalf. Both were supported by the Cabinet Office Europe Unit and with this in mind the Europe Unit had overall responsibility for the preparation and conduct of the negotiations, drawing upon support from DExEU and other Departments as required.

#### Data Policy and Governance

A prime ministerial written statement on 29 March 2018 confirmed that the data policy and governance functions of the Government Digital Service (GDS) transferred from the Cabinet Office to the Department for Digital, Culture, Media and Sport (DCMS). The transfer includes responsibility for data sharing, data ethics, open data and data governance.

### Restated Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

£000	2017-18 Published Accounts	Machinery of government transfers			2017-16 Restated Accounts
		MOG 1	MOG 2	MOG 3	
Revenue from contracts with customers	(245,587)	-	-	-	(245,587)
Other income	(83,733)	-	-	-	(83,733)
Non-cash income	(2,107)	-	-	-	(2,107)
<b>Total income</b>	<b>(331,427)</b>	-	-	-	<b>(331,427)</b>
Staff costs	330,855	-	1,394	(711)	331,538
Purchase of goods and services	284,029	-	273	(113)	284,189
Rentals under operating leases	34,458	-	-	-	34,458
Returning Officers' expenses, England and Wales	116,790	-	-	-	116,790
Geospatial data	-	78,329	-	-	78,329
Grants	194,120	-	-	-	194,120
Depreciation, impairment and property gains	35,708	-	-	-	35,708
Provisions and other non-cash costs	15,872	-	-	-	15,872
Other	3,207	-	-	-	3,207
<b>Total operating expenditure</b>	<b>1,015,039</b>	<b>78,329</b>	<b>1,667</b>	<b>(824)</b>	<b>1,094,211</b>
<b>Net operating cost</b>	<b>683,612</b>	<b>78,329</b>	<b>1,667</b>	<b>(824)</b>	<b>762,784</b>
Share of associates results (non-cash)	(13,874)	-	-	-	(13,874)
Finance income	(31)	-	-	-	(31)
<b>Net expenditure for the year</b>	<b>669,707</b>	<b>78,329</b>	<b>1,667</b>	<b>(824)</b>	<b>748,879</b>

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## 2. Restatement of prior year comparatives (continued)

### Consolidated Statement of Financial Position

There were no restated balances in the Consolidated Statement of Financial Position for 2017-18 or 2016-17.

### Restated Consolidated Statement of Cash Flow for the year ended 31 March 2018

£000	2017-18 Published Accounts	Machinery of government transfers			2017-18 Restated Accounts
		MOG 1	MOG 2	MOG 3	
<b>Cash flows from operating activities</b>					
Net operating expenditure	(683,612)	(78,329)	(1,667)	824	(762,784)
Adjustments for non-cash expenditure	51,580	-	-	-	51,580
Adjustments for non-cash income	(2,107)	-	-	-	(2,107)
Remove dividend income	(2,000)	-	-	-	(2,000)
Increase in trade and other receivables	(161,205)	-	-	-	(161,205)
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>					
Movement in amounts relating to provision for credit losses	(5,158)	-	-	-	(5,158)
Amounts relating to bad debt write-off	(2,230)	-	-	-	(2,230)
Increase in inventories	29	-	-	-	29
Increase in trade and other payables	116,544	-	-	-	116,544
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>					
Amounts due to the Consolidated Fund for Supply	14,241	-	-	-	14,241
Amounts due to the Consolidated Fund for consultant lobbyists' registration fees	(8)	-	-	-	(8)
Movement in capital accruals relating to investing activities	(29,426)	-	-	-	(29,426)
<b>Returning Officers' expenses, England and Wales</b>					
Excess cash payable to the Consolidated Fund	4,000	-	-	-	4,000
Use of provisions	(710)	-	-	-	(710)
<b>Net cash outflow from operating activities</b>	<b>(700,062)</b>	<b>(78,329)</b>	<b>(1,667)</b>	<b>824</b>	<b>(779,234)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(103,305)	-	-	-	(103,305)
Purchase of intangible assets	(19,294)	-	-	-	(19,294)
Proceeds on disposal of property, plant and equipment	31	-	-	-	31
Dividends received from Crown Commercial Service	2,000	-	-	-	2,000
Dividends received from associates	8,775	-	-	-	8,775
Movement in capital accruals	29,426	-	-	-	29,426
<b>Net cash outflow from investing activities</b>	<b>(82,367)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(82,367)</b>

## Financial Statements

### Restated Consolidated Statement of Cash Flow (continued) for the year ended 31 March 2018

£000	2017-18 Published Accounts	Machinery of government transfers			2017-18 Restated Accounts
		MOG 1	MOG 2	MOG 3	
<b>Cash flows from financing activities</b>					
From the Consolidated Fund (Supply)	668,000	-	-	-	668,000
From the Consolidated Fund (Non-supply)	118,859	-	-	-	118,859
Interest income/(expense)	31	-	-	-	31
From the Consolidated Fund (Supply) in respect of machinery of government transfer of function	-	78,329	1,667	(824)	79,172
<b>Net financing</b>	<b>786,890</b>	<b>78,329</b>	<b>1,667</b>	<b>(824)</b>	<b>866,062</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>4,461</b>	-	-	-	<b>4,461</b>
Forfeited deposits surrendered to the Consolidated Fund	(129)	-	-	-	(129)
Payments of amounts due to the Consolidated Fund – consultant lobbyists' registration fees	(728)	-	-	-	(728)
Excess cash surrendered to the Consolidated Fund	(4,000)	-	-	-	(4,000)
<b>Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>(396)</b>	-	-	-	<b>(396)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>30,333</b>	-	-	-	<b>30,333</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29,937</b>	-	-	-	<b>29,937</b>

### Restated Headcount for the year ended 31 March 2018

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	2017-18 Published Accounts	Machinery of government transfers			2017-18 Restated Accounts
		MOG 1	MOG 2	MOG 3	
Permanently employed staff	4,155	1	18	(14)	4,160
Others	302	-	-	-	302
Ministers	6	-	-	-	6
Special Advisors	37	-	-	-	37
<b>Total</b>	<b>4,500</b>	<b>1</b>	<b>18</b>	<b>(14)</b>	<b>4,505</b>

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## 3. Statement of Net Outturn by Operating Segment

### 3.1 Resource

£000	Gross resource expenditure	Gross resource income	2018-19 Net resource outturn	2017-18 Net resource outturn restated
<b>Operating segment</b>				
A. Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	139,387	(18,671)	120,716	202,028
B. Support the design and implementation of HM Government's policies and the Prime Minister's priorities	119,321	(10,387)	108,934	59,495
C. Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	481,043	(296,517)	184,526	176,562
D. Ensure the effective running of the Department and contribute to the government's cross cutting priorities	88,290	(13,521)	74,769	205,718
E. Executive Agency – Government Property Agency	169,889	(157,136)	12,753	-
<b>Subtotal</b>	<b>997,930</b>	<b>(496,232)</b>	<b>501,698</b>	<b>643,803</b>
<b>Ring-fenced depreciation, amortisation, and impairment</b>				
A. Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	11,325	-	11,325	10,154
B. Support the design and implementation of HM Government's policies and the Prime Minister's priorities	2,748	-	2,748	2,384
C. Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	19,373	-	19,373	10,247
D. Ensure the effective running of the Department and contribute to the government's cross cutting priorities	7,305	-	7,305	10,661
E. Executive Agency – Government Property Agency	10,413	-	10,413	-
<b>Subtotal Ring-fenced depreciation, amortisation, and impairment</b>	<b>51,164</b>	<b>-</b>	<b>51,164</b>	<b>-</b>
<b>Total</b>	<b>1,049,094</b>	<b>(496,232)</b>	<b>552,862</b>	<b>677,249</b>

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### 3.2 Capital

£000	Gross capital expenditure	Gross capital income	2018-19 Net capital outturn	2017-18 Net capital outturn restated
<b>Operating segment</b>				
A. Maintain the integrity of the Union, coordinate the security of the realm and sustain a flourishing democracy	14,424	(7)	14,417	25,198
B. Support the design and implementation of HM Government's policies and the Prime Minister's priorities	77,453	(9)	77,444	74,296
C. Ensure the delivery of the finest public services by attracting and developing the best public servants and improving the efficiency of government	15,031	-	15,031	86,292
D. Ensure the effective running of the Department and contribute to the government's cross cutting priorities	1,328	(8,522)	(7,194)	4,520
E. Executive Agency – Government Property Agency	32,495	(13,996)	18,499	-
<b>Total</b>	<b>140,731</b>	<b>(22,534)</b>	<b>118,197</b>	<b>190,306</b>

#### Performance report

This segmental analysis aligns with the Cabinet Office's objectives. Descriptions of the activities carried out under each operating segment are located in the Parliamentary accountability and audit report section within the Accountability report.

Financial information was reported through a regular Performance report, which adopted the same segmental analysis shown above. The Performance report was reviewed by the Cabinet Office Board, chaired by the Minister for the Cabinet Office, and also by the Executive Committee, chaired by the Principal Accounting Officer.

#### Reconciliation to SOPS

The segmental analysis of total net resource outturn in Resource Departmental Expenditure Limit agrees to SOPS1.1 and the total net capital outturn in Capital Departmental Expenditure Limit agrees to SOPS1.2. SOPS1.1 rows F, G, H and I are all reported under objective A.

Overall outturn at SOPS1.1 includes Resource Annually Managed Expenditure and is reconciled to net operating costs at SOPS2.1. Capital Departmental Expenditure Limit is reconciled to the accounts at Note SOPS2.2. Segment B and C were renamed in Main Estimate 2018-19 to align with the Single Departmental Plan.

# Financial Statements

## 4. Expenditure

£000		2018-19	2017-18 Restated
	Note	Departmental group	Departmental group
<b>Staff costs</b>			
Wages, salaries and fees		278,329	217,998
Social security costs		30,722	24,369
Apprenticeship levy		1,343	964
Other pension costs		53,713	43,759
Untaken annual leave		202	4,780
Agency/temporary		54,645	47,907
Termination benefits		225	1,001
Inward secondments		5,704	3,131
Recoveries in respect of outward secondments		(1,384)	(1,553)
Staff engaged on capital projects		(12,107)	(10,818)
<b>Total staff costs<sup>1</sup></b>		<b>411,392</b>	<b>331,538</b>
<b>Goods and services</b>			
Accommodation and utilities			
- Core Department		32,854	31,590
- Agency		65,789	-
IT costs		82,593	67,128
Other staff-related costs		57,612	36,128
Professional services		54,252	26,986
Supplies and services		47,327	24,902
Pensions administration			
- PCSPS and CSOPS <sup>2</sup>		35,712	38,080
- Royal Mail Statutory Pension Scheme		7,036	5,061
Consultancy		36,893	23,992
Business rates		24,884	9,293
Travel, subsistence and hospitality		21,281	16,265
Lord Lieutenants' expenses		1,237	1,203
Grant fund management services		966	-
Public Duty Cost Allowance	4.1	589	611
Civil Service Commissioners' fees and expenses		53	18
George Cross civilian annuities		25	32
Auditors' remuneration and expenses – arm's length bodies <sup>3</sup>		19	18
Individual electoral registration costs		-	2,750
PFI service charges	20.2	-	132
<b>Total goods and services</b>		<b>469,122</b>	<b>284,189</b>
<b>Rentals under operating leases</b>			
- Core Department		1,628	34,458
- Agency		63,104	-
<b>Total rentals under operating leases</b>		<b>64,732</b>	<b>34,458</b>
<b>Geospatial data</b>			
Geospatial data capital (under ESA10 definition)		74,945	72,572
Geospatial data resource		5,930	5,757
<b>Total geospatial data</b>		<b>80,875</b>	<b>78,329</b>
<b>Grants<sup>4</sup></b>			
Resource grants to central government bodies <sup>5</sup>		-	150,000
Resource grants to local authorities		17,896	38,316
Resource grants to private sector and non-profit bodies		133	1,057
Resource grants abroad		-	1,531
Capital grants to local authorities		1,000	2,127
Grant-in-aid to the Chequers Trust		882	879
Grant-in-aid to Civil Service welfare bodies		210	210
<b>Total grants<sup>6</sup></b>		<b>20,121</b>	<b>194,120</b>
<b>EU funding to Department for International Development</b>			
- Disaster relief transportation costs		480	3,207

