

---

# Cabinet Office

Annual Report and Accounts

2013-14

---



---

# Cabinet Office

## Annual Report and Accounts 2013-14

(For the year ended 31 March 2014)

*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*

*Ordered by the House of Commons to be printed on  
30 June 2014*

---

*This is part of a series of departmental publications which, along with the Main Estimates 2014-15 and the document Public Expenditure: Statistical Analyses 2014, present the Government's outturn for 2013-14 and planned expenditure for 2014-15.*



© Crown copyright 2014

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence v.2. To view this licence visit [www.nationalarchives.gov.uk/doc/open-government-licence/version/2/](http://www.nationalarchives.gov.uk/doc/open-government-licence/version/2/) or email [PSI@nationalarchives.gsi.gov.uk](mailto:PSI@nationalarchives.gsi.gov.uk) Where third party material has been identified, permission from the respective copyright holder must be sought.

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Any enquiries regarding this publication should be sent to us at [pscorrespondence@cabinet-office.gsi.gov.uk](mailto:pscorrespondence@cabinet-office.gsi.gov.uk)

Print ISBN 9781474106191

Web ISBN 9781474106207

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

ID 05061401 06/14

Printed on paper containing 75% recycled fibre content minimum

Contents	Page
<b>STRATEGIC REPORT</b>	
Introduction by Richard Heaton, Permanent Secretary for the Cabinet Office	
First Parliamentary Counsel and Accounting Officer	7
Who we are and what we do	8
Spending summary	9
How we create value	10
Strategic Review by Rt Hon. Francis Maude MP, Minister for the Cabinet Office	11
Highlights of the year in chronological order	13
Sustainable Development	15
Our Performance	21
Coalition Priorities	22
Performance on Business Plan commitments	28
Financial Review	32
<b>GOVERNANCE</b>	
Performance Report by Lord Browne, the Lead Non-Executive Director	58
Our Ministers	60
Governance Statement	63
Remuneration Report	84
Directors' Report	
Corporate Information	96
Statement of Accounting Officer's responsibilities	107
Statement of the disclosure of relevant audit information	108
<b>FINANCIAL STATEMENTS</b>	
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	110
Statement of Parliamentary Supply	112
Notes to the Statement of Parliamentary Supply	113
Consolidated Accounts	119
Notes to the Consolidated Accounts	123

This page is intentionally left blank.

---

# Strategic Report

---

This page is intentionally left blank.





## Introduction by Richard Heaton Permanent Secretary for the Cabinet Office

As Permanent Secretary, I am proud of the achievements of teams and individuals across the Department this year. Their flexibility, and their ability to lead on a challenging set of priorities, has produced substantial results. The Minister for the Cabinet Office's Strategic Review on page 11, describes in more detail the strategic context in which the Cabinet Office has operated this year.

The annual report and accounts is an opportunity to look back at some of the year's highlights, as well as to set out formally our financial position. Much of what we have done this year has been new or transformative. We have found different ways to help the government tackle public policy problems, and save money. We launched the Centre for Social Action, which has committed £36 million for volunteering projects to tackle persistent social problems. November saw the appointment of a second new shared services centre, bringing commercial expertise as well as government co-ownership to the efficient delivery of vital back-office functions. The National Citizen Service has been successfully nurtured under Cabinet Office management, and is now administered by an independent not-for-profit enterprise. And the Behavioural Insights Team is now a partnership with the innovation charity Nesta.

There is also a range of other business we have discharged professionally and safely: keeping the nation safe, stimulating economic growth, cutting regulation, taking legislation through Parliament, and supporting effective government. We have done that through a skilled and talented workforce, from career civil servants to those spending a chapter of their careers with us. I would like to thank all of those colleagues for their commitment.

### **Richard Heaton CB**

Permanent Secretary for the Cabinet Office, First Parliamentary Counsel and Accounting Officer



# Who we are and what we do

## Who we are

We are privileged to be tasked with some of the most important issues facing the country: from making government more efficient to supporting the voluntary sector through challenging times; from tackling the growing menace of cybercrime to overseeing UK honours and awards.

Cabinet Office supports the Prime Minister and Deputy Prime Minister, and ensures the effective running of government. We are also the corporate headquarters for government, in partnership with HM Treasury, and we take the lead in certain critical policy areas.

A ministerial department, the Cabinet Office is supported by 18 agencies and public bodies. Every day we work together to assist government function better, deliver exceptional public services and help the UK become a stronger and fairer society.

## Organisational Structure

Our organisational structure is updated and published on the following link: [Cabinet Office Organogram](#)

## What we do

- We support collective government and help to ensure the effective development, coordination and implementation of policy.
- We support the National Security Council and the Joint Intelligence Organisation, coordinating the Government's response to crises and managing the UK's cyber security.
- We promote efficiency and reform across government through innovation, better procurement and project management, and by transforming the delivery of services.
- We promote the release of government data and make the way government works more transparent.
- We lead for Government on Civil Service reform, improving its capability and effectiveness.
- We promote social action and the National Citizen Service, and grow the social investment market.
- We lead on political and constitutional reform.

# Spending summary for 2013-14

Departments report financial information quarterly through the Government Interrogating Spending Tool (GIST). On the GIST you will be able to see a breakdown of government spend as per HM Treasury's financial reporting system. Within major departments you will also be able to link to the Cabinet Office's Quarterly Data Summary information, which focuses on the expenditure that is most relevant for that department and is collected in a way that makes data comparable across government. The data can be found here: [www.gist.cabinetoffice.gov.uk/](http://www.gist.cabinetoffice.gov.uk/)

Below is the Spending Data for 2013-14. These totals tie to the totals in Financial Highlights within the Financial Review which explains the numbers in more detail.

SPEND BY BUDGET TYPE	TOTAL
	£millions*
Departmental Expenditure Limit (DEL)	441.6
Annually Managed Expenditure (AME)	(4.5)
Other outside DEL /AME*	(48.3)
<b>Total Spend</b>	<b>388.8</b>
Of which:	
SPEND BY TYPE OF INTERNAL OPERATION	
Running the estate	54.4
Running IT	26.2
Corporate services	16.6
Policy and policy implementation	339.9
Other *	(48.3)
<b>Total Spend</b>	<b>388.8</b>
SPEND BY TYPE OF EXPENDITURE	
Procurement costs	133.3
People costs	169.0
Grants	134.8
Other *	(48.3)
<b>Total Spend</b>	<b>388.8</b>

\*Other outside DEL/AME represents income from Associates

# How we create value

The Cabinet Office saved the Government £14.3 billion for 2013-14. This is in addition to the £10 billion saved for 2012-13, with £5.5 billion for 2011-12 and £3.75 billion for the first ten months of this Government, all measured against a 2009-10 baseline. These savings are a combination of recurring and non-recurring items.

## Increased spend with small and medium sized enterprises (SMEs)

Government spend with SMEs increased from £3 billion in 2009-10 to £4.5 billion in 2012-13. We have also more than halved the length of the average procurement process since 2012 - from 208 working days to 102 working days.

Over 19,000 opportunities have now been published on our on-line tool the Contracts Finder to help SMEs spot opportunities more easily.

## G-Cloud

Cumulative G-Cloud spend surpassed the £100 million mark – 56% of it with SMEs.

## Major Projects Leadership Academy (MPLA)

The second MPLA cohort graduated in February 2014.

## Property

By the end of 2013-14, we had vacated over 1,000 leasehold properties and raised more than £1 billion for the taxpayer since 2010 by selling over 770 buildings and land we no longer need. This means that the government office estate is 17% smaller than it was in 2010.

## Mutuals

Nearly 100 mutuals are now live and trading, up from just eight in 2010. Together they now deliver around £1.5 billion of public services.

## Staff survey

We published the benchmark results of the Civil Service staff survey. The survey shows that 89% of staff are interested in their work; 88% say that they are trusted to carry out their job effectively; and 80% say their team works together to find ways to improve the service they provide.

## Payroll

Civil Service employment has now reduced by 17% since the general election, helping to save the taxpayer £2.4 billion last year alone. The Civil Service is now at its smallest since the Second World War, representing a significant increase in efficiency and productivity.

## Public bodies

Over 180 public bodies have now been abolished, with total number of public bodies reduced by 280. This means that 95% of proposed abolitions and mergers are now complete, and we achieved our public commitment to deliver 90% of abolitions and mergers by March 2014. To date, the Government has reduced the administrative cost of public bodies by over £1 billion and remains on track to achieve cumulative net reductions of at least £2.6 billion by 2014-15.

By the next general election, a third of public bodies in the Government's reform programme will have been closed down, and there will be over 300 fewer than at the 2010 Election making this the largest reform of public bodies in a generation.



## Strategic Review by Rt Hon. Francis Maude MP Minister for the Cabinet Office, Paymaster General

The Cabinet Office has made good progress in 2013-14, continuing its work to eliminate waste and inefficient spending, reform the civil service, build a bigger society, drive greater transparency and protect national security. I am grateful to civil servants in this department and across the country for the work they have done.

The Government faced a substantial financial challenge in 2010. This department has played an important role in changing the way the Civil Service works to help reduce public expenditure and protect our frontline services.

The Efficiency and Reform Group (ERG) has delivered significant savings year after year. The Group has operated tight control over common activities such as property, ICT, and procurement in central government and reduce costs. For 2013-14, ERG supported departments to deliver a £14.3 billion of savings, against a 2009-10 baseline. Alongside our work on major projects, digital transformation, and fraud, error and debt, this department is helping to change the way the Civil Service works.

This year was another important milestone for the efficiency and reform agenda as the Crown Commercial Service (CCS) was launched. CCS brings together the government's central commercial capability to manage common goods and service on behalf of departments. Government is acting as a single customer, helping us drive the best value for taxpayers through its collective buying power.

In other areas, the department has continued to drive innovative changes to public service delivery. The mutuals programme, for example, has seen the creation of almost 100 trading staff-owned mutuals, with responsibility for over £1.5 billion worth of services. The Government Digital Service (GDS) is changing the way citizens interact with public services, by consolidating more websites on GOV.UK and developing 25 new digital exemplar services. On transparency, the Cabinet Office has helped to release thousands of data sets on data.gov.uk and in June 2013, G8 governments came together under the UK presidency to agree a landmark Open Data Charter.

The Civil Service Reform programme is seeking to create a new culture - one that is more efficient and focused on service delivery. Our Civil Service Reform One Year On report gives an honest appraisal of what we have achieved. There is still much more to do and the Cabinet Office will continue to play an important part in building capability and strengthening cross-Whitehall functional leadership.

Along with HM Treasury, the Cabinet Office is a strong and effective corporate centre at the heart of the Civil Service. It supports the Prime Minister and Deputy Prime Minister on key policy areas, and helping to protect our national security. The Secretariats facilitate collective decision-making across government.

2013-14 has been a busy year, with many important milestones. We have continued to support the Government's priorities to reduce the deficit, drive growth, build a fairer society and protect our security. I am proud of the work this department does and am confident that we can build on the progress made over the last four years in the last year of this Parliament.

A detailed account of the strategic risks and our mitigation strategy can be found in the Governance Statement.

**Rt Hon. Francis Maude**

Minister for the Cabinet Office, Paymaster General

# Highlights of the year in chronological order

**10 April** – We signed a deal that will significantly reduce what government pays for energy. The new 20-year contract with Air Products is expected to deliver £84 million in savings over its lifetime, through an innovative fixed agreement that will provide stability in what the public sector pays for energy.

**15 April** – We appointed members to the Open Standards Board to help government identify the standards that will allow cheaper and more flexible ways of buying and using its IT.

**15 April** – A new Civil Service Fast Track Apprenticeship Scheme opened for applications, giving talented and ambitious young people the opportunity to work at the heart of government.

**17 April** – We launched the Centre for Social Action, which committed £36 million to finding and supporting the most effective volunteering projects to tackle persistent social problems.

**26 April** – We signed an innovative deal to create the first business based on government intellectual property. The new company, AXELOS Limited, will own and trade on the 'Best Management Practice' portfolio of professional standards developed by the Civil Service, and is expected to boost returns for taxpayers by £500 million over ten years.

**29 April** – The 24th and final ministerial department website moved across to the single domain GOV.UK.

**24 May** – The performance of the Government's most expensive and important projects was revealed for the first time through

the Major Projects Authority's annual report, which will help overturn Whitehall secrecy and further improve project delivery.

**6 June** – The UK hosted the inaugural G8 conference on social impact investing, where the Prime Minister reinforced the UK's commitment and leadership in growing the global social investment market.

**10 July** – We published a review of the first year of the Civil Service Reform Plan, including a traffic-light assessment showing where progress is on track, where more effort is needed and further actions.

**17 July** – We launched the Civil Service High Potential Stream, which targets ambitious individuals who consistently and significantly outperform their peers. Many will go on to become part of the Civil Service Top 200, and some could rise to become the permanent secretaries of tomorrow.

**29 July** – We launched the Government Interrogating Spending Tool (GIST) which is a powerful new online tool that gives taxpayers an unprecedented view of how their money is spent. The tool is the first of its kind in the world, and it increases accountability and transparency by opening the Government's books.

**20 Aug** – We announced that measures introduced since the last general election had last year cut fraud and error that hits the public purse by £6.5 billion against a 2009-10 baseline.

**15 Oct** – We launched the new Government Communication Service to improve professionalism, standards, career development and value for money. The new approach will see departments’ teams supported by an additional central resource of expertise for specific, short-term projects or emerging priorities and breaking news issues.

**1 Nov** – We helped organise the Open Government Partnership annual summit. We used the summit to help drive forward our transparency agenda, and on the first day of the summit published the UK’s second National Action Plan.

**1 Nov** – We announced that Shared Services Connected Limited (SSCL) will run the second of two new Independent Shared Services Centres. The company will harness commercial expertise to deliver government back-office functions more efficiently.

**12 Nov** – We launched the Digital Services Framework for building digital public services, with more than a third of the companies on the new procurement framework never before having done business with government.

**4 Dec** – We published pipelines of future government business opportunities worth more than £177 billion. This gives firms of all sizes the confidence and time to invest in the relevant skills, labour and capabilities to win contracts. The 19 sectors in the latest update cover more industries than ever before.

**31 Dec** – The cost of the Civil Service pay bill spend on trade union facility time fell by around two thirds since November 2011.

**15 Jan** – The European Parliament agreed a revised package of EU Procurement Directives; it includes a number of UK wins on

things we lobbied for in Brussels – including support for small and medium-sized enterprises and mutuals.

**24 Jan** – We published ‘red lines’ for government IT contracts to ensure maximum taxpayer value. This means that no IT contract worth more than £100 million will be allowed (unless there is an exceptional reason for permitting it) and that new hosting contracts will not last for more than two years.

**4 Feb** – The Cabinet Office’s Behavioural Insights Team joined with the innovation charity National Endowment for Science, Technology and the Arts (Nesta) to create a new associate company to apply insights from behavioural sciences and to help the Government save millions of pounds for the taxpayer by tackling public policy problems.

**10 Feb** – we published a unit cost database bringing together more than 600 service cost estimates. This enables civil society organisations to bid in to government with ideas for where they could provide more innovative and effective approaches to tackling social problems. The UK has more Social Impact Bonds (SIBs) than the rest of the world put together, and is supported by a dedicated Centre for SIBs in the Cabinet Office.

**13 Feb** – We published results from the 2013 Civil Service People Survey, showing results of the fifth annual survey of civil servants’ opinions about what it is like to work in government departments and agencies.

**14 March** – The UK and Israel signed a new memorandum of understanding on digital government which will create opportunities for future generations.



# Sustainable Development

## Overview

Sustainable development means encouraging economic growth while protecting the environment and improving our quality of life – all without affecting the ability of future generations to do the same. Sustainable development recognises that the three ‘pillars’ of the economy, society and the environment are interconnected.

The Cabinet Office strives to embed the principles of sustainable development in all of its operations and activities. The Department is working to reduce its energy consumption and associated carbon emissions and costs, as well as to mitigate its wider environmental impacts, with the aim of becoming an exemplar in this field. The important work on protecting national security and improving social mobility undertaken by the Department continues to contribute to a secure and sustainable future for all.

The Cabinet Office has implemented a number of projects to help the Department deliver the carbon reduction targets announced under the Greening Government Commitments. The Department continues to drive down its waste arisings, and is working in partnership with the Department for Environment, Food and Rural Affairs (Defra) and the Waste and Resources Action Programme to make further savings in this area. As well as these measures, the Cabinet Office is also working to incorporate sustainability considerations into its wider policy- and decision-making process.

## Initiatives

This work is further supported by Big Society Capital (BSC), the world’s first ever social investment institution. BSC was established by the Cabinet Office and launched as an independent organisation in April 2012. Its aim

is to grow the social investment market. BSC invests in bodies that provide finance and other support to social sector organisations – making it easier for social entrepreneurs to access the capital they need and to become sustainable. BSC has up to £600 million in capital to invest: £400 million from England’s share of unclaimed assets and £200 million invested by four large retail banks.

Two years into its operation, BSC has just published its second annual report, available at: [Social Investment from Ambition to Capital](#). Nearly £150 million in investment has been committed so far to a wide range of organisations. BSC has recently published its strategy, which sets out its vision for the future social investment market and what it will do to work towards this vision, in partnership with others. The strategy is available at: [Big Society Capital - Our strategy for the next three years](#)

The Implementation Unit in the Cabinet Office has supported Defra to embed sustainable development into the departmental business planning process, a key step in delivering the Government’s commitment to mainstreaming sustainable development. Sustainable development is now included within the guidance for departmental business plans as a mandatory component of all plans. Details of each department’s business plan can be found at: [Business Plans: track progress in implementing our policies](#)

The Cabinet Office leads on the cross-government transparency agenda. Transparency is not just about access to data. People need to be able to use that data, share it, and combine it with other data for use in their own applications. Used in this way, open data can create value by providing an opportunity for businesses to take the data and produce goods and services from it. Information on government transparency can

be found at: [Improving the transparency and accountability of government and its services](#)

The resulting data is published at: <http://data.gov.uk/>

The Cabinet Office sits on the cross-government Sustainable Development Practitioners' Forum and the Sustainable Development Group, both chaired by Defra.

## Wider work

The Cabinet Office is working on a number of key programmes which will also have a significant contribution to make towards mainstreaming sustainability. These work streams include:

- growing the social investment market – comprehensive information available at: [Growing the social investment market](#)
- the work of the Office for Civil Society: [Civil Society update series including Promoting social action: encouraging and enabling people to play a more active part in society](#)
- the launch of National Citizen Service: [Take part- National Citizen Service](#)
- leading on the transparency agenda, including regularly publishing progress reports showing performance across government against the key performance areas; these reports are available at: [Procurement and contracting transparency progress reports](#)
- making public services digital by default to improve their accessibility and openness, primarily through the launch of the [GOV.UK](#) website.

## Social and environmental impacts

The Cabinet Office continues to look at options for assessing and managing social and environmental impacts and opportunities in its policy development and decision-making. The Department has a number of levers at its disposal to help ensure that this is happening domestically and across government as a whole. These include:

- the Department's role in delivering the Government's priorities for Civil Service reform in line with the recently published plan, available at: [The Civil Service Reform Plan](#)
- the inclusion of relevant information in the transparency reporting undertaken by departments.

In its policy, programme and project development processes, the Cabinet Office makes use of both the HM Treasury Green Book and the Regulatory Impact Assessment toolkit. Both of these documents contain detailed information on how to assess and mitigate negative outcomes which impact on sustainability. Wherever relevant, the Cabinet Office makes use of Defra's national rural proofing guidance which can be found at: [Rural proofing guidance](#) to ensure that the needs and interests of rural people, communities and businesses are properly considered in the development and implementation of all policies and programmes. The Cabinet Office will be working over the coming year to identify further opportunities to build on existing processes, in order to ensure that sustainability is factored into its policy, programme and project management activities.

## Delivery of the Greening Government Commitments

The Department has been successful in driving down its carbon footprint: this has fallen by 38.9% from its 2009-10 baseline, through a combination of improved housekeeping, investment in energy reduction measures and the implementation of an ambitious and extensive estate rationalisation and efficiency project. As the Department continues to drive forward with these measures, we anticipate a steady improvement in our performance over the lifetime of the project. The Cabinet Office now also has good-quality management information systems in place, allowing it to report accurately for the first time on the number of domestic flights taken by its staff.

The Department's annual waste arisings continue to fall and are now 63.7% below 2009-10. This has primarily come about as a

result of better streaming and waste separation at the processing plant. The Department has signed up to the 'Closed Loop' paper contract, along with other contractual arrangements, thereby potentially yielding further environmental benefits.

The Cabinet Office has made a reduction in its water consumption of 12.2% against the 2009-10 baseline. These savings have arisen primarily as a result of the Department's estate rationalisation programme. The Cabinet Office has a headline consumption per full-time equivalent (FTE) member of staff of 15.5m<sup>3</sup>. This is significantly higher than is desirable, and the organisation will work to drive this down at both departmental and building level. It is in part because various buildings are currently under refurbishment and are therefore not fully utilised.

## Sustainable procurement

The Cabinet Office continues to work to deliver the aspiration that 25% of contracts by value should be awarded to small and medium-sized enterprises (SMEs). In the period to December 2013, the proportion of the Department's procurement expenditure with SMEs was 26.3%, against its annual target of 20%. This includes spend undertaken both directly, with SME prime contractors, and indirectly, through larger prime suppliers' supply chains.<sup>1</sup> In order to support this endeavour further, the Cabinet Office, including its agency, the Crown Commercial Service, has delivered the following:

- over 80% of contracts for the Mutuals Support Programme awarded to SMEs
- development of a new contracting model for facilities management services designed to be more accessible for SMEs
- roll-out of the Solutions Exchange online tool, enabling suppliers to engage with government about potential business, and to pitch their ideas
- introduction of simpler terms and conditions for lower-value contracts.

<sup>1</sup> Excludes indirect 'indicative' spend captured centrally from strategic government suppliers

## Food procurement

The Cabinet Office has been engaging with its key catering suppliers to encourage the procurement of food which meets British production standards. Approximately 92% of all meat and poultry supplied on the Department's central London contract was produced to Farm Assured standard (or equivalent); 100% of fish supplied was from sustainable sources certified by bodies such as the Marine Stewardship Council. All the Department's meat, poultry and milk comes from UK producers.

The Department's total facilities management supplier provides healthy options within the standard daily menus, along with a diverse salad and deli bar.

Details of the Cabinet Office's food procurement is available at: [Cabinet Office food sustainability](#)

## People

The Cabinet Office has a network of Green Champions to promote sustainability issues within the Department and on its estate. The membership of the network comprises staff from the Department and tenants on the Cabinet Office estate. They work to improve the sustainability of the Department by raising staff awareness of sustainability issues and by encouraging staff to take responsibility for reducing their environmental impact. The Green Champions act as a forum to develop constructive ideas for improving all aspects of the Cabinet Office's operations, from the way in which its estate is managed through to its corporate policies and processes.

