The Queen Elizabeth II
Conference Centre

THE QUEEN ELIZABETH II CONFERENCE CENTRE
ANNUAL REPORT AND ACCOUNTS 2011–2012

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Conference Centre

2011–2012

Annual Report and Accounts

Presented to Parliament pursuant to Section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990

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Message from the Chief Executive

The Queen Elizabeth II Conference Centre Trading Fund is managing a viable and successful business. The Centre has recorded a net surplus for the year of £2.45 million on a turnover of £10.2 million, a result that is well ahead of expectations. During the year 361 meetings and events were held and government bookings accounted for 13% of these. The Centre has a strong foundation of private sector business and a high level of repeat bookings, which currently stands at around 70%.

The results for the year were achieved by actively marketing the conference rooms both at home and abroad. Revenues were maximised via the sale of ancillary services and opportunities identified to introduce more cost efficiency measures. The marketplace for conferences is highly competitive and government booking of space is lower than in past years, but the Centre – whilst welcoming government bookings – is not reliant on this source of income to attain financial objectives.

Revenues for the year came in ahead of budget and also ahead of those achieved in financial year 2010–11. The new financial year will record higher occupancy of the Centre, in part as a result of its use in the summer by the National Organising Committee of Italy for the duration of the Olympic and Paralympic Games.

The business of the conference centre is resilient and is likely to remain so for years to come regardless of the outcome of the Government's review of delivery options. Client satisfaction feedback is high at 88%, although this does show a decline over prior years following a change in the method of collecting data for the early part of the year. Complaints are low, only three recorded for the year. The Centre is one of only two purpose built conference centres in London and is able to take advantage from any uplift in the demand for conference venue space following the Olympic Games.

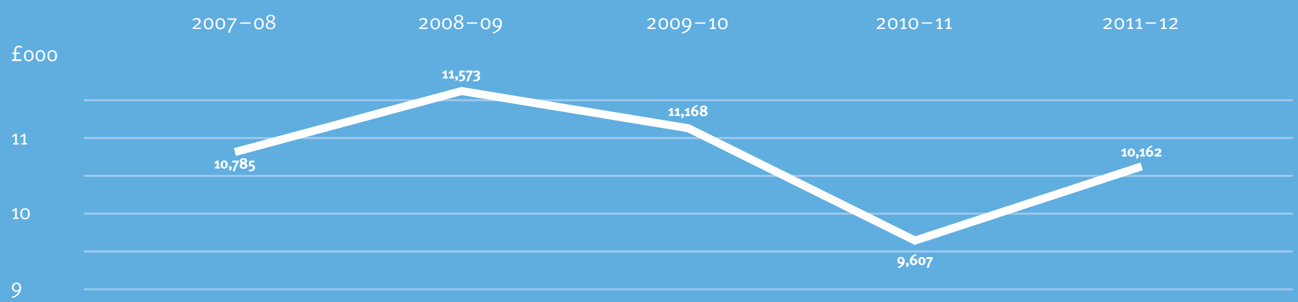
Exceeding budgeted net surplus for the year by a margin of more than £1 million is a tribute to the staff that as a team was able to market the facilities and implement efficiencies without damaging the high level of personal service provided to clients. Leith's, part of the Compass Group, continues to maintain a good reputation as one of the UK's leading event venue caterers.

A written ministerial statement was laid before Parliament in April 2012 to announce that the Government has reviewed the decision to market and dispose of the Centre taken by the previous Government in April 2009. It concluded that the Department for Communities and Local Government should retain its freehold interest in the building. However, alternative delivery options for the conference business are to be explored. To inform its view, the Government will be undertaking pre-market engagement to test the market appetite beginning in May 2012. Subject to the outcome of that engagement, the Government will then decide whether the Centre should continue under the existing arrangements or be marketed to external providers. It has been made clear that any change must maximise value for money for taxpayers.

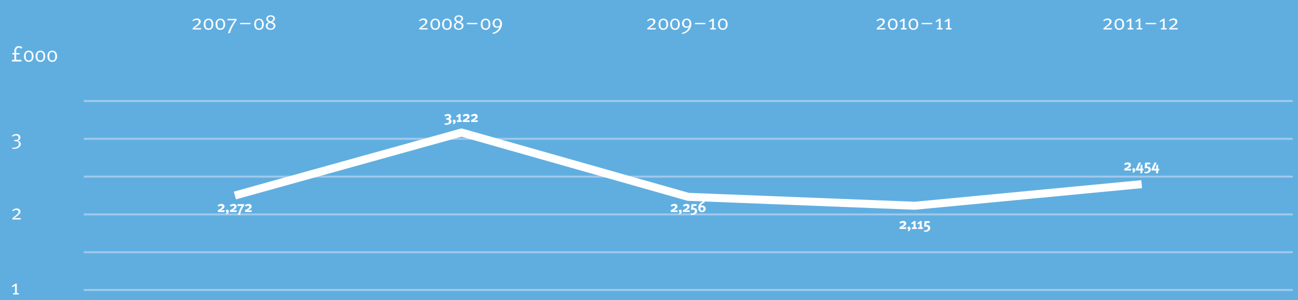
Ernest Vincent, Chief Executive

5 YEAR RECORD OF TURNOVER AND SURPLUS

Turnover

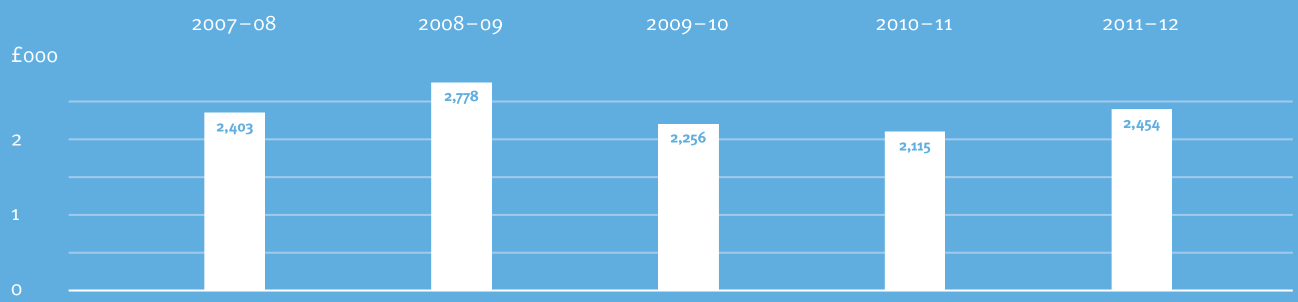


Reported surplus on ordinary activities



Pro forma surplus on ordinary activities

The exceptional receipt in 2008/09 of a rate rebate of £0.344 million has been allocated to prior years which it refers.



Performance against targets

Methods of measurement

Capacity utilisation of the Centre is the relationship between the annual room hire revenue and a theoretical annual maximum expressed as 241 days hire of the whole Centre in a leap year and 240 days in a normal year.

The overall score for value for money in client questionnaires is the calculated average of responses to a specific question in the client questionnaire that accompanies each event. Expressions of satisfaction with value for money are scored as 100 per cent and expressions of dissatisfaction are scored as 0 per cent.