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## 4. Expenditure (continued)

£000		2018-19	2017-18 Restated
	Note	Departmental group	Departmental Group
<b>Returning Officers' expenses, England and Wales</b>			
(includes conduct of the poll and Royal Mail costs)			
2017 UK Parliamentary general election		(564)	117,053
2015 UK Parliamentary general election <sup>7</sup>		-	80
UK Parliamentary by-elections			
- Oldham West and Royton		-	(6)
- Ogmore		-	(2)
- Sheffield Brightside and Hillsborough		-	(10)
- Tooting		-	(10)
- Witney		-	(1)
- Richmond Park		-	45
- Sleaford and North Hykeham		-	(23)
- Copeland		2	13
- Stoke-on-Trent Central		(15)	47
- Manchester Gorton		-	58
- Lewisham East		290	-
Petition to recall a Member of Parliament			
- Peterborough <sup>8</sup>		222	-
2016 Police and Crime Commissioner elections		(227)	(455)
Bank charges		1	1
<b>Total Returning Officers' expenses, England and Wales</b>		<b>(291)</b>	<b>116,790</b>
<b>Depreciation, impairment and property gains</b>			
Depreciation	6	27,759	21,205
Amortisation	7	12,485	7,078
Impairment			
- Property, plant and equipment	6, 8	9,150	2
- Intangible assets	7, 8	1,284	-
- Trade receivables	8, 14	(151)	5,158
Revaluation of property, plant and equipment assets	6, 8	(1,056)	(889)
Write off			
- Property, plant and equipment	6, 8	9	557
- Intangible assets	7, 8	561	321
- Bad debt <sup>9</sup>		309	2,230
Net gain on disposal of shareholdings in associates	10	(2,299)	-
Carbon dioxide emissions allowances surrendered	7	30	46
Capital grant in kind – Property, plant and equipment	6	7	-
<b>Total depreciation, impairment and property gains</b>		<b>48,088</b>	<b>35,708</b>
<b>Provisions and other non-cash costs</b>			
Provisions provided for in year	16	(14,198)	15,405
Discount of receivable from Equiniti Ltd	14, 15	212	-
Borrowing costs	16	-	1
Auditors' remuneration and expenses – Core Department <sup>3</sup>		648	450
Notional Digital Apprenticeship service grant	5	178	16
<b>Total provisions and other non-cash costs</b>		<b>(13,160)</b>	<b>15,872</b>
<b>Total expenditure</b>		<b>1,081,359</b>	<b>1,094,211</b>

<sup>1</sup> Further analysis is located in Note 2 of the Remuneration and staff report and Note 1.2 (Special payments) of the Parliamentary accountability disclosures

<sup>2</sup> Principal Civil Service Pension Scheme and Civil Servants and Others Pension Scheme

<sup>3</sup> During the year the core Department, its Executive Agency and its arm's length bodies have not purchased any non-audit services from its auditor, the National Audit Office (2017-18: £nil). The core Department bears the audit fee on behalf of Civil Service Pensions and Royal Mail Pensions accounts. The total group fee comprises: Cabinet Office £0.285 million (2017-18: £0.250 million), Government Property Agency £0.135m (2017-18: N/A), Civil Service Pensions £0.160 million (2017-18: £0.160 million) and Royal Mail Pensions £0.068 million (2016-17: £0.040 million)

<sup>4</sup> Grant-in-aid to arm's length bodies has been eliminated on consolidation; Registrar of Consultant Lobbyists, £0.156 million (2017-18: £0.207 million), Civil Service Commission, £2.105 million (2017-18: £2.238 million)

<sup>5</sup> See note 17

<sup>6</sup> Includes grants paid using powers under section 70 of the Charities Act 2006. See 'Report on the use of powers under section 70 of the Charities Act 2006' in the Annex to the Annual Report and Accounts

<sup>7</sup> Additional payments made to reimburse costs that were necessarily incurred for the delivery of the poll and were agreed on the basis of additional information provided

<sup>8</sup> A petition recall was launched on 19 March 2019

<sup>9</sup> Includes £0.319 million written off and £0.010 million of previously written off debts which were recovered in 2018-19

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### 4.1. Public Duty Cost Allowance

£	2018-19	2017-18
The Rt Hon. Sir John Major	114,935	115,000
The Rt Hon. Tony Blair	115,000	115,000
The Rt Hon. Gordon Brown	114,057	114,920
The Rt Hon. David Cameron	110,413	111,544
The Rt Hon. Sir Nick Clegg	112,882	115,000
Staff pension costs	21,425	39,524
<b>Total</b>	<b>588,712</b>	<b>610,988</b>

The Public Duty Cost Allowance (PDCA) was introduced to assist former Prime Ministers still active in public life. The PDCA is a reimbursement of incurred expenses for necessary office and secretarial costs arising from fulfilling public duties to a maximum of £115,000. Additionally, in 2015 the PDCA was extended to the former Deputy Prime Minister, the Rt Hon. Sir Nick Clegg, although in October 2018 he informed the Cabinet Office that 2018-19 would be the last year in which he would be claiming the allowance; he is entitled to the full amount of £115,000 in 2018-19.

In addition to the PDCA paid, former Prime Ministers and the Rt Hon. Sir Nick Clegg are entitled to claim a pension allowance to contribute towards their staff pension costs. This pension allowance is limited to a maximum of 10% of their office costs.

## 5. Income

£000		2018-19	2017-18
	Note	Departmental group	Departmental group
<b>Revenue from contracts with customers</b>			
<b>Pensions</b>			
Central management of Civil Service pension arrangements		42,322	42,414
Royal Mail Statutory Pension Scheme		149	140
<b>Royalties</b>			
		1	31
<b>Sales of services</b>			
Government Commercial Function		56,156	27,587
Government Communications		16,526	6,650
Cross-government secure IT		15,420	11,849
Government Digital Service		8,117	7,051
Office of the Parliamentary Counsel		7,771	7,786
Digital and Technology Team		7,746	10,302
Infrastructure and Projects Authority		2,680	1,695
National Fraud Initiative		1,182	904
<b>Civil Service HR</b>			
HR Expert Services – Fast Stream		88,252	72,392
Other HR Expert Services		43,930	39,700
Other Civil Service HR		4,546	5,424
<b>Non-rental income from properties</b>			
- Core Department		1,161	1,025
- Agency		64,533	-
<b>Income payable to the Consolidated Fund</b>			
Registration fees from consultant lobbyists	SOPS4	140	131
<b>Other revenue from contracts with customers</b>			
Cost recoveries		5,321	6,552
Supplier Rebates		-	3,954
<b>Total revenue from contracts with customers</b>		<b>365,953</b>	<b>245,587</b>

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## 5. Income (continued)

£000		2018-19	2017-18
	Note	Departmental group	Departmental group
<b>Other income</b>			
<b>Rental income from properties</b>			
- Core Department		1,332	4,485
- Agency		72,033	-
<b>Office of Government Property</b>			
Income from Barclays plc for 10 South Colonnade		-	48,051
Income from other public bodies for the fit out of 10 South Colonnade		-	6,524
Contributions from other government Departments towards national Hubs		-	1,983
Other Office of Government Property		793	194
<b>Income from associates</b>			
Sale of intellectual property to AXELOS Limited		9,400	9,400
Framework fees in respect of Integrated Debt Services Limited		200	200
<b>Dividends</b>			
Dividend from Crown Commercial Service	11.2	6,158	2,000
<b>Income from grants</b>			
Resource grant from the European Union for the Department for International Development		493	3,207
Capital grants from other government Departments for the fit out of properties		6,224	6,961
<b>Returning Officers' expenses, England and Wales</b>			
Forfeited Deposits			
- 2017 UK Parliamentary general election	SOPS4	-	728
<b>Official Receiver – Carillion plc in liquidation</b>			
Capital income		8,522	-
Revenue income		2,000	-
<b>Total other income</b>		<b>107,155</b>	<b>83,733</b>
<b>Non-cash income</b>			
Notional Digital Apprenticeship Service grant	4	178	16
Capital grant-in-kind on donated assets – Property, plant and equipment	6	7,779	48
Capital grant-in-kind on donated assets – Intangible assets	7	-	2,043
<b>Total non-cash income</b>		<b>7,957</b>	<b>2,107</b>
<b>Total income</b>		<b>481,065</b>	<b>331,427</b>

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### Revenue from contracts with customers

#### Identification of a contract

The basis of the different income streams of Cabinet Office are set out below:

Income Stream	Basis for Identifying a Contract	Performance Obligation
Sale of Goods and Services	For services provided by the Cabinet Office a contractual arrangement is entered into in the form of a Memorandum of Understanding or other engagement letter that sets out the services to be provided in return for a fee	The delivery of goods and services as set out in the initial or subsequently revised contract
Subscription Services	For services provided by the Cabinet Office a contractual arrangement is entered into in the form of a Memorandum of Understanding or other engagement letter that sets out the services to be provided and period covered in return for a fee. These services include: GDS GOV.UK Verify and National Fraud Initiative	Access to services for the time period stated (usually in multiples of 12 months)
Statutory Services through the Registrar of Consultant Lobbyists	A contract is implied through the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014	Membership of the register up to 31 December of the year joined
Civil Service Fast Stream Development Scheme	An engagement letter is signed at the start of the four year training period for the relevant Department	Upfront recruitment service and annual training and development

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### 5. Income (continued)

#### Identification of performance obligations

Cabinet Office determines the performance obligations for each service provided through the separate contracts and memoranda of understanding; these are set at the start of each service period, but can be subsequently changed with the agreement of both parties. Where changes occur, a revised memorandum of understanding will be issued, replacing the original performance obligations.

The majority of services provided by the Cabinet Office are to other government Departments and have a single performance obligation to delivering a holistic service.

This differs when bespoke services can be requested or where two performance obligations are needed to satisfy the overall contract. In these cases, the overarching agreement can contain more than one performance obligation, with fees attached to each one separately; for example National Fraud Initiative, Fast Stream Development Scheme and Digital and Technology Team.

#### Determination of when performance obligations are satisfied

Cabinet Office has determined that most of the performance obligations described above are satisfied over time rather than a point in time. This is because the customer simultaneously receives and consumes the benefits provided by the Cabinet Office's performance as we perform. The majority of services provided are on an annual cycle and coincide with the financial year.

The costs (which are based on estimated costs to the Department) and invoicing schedule are agreed between the individual business units and the customer. The Cabinet Office is entitled to recover costs in respect of work completed to date at any stage of service delivery, with a typical schedule being to invoice quarterly in arrears. The payment terms are that invoices should be paid within 30 days.

Performance obligations for the following are satisfied at a point in time: Infrastructure and Projects Authority revenue is recognised upon completion of assurance reviews; Fast Stream Development upfront recruitment fee and Digital and Technology Team supply of IT hardware and licenses.

#### Allocation of transaction price to performance obligations

Revenue is recognised in relation to the work completed at the end of the period and the costs incurred. Where the service provided is a subscription arrangement, revenue is recognised in relation to the percentage of the total subscription period passed at any point in time. This provides a faithful depiction of the transfer of services because the costs incurred represent the satisfaction of the performance obligation.