The Civil Service has a long tradition of supporting staff to volunteer, with many civil servants giving their time in aid of a variety of charities and community groups. The Cabinet Office recently launched its second Charity of the Year Partnership with Samaritans. The Department offers up to five days' special leave for each member of staff to undertake volunteering. Staff can organise their own volunteering activity or can visit [www.do-](http://www.do-)

[it.org.uk](http://it.org.uk) for ideas and information about volunteering.

## Biodiversity

The Cabinet Office operates a mainly office-based estate and, as such, has not had to undertake any major work on biodiversity. The Department works to ensure that, whenever relevant, biodiversity considerations are taken into account in the event of a change of circumstances. These considerations have been embedded in the Department's environmental policy.

## Sustainable construction

The Cabinet Office seeks to apply the Building Research Establishment Environmental Assessment Method (BREEAM) on all relevant refurbishment projects. The Department has not completed any such projects in the last financial year. The ongoing refurbishment at 10–12 Downing Street has received a BREEAM in-use rating of 'very good'. More information is available at: <http://www.breeam.org/>

The Cabinet Office will work to ensure that this good performance continues, by embedding the standards in all relevant projects. The Cabinet Office endeavours to recycle all construction waste, where possible, and this is monitored internally to ensure continuing compliance with this standard.

## Adapting to climate change

The risks posed by climate change are too great to ignore. It is essential that policies and future plans consider these potential impacts from the very start. The Cabinet Office has an important role to play in ensuring national adaptation to the risks and opportunities presented by climate change. To this end, the Department has taken a number of steps to ensure that these considerations are reflected in its relevant planning, policies and strategies. For example:

- Some of the major impacts of climate change have been identified as key threats in the National Risk Register (NRR) of Civil Emergencies. However, The NRR and the National Risk Assessment cover only emergency events and do not include longer-term trends, such as technological advances or climate change in the broader sense. The document is available at: [National Risk Register of Civil Emergencies](#)
- The security implications of climate change have been embedded in the National Security Strategy, available at: [The National Security Strategy - a strong Britain in an age of uncertainty](#)
- The Cabinet works closely with Defra on the National Adaptation Programme, details of which are available at: [Adapting to climate change: national adaptation programme](#)

# Sustainable Development data tables

## Greening Government Commitments and resource use

### *Reduce greenhouse gas emissions by 25% from a 2009-10 baseline from the whole estate and domestic business-related transport*

Baseline emissions (tonnes of CO <sub>2</sub> e)	2013-14 emissions (tonnes of CO <sub>2</sub> e)	% change
11,733	7,272	38.1% reduction

### *Cut domestic business travel flights by 20% by 2015 from a 2009-10 baseline*

Baseline flights	2013-14 flights	% change
2,306	2,390	3.6% increase

### *Reduce the amount of waste we generate by 25% from a 2009-10 baseline*

Baseline waste arisings (tonnes)	2013-14 waste arisings (tonnes)	% change
1,226	444	63.8% reduction

### *Cut our paper use by 10% in 2011-12 from a 2009-10 baseline*

Baseline paper usage (reams of A4e)	2013-14 paper usage (reams of A4e)	% change
56,396	20,171	64.2% reduction

### *Reduce water consumption from a 2009-10 baseline*

Baseline water consumption (m <sup>3</sup> )	2013-14 water consumption (m <sup>3</sup> )	% change
52,388	45,123	13.9% reduction

### *Report on percentage of offices meeting best/good/poor practice water-use benchmarks*

Benchmark	Poor (≥6 m <sup>3</sup> per FTE)	Good (4m <sup>3</sup> to 6m <sup>3</sup> per FTE)	Best (≤4m <sup>3</sup> per FTE)
% of offices	92%	0%	8%

Carbon and energy	2013-14			2012-13		
	Utility	Consumption (kWh)	Emissions (tonnes of CO <sub>2</sub> e)	Expenditure (£k)	Consumption (kWh)	Emissions (tonnes of CO <sub>2</sub> e)
Gas	3,131,616	576	98	4,136,459	759	148
Electricity	11,191,391	5,412	1,234	12,130,313	6,364	840
Whitehall District Heating System	2,723,958	724	445	4,070,368	987	584

Travel	2013-14			2012-13		
	Category	Mileage	Emissions (tonnes of CO <sub>2</sub> e)	Expenditure (£k)	Mileage	Emissions (tonnes of CO <sub>2</sub> e)
Air travel – domestic	495,915	138	267	493,685	143	249
Air travel – short haul	529,529	147	173	618,668	196	202
Air travel – long haul	3,299,691	918	1,264	3,082,116	1,119	984
UK rail travel	3,682,169	290	935	3,194,782	290	1,263
Taxi travel	61,103	14	108	51,179	12	102
Hire car	105,596	32	21	47,323	16	23
Operational vehicles	40,141	12	-	54,783	17	-

Greenhouse gas emissions summary	2013-14	2012-13
Scope	Emissions (tonnes of CO <sub>2</sub> e)	Emissions (tonnes of CO <sub>2</sub> e)
Scope 1	638	776
Scope 2	5,709	7,351
Scope 3	891	1,776
Carbon Reduction Commitment data Certified Emission Reductions (CERs) purchased	CERs surrendered	CER balance
1,753	6,777	1,428

Waste	Category	Arisings (tonnes)	Percentage of total arising	Disposal cost (£k)
	Landfill	24	5%	N/K
	Recycled	247	56%	N/K
	Energy from waste	143	32%	N/K
	Waste to compost	30	7%	N/K
	<b>TOTAL</b>	<b>444</b>	<b>100%</b>	<b>64</b>

Water consumption	Category	Consumption (m <sup>3</sup> )/ FTE	Total expenditure (£k)
	Total consumption (m <sup>3</sup> )	15.5	95

Paper Consumption	Paper Size	Units Purchased (reams)
	A3	111
	A4	19,949
	<b>Total A4e</b>	<b>20,171</b>

# Our performance 2013-14

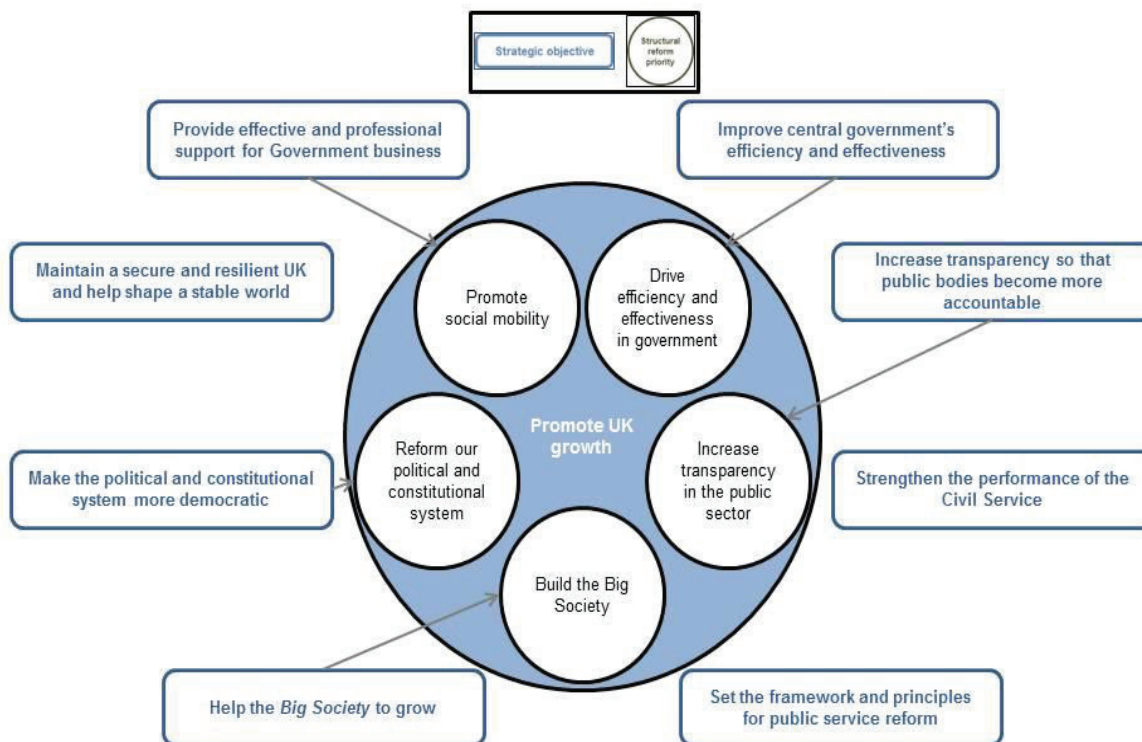
## Performance

### How we have delivered against our Coalition Government priorities

The Cabinet Office works to ensure the successful and efficient delivery of the Government's agenda and to help departments achieve their objectives. Alongside this, and as part of these more general responsibilities, the Cabinet Office leads on a number of specific Coalition

Government priorities. Below is a diagram showing the relationship between the Cabinet Office's strategic objectives and the structural reform priorities that derive from the Coalition Government's Programme for Government.

All the strategic objectives contribute to the central priority of promoting UK growth; primary relationships between individual objectives and structural reform priorities are shown by arrows.



# Coalition Priorities

The Cabinet Office publishes its commitments on No. 10's Transparency website [No 10 Transparency](#)

GOV.UK also provides news and updates on progress of work undertaken by the Cabinet Office, including details of announcements of achievements on the [Cabinet Office Website](#)

Progress on the key actions during 2013-14 are summarised below.

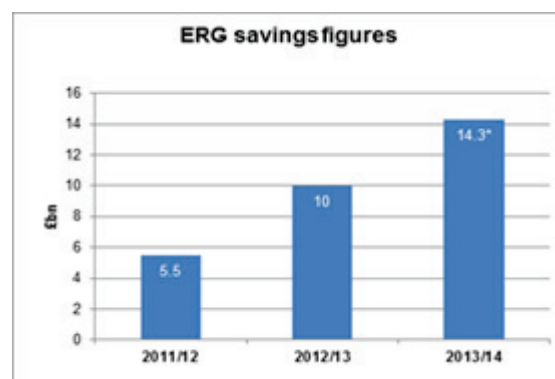
## Coalition Priorities

### Drive efficiency and effectiveness in government

The Cabinet Office continues its strong progress to improve efficiency and effectiveness across Whitehall. This work is taking place across a broad front, ranging from reducing inefficient and wasteful spending on major projects, through transforming public services by reforming procurement processes, to the Government's digital infrastructure, aimed at ensuring that services are readily accessible and provide a greater choice for the user. The Cabinet Office is coordinating action to reform the Civil Service, in order to improve the Service's capability and strengthen its performance.

### Actions during 2013-14

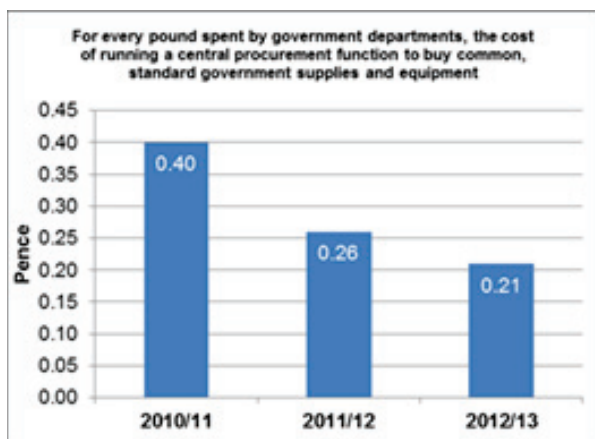
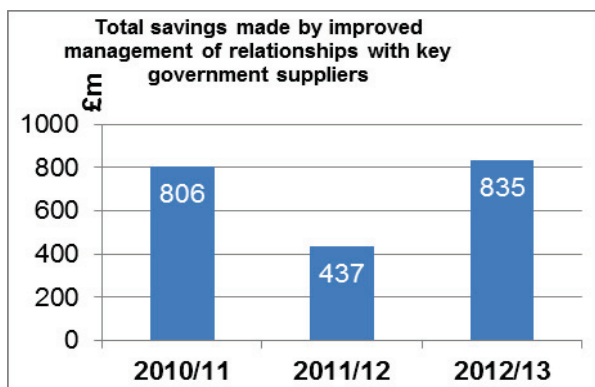
- The Efficiency and Reform Group (ERG) worked across government to tackle waste and inefficiency and to realise savings of £14.3 billion in 2013-14 against a 2009-10 baseline.



\*The figure of £14.3 billion against a 2009-10 baseline was approved by internal auditors although it is still to be reviewed by the National Audit Office

- The commitment to secure the Deregulation Bill in the third session of Parliament was achieved in 2013-14 and the Bill received Royal Assent on 14 May. It will help the Government in its drive to remove the burden of unnecessary bureaucracy on businesses.
- GOV.UK was launched in October 2012 as central government's single domain website, bringing published government information from various separate websites under one domain. As a result of building GOV.UK government departments have saved over £60 million in 2013-14. Difficulties in resourcing and the complexity of some sites meant that the commitment to move more than 250 departmental, agency and arm's length bodies to GOV.UK was missed. This was resolved and by March 2014 160 sites had moved to GOV.UK; it is on track for completion by July 2014.
- Developing a new organisation for debt management across government by March 2014 was delayed due to additional work required; it will now be commissioned during 2014-15.





## Increase transparency in the public sector

The Cabinet Office leads work on increasing transparency in the public sector by getting data out of departments and engaging with users of that data to explain its potential and to understand their needs. In so doing, it helps the public to hold government to account and enables users of public services to choose between suppliers in a better way.

### Actions during 2013-14

- The Cabinet Office delivered a strong legacy from its G8 Presidency by securing a G8 Open Data Charter. It sets out five strategic principles that all G8 members and the EU have signed up to and will act upon. The UK's G8 Open Data Charter action plan was published on 31 October 2013.

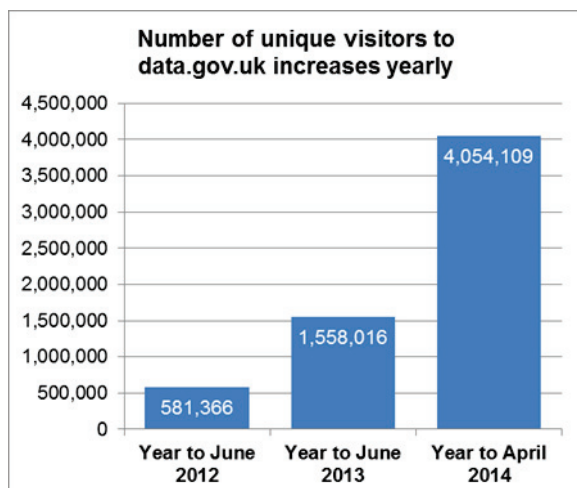
- As chair of the Open Government Partnership (OGP), the Cabinet Office organised a vibrant and inspirational OGP summit in London at the end of October that was attended by over 1,500 participants from around the world, including senior representatives from government and civil society. Ambitious new commitments to open government were secured from 37 attending countries. Three more countries adopted the Open Data Charter (Ireland, the Philippines and Panama).

- The Cabinet Office worked across government, in partnership with civil society organisations, to produce an updated Open Government Partnership UK National Action Plan, setting out 21 stretching and ambitious commitments to make government more transparent and accountable. This was launched by the Prime Minister and included a world-leading commitment to creating a publicly accessible registry of the beneficial owners of companies. This was an important example of open policy-making in action, with policy being discussed, developed and agreed between government and citizens. The Cabinet Office developed and published the world's first National Information Infrastructure. This contains the data held by government that is likely to have the broadest and most significant economic and social impact if it is made available and accessible outside government.

- The Cabinet Office refreshed and redeveloped data.gov.uk to provide additional functionality to the data catalogue and to enhance online engagement tools and usability. There are now over 13,000 datasets published through data.gov.uk, exceeding our action to increase the number available by 20%.

13,962 datasets were published on data.gov.uk in April 2014

327 external applications use government data published on data.gov.uk



## Reform of the political and constitutional system

Since 2010, the Cabinet Office has been taking forward the Government's political and constitutional reform agenda, which is already resulting in greater democratic accountability, transparency and economic growth. This work includes a number of activities, including the introduction of a new system of individual electoral registration. The Cabinet Office is also leading work to reform lobbying and make campaigning more transparent, by bringing before Parliament the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill. At the same time, the Cabinet Office is playing a key role, together with the Scotland Office and the Scottish Government, in preparing for a legal, fair and decisive referendum on Scottish independence. The Cabinet Office is also working with departments to implement measures to promote local growth.

### Actions during 2013-14

- The Cabinet Office fulfilled the commitment to carry out an end-to-end test of digital services and a dry run of automatic confirmation of all electoral registers, showing that the vast majority of current electors (78%) will have to do nothing to stay registered to vote.
- The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Bill received Royal Assent

in January 2014. It will bring greater transparency to politics, fairness to political campaigning and accuracy to trade union membership records.

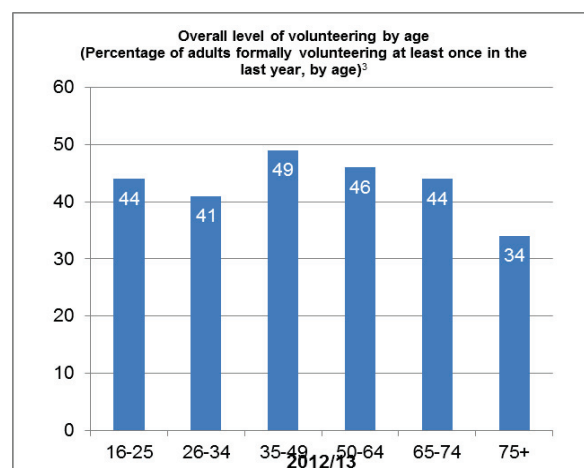
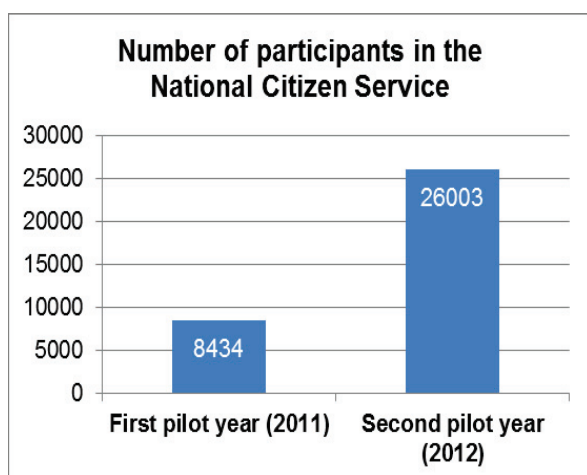
- The Department published a response to the Political and Constitutional Reform Committee's Report on the Recall of MPs White Paper and draft Bill in July 2013 and is preparing for a Bill in the fourth Parliamentary session.
- Since Wave 2 City Deals were launched in October 2012, the Government has launched 'Growth Deals' in response to the report by Lord Heseltine *No Stone Unturned*. These deals will be concluded in summer 2014. To date, all Wave 2 City Deals identified for agreement by the end of March have been concluded.
- In December 2013, the Government decided not to pursue the establishment of a House Business Committee, but remains open to the possibility of revisiting at a later date.

### Build the Big Society

The Cabinet Office is leading work across government to support civil society in three ways: 1) to make it easier to set up and run a charity or voluntary organisation, 2) to get more resources into the charitable or voluntary sector and 3) to make it easier for the sector to work with the state. To achieve these objectives, the Cabinet Office is taking forward a number of programmes. These include the National Citizen Service, which encourages 16–17-year-olds to be more engaged in their communities; a range of social action initiatives and funding programmes to encourage people to give more of their time and money; and support for the development of social finance and enterprises to solve social problems and boost economic growth.

Last year, 44% of adults took part in formal volunteering at least once.

By October 2013, 372 community organisers have been trained.



<sup>3</sup> These two indicators use information taken from the Community Life Survey, which is an annual publication.

## Actions during 2013-14

- The Cabinet Office achieved its commitment to launch a second round of the Social Incubator Fund. In March 2014, it was announced that match-funding had been provided to six new start-up incubators. The Department will help incubators to support new social ventures, expand their businesses and generate new employment.
- The Cabinet Office held a successful G8 event on social investment in October 2013, helping to promote the UK as a global hub for social investment.
- The Department launched the Centre for Social Action, which in April 2013 committed £36 million to find and support the most effective volunteering projects to tackle persistent social problems.
- Following a successful Olympics, a commitment to support 10,000 community events during 2013-14 was achieved.

## Promote social mobility

The Cabinet Office works across government to support the Deputy Prime Minister in his activities to improve social mobility and create a fairer, more open and more mobile society. The Government's social mobility strategy entitled *Opening Doors, Breaking Barriers: A strategy for social mobility* sets out the Government's vision for a socially mobile country, and how it can become a reality.

## Actions during 2013-14

- The Cabinet Office launched the Opening Doors campaign in November 2013 to call on companies, large and small, to sign up and open their doors to young people from all walks of life.
- The Department worked to promote the social mobility Business Compact. This encourages businesses to ensure that young people have fair and open access to employment opportunities through mentoring, talks and other career and skills-based activities; that they have fair access to work experience and internship opportunities; and that recruitment takes place openly and fairly.
- The Department worked in partnership with the Social Mobility Foundation to deliver the Civil Service Whitehall Internship Scheme. This has the aim of offering year 12 students valuable experience of life in government on two-week internships, and of providing skills

and experiences that can assist in future employment.

- With the Department for Work and Pensions, the Cabinet Office delivered the Civil Service Fast Stream Summer Diversity Internship Programme. This will give talented school leavers who are looking for an alternative to the graduate route into employment an opportunity to earn while they learn in challenging roles at the heart of government.
- The Department published the latest set of social mobility indicators, providing information on the progress and effectiveness of the social mobility strategy.
- The first cohort of 100 apprentices joined the Civil Service.

### Promote UK growth

The Cabinet Office works to promote UK growth through a number of avenues: leading the drive to improve government efficiency and effectiveness; reforming government procurement; transforming public services; introducing new commercial models across the public sector; getting out of surplus state-owned property; being a world leader in social investment; and exploiting open data. Work to advance these areas is ongoing.

### Actions during 2013-14

- The Cabinet Office, together with the Department for Business, Innovation and Skills (BIS), achieved the commitment for the Red Tape Challenge to identify 3,000 regulations to be removed or substantially reduced during the lifetime of this Parliament. Stripping away unnecessary bureaucracy will remove those burdensome or over-complicated regulations that hamper businesses and stifle their ability to grow.
- Work continued on empowering communities to grow social capital by training a new generation of community

organisers and supporting the creation of neighbourhood groups, especially in the most deprived areas.

- The Department reduced inefficient and wasteful spending on major projects through an enhanced Major Projects Authority (MPA). It published the MPA's annual report, together with the status of the projects that make up the Government Major Projects Portfolio.
- There are now nearly a hundred mutuals live and trading. Together they deliver around £1.5 billion of public services.

### Maintain a secure and resilient UK and help to shape a stable world

The Cabinet Office's aim is to serve the Government's national security priorities, including: supporting the effective operation of the National Security Council; preparing for and managing the coordination of the Government's response to crises; planning and managing a transformative cyber security programme for the UK; and developing a better framework for the management of national security and intelligence material in courts.