Comparison against targets set for the year ended 31 March 2012

Contribution to the Exchequer of £1,200,000 *(target £1,200,000)*

Capacity utilisation of the Centre of 50.8% *(target 54.0%)*

Overall score for value for money in client questionnaires of 88.0% *(target 90%)*

The number of complaints per 100 events was 0.83 *(target less than 2)*

The average response time to deal with complaints was 1.5 days *(target less than 4 days)*

3 year record of performance against targets

		2010	2011	2012
Contribution to the Exchequer	Target	£1.20m	£1.20m	£1.20m
	Outturn	£1.20m	£1.20m	£1.20m
Capacity utilisation of the Centre	Target	60.0%	65.0%	54.0%
	Outturn	65.3%	54.3%	50.8%
Overall score for value for money	Target	90.0%	90.0%	90.0%
	Outturn	94.9%	97.6%	88.0%
The number of complaints per 100 events	Target	◀ 2.0	◀ 2.0	◀ 2.0
	Outturn	1.58	0.32	0.83
The average response time to deal with complaints	Target	◀ 4.0 days	◀ 4.0 days	◀ 4.0 days
	Outturn	3.2 days	1.0 days	1.5 days

Annual Report and Accounts 2011–12

Directors' Report

1. History and Principal Activities

The Queen Elizabeth II Conference Centre (the Agency) was opened by Her Majesty the Queen in 1986. Trading Fund status was granted on 1 April 1997 under the Government Trading Funds Act 1973. Its role is to provide conference facilities for national and international meetings up to the highest level and to market its facilities commercially as a high quality venue for both Government and private sector use.

2. Management Board

The following served as members of the Management Board during the year. The catering contract with Leith's Limited entitles them to a seat on the Management Board; their nominee, Andrew Hardy is Operations Director of Leith's, part of the Compass Group UK & Ireland.

Ernest Vincent	Chief Executive
Kenneth Ludlam	Non-executive
Andrew Hardy	Non-executive
Hugh Spicer	Non-executive
(appointed 17 May 2011 and retired 16 May 2012)	
John French	Finance Director
Sue Etherington	Commercial Director
Raj Pragji	H.R. Director

3. Employee Involvement

The Agency is committed to improving the quality of service it provides to clients and delegates through the involvement and development of its staff, consistent with its Investor in People accreditation, which was renewed in October 2009 for a further three years. It maintains regular contacts with managers and staff through circulars and forums and through consultation with trade union representatives. Employees participate in a group bonus scheme based on the surplus for the financial year.

4. Policy in Relation to Employment of People with a Disability

The Agency operates a policy of full and fair consideration to applicants with a disability, having due regard to their individual aptitudes, skills and capabilities.

5. Pension Scheme

Staff are eligible to join the Principal Civil Service Pension Scheme. The accounting policy on pension costs can be found in note 1.11 of the Financial Statements and information on the Scheme can be found in note 4 to the Financial Statements.

6. Value of Property

The Department for Communities and Local Government holds title to the land and building. The property was valued at £29 million in the accounts of the Department for Communities and Local Government at 31 March 2012.

7. Changes in Property, plant and equipment

Changes in property, plant and equipment are summarised in note 7 to the Financial Statements.

8. Future Developments

The Government is currently considering options for the future of the conference business, and has begun undertaking pre-market testing with the objective of making a decision as to whether the management of the conference business should continue under the Agency or be marketed to external providers. Accordingly there is the potential that external parties could become involved in management of the Centre. The freehold interest in the property will be retained by Government.

9. Auditor's remuneration

The Comptroller and Auditor General is appointed auditor under the provisions of the Government Trading Funds Act 1973 and reports his findings to the Houses of Parliament. The cost of the audit of the accounts is £34,600 (2011: £34,500). No other services were provided.

10. Information supplied to Auditors

The Agency and its Chief Executive have taken all reasonable steps to ensure that the auditors have been made aware of all information relevant to their audit, to ensure that there is no relevant information of which the auditors are unaware and to establish that this is so.

11. Accounts Direction

This statement of accounts has been prepared in accordance with a Treasury direction, dated 20 December 2011, given in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973.

Management Commentary

1. Development and performance during the financial year

1.1 Trading performance

Turnover in 2011–12 is 5.8% higher than in the previous year: room hire decreased by 2.3%, the in-house production unit increased by 17.6% and the IT sales unit by 76.2%; revenue from other conference activities decreased by 22% and rental income from non-conference space by 20.3%.

Costs were 3.0% higher than those in the previous year. The surplus on ordinary activities of £2.435 million was 15.8% higher than the figure reported for the previous year.

1.2 Innovations and improvements

The continued reduced level in occupancy and overall difficult trading conditions this year have meant that expenditure on innovation and improvements has been restricted for this financial period.

1.3 Operational performance

The average absence from work during the year due to sickness was 3.3 days per employee.

There were no personal data related incidents during the year.

2. Position at the end of the year

2.1 Capital structure

The amount of Public Dividend Capital remains unchanged at £821,000. A dividend payment of £1.2 million was made to the Exchequer which resulted in a retained surplus of £1.254m, and increased the General Reserve at 31 March 2012 to £8.4 million.

2.2 Cash management

Cash balances increased by £2.4 million in the year. All suppliers' invoices were paid in accordance with CBI guidelines, within 30 days from the delivery of goods or services or, if later, receipt of an agreed invoice. Credit control measures were again effective in limiting exposure to the risk of bad debts.

2.3 Non-current asset management

All fixed assets were checked in March to confirm that they are still in good condition and relevant to the business. Those assets not meeting these criteria have been sold or scrapped. Depreciation rates are influenced by the speed with which assets become outdated by changes in technology and fashion.

3. Performance against targets

3.1 Summary of performance against targets

A payment to the Exchequer of £1.2 million met the financial target. The occupancy level achieved was 50.8 per cent which is below the target of 54 per cent. The occupancy level is measured by reference to the theoretical maximum annual room hire revenue. It is therefore adversely affected by the increased levels of discounting that are prevalent in a more competitive market place. Two of the three other business strategy and quality of service targets were exceeded; the value for money performance, which achieved 88% against a target of 90%, was affected by unusually low ratings in the first quarter of the year brought about by a change in the method of collecting data. A more detailed report of performance against targets can be found on page 5.

4. Trends and factors affecting underlying performance during financial year

4.1 The market in which we operate

The conference and meetings market is both local and international and it is very competitive by nature. A wide range of facilities suitable for hosting conferences is available from large purpose-built conference centres in major cities to single rooms in institutions and hotels, with new and additional capacity regularly coming on stream.

The Queen Elizabeth II Conference Centre can accommodate the largest conferences either alone or as part of a London syndicate and small to medium sized events in rooms that can be let singly. It enjoys a prestigious location facing Westminster Abbey and close to Whitehall, the Houses of Parliament and the London Eye.