#### Income streams – Revenue from contracts with customers

##### *Pensions*

The Cabinet Office is responsible for the management of the Civil Service pension arrangements, and MyCSP Ltd delivers pension administration under contract to the Cabinet Office.

Participating employers pay the Cabinet Office for the cost it incurs for scheme management. The Cabinet Office is directly responsible for meeting the administration costs of the Royal Mail Statutory Pension Scheme. A small amount of income arises from charges to members for certain specific pension administration services, as well as a small element of commission payable for the collection of pension deductions.

##### *Government Commercial Function*

The Government Commercial Organisation (GCO) is a professional organisation of commercial specialists housed within the Government Commercial Function (GCF). It employs senior commercial staff across central government who are deployed into Departments to carry out the Departments' commercial activities. An operational charge is levied annually as a percentage of the full employment cost for each GCO Specialist deployed in a Department to fund the operational costs incurred in the running of the GCO.

Also included in GCF fees and charges is the Complex Transactions team which increases commercial capability on complex deals by providing direct commercial support to Departments.

##### *Cross-government secure IT*

Cross-government secure IT income is to cover the onboarding and ongoing costs of government Departments operating on a common secure IT platform. This platform can allow the sharing of information between different government Departments at certain clarification levels.

##### *Government Communications*

Government Communications Group has three main income sources: a 1% levy on all government spend through external communications frameworks held by the Crown Commercial Service is used to fund a range of support to Departments and arm's length bodies provided by the Cabinet Office on behalf of the government communications profession; income received from the Foreign and Commonwealth Office and external bodies for the Government Communications, Knowledge and Capability team that supports partner governments to strengthen their capacity to communicate effectively to support domestic and international objectives; and income received from other government Departments for providing staff through the GCS 'Flex Team' to meet short-term staffing requirements.

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## *Government Digital Service*

Government Digital Service (GDS) receives income from various sources including GOV.UK Verify, GOV.UK Notify and the GDS Academy.

GOV.UK Verify provides a common citizen identity assurance for Departmental services. This enables complex and risky transactions, such as financial transactions or where personal data is being shared, to go online.

GOV.UK Notify enables service teams across government to send text messages, emails or letters to their users. The GDS Academy teaches civil servants the digital skills they need to transform public service.

## *The Office of the Parliamentary Counsel*

The Office of the Parliamentary Counsel (OPC) is responsible for drafting all government primary legislation and the drafting and vetting of some statutory instruments. The office operates a full cost recovery system across other government Departments.

## *Digital and Technology Team*

The Digital and Technology Team (DATT), in addition to providing all IT Services for the Cabinet Office, provides a fully managed IT service to the Crown Commercial Service, the Department for Exiting the European Union and the Department for Digital, Culture, Media & Sport. See the fees and charges note in the Parliamentary Accountability Disclosures of the Accountability Report.

## *Infrastructure and Projects Authority*

Infrastructure and Projects Authority (IPA) income is derived from recharging the costs of expert consultants with specialist knowledge and skills, which are required by the IPA, in addition to its own resources, in order to undertake Assurance Reviews for major government projects.

In addition, IPA recovers its costs incurred in delivering advice and training support to overseas governments and multilateral institutions in support of trade missions involving national infrastructure planning, the promotion of UK Public Private Partnerships (PPPs) and UK infrastructure expertise overseas.

## *National Fraud Initiative*

The National Fraud Initiative (NFI) is a data matching exercise used to identify fraud and error under statutory data matching powers set out in the Local Audit and Accountability Act 2014. It involves public and private sector organisations from across the UK, including local authorities, NHS trusts, government Departments and police authorities.

## *Civil Service HR Expert Services*

Civil Service HR Expert Services share HR expertise and maximise buying power across the Civil Service in a joined-up and effective manner, to deliver a professional and more efficient service. They operate on a cost-sharing basis across the government Departments and agencies participating in the programme. See the fees and charges note in the Parliamentary Accountability Disclosures of the Accountability Report. Expert Services is made up of five key areas to support the Civil Service's strategic priorities.

**Fast Stream and Early Talent** undertake recruitment for a range of cross-government accelerated development programmes, providing administration services for the Human Resources programme and full central management service.

**CS Employee Policy** develop and maintain a consistent, modern employee policy framework and workplace offer across government to enable a highly performing, capable and engaged workforce.

**Civil Service Learning** develop high quality learning which supports and equips learners to deliver excellent public services across government. Civil Service Learning also provides the Civil Service Leadership Academy, which is an initiative to strengthen leadership capability across the Civil Service.

**Civil Service Organisational Design and Development** delivers expert advice, guidance and consulting on system wide patterns of behaviour impacting Civil Service effectiveness and engagement.

**Civil Service Talent** administer cross-government future and senior leaders schemes on a full cost recovery basis.

**Policy Profession Unit** oversee the development of the policy profession funded by levy paid by contributing Departments.

## *Income from properties*

The Government Property Agency provides Departments and Arm's Length Bodies with office space across the country. The principal source of income comes from charging these occupiers property costs (primarily rates, facilities management and utilities). In addition, the GPA receives a management fee from the client Department for property services provided.

# Financial Statements

## Income streams – Other Income

### *Office of Government Property*

In 2017-18, income was received by the Office of Government Property (OGP) from Barclays Bank following the assignment of the lease at 10 South Colonnade to the Cabinet Office. This was formed of three distinct aspects, each set out separately in an agreement between the two parties; an inducement payment for taking the lease over; contributions in respect of floor boxes and carpets; and contributions in respect of works being undertaken by the Cabinet Office to the ground, first and second floors of the building.

In addition, OGP received contributions for the fit out of 10 South Colonnade from the other government Departments who will be occupying the building.

### *Income from associates*

The Cabinet Office is to be paid £65.8 million in seven equal instalments of £9.4 million commencing 1 January 2017 and ending 31 December 2023. These payments are due from its associate, AXELOS Limited, and represent settlement of deferred additional consideration from the sale of intellectual property in 2013-14. Payment is contingent on the profits of AXELOS Limited; see Note 17.

### *Dividends*

The dividend which Cabinet Office receives from Crown Commercial Service (CCS) increased to £6.158 million in 2018-19 (2017-18: £2 million). This was to cover the costs of the Complex Transaction, Continuous Improvement, Markets and Suppliers and Policy teams which transferred from CCS to Cabinet Office during the course of the financial year.

### *Income from grants*

GPA received contributions through capital grants from the other government Departments for the fit out of GPA held properties that the other government Departments are occupying.

In addition, GPA recorded non-cash capital grant-in-kind income for the properties that were transferred to them from the Department for Business, Energy & Industrial Strategy.

### *Official Receiver – Carillion plc in liquidation*

Following the collapse of Carillion in January 2018, the Cabinet Office provided the Official Receiver with £150 million working capital to maintain public service continuity when managing the liquidation.

The Official Receiver continues to progress the liquidation and is seeking to recoup operating costs through liquidation of assets and from customers of those services. In 2018-19 the Official Receiver returned £10.5 million to the Cabinet Office through asset realisations.

# Annual Report and Accounts 2018-19

## 6. Property, plant and equipment

### Consolidated 2018-19

£000	Land	Buildings	Dwellings	Information technology	Plant and machinery	Furniture and fittings	Art and antiques	Payments on account and assets under construction	2018-19 Total
<b>Cost or valuation</b>									
<b>At 1 April 2018</b>	<b>65,359</b>	<b>119,897</b>	<b>32,142</b>	<b>90,086</b>	<b>778</b>	<b>5,216</b>	<b>5,877</b>	<b>65,708</b>	<b>385,063</b>
Additions	-	530	-	15,200	3	277	-	27,260	43,270
Donations <sup>1</sup>	-	7,772	-	-	-	-	7	-	7,779
Disposals <sup>2</sup>	-	-	-	(15,007)	-	(560)	(9)	-	(15,576)
Write offs	-	-	-	(16)	-	(7)	-	-	(23)
Impairments <sup>3</sup>	-	-	-	(12,053)	-	(47)	(37)	257	(11,880)
Reclassifications	-	79,255	-	7,457	(490)	860	-	(82,627)	4,455
Revaluations <sup>3</sup>	8,168	6,017	(4,298)	3,166	(1)	38	-	-	13,090
<b>At 31 March 2019</b>	<b>73,527</b>	<b>213,471</b>	<b>27,844</b>	<b>88,833</b>	<b>290</b>	<b>5,777</b>	<b>5,838</b>	<b>10,598</b>	<b>426,178</b>
<b>Depreciation</b>									
<b>At 1 April 2018</b>	<b>-</b>	<b>24,708</b>	<b>9,589</b>	<b>35,635</b>	<b>175</b>	<b>1,361</b>	<b>-</b>	<b>-</b>	<b>71,468</b>
Charged in year	-	11,161	509	15,297	35	757	-	-	27,759
Disposals <sup>2</sup>	-	-	-	(15,007)	-	(560)	-	-	(15,567)
Write offs	-	-	-	(10)	-	(4)	-	-	(14)
Impairment <sup>3</sup>	-	-	-	(2,730)	-	-	-	-	(2,730)
Reclassifications	-	611	-	8	(175)	(444)	-	-	-
Revaluations <sup>3</sup>	-	847	(1,102)	(119)	-	13	-	-	(361)
<b>At 31 March 2019</b>	<b>-</b>	<b>37,327</b>	<b>8,996</b>	<b>33,074</b>	<b>35</b>	<b>1,123</b>	<b>-</b>	<b>-</b>	<b>80,555</b>
<b>Carrying amount at 31 March 2019</b>	<b>73,527</b>	<b>176,144</b>	<b>18,848</b>	<b>55,759</b>	<b>255</b>	<b>4,654</b>	<b>5,838</b>	<b>10,598</b>	<b>345,623</b>
<b>Carrying amount at 31 March 2018</b>	<b>65,359</b>	<b>95,189</b>	<b>22,553</b>	<b>54,451</b>	<b>603</b>	<b>3,855</b>	<b>5,877</b>	<b>65,708</b>	<b>313,595</b>
<b>Asset financing:</b>									
Owned	73,527	176,144	18,848	55,759	255	4,654	5,838	10,598	345,623
<b>Carrying amount at 31 March 2019</b>	<b>73,527</b>	<b>176,144</b>	<b>18,848</b>	<b>55,759</b>	<b>255</b>	<b>4,654</b>	<b>5,838</b>	<b>10,598</b>	<b>345,623</b>
<b>Of the total:</b>									
Department	29,139	43,989	12,143	52,711	-	1,099	5,780	5,437	150,298
Executive Agency	44,388	132,155	6,705	3,048	255	3,555	58	5,161	195,325
Other designated bodies	-	-	-	-	-	-	-	-	-
<b>Carrying amount at 31 March 2019</b>	<b>73,527</b>	<b>176,144</b>	<b>18,848</b>	<b>55,759</b>	<b>255</b>	<b>4,654</b>	<b>5,838</b>	<b>10,598</b>	<b>345,623</b>

<sup>1</sup> Donations include a capital grant-in-kind transfer from the Department for Business, Energy & Industrial Strategy to the Government Property Agency of £7.772 million

<sup>2</sup> Disposals include retired assets; their values are fully written down and they are no longer in use

<sup>3</sup> Revaluations and impairments arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