### Actions during 2013-14

- A new, simplified classification of documents across Whitehall was announced on 17 October 2013, to come into effect on 2 April 2014. The intention was to reduce the number of classifications from six to just three. That will improve the way government does business and make it easier for government to work with external partners.
- The major Be Cyberstreetwise campaign was launched. This aims to educate and change the way in which people view online safety; and to provide the public and businesses with the skills and knowledge they need to take control of their cyber security.

- The National Risk Register, published in 2013, is internationally recognised as a world-leading document (UN Hyogo Framework Peer Review 2013).
- In February 2014, the Department established CERT-UK, a new computer emergency response organisation for national cyber incident management, to integrate the capabilities of the Cyber-Security Information Sharing Partnership, the Cyber Security Operations Centre and the Computer Security Incident Reporting Team.
- In May 2013, the Cabinet Office delivered the successful Second International London Somalia Conference, co-hosted by the Prime Minister and the President of Somalia, with the participation of 54 country and organisational heads.
- The Department secured pledges for Somalia from the international community of over \$300 million.
- It kicked off technical-level engagement between international financial institutions and new Somali institutions.
- It enabled an EU–Somalia conference in September 2013 to agree specific, detailed priorities for stabilisation and development needs up to 2016, as well as donor funding of Euro 1.8 billion.
- The Cabinet Office developed a G8 initiative on stopping payment of ransoms in terrorist kidnaps.

### At all times, provide effective and professional support for government business

We have at all times supported the Government's business effectively and professionally, including through the advice and support we provide to the Prime Minister, the Deputy Prime Minister and Cabinet; through our leading role in supporting the development, coordination and implementation of domestic, economic, security, European and global policies; and through our support for ministers in delivering their legislative programme and other parliamentary business.

# Performance on Business Plan commitments 2013-14

## 2013-14 achievements

- 91 actions in total
- 58 completed
- 25 currently in progress
- 3 to be commenced
- 5 overdue

### Actions achieved:

2.2.i. Publish report on the work of the Mutuels Taskforce, the first annual report on the wider mutuels programme and a 'one-year on' report  
Achieved: Jul 2013

2.2.ii. Support public sector spin-outs including 50 mutuels in local authority control and further spin-outs in central government  
Achieved: Feb 2014

2.2.iii. Launch a new commercial entity for the provision of shared services, as part of the Next Generation Shared Services strategy and in line with the Civil Service Reform Plan  
Achieved: Nov 2013

2.2.iv. Commence three procurements with the aim of transforming the business models of Government services  
Achieved: Mar 2014

2.3.i. Appoint National Advisor for What Works, to support the development of What Works Centres across £200 billion of public spending  
Achieved: Jul 2013

2.3.ii. Publish Open Public Services 2014, the annual account of progress and next steps in reforming public services  
Achieved: March 2014

2.4.ii. Strengthen reporting lines from departmental Commercial Directors/Heads of Procurement to the Chief Procurement Officer

Achieved: Jun 2013

2.5.ii. Develop and launch the Government Construction Pipeline website

Achieved: Dec 2013

2.6.ii. Launch a new agile commissioning framework to create a more diverse IT and digital market through disaggregation, increased competition and making it easier for the best suppliers to bid

Achieved: Nov 2013

2.6.iii. Publish guidelines for Government's use of 'open standard' software, to allow a wider range of suppliers to build and improve digital services in a more cost effective way for Government, and first set of open standards, measured by number of departments that have agreed to, or have an implementation plan for, each 'mandated' open standard

Achieved: Sep 2013

2.6.iv. Publish a 'one year on' report on the progress of the digital strategies including an approach to assisted digital

Achieved: Dec 2013

2.6.vi. Establish a recruitment hub to assist departments to acquire high level and specialist digital skills in line with the Government Digital Strategy and the Civil Service Reform Plan

Achieved: Jun 2013

2.7.i. Publish an action plan to deliver the aspiration that, by the end of this Parliament, at least half of all new appointees to the boards of public bodies are women

Achieved: Dec 2013

2.9.ii. Publish a one-year on report on progress against the Civil Service Reform Plan, including next steps to deliver the Civil Service Reform agenda  
Achieved: [Jul 2013](#)

2.9.iii. First cohort of 100 apprentices to join the Civil Service  
Achieved: [Sep 2013](#)

2.9.iv. Review the guidance on civil servants giving evidence to Select Committees (Osmotherly rules) as part of wider work to sharpen accountability  
Achieved: [Jul 2013](#)

2.9.v. Publish 2013-14 Permanent Secretary objectives  
Achieved: [Dec 2013](#)

2.10.i. Publish the annual report of Lord Browne of Madingley, the Government lead non-executive, on progress on improving governance across Whitehall and on building leadership and management through non-executives and Departmental Boards  
Achieved: [Jun 2013](#)

2.11.i. Secure a place in the third legislative session for a Deregulation Bill and prepare the draft Bill to be published for pre-legislative scrutiny  
Achieved: [Jul 2013](#)

2.11.ii. Lead, with BIS, the Red Tape Challenge work of all Departments to collectively identify, by 31 December 2013, 3,000 regulations to be removed or substantially reduced during the lifetime of this Parliament  
Achieved: [Dec 2013](#)

2.12.i. Implement a new digital case management system for spending controls to improve collaboration and performance across Cabinet Office, HM Treasury and departments  
Achieved: [Jun 2013](#)

2.13.i. Work with departments, interested groups and the public to improve the quality and usefulness of published Quarterly Data Summary (QDS) expenditure data  
Achieved: [Aug 2013](#)

2.13.iv. Work with Internal Audit and the National Audit Office to quality assure QDS data  
Achieved: [Mar 2014](#)

2.13.v. Establish a network for management information professionals  
Achieved: [Nov 2013](#)

2.14.i. Publish MPA annual report and Red, Amber or Green (RAG) status of the Government Major Projects Portfolio (GMPP) projects  
Achieved: [May 2013](#)

2.14.ii. Establish an enhanced Major Projects Authority, working with Infrastructure UK, drawing on recommendations made in Lord Browne's Review  
Achieved: [Mar 2014](#)

2.17.i. Reduce the running costs on the central government estate by £600 million per annum  
Achieved: [Mar 2014](#)

2.17.ii. Generate proceeds from the sale of freehold properties of £1.25 billion  
Achieved: [Mar 2014](#)

2.8.i. Complete 90% of all abolitions and mergers of quangos.  
Achieved: [Mar 2014](#)

3.1.i. Secure a G8 Open Data charter  
Achieved: [Jul 2013](#)

3.1.ii. Draft, in conjunction with civil society organisations, consult on and publish an updated Open Government Partnership (OGP) UK National Action Plan  
Achieved: [Oct 2013](#)

3.1.iii. Work with other steering committee members to deepen the OGP, secure a robust independent reporting mechanism, and deliver the October OGP plenary event in London  
Achieved: [Oct 2013](#)

3.1.iv. Maintain Britain's global position as a leader on open data including by securing a future for the Post Code Address File that better meets the needs of start-up data

businesses and work with the Department for Business, Innovation and Skills on a response to the Shakespeare Review  
Achieved: [Oct 2013](#)

3.2.i. Amend Freedom of Information Code of Practice as required by new legislation to extend the “right to data” to public authorities  
Achieved: [Jul 2013](#)

3.2.ii. Increase the number of datasets available via data.gov.uk by 20%  
Achieved: [Nov 2013](#)

3.2.iii. Extend current transparency arrangements to cover senior officials’ travel  
Achieved: [Jan 2014](#)

3.3.i. Work with departments to implement reforms to Trade Union Facility Time arrangements, including monitoring of participation in trade union activities and duties  
Achieved: [Nov 2013](#)

3.3.ii. Publish quarterly updates of cross-government Facility Time data  
Achieved: [Aug 2013](#)

4.1.i. Publish response to the Political and Constitutional Reform Committee’s Report on the Recall of MPs White Paper and draft Bill  
Achieved: [Jun 2013](#)

4.2.i. Establish House Business Committee by third year of Parliament  
Achieved: [Dec 2013](#)

4.2.ii. Respond to the Joint Committee’s report on Parliamentary Privilege  
Achieved: [Dec 2013](#)

4.3.i. Carry out end to end test of digital service and dry run of automatic confirmation of all electoral registers  
Achieved: [Sep 2013](#)

4.4.i. Pursue detailed agreement on limiting donations and reforming party funding  
Achieved: [Jul 2013](#)

4.4.ii. Bring forward proposals on limiting donations and reforming party funding  
Achieved: [Sept 2013](#)

4.4.iii. Introduce legislation that provides for a statutory register for lobbyists  
Achieved: [Jul 2013](#)

4.6.i. Negotiate and agree a second wave of deals, working with the Department for Business, Innovation and Skills (BIS) and the Department for Communities and Local Government (DCLG) and other government departments  
Achieved: [Mar 2014](#)

4.6.ii. Work with departments to finalise preparations to take forward Local Growth Deals in advance of negotiations commencing in April 2014  
Achieved: [Dec 2013](#)

5.1.iii. Launch new Social Action Centre and first campaign  
Achieved: [Sep 2013](#)

5.1.iv. Support 10,000 Join In community events  
Achieved: [Oct 2013](#)

5.2.i. Support the Big Lottery Fund to complete awards from the Advice Services Transition Fund, the £65m package to help not-for-profit local advice providers across England transform and adapt  
Achieved: [Jun 2013](#)

5.2.ii. Deliver a nationwide programme of commercial skills master-classes for the voluntary, community and social enterprise (VCSE) sector, in partnership with VCSE and commercial organisations  
Achieved: [Apr 2014](#)

5.3.i. Launch a new independent management body (IMB) to give the National Citizen Service independent leadership, profile and sector support  
Achieved: [Jul 2013](#)

5.3.ii. Provide up to 50,000 places on the National Citizen Service during 2013  
Achieved: [Dec 2013](#)

5.3.iii. IMB becomes fully operational and assumes operational control  
Achieved: [Dec 2013](#)

5.4.i. Hold a G8 event on social investment  
Achieved: [Jun 2013](#)



5.4.ii. Launch 2nd round of Social Incubator Fund and complete awards  
Achieved: [Mar 2014](#)

6.1.ii. Establish and hold the first Social Mobility 'Opening Doors' awards  
Achieved: [Nov 2013](#)

6.1.iii. Create open and fair opportunities for internships across Whitehall, expanding and building on the Whitehall Internship Programme and working with the Department for Work and Pensions (DWP) to deliver a successful Fast Stream Diversity Summer Internship Programme in 2013  
Achieved: [Sep 2013](#)

## Actions Overdue

2.4.i. Transfer all common goods and services spend to centralised arrangements  
Scheduled start date: Started  
Scheduled end date: [Dec 2013](#)

Although this action was not completed by the set deadline the transfer to a centralised arrangement has now been planned and agreed. The first phase of transition is underway and will take place in stages across 2014-15.

2.13.iii. Develop an automated collection tool for QDS data  
Scheduled start date: Started  
Scheduled end date: [Mar 2014](#)

Work to resolve resource challenges has delayed final completion of this commitment.

2.16.i. Develop and commission a new organisation for debt management across government  
Scheduled start date: Started  
Scheduled end date: [Mar 2014](#)

Work is continuing on preparing a revised timescale for commissioning a new organisation during 2014-15.

6.1.i. Develop and expand the Social Mobility Business Compact, embedding and sharing best practice between employers and mainstreaming the Compact with businesses and Departments.  
Scheduled start date: Started  
Scheduled end date: [Dec 2013](#)

Responsibility for this action covering the Social Mobility Business Compact transferred from Cabinet Office to the Department for Business, Innovation and Skills on 29 November 2013.

---

# Financial Review

## 2013-14

---

Parliament gives statutory authority for the use of resources and funds through the Supply Estimates in order that the Cabinet Office may meet its expenditure and, in turn, the Department is accountable to Parliament for the use of those resources and funds as reported in the Statement of Parliamentary Supply.

This financial review sets out the following:

### Financial Highlights

#### Performance against Parliamentary Control Totals & non-voted budget

Comparison of 2013-14 outturn against Estimate and against prior year for:

Net Resource Outturn, Net Capital Outturn, Net Cash Requirement

Resource Departmental Expenditure Limit (RDEL)

Resource Annually Managed Expenditure (RAME)

Capital Departmental Expenditure Limit (CDEL)

### Public Expenditure Data

Commentary upon outturn data and future spending plans

Table 1 – Total departmental spending

Table 2 – Outturn year 2013-14

Table 3 – Capital employed

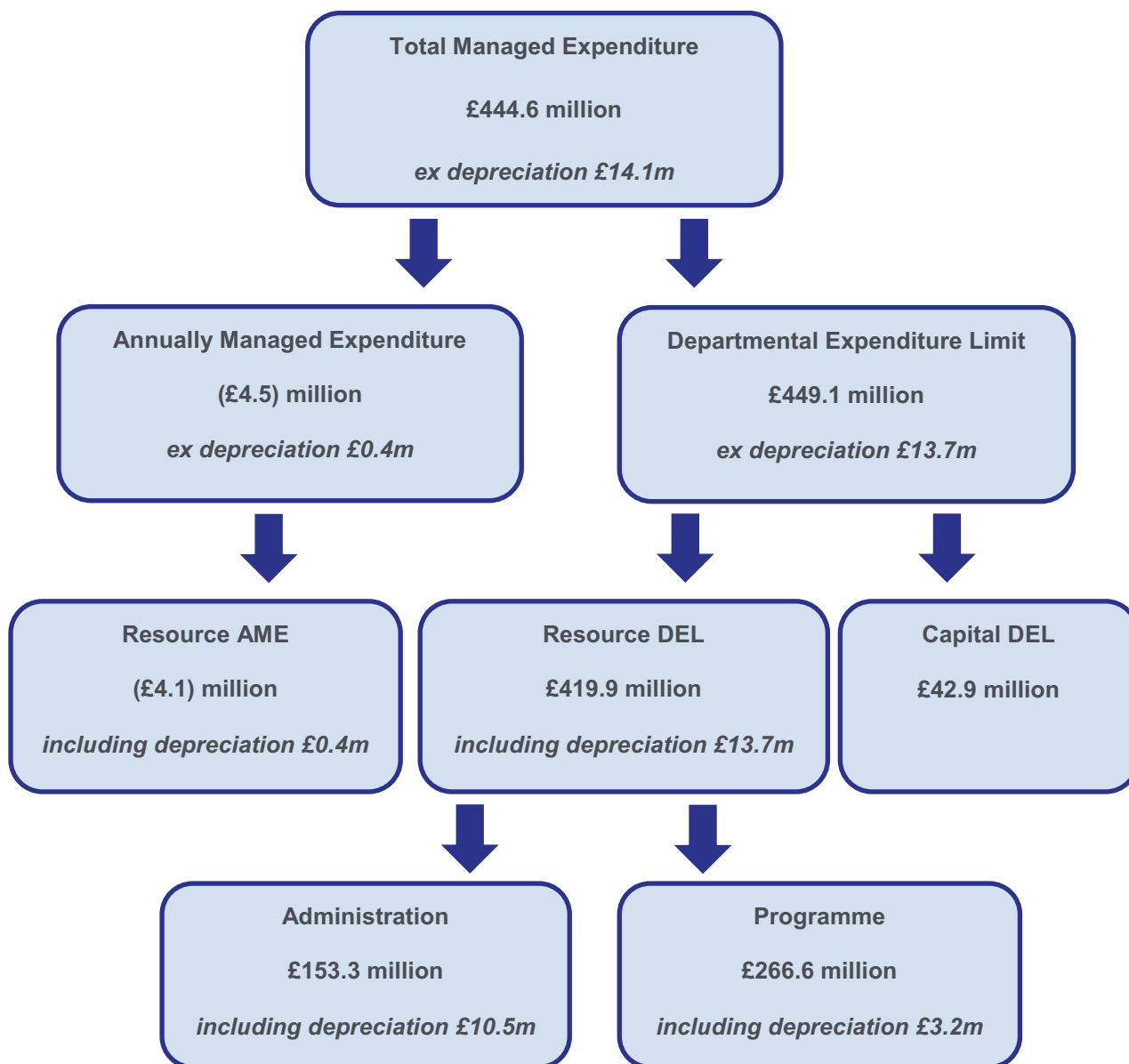
Table 4 – Administration budget

Table 5 – Staff numbers

Tables 6, 7 & 8 Country and regional analysis

### Accounting Officer approval to the Strategic Report

## Financial Highlights



**Total Managed Expenditure (TME)** - a measure defined by the Treasury to cover all public expenditure (not just central government departments) comprising AME and DEL.

**Annually Managed Expenditure (AME)** is less predictable and controllable than expenditure in DEL. It includes provisions for early departures, dilapidations, onerous contracts, revaluation of assets and depreciation on donated assets. Total AME is the sum of resource and capital AME less depreciation in AME.

**Departmental Expenditure Limit (DEL)** - includes expenditure which is generally controlled within departments and is managed with fixed multi-year limits set via a spending review conducted by the Treasury. DEL budget is split into resource administration, resource programme and capital. Total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL.

**Resource DEL Administration** controls administration expenditure other than the costs of direct frontline services.

**Resource DEL Programme** controls expenditure directly associated with frontline activities.

**Capital DEL** controls spending on investments, assets and capital grants.

## Performance against Parliamentary Control Totals & non-voted budget

### Net Resource Outturn, Net Capital Outturn and Net Cash Requirement

£000	Outturn 2013-14	Estimate 2013-14	Saving 2013-14	%	Outturn 2012-13
<b>Net Resource Outturn</b>	<b>415,795</b>	<b>458,789</b>	<b>42,994</b>	<b>9.4</b>	<b>378,337</b>
of which:					
Resource DEL	419,875	453,689	33,814	7.4	413,816
Resource AME	(4,080)	5,100	9,180	180.0	(35,479)
<b>Net Capital Outturn</b>	<b>42,873</b>	<b>47,703</b>	<b>4,830</b>	<b>10.1</b>	<b>15,054</b>
<b>Net Cash Requirement</b>	<b>471,621</b>	<b>517,545</b>	<b>45,924</b>	<b>8.9</b>	<b>440,913</b>

#### Net Resource Outturn

Net resource outturn for this period was £415.795 million, a saving of £42.994 million (9.4%) attributable to underspends in resource DEL and resource AME. Compared to prior year, outturn has increased by £37.458 million. See next section for explanations.

#### Net Capital Outturn

Net capital outturn for this period was £42.873 million, a saving of £4.830 million (10.1%). Compared to prior year, outturn has increased by £27.819 million. See next section for explanations.

#### Net Cash Requirement Outturn

The Cabinet Office required cash amounting to £471.621 million to finance its activities; £45.924 million (8.9%) less than the sum approved by Parliament. The saving is attributable to underspends in net resource and capital outturn (adjusted to remove non-cash items) and small movements in working capital. Compared to prior year, the net cash requirement has increased by £30.708 million due to increases in net resource and capital outturn offset by a reduction in movements in working capital, both described above. See Note SOPS 4 Reconciliation of Net Resource Outturn to Net Cash Requirement.

## Resource DEL (RDEL)

£000	Outturn 2013-14	Estimate 2013-14	Saving 2013-14	%	Outturn 2012-13
Administration voted	153,325	184,809	31,484	17.0	193,137
Programme voted	264,724	266,880	2,156	0.8	218,848
Programme non voted: UK MEPs	1,826	2,000	174	8.7	1,831
<b>Resource DEL</b>	<b>419,875</b>	<b>453,689</b>	<b>33,814</b>	<b>7.4</b>	<b>413,816</b>
of which:					
Policy ring-fence Boundary Review	382	480	98	20.4	1,970
Policy ring-fence Individual Electoral Registration	14,896	15,149	253	1.7	2,798
Ring-fenced depreciation, amortisation, impairment and provision for doubtful debt	13,670	17,000	3,330	19.6	11,289
Non ring-fenced expenditure	390,927	421,060	30,133	7.2	397,759

Resource DEL outturn for 2013-14 was £419.875 million, a saving of £33.814 million (7.4%) against the budget of £453.689 million approved by Parliament. Compared to prior year, outturn has increased by £6.059 million. Resource DEL is broken down by Operating Segment in Note SOPS 2.1 to the Accounts.

**Saving in Administration spend against budget of £31.484 million is attributable to the following:**

**Transactional Shared Services: £1.1 million underspend**

For the period 1 April to 31 October 2013, Cabinet Office was responsible for overseeing the former DWP Shared Services operation. During that period, a number of staff vacancies arose which remained unfilled due to the expected transition of the operation to the private sector. These unfilled vacancies account for the bulk of the lower than expected costs. See Note 7.1.

**Corporate Services Group Royal Mail Statutory Pension Scheme (RMSPS): £3.5 million underspend**

The budgets for the first 3 years were set by the Department for Business, Innovation and Skills (BIS) in 2011. At the time, the potential costs of managing the scheme were uncertain and it was not possible to accurately predict what the costs of the scheme would be for future years. The budget for 2013-14 was set at £8.5 million. The actual cost of running the scheme in 2013-14 was £5 million. The underspend was in part due to the number of staff required to deliver the scheme being considerably lower than estimated in 2011, because BIS had only recruited a core team before the scheme was handed over to Cabinet Office. In addition to this, running costs were also lower than had been estimated because RMSPS has moved past the set up stage and are into business as usual. See Note 5.

**Corporate Services Group Transfer of shares in AXELOS Limited: £28.2 million underspend**

The Cabinet Office transferred its 51 'B' Ordinary shares in AXELOS Limited to AXELOS' immediate parent, Capita Business Services Limited (CBSL) in return for consideration of £38.2 million of which £10 million was settled at the point of sale and the balance of payment was deferred over 36 months commencing January 2014. Cabinet Office budgeted for the cash receipt of £10 million and recognised in its accounts the total consideration of £38.2 million; hence creating an underspend of £28.2 million. See Note 7.

**Ring-fenced Depreciation, amortisation and impairment: total underspend of £3.330 million**

The ring-fenced depreciation and amortisation is £3.330 million less than originally planned; of which £1.497 million administration and £1.833 million programme. Impairment losses related to major construction works carried out on Cabinet Office properties, determined by independent professional valuations as at 31 March 2014, were low compared to cover for uncertainty assumed for the 2013-14 Supplementary Estimate.

Impairment losses for information technology assets, through the application of published indices, or through shorter than anticipated useful lives, were low compared to the cover for uncertainty assumed for the 2013-14 Supplementary Estimate.

**Year on year decrease in Administration spend of £39.812 million is attributable to the transfer of shares in AXELOS Limited and also to the following:**

There have been a number of changes to the workload which was undertaken by Constitution Group in 2013-14 compared to the previous financial year. The overall financial impact on the change in workload has been a reduction in costs of £1.1 million. The reduction in costs can be largely explained by the Parliament's decision at the end of January 2013 to stop the review of constituencies with immediate effect. This meant much lower costs in 2013-14: Staff numbers quickly reduced to just 5 by the summer of 2013 and then to 3.2 by November 2013.