The products and services offered by the Queen Elizabeth II Conference Centre target sections of the market that value quality, reliability, security and the latest technology. Its competitive advantage is enhanced by its partnership with Leith's, whose reputation for quality catering and excellent service is widely recognised. The Queen Elizabeth II Conference Centre is an ideal venue for large conferences, with or without exhibition space, and for annual general meetings and gatherings of international organisations. It also continues to compete successfully for smaller events, award ceremonies and banquets.

4.2 Market conditions

In line with management expectations trading conditions were difficult during 2011–12. This was compounded by continued government policy on spending cuts and in particular the decision to limit spending on meetings and conferences. The year 2012–13 will see the Olympics take place in London, which will boost the Centre's occupancy through a booking with the National Organising Committee of Italy for the duration of the Olympic and Paralympic Games. Excluding this factor confirmed advance bookings at the start of the year for 2012–13 are at a similar level to those for 2011–12 one year ago.

4.3 Management of principal risks

A Risk Register of potential risks has been maintained by Management and is discussed at monthly Directors and Managers Meetings. The purpose is to evaluate the potential impact of these risks on profitability, to determine what controls are in place to minimise each risk and to propose additional control measures where appropriate. New risks identified are evaluated and added to the Risk Register with appropriate remedial actions. Activity is monitored by the Audit Committee, which is chaired by a non-executive director, Kenneth Ludlam.

4.4 Agency strengths and resources

The Agency's principal strengths are its location and the quality of its product. Its principal resource is the considerable experience, expertise and professionalism of its staff and of its on-site contractors. Analysis of the client feedback questionnaires confirms that the Centre is preferred mainly because of the quality of service provided, whether it be the creativity of Leith's cuisine, the flair of the Interface in-house production team, the attentiveness of our event managers or our flexibility in dealing with changing circumstances.

5. Trends and factors affecting future performance

5.1 Strategy
The strategic aim of the Agency is to meet the financial objectives of the Trading Fund Order. To this end it aims to retain its position as a premium quality and internationally acclaimed conference venue, drawing strength from its prestigious location. Its corporate priorities anticipate a growth in clients' expectations of the quality and range of available services, the use of leading-edge technology and, in particular, value for money. Integrated commercial, operational, financial and HR strategies are updated annually in the light of past performance and perceived changes in market conditions.

5.2 Objectives
The broad operational objective of the Agency, as set out in its Framework Document, is to achieve best value for money in operating the conference centre as a high quality facility for use, on a commercial basis, by government and private sector customers for national and international events.

Its specific objectives are to further strengthen commercial performance by optimising use of the Centre, to maximise revenue from room hire and the sales of ancillary services, to maintain the interior of the building and its services consistent with a high quality venue and to ensure that all staff members are properly trained, well motivated and have opportunities to develop their full potential.

5.3 Building enhancement
The trading conditions experienced during the year resulted in a severely restricted capital expenditure programme and no significant building enhancements occurred during the year. Nevertheless management remained committed to maintaining the Centre's standard of facilities for future years.

5.4 Staff Resources
The Agency maintains a significant pool of technical expertise in the areas of engineering, audio-visual presentation, IT and telecommunications. Further technical support continued to be provided by the Department for Communities and Local Government in respect of matters relating to the fabric of the building and by the contractors who operate building systems and facilities on the Agency's behalf. In October 2009, the Agency was successful in renewing its IIP accreditation for a further three years and continues to apply those principles in the management and motivation of staff. Training and development remains focused on individual improvement.

5.5 Competitive facilities
Market conditions have ensured that a high level of competitiveness remains and pricing policies have been aggressive across all competitors. Management are determined to ensure that the Centre remains competitive without compromising standards and its position in the market place.

5.6 Trading outlook
A revenue increase of 5.8% on the previous year together with continued careful management of costs has produced a good trading performance for 2011–12. Expectations are that 2012–13 will see a significant increase in revenue as a result of the whole centre booking during the Olympic period to host Casa Italia representing the National Olympic Committee Of Italy. The government is reviewing options for the future of the Conference Centre but there is no intention to change the use of the building and so whatever the decision a conference business will continue at the Centre. However there is a potential that the Agency could cease to operate in its current form and with its current functions.

6. Environmental, social and community issues

6.1 Recycling success
The Agency recycled 85 per cent of waste in 2011–12 compared to 74 per cent achieved in 2010–11. In addition to paper, cardboard and bottles, which are high volume items, metal cans, wooden pallets, fluorescent tubes and toners are also being recycled and recycling bins are located in walk-through areas used by delegates.

6.2 Energy efficiency
The Agency has an active programme to reduce its consumption of electricity. During 2010-11 the fall in occupancy over the previous year ensured that consumption was lower but a continued sustainability awareness programme has undoubtedly led to a real fall in consumption.

6.3 Sustainability Reporting
The Agency is exempt from producing a producing a sustainability report on the basis that its headcount is below the 250 threshold.

Remuneration Report

Paragraphs 1 to 5 are not audited. Paragraphs 6 to 11 have been audited.

1. Membership of Remuneration Committee

The Remuneration Committee comprises Kenneth Ludlam, non-executive director and Chairman of the Audit Committee, the Chief Executive, Commercial Director, Finance Director and HR Director.

2. Policy on remuneration of senior managers

The remuneration of the Chief Executive, comprising salary and bonus, is determined by the Department for Communities and Local Government.

Salaries of all other staff, including Directors and senior managers, are determined by a Performance Management Pay Scheme under which most receive a basic award, up to ten per cent receive an enhanced increase for high performance and non-performers receive no increase.

In addition all eligible staff, other than the Chief Executive, participate in a Corporate Bonus Scheme which is linked to the financial performance of the Centre.

3. Methods used to measure performance

Biannually staff are appraised against a set of competencies and individually targeted objectives.

4. Relationship between performance and remuneration

Apart from some small allowances, all remuneration is based on either individual performance or group performance.

5. Policy on duration of contracts

All staff contracts, excluding the Chief Executive, can be terminated by either party by giving one month's notice.

6. Details of Directors' service contracts relevant to the cost of early termination

	Years of service at 31 March 2012	Length of notice
Ernest Vincent, *Chief Executive*	8.50	6 months
John French, *Finance Director*	4.75	1 month
Sue Etherington, *Commercial Director*	8.63	1 month
Raj Pragji, *H.R. Director*	18.75	1 month

7. Awards to past senior managers

There were no awards to past senior managers.

8. Table of remuneration

Details of the remuneration of members of the Management Board and non-executive directors are set out below. None of the members received any benefits in kind. There were no expense allowances and no payments of compensation for loss of office.

Member	Function	Basic salary 2012 £000	Bonus 2012 £000	Total 2012 £000	Basic Salary 2011 £000	Bonus 2011 £000	Total 2011 £000
Ernest Vincent	*Chief Executive*	85–90	5–10	95–100	85–90	5–10	95–100
John French	*Finance*	70–75	0–5	70–75	70–75	0–5	70–75
Raj Pragji	*Human Resources*	55–60	0–5	60–65	55–60	0–5	60–65
Sue Etherington	*Commercial*	60–65	0–5	65–70	60–65	0–5	65–70
Andrew Hardy	*Non-executive*	0–5	nil	0–5	0–5	nil	0–5
Kenneth Ludlam	*Non-executive*	0–5	nil	0–5	0–5	nil	0–5
Hugh Spicer	*Non-executive*	0–5	nil	0–5	–	–	–

The Agency is required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of the Agency's workforce.