## Financial Statements

### 6. Property, plant and equipment (continued)

#### Consolidated 2017-18

£000	Land	Buildings	Dwellings	Information technology	Plant and machinery	Furniture and fittings	Art and antiques	Payments on account and assets under construction	2017-18 Total Restated
<b>Cost or valuation</b>									
<b>At 1 April 2017</b>	<b>43,594</b>	<b>96,282</b>	<b>43,931</b>	<b>58,379</b>	<b>512</b>	<b>4,085</b>	<b>9,041</b>	<b>9,278</b>	<b>265,102</b>
Additions	-	9,151	-	29,320	287	2,598	-	61,949	103,305
Donations	-	-	-	-	-	-	48	-	48
Disposals <sup>1</sup>	-	-	-	-	-	-	(31)	-	(31)
Write offs	-	(243)	-	(18)	-	(65)	-	(319)	(645)
Impairments <sup>2</sup>	-	-	-	-	-	-	(2)	-	(2)
Reclassifications – assets under construction	-	7,704	168	1,475	(35)	(1,525)	(3,125)	(5,200)	(538)
Revaluations <sup>2</sup>	21,765	7,003	(11,957)	930	14	123	(54)	-	17,824
<b>At 31 March 2018</b>	<b>65,359</b>	<b>119,897</b>	<b>32,142</b>	<b>90,086</b>	<b>778</b>	<b>5,216</b>	<b>5,877</b>	<b>65,708</b>	<b>385,063</b>
<b>Depreciation</b>									
<b>At 1 April 2017</b>	<b>-</b>	<b>20,250</b>	<b>12,074</b>	<b>19,178</b>	<b>124</b>	<b>1,061</b>	<b>-</b>	<b>-</b>	<b>52,687</b>
Charged in year	-	3,844	907	16,104	68	282	-	-	21,205
Disposals <sup>1</sup>	-	-	-	-	-	-	-	-	-
Write offs	-	(45)	-	(12)	-	(31)	-	-	(88)
Impairment <sup>2</sup>	-	-	-	-	-	-	-	-	-
Reclassifications	-	115	(95)	-	(20)	-	-	-	-
Revaluations <sup>2</sup>	-	544	(3,297)	365	3	49	-	-	(2,336)
<b>At 31 March 2018</b>	<b>-</b>	<b>24,708</b>	<b>9,589</b>	<b>35,635</b>	<b>175</b>	<b>1,361</b>	<b>-</b>	<b>-</b>	<b>71,468</b>
<b>Carrying amount at 31 March 2018</b>	<b>65,359</b>	<b>95,189</b>	<b>22,553</b>	<b>54,451</b>	<b>603</b>	<b>3,855</b>	<b>5,877</b>	<b>65,708</b>	<b>313,595</b>
<b>Carrying amount at 31 March 2017</b>	<b>43,594</b>	<b>76,032</b>	<b>31,857</b>	<b>39,201</b>	<b>388</b>	<b>3,024</b>	<b>9,041</b>	<b>9,278</b>	<b>212,415</b>
<b>Asset financing:</b>									
Owned	65,359	95,189	22,553	54,451	603	3,855	5,877	65,708	313,595
<b>Carrying amount at 31 March 2018</b>	<b>65,359</b>	<b>95,189</b>	<b>22,553</b>	<b>54,451</b>	<b>603</b>	<b>3,855</b>	<b>5,877</b>	<b>65,708</b>	<b>313,595</b>
<b>Of the total:</b>									
Department	65,359	95,189	22,553	54,451	603	3,855	5,877	65,708	313,595
Executive Agency	-	-	-	-	-	-	-	-	-
Other designated bodies	-	-	-	-	-	-	-	-	-
<b>Carrying amount at 31 March 2018</b>	<b>65,359</b>	<b>95,189</b>	<b>22,553</b>	<b>54,451</b>	<b>603</b>	<b>3,855</b>	<b>5,877</b>	<b>65,708</b>	<b>313,595</b>

<sup>1</sup> Disposals include retired assets; their values are fully written down and they are no longer in use

<sup>2</sup> Revaluations and impairments arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

## 6. Property, plant and equipment (continued)

### Valuation

#### Land and buildings

Montague Evans (ME) professionally valued the Civil Service Club and the Emergency Planning College on the basis of fair value as at 31 March 2019. ME have determined fair value on the basis of current value in existing use.

All other land and buildings, including dwellings, have been expressed at their fair value through the application of indices published by Office for National Statistics and Morgan Stanley Capital International, as advised by ME.

Due to the unusual nature of the property, the valuation of 10-12 Downing Street is subject to valuation uncertainty.

#### Art and antiques

Townley Valuation Services Limited valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall estate in June 2015 on the basis of insurance value being the likely cost of replacing the items.

Included within art and antiques are gifts to past and present Prime Ministers. These were valued by J. M. McCarthy Limited, jewellers and silversmiths, in March 2015 on the basis of best estimate of the price at auction. Gifts are further subject to professional valuation on a regular basis as required.

#### All other tangible non-heritage assets

All other tangible non-heritage fixed assets are revalued annually using indices published by the Office for National Statistics where a suitable index exists for the respective asset category.

#### Assets under construction

Assets under construction (PPE) of £10.598 million (2017-18: £65.708 million) relate to building improvement works at Cabinet Office London properties and Cabinet Office IT projects which have yet to come into use.

### 6.1 Leasehold improvements

Included in Buildings are leasehold improvements with a carrying value of leasehold improvements of £88.854 million (2017-18: £11.002 million).

£000	Leasehold Improvements Total
<b>Cost or valuation</b>	
<b>At 1 April 2018</b>	<b>12,887</b>
Additions	1,025
Donations <sup>1</sup>	58
Reclassifications	85,115
<b>At 31 March 2019</b>	<b>99,085</b>
<b>Depreciation</b>	
<b>At 1 April 2018</b>	<b>1,885</b>
Charged in year	7,647
Reclassifications	699
<b>At 31 March 2019</b>	<b>10,231</b>
<b>Carrying amount at 31 March 2019</b>	<b>88,854</b>
<b>Carrying amount at 31 March 2018</b>	<b>11,002</b>
<b>Of the total:</b>	
Department	6,834
Executive Agency	82,020
<b>Carrying amount at 31 March 2019</b>	<b>88,854</b>

<sup>1</sup> Donations include a capital grant-in-kind transfer from the Department for Business, Energy & Industrial Strategy to the Government Property Agency

These leasehold improvements relate to the following buildings:

Building £000	2018-19	2017-18
10 South Colonnade, London	76,574	3,916
10 Victoria Street, London	3,560	2,856
Fleetbank House, London	3,192	-
The Whitechapel Building, London	3,055	2,958
35 Great Smith Street, London	1,211	1,266
Other	1,262	6
<b>Total</b>	<b>88,854</b>	<b>11,002</b>

## Financial Statements

### 7. Intangible assets

#### Consolidated 2018-19

£000	Purchased software licences	IT software	Carbon reduction commitment	Website	Payments on account and assets under construction	2018-19 Total
<b>Cost or valuation</b>						
<b>At 1 April 2018</b>	<b>386</b>	<b>30,836</b>	<b>439</b>	<b>8,134</b>	<b>4,279</b>	<b>44,074</b>
Additions	-	205	-	-	13,525	13,730
Donations	-	-	-	-	-	-
Allowances purchased	-	-	-	-	-	-
Disposals <sup>1</sup>	(180)	(728)	-	(1,668)	-	(2,576)
Write offs	-	-	-	-	(561)	(561)
Impairment <sup>2</sup>	-	(815)	-	-	(469)	(1,284)
Reclassifications	(206)	(2,417)	-	77	(1,909)	(4,455)
Revaluations <sup>2</sup>	-	953	-	233	-	1,186
<b>At 31 March 2019</b>	<b>-</b>	<b>28,034</b>	<b>439</b>	<b>6,776</b>	<b>14,865</b>	<b>50,114</b>
<b>Amortisation</b>						
<b>At 1 April 2018</b>	<b>180</b>	<b>8,573</b>	<b>353</b>	<b>2,099</b>	<b>-</b>	<b>11,205</b>
Charged in year	-	9,077	-	3,408	-	12,485
Allowances surrendered	-	-	30	-	-	30
Disposals <sup>1</sup>	(180)	(728)	-	(1,668)	-	(2,576)
Write offs	-	-	-	-	-	-
Impairment <sup>2</sup>	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations <sup>2</sup>	-	292	-	59	-	351
<b>At 31 March 2019</b>	<b>-</b>	<b>17,214</b>	<b>383</b>	<b>3,898</b>	<b>-</b>	<b>21,495</b>
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>10,820</b>	<b>56</b>	<b>2,878</b>	<b>14,865</b>	<b>28,619</b>
<b>Carrying amount at 31 March 2018</b>	<b>206</b>	<b>22,263</b>	<b>86</b>	<b>6,035</b>	<b>4,279</b>	<b>32,869</b>
<b>Asset financing:</b>						
Owned	-	10,820	56	2,878	14,865	28,619
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>10,820</b>	<b>56</b>	<b>2,878</b>	<b>14,865</b>	<b>28,619</b>
<b>Of the total:</b>						
Department	-	10,820	56	2,878	14,865	28,619
Executive Agency	-	-	-	-	-	-
Other designated bodies	-	-	-	-	-	-
<b>Carrying amount at 31 March 2019</b>	<b>-</b>	<b>10,820</b>	<b>56</b>	<b>2,878</b>	<b>14,865</b>	<b>28,619</b>

<sup>1</sup> Disposals include retired assets; their values are fully written down and they are no longer in use

<sup>2</sup> Revaluations and impairments arise as a result of the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

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## 7. Intangible assets (continued)

### Consolidated 2017-18

£000	Purchased software licences	IT software	Carbon reduction commitment	Website	Payments on account and assets under construction	2017-18 Total Restated
<b>Cost or valuation</b>						
<b>At 1 April 2017</b>	<b>181</b>	<b>13,577</b>	<b>379</b>	<b>5,268</b>	<b>2,885</b>	<b>22,290</b>
Additions	205	12,989	-	2,800	3,240	19,234
Allowances purchased	-	-	60	-	-	60
Donations	-	2,043	-	-	-	2,043
Disposals <sup>1</sup>	-	-	-	-	-	-
Write offs	-	(373)	-	-	-	(373)
Impairment <sup>2</sup>	-	-	-	-	-	-
Reclassifications	-	2,384	-	-	(1,846)	538
Revaluations <sup>2</sup>	-	216	-	66	-	282
<b>At 31 March 2018</b>	<b>386</b>	<b>30,836</b>	<b>439</b>	<b>8,134</b>	<b>4,279</b>	<b>44,074</b>
<b>Amortisation</b>						
<b>At 1 April 2017</b>	<b>151</b>	<b>3,234</b>	<b>307</b>	<b>405</b>	<b>-</b>	<b>4,097</b>
Charged in year	29	5,359	-	1,690	-	7,078
Allowances surrendered	-	-	46	-	-	46
Disposals <sup>1</sup>	-	-	-	-	-	-
Write offs	-	(52)	-	-	-	(52)
Impairment <sup>2</sup>	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations <sup>2</sup>	-	32	-	4	-	36
<b>At 31 March 2018</b>	<b>180</b>	<b>8,573</b>	<b>353</b>	<b>2,099</b>	<b>-</b>	<b>11,205</b>
<b>Carrying amount at 31 March 2018</b>	<b>206</b>	<b>22,263</b>	<b>86</b>	<b>6,035</b>	<b>4,279</b>	<b>32,869</b>
<b>Carrying amount at 31 March 2017</b>	<b>30</b>	<b>10,343</b>	<b>72</b>	<b>4,863</b>	<b>2,885</b>	<b>18,193</b>
<b>Asset financing:</b>						
Owned	206	22,263	86	6,035	4,279	32,869
<b>Carrying amount at 31 March 2018</b>	<b>206</b>	<b>22,263</b>	<b>86</b>	<b>6,035</b>	<b>4,279</b>	<b>32,869</b>
<b>Of the total:</b>						
Department	206	22,263	86	6,035	4,279	32,869
Executive Agency	-	-	-	-	-	-
Other designated bodies	-	-	-	-	-	-
<b>Carrying amount at 31 March 2018</b>	<b>206</b>	<b>22,263</b>	<b>86</b>	<b>6,035</b>	<b>4,279</b>	<b>32,869</b>

<sup>1</sup> Disposals include retired assets; their values are fully written down and they are no longer in use

<sup>2</sup> Revaluations and impairments arise as a result of the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

## Financial Statements

### 7. Intangible assets (continued)

#### Purchased software licenses

Purchased software licences are valued at purchase cost and are not revalued, since an appropriate index is not available.