The cancellation also meant that there was no further work on the Communications Strategy as all elements of the review came to an end, apart from some final and essential "close down" activities. In addition to this costs were also committed in 2012-13 (but not in 2013-14) for the cost of staffing the McKay Commission which was set up in February 2012 to consider the consequences of devolution for the House of Commons. The decrease in staff numbers would have been higher had it not been for the Scottish Referendum where increased number were required in order to deliver Ministerial policies and priorities; £1 million.

An increase in income within Efficiency & Reform Group is due to ISSC2 of £7.5 million and Single Oracle Platform of £2.5 million which are new to 2013-14. Rationalisation of the Cabinet Office Estate led to reduced costs 2013-14 within Corporate Services Group of around £3 million.

**Year on year increase in voted Programme spend of £45.876 million is attributable to the following:****Electoral Registration Transformation Programme and Individual Electoral Registration: year on year increase in programme spend of £15 million**

Individual Electoral Registration (IER) in Great Britain will modernise the way people register to vote, help to tackle electoral fraud and improve confidence in the electoral register. In 2012-13 the Electoral Registration Transformation Programme (ERTP) was in the early phase of policy and delivery planning to implement IER and in 2013-14 ERTP moved into the first stages of implementation. This led to an increase in staffing and consequently an increase in pay costs of around £2 million as the deliverables to manage across all projects increased.

In 2013-14, IT costs increased by £2 million as the programme moved into development and delivery of the IER digital service. Each Local Authority has an electoral management system (EMS) used for storing and processing data in support of electoral registration. In 2013-14 the four EMS suppliers were contracted to deliver the changes to local authority Electoral Management Systems. The increase in ICT expenditure also relates to a contract, which was awarded to provide a highly secure and reliable hosting platform and data transfer mechanism to support the steady state running of the service.

In 2013-14 the Cabinet Office provided local authorities with grant funding to support the transition to IER. Specifically these covered costs linked to change management in the preparation for IER. Additional funding was provided where the national funding allocation did not meet local unique circumstances: authorities were allowed to apply for additional funds if justified. In 2013-14, the Cabinet Office provided funding to all authorities in Great Britain and 5 national organisations to support the cost of activities for maximising registration as part of the transition to IER. See Note 6.1.

#### National Security: year on year decrease in programme spend of £15 million

As part of the Licence Fee settlement between the BBC Trust and DCMS it was agreed that BBC Monitoring services, in line with the revised funding arrangements for BBC World Service and S4C, would be funded directly from the licence fee rather than a grant from the Cabinet Office; a saving of £17.476 million.

CERT UK has recently been set up and delivers a key component of the UK's cyber security strategy in facilitating the sharing of information on cyber threats in order to make UK businesses more secure in cyberspace. The partnership includes the introduction of a secure virtual 'collaboration environment' where government and industry partners can exchange information on threats and vulnerabilities in real time. Costs amounted to £2.333 million in 2013-14. See Note 6.1.

#### Government Digital Service: year on year increase in programme spend of £15.6 million

The Government Digital Service (GDS) programme of work increased in size and cost between 2012-13 and 2013-14. The increases reflect the additional activities which GDS took forward during the course of the latter financial year. This most notably related to continuing to develop and improve GOV.UK (setting up GOV.UK was the main programme cost in 2012-13), to rationalise and bring over 300 ALB websites to GOV.UK and taking forward a number of exemplar projects with other Government Departments on transactional services which were aimed at improving the level of customer satisfaction, increasing the uptake of online services, saving money from reduced service and IT delivery contracts; and building capability within each department. See Notes 4 and 6.1.

#### Government Innovation Group: year on year increase in programme spend of £26 million

The Government Innovation Group (GIG) moved forward at speed with a number of programmes coming to an end, a range of new ones starting and some of the existing programmes developing at pace. The Social Action Fund did not run in 2013-14 but social action momentum was maintained by a number of new initiatives introduced by the Centre for Social Action. The overall increase of £26 million in GIG programme expenditure during 2013-14 would not have been delivered without a contribution of over £16 million to BIG Lottery in respect of the Advice Services fund that was not made in 2012-13. The Advice Services fund aims to help the not-for-profit advice sector to adapt to changes in the way it is funded. Other significant increases in expenditure included the flag ship National Citizen Service (NCS) programme. The programme enables young people to take part in social action projects and build skills for life and work. The programme's success resulted in the number places available to young people increasing from 26,000 in 2012-13 to 42,000 in 2013-14. The programme incurred further additional expenditure by setting up a new independent Trust to lead and manage the NCS programme. See Note 6.1.

Ring-fenced Depreciation, amortisation and impairment: year on year increase of £2.381 million; of which £1.941 million administration and £0.440 million programme

Whilst lower than the cover for uncertainty assumed for the 2013-14 Supplementary Estimate, the outturn reflects reductions in values related to some building overhaul works in Cabinet Office buildings, as determined by independent professional valuations. The relatively small increase compared to 2012-13 reflects reduced useful lives for some relatively long-standing information technology assets.

## Resource AME (RAME)

£000	Note to the Accounts	Outturn 2013-14	Estimate 2013-14	Saving/ (Excess) 2013-14	%	Outturn 2012-13
<b>Resource AME</b>	SOPS2.1	<b>(4,080)</b>	<b>5,100</b>	<b>9,180</b>	<b>180.0</b>	<b>(35,479)</b>
of which:						
New provisions and borrowing costs	Note 6	(2,769)	-	2,769	100.0	(549)
Depreciation on donated assets	-	99	200	101	50.5	454
Impairment on donated assets	-	354	-	(354)	(100.0)	-
Devaluation of PPE assets	Note 6	(137)	6,631	6,768	102.0	812
Impairment of loans	Note 6	109	378	269	71.16	159
Write off bad debts	-	(292)	300	592	197.2	(290)
Investment properties gain on changes in fair value	Note 6	(23)	-	23	100.0	(32,003)
Utilisation of provisions	Note 24	(1,421)	(2,409)	(988)	(41.0)	(4,062)

Resource AME budget for 2013-14 was £5.100 million, and actual outturn was £4.080 million negative, a saving of £9.180 million (180%) against the budget approved by Parliament. In 2012-13 an outturn was recorded of £35.479 million negative.

### Devaluation of PPE assets: underspend against budget of £6.768 million

The values of properties at 31 March 2014, as reported by professional valuations, were higher than those that were assumed for the 2013-14 Supplementary Estimate. The Estimate included cover in case of decreases in asset values compared to those reported in 2013.

### Provisions: underspend against budget of £2.769 million

The majority of the underspend relates to amounts written back under Early Departures (£0.091m), Specific Dilapidations (£1.191m) and Onerous Contracts (£2.019m), totalling £3.301m. During 2013-14 £1,191,410 was written back of the specific dilapidations in respect of Hercules House due to the early surrender of the lease. On onerous contracts, there was a write back of £2,018,858 being no longer required; £1,660,175 of which related to County Farm. This was due to the change in expectation regarding the timing of the demolition of the buildings on site. The remaining £358,683 written back relates to Birch House, Willow House and Kings Court which generated increased revenues and incurred fewer costs.



Investment properties gains on changes in fair value: year on year change of £31.980 million

During 2012-13 Sunningdale Park and Admiralty Arch became investment properties and gains resulted from changing the basis of fair value estimates from 'existing use value in use' to 'market value'.

## Capital DEL (CDEL)

£000	Outturn 2013-14	Estimate 2013-14	Saving 2013-14	%	Outturn 2012-13
Capital grants	15,804	19,000	3,196	16.8	(57)
Non-current assets	26,520	28,137	1,617	5.7	14,687
Financial assets	549	566	17	3.0	424
<b>Capital DEL</b>	<b>42,873</b>	<b>47,703</b>	<b>4,830</b>	<b>10.1</b>	<b>15,054</b>
of which:					
Policy ring-fence Individual Electoral Registration	6,567	11,000	4,433	40.3	2,290
Non ring-fenced expenditure	36,306	36,703	397	1.1	12,764

Capital DEL budget for 2013-14 was £47.703 million, and actual outturn was £42.873 million, a saving of £4.830 million (10.1%) against the budget approved by Parliament. Compared with prior year, there has been an increase in Capital DEL expenditure of £27.819 million. Capital DEL is broken down by Operating Segment in Note SOPS 2.2 to the Accounts.

**Political and Constitutional Reform - Individual Electoral Registration: underspend against budget of £4.433 million, year on year increase of £4.277 million**

The reason overall for the underspend can be attributed to the contingency budget incorporated into the digital budget to offset potential risks associated with various development activities scheduled to take place in financial year 2013-14.

The capital budget was set in late 2010 – well ahead of the IT development and testing. Given the history of cost over-run within Government Programmes, a healthy provision (contingency) for cost increases due to the financial risk profile of a number of development activities were put in place as per HM Treasury guidelines for good practice. The fact that capital budgetary spend has been surrendered for use elsewhere, is a mark that to date, the programme's capital costs have been carefully managed and have come in below budget.

Capital spend in 2012-13 and 2013-14 relates to the delivery of the IT and Digital services which will support this business change and the steady state running of the new service. Firstly, this includes the making of digital and non-digital applications. Secondly, this includes the verification of applications using data provided by applicants against data held by the Department for Work and Pensions. Thirdly, it involves the secure transfer of data across the system. Lastly, it involves the delivery of changes to local authority Electoral Management Systems required to interface with the new service and to handle the additional data requirements.

**Efficiency and Reform: underspend against budget of £2.583 million**

There was an underspend on the Government Digital Service (GDS) capital budget for a variety of reasons. Budgets were managed meticulously to ensure that spend was closely monitored with value for money decisions being made on all expenditure under capital projects. In practice this led to projects coming in under budget. Work on the Private facing IDAP hub originally planned for 2013-14 has been carried into the next financial year. A number of costs relating to the Cloudstore and the Performance Platforms being diagnosed as resource and not capital costs which resulted in reduced spend under the latter category. See Note SOPS2.2.

**Government Innovation Group: year on year increase of £11.598 million**

An increase of £3 million relates to the Endowment Match Challenge where the supplier was much more successful raising funds to be matched in 2013-14 compared to 2012-13. In the prior year, an amount of £8 million capital income was received representing loan repayments from the Futurebuilders Fund. See Note SOPS2.2.

**Corporate Services Group: year on year increase of £10.653 million**

In 2013-14 investment in the Cabinet Office's London estate was greater than in 2012-13, in particular seeing the completion of several phases of ongoing building modernisation works at 70 Whitehall under plans agreed prior to 2010. This work is contributing to the overall estate strategy of increasing the capacity of core freehold buildings (for example by providing more modern open plan space) and disposing of non-core leasehold buildings. In 2013-14 the leased Hercules House and 67 Tufton Street were handed back to landlords and more teams consolidated at 70 Whitehall. In addition, 2013-14 saw investment in enhancing crisis management facilities operated by the Cabinet Office. See Note SOPS2.2.

## PUBLIC EXPENDITURE DATA

The aim of the published expenditure data tables is to present spending plans and comparable outturn data and to provide an explanation of the Cabinet Office's budgetary spending.

These tables analyse spending in terms of the main spending control aggregates: the Departmental Expenditure Limit (DEL), showing resource DEL (RDEL) and capital DEL (CDEL) consumption and departmental Annually Managed Expenditure (AME).

Budgets are negotiated with HM Treasury by means of Spending Reviews (SR) and the most recent are the Spending Review 2010 (SR2010) covering financial years 2011-12, 2012-13, 2013-14 and 2014-15 and Spending Round 2013 covering financial year 2015-16.

Table 1 Cabinet Office total departmental spending 2007-08 to 2015-16

£000	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 <sup>2</sup> Outturn	2014-15 Plans	2015-16 Plans
<b>Resource DEL</b>									
Support to the Cabinet, the PM & the Deputy PM	-	-	-	-	65,978	61,096	57,691	83,497	42,646
Political & Constitutional Reform	9,047	9,499	9,499	6,414	10,830	9,958	20,629	70,092	25,445
National Security	-	-	-	-	52,011	44,472	29,076	20,100	12,824
Efficiency and Reform	130,325	179,155	207,716	178,910	252,992	210,665	93,015	48,081	9,321
Government Innovation Group	-	-	-	-	-	5,285	170,092	225,508	194,865
Transactional Shared Services	-	-	-	-	-	-	565	-	-
Hosted Functions	2,726	2,748	2,620	2,175	1,286	1,340	1,152	1,150	767
Corporate Services Group	225,014	249,827	193,485	208,460	62,546	77,727	36,535	67,020	62,328
Civil Service Capability	-	-	-	-	-	-	-	7,392	7,392
Pensions	-	-	-	-	-	-	-	6,000	6,000
eNDPBs (NET)	-	-	-	-	1,313	1,442	1,794	1,887	1,803
Consolidated Fund Standing Services (CFSS)	15,929	6,941	100,023	104,397	1,849	1,831	1,826	121,100	-
<b>Total Resource DEL</b>	<b>383,041</b>	<b>448,170</b>	<b>513,343</b>	<b>500,356</b>	<b>448,805</b>	<b>413,816</b>	<b>412,375</b>	<b>651,827</b>	<b>363,391</b>
<i>Of which:</i>									
Staff costs	129,665	138,090	146,484	150,867	163,777	138,680	170,212	131,000	99,473
Purchase of goods and services	202,349	212,894	270,502	252,216	217,245	231,323	291,022	396,620	126,590
Income from sales of goods and services	-89,724	-96,443	-88,423	-73,576	-127,805	-91,190	-183,910	-100,539	-100,029
Current grants to local government (net)	1,744	1,677	1,915	613	92	962	8,363	37,476	18,000
Current grants to persons and non-profit bodies (net)	122,105	136,470	154,100	136,142	177,105	103,908	109,921	160,684	191,000
Subsidies to private sector companies	-	-	-	-	6,282	-	-	-	-
Rentals	12,488	15,605	11,737	20,122	17,863	31,581	12,857	13,091	13,091
Depreciation <sup>1</sup>	9,451	35,516	10,514	10,565	8,122	11,241	13,253	15,000	15,266
Other resource	-5,037	4,361	6,514	3,407	-13,876	-12,689	-9,343	-1,505	-
<b>Resource AME</b>									
Corporate Services Group (AME)	-2,039	-1,152	6,049	67	5,119	-35,479	-4,080	4,942	5,000
<b>Total Resource AME</b>	<b>-2,039</b>	<b>-1,152</b>	<b>6,049</b>	<b>67</b>	<b>5,119</b>	<b>-35,479</b>	<b>-4,080</b>	<b>4,942</b>	<b>5,000</b>

<i>Of which</i>									
Staff costs	-	-	-	-	2	-	-	-	-
Rentals	-	-	-	-	-	-	1	-	-
Depreciation <sup>1</sup>	-	-	6,845	895	1,587	988	317	6,254	5,000
Take up of provisions	568	1,600	1,635	757	13,022	-840	-3,057	-	-
Release of provision	-2,720	-3,875	-2,432	-2,543	-9,445	-4,062	-1,424	-1,312	-
Other resource	113	1,123	1	958	-47	-31,565	83	-	-
<b>Total Resource Budget</b>	<b>381,002</b>	<b>447,018</b>	<b>519,392</b>	<b>500,423</b>	<b>453,924</b>	<b>378,337</b>	<b>408,295</b>	<b>656,769</b>	<b>368,391</b>
<i>Of which:</i>									
Depreciation <sup>1</sup>	9,451	35,516	17,359	11,460	9,709	12,229	13,570	21,254	20,266
<b>Capital DEL</b>									
Support to the Cabinet, the PM & the Deputy PM	-	-	-	-	1,604	1,798	1,476	2,000	-
Political & Constitutional Reform	-	-	-	-	-	2,290	6,567	-	-
National Security	-	-	-	-	-1,832	-40	975	-	-
Efficiency and Reform	16,963	30,608	94,053	75,742	12,335	4,431	4,547	-	-
Government Innovation Group	-	-	-	-	-	-	12,080	10,000	-
Corporate Services Group	17,307	10,666	9,852	11,505	5,334	6,575	17,228	8,500	14,600
<b>Total Capital DEL</b>	<b>34,270</b>	<b>41,274</b>	<b>103,905</b>	<b>87,247</b>	<b>17,441</b>	<b>15,054</b>	<b>42,873</b>	<b>20,500</b>	<b>14,600</b>
<i>Of which:</i>									
Capital support for local government (net)	5,268	13,293	12,191	7,102	-	-20	4,914	-	-
Capital grants to persons & non-profit bodies (net)	16,813	22,871	53,631	38,206	-	-8,084	-3	-	-
Capital grants to private sector companies (net)	-	-	22,434	23,208	10,840	7,963	10,887	10,000	-
Purchase of assets	18,986	10,648	15,486	13,507	8,552	14,887	26,528	10,500	14,600
Income from sales of assets	-64	-10	-5,479	-	-134	-44,261	-2	-	-
Net lending to the private sector and abroad	-22	-28	642	224	58	424	549	-	-
Other capital	-6,711	-5,500	5,000	5,000	-1,875	44,145	-	-	-
<b>Total Capital Budget</b>	<b>34,270</b>	<b>41,274</b>	<b>103,905</b>	<b>87,247</b>	<b>17,441</b>	<b>15,054</b>	<b>42,873</b>	<b>20,500</b>	<b>14,600</b>
<b>Total departmental spending <sup>2</sup></b>	<b>405,821</b>	<b>452,776</b>	<b>605,938</b>	<b>576,210</b>	<b>461,656</b>	<b>381,162</b>	<b>437,598</b>	<b>656,015</b>	<b>362,725</b>
<i>Of which:</i>									
Total DEL	407,860	453,928	606,734	577,038	458,124	417,629	441,995	657,327	362,725
Total AME	-2,039	-1,152	-796	-828	3,532	-36,467	-4,397	-1,312	-

<sup>1</sup> Includes impairments

<sup>2</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

<sup>3</sup> 2013-14 numbers are provisional outturn; see table 2 for reconciliation to the account

Table 2 Cabinet Office outturn year 2013-14

£000	2013-14 Original Plans		2013-14 Final Plans		2013-14 Provisional Outturn		2013-14 Final Outturn	
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital
<b>Spending in Departmental Expenditure Limits (DEL)</b>								
<b>Voted expenditure</b>	<b>436,761</b>	<b>34,500</b>	<b>451,689</b>	<b>47,703</b>	<b>410,549</b>	<b>42,873</b>	<b>418,049</b>	<b>42,873</b>
<i>Of which:</i>								
Support to the Cabinet, the PM & the Deputy PM	70,161	-	59,417	1,500	57,691	1,476	57,691	1,476
Political & Constitutional Reform	9,571	11,000	19,986	11,000	20,629	6,567	20,629	6,567
National Security	26,638	-	28,246	600	29,076	975	29,076	975
Efficiency and Reform	44,736	450	88,731	7,130	93,015	4,547	100,515	4,547
Hosted Functions	1,341	-	1,250	-	1,152	-	1,152	-
Government Innovation Group	179,906	15,238	169,369	11,929	170,092	12,080	170,092	12,080
Corporate Services Group	101,630	7,812	81,094	15,544	36,535	17,228	36,535	17,228
Transactional Shared Services	1,673	-	1,709	-	565	-	565	-
eNDPBs (NET)	1,105	-	1,887	-	1,794	-	1,794	-
<b>Non-voted expenditure</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>1,826</b>	<b>-</b>	<b>1,826</b>	<b>-</b>
<i>Of which:</i>								
Consolidated Fund Standing Services (CFSS)	2,000	-	2,000	-	1,826	-	1,826	-
<b>Total Spending in DEL</b>	<b>438,761</b>	<b>34,500</b>	<b>453,689</b>	<b>47,703</b>	<b>412,375</b>	<b>42,873</b>	<b>419,875</b>	<b>42,873</b>
<b>Spending in Annually Managed Expenditure (AME)</b>								
<b>Voted expenditure</b>	<b>4,866</b>	<b>-</b>	<b>5,100</b>	<b>-</b>	<b>-4,080</b>	<b>-</b>	<b>-4,080</b>	<b>-</b>
<i>Of which:</i>								
Corporate Services Group (AME)	4,866	-	5,100	-	-4,080	-	-4,080	-
<b>Total Spending in AME</b>	<b>4,866</b>	<b>-</b>	<b>5,100</b>	<b>-</b>	<b>-4,080</b>	<b>-</b>	<b>-4,080</b>	<b>-</b>
<b>Total</b>	<b>443,627</b>	<b>34,500</b>	<b>458,789</b>	<b>47,703</b>	<b>408,295</b>	<b>42,873</b>	<b>415,795</b>	<b>42,873</b>
<i>Of which:</i>								
Voted expenditure	441,627	34,500	456,789	47,703	406,469	42,873	413,969	42,873
Non-voted expenditure	2,000	-	2,000	-	1,826	-	1,826	-

† Figures for Adjusted Plans have been adjusted for machinery of government changes effected during 2013 to reflect the Final Plans structure where applicable

† Total Resource DEL reported in the Accounts at Note SOPS2 is £419.875 million which is £7.5 million higher than the provisional outturn reported on HM Treasury's public expenditure database of £412.375 million. The increase in resource programme outturn within Efficiency and Reform of £7.5million represents a late audit adjustment

Table 3 Cabinet Office Capital Employed

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans
<b>Assets and Liabilities on the Statement of Financial Position at year end</b>							
<b>Non-current assets</b>							
<b>Property, plant and equipment</b>							
of which:							
Land and buildings	136,182	147,661	125,060	99,817	111,651	129,705	137,393
Dwellings	23,905	24,709	24,771	32,396	30,362	29,138	27,915
Information technology	4,410	4,656	4,583	1,837	3,278	2,323	1,367
Plant and machinery	2,078	1,720	1,530	938	356	15	-
Furniture and fittings	176	313	535	523	1,837	1,712	1,585
Art and antiques	10,252	12,231	10,584	9,733	9,883	9,884	9,884
Assets under construction (AUC)	4,545	8,093	8,794	16,849	20,868	10,500	14,600
<b>Total Property, plant and equipment</b>	<b>181,548</b>	<b>199,383</b>	<b>175,857</b>	<b>162,093</b>	<b>178,235</b>	<b>183,277</b>	<b>192,744</b>
Investment properties	-	-	-	62,265	2,288	2,288	2,288
Intangible assets	1,851	3,832	4,406	6,190	4,600	3,290	1,980
<b>Sub total</b>	<b>183,399</b>	<b>203,215</b>	<b>180,263</b>	<b>230,548</b>	<b>185,123</b>	<b>188,855</b>	<b>197,012</b>
Investment in associates	-	-	-	5,882	53,695	62,898	73,055
Other financial assets	1,006	1,228	1,403	1,404	2,128	2,628	3,128
Other non-current assets	2,077	411	354	-	16,450	7,050	-
<b>Total non-current assets</b>	<b>186,482</b>	<b>204,854</b>	<b>182,020</b>	<b>237,834</b>	<b>257,396</b>	<b>261,431</b>	<b>273,195</b>
<b>Current assets</b>							
Assets held for sale	-	-	44,145	-	60,000	-	-
Returning Officers' expenses	-	-	-	-	1,505	-	-
Deferred consideration	-	-	-	-	9,400	9,400	7,050
Other current assets	40,402	131,056	99,275	62,276	64,370	64,370	64,370
<b>Total current assets</b>	<b>40,402</b>	<b>131,056</b>	<b>143,420</b>	<b>62,276</b>	<b>135,275</b>	<b>73,770</b>	<b>71,420</b>
<b>Current Liabilities</b>							
Returning Officers' expenses	-	-	-	-	(1,505)	-	-
Trade and other payables	(52,003)	(177,395)	(169,779)	(95,600)	(98,979)	(98,979)	(98,979)
Provisions	-	-	(4,288)	(1,884)	(4,693)	(1,000)	(1,000)
<b>Total current liabilities</b>	<b>(52,003)</b>	<b>(177,395)</b>	<b>(174,067)</b>	<b>(97,484)</b>	<b>(105,177)</b>	<b>(99,979)</b>	<b>(99,979)</b>
<b>Non-current liabilities</b>							
Provisions	(3,941)	(6,240)	(13,036)	(10,829)	(3,830)	(2,830)	(1,830)
<b>Total capital employed</b>	<b>170,940</b>	<b>152,275</b>	<b>138,337</b>	<b>191,797</b>	<b>283,664</b>	<b>232,392</b>	<b>242,806</b>
of which:							
<b>Core Department eNDPB</b>	<b>170,940</b>	<b>152,275</b>	<b>138,501</b>	<b>191,864</b>	<b>283,889</b>	<b>232,617</b>	<b>243,031</b>
	-	-	(164)	(67)	(225)	(225)	(225)