The banded remuneration of the highest-paid director in the financial year 2011-12 was £95,000–£100,000 (2010-11, £95,000–£100,000). This was 2.69 times (2010–11, 2.72) the median remuneration of the workforce, which was £36,226 (2010–11, £35,821). In 2011–12, no employees received remuneration in excess of the highest-paid director (2010–11, nil). Remuneration bands ranged from £20,000–£25,000 to £70,000–£75,000 (2010–11 £20,000– £25,000 to £70,000–£75,000)

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

9. Details of non cash elements of remuneration

There were no non cash elements of remuneration given to any employee during the year.

10. Table of pension benefits

Pension benefits of members of the Management Board are set out below. The capitalised value of accrued benefits transferable to another scheme is shown under Cash Equivalent Transfer Value, (CETV). Non-executive members accrue no pension benefits from the Agency.

		Accrued pension £000	Accrued lump sum £000	CETV 2012 £000	CETV 2011 £000
Ernest Vincent	*Chief Executive*	10–15	nil	250	218
Raj Pragji	*Human Resources*	10–15	35–40	170	157
John French	*Finance*	5–10	nil	106	81
Sue Etherington	*Commercial*	5–10	nil	168	145

The real increases during the year of pension benefits are set out below.

		Accrued pension £000	Accrued lump sum £000	CETV £000
Ernest Vincent	*Chief Executive*	0–2.5	nil	22
Raj Pragji	*Human Resources*	0–2.5	0–2.5	–
John French	*Finance*	0–2.5	nil	15
Sue Etherington	*Commercial*	0–2.5	nil	10

11. Amounts payable to third parties for senior manager services

Ther were no amounts paid during the year to third parties for senior manager services.

Ernest H. Vincent, Chief Executive • *7 June 2012*

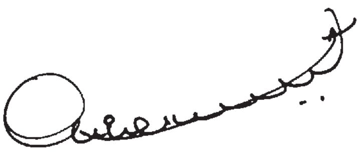
Statement of the Agency and its Chief Executive's responsibilities

The functions of the Queen Elizabeth II Conference Centre are set out in Statutory Instrument 933, 1997. Primarily these are to provide conference and related services. A more detailed description of aims, objectives, responsibilities and governance arrangements is set out in a Framework Document issued by the Secretary of State.

Under Section 4(6) of the Government Trading Funds Act 1973, as amended, the Treasury has directed the Queen Elizabeth II Conference Centre to prepare a statement of accounts for each financial year in the form and on the basis determined by the Treasury. These accounts accord with a Treasury direction dated 20 December 2011. The accounts are prepared on an accruals basis to give a true and fair view of the state of affairs of the Queen Elizabeth II Conference Centre at the year end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Queen Elizabeth II Conference Centre is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in operation; to observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements; to apply appropriate accounting policies on a consistent basis; to make judgements and estimates on a reasonable basis; to follow applicable accounting standards and to disclose and explain any material departure from those standards.

The Treasury has appointed the Chief Executive of the Queen Elizabeth II Conference Centre as the Accounting Officer for the Trading Fund. The Framework Document defines the duties and responsibilities of the Chief Executive. Further, his relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for the keeping of proper records and for the safeguarding of the Agency's assets are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money.



Ernest H. Vincent, Chief Executive • *7 June 2012*

Governance statement

Current Position

The proposed sale of the Queen Elizabeth II Conference Centre (the Centre) was announced by the then Chancellor in 2009 as part of the Government's Operational Efficiency Programme.

Options for the future of the Centre are under review, particularly in light of the Government Property Unit policy to retain freehold property in the Whitehall area for future flexibility and efficiency reasons. The Department for Communities and Local Government (DCLG) as owners of the freehold are managing the review process via the recent formation of a Project Board.

In the meanwhile, there are increased risks to the business, not only from possible changes regarding the future of the Centre but also from the reduced number of government meetings and the general state of the economy.

The Statement sets out the way in which the Centre has been governed and managed and how it has accounted for what it does over the period from 1st April 2011 to the present date.

Responsibility and accountability of the Chief Executive

As Accounting Officer, I have responsibility for providing a Governance Statement that describes the system of internal control in place at the Centre. This Statement supports how the Centre achieves the policies, aims and objectives set by the Secretary of State for Communities and Local Government, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me as a Trading Fund Accounting Officer. I am aware of my responsibilities within the HM Treasury publication 'Managing Public Money' and also those guidelines contained in the 'Code of Practice 2011, Corporate Governance in Central Government Departments'. I have applied, wherever practicable, the principles of the code to the governance of the Trading Fund.

I am pleased to report that the boards, committees and formal meetings described below have provided me with appropriate advice and support to manage the business of the Trading Fund effectively and to produce a net surplus from operations ahead of that budgeted a year ago.

The DCLG Advisory Board (up to November 2011)

The Finance Director for the DCLG calls and chairs meetings of the Advisory Board which met in June 2011 and November 2011. This Board assists the Permanent Secretary to advise the Secretary of State on setting appropriate performance targets for the Centre, agreeing the corporate and business plans prior to submission, and evaluating performance. The Chief Executive is required to submit a written report in advance of the meeting covering performance. Membership of this Board includes DCLG officials, the CEO and Executive Directors of the Centre as well as two jointly appointed independent Non- Executive Directors.

The DCLG Project Board (from – December 2011)

The Project Board has recently replaced the Advisory Board and its inaugural meeting was held on 20th December 2011. This Board is tasked with reviewing options to take forward the potential transition of the Centre out of government and possibly into a private sector/commercial environment if financial conditions are favourable.

The Chair of this Board is the Finance Director for the DCLG. Members are drawn from officials and specialists at the DCLG, the CEO and Executive Directors of the Centre, independent Non Executive Directors, and representatives from the Government's Shareholder Executive and the Government Property Unit. The February meeting of this Board received initial advice in confidence from external specialists to inform members of options and valuation scenarios prior to further briefings being given to Ministers.

The QEIICC Management Board

The Management Board, chaired by the Chief Executive, manages and directs the commercial affairs of the Centre and is tasked with doing so to produce each year a net surplus from trading and to pay a cash dividend to DCLG. The Management Board met in September and December 2011, and February 2012, and will continue to do so throughout this transition period to discuss essential items of business, specifically the management accounts for the period. The principal task of the Management Board is to advise the CEO on the content and format of the business and corporate plan, and to prepare the annual targets for presentation to DCLG ahead of Ministerial submission. The Business and Corporate Plan for the next period will be submitted to the Minister in an abridged version pending her decision regarding the future of the Centre. Membership of the Management Board is the CEO, his Executive Directors and three Non-Executive Directors, two of whom are wholly independent whilst the third represents the contracted catering company. The Management Board also receives an annual report from the Chair of the Audit Committee. The Management Board met on three occasions during the year but was not able to meet for one further planned occasion. A Board Governance questionnaire has been completed and circulated to members of the audit committee and members of the management board itself. No significant issues were identified regarding the effectiveness of the board. All members of the board are actively involved in the business of the conference centre and are closely involved with the strategic management of the Centre. Governance of the Agency, including the structure of the Management Board, will be reviewed following a decision on the future of the Centre. This will be done to avoid duplication of meetings and to streamline governance arrangements. The CEO, as Accounting Officer, retains responsibility for the Centre and is advised regularly by board members.