#### IT software and website

IT software and website assets are revalued annually using indices published by the Office for National Statistics.

#### Assets under construction

Assets under construction of £14.865 million (2017-18: £4.279 million) relate to Cabinet Office IT and cross-government IT projects which have yet to come into use.

#### Carbon Reduction Commitment

The Cabinet Office is registered under the government's Carbon Reduction Commitment Energy Efficiency Scheme. Allowances held by the Cabinet Office relating to the CO2 emissions it generates are valued at purchase cost.

#### Material intangibles

Description	Carrying amount £000	Remaining amortisation period
GOV.UK Verify – Software	5,610	1 year <sup>1</sup>
GOV.UK – Websites	5,172	3 years
Government as a Platform – Software	3,933	3 years
Learning Platform for Government – Software	2,831	3 years
Recruitment Platform for Government – Software	2,262	3 years

<sup>1</sup>The GOV.UK Verify programme is in the process of transitioning to a private sector led model, as announced in October 2018, to ensure government can deliver its commitment to developing ubiquitous digital identity that can be safely used to access services across international borders. Accordingly, the useful economic life has been revised downwards to reflect this

Government Digital Service is set up to support Departments to deliver online services that are designed and built around user needs. This specifically includes working to create the platforms and tools that make it simple for government to build, iterate and retire online services (e.g. GOV.UK, GOV.UK Verify, and Government as a Platform).

Civil Service HR Expert Services share HR expertise and maximise buying power across the Civil Service, to deliver a professional and more efficient service. This specifically includes working to create the platforms and tools that make it simple for government to transform learning, attract and retain (e.g. Learning Platform for Government and Recruitment Platform for Government).

## 8. Impairments

£000		2018-19	2017-18
	Note	Dept'l group	Dept'l group
<b>Charged to Consolidated Statement of Comprehensive Net Expenditure</b>			
- Impairment of property, plant and equipment	4	9,150	2
- Impairment of intangible assets	4	1,284	-
- Impairment of trade receivables	14	168	6,566
- Impairment of trade receivables – write back	14	(319)	(1,408)
- Revaluation of property, plant and equipment	4	(1,056)	(889)
- Write off - property, plant and equipment	4	9	557
- Write off - Intangible assets	4	561	321
<b>Total charged to Consolidated Statement of Comprehensive Net Expenditure</b>		<b>9,797</b>	<b>5,149</b>
<b>Taken through revaluation reserve</b>		<b>3,078</b>	<b>17,092</b>
<b>Total</b>		<b>12,875</b>	<b>22,241</b>

### Impairment of property, plant and equipment

Impairment of £9.150 million (2017-18: £0.002 million) relates to the reclassification of IT hardware considered no longer eligible for grouping, cross government secure IT and the impairment of the Single Operating Platform spend. The 2017-18 comparative relates to the impairment of art and antiques.

### Impairment intangible assets

Impairment of £1.284 million (2017-18: £nil) relates to the impairment of IT software and licenses considered no longer eligible for grouping and cross government agile IT projects.

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## 9. Financial instruments

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

### Liquidity risk

The cash requirements of the Department are met through the Parliamentary Estimates process and income charged to bodies funded by Parliament and funding for the Returning Officers' election expenses is received directly from the Consolidated Fund. Exposure to liquidity risk is therefore low.

### Credit risk

Credit risk from receivables is low. Counterparties are mainly other government Departments and debts are actively pursued by an internal credit control function.

Receivables are impaired when there is evidence that credit losses may arise and stated net of any provision.

Impairments and bad debt write-offs are detailed at Note 4 (Expenditure) and at Note 14 (Trade receivables, financial and other assets).

### Interest rate risk

There is no exposure, since material deposits are held with the Government Banking Service. Deposits held by Returning Officers in commercial bank accounts at 31 March were not material.

### Exchange rate risk

There is little exposure because all material assets and liabilities are denominated in sterling.

### Public dividend capital

The Department holds public dividend capital in the Crown Commercial Service. This financial asset is carried at historical cost less any impairment. Information on the Crown Commercial Service, a body outside the Departmental boundary, is included at Note 11.

# Financial Statements

## 10. Investments in associates

£000	MyCSP Limited	Shared Services Connected Limited	AXELOS Limited	Behavioural Insights Limited	Integrated Debt Services Limited	Crown Hosting Data Centres Limited	Total
<b>Cost or valuation</b>							
<b>At 1 April 2017</b>	<b>3,990</b>	<b>8,374</b>	<b>49,211</b>	<b>804</b>	<b>1,669</b>	<b>-</b>	<b>64,048</b>
Disposals	-	-	-	-	-	-	-
Dividend received	(1,808)	-	(5,578)	(139)	(1,250)	-	(8,775)
Share of results	2,361	966	7,417	713	2,294	123	13,874
<b>At 31 March 2018</b>	<b>4,543</b>	<b>9,340</b>	<b>51,050</b>	<b>1,378</b>	<b>2,713</b>	<b>123</b>	<b>69,147</b>
Disposals	(5,464)	-	-	(237)	-	-	(5,701)
Dividend received	-	-	(12,148)	(257)	(1,625)	(251)	(14,281)
Share of results	921	3,286	10,041	493	2,000	284	17,025
<b>At 31 March 2019</b>	<b>-</b>	<b>12,626</b>	<b>48,943</b>	<b>1,377</b>	<b>3,088</b>	<b>156</b>	<b>66,190</b>

The Department accounts for its investments in associates using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*, and presents disclosures required by IFRS 12 *Disclosure of Interests in Other Entities*. For additional information, see Notes 5 and 22.

### MyCSP Limited

The government established MyCSP Limited (MyCSP) as a private limited company with three minority shareholders: Equiniti Group plc (Equiniti), through its wholly-owned subsidiary Paymaster (1836) Limited, with a 40% stake; the Cabinet Office with a 35% stake; and an Employee Benefit Trust with a 25% stake. MyCSP administers Civil Service pensions, injury benefit claims and compensation awards for 1.5 million public and private sector employees. MyCSP collects data on work history and pays pensions on retirement on behalf of more than 230 employers. It began trading on 1 May 2012.

In September 2014 the Cabinet Office sold an 11% stake in MyCSP to Equiniti. On 26 September 2018 the Cabinet Office sold its remaining 24% shareholding in MyCSP to Equiniti for a consideration of £8 million of which £4 million is deferred until September 2020 resulting in a gain of £2.536 million (see Note 4). The transaction increased Equiniti's shareholding in MyCSP from 51% to 75%. The Employee Benefit Trust maintained its 25% stake in MyCSP.

MyCSP prepares its accounts on an IFRS basis. The reporting date of MyCSP's financial statements is 31 December, the same date as its majority shareholder, Equiniti. MyCSP's published accounts may be found at:

[companieshouse.gov.uk](http://companieshouse.gov.uk)

### Shared Services Connected Limited

The Department has a 25% equity shareholding in Shared Services Connected Limited (SSCL), which provides business support services for public sector organisations and agencies. The government established SSCL as a private limited company with two shareholders: Sopra Steria Limited with a 75% equity stake; and the Cabinet Office with a 25% equity stake. It began trading on 1 November 2013.

There has been no change in the Department's ownership during the year to 31 March 2019. The Department has the benefit of a put option, exercisable between 1 January 2022 and 1 January 2024, giving it the right but not the obligation to sell its 25% shareholding to Sopra Steria at a formula value based on a multiple of adjusted earnings and net cash/borrowings. SSCL's head office is in Hertfordshire, UK.

SSCL prepares its accounts on an FRS 101 (IFRS with limited disclosure) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of SSCL's financial statements is 31 December, the same date as its major shareholder. When applying the equity method of accounting, SSCL's 2018 unaudited financial statements have been used and adjustments have been made for the effects of transactions between 31 December 2018 and 31 March 2019. SSCL's published accounts may be found at:

[companieshouse.gov.uk](http://companieshouse.gov.uk)

## 10. Investments in associates (continued)

### AXELOS Limited

The Department has a 49% equity shareholding in AXELOS Limited (AXELOS), which manages and develops intellectual property around best management practice methodologies. The government established AXELOS as a private limited company with two shareholders: Capita Business Services Limited with a 51% equity stake; and the Cabinet Office with a 49% equity stake. It began trading on 1 January 2014.

There has been no change in the Department's ownership during the year to 31 March 2019. The Department has the benefit of a put option, exercisable between 1 January 2019 and 28 February 2021, giving it the right but not the obligation to sell its 49% shareholding to Capita at a formula value based on a multiple of adjusted earnings and net cash/borrowings. AXELOS's head office is in London, UK.

AXELOS prepares its accounts on an FRS 101 basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of AXELOS' financial statements is 31 December, the same date as its major shareholder. When applying the equity method of accounting, AXELOS' 2018 financial statements have been used and adjustments have been made for the effects of transactions between 31 December 2018 and 31 March 2019. AXELOS' published accounts may be found at: [companieshouse.gov.uk](http://companieshouse.gov.uk)

### Behavioural Insights Limited

The Department has a 30% equity shareholding in Behavioural Insights Limited (BIT), which applies insights from behavioural sciences to tackle public policy problems. The government established BIT as a private limited company with the following shareholders: Nesta with a 30% equity stake; employees with 35% equity stake; and the Cabinet Office with a 35% equity stake. It began trading on 4 February 2014.

On 29 June 2018 the Cabinet Office sold 5% of its shareholding to the Employee Benefit Trust (EBT) for a nominal amount, resulting in a loss of £0.237 million (see Note 4). As a result, the Department is no longer subject to a further call option under which the EBT have the right to purchase a further 4.99% shareholding in BIT from the Department. The Department also has the benefit of a put option, to sell its remaining 30% shareholding to NESTA at a formula value based on a multiple of adjusted earnings and net cash/borrowings. BIT's head office is in London, UK.

BIT prepares its accounts on an FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland – based on IFRS for SMEs) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of BIT's financial statements is 31 March. BIT's published accounts may be found at:

[companieshouse.gov.uk](http://companieshouse.gov.uk)

### Integrated Debt Services Limited

The Department has a 25% equity shareholding in Integrated Debt Services Limited (IDS), which provides a single point of access to a wide range of debt management and collection services for a number of government Departments and the wider public sector. The government established IDS as a private limited company with two shareholders: TDX Group, an Equifax company, with a 75% equity stake; and the Cabinet Office with a 25% equity stake. It began trading on 17 March 2015.

There has been no change in the Department's shareholding during the year to 31 March 2019 and sale of the Department's shareholding is generally not permitted before 16 March 2020 without the approval of the other shareholder. The Department has the benefit of a put option, exercisable between 1 October 2019 and 31 August 2021, giving it the right but not the obligation to sell its 25% shareholding to TDX Group at a formula value based on a multiple of adjusted earnings and net cash/borrowings. IDS's head office is in London, UK.

IDS prepares its accounts on an FRS 102 basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of IDS's financial statements is 31 December, the same date as its major shareholder. When applying the equity method of accounting, IDS's 2018 financial statements have been used and adjustments have been made for the effects of transactions between 31 December 2018 and 31 March 2019. IDS's published accounts may be found at:

[companieshouse.gov.uk](http://companieshouse.gov.uk)

### Crown Hosting Data Centres Limited

The Department has a 25.1% shareholding in Crown Hosting Data Centres Limited (CHDC) which provides public sector customers with assured, low-cost, secured, scalable and flexible data centre colocation services, coupled with low-latency connectivity between data centres. The government established CHDC as a private limited company with two shareholders: Ark Data Centres Limited with a 74.9% equity stake; and the Cabinet Office with a 25.1% equity stake. It began trading on 16 March 2015.