Table 4 Cabinet Office Administration budget 2007-08 to 2015-16

£000	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
<b>Resource DEL</b>									
Support to the Cabinet, the PM & the Deputy PM	-	-	-	-	63,500	56,277	53,789	55,970	42,646
Political & Constitutional Reform	5,365	5,633	5,633	4,163	3,699	3,740	4,012	4,132	7,445
National Security	-	-	-	-	17,523	15,597	15,276	13,810	12,824
Efficiency and Reform	4,875	33,445	31,867	24,647	48,992	39,331	26,987	17,300	10,054
Government Innovation Group	-	-	-	-	-	-	6,509	4,638	2,865
Transactional Shared Services	-	-	-	-	-	-	565	-	-
Hosted Functions	2,726	2,748	2,620	2,175	1,144	1,360	1,102	1,150	767
Corporate Services Group	149,866	170,479	153,157	170,529	50,568	75,389	35,791	67,020	62,328
Civil Service Capability	-	-	-	-	-	-	-	6,572	6,572
Pensions	-	-	-	-	-	-	-	6,000	6,000
eNDPBs (NET)	-	-	-	-	1,313	1,442	1,794	1,887	1,803
<b>Total administration budget</b>	<b>162,832</b>	<b>212,305</b>	<b>193,277</b>	<b>201,514</b>	<b>186,739</b>	<b>193,136</b>	<b>145,825</b>	<b>178,479</b>	<b>153,304</b>
<i>Of which:</i>									
Staff costs	110,008	126,277	137,961	145,583	125,653	105,924	115,822	97,280	94,473
Purchase of goods and services	100,459	136,013	117,020	97,902	111,803	140,054	192,379	149,702	126,003
Income from sales of goods and services	-68,530	-75,120	-84,490	-72,070	-62,061	-83,432	-178,094	-97,089	-95,529
Current grants to local government (net)	-	-	-	-1	-	-	-	-	-
Current grants to persons and non-profit bodies (net)	-	-	-	-	-	-	-1	-	-
Rentals	12,465	15,605	11,737	20,122	17,505	31,743	12,314	13,091	13,091
Depreciation	8,106	9,235	10,380	10,015	5,688	8,563	10,157	15,000	15,266
Other resource	324	295	669	-37	-11,849	-9,716	-6,752	495	-

Table 5a Staff numbers for the Cabinet Office

	2011-12	2012-13	2013-14	2014-15
	Actual	Actual	Actual	Plans
CS FTEs	2,216	1,663	1,668	1,690
Casuals (incl. short-term / fix term appointments)	138	244	425	258
Special advisers	47	48	56	56
<b>Total Cabinet Office</b>	<b>2,401</b>	<b>1,955</b>	<b>2,149</b>	<b>2,004</b>

Table 5b Staff numbers for the Cabinet Office

Grade	Pay Band	Full-time equivalents (FTEs)
Permanent Secretary	£141,800 - £277,300	5
SCS 3	£103,000 - £208,100	21
SCS 2	£84,000 - £162,500	41
SCS 1	£60,000 - £117,800	165
<b>Total*</b>		<b>232</b>

\*Total includes 40 SCS-equivalent graded staff in the Office of Parliamentary Counsel



Table 6 Total identifiable expenditure on services by country and region 2008-09 to 2012-13

£ million					
Cabinet Office	National Statistics				
	2008-09	2009-10	2010-11	2011-12	2012-13
North East	17	23	23	14	7
North West	47	64	62	38	18
Yorkshire and the Humber	35	48	46	29	14
East Midlands	30	41	40	25	12
West Midlands	37	50	49	30	15
East	39	53	51	32	16
London	53	73	71	45	23
South East	57	78	76	47	23
South West	35	48	46	29	14
Total England	350	477	465	289	142
Scotland	20	17	18	11	4
Wales	21	31	29	17	8
Northern Ireland	7	6	6	4	1
UK identifiable expenditure	397	530	518	321	155
Outside UK	-	-	-	-	-
Total identifiable expenditure	397	530	518	321	155
Non-identifiable expenditure	43	51	42	153	185
Total expenditure on services	440	581	561	474	340

Table 7 Total identifiable expenditure on services by country and region per head 2008-09 to 2012-13

Cabinet Office (excluding Civil Superannuation)	National Statistics					£ per head
	2008-09	2009-10	2010-11	2011-12	2012-13	
North East	7	9	9	5	3	
North West	7	9	9	5	3	
Yorkshire and the Humber	7	9	9	5	3	
East Midlands	7	9	9	5	3	
West Midlands	7	9	9	5	3	
East	7	9	9	5	3	
London	7	9	9	6	3	
South East	7	9	9	5	3	
South West	7	9	9	5	3	
England	7	9	9	5	3	
Scotland	4	3	3	2	1	
Wales	7	10	10	6	3	
Northern Ireland	4	3	3	2	1	
UK identifiable expenditure per head	6	9	8	5	2	

Table 8 Cabinet Office Expenditure on services by sub-function 2012-13

Data in this table are National Statistics

	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales Northern Ireland	Outside UK	Not Identifiable	Grand Total	
1. General public services																
1.1 Executive and legislative organs, financial and	5	12	9	8	10	10	15	15	9	94	-1	5	0	-	185	283
1.6 General public services n.e.c.	0	1	1	1	1	1	2	2	1	12	1	1	0	-	-	14
Total general public services	5	14	10	9	11	12	17	18	10	105	1	6	0	-	185	297
3.6 Public order and safety n.e.c.	2	5	4	3	4	4	6	6	4	36	4	2	1	-	-	43
Total public order and safety	2	5	4	3	4	4	6	6	4	36	4	2	1	-	-	43
<b>TOTAL CABINET OFFICE EXPENDITURE ON SERVICES</b>	<b>7</b>	<b>18</b>	<b>14</b>	<b>12</b>	<b>15</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>14</b>	<b>142</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>185</b>	<b>340</b>

## Commentary on Public Expenditure Data Tables

### Tables 1 and 2 Total Departmental Spending and Outturn year 2013-14

#### Resource DEL (RDEL)

The 2010 Spending Review Settlement provides for a real reduction in non-ring fenced RDEL of 35% on the Cabinet Office 2011-12 baseline after excluding all changes in departmental responsibilities.

The 2013 Spending Round Settlement provides for a real reduction in non-ring fenced RDEL of 10% on the Cabinet Office 2014-15 baseline.

#### Staff costs

There is a decrease in future years pay costs in response to the Government's deficit reduction plans.

The year on year increase in 2013-14 in wages and salaries permanent staff costs is due to increased responsibilities within the Efficiency & Reform Group (ERG) and Government Innovation Group (GIG) which led to the creation of new teams.

#### Efficiency & Reform Group

Within ERG there have been numerous new projects/teams, including Crown Hosting, Debt Market Integrator, Shared Services Centre 2, Single Operating Platform, Civil Service HR, ERG HR Team, Commercial Reform Team and the Complex Transactions Team.

Also within ERG, the Government Digital Service (GDS) staff numbers and associated costs increased to take into account the additional activities which GDS took forward during the course of the latter financial year. This most notably related to continuing to develop and improve GOV.UK (setting up GOV.UK was the main staff cost in 2012-13), to rationalise and bring over 300 ALB websites to GOV.UK and taking forward a number of exemplar projects with other Government Departments on transactional services which were aimed at improving the level of customer satisfaction, increasing the uptake of online services, saving money from reduced service and IT delivery contracts; and building capability within each department.

#### Government Innovation Group

Within the Government Innovation Group new teams have been created during 2013-14, such as the Data Sharing Public Sector Partnership & Contestable Policy.

Outturn may be reconciled to staff costs at Note 4 to the Accounts by adding the salaries and pensions of the UK Members of the European Parliament and by adding utilisation of early departures costs (whereby cash disbursement is a charge against RDEL and release of the provision is a benefit to RAME): both are reported in Note SOPS3.

### Purchase of goods and services and income from sales of goods and services

#### Political and Constitutional Reform – Consolidated Fund Standing Services

SR2010 settlement includes funding for the boundary review and in 2014-15 funding for the introduction of Individual Electoral Registration and funding for elections to the European Parliament. In 2009-10 the 2009 European Parliamentary elections were budgeted at £95.3 million, in 2010-11 the 2010 UK Parliamentary Elections for England and Wales were budgeted at £102.2 million and in 2014-15 the 2014 European Parliamentary elections are budgeted at £119.1 million.

## Current grants and subsidies

SR2010 settlement includes funding for the voluntary sector and for the Electoral Registration Transformation Programme. See Note 6 to the Accounts which describes the purpose of the grant programmes.

### Government Innovation Group

The Government Innovation Group is charged with implementing the Government's commitment to the Big Society and the settlement provides for the Community First Fund, support for volunteering, capacity building, community organisers and support for mutuals. The pilot phase of the National Citizen Service was implemented during 2011-12 and 2012-13. Key programmes have included National Citizen Service, Strategic Partners Programme, Social Action, Community Organisers, Community First, Structural Support and Technical Assistance and Advice Services Fund.

Funding includes £100 million in 2013-14 and £140 million in 2014-15 for the National Citizen Service programme and £16.8 million in 2014-15 for "Help for Not-for-Profit organisations in the Third Sector". In 2015-16 SR2013 provides £140 million for the National Citizen Service and £56 million for other civil society programmes.

## Rentals

Rentals include offices at 1 Horse Guards Road and a PFI service charge in respect of Sunningdale Park. See Note 5 to the Accounts.

During 2012-13 the Cabinet Office paid lease surrender premiums totalling £16.350 million to secure early exit from leasehold properties at 1 Palace Street and 67 Tufton Street in order to realise future value for money savings. The Cabinet Office assumed responsibility for the lease of 1 Palace Street from the Department for International Development who moved to cheaper premises at 22-26 Whitehall which were gifted to them by the Cabinet Office. By incurring a charge of £13.650 million, the Cabinet Office secured early exit from the lease in December 2013 with the prospect of achieving overall savings of £62.5 million which include the avoidance of future rental payments to September 2020.

## Depreciation and impairment

Depreciation is a ring-fenced budget and may not be re-deployed. It includes depreciation and impairment caused by loss or damage to assets resulting from normal business operations, abandonment of assets under construction or over-specification of assets. Depreciation arises mainly on owned buildings and amortisation mainly on websites. See Notes 5 and 6 to the Accounts.

## Other resource

This includes income from royalties and dividends. See Note 7 to the Accounts.

## Resource AME (RAME)

Resource AME comprises the take up of new provisions and the release of provisions at the point of cash utilisation for both dilapidations on leasehold properties and onerous contract on vacant leasehold properties, staff early departures, depreciation on donated assets and impairments against property assets and loans and investment properties gains/loss on changes in fair value.

## Other resource

During 2012-13 Admiralty Arch became vacant and was recognised as an investment property at fair value of £60 million resulting in a gain on change in fair value of £32.003 million. See Note 9 to the Accounts.

## Capital DEL (CDEL)

The 2010 Spending Review Settlement provides for a real reduction of 28% on the Department's 2011-12 baseline. The Public Expenditure Committee agreed the following should be funded within this capital settlement: Cabinet Office Estate Rationalisation, Constitutional Reform – Individual Electoral Registration, Social Action and Community First.

Spending Round 2013 allows £14.6 million for the upkeep of estates and crisis facilities and future ICT.

### Capital grants

#### Government Innovation Group

Expenditure from 2007-08 to 2010-11 represents capital grants mainly to Futurebuilders England Limited to deliver the Futurebuilders programme which came to an end on 31 March 2011. During 2012-13 Futurebuilders England Limited returned capital income of £8 million to the Cabinet Office representing the repayment of loans by investees; see Notes 6 and 25 to the Accounts. Since 2011-12 capital grants have been made to Community First Endowment Match Challenge programme and in 2013-14 amounted to £10.880 million. See Note 6 to the Accounts.

#### Political and Constitutional Reform

During 2013-14 £4.917 million capital expenditure was incurred on Individual Electoral Registration. SR2010 provided the Constitutional Reform Group the opportunity to set out its plans to bring forward the introduction of Individual Electoral Registration. Individual Electoral Register will require each member of the household to register, and be responsible for, their own entry on the register which will subsequently be checked against other sources of public data to ensure that the electoral register is trusted and secure. Individual Electoral Registration should furthermore improve accuracy of the register, allow people to register in different ways and will allow the government to take steps to address the completeness of the register.

### Purchase of assets

#### Corporate Services Group

In 2013-14 spend on capital relates to investment in the Cabinet Office's London estate. See previous section on outturn for a further explanation. See Notes 8 and 10 to the Accounts.

### Other capital and income from sale of assets

In 2012-13 the Minister for the Cabinet Office transferred all rights and obligations under the freehold and associated agreements for 22/26 Whitehall, London SW1A 2WH to The Secretary of State for International Development (DFID). The fair value of property at the date of transfer was £44.145 million on the assumption that the property was sold as part of the continuing enterpriser in occupation with vacant possession. See Note 20 to the Accounts.

## Table 3 Capital Employed for the Cabinet Office

### Property, plant and equipment

Overall carrying values increased from March 2013 to March 2014 by £16 million of which £25 million in additions, £6 million impairment, £2 million revaluations and £5 million depreciation. A relatively small upwards valuation of non-current assets in 2013-14 of just under £2 million overall (around 1% of the total carrying value) is predominantly the result of independent professional valuations of freehold land and buildings. See outturn in previous section, and Note 8.1 to the Accounts.

Forecasts assume that depreciation in 2014-15 and 2015-16 will remain at similar levels to 2013-14. Capital additions in 2014-15 and in 2015-16 reflect the capital requirement approved by Parliament in the Main Estimate 2014-15 and the capital budget within the Spending Round 2013, respectively.

### Investments in associates

This represents the Cabinet Office's share of its associates net assets based on their forecast profits. The Department holds the following equity shareholdings; see Note 17 to the Accounts:

Associate	Equity shareholding %
MyCSP Limited	35
Shared Services Connected Limited	25
AXELOS Limited	49
Behavioural Insights Team Limited	35

### Other financial assets

Additional loans are expected to be made to Bridges Social Entrepreneurs Fund LP which invests in social enterprises. See Note 19 to the Accounts.

### Assets held for sale

Admiralty Arch is expected to be sold on a long-leasehold during 2013-14. See Notes 9 and 20 to the Accounts.

### Returning Officers' Expenses

Claims from Returning Officers relating to UK Parliamentary By-elections and 2014 European Parliamentary Elections are expected to be settled by 31 March 2015 and claims relating to 2015 UK General Election by 31 March 2016. See Notes 21, 22 and 23 to the Accounts.

### Deferred consideration

Cabinet Office transferred its 51 'B' Ordinary shares in AXELOS Limited to AXELOS' immediate parent, Capita Business Services Limited (CBSL) in return for consideration of £38.2 million. CBSL has deferred payment of £25.850 million to be settled in 33 equal monthly instalments between April 2014 and December 2016. See Note 21 to the Accounts.

### Non-current liabilities provisions

There are no new significant provisions anticipated for 2014-15 or 2015-16. Existing provisions will be utilised as shown within the analysis of expected timing of cash flows as set out at Note 24 to the Accounts.

It is assumed that all other balances will remain at levels similar to 2013-14.

## Table 4 Administration budget

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

The 2010 Spending Review Settlement provides for a real reduction of 33% in the administration budget excluding depreciation over the four years on the 2010-11 baseline.

The 2013 Spending Round Settlement provides for a real reduction of 10% in the administration budget excluding depreciation on the 2014-15 baseline.

The decrease of £14.775 million in 2011-12 outturn administration costs compared to 2010-11 is largely due to efficiency savings across the Department, a reduction in the general workforce which took place during 2010-11 and a reclassification from administration to programme of the expenditure of the Civil Service Capabilities and Public Services Reform Groups upon their transfer into the Efficiency and Reform Group.

2013-14 outturn includes income of £38.2 million upon sale of shares in Axelos Limited to Capita Business Services Limited; see previous section on outturn.

In 2014-15 two new operating segments have been created for Civil Service Capability and Pensions. Civil Service Capability includes Civil Service Human Resources and Civil Service Reform. Civil Service Human Resources aims to alter the way in which the Civil Service delivers HR services cross-government. Civil Service Reform will equip a smaller Civil Service to meet future challenges. Pensions includes the Royal Mail Statutory Pension Scheme, and also the Principal Civil Service Pension Scheme (PCSPS) whose costs are met through income from a charge on Civil Superannuation employer pension contributions and directly from employers who participate in the PCSPS.

## Table 5 Staff numbers

These tables show the actual number of staff as at 31 March in each year up to 2013-14 and projected staffing for 2014-15. Staff are categorised as permanent, casual and special adviser. By contrast, Note 4 to the Accounts shows headcount expressed as the average number of whole-time equivalent persons employed and includes ministers, temporary staff and commissioners.

### Civil Service Full Time Equivalent

In 2012-13 there were significant number of leavers who had previously worked for National School of Government and Central Office of Information. In 2013-14, overall there is a little change compared to 2012-13. 27 staff working in the Civil Service HR unit and 6 staff working in the Functional Leadership team transferred from the Department for Communities and Local Government with these functions into the Cabinet Office. During the course of the year, 6 staff working in the SWIRL Unit, part of the Efficiency and Reform Group, and 15 staff in the Behavioural Insights Team, part of the Government Innovation Group, transferred out of the Cabinet Office to the Private Sector under TUPE arrangements. Projected staff numbers for 2014-15 are based on current business planning assumptions.

### Casuals

In 2013-14 an increasing number of projects took place around GOV.UK, the rationalisation of 300 arm's length body websites to GOV.UK and as part of the wider transformation programme which is aimed at delivering public services online or by other digital means. A number of these projects were carried out by interim staff, particularly where the length of the project was 12 months or less, or where specialist skills were required. This work necessitated an increase in the number of casual staff. Given the short term nature of the projects involved and the specialist skills required the use of casual staff represented the most cost effective solution to their successful delivery.

## Tables 6 to 8 Country and Regional Analysis tables

The Country and Regional Analysis table is an analysis of public expenditure by country, region and function. Data in this release are National Statistics for all years. This is purely a statistical exercise and plays no part in resource allocation.

Most public spending is planned to benefit categories of individuals and enterprises irrespective of location. The regional analyses presented show where the individuals and enterprises that benefited from public spending were located. It does not mean that all such spending was planned to benefit a particular region, because only a minority of public spending is planned on a regional basis. Public expenditure is planned and controlled on a departmental basis.

The tables present statistical analyses of public expenditure by country, region and function and present the spending attributed to the English regions alongside the spending attributed to Scotland, Wales and Northern Ireland.

Tables 6, 7 and 8 show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the [November 2013](#) release.

The figures were largely taken from the **Online System for Central Accounting and Reporting (OSCAR)** during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure.

The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of [PESA 2013](#).

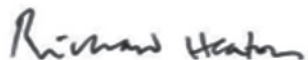
The data feature both identifiable and non-identifiable spending:

1. Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
2. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.



The functional analyses of spending in [Table 8](#) are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.



**Richard Heaton CB**

Permanent Secretary for the Cabinet Office,  
First Parliamentary Counsel and  
Accounting Officer

24 June 2014

This page is intentionally left blank.

---

# Governance

---



## Performance Report by Lord Browne, the Lead Non-Executive Director

The role of government is changing. It is increasingly becoming a commissioning body, buying and managing a range of complex services and commercial relationships, with a greater focus on value for money. As a result, it needs a Civil Service with new and enhanced skills. The Cabinet Office is at the forefront of the change programme required to deliver this shift.

### Board effectiveness

The Board met seven times during the 2013-14 financial year. Board membership has remained stable, with the departure of just one minister.

The evidence from the latest Cabinet Office board effectiveness evaluation, incorporating a peer review by Sara Weller (lead non-executive at the Department for Communities and Local Government), demonstrated that most Board members believe the Board is operating more effectively, compared to 12 months ago.

Following recommendations made in last year's Board evaluation, the flow of information between Board members and the Department's management has improved, and the Board agendas are now becoming more focused.

The quality of Board meetings has also been improved by greater engagement between the Board chair and non-executives outside formal Board meetings. Rona Fairhead chairs the Department's highly effective Audit and Risk Committee, and non-executives continue to contribute to committees such as the Senior Pay and Talent Committee.

### Strategic clarity

Compared to other government departments, the Cabinet Office has a remit of unusual breadth and depth, which changes regularly to reflect the evolution of government and Civil Service priorities. It is therefore essential for the Department continually to clarify its strategic purpose.

### Commercial sense

A number of the recommendations in my review of major project leadership, 'Getting a Grip' (March 2013), have been implemented. The appointment of a new Chief Executive, John Manzoni, will bring fresh impetus to these important reforms. The Cabinet Office has also launched a fully integrated Crown Commercial Service (CCS), which centralises responsibility for procurement, and which will improve supplier management as a result.

## Talented people

The Board's Senior Pay and Talent Committee has provided good strategic input into the performance and talent management of senior civil servants (SCS). Succession plans have improved, particularly at Director General level, where 93% of roles have succession plans in place. There should, however, be more discussion of the Department's wider talent management strategy, covering both people and departmental capability. This could happen in the Board itself or in a sub-committee chaired by a non-executive.

## Results focus

The Board has maintained its focus on the link between strategy and results. An example was the analysis of risk, resources and capabilities submitted to the Board to inform its discussions about the creation of the CCS. This enabled the Board to satisfy itself that these key issues had been properly considered by the departmental management team.

## Management information

The improvements I highlighted last year have continued, with management information now better reflecting the Board's need to review the progress of key programmes and strategic goals.

The Cabinet Office has also maintained its focus on improving management information across government, by reviewing the data being collected, developing a plan to streamline Quarterly Data Summaries (QDS) and producing a 'Board Reporting' booklet to disseminate best practice across government.