The Centre's Business and Corporate Plan received Ministerial approval in May 2011. These plans were reviewed by both the Advisory and Management Boards before submission. Following the Government's efficiency initiatives, a significant number of public sector conference events have not taken place and revenue for the current year has declined. Trading has also been influenced by the state of the economy generally. However, significant cost efficiencies have produced a surplus on activities ahead of the budget and after payment of a full dividend to the DCLG.

The Audit Committee

The Audit Committee met in May, September, December 2011 and February 2012. It is a busy and effective committee chaired by Kenneth Ludlam, an experienced independent Non- Executive Director and professional accountant. The Audit Committee comprises three Non-Executive Directors and in attendance are the CEO, the Director of Finance of the Centre, the NAO and the DCLG's internal auditors.

The Committee oversees management of the risk management processes and had a regular review of the Centre's risk register. Issues arising for which further executive consideration was encouraged included:-

- Employment of freelance staff
- EBMS IT controls
- Updating of QEIICC Policies
- Considering the status of the Trading Fund as a going concern

Recruitment limitations across all parts of the civil service resulted in a significant delay in being able to fill a critical vacancy of IT Manager which remained unfilled for fifteen months before being temporarily filled in February 2012. Also, a key vacancy of the Facilities Manager post remained unfulfilled for fourteen months An independent report into the effectiveness of the Centre's ICT function was received in November 2011 from an IT consultancy firm specialising in advising SME sized businesses. Recommendations were tabled at the February 2012 Audit Committee meeting.

The findings in the foregoing report along with those in Internal Audit's report on the Centre's use of the EBMS system, have been subject to review by the new ICT Manager and a detailed plan to effectively remedy all key shortcomings has been drawn up for implementation in 2012 under the supervision of the Management Board and oversight of the Audit Committee.

The ICT Manager attended the May 2012 meeting of the Audit Committee to report on his progress of implementing all recommendations from these two reports.

The chair of the Audit Committee has agreed to continue in post for a further term up to March 2013.

The Directors' and Managers' Monthly Meeting (DMM)

Meetings are held monthly to an agenda and minutes are recorded. The meeting reviews the monthly management accounts as presented by the Financial Director; it takes a report from the Commercial Director and the Director of Human Resources; it also records operational progress and deals with issues around the operation of the Centre such as event operations and audio visual service provision. The meeting also reviews any risks that have been identified including agreeing appropriate action plans to mitigate those risks. From November 2011, this meeting also formally reviews all overtime expenditure incurred during the period. This meeting manages guidance to staff which is provided on their desk-top computers in the form of a set of the Centre's policies and procedures. This guidance is maintained to accommodate organisational and system changes and recommendations from auditors. A Performance Management System appraises staff and identifies job-related training to enhance their performance. The DMM also receives an update on risk each month from the Finance Director.

Management, Direction and Oversight of the Facility and Catering Contracts

Formal meetings are also held to govern the management of the Catering Contract with Leith's and the facility management contract with MITIE. The CEO and Director of Finance are present at both these meetings. A regular walkround with the Catering Manager, Commercial

Director and CEO also takes place to ensure that all catering areas are being maintained to an appropriate standard. A Total Facility Management Contract had been negotiated and the contract with the successful bidder, Interserve, commenced on 1st April 2012.

The Health and Safety and Sustainability Committees

Active Health and Safety and Sustainability Committees, chaired by the CEO, meet quarterly and are attended by all operational personnel, including the facility contractors. Fire safety training for all staff occurs annually. A Business Continuity Plan is regularly updated and rehearsals undertaken from time to time. The Business Continuity Plan will be reviewed during the upcoming financial year.

The Middle Managers Meeting (MMM)

The Middle Managers met on a monthly basis throughout the year and discussed all operational matters. The meeting is chaired on a rotational basis, and incorporated representation from the cleaning contractor (GBM), Leiths, MITIE and the security provider (ISS Pegasus). Any matters of significance covering risks and health and safety are escalated to the DMM.

The Risk Management Process

At the heart of the risk management process is an integrated system of long-term planning, allocation of responsibilities and budgetary control. The Centre's Business and Corporate Plan (BCP) with a five year horizon is prepared annually and this takes into account the risks and opportunities facing the Centre and charts the probable course of trading income, capital investment, human and financial resources. Responsibility for delivering a specific section of the BCP is allocated to a Director or the relevant senior manager. Targets are set for the coming year and a plan is drawn up incorporating income expectations and suitable levels of cost to run the business effectively and contain risks at an appropriate level.

Directors allocate specific responsibilities, financial authority and budgets to the managers within their departments. As a result of the current economic climate, and in line with a prudent approach to financial management, closer scrutiny of expenditure across all areas of the Centre's operations has been introduced during the year. Close monitoring of all expenditure is undertaken by all managers at regular intervals.

Directors and Managers supply regular reports on the management of risks in their areas of responsibility including progress reports on key projects. These procedures are assessed and overseen by a Risk Management Working Group and internal auditors.

The inter-departmental Risk Management Working Group met quarterly to maintain the risk register, to assess business risks, the means of managing them and to identify possible improvements. From January 2012, a new system of risk escalation has been introduced, enabling the Directors' and Managers' Meetings to have greater responsibility for identifying and escalating risks within their areas. Internal audit are conducting a review to advise on the applicability of the proposed new process for an organisation of our size and complexity. The risk register will also be reviewed by the Executive Directors at a quarterly risk review meeting. A review of the risk management process to ensure it is effective will be undertaken by internal auditors.

Guidelines regarding data handling issued by the Cabinet Office are being adhered to and the appointment of a senior information officer (SIRO) is in place.

The system of internal control

The system of internal control is designed, inter alia, to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives. It can, therefore provide, only reasonable, and not absolute, assurance of effectiveness. The system of internal control accords with Treasury guidance and has been in place for the full year to March 2012. During the year the internal auditors have submitted reports to the Audit Committee, prepared to Government Internal Audit Standards, covering Interface (in-house Audio Visual team), the Event Business Management System (used to record all bookings and relating data), Key Financial Control Testing and Business Procedures. This year the internal auditor's overall opinion has improved to moderate assurance for control and substantial assurance for both risk management and governance.

Review of Effectiveness)

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Directors and Managers of the Centre who have responsibility for the development and maintenance of the internal control framework. My review takes into account comments made by the National Audit Office in their management letter and other reports. I have also been advised on the effectiveness of the system of internal control by the Management Board and the Audit Committee.