There has been no change in the Department's shareholding during the year to 31 March 2019. The Department has the benefit of a put option, giving it the right but not the obligation to sell its 25.1% shareholding to Ark Data Centres Limited at a formula value based on a multiple of adjusted earnings and net cash/borrowings. CHDC's head office is in Wiltshire, UK.

CHDC prepares its accounts on a FRS 102 basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of CHDC's financial statements is 30 June, the same date as its major shareholder. When applying the equity method of accounting, CHDC's 2018 financial statements have been used and adjustments have been made for the effects of transactions between 30 June 2018 and 31 March 2019. CHDC's published accounts may be found at: [companieshouse.gov.uk](http://companieshouse.gov.uk)

## Financial Statements

### 11. Financial assets

#### 11.1 Current assets

##### Derivative financial assets at fair value through profit or loss

The Department has the benefit of put options in relation to its investments in associates.

£000	Total
	Departmental group
<b>Balance at 1 April 2017</b>	-
Fair value gain on financial assets	-
<b>Balance at 31 March 2018</b>	-
Fair value gain on financial assets	71,948
<b>Balance at 31 March 2019</b>	<b>71,948</b>

Under these put options it can require the co-investors in its associates to purchase its investments in those associates at formula values linked to the associates' net cash or debt positions and earnings. The put options are not capable of separate realisation; they can only be realised together with the underlying investments to which they are linked.

As at 31 March 2019 put options were exercisable in relation to the Department's investments in AXELOS Limited (exercisable until 28 February 2021), Crown Hosting Data Centres Limited (exercisable indefinitely) and Behavioural Insights Limited (exercisable indefinitely). No decision had been made to exercise any of these options.

#### 11.2 Non-current assets

##### Investments in other public sector bodies

###### *Crown Commercial Service*

The core Department holds non-current investments of public dividend capital in the Crown Commercial Service.

£000	Total
	Departmental group
Note	
<b>Balance at 1 April 2017</b>	<b>350</b>
Additions	-
Impairment	4
<b>Balance at 31 March 2018</b>	<b>350</b>
Additions	-
Impairment	4
<b>Balance at 31 March 2019</b>	<b>350</b>

In accordance with the *FReM*, the Cabinet Office's investment in the Crown Commercial Service is shown at its historical cost.

A dividend of £6.158 million (2017-18: £2 million) is receivable for the year ended 31 March 2018; see Note 5. This includes a special dividend to fund the transfer of the Complex Transactions, Continuous Improvement, Market and suppliers and Commercial Policy teams. The published accounts can be found at:

[GOV.UK – Crown Commercial Service](http://GOV.UK - Crown Commercial Service)

### 12. Assets classified as held for sale

#### Sunningdale Park

The core Department holds an asset classified as held for sale at Sunningdale Park, Berkshire.

£000	Note	Total
		Departmental group
<b>Balance at 1 April 2017</b>		<b>16,812</b>
Gain on change in fair value	4	-
Disposal		-
Transfer from property, plant and equipment	6	-
<b>Balance at 31 March 2018</b>		<b>16,812</b>
Gain on change in fair value	4	-
Disposal		-
Transfer from property, plant and equipment	6	-
<b>Balance at 31 March 2019</b>		<b>16,812</b>

The site at Sunningdale is in the Green Belt and includes a listed building and parkland as well as a portion of the site described in the Local Plan as previously developed land. This is the area which houses most of the buildings used for the former Civil Service college.

Contracts for sale were exchanged in December 2016, subject to the Purchasers' obtaining planning consent. A full planning application was submitted in February 2018 and approved by the Royal Borough of Windsor and Maidenhead at a planning committee meeting in October 2018. The planning approval was given subject to a Section 106 order; a legal agreement between an applicant seeking planning permission and the local authority.

The District Valuer considered the site and concluded that the market value at March 2018 was in the order of £31 million as opposed to the carrying value held in Cabinet Office accounts. This reflects the risks if the property were to be offered on the open market, without the benefit of planning consent. No further valuations have taken place.

## 13. Cash and cash equivalents

£000		2018-19	2017-18
	Note	Departmental group	Departmental group
<b>Balance at 1 April</b>		29,937	30,333
Net change in cash and cash equivalent balances		44,703	(396)
<b>Balance at 31 March</b>		<b>74,640</b>	<b>29,937</b>
The following balances at 31 March were held at:			
Government Banking Service – supply – Cabinet Office		60,251	2,803
Government Banking Service – non-supply – consolidated fund standing services – elections		14,389	27,134
Commercial banks and cash in hand – supply – Cabinet Office		–	–
<b>Balance at 31 March</b>		<b>74,640</b>	<b>29,937</b>
The balance at 31 March is held for use in respect of:			
<b>Amounts payable to the Consolidated Fund:</b>			
Supply not spent at year-end	15	59,616	2,664
Consolidated Fund extra receipts – Sale of properties	15	488	–
Consolidated Fund extra receipts – Registrar of Consultant Lobbyists	15	150	139
<b>Returning Officers' expenses, England and Wales</b>			
- 2017 UK Parliamentary general election		14,276	23,551
- UK Parliamentary by-elections		55	423
- Petition to recall an MP		55	–
- 2016 Police and Crime Commissioner elections		–	3,160
<b>Balance at 31 March</b>		<b>74,640</b>	<b>29,937</b>

## 14. Trade receivables, financial and other assets

£000		2018-19	2017-18
	Note	Departmental group	Departmental group
<b>Current – amounts falling due within one year</b>			
VAT		6,727	7,374
Trade receivables		9,142	106,325
Contract receivables		74,391	–
Deposits and advances		811	878
Other receivables		14,823	3,530
Amounts due from importing Departments in respect of machinery of government transfers		281	345
Amounts due from consultant lobbyists for registration fees		3	3
Prepayments		22,903	14,877
Accrued income	14.1	32,002	61,803
Contract assets – accrued income		55,073	–
Amounts from other government Departments to offset provisions	16	2,415	–
<b>Returning Officers' expenses, England and Wales</b>			
Advances to Returning Officers			
- 2017 UK Parliamentary general election		28,874	65,437
- UK Parliamentary by-elections		365	698
- Petition to recall an MP		167	–
- 2016 Police and Crime Commissioner elections		–	9,311
Amounts due from Returning Officers			
- 2017 UK Parliamentary general election		4	–
- 2015 UK Parliamentary general election		–	31
- 2016 Police and Crime Commissioner elections		–	36
<b>Total current assets</b>		<b>247,981</b>	<b>270,648</b>
<b>Non-current – amounts falling due after more than one year</b>			
Deferred consideration upon disposal of shareholdings in MyCSP Ltd <sup>1</sup>	15	3,788	–
Amounts from other government Departments to offset provisions	16	32,939	–
<b>Total non-current – amounts falling due after more than one year</b>		<b>36,727</b>	<b>–</b>
<b>Total</b>		<b>284,708</b>	<b>270,648</b>

<sup>1</sup> Consideration of £4 million (which has been discounted to £3.788 million under IFRS 9) to be received in September 2020

## Financial Statements

### 14. Trade receivables, financial and other assets (continued)

#### Provision for credit losses

An allowance for expected credit loss is determined by reference to payment history against settlement terms. Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. Movements in the provision for impairment of receivables were as follows.

£000	Note	2018-19	2017-18
		Departmental group	Departmental group
<b>At 1 April</b>		6,566	1,408
Provided in the year	4, 8	177	6,566
Provisions utilised in the year <sup>1</sup>	4, 8	(319)	(1,408)
Provisions debts recovered	4, 8	(9)	-
<b>At 31 March</b>		<b>6,415</b>	<b>6,566</b>

<sup>1</sup> The Department has a policy of internally reviewing aged debt using specific criteria for write-off. In 2018-19 £0.319million (2017-18: £2.230 million) was written off (see Note 4) of which £0.319 million (2017-18: £1.408 million) had been provided for with the provision being released to the operating cost

	Provision %			Provision £'000			2018-19
	Private sector	Public sector	Other Govt Dept	Private sector	Public sector	Other Govt Dept	Total
<b>Trade receivables</b>							
Current to 60 days	2%	-	-	83	-	-	83
61 – 90 days	10%	-	-	27	-	-	27
91 – 180 days	30%	50%	-	142	179	-	321
> 180 days	100%	100%	-	678	976	-	1,654
> 361 days	-	-	100%	-	-	3,332	3,332
<b>Total trade receivables</b>				<b>930</b>	<b>1,155</b>	<b>3,332</b>	<b>5,417</b>
<b>Other receivables</b>							
Current to 60 days	2%	-	-	4	-	-	4
61 – 150 days	10%	-	-	17	-	-	17
151 – 331 days	30%	-	-	82	-	-	82
> 180 days	100%	-	-	295	-	-	295
> 331 days	100%	-	-	600	-	-	600
<b>Total other receivables</b>				<b>998</b>	<b>-</b>	<b>-</b>	<b>998</b>
<b>Grand total</b>				<b>1,928</b>	<b>1,155</b>	<b>3,332</b>	<b>6,415</b>

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#### 14.1 Transitional adjustment upon adoption of IFRS 15 *Revenue from contracts with customers*

£000	Note	2018-19	2018-19	2017-18
		As reported under IFRS 15	adjustment taken through reserves	as reported under IAS 18
		Departmental group	Departmental group	Departmental group
Accrued income	14	-	(728)	728
<b>Total</b>		<b>-</b>	<b>(728)</b>	<b>728</b>

An impact assessment identified income in 2017-18 had been accrued with reference to performance obligations being settled at a point in time instead of over a 12 month period when performance obligations were fulfilled according to contract (£0.728 million). Upon transition to IFRS 15, Cabinet Office has recognised the difference between the carrying amount at 31 March 2018 and the carrying amount as it should have been stated within the general fund in tax payer's equity.

## 15. Trade payables, financial and other liabilities

£000		2018-19	2017-18
	Note	Departmental group	Departmental group
<b>Current – amounts falling due within one year</b>			
Other taxation and social security		9,719	8,366
Contract liabilities under IFRS 15 <i>Revenue from contracts with customers</i>		12,398	–
Trade payables		35,359	37,861
Refunds due to consultant lobbyists		–	1
Other payables		7,076	7,177
Other payables in respect of machinery of government transfers		729	728
Accruals		94,804	90,307
Accrual for untaken annual leave		8,197	7,974
Deferred income		10,135	8,225
Receipt on account refundable to AXELOS Limited <sup>1</sup>	17	2,350	2,350
Amounts issued from the Consolidated Fund for supply but not spent at year end – Cabinet Office	13	59,616	2,664
Amounts due to the Consolidated Fund for sale of properties	13, SOPS4	488	–
Amounts due to the Consolidated Fund for consultant lobbyists' registration fees	13, SOPS4	149	137
Amounts due to the Consolidated Fund for civil penalties received from consultant lobbyists	13, SOPS4	1	2
<b>Returning Officers' expenses, England and Wales</b>			
Accruals and other payables			
- 2017 UK Parliamentary general election		40,788	87,340
- 2015 UK Parliamentary general election		–	–
- UK Parliamentary by-elections		421	1,121
- Petition to recall an MP		222	–
- 2016 Police and Crime Commissioner elections		–	11,670
Excess cash payable to the Consolidated Fund			
- 2016 Police and Crime Commissioner elections		–	–
- 2015 UK Parliamentary general election		–	–
<b>Total current liabilities</b>		<b>282,452</b>	<b>265,923</b>
<b>Non-current - amounts falling due after more than one year</b>			
Accruals		–	837
Amounts Payable to the Consolidated Fund – proceeds receivable from sale of shareholdings in MyCSP Ltd	4, 14	4,000	–
<b>Total non-current liabilities</b>		<b>4,000</b>	<b>837</b>
<b>Total</b>		<b>286,452</b>	<b>266,760</b>

<sup>1</sup> Cabinet Office is to be paid £65.800 million in seven equal instalments of £9.400 million commencing 1 January 2017 and ending 31 December 2023. These payments are due from its associate, AXELOS Limited, and represent settlement of deferred additional consideration from the sale of intellectual property in 2013-14. Payment is contingent on the profits of AXELOS Limited. At 31 March 2019, the Cabinet Office recognised income of £9.400 million (see Note 5) and a liability of £2.350 million being a payment on account, which is refundable should AXELOS Limited not be in profit at its financial year ending 31 December 2019 (see Note 17). The unpaid balance of £44.650 million is a contingent asset.