### **Lord Browne of Madingley**

Government Lead Non-Executive Director and Lead Non-Executive Director for the Cabinet Office

## Our Ministers



**The Rt Hon. David Cameron MP**  
 First Lord of the Treasury,  
 Minister for the Civil  
 Service, Prime Minister  
*(remunerated by HMT)*



**The Rt Hon. Nick Clegg MP**  
 Deputy Prime Minister and  
 Lord President of the  
 Council



**The Rt Hon. Francis Maude MP**  
 Minister for the Cabinet  
 Office, Paymaster General



**The Rt Hon. Oliver Letwin MP**  
 Minister for Government  
 Policy



**The Rt Hon. David Laws MP\***  
 Minister of State jointly with  
 the Department for  
 Education  
*(remunerated by the  
 Department for Education)*



**Nick Hurd MP**  
 Minister for Civil Society  
 Parliamentary Under-  
 Secretary of State



**The Rt Hon. Grant Shapps MP\*\***  
 Minister without Portfolio  
 (Minister of State) and  
 Co-Chairman of the  
 Conservative Party *(Not  
 remunerated)*



**Jo Johnson MP**  
 Assistant Whip and  
 Parliamentary Secretary  
*From 25 April 2013  
 (Not remunerated)*



**The Rt Hon. Lord Hill of Oareford CBE**  
 Leader of the House of  
 Lords and  
 Chancellor of the Duchy of  
 Lancaster



**The Rt Hon. Kenneth Clarke QC MP**  
 Minister without Portfolio  
 (Minister of State)



**The Rt Hon. John Hayes MP**  
 Minister without Portfolio  
 (Minister of State)



**The Rt Hon. Andrew Lansley CBE MP**  
 Leader of the House of  
 Commons and Lord Privy  
 Seal



**The Rt Hon. Greg Clark MP**  
 Minister of State (Cities  
 and Constitution)  
*from 7 October 2013*



**Chloe Smith MP**  
 Minister for Political and  
 Constitutional Reform  
 and Parliamentary  
 Secretary  
*until 6 October 2013*

## Permanent Secretary

Richard Heaton is our Permanent Secretary and is the head of the Department, responsible for the leadership and governance of the Cabinet Office. The Permanent Secretary is also the Cabinet Office's Accounting Officer.

Richard also holds the post of First Parliamentary Counsel, whose role it is to oversee the Government in Parliament Group, which includes Parliamentary Counsel and the business managers in each House of Parliament. The Group works with teams across government to prepare and deliver the government's legislative programme.

### Richard Heaton, Permanent Secretary for the Cabinet Office



Richard Heaton has been Permanent Secretary for the Cabinet Office since August 2012. He has also been First Parliamentary Counsel since February 2012.

Richard started his career as a barrister and joined the Home Office as a legal adviser in 1991. He then worked in legal teams across government, focusing particularly on criminal law, the constitution, and human rights law.

His recent legal and non-legal posts have been:

- Director of Legal Services at the Department for Constitutional Affairs (now Ministry of Justice)
- Head of Law and Governance at the Department for Work and Pensions
- Director General for Pensions and Ageing Society, Department for Work and Pensions

## Cabinet Secretary

Sir Jeremy Heywood is the Cabinet Secretary and the Prime Minister's and Deputy Prime Minister's most senior policy adviser and he acts as Secretary to the Cabinet, responsible to all ministers.

### Sir Jeremy Heywood, Cabinet Secretary



Sir Jeremy Heywood was appointed Cabinet Secretary in December 2011. Prior to that, Sir Jeremy was Permanent Secretary to two successive Prime Ministers at 10 Downing Street. He also spent over three years as a managing director including as co-head of the UK Investment Banking Division at Morgan Stanley. Before joining Morgan Stanley, Sir Jeremy occupied a range of senior civil service roles, including as Principal Private Secretary to the Prime Minister (1999–2003).

Prior to that, he had a variety of senior roles at HM Treasury including:

- Head of Securities and Markets Policy
- Head of Corporate and Management Change

He also served as Principal Private Secretary to Chancellors Norman Lamont and Kenneth Clarke and had a spell at the International Monetary Fund in Washington DC. His first job in the Civil Service was as an economic adviser to the Health and Safety Executive.

## Head of the Civil Service

### Sir Bob Kerslake, Head of the Civil Service



Sir Bob Kerslake is Head of the Civil Service (HoCS) in which capacity he reports directly to the Prime Minister and works closely with the Cabinet Secretary and the Minister for the Cabinet Office. He is responsible for providing professional and corporate leadership to the Civil Service and enhancing the immediate and longer term capability of the Civil Service with strong governance and accountability.

Sir Bob has dual roles and perform his HoCS role alongside his existing departmental responsibilities as Permanent Secretary for the Department for Communities and Local Government (DCLG).

His remuneration, including an allowance of £20,000 per annum for his role as HoCS and a benefit-in-kind of £75,000 arising from the use of a car shared with the Cabinet Secretary, is disclosed within the Remuneration Report in DCLG Annual Report and Accounts, since DCLG are liable for all pay related costs.



# Governance Statement

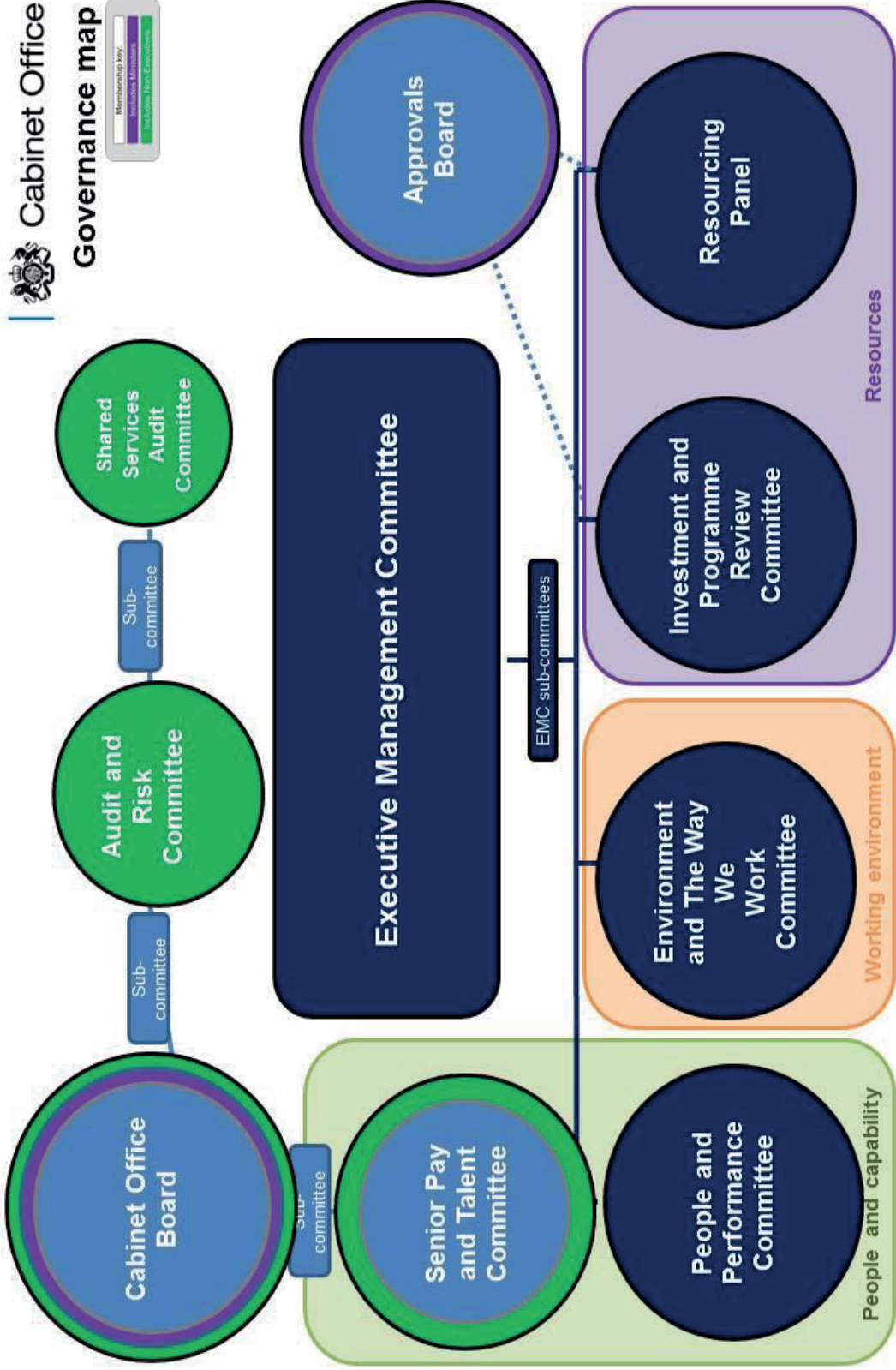
## Our new governance structure

Historically, the Executive Management Committee (EMC) – the top team of managers running the Department – has looked at the whole range of issues – large and small – affecting the Cabinet Office. As the scope and complexity of the Cabinet Office work continues to grow, there is now a need to re-focus the way we manage the Department at a tactical and strategic level.

The changes made:

- The new core EMC group will focus on the decisions that need to be made at a strategic level. This group is chaired by Richard Heaton, and other members are Sue Gray, Stephen Kelly, Olly Robbins, Paul Maltby, Helen Stephenson, Will Cavendish, Bruce Mann, Mel Steel, Stefan Czerniawski, Alex Aiken, Hugh Powell, Melanie Dawes and Chris Martin.
- There are a number of sub-committees (led by EMC members or other senior leaders) with delegated authority to make decisions in particular areas. If these decisions are of strategic importance to the Cabinet Office, they will be referred to the EMC.
- There are four sub-committees – two of which are new. These are:
  - the new **People and Performance Committee** – focusing on pay, talent and performance decisions below SCS
  - the new **Environment and The Way We Work Committee** – focused on improving the tools we use, our working environment and the communications/engagement decisions
  - the **Resourcing Panel** – this reviews additional headcount and retention requirements across the Cabinet Office
  - the **Investment and Programme Review Committee** – advising on financial investment decisions and associated risks.
- The EMC and its sub-committees work in conjunction with a number of other boards and committees with a key role across the Department, including the Cabinet Office Board, the Approvals Board, and the Senior Pay and Talent Committee (SPTC).

# The new governance arrangements



## Introduction

The Cabinet Office's Governance Statement sets out the governance structures, and the internal control and risk management procedures that have operated within the Cabinet Office during the financial year 2013-14 and up to the date of approval of the Annual Report and Accounts, and is in accordance with the HM Treasury guidance.

## Ministerial responsibilities

Ministers lead departments and are responsible for (and accountable to Parliament for) the actions and policies of their departments. Boards, within the strategic framework set by the minister, support the head of the Department by advising ministers and taking ownership of the Department's performance. Ministers and board members are responsible for corporate governance, which defines the rights and responsibilities of different stakeholders, determines rules and procedures for making decisions, and includes the process through which the Department's objectives are set and monitored.

## 'Machinery of government' transfers of function into the Cabinet Office

During the financial year 2013-14 the following changes in ministerial responsibilities resulted from machinery of government transfers of function.

### Royal Mail Statutory Pension Scheme

With effect from 1 April 2012 and under the provisions of the Postal Services Act 2011, the Government assumed responsibility for both the Royal Mail Pension Plan deficit and the majority of the plan's liabilities. This was

achieved through the establishment in the Department for Business, Innovation and Skills (BIS) of a new unfunded pension scheme - the Royal Mail Statutory Pension Scheme (RMSPS).

Concerns about the size of the RMSPS management and the resilience of a small management team led to a review of where the scheme would best sit within government. The review concluded that the future of the scheme and its membership would be best served by moving the scheme to the Cabinet Office, to be run alongside the Principal Civil Service Pension Scheme (PCSPS).

Consequently, from 1 April 2013, the Cabinet Office assumed responsibility for the scheme's management and administration.

## Youth policy

On 3 July 2013, a 'machinery of government' change was announced, whereby cross-cutting responsibilities for youth policy transferred from the Department for Education to the Cabinet Office, which now leads for the government on: cross-government youth strategy and policy coordination; management of the statutory duty on Local Authorities for youth provision in their areas; and strategic relationship management with young people and youth sector organisations on policy development.

## Other changes – transactional shared services

As a result of various investigations and recommendations relating to the sharing of back-office functions across government, there was an initiative to set up a second Independent Shared Service Centre (ISSC2). The business case demonstrated that the best value-for-money delivery model for ISSC2 would be an associate partnership between government and the private sector.

Following the publication of the Next Generation Shared Services Strategy in December 2012, the Department for Work and Pensions (DWP) Shared Services was identified as a founding member of the ISSC2 programme. As a first step towards this, the accountability for the current DWP Shared Service Centre (SSC) transferred on 1 April 2013 to the Cabinet Office until 31 October, after which date the service was delivered by Shared Services Connected Limited, an associate company.

## Associates

### Shared Services Connected Limited (SSCL)

On 1 November The Minister for the Cabinet Office announced that Steria Limited had been appointed as the private sector partner in a new associate company, Shared Services Connected Limited (SSCL), to run the second of two new Independent Shared Services Centres. The associate will harness commercial expertise to deliver government back-office functions more efficiently. The project is a key example of driving innovation in government commercial models – which are key parts of the Civil Service Reform Plan. The new company, SSCL, was initially formed from

a consolidation of some existing shared service centres in DWP, the Department for the Environment, Food and Rural Affairs (Defra) and the Environment Agency. Some services from UK Shared Business Services Ltd (UK SBS) are expected to join by 2015. SSCL will deliver payroll, human resources, finance and procurement services to the existing customers of these centres, with further government departments, agencies and public bodies expected to join in due course.

### AXELOS Limited

An innovative deal to create the first associate business based on government intellectual property was announced on 23 April by the Minister for the Cabinet Office. The new company owns and trades on the 'Best Management Practice' portfolio of professional standards developed by the Civil Service.

### Behavioural Insights Team Limited

On 4 February 2014, the Cabinet Office's Behavioural Insights Team joined with innovation charity National Endowment for Science, Technology and the Arts (Nesta) to create a new associate company that will apply insights from behavioural sciences and help the Government save millions of pounds for the taxpayer by tackling public policy problems.

## The Cabinet Office Board - our Board members

Members of the Cabinet Office Board during the year were:

### Chair



**The Rt Hon. Francis Maude MP**  
Minister for the Cabinet Office,  
Paymaster General

### Ministers



**Nick Hurd MP**  
Minister for Civil Society and Parliamentary Under-Secretary of State



**Chloe Smith MP**  
Minister for Political and Constitutional Reform and Parliamentary Secretary *until 6 October 2013*

### Executive Membership



**Sir Jeremy Heywood KCB, CVO**  
Cabinet Secretary



**Richard Heaton CB**  
Permanent Secretary for the Cabinet Office, First Parliamentary Counsel and Accounting Officer



**Melanie Dawes CB**  
Director General of Economic & Domestic Affairs Secretariat



**Phillip Rycroft CB**  
Director General, Deputy Prime Minister's Office



**Bruce Mann**  
Finance Director, Board Secretary



**Sue Gray**  
Director General Propriety and Ethics and Head of Private Office Group

### Non-Executive Membership

Details of the non-executive directors may be found within the section 'Our Non-Executive Directors'.

## The Cabinet Office Board - responsibilities

The Cabinet Office Board is responsible for:

- **Planning and Performance** – agreeing the Departmental Plan, especially the Department's strategic aims and objectives and the allocation of human and financial resources to achieving them, and their public expression in the Business plan; monitoring and steering performance against the Plan; scrutinising the performance of sponsored bodies; and setting the Department's standards and values.
- **Strategy and Learning** – setting the vision/mission and ensuring that all activities contribute towards it, either directly or through establishment of a credible 'licence to operate'; long-term capability and horizon scanning, ensuring that strategic decisions are based on a collective understanding of policy issues; using expertise and outside perspectives to hold the Department to account for its interaction with the 'real world'.
- **Resources and Change** – signing off large projects or programmes, or scrutinising those above the Department's financial delegation prior to submission to the Treasury; drawing on advice from the Audit and Risk Committee, ensuring sound financial management including the operation of delegations and internal controls; ensuring that organisational design supports the attainment of strategic objectives; evaluation of the Board and its members, and succession planning.
- **Capability** – ensuring that the Department has the capability to deliver and to plan to meet current and future needs.
- **Risk** – drawing on advice from the Audit and Risk Committee, setting the Department's risk appetite and ensuring that effective and proportionate controls are in place to manage risk.

## Work of the Cabinet Office Board

The Cabinet Office Board forms the collective strategic and operational leadership of the Department, bringing together its Ministerial and Civil Service leaders with senior non-executives from outside government.

A Board effectiveness evaluation, led by Lord Browne, was conducted on his behalf by Internal Audit and discussed at the Board meeting in April 2013. The evaluation found that the Board's composition gave it great strength and provided a forum and culture in which challenge was encouraged and valued: the contribution of Non-Executive Board Members was highly regarded. The Audit and Risk Committee was working well, and risk management processes were considered to be effective. The evaluation concluded that there had been a marked improvement in the operation of, and support to, the Board, including better agenda setting, performance reporting and minutes. Further improvements were needed in Board papers, in raising Non-Executive Board Members' awareness of the Department's arm's length bodies, and in providing Non-Executive Board Members both with updates on key matters between Board meetings and with more opportunities for engagement.

In response to the evaluation findings, the template for Board papers was revised and updates on the activities of Arm's length bodies were provided to Board members. The Board discussed the Department's plans for the creation of a new Arm's length body, the Crown Commercial Service, which will merge the Government Procurement Service (an existing Arm's length body), the Department's commercial function, and common goods and services procurement and commercial management into one organisation. Notes celebrating departmental successes and including information about the Department's plans are now circulated to Non-Executive Board Members weekly, providing an overview of the work of the entire Cabinet Office. Lord Browne continues to be involved in developing agendas for each meeting, enabling the Board

to focus its discussions on areas where the Non-Executive Board Members can add value.

The Board also agreed that Non-Executive Board Members were welcome to identify issues or areas in which they were willing to be involved. Dame Barbara Stocking joined the Challenge Group for the Triennial Review of the Big Lottery Fund, a Cabinet Office-sponsored Arm's length body. The review was published on the 11<sup>th</sup> June 2014.

Rona Fairhead and Ian Davis joined a small group of Non-Executive Board Members in a discussion on functional leadership. The Minister for the Cabinet Office also held regular meetings with the Non-Executive Board Members.

In response to a request from Non-Executive Board Members, the Board reviewed the criteria used in deciding which elements of service delivery might provide opportunities for the design and implementation of alternative delivery models such as mutualisation. A discussion on public service reform identified digital capability as a key issue, so the Board held a follow-up meeting to review progress on the 25 digital exemplar projects. The Board also discussed Lord Browne's review of the Major Projects Authority and the Government's response.

Board effectiveness evaluations are conducted annually and the next evaluation was conducted in the first half of 2014.

During the year, the Board's agenda included regular updates from the Chair of the Audit and Risk Committee, and the Board discussed risks associated with people issues. The Audit and Risk Committee also reviewed the Electoral Registration Transformation Programme, at the Board's request, in advance of a further Board discussion.

A regular horizon-scanning slot provided an opportunity for Board members to be updated on recent developments and the priorities of key Board members and stakeholders.

The Department's performance was discussed through the year. The Board discussed the Quarterly Data Summary (QDS) Board Pack and agreed that selected highlights of the QDS should be introduced into the performance report. The Board also discussed plans for the Spending Round and the Department's Business plan.

As part of its programme of scrutinising new projects with a value of more than £5 million, the Board considered plans for the establishment of a new independent management body for the National Citizen Service.

The Board reviewed the Permanent Secretary's plans to identify and address areas of potential departmental improvement and Non-Executive Board Members provided valuable external challenge and input, suggesting a greater focus on people, skills and talent, IT, governance and relationships with departments. As well as reviewing progress on delivering efficiency savings, the Board also discussed Civil Service reform, the reform of public bodies and cyber security.

## Board attendance

The Board met seven times this year. The Corporate Governance Code requires that Board members' attendances are published in the Cabinet Office Annual Report and Accounts. Board meetings were attended by all members except for the following:

Meeting	Apologies
26 April 2013	Rona Fairhead Jeremy Heywood
21 June 2013	Rona Fairhead Philip Rycroft
19 July 2013	Nick Hurd MP Chloe Smith MP Dame Barbara Stocking Jeremy Heywood
4 October 2013	Nick Hurd MP Dame Barbara Stocking Rona Fairhead
17 December 2013	None
24 January 2014	Melanie Dawes
28 March 2014	Nick Hurd MP Lord Browne Ian Davis Melanie Dawes Philip Rycroft



## Public Interest

### Board Members

The Cabinet Office maintains a register of Cabinet Office Board members' interests, with details of company directorships and other significant interests held by Board members. Copies of the register are available on request. Copies are laid in the House of Commons library from time to time.

### House of Commons

The register of House of Commons members' financial interests can be found at:

[http://www.publications.parliament.uk/register\\_of\\_HOC\\_members' interest](http://www.publications.parliament.uk/register_of_HOC_members%27_interest)

### House of Lords

The register of House of Lords members' interests can be found at:

<http://www.parliament.uk/register-of-lords-interests>

Senior management remuneration is disclosed within the Remuneration Report.

## Compliance with the Corporate Governance Code

Departments are expected to apply the principles set out in *Corporate Governance in Central Government Departments: Code of good practice 2011*, unless good governance can be achieved by other means. They are also required to identify and explain areas where they have departed from the Code. The Cabinet Office is fully compliant with the principles of the Code.

## Cabinet Office Audit and Risk Committee

### Purpose

The Cabinet Office Audit and Risk Committee (COARC) is a Board committee, supporting the Cabinet Office Board and Principal Accounting Officer by providing an independent view of the Department's risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances.

COARC was chaired by Barbara Stocking until 22 April 2013, after which date Rona Fairhead resumed the role of Chair. The Corporate Governance Code requires COARC members' attendances to be published in the Cabinet Office Annual Report and Accounts.

### Work of the Audit and Risk Committee

The Cabinet Office Audit and Risk Committee's remit covers the Cabinet Office: Civil Superannuation, the Royal Mail Statutory Pension Scheme and Returning Officers' Expenses for England and Wales. Separate Accounts are published for each of these, and each is audited separately, but all four have the same Principal Accounting Officer.

During the year the Committee's work was divided between audit and assurance work, and risk review.

Its audit and assurance work included reviewing all the sets of accounts mentioned above, and providing assurance to the Accounting Officer that the accounts could properly be signed by him.

Following the qualification of the Cabinet Office: Civil Superannuation Accounts 2011-12 on the basis that some service and salary documentary evidence (required to validate the accuracy of some pension awards) could not be made available within the statutory timescales for publishing the accounts, the

Committee reviewed the situation on an ongoing basis, receiving regular reports from management on the development and implementation of a Records Improvement Action Plan. The 2012-13 financial statements were certified with an unqualified audit opinion, without modification, and the accounts for 2012-13 were laid before Parliament in accordance with HM Treasury requirements.