The Management Board, the Audit Committee, the monthly Directors' and Managers' Meeting, and the internal auditors all participate in the review of the effectiveness of the system of internal control. The Audit Committee reviews all reports from internal and external auditors, which include management responses and agreed remedial action, and receives a written report on the progress of implementing the agreed remedies. It also receives regular reports on risk from the Finance Director.

Significant internal control problems during the year

There are no issues of significance to report for the period covered by this report. There have been no information security breaches during the year.

However, as reported in the Annual Report and Accounts for 2010–11 the Agency has been challenged regarding the ownership of copyright for some images used in the course of business.

The struggle to maintain effective internal control at the current time is very challenging, particularly when resource availability and allocation is closely monitored and controlled. This Trading Fund has a history of sound and prudent financial management, and as Accounting Officer I intend to do all I can to maintain this record of achievement. This will be done as far as practicable by utilising the resource I have to hand in an efficient manner to discharge those duties for which I am personally responsible.

Ernest H. Vincent, Chief Executive • *7 June 2012*

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Queen Elizabeth II Conference Centre for the year ended 31 March 2012 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Net Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and auditor

As explained more fully in the Statement of the Agency and its Chief Executive's Responsibilities, the Agency and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. This includes an assessment of: whether the accounting policies are appropriate to the Queen Elizabeth II Conference Centre's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Queen Elizabeth II Conference Centre; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am 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.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of The Queen Elizabeth II Conference Centre's affairs as at 31 March 2012 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Emphasis of matter – Going Concern

Without qualifying my opinion, I draw attention to Note 1 of the financial statements. The Government has commenced pre-market engagement to test the appetite for alternative delivery options for the business of the Conference Centre. It is possible, but not certain, that the existing Executive Agency could be abolished. There is, therefore material uncertainty as to how long the Agency will continue to operate in its current form and with its current functions. The Agency is aware that legislation would be required to wind up the Trading Fund and management expects that it will continue to operate for at least the next twelve months. The financial statements are, therefore, prepared on a going concern basis.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Message from the Chief Executive, Directors' Report and Management Commentary sections 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or 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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

15 June 2012

Statement of Comprehensive Net Income

for the year ended 31 March 2012

	NOTES	2012 £000	2011 £000
Revenue	*2*	10,162	9,607
Depreciation and amortisation	*6*	(801)	(865)
Staff costs	*3*	(2,104)	(2,233)
Other expenditure	*6*	(4,822)	(4,407)
Operating surplus for the year	*2*	2,435	2,102
Interest receivable		19	13
Operating surplus for the year after interest		2,454	2,115
Payment to Exchequer		(1,200)	(1,200)
Retained surplus/(deficit)		1,254	915

Notes to the Statement of Comprehensive Net Income:

i All operations are continuing.

ii There were no other recognised gains or losses during the year.

The notes on pages 16 to 19 form an integral part of these accounts.

Statement of Financial Position

as at 31 March 2012

	NOTES	2012 £000	2011 £000
Non-current assets			
Property, plant and equipment	*7*	2,220	2,882
Intangible assets	*8*	7	6
Total non-current assets		2,227	2,888
Current assets			
Trade and other current receivables	*9*	1,522	1,816
Cash and cash equivalents	*10*	9,127	6,700
Total current assets		10,649	8,516
Total assets		12,876	11,404
Current liabilities			
Trade and other current payables	*11*	3,504	3,222
Provisions	*12*	50	58
Total current liabilities		3,554	3,280
Non-current assets plus net current assets		9,322	8,124
Non-current liabilities			
Provisions	*12*	–	–
Deferred revenue	*11*	144	200
Total non-current liabilities		144	200
Assets less liabilities		9,178	7,924
Taxpayers' equity			
Public Dividend Capital		821	821
General Reserves		8,357	7,103
		9,178	7,924

The notes on pages 16 to 19 form an integral part of these accounts.

Ernest H. Vincent, Chief Executive • *7 June 2012*

Statement of Cash Flows

for the year ended 31 March 2012

	NOTES	2012 £000	2011 £000
Cash flows from operating activities			
Operating surplus after interest		2,454	2,115
Depreciation and amortisation	*6*	801	865
Interest received		(19)	(13)
Increase/(Decrease) in provisions	*12*	(8)	42
(Increase)/Decrease in trade and other receivables	*9*	294	(11)
Increase/(Decrease) in trade and other payables due within one year	*11*	282	288
Increase/(Decrease) in trade and other payables due after more than one year	*11*	(56)	(11)
Net cash inflow from operating activities		3,748	3,275
Cash flows from investing activities			
Property, plant and equipment and intangibles purchases	*7, 8*	(140)	(195)
Interest received		19	13
Cash flows from financing activities			
Payment to Exchequer		(1,200)	(1,200)
Net increase/(decrease) in cash and cash equivalents		2,427	1,893
Cash and cash equivalents at the beginning of the period	*10*	6,700	4,807
Cash and cash equivalents at the end of the period	*10*	9,127	6,700

The notes on pages 16 to 19 form an integral part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Public Dividend Capital £000	General Reserve £000
Balances at 1 April 2010	821	6,188
Comprehensive Net Income for the year	–	915
Balances at 1 April 2011	821	7,103
Comprehensive Net Income for the year	–	1,254
Balances at 31 March 2012	**821**	**8,357**

The notes on pages 16 to 19 form an integral part of these accounts.

Notes to the Financial Statements

for the year ended 31 March 2012

Note 1

Accounting Policies

These accounts have been prepared in accordance with the Government Trading Act 1973 and the 2011–12 Government Financial Reporting Manual (FReM) issued by the Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards 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 Queen Elizabeth II Conference Centre for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Queen Elizabeth II Conference Centre are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets to their value to the business by reference to current costs.

In April 2012, the Government announced its intention to reverse a decision taken by the previous Government in 2009 and concluded that the Department for Communities and Local Government should retain its freehold interest in the conference centre. However, alternative delivery options for the conference business are to be explored and the Government began undertaking pre-market engagement to test the market appetite in May 2012. The Government will use the outcome of that engagement to decide whether the management of the conference business should continue under the Agency or be marketed to external providers. Since the future of the Agency has yet to be decided there is a material uncertainty that casts significant doubt upon the Agency's ability to continue to operate in its current form and with its current functions.

Having considered the circumstances described above, and from discussion with the Department, management's expectation is that the Agency will continue to operate in its current form for at least the next 12 months. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Property, plant and equipment

The freehold title in the land and buildings is held by the Department for Communities and Local Government. This is revalued on an existing use basis each year and disclosed in the accounts for the Department net of the Agency's interest in the property. The Agency does invest in structural enhancements to the property which are capitalised as building improvements and valued at depreciated historical cost as management consider that, in the absence of a readily obtainable market for such items, this provides a suitable approximation for fair value. Non property assets are re-valued by reference to the cost of modern equivalent assets. Items of furniture, IT and operational equipment valued under £1,000 are written off in the year of purchase. The cost or valuation of a tangible asset is written off on a straight-line basis over its expected useful life with a full year's depreciation being charged in the year of acquisition. Expected useful lives are as follows:

	Life in years
Building improvements	4–15
Furniture	3–10
IT & telecommunications equipment	2–10
Operational equipment	3–10

1.3 Intangible assets

Intangible assets acquired separately are re-valued internally each year by reference to relevant pricing indices published by the government. The cost or valuation of an intangible asset is written off on a straight-line basis over its expected useful life. Items valued under £1,000 are written off in year of purchase.