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### 16. Provisions for liabilities and charges

£000		Early departures	Specific dilapidations	Onerous contracts	Other provisions	Total
	Note	Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
<b>Balance at 1 April 2017</b>		<b>478</b>	<b>4,204</b>	<b>202</b>	<b>250</b>	<b>5,134</b>
Provided in the year		4	17,447	-	357	17,808
Provisions not required written back		-	(2,366)	(37)	-	(2,403)
Provisions utilised in the year		(235)	(436)	(39)	-	(710)
Borrowing costs (unwinding of discounts)		1	-	-	-	1
<b>Balance at 31 March 2018</b>		<b>248</b>	<b>18,849</b>	<b>126</b>	<b>607</b>	<b>19,830</b>
Provisions offset by receivables	14	-	35,354	-	-	35,354
Provided in the year		7	3,110	-	6	3,123
Provisions not required written back		-	(17,174)	(50)	(97)	(17,321)
Provisions utilised in the year		(159)	-	(76)	(260)	(495)
<b>Balance at 31 March 2019</b>		<b>96</b>	<b>40,139</b>	<b>-</b>	<b>256</b>	<b>40,491</b>
Of which:						
Current liability		93	2,415	-	251	2,759
Non-current liability		3	37,724	-	5	37,732
<b>Balance at 31 March 2019</b>		<b>96</b>	<b>40,139</b>	<b>-</b>	<b>256</b>	<b>40,491</b>
Of which:						
Current liability		155	-	120	607	882
Non-current liability		93	18,849	6	-	18,948
<b>Balance at 31 March 2018</b>		<b>248</b>	<b>18,849</b>	<b>126</b>	<b>607</b>	<b>19,830</b>

#### Analysis of expected timing of discounted flows – 2018-19

£000		Early departures	Specific dilapidations	Onerous contracts	Other provisions	Total
		Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
Not later than one year		93	2,415	-	251	2,759
Later than one year and not later than five years		3	20,600	-	2	20,605
Later than five years		-	17,124	-	3	17,127
<b>Balance at 31 March 2019</b>		<b>96</b>	<b>40,139</b>	<b>-</b>	<b>256</b>	<b>40,491</b>

#### Analysis of expected timing of discounted flows – 2017-18

£000		Early departures	Specific dilapidations	Onerous contracts	Other provisions	Total
		Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
Not later than one year		155	-	120	607	882
Later than one year and not later than five years		93	4,834	2	-	4,929
Later than five years		-	14,015	4	-	14,019
<b>Balance at 31 March 2018</b>		<b>248</b>	<b>18,849</b>	<b>126</b>	<b>607</b>	<b>19,830</b>

## 16. Provisions for liabilities and charges (continued)

### Early departures

The core Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

The Department provides for early departure costs when the early retirement programme becomes binding on the Department. The provision is discounted by HM Treasury's discount rates for post-employment benefits. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2020-21.

### Specific dilapidations

A specific dilapidation provision is made where the Department is required to bring a property into a good state of repair at the end of a lease. A provision is made for the estimated costs of these repairs based on a rate per square foot, which are subject to annual assessment and, where appropriate, valuation techniques to ensure amounts recognised are appropriate, adhere to the relevant standard and are supportable. A provision is also written back when not required.

Dilapidations relate to buildings managed by GPA and occupied by tenants. Where appropriate, the charge is passed on to the occupying tenant and the GPA recognises a receivable balance in respect of these amounts (see Note 15). The expiry dates of these leases range from 2019-20 to 2025-26 with break clause options in 2019-20.

### Onerous contracts

In respect of vacant leasehold properties, provision has been made for estimated payments discounted by HM Treasury's discount rates for general provisions. Payments include rent, rates, service charges, demolition work and property management charges.

The remaining provisions at the end of 2017-18 related to Birch House and Willow House. A payment was made in respect of Birch House during 2018-19. Willow House has been moved to a remote contingent liability within the Accountability Report with the remaining balance written back.

### Other provisions – pensions

A provision was established in 2017-18 for a potential shortfall in respect of the transfer of accrued pension benefits. This is in relation to the Civil Service Pension New Fair Deal arrangements. The payment was made against this provision during 2018-19 with the remaining balance written back.

### Other provisions – crane incident

A provision was created in 2016-17 in relation to a third-party claim following the collapse of a crane on 70 Whitehall in high winds in 2013-14. There is uncertainty over the responsibility of the Cabinet Office in reference to this claim; therefore, a provision has been created to account for the potential liability. It is expected that payment will be made against the provision in 2019-20.

## 17. Contingent assets

### AXELOS consideration

Cabinet Office is to be paid £65.8 million in seven equal instalments of £9.4 million commencing 1 January 2017 and ending 31 December 2023. These payments are due from its associate, AXELOS Limited, and represent settlement of deferred additional consideration from the sale of intellectual property in 2013-14. Payment is contingent on the profits of AXELOS Limited.

At 31 March 2019, the Cabinet Office recognised income of £9.400 million (see Note 5) and a liability of £2.350 million being a payment on account, which is refundable should AXELOS Limited not be in profit at its financial year ending 31 December 2019. The unpaid balance of £44.650 million is a contingent asset.

### Official Receiver – Carillion plc in liquidation

Following the collapse of Carillion in January 2018, the Cabinet Office provided the Official Receiver with £150 million working capital to maintain public service continuity when managing the liquidation. The Official Receiver continues to progress the liquidation and is seeking to recoup his operating costs through liquidation of assets and from customers of those services.

The eventual cost of the liquidation to the Department is expected to be significantly lower than £139.5 million (the net Cabinet Office contribution as at 31 March 2019, following £10.5 million recoveries in 2018-19), but this will remain subject to uncertainty until the liquidation is concluded.

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### 18. Contingent liabilities

#### Indemnity for the Official Receiver

The government has indemnified the Official Receiver, appointed as Liquidator of Carillion plc and certain other companies in its group, for actions he undertakes as Receiver in respect of any claims and proceedings that are made against him personally.

The indemnity does not extend to any costs which may legitimately be charged to the company or companies in liquidation. This will enable the Official Receiver to ensure the orderly winding up of the group's activities and in particular safeguard the continuity of public services. The indemnity was provided on 15 January 2018 and may be terminated by government giving not less than 14 days' notice.

#### Windsor House

In 2017-18 Cabinet Office held a provision for dilapidations in respect of Windsor House. However, there has since been a significant level of improvements made to the property and the likelihood of dilapidations arising is contingent upon other future events. Therefore, the provision has been removed and an unquantifiable contingent liability is disclosed.

### 19. Commitments under leases

#### 19.1 Finance leases

There are no obligations under finance leases.

#### 19.2 Operating leases

##### Operating leases where Cabinet Office is the lessor

The GPA has various operating leases under non-cancellable operating lease agreements. The average lease term is 14 years and the majority have the ability to renew at the end of the term at a market rate.

£000	2018-19	2017-18 Restated
<b>Obligations under operating leases for the following periods comprise:</b>	<b>Dept'l group</b>	<b>Dept'l group</b>
<b>Land and buildings</b>		
Not later than one year	53,380	-
Later than one year and not later than five years	102,501	-
Later than five years	85,990	-
<b>Total</b>	<b>241,871</b>	<b>-</b>

##### Operating leases where Cabinet Office is the lessee

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which payments will be made.

£000	2018-19	2017-18 Restated
<b>Obligations under operating leases for the following periods comprise:</b>	<b>Dept'l group</b>	<b>Dept'l group</b>
<b>Land and buildings</b>		
Not later than one year	89,338	46,381
Later than one year and not later than five years	217,547	126,795
Later than five years	250,713	174,707
<b>Other</b>		
Not later than one year	682	-
Later than one year and not later than five years	675	-
Later than five years	-	-
<b>Total</b>	<b>558,955</b>	<b>347,883</b>

### 20. Commitments under Private Finance Initiative (PFI) contracts

#### 20.1 On-balance sheet

##### Sunningdale Park site

Following the closure of the National School of Government on 31 March 2012, the Cabinet Office retained the site at Sunningdale Park. The site operated under a PFI contract with a term of 30 years from 13 May 2002. The provision within the PFI agreement for the contract to be broken in May 2017 was taken and notice of the termination of the agreement was given to the private sector partner in February 2016.

Sunningdale Park was sold in December 2016 subject to purchasers securing planning permission and Cabinet Office securing vacant possession. Consequently, the asset was reclassified to 'Assets classified as held for sale'; see Note 12.

In May 2017, the Cabinet Office entered into a deed of variation to the PFI to allow for an Exit Plan to the contract. The Exit Plan required De Vere to continue to manage and secure the site in the interim period between the expiry of the PFI and the completion of the contract for sale and helped the Cabinet Office to comply with the conditions of the sale agreement.

To defray site costs, the existing PFI contract with De Vere was varied to allow De Vere to manage the majority of the site as a hotel. The hotel ceased trading on 31 October 2018 and the responsibility for the whole site returned to Cabinet Office from 1 January 2019.

## 20.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

### Sunningdale Park site

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of PFI transactions was £nil (2017-18: £0.132 million), as disclosed at Note 4. The Department has no further commitments.

## 21. Capital and other financial commitments

### 21.1 Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for capital goods and services. The commitments relate to property modernisation and digital transformation projects.

Contracted capital commitments at 31 March for which no provision has been made and not otherwise included in these financial statements are as follows:

£000	2018-19	2017-18 Restated
	Dept'l group	Dept'l group
Property, plant and equipment	441	22,637
Intangible assets <sup>1</sup>	314	3,263
<b>Total</b>	<b>755</b>	<b>25,900</b>

<sup>1</sup> Intangible asset commitments represent investment in Next Generation Shared Services

### 21.2 Other financial commitments

The Department has entered into contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to information technology and estate management services.

The total payments to which the Department is committed, analysed by the period during which the payments will be made are as follows:

£000	2018-19	2017-18 Restated <sup>1</sup>
	Dept'l group	Dept'l group
Not later than one year	135,943	156,020
Later than one year and not later than five years	117,742	66,007
Later than five years	-	-
<b>Total</b>	<b>253,685</b>	<b>222,027</b>

<sup>1</sup> On 1 April 2018, Geospatial contracts transferred from the Secretary of State for Business, Energy and Industrial Strategy to the Minister for the Cabinet Office. The total commitments related to the contracts as at 31 March 2018 was £95 million.

## 22. Related party transactions

The following bodies are regarded as related parties with which the Cabinet Office has had various material transactions during the year.

Within government, the main suppliers to the Cabinet Office were HM Revenue and Customs, the Department for Business, Energy and Industrial Strategy, the Foreign and Commonwealth Office, the Government Legal Department and the Ministry of Defence.