The Committee's risk work programme included reviews of a number of the Department's strategic and operational risks, but it also undertook rigorous scrutiny of new activities that the Department is undertaking to ensure that there was a good understanding of potential risks, and that suitable mitigations were in place. An example of this was its review of the plans for the vesting of the Independent ISSC2 operation, seeking and receiving assurance that the lessons learnt from the MyCivil Service Pension programme had been applied to the ISSC2 transformation programme.

As a result of that work, the Committee asked for an audit and risk sub-committee, chaired by Christine Daws, to provide independent oversight of the operation of ISSC2, pending clarification of the longer-term role of such a sub-committee, reporting back to the Audit and Risk Committee on a regular basis. The Sub-committee provided advice and scrutiny of the proposal, especially on associated risks and how they could be mitigated. Shared Services Connected Limited was vested at the end of October.

The Chair of the Audit and Risk Committee, and the Chair of the sub-Committee, both have regular dialogue and meetings with the Head of Internal Audit and the Deputy Finance Director to discuss key areas of governance in relation to the Committee's agenda. The Committee also regularly reviews the internal audit work programme.

## COARC Meeting Attendance

COARC met six times this year. Its meetings were attended by all members except for the following:

Meeting	Apologies
22 April 2013	None
19 June 2013	None
9 July 2013	Dame Barbara Stocking DBE, Non-Executive Board Member
25 September 2013	Ian Davis, Non-Executive Board Member
15 November 2013	None
13 February 2014	None

A sub-committee of COARC, the Shared Services Audit Committee, was established in July 2013 to advise COARC and, through it, the Board and Principal Accounting Officer in connection with Independent Shared Service Centres 1 and 2, including their vesting, contract novation, risks, internal controls and assurance processes. The Shared Services Audit Committee is chaired by Christine Daws, who was also appointed an independent member of the Audit and Risk Committee in January 2014.

## Our Management Team – The Executive Management Committee



**Chair: Richard Heaton**  
Permanent Secretary



**Will Cavendish**  
Executive Director,  
Implementation Group



**Alex Aiken**  
Executive Director,  
Government  
Communications



**Stefan Czerniawski**  
Head of Corporate  
Strategy



**Sue Gray**  
Head of Propriety and  
Ethics Team and Director  
of Private Offices Group



**Melanie Dawes**  
Director General,  
Economic and Domestic  
Affairs Secretariat



**Stephen Kelly**  
Chief Operating Officer,  
UK Government



**Paul Maltby**  
Director, Government  
Innovation Group



**Bruce Mann**  
Finance Director  
(Secretary to the  
Executive Management  
Committee)



**Helen Stephenson**  
Director, Government  
Innovation Group



**Melanie Steel**  
Director of Human  
Resources



**Chris Martin**  
Director General, Prime  
Minister's Office



**Philip Rycroft**  
Director General,  
Deputy Prime  
Minister's Office

*[No photo available]*

**Hugh Powell** , Director General, Foreign Policy

*[No photo available]*

**Oliver Robbins**, Director General, Civil Service

## Our Non-Executive Directors



Lord Browne of Madingley

Government Lead-Non Executive Director and Lead Non-Executive Director for the Cabinet Office

Lord Browne of Madingley, FRS FREng holds degrees from Cambridge University and Stanford University, and numerous honorary degrees and fellowships.

He joined BP in 1966, became a member of the board in 1991 and was Group Chief Executive from 1995 until 2007. He has served on the boards of Intel, DaimlerChrysler AG, Goldman Sachs and SmithKline Beecham.

He is presently a Partner of Riverstone Holdings LLC, the Chairman of the Trustees of both Tate and the Queen Elizabeth Prize for Engineering and Chairman of the International Advisory Board of the Blavatnik School of Government at Oxford University. He is a member of a variety of other advisory boards.



Dame Barbara Stocking DBE

Non-Executive Board Member and Member of the Audit and Risk Committee

Dame Barbara Stocking has been President of Murray Edwards College, Cambridge, since July 2013. For the previous 12 years, Dame Barbara was Chief Executive of Oxfam GB, a major international non-governmental organisation whose mission is 'to work with others to overcome poverty and suffering'.

In her earlier career, Dame Barbara was a member of the top management team of the NHS, as Regional Director for the South East of England and then as the founding Director of the NHS Modernisation Agency. Dame Barbara was awarded a CBE for services to health in 2000, and in 2008 was made a DBE for humanitarian services



Rona Fairhead CBE

Non-Executive Board Member and Chair of the Audit and Risk Committee

Rona Fairhead is Chairman of HSBC North America Holdings Inc. and has been an independent non-executive Director of HSBC Holdings plc since December 2004. She is Chairman of the Financial Services Vulnerabilities Committee and a member of its Nomination Committee.

Rona is also currently a non-executive director of The Economist Group and Pepsico Inc. She was recently appointed a British Business Ambassador by the Prime Minister and is actively involved with Cambridge University, the Teach First charity and Women2Win.

Formerly she was Chairman and Chief Executive Officer (CEO) of the Financial Times Group, a director of Pearson plc and Chairman of Interactive Data Corporation. In her earlier career she held senior executive positions in Bombardier Aerospace and ICI plc.



Ian Davis

Non-Executive Board Member and Member of the Audit and Risk Committee

Ian Davis is the Chairman of Rolls-Royce plc. He is also an independent Non-Executive Director of BP plc, Johnson & Johnson Inc. and Majid Al Futtaim Holding. In the social sector he is a Non-Executive Director of Teach for All and the Big Society Trust.

He is also an adviser to Apax LLP and is Senior Partner Emeritus of McKinsey & Company. He was a partner at McKinsey for 31 years until 2010 and served as Chairman and Managing Director between 2003 and 2009.

## Independent Non-Executive Membership

The role of the Non-Executive Members of the Board is set out in 'Enhanced Departmental Boards: Protocol' published on the Cabinet Office website.

The Non-Executive Board Members (NEBM) exercise their role through influence and advice, supporting as well as challenging the executive. They advise on performance (including agreeing key performance indicators), operational issues (including the operational/delivery implications of policy proposals) and effective management of the Department. They also provide support, guidance and challenge on the progress and implementation of the operational business plan, and in relation to recruiting, appraising and ensuring appropriate succession planning of senior executives. They form the committee responsible for audit and risk. To share best practice and to ensure that departments learn from the successes and failures of comparable organisations, they regularly meet with other non-executives across government.

## Executive committees

### Executive Management Committee

The Executive Management Committee (EMC) is responsible for the executive management of the Department within the strategic framework established by ministers and the Cabinet Office Board. The EMC is responsible for supporting the Cabinet Office Board by considering detailed issues concerning the management of the Department, including:

- planning
- budgeting
- performance
- people
- corporate services.

The EMC is chaired by Richard Heaton, Permanent Secretary for the Cabinet Office,

First Parliamentary Counsel and Accounting Officer.

### Investment and Programme Review Committee

The Investment and Programme Review Committee (IPRC) supports the Accounting Officer in ensuring the effective design, control, accountability, value for money and evaluation of major Cabinet Office investments, programmes and projects. Constituted in November 2013, the IPRC reviews the Department's significant investments, main programmes and projects with a view to improving their governance, effectiveness, value for money and deliverability.

To assure the Accounting Officer that strategic risks are being handled appropriately, the IPRC may suggest that the Accounting Officer should refer projects to the Cabinet Office Audit and Risk Committee or the Cabinet Office Board for strategic advice, before advising on approval decisions.

The IPRC was initially chaired by Richard Heaton. Following a review of executive governance arrangements (see below), it will be chaired by Bill Crothers, Director General, Commercial and the Government's Chief Procurement Officer.

### Changes to Executive Governance Arrangements

At the end of the financial year, Richard Heaton conducted a review of executive governance arrangements, including the establishment of two new sub-committees of the Executive Management Committee. The two new sub-committees are The Performance and Pay Committee, which Richard Heaton chairs, and the Environment and The Way We Work Committee, which is chaired by Paul Maltby, joint Director of the Government Innovation Group. Bill Crothers, Director General, Commercial, and the Government's Chief Procurement Officer, became the Chair of the IPRC at the same point.

The new arrangements came into effect in April 2014.

## Review of Effectiveness

### Work of Internal Audit

The Department's internal audit service is provided under a Service Level Agreement by the joint shared internal audit service- the Cross Departmental Audit Services (XDIAS). XDIAS provides internal audit and assurance services to eight central government departments and a range of arm's length bodies. XDIAS activity for the year included work to provide assurance in the following areas of risk:

- Planning and resource allocation
- Totemic policies and programmes
- Generating and reporting of savings
- Requirements on and relationships with Other Government Departments
- Civil contingencies
- Elections
- Regularity and Propriety and value for money

### Internal Audit opinion

XDIAS works in accordance with Government Internal Audit Standards. Its work is informed by its analysis of the risks to which the Department is exposed and the annual audit plan is based on that analysis. The plans are discussed and endorsed by COARC and then agreed with the Accounting Officer. The Head of Internal Audit (HIA) annually provides an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The HIA's opinion for 2013-14 is that a *partial assurance* opinion can be placed on the Department's arrangements for governance, risk and control arrangements.

The Internal Audit opinion did not identify any control weaknesses requiring disclosure in this Governance statement. But it did identify that the Cabinet Office should be cognisant of the potential need to continue to upgrade management controls and keep governance arrangements under review, in response to the increasing levels of risk to which it is exposed, for example due to its role as a provider of services.

### NAO Assurance Reports

Over the period 2013-14 the National Audit Office looked at many aspects of Cabinet Office business:

- Next Generation Shared Services Strategy
- Managing debt owed to central government
- Progress on public bodies reform
- Major Projects Authority Annual Report 2012-13 and government project assurance
- Government whistleblowing policies
- Departmental Overview: The performance of the Cabinet Office 2012-13
- Memorandum on the role of major contractors in the delivery of public services
- Memorandum on Managing government suppliers

## Risk Management

### Risk Assurance

HM Treasury mandate that internal audit must give a year end assurance on the effectiveness of a department's Governance, Risk and Control arrangements. This Internal Audit assurance is one of the key sources of evidence underpinning the Accounting Officer's Governance Statement.

The Internal Audit assurance is based on internal audit work performed over the course of the year, combined with knowledge of the governance, risk and control framework gained through attendance at meetings and discussions with senior management.

### Key Strategic Risks

A strategic risk register for the Cabinet Office was completed in 12-13. These risks are reviewed on a rolling basis, and a number of them were reviewed by COARC in 13-14.

### Risk

Resourcing is a key strategic risk. The IA reviews of Flexible Resourcing, Recruitment and Training all found a lack of formalised risk management.

### Mitigation

High level of engagement of senior staff with resourcing through the annual resource planning process and the in-year Resourcing Panel. This brings Senior Officials insights on risk to bear in decision-making. 2013-14 saw the submission to the Resourcing Panel of the first Workforce Planning quarterly review, improved engagement by Management Unit leadership with workforce planning and better Management Information from the workforce Resource Management system.

## Group-level Risks

There has been sound assurance over the quality of Group-level risk management in the Cabinet Office. This comprises review and challenge of the Corporate Management Responsibilities Statements on risk management and provision of detailed guidance on risk management processes on Cabweb. Risks can be escalated through the monthly meeting with the Finance Director and regular liaison of Finance with risk managers.

The Risk Managers Network met twice in 2013-14 and will be moving to quarterly. The Network is intended to drive up the quality and consistency of Group-level risk management. However, we noted continuing inconsistency in risk management across the Cabinet Office.

### Project-level Key Risks

#### Risk 1

There was no formal risk management process in the Election Administration Unit but a good implicit awareness of risk around the Funding review. More formal risk mitigation planning would provide assurance that major risks are being countered.

#### Risk 2

On Cities Deals the IA follow up review showed that there is now a comprehensive risk management process in place, with good risk mitigation planning in place and regular update/reporting activity. However, the risks for the transition to Local Growth Deals, including the effect on conclusion and on-going monitoring of Cities Deals, need to be assessed.

#### Risk 3

Professional Head of Intelligence Analysis Programme Risks should be fully captured and monitored as part of the Joint Intelligence Operations (JIO) Risk Register.

## Risk 4

There is no formal risk management process in Departmental Engagement Units but a good implicit awareness of risk. Risk was seen as focussed on ensuring the right staff - in terms of grade and capability – were delivering engagement activities and that they sound relationship management was in place. Assurance would be strengthened by a more formal approach in each team, which would provide focus on risk mitigation planning.

## Risk 5

With regard to civil contingencies strong controls for the management of near and long term disruptive challenges are in place along with incident response mechanisms. Whilst the assessment of individual risks follows a robust method, it was unclear whether a comparative assessment is undertaken to ensure the application of the methodology provides a fair representation of national long and medium term risks. In addition, opportunities to assess risks with an impact greater than 5 years, aggregated or concurrent risks are limited by the current methodology.

## Assurance over Risk

During the year the Audit and Risk Committee reviewed the three types of risks faced by the Department – strategic risks, risks to programmes and projects, and day-to-day operational risks in business units – and chose to review some of the strategic risks and risks arising from major programmes and projects and measures in hand to manage them. These reviews included risks around development and deployment of human resources, operating with integrity, the Electoral Registration Transformation Programme, Next Generation Shared Services and progress in implementing data improvement plans with MyCSP, with risk appetite considered as part of each discussion. The Cabinet Office Board reviewed risks associated with major programmes and the position on the management of major strategic risks at each of its meetings.

All Groups within the Cabinet Office are required to have in place a structured approach to managing risks. This includes maintaining risk registers and risk escalation, mitigation and communication processes. Guidance and example templates for risk registers are published on the Department's intranet. At regular intervals, assurance is sought from each Group that risk management requirements are being complied with; this is supported by internal reviews of processes and practice.

During the year guidance and an updated risk register template were issued to require all Groups to include two mandatory risks, Business Continuity and Resources, in their Group level risk registers. Compliance with this new requirement is being monitored centrally. One review of these risks and concluded that the risks were being well managed across the organisation.

The Risk Managers' Network is now well established and members have decided to increase the frequency of the meetings from two each year to four to further enhance networking opportunities and information exchange between Risk Managers. A regular feature of the meetings is a practical exercise and discussion on common issues.

## Risk management of Shared Services

There have been a significant number of changes in Accounting Officer responsibility within the Cabinet Office during 2013-14, requiring new governance arrangements to be put in place (for example the Shared Services Sub-Committee, referred to above).

The Internal Audit opinion identified that the Cabinet Office took some time to develop and implement these arrangements, but that these are now working effectively.

## ISSC1

On the 19 October 2013 the contract between the Department for Transport (DFT) and arvato was novated to the Cabinet Office.



## ISSC2

Until 1 April 2013, DWP had Accounting Officer responsibility for the Shared Service centre operations.

During the period 1 April to 31 October 2013, the former DWP shared services operation was managed by the Cabinet Office. During this time there were no material changes to the operations.

From 1 November 2013 to 31 March 2014, the framework contract was let by the Cabinet Office which assumed Accounting Officer responsibility for the Framework contract. Individual customers retain their own accounting officer responsibility at the call-off contract level. The Founding Organisations also signed a transition service agreement which provides services back to SSCL, for which they are accountable.

As a result of these changes, the responsibilities of the Cabinet Office Accounting Officer have changed significantly.

The Accounting Officer has outlined his responsibilities in a letter to departments assuring them that the Cabinet Office as the framework authority:

- carries out its duties and obligations under the Framework Agreement in accordance with the Agreement's terms, and that it has exercised, and continues to exercise, reasonable skill, care and diligence in the performance of those duties and obligations;
- monitors the compliance of SSCL and arvato with their obligations under the Framework Agreement and notifies the customer of any issues that may have an adverse material impact on the Call-Off Agreement;
- has sufficient, appropriately skilled and experienced resources to enable the Department to comply with its obligations under the Framework Agreement.

To manage these responsibilities the Crown Oversight Function was created, reporting to Rannia Leontaridi in the Efficiency and Reform

Group. The Crown Oversight Function will manage the following aspects of the relationship between the Cabinet Office, customers and SSCL:

- day-to-day contract management of SSCL and arvato at Framework level
- customer and SSCL and arvato change management requests
- tracking and developing the benefits delivered by SSCL and arvato.
- operational benchmark setting of all finance and HR transactional shared services

Within the Crown Oversight Function, a governance structure (including a risk management process) has been put in place to support effective management of the Framework Agreement with arvato.

Customer departments receive formal assurance letter at the end of each financial year, setting out how the Cabinet Office has met its responsibilities.

## Risk management – ISSC1

During 2013-14, arvato, the Cabinet Office, and customer departments managed and mitigated the following two key risks:

- risk to service continuity, employee relationships and key performance indicators during handover from DfT to arvato

**Mitigation:** DfT and arvato jointly managed the transition of the Shared Service Centre to arvato. They jointly developed an agreed transition plan, which was robustly managed by both parties

- risk to service continuity during SAP migration

**Mitigation:** infrastructure build and implementation managed via appropriate governance structures. Robust change control and risk and issue management processes put in place; clear acceptance criteria.

## Risk Management – ISSC2

During the creation and operation of SSCL, the Cabinet Office, SSCL and customer departments managed and mitigated the following two key risks:

- During the period when the Cabinet Office had Accounting Officer responsibility but DWP was still managing the staff and operations, there was a risk that disgruntled staff might exploit the weaknesses in the IT security that had not been resolved, with consequences for service continuity and/or information assurance.

**Mitigation:** A rigorous due diligence process by the Cabinet Office prior to the transfer of Accounting Officer responsibility meant that there was a good understanding of the IT issues and the potential for exploitation. Prior to the transfer to SSCL, the Shared Services senior management team in DWP monitored the position, and neither disruption to services nor any malicious activity was experienced.

- During the period from 1 November 2013 to 31 March 2014, the IT security issues were largely addressed and the resultant risk diminished. But instead, there arose a new risk to service continuity and/or a risk of malicious activity: during this period, staff and operations moved from DWP, the Environment Agency and Defra (the Founding Organisations) to SSCL. There was a period of uncertainty for staff over their future roles and locations, and therefore potential for disgruntlement.

**Mitigation:** This was mitigated through careful management of the handover process by both the Founding Organisations and SSCL, including ongoing engagement and consultation with the recognised trade unions. There was a stabilisation period, with specific criteria to be fulfilled, and close management

monitoring and oversight. In addition, it was contractually agreed that no changes would be made to existing operations for the first six months, and that no sites would close for 12 months, so as to minimise the impact on staff. Neither disruption to services nor any malicious activity was experienced.

## ISSC1 Assurance Summary

The Cabinet Office Shared Services Audit Committee met on 14 May and considered evidence from:

- arvato management
- Ernst & Young (in relation to independent review of arvato's control processes)
- XDIAS

It concluded that reasonable assurance can be given at a Framework Level, taking into account the following factors:

- During its time in DfT, no significant control weaknesses was identified by DfT management or Internal Audit in the shared services operation or environment
- No outstanding audit issues existed at the point of handover.
- No audit issues have been identified by arvato management since then.
- No significant control weaknesses have been identified by Ernst & Young in its review work
- No issues have been identified by the National Audit Office (NAO) in its financial audit work to date

## ISSC2 assurance summary

The Cabinet Office Shared Services Audit Committee met on 14 May and considered evidence from:

- SSCL management

- Grant Thornton's ISAE 3402 'lite' report
- XDIAS.

It concluded that reasonable assurance can be given at a Framework Level, taking account of the following factors:

- The outstanding audit issues existing at the point of handover continue to be closely monitored and mitigated.
- No audit issues have been identified by SSCL management since that time.
- No significant audit issues have been raised by customers via the governance forums.
- No significant control weaknesses have been identified by Grant Thornton in its review work.
- No issues have been identified by the National Audit Office in its financial audit work to date.

## Risk management in the Finance Shared Services Division in the Department for Communities and Local Government

The Cabinet Office continues to receive financial services from the Elections Claim Unit of the Department for Communities and Local Government (DCLG) under a shared services arrangement. An annual letter of assurance from DCLG confirms that risk management is reviewed regularly and that appropriate systems of internal controls are applied to ensure the integrity of Cabinet Office data which DCLG is processing on behalf of the Cabinet Office.

The Accounting Officer receives a letter of assurance from the DCLG's Accounting Officer, covering the services which DCLG provides to the Cabinet Office. The letter of assurance for 2013-14 states that: 'My review is informed by internal and external audit opinions and by other ad-hoc reviews (both internal and external). No issues have been raised by the Audit and Risk Committee in relation to the services provided and **no Significant Control Issues have been identified.**'

It also confirms that, 'specifically for services provided to [the Cabinet Office] by [the Finance Shared Services Division], all key controls are in place'.

## Fraud, error and debt

The Cabinet Office's fraud policy, available to all staff via the intranet, requires staff at all times to act honestly, with integrity, and to safeguard the public resources for which they are responsible. The Cabinet Office views fraud and negligence very seriously and will take appropriate disciplinary and legal action against anyone found guilty of either. Cases of suspected or actual fraud are reported to the Audit and Risk Committee.

The Cabinet Office contributes fully to the intra-governmental fraud information and intelligence capability. The Counter Fraud Champion and two Alert System Co-ordinators continue to work with a department wide network of contacts to facilitate the quick and comprehensive identification and dissemination of appropriate information.

In March 2013, the Cabinet Office participated in the National Fraud Initiative run by the Audit Commission. Payroll and supplier data was matched with similar data from a wide range of organisations across the public sector. A small number of duplicate payments were identified and have been recovered.

Cabinet Office officials are contributing to the Grants Efficiency Programme, the Best Practice Network and have helped develop guidance and a toolkit for use by grant-makers across government.

An exercise to check for duplicate payments to suppliers has been commissioned to cover the years 2011-12 to 2013-14. The organisation carrying out the exercise receives no fee if it does not identify and recover any such duplicates; if duplicates are identified, the fee is taken from the recoveries.

## Information risk, information handling and protective security

The Cabinet Office holds personal data primarily relating to: its own employees; staff in other departments who are members of ISSC2; members of the Royal Mail Statutory Pension Scheme; members of the Principal Civil Service Pensions Scheme; those who have been nominated for honours, gallantry awards, appointments etc.; Civil Service Internships; and those members of the public who have participated in various Cabinet Office sponsored initiatives.

The Department has continued to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements of its systems.

The Department has completed its latest rolling programme of audits assessing compliance against the mandatory requirements contained in the Security Policy Framework. The Report supported work currently being undertaken to strengthen the Department's Business Continuity arrangements and identified a small number of other instances where further work might be beneficial in order to emphasise the Department's compliance with the Security Policy Framework (SPF). Work has continued on implementing some outstanding recommendations from earlier audits.

The Department has continued to operate two Security Working Groups (SWGs). The first monitors the work of ISSC2, and the second that of MyCSP. The purpose of the SWGs is to ensure that controls deployed are appropriate for the data sensitivity, risks are identified and work continues to fully adhere to the SPF.

Two losses of Personal Information have been notified to the Information Commissioner's Office. Further detail can be found at the section 'Reporting of personal data-related incidents' within the Directors' Report.