	Life in years
Computer Software	3–5

1.4 Value added tax

In the financial statements all figures are shown net of recoverable Value Added Tax.

1.5 Income recognition

Income is recognised on the day that a service is provided. Income invoiced less than one year in advance is shown as a liability. Income invoiced more than one year in advance is shown as a deposit invoiced more than one year in advance.

1.6 Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease receipts under operating leases are recognized as income on a straight line basis over the lease term.

1.7 Accounting estimates and judgements

The Agency makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other relevant factors. In the future, actual experience may differ from these estimates and assumptions.

The Agency has recognised a provision for liabilities of uncertain timing or amount arising from a legal dispute. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

1.8 Provisions

The Agency recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met a contingent liability may be disclosed in the financial statements.

1.9 Foreign currency transactions

Amounts paid or received in foreign currency are converted to sterling at the rate ruling on the day of the transaction. Differences on exchange are immediately written off to the Statement of Comprehensive Net Income.

1.10 Insurance

In accordance with Government policy, the Agency is self-insured. Payments in respect of insurable losses are charged to the Statement of Comprehensive Net Income as they occur.

1.11 Pensions

Pension costs are the monthly contributions by the Agency to the Principal Civil Service Pension Scheme, which accepts the liability for the payment of pensions after retirement.

1.12 New accounting standards not yet effective

There are no new accounting standards which are effective for periods beginning after 1 April 2011 that would have a material impact on the Agency's financial statements.

1.13 New accounting standards adopted early

The Agency has not adopted any new accounting standards in advance of their effective date.

Note 2

Income analysis

Whilst its principal source of income arises from conference activities, the Queen Elizabeth II Conference Centre also receives income from renting space within and on the Centre. None of the Centre's costs or net assets is identified specifically with the rental activities.

	2012 £000	2011 £000
Income from conference activities	9,914	9,316
Other rental income	248	291
Income from operating activities	10,162	9,607
Surplus on conference activities	2,187	1,811
Surplus on rental activities	248	291
Operating surplus for the year	2,435	2,102

Note 3

Staff numbers and related costs

Employee benefits expense

	2012 Permanent £000	2012 Others £000	2012 Total £000	2011 Total £000
Wages and salaries	1,589	48	1,637	1,782
Social security costs	158	5	163	149
Pension	284	–	284	301
Increase/(decrease) in holiday pay accrual	8	1	9	(32)
Redundancy and early retirement costs	–	–	–	–
Temporary agency staff	–	11	11	33
Total staff costs	2,039	65	2,104	2,223

Staff numbers

	2012 Permanent	2012 Fixed term	2012 Total	2011 Total
Average number of staff for the year				
Administration	8	–	8	8
Operations	12	1	13	15
Presentations	13	1	14	15
Sales and Marketing	7	–	7	8
Total average number of staff	40	2	42	46

Note 4

Pension costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and therefore the Queen Elizabeth II Conference Centre is unable to identify its share of the underlying assets and liabilities. The Scheme's Actuary reviews employers' contributions every four years following a full scheme valuation. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme. Employers' contributions of £283,918 (2010–11 £301,355) were payable to the PCSPS at one of four rates in the range based on salary bands of 18.8 to 24.3 per cent of pensionable pay. Rates in 2011–12 are in the range of 18.8 to 24.3 per cent of pensionable pay.

Note 5

Remuneration of the Management Board

Details of the remuneration and pension benefits of members of the Management Board are given in the Remuneration Report.

Note 6

Other expenditure

	Note	2012 £000	2011 £000
Maintenance and cleaning		1,322	1,348
Sub-contracted services		915	921
Utilities		498	440
Rates		472	445
Equipment hire		415	128
Advertising and marketing		126	114
Travel and subsistence		36	30
Auditor's remuneration		35	35
Entertaining		7	7
Self-insurance losses		2	54
Other costs		978	808
Non-cash items			
Depreciation	7	796	849
Amortisation	8	5	16
Provision for doubtful debts		16	77
Total		5,623	5,272

Note 7

Property, plant and equipment

	Building Improvements £000	IT & Telecoms Equipment £000	Operational Equipment £000	Furniture £000	Total £000
Cost or Valuation					
At 1 April 2011	6,296	420	1,552	1,521	9,789
Additions	24	37	62	11	134
Disposals	–	(16)	–	(15)	(31)
At 31 March 2012	**6,320**	**441**	**1,614**	**1,517**	**9,892**
Depreciation					
At 1 April 2011	3,917	338	1,321	1,331	6,907
Charge for year	599	45	98	54	796
Disposals	–	(16)	–	(15)	(31)
At 31 March 2012	**4,516**	**367**	**1,419**	**1,370**	**7,672**
Net book value					
At 1 April 2011	2,379	82	231	190	2,882
At 31 March 2012	**1,804**	**74**	**195**	**147**	**2,220**

Included within the cost of property, plant and equipment are fully depreciated assets with a cost of £3,975,160 (2011, £3,699,485). The majority of these assets are used as back-up when equipment in use malfunctions.

	Building Improvements £000	IT & Telecoms Equipment £000	Operational Equipment £000	Furniture £000	Total £000
Cost or Valuation					
At 1 April 2010	6,241	422	1,438	1,525	9,626
Additions	55	9	123	2	189
Disposals	–	(11)	(9)	(6)	(26)
At 31 March 2011	**6,296**	**420**	**1,522**	**1,521**	**9,789**
Depreciation					
At 1 April 2010	3,322	296	1,211	1,255	6,084
Charge for year	595	53	119	82	849
Disposals	–	(11)	(9)	(6)	(26)
At 31 March 2011	**3,917**	**338**	**1,321**	**1,331**	**6,907**
Net book value					
At 1 April 2010	2,919	126	227	270	3,542
At 31 March 2011	**2,379**	**82**	**231**	**190**	**2,882**

Note 8

Intangible assets

	Computer Software £000
Cost or Valuation	
At 1 April 2011	128
Additions	6
At 31 March 2012	**134**
Amortisation	
At 1 April 2011	122
Charge for year	5
At 31 March 2012	**127**
Net book value	
At 1 April 2011	6
At 31 March 2012	**7**
Cost or Valuation	
At 1 April 2010	122
Additions	6
At 31 March 2011	**128**
Amortisation	
At 1 April 2010	106
Charge for year	16
At 31 March 2011	**122**
Net book value	
At 1 April 2010	16
At 31 March 2011	**6**

Note 9

Trade and other current receivables

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade receivables	1,457	1,760
Prepayments and accrued income	42	38
Other receivables	23	18
	1,522	1,816
Intra-government balance analysis		
Balances with central government bodies	36	281
Balances with local authorities	62	2
Balances with NHS bodies	1	2
Balances with public corporations & trading funds	110	25
Balances with bodies external to government	1,313	1,506
	1,522	1,816