The main customers of the Cabinet Office were HM Revenue and Customs, the Crown Commercial Service (CCS), the Home Office, the Department for Work and Pensions, the Ministry of Justice and the Department for Business, Energy and Industrial Strategy.

The CCS is an executive agency of the Cabinet Office, with trading fund status. The CCS brings together policy, advice and direct buying, providing commercial services to the public sector and saving money for the taxpayer.

The Cabinet Office is a sponsor of the Civil Service Commission, an executive non-Departmental public body, and of the Registrar of Consultant Lobbyists, a corporation sole; see Note 23. Balances and transactions between the Department and its arm's length bodies have been eliminated on consolidation and are not disclosed in this Note. Neither the Registrar nor their staff have undertaken any material transactions with registered consultant lobbyists during the year.

There were no material transactions between those members of staff in the Elections Division who were involved in the processing of election expense claims and Returning Officers during the year.

The Cabinet Office had six associate companies during the year: MyCSP Limited, Shared Services Connected Limited (SSCL), AXELOS Limited, Behavioural Insights Limited (BIL), Integrated Debt Services Limited (IDSL) and Crown Hosting Data Centres Limited (CHDC); see Notes 5 and 10.

The Cabinet Office received pension administration and other services from MyCSP Limited which are funded by a charge on Principal Civil Service Pension Scheme and the Civil Service and Other Pension Scheme employer pension contributions; see Notes 4 and 5.

Commencing November 2013, the Cabinet Office received payroll, HR, finance and procurement services from SSCL. The Cabinet Office's expenditure with SSCL during the 2018-19 financial year was £6.363 million (2017-18: £6.242 million) and it has future commitments with SSCL totalling £3.141 million (2017-18: £7.327 million).

A contingent asset with AXELOS is disclosed at Note 17. Cabinet Office expenditure with AXELOS during the 2018-19 financial year was £nil (2017-18: nil).

Programme evaluation services were received from BIL. Cabinet Office expenditure with BIL during the 2018-19 financial year was £1.233 million (2017-18: £1.333 million).

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IDSL provide a range of debt management and collection services. Cabinet Office expenditure with IDSL during the 2018-19 financial year was £nil (2017-18: nil).

CHDC provide public bodies with a physical space to host their computer servers and systems that are not in the cloud. Cabinet Office expenditure with CHDC during the 2018-19 financial year was £0.411 million (2017-18: £0.621 million).

The names and titles of all the ministers who had responsibilities for the Department during the year are provided in the Performance report. No minister, Board member, key manager or other related party has undertaken any material transactions with the Cabinet Office during the year. Compensation due to key management personnel in the year has been disclosed in the Remuneration report.

### 23. Entities within the Departmental boundary

The Departmental boundary in this context relates to the boundary of the Departmental accounts. The Departmental boundary is based upon control criteria used by the Office for National Statistics to determine sector classification of the relevant sponsored bodies. Those which are classified to the central government sector are controlled for accountability purposes by one Department and are designated for consolidation by that Department under statutory instrument.

The following bodies have been designated for consolidation into the Cabinet Office Estimates and Accounts and are listed in the Designation and Amendment Orders presented to Parliament.

#### Executive Agency

##### Government Property Agency – supply financed

The Government Property Agency formed as a new executive agency of the Cabinet Office on 1 April 2018 and provides the centralised ownership, control and delivery infrastructure needed to unlock benefits across organisational boundaries. It further positions government to deliver workforce change and wider business transformation, delivering efficiencies and releasing land and property for productive use, including building new homes.

#### Advisory non-Departmental public bodies

The Cabinet Office sponsors a number of advisory non-Departmental public bodies (ANDPBs) that have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements can be separate.

These ANDPBs provide independent and expert advice to ministers on particular topics of interest.

ANDPBs of the Cabinet Office include:

- Advisory Committee on Business Appointments
- Committee on Standards in Public Life
- House of Lords Appointments Commission
- Parliamentary Boundary Commission for England
- Parliamentary Boundary Commission for Wales
- Security Vetting Appeals Panel
- Senior Salaries Review Body

#### Expert Committees

Expert Committees provide independent and expert advice to the government and ministers. Expert Committees of the Cabinet Office include:

- Main Honours Committee
- Geospatial Commission (formed on 1 February 2018 and designated an Expert Committee in 2018-19)

#### Executive non-Departmental public body

##### Civil Service Commission

The Civil Service Commission in its current form was established by the Constitutional Reform and Governance Act 2010, although the Commission has existed as a non-statutory body since 1855. The Act assigns the Commission two primary functions: providing assurance that recruitment to the Civil Service is on merit, on the basis of fair and open competition; and hearing and determining appeals made by civil servants under the Civil Service Code, which sets out the values of the Civil Service – Impartiality, Objectivity, Integrity and Honesty – and forms part of the contractual relationship between civil servants and their employer. As an independent, statutory body the Commission publishes its own Annual Report. Further information can be found at:

[civilservicecommission.independent.gov.uk](https://civilservicecommission.independent.gov.uk); and  
[Civil Service Commission Annual Report and Accounts](#)

#### Statutory Offices

##### The Office of the Registrar of Consultant Lobbyists

The Office of the Registrar of Consultant Lobbyists was set up following the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. The Registrar is an independent statutory office, established to keep and publish the register of consultant lobbyists, on which those who lobby on behalf of a third party are required to declare the names of their clients and whether or not they subscribe to a relevant code of conduct. Further information can be found at:

[GOV.UK – Office of the Registrar of Consultant Lobbyists](#)

##### The Office of the Commissioner for Public Appointments

The Office of the Commissioner for Public Appointments is not a non-Departmental public body; however, its spending falls within the Cabinet Office budget and therefore it is listed in the Designation Order.

## 23. Entities within the Departmental boundary (continued)

### Dormant non-trading company

#### GOVSERV Ltd

GOVSERV Ltd is a private limited company incorporated on 10 November 2017. The company was set up as an on-going contingency measure to take over the responsibility for any public sector contract that might not relate to a specific government Department. No such contracts materialised and the company was dissolved on 16 April 2019.

### Returning Officers' expenses, England and Wales

The Cabinet Office Annual Report and Accounts include Returning Officers' Expenses, England and Wales for which, in previous financial years, an additional standalone Statement of Accounts has been prepared annually under a bespoke Accounts Direction. On 24 March 2017, HM Treasury revoked the bespoke Accounts Direction.

The Department has committed to maintain transparency over election costs by including in its Annual Report and Accounts all relevant and material information previously disclosed within the standalone Statement of Accounts.

To improve transparency and public awareness about the costs of nationwide elections, standalone documents will be published setting out the total costs for the conduct of elections including a breakdown of the main categories of expenditure in greater detail than is required in financial statements. The first such report for the 2014 European Parliamentary elections was published on 1 December 2016 and is available at:

[GOV.UK – Costs of the 2014 European Parliamentary elections](#)

A second report on the cost of the 2015 UK Parliamentary general election was published in June 2018 ([GOV.UK - Cost of the 2015 UK Parliamentary General elections](#)) and this will be followed by a further report on the cost of the 2016 Police and Crime Commissioner elections in due course later in 2019.

## 24. Events after the reporting period

In accordance with the requirements of IAS 10 – *Events after the Reporting Period*, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as being the date of the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

### Machinery of Government Transfers

#### Government Equalities Office

In a written Prime Ministerial Statement on 23 November 2018 it was announced that the Government Equalities Office (GEO) was to transfer to the Cabinet Office from the Department for International Development in a machinery of government transfer on 1 April 2019. The Cabinet Office Permanent Secretary was appointed the Accounting Officer of the GEO on that date.

This machinery of government change will provide a permanent home for the GEO, in line with a key recommendation from the Women and Equalities Select Committee in its report earlier this year.

It will enable the GEO to better co-ordinate work across government, including with the Race Disparity Unit, the Office for Disability Issues, and others, to drive real and meaningful progress on the equalities agenda.

GEO are the sponsors of the Equalities and Human Rights Commission (EHRC) which will become an arm's length body of the Cabinet Office.

This transfer will increase the budget by £36.554 million (GEO £17.994 million, EHRC £18.560 million).

#### The Office for Disability Issues

A written Prime Ministerial statement on 25 June 2019 confirmed that the Office for Disability Issues (ODI) will transfer to the Cabinet Office from the Department for Work and Pensions in November 2019 through a Machinery of Government change.

The ODI will be incorporated into the newly established cross-government disability team based in Cabinet Office. This move recognises that disabled people face barriers across a wide range of aspects of their lives and coordinated cross-government action is therefore vital. It also signals the importance government places on disability.

The new disability team in the Cabinet Office will sit in the new Equalities Hub alongside the Government Equalities Office and the Race Disparity Unit. Together they will be better equipped to drive meaningful progress on equality and to tackle intersectional issues.

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## Whitehall district heating system

On 28 February 2019, a Statutory Instrument was laid in Parliament which enabled the transfer of the Whitehall District Heating System and Whitehall Standby Distribution System (“the Whitehall Systems”) to the GPA from the Crown Commercial Service (CCS).

The transfer formally took place on 1 April 2019 and results in a £3.9 million property, plant and equipment asset and a £1.6 million deferred income liability transferring to GPA.

## Other Events

### Elections

A petition to recall an MP was launched in the constituency of Peterborough between 19 March 2019 and 1 May 2019, this was the first recall petition to take place in England. The recall petition was successful and a by-election was triggered as a result. This took place on Thursday, 6 June 2019.

A recall petition was triggered in the constituency of Brecon and Radnorshire following the conviction of Chris Davies MP. The petition signing period ran from the 9 May 2019 to the 20 June 2019. The petition was successful receiving the signatures of 19% of the constituency's electorate. The result means that a by-election will now take place on 1 August 2019.

The 2019 European Parliamentary general elections in Great Britain and Gibraltar were held on 23 May 2019.

Dame Vera Baird resigned from her role as Police and Crime Commissioner (PCC) for Northumbria on 7 June 2019 to take up the post of Victim's Commissioner. A PCC by-election in Northumbria is due to take place on 18 July 2019.

### EU Exit

An extension to the Article 50 negotiation period was confirmed on 11 April 2019 and the UK departure from the European Union has been postponed until 31 October 2019.

## Annex

### Report on the use of powers under section 70 of the Charities Act 2006

This report is presented pursuant to the Charities Act 2006, section 70, which enables a minister to align the provision of financial assistance to charitable, benevolent or philanthropic institutions.

As with all grant funding in the Cabinet Office, emphasis is placed on providing value for money. Grants paid under the Charities Act are monitored to ensure that recipients deliver the objectives of individual projects, as well as contributing to the strategic aims of the Department.

Throughout 2018-19, the Cabinet Office has made grants totalling £0.343 million (2017-18: £1.240 million) to organisations under the provisions of the Charities Act 2006. In all cases, the funding matched both the aims and objectives of the Cabinet Office, as well as those of the recipients. This spending does not represent the total amount of grant funding provided to the voluntary and community sector, as some other grants have been paid to this sector under the powers conferred by alternative legislation. The most significant grants were paid to the organisations mentioned below.

A grant of £0.110 million was paid to the Charity for Civil Servants which was established 125 years ago as the Civil Service Benevolent Fund. The purpose of the grant is to assist the charity to alleviate hardship among serving and former civil servants, their families and dependents, through the provision of financial assistance and other support and well-being services in accordance with the Rules of the Civil Service Benevolent Fund.

A grant of £0.100 million was paid to the Civil Service Sports Council (CSSC) to encourage and coordinate the pursuit by all its affiliated organisations of all forms of sport and recreation throughout the Civil Service in accordance with the rules of the CSSC.

A grant of £0.133 million was paid to Nesta to support the national Inclusive Economy Partnership which aims to tackle societal challenges such as financial inclusion, transition to work and mental health through collaboration between government, business and civil society in addressing societal challenges.





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