Note 10

Cash and cash equivalents

Government Banking Service	8,684	5,836
Commercial banks and cash in hand	443	864
	9,127	6,700

Note 11

Trade and other current payables

Amounts falling due within one year:

	2012 £000	2011 £000
Trade payables	240	259
Value Added Tax	385	385
Other taxes and NI	72	70
Accruals and deferred income	823	629
Deposits invoiced in advance	1,962	1,860
Other payables	22	19
	3,504	3,222
Intra-government balance analysis		
Balances with central government bodies	498	621
Balances with local authorities	57	1
Balances with public corporations & trading funds	12	24
Balances with bodies external to government	2,937	2,576
	3,504	3,222
Deposits invoiced more than one year in advance:		
Balances with bodies external to government	144	200
	144	200

Note 12

Provisions for liabilities and charges

Due within one year		
Early Retirement Pensions (see below)	–	8
Compensation claim	50	50
	50	58

There was an obligation to pay early retirement pension benefits until the sixtieth birthday of the beneficiary. The future liability was fully provided at current award levels.

Early Retirement		
Opening balance	8	16
Charge to the Statement of Comprehensive Net Income	1	–
Payments made during the year	(9)	(8)
Closing balance	–	8

Note 13

Operating leases

The Agency leases out certain facilities under operating leases. Office space is let under a short term arrangement with a three month notice period for either party, car park spaces are let on annual leases and longer term lease arrangements are in place for roof space to house telecommunications equipment.

	2012 £000	2011 £000
Future minimum lease payments		
Not later than one year	50	69
Later than one year and not later than five years	61	69
Later than five years	–	9
	111	147

Note 14

Financial instruments

Short-term debtors and creditors have been excluded from this disclosure.
The fair values of the Agency's financial assets and liabilities at 31 March 2012 are as follows.

	Book value £000	Fair value £000
Financial assets		
Cash at bank and in hand	9,127	9,127
Financial liabilities		
Deposits invoiced more than one year in advance	(144)	(144)

Note 15

Financial risks

Liquidity risk

The levels of capital expenditure and Exchequer payment are both managed to be met from available cash balances. The Agency is reliant on the liquidity of the Department for Communities and Local Government to meet a major insurable loss.

Interest rate risk

99 per cent of capital and reserves is in the form of cash on deposit, earning interest at a rate that varies broadly in line with the Bank Rate.

Foreign currency risk

The Agency has no significant exposure to assets, liabilities, income or expenditure denominated in foreign currencies.

Note 16

Capital commitments

At 31 March 2012 the Agency had no contracts for expenditure on property, plant and equipment (2011, nil).

Note 17

Losses, special payments and gifts

Costs falling into the category of losses, special payments and gifts were below the level, currently £250,000, at which they need to be reported separately for both this financial year and the prior year.

Note 18

Contingent liabilities

There were no material contingent liabilities at 31 March 2012 (2011, none).

Note 19

Related party transactions

The Queen Elizabeth II Conference Centre is an executive agency of the Department for Communities and Local Government, which is regarded as a related party. There were several transactions with the Department during the year to the total value of £2,812 (2011, £41,994). At 31 March 2012 there were no balances outstanding with the Department (2011, £2,940 in trade receivables, £8,641 in trade payables and £4,900 deposits invoiced in advance).

There were many normal business transactions with other Government bodies, amounting to significant value in the cases of the Foreign & Commonwealth Office, HM Treasury and the Parliamentary Estates Directorate.

Leith's Limited, part of the Compass Group, has the right to a place on the Management Board; transactions with the Compass Group totalled £1,631,266 (2011, £1,278,673). At 31 March 2012 there was a balance £152,959 (2011, £549) in trade receivables, £2,737 (2011: nil) in deposits in advance and nil (2011, £18,137) in trade payables.

No Director, key manager or other related party has undertaken any material transaction with the Agency during the year.

Note 20

Memorandum Account for the year ended 31 March 2012

The Department for Communities and Local Government incurs costs as owner of the building. The following account incorporates these costs with the results of the Agency.

	2012 £000	2011 £000
Surplus for the financial year after interest per Statement of Comprehensive Net Income	2,454	2,115
Deduct expenditure incurred by owner of the building	(21)	(65)
Notional net surplus for the financial year	2,433	2,050

The Department for Communities and Local Government did not incur any capital expenditure on the building during the financial year (2011 nil).

Note 21

Financial performance indicators

The Queen Elizabeth II Conference Centre is set performance targets annually by the Secretary of State for Communities and Local Government. The financial target and the actual outturn are given below.

	2012 Target £000	2012 Actual £000	2011 Target £000	2011 Actual £000
Contribution to Exchequer	1,200	1,200	1,200	1,200

Note 22

Commitments under leases

The Agency operates its business in accordance with its Trading Fund agreement. The conference building is not owned by the Agency and the Agency does not have a formal lease with the landlord, the Department for Communities and Local Government, and accordingly does not pay rent. However under the terms of a framework document published in March 2003 the minimum dividend payable by the Agency is determined by the capital charge that applies to the building and 6% of the average capital employed. However following the adoption of international accounting standards the building is treated as an investment asset by the Department for Communities and Local Government and accordingly capital charges do not apply. The calculated minimum dividend could be deemed to be a quasi rental and estimates of annual current commitments are as follows:

	2012 £000	2011 £000
Amounts falling due within one year	513	448
Amounts falling due after one year but within five years	2.052	1,792

As there is no formal lease there is no term to the commitment and it is not possible to arrive at a definitive figure for the commitment beyond 5 years.

Note 23

Events after the reporting period

Under IAS10 the Agency is required to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date that the Comptroller and Auditor General certified the accounts.

Subsequent to the signing of these accounts, the Department for Communities and Local Government have decided that the Centre should reduce the level of performance bonus payable for staff in respect of 2011–12. The accounts include an estimated amount in staff costs of £65,000 which is no longer payable. Since the amount is not material in the context of the accounts as a whole, no adjustment has been made in these financial statements.

Recruitment Policy

The Centre continues to ensure that equality of opportunity applies throughout the recruitment process.

Recruitment into the Civil Service is regulated by the Civil Service Order in Council 1995 (as amended) and the Diplomatic Service Order in Council 1991 (as amended). The Council requires the Civil Service Commissioners to:

- Maintain the principle of selection for appointment on merit on the basis of fair and open competition in recruitment to the Civil Service;
- Prescribe and Publish a recruitment code on the interpretation and application of the principle;
- Incorporate in the code restricted circumstances in which exceptions to the principle can be made;
- Approve appointments at the most Senior levels in the Civil Service; and
- Audit the recruitment systems of departments and agencies for compliance with the code.

The Centre's recruitment policy; the Centre's core competencies against which all applicants for vacancies at the Centre are assessed and the Centre's recruitment statistics can be found on our website at: www.qeiicc.co.uk/corporateinformation/recruitment.

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