Other major work undertaken during the year included the implementation of the new Government Security Classification scheme.

A major information/publicity campaign was undertaken along with a programme of staff training/briefing, and the scheme was successfully launched on 2 April 2014.

The security of the data held on the Department's corporate IT network (Flex) continued to be maintained in line with relevant security accreditation. Non-corporate IT systems continued to comply with the service-wide security requirements through restrictions on the movement and transmission of data.

## Arm's length bodies

The Accounting Officer takes assurance from the Governance Statements produced by the Civil Service Commission and the Government Procurement Service. Both are subjected to the Department's normal financial control procedures and practices as well as to scrutiny by both internal and external audit.

There were no concerns.

## Oversight of Local Responsibilities

The Cabinet Office makes a number of direct grant awards, principally to organisations in the voluntary, community and social enterprise sector, and funds a number of grant schemes delivered through partners such as the Big Lottery Fund, which is an executive non-departmental public body of the Department for Culture, Media and Sport, for which the Minister for the Cabinet Office has some responsibility (as set out at Note 30 to the Accounts).

Grants are distributed on the basis of the Coalition Government's stated priorities, in particular around the building of the Big Society. This includes delivery of commitments such as the National Citizen Service.

For direct awards, the Cabinet Office issues each grant recipient with a formal grant offer letter and associated terms and conditions of grant. Payment of grants is done in instalments based on the grant recipient fulfilling the terms and conditions of grant payment and on satisfactory progress in

achieving the outcomes of the grant award. Regular but proportionate monitoring of progress is undertaken by named policy officials, in conjunction with Cabinet Office finance teams. Spend across all grant programmes is monitored on a monthly basis through the established Cabinet Office financial reporting and scrutiny processes.

Some direct grants are awarded on the basis of competition between potential recipients, to ensure that there is value for money and that the objectives of the Government can be appropriately delivered. In some limited cases grant awards are made without a competitive process, where the recipients' objectives and programme of work already align with the Government's objectives for grant funding.

For a number of larger grant programmes, the Cabinet Office works through a delivery partner, rather than administering the grant in-house. This is achieved in two key ways. The Cabinet Office has, in some cases, tendered through open competition for a delivery partner. Following competition, a grant administrator is appointed and runs the scheme under contract to the Cabinet Office. Through the contracting arrangements, the Cabinet Office monitors the performance and progress of the grant administrator in carrying out its functions in relation to grant competitions and awards, organisation verification, grant set-up and payment,s and grant monitoring. A management fee is payable for these services, and the Cabinet Office passes on grant funding, which the grant administrator distributes to the successful grant recipients.

In other cases, the Cabinet Office works through the Big Lottery Fund to deliver funds as part of the sponsorship role that the Cabinet Office holds in relation to the Big Lottery Fund as a Non-Departmental Public Body (NDPB). The Cabinet Office and the Big Lottery Fund work jointly to develop the fund and the Big Lottery Fund fulfils the grant administration role, as set out in agreed schedules of work. Funds are paid to the Big Lottery Fund by way of grant funding to the NDPB to cover costs and grant awards. The Cabinet Office takes assurance from the fact that Big Lottery Fund has the duty to ensure that there is propriety and regularity in the handling of all public funds, in accordance with the Non-Departmental Public Bodies' Accounting Officers' memorandum (issued by the Treasury and published in Managing Public Money) and with the Financial Directions issued to the Big Lottery Fund from time to time by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.



**Richard Heaton CB**  
Permanent Secretary for the Cabinet Office,  
First Parliamentary Counsel and  
Accounting Officer

24 June 2014

# Remuneration Report

## Remuneration of Ministers and Board Members

### Remuneration Policy

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

The Government announced in May 2010 a two year pay freeze for public sector workers earning more than £21,000. As such Senior Civil Servants entered a two-year pay freeze from 1 April 2011 and exited it in April 2013. The Government also announced in May 2010 that future non-consolidated awards will be restricted to the top 25% of Senior Civil Servants and non-consolidated awards paid in 2013-14 were in line with this policy.

Performance-related non-consolidated awards are paid one year in arrears so the pay reported and paid in 2013-14 was earned in the financial year of 2012-13.

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. The size of awards is based on recommendations from the Review Body on Senior Salaries, and in 2013-14 non-consolidated awards paid to the senior civil servants disclosed in this report ranged from £10,000 to £15,000.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and on their allowances; on peers' allowances; and on the pay, pensions and allowances of ministers

and others whose pay is determined by the Ministerial and Other Salaries Act 1975. In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving the public services, including the requirement for 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.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## 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 issued by the Civil Service Commission specify the circumstances under which appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which 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 [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

## Audited Information

The following tables detailing salary and pension entitlements of ministers and senior management have been audited.

## Remuneration (Including Salary) And Pension Entitlements

The following sections provide details of the remuneration and pension interests of the ministers and board members of the Department.

## Remuneration (Salary, Benefits in Kind and Pensions)

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)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council	68,169	68,827	–	–	21,000	22,000	89,000	91,000
The Rt Hon. Francis Maude MP Minister for the Cabinet Office and Paymaster General	32,344	33,002	–	–	15,000	10,000	47,000	43,000
The Rt Hon. Oliver Letwin MP Minister for Government Policy	32,344	33,002	–	–	–	–	32,000	33,000
Nick Hurd MP Minister for Civil Society and Parliamentary Under-Secretary of State	23,039	23,697	–	–	8,000	9,000	31,000	33,000
Chloe Smith MP Minister for Political and Constitutional Reform and Parliamentary Secretary  <i>until 6 October 2013</i>	17,651 <sup>2</sup>	11,849	–	–	5,000	4,000	23,000	16,000
The Rt Hon. Greg Clark MP Minister of State (Cities and Constitution)  <i>from 7 October 2013</i>	13,477 <sup>3</sup>	–	–	–	5,000	5,000	18,000	5,000
The Rt Hon. Lord Hill of Oareford CBE Leader of the House of Lords and Chancellor of the Duchy of Lancaster	137,404 <sup>4</sup>	24,986 <sup>4</sup>	900	–	37,000	34,000	175,000	59,000
The Rt Hon. Andrew Lansley CBE MP Leader of the House of Commons and Lord Privy Seal	32,344	16,501	–	–	9,000	3,000	41,000	20,000
The Rt Hon. Kenneth Clarke QC MP Minister without Portfolio (Minister of State)	32,344	18,426	–	–	–	–	32,000	18,000
The Rt Hon. John Hayes MP Minister without Portfolio (Minister of State)	32,344	–	–	–	12,000	12,000	44,000	12,000

When a minister is transferred to another department the existing host department pays the salary at the current rate of pay up to the end of the month of departure, and the new host 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> Figure quoted is for the period 1 April 2013 to 6 October 2013 includes £5,760 compensation in lieu of notice. The full year equivalent is £23,039. Ministers who have not attained the age of 65, and are not appointed to a relevant Ministerial or other paid office within three weeks, are eligible for a severance payment of one quarter of the annual ministerial salary being paid

<sup>3</sup> Figure quoted is for the period 7 October 2013 to 31 March 2014. The full-year equivalent is £32,344. Salaries for the ministers joining the Department for the first time are paid from the date of their appointment

<sup>4</sup> Figure quoted includes Lords Office Holders' Allowance of £36,366 (2012-13:£8,047)



## Remuneration (Salary, Benefits in Kind and Pensions)

Single total figure of remuneration										
Board Members	Salary		Bonus payments		Benefits in kind		Pension benefits <sup>1</sup>		Total	
	(£000)		(£000)		(to nearest £100)		(to nearest £1,000)		(£000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Sir Jeremy Heywood KCB, CVO Cabinet Secretary	190 -195	185 -190	–	–	75,600 <sup>2</sup>	83,900	21,000	229,000	285-290	500-505
Richard Heaton CB Permanent Secretary for the Cabinet Office, First Parliamentary Counsel and Accounting Officer	160 -165	155 -160	–	–	–	300	31,000	64,000	190-195	220-225
Philip Rycroft CB Director General, Deputy Prime Minister's Office	140 -145	115 -120  (140 -145 Full year equivalent)	–	–	17,300	11,800	–	–	155-160	130-135
Sue Gray Director General Propriety and Ethics and Head of Private Office Group	105 -110 <sup>3</sup>	105 -110 <sup>3</sup>	–	–	–	200	2,000	200,000	115-120	310-315
Melanie Dawes Director General, Economic and Domestic Affairs Secretariat	125 -130	125 -130	10 - 15	–	–	300	–	37,000	140-145	165-170
Bruce Mann Finance Director, Board Secretary	105 -110	105 -110	–	10 - 15	–	–	(4,000)	5,000	100-105	125-130

Disclosures above represent the salary paid in respect of their role as Board Members, and may not be the same as the periods employed by the Department. When a Board Member is transferred to another department the existing host department pays the salary at the current rate of pay up to the end of the month of departure and the new host department pays them 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) 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 increase or decreases due to a transfer of pension rights

<sup>2</sup> The Permanent Secretary had the private use of an allocated car in the circumstances permitted by the Civil Service Management Code. The car is a shared resource between the Cabinet Secretary and the Head of the Civil Service (footnote 4). Ministers and civil servants in the Cabinet Office and No 10 also use the car on a regular basis. The Cabinet Secretary uses the car predominantly for home to office journeys.

<sup>3</sup> Private Secretary Allowance of £6,042 was paid in addition (2012-13:£6,042)

<sup>4</sup> In his capacity as Head of the Civil Service, Sir Bob Kerslake receives an allowance of £20,000 per annum and has the shared use of a car predominantly for home to office journeys and journeys between the Cabinet Office, Parliament and Eland House which gives rise to a benefit-in-kind of £75,000 in 2013-14 (2012-13: £82,900). His full remuneration for his roles as Permanent Secretary to the Department for Communities and Local Government (DCLG) and as Head of the Civil Service is disclosed within DCLG's Annual Report and Accounts

## 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 (£65,738 from 1 April 2010, £66,396 from 1 April 2013) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses reported in the accounts are those paid in year relating to prior year's performance. Bonuses are not accrued or provided for at 31 March since the appraisal process is not complete until summer. This is consistent with accounting treatment in previous financial years. The bonuses reported in 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to the performance in 2011-12.

## Pay Multiples

	2013-14	2012-13
Band of highest-paid director's Total Remuneration (£000)	£265 - 270	£270 - 275
Median Total Remuneration	£42,300	£44,743
Ratio	6.33	6.12

Reporting bodies are required to disclose the relationship between the remuneration of the banded highest-paid director in their organisation and the median remuneration of the organisation's workforce. The median is the mid-point of the remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Cabinet Office in the financial year 2013-14 was £265 – 270,000 (2012-13 : £270 – 275,000). This was 6.33 times (2012-13 : 6.12) the median remuneration of the workforce, which was £42,300 (2012-13 : £44,743).

In 2013-14, no (2012-13 : none) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 to £270,000 (2012-13: £17,000 to £275,000).

Total remuneration of the highest-paid director 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.

The pay multiples (ratio) is calculated by taking the highest paid director and remuneration of the full-time equivalent staff of the Cabinet Office at the reporting period end date on an annualised basis. The purpose of this calculation is to allow some comparability over time and across the public sector and private sector, where similar disclosures of Chief Executive remuneration and pay multiples are made. However, the comparison should be treated with caution, given the different services provided, workforce skills,

geographical locations and organisational structures. A balance is therefore considered in analysing and supporting narrative to give sufficient explanation and justification to ensure that users can understand the intricacies of the Cabinet Office's pay policy. Staff costs Note 4 discloses termination benefits and fees paid to agencies for temporary staff. These have not been included in the computation of pay multiples.

There has been an increase in the ratio of the year on year variance from 6.12 in 2012-13 to 6.33 in 2013-14 of top to median staff remuneration of the workforce. This is mainly attributable to the following:

- the highest-paid director received a minor salary increment and his benefits in kind were lower compared with the previous year, which contributed to the decrease in the total remuneration figure
- an increase in headcount which drove the median salary slightly towards the lower band.

## Fees Paid to Non-Executive Board Members

Non-Executive Board Members (NEBM) have been offered a fee of £15,000 a year in line with the Bank of England Non-Executive Directors of Court. The role of Lead NEBM and the role of chair of the audit committee will each attract an additional £5,000 a year. Individuals may waive all or part of their fee. The estimated annual time commitment is likely to be around 12-15 days, including a strategy away-day. Board members may claim their fees as and when preferred and therefore fees paid and fee entitlement may differ in the table below. Claimed fees are included within wages and salaries costs at Note 4 to the Accounts.

Lord Browne of Madingley, as a lead non-executive board member of the Cabinet Office and Government Lead Non-Executive Board Member has agreed that he will not be paid a fee in respect of this appointment. Ian Davis and Dame Barbara Stocking DBE are non-executive board members and members of the Audit and Risk Committee. They are each entitled to a fee of £15,000 per annum. Ian has waived his entire fee. Rona Fairhead is non-executive board member and Chair of the Audit and Risk Committee. She is entitled to a fee of £20,000 per annum. Rona has waived her entire fee.

Non-Executive Board Members	2013-14		2012-13
	Fee Entitlement	Fees Paid	Fees Paid
	£	£	£
Lord Browne of Madingley Lead Non-Executive Board Member for the Cabinet Office and Government Lead Non-Executive Board Member	20,000	Waived	Waived
Ian Davis Non-Executive Board Member and Member of Audit and Risk Committee	15,000	Waived	Waived
Rona Fairhead CBE Non-Executive Board Member and Chair of Audit and Risk Committee	20,000	Waived	Waived
Dame Barbara Stocking DBE Non-Executive Board Member, Member of Audit and Risk Committee	15,000	15,000	18,750

## Pension Benefits

Ministers	Accrued Pension at age 65 as at 31/03/2014	Real increase in pension at age 65	CETV at 31/03/2014 <sup>1</sup>	CETV at 31/03/2013 <sup>2</sup>	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council	5-10	0-2.5	61	43	10
The Rt Hon. Francis Maude MP Minister for the Cabinet Office and Paymaster General	5-10	0-2.5	175	152	12
The Rt Hon. Oliver Letwin MP Minister for Government Policy	–	–	–	–	–
Nick Hurd MP Minister for Civil Society and and Parliamentary Under-Secretary of State	0-5	0-2.5	34	25	5
Chloe Smith MP Minister for Political and Constitutional Reform and Parliamentary Secretary <i>until 6 October 2013</i>	0-5	0-2.5	16	13	1
The Rt Hon. Greg Clark MP Minister of State (Cities and Constitution) <i>from 7 October 2013</i>	0-5	0-2.5	40	36	2
The Rt Hon. Lord Hill of Oareford, CBE Leader of the House of Lords and Chancellor of the Duchy of Lancaster	5-10	0-2.5	117	78	22
The Rt Hon. Andrew Lansley CBE MP Leader of the House of Commons and Lord Privy Seal	0-5	0-2.5	63	50	7
The Rt Hon. Kenneth Clarke QC MP <sup>3</sup> Minister without Portfolio (Minister of State)	–	–	–	–	–
The Rt Hon. John Hayes MP Minister without Portfolio (Minister of State)	0-5	0-2.5	57	43	8

<sup>1</sup> The end date for calculations is 31 March 2014 unless the Minister left the Department during the year

<sup>2</sup> The start date for calculations is 31 March 2013 unless the Minister was appointed to the Department during the year

<sup>3</sup> Minister no longer has benefits in the Parliamentary Contributory Pension Fund. Following his time as Lord Chancellor his benefits were transferred to the Consolidated Fund who will pay his benefits when he retires

## Ministerial Pensions

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

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001, for those that chose to backdate the change). but ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions-Increase legislation. From 1 April 2013 members paid contributions of between 7.9% and 16.7%, depending on their level of seniority and chosen accrual rate. The contribution rates will increase from April 2014.

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

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

## Cash Equivalent Transfer Value

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 Cash Equivalent Transfer Value (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 accrued in the 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.

## Real Increase in the value of the CETV

This is the element of the increase in 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.

## Pension Benefits

Board Members	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase In CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Jeremy Heywood KCB, CVO Cabinet Secretary	65-70 plus lump sum of 195-200	0-2.5 plus lump sum of 5-7.5	1,206	1,104	11	–
Richard Heaton CB Permanent Secretary for the Cabinet Office, First Parliamentary Counsel and Accounting Officer	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 5-7.5	666	603	20	–
Phillip Rycroft CB <sup>1</sup> Director General, Deputy Prime Minister's Office	35-40 plus lump sum of 105-110	0 - (2.5) plus lump sum of 0 - (2.5)	661	630	(4)	–
Sue Gray Director General Propriety and Ethics and Head of Private Office Group	50-55 plus lump sum of 155-160	0-2.5 plus lump sum of 0-2.5	1,077	1,010	1	–
Melanie Dawes Director General, Economic and Domestic Affairs Secretariat	35-40 Plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	631	592	(2)	–
Bruce Mann Finance Director, Board Secretary	45-50 plus lump sum of 140-145	0-2.5 plus lump sum of 0-2.5	994	937	(4)	–

<sup>1</sup>All pension figures are preserved

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes in; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions-Increase legislation. 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 1.5% and 6.25% of pensionable earnings for classic, and between 3.5% and 8.25% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum, equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid, with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his/her pensionable earnings during the 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 the pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions-Increase legislation. 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.

The partnership pension account is a stakeholder pension arrangement. The

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

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

Further details about the Civil Service pension arrangements can be found at [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

## Cash Equivalent Transfer Values

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 his/her total membership of the pension scheme, not just 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 by the member as a result of buying additional pension benefits out of their own pocket. 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.

### Real Increase in CETV

This reflects the increase in 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.

### Compensation for Loss of Office

There were no cases of compensation for loss of office during the reporting year.



**Richard Heaton CB**

Permanent Secretary for the Cabinet Office,  
First Parliamentary Counsel and  
Accounting Officer

24 June 2014

# Directors' Report

This Directors' Report covers corporate information, the Statement of the Accounting Officer's Responsibilities and the Statement of the Disclosure of Relevant Audit Information

## Corporate Information

### Monitoring spending on consultancy and temporary staff

Measures to control spending were introduced after the freeze on consultancy and interim managers and other temporary staff announced by the Chancellor of the Exchequer in May 2010. These measures have had a significant impact on the Cabinet Office's use of external resources since 2009-10, despite variations in classification and the Cabinet Office gaining extra business functions from other departments following the formation of the Coalition Government.

Expenditure by the Cabinet Office in 2013-14 on consultancy has fallen by some 67% compared with 2009-10 although there was an increase of just under 50% on the previous year. Similarly, expenditure on temporary staff increased. Both these increases are mainly attributable to the need to buy in specialist skills necessary to support the Mutualisation Programme (including the ISSC2 project), the Commercial Reform Programme, the Public Service Network programme and the Government Digital Strategy. The Cabinet Office utilised consultants as a more cost-effective option than taking on further permanent staff.

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

Table 1: For all off-payroll engagements as of 31 March 2014, for

more than £220 per day and that last for longer than six months

This table excludes Government Digital Services and the Public Services Network as their figures are in the process of being verified.

	Main department	ALB 1	ALB 2
No. of existing engagements as of 31 March 2014 <sup>1, 2</sup>	17		
Of which...			
<b>No. that have existed for less than one year at time of reporting.</b>	7		
<b>No. that have existed for between one and two years at time of reporting.</b>	6		
No. that have existed for between two and three years at time of reporting.	2		
No. that have existed for between three and four years at time of reporting.	2		
<b>No. that have existed for four or more years at time of reporting.</b>	0		

<sup>1</sup> Excludes Government Digital Service, Public Services Network and Crown Commercial Service

<sup>2</sup> All existing off-payroll engagements identified above have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and that assurance has been sought.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months.

This table excludes Government Digital Services and the Public Services Network as their figures are in the process of being verified.

	Main department	ALB 1	ALB 2
No. of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014 <sup>1</sup>	13		
No. of the above which include contractual clauses giving the Department the right to request assurance in relation to income tax and National Insurance obligations <sup>2</sup>	11		
No. for whom assurance has been requested	12		
Of which...			
No. for whom assurance has been received	4		
No. for whom assurance has not been received <sup>3</sup>	8		
No. that have been terminated as a result of assurance not being received.	0		

- 1) Excludes Government Digital Service, Public Services Network and Crown Commercial Service.
- 2) For remaining 2 engagements, inclusion of contractual clauses is being verified.
- 3) Assurance is in the process of being submitted.

Number of Senior Civil Servants by pay band - full-time employees as of 31 March 2014

Permanent Secretaries	6.00
Senior Civil Service Pay Band 1	145.15
Senior Civil Service Pay Band 2	29.00
Senior Civil Service Pay Band 3	13.10
Parliamentary Counsel	7.80
Deputy Parliamentary Counsel	12.40
Assistant Parliamentary Counsel	7.81
Senior Assistant Parliamentary Counsel	12.49
<b>Total</b>	<b>233.75</b>

Senior civil servant headcount figure as of 31 March 2014

Permanent Secretaries	6
Senior Civil Service Pay Band 1	146
Senior Civil Service Pay Band 2	29
Senior Civil Service Pay Band 3	14
Parliamentary Counsel	8
Deputy Parliamentary Counsel	13
Assistant Parliamentary Counsel	9
Senior Assistant Parliamentary Counsel	13
<b>Total</b>	<b>238</b>

## Recruitment Practice

All Civil Service recruitment within the Cabinet Office is carried out in accordance with relevant employment legislation and the Recruitment Principles issued by the Civil Service Commission.

For the year 2012-13, the number of vacancies filled was 340. In 2013-14, the number of vacancies filled was 480. This was due to a high requirement for expertise to be brought in from government departments, other parts of the public sector and, in some cases, the private sector to work on departmental priorities. The Cabinet Office resourcing model aims for a relatively high ratio of staff on loan from other departments. Staff bring expertise into the Cabinet Office, develop their skills and return to their home departments with the benefit of experience of working in central government. Vacancies arise as staff return to their departments.

Number of vacancies filled	Senior civil servant or equivalent		Non-senior civil servant		Total	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Internal	27	37	229	240	256	277
External	14	20	70	183	84	203
Total	41	57	299	423	340	480

The Department continued to offer young people the opportunity to enhance their employability through the Apprenticeships programme, through intern and work-experience opportunities. In 2013-14, five apprentices and eight Fast-track apprentices joined the Department; and 35 opportunities for undergraduate and graduate internships were filled. In addition, five work-experience opportunities were successfully filled as part of the social mobility-oriented Whitehall Internship Programme.

## Public Appointments and re-appointments

As at 31 March 2014, the Cabinet Office sponsored nine non-departmental public bodies (NDPBs), two executive NDPBs and seven advisory NDPBs. In addition, the Cabinet Office oversees the public appointments for the Charity Commission and the UK Statistics Authority, both of which are Non-Ministerial Government Departments.

Between 1 April 2013 and 31 March 2014, 18 appointments were made, of which 15 were new. During the period April to September 2013, 40% of the new appointments were given to women. Of these, seven appointments were to the Charity Commission for England and Wales, four to the House of Lords Appointments Commission, two to the UK Statistics Authority, and one each to the Committee on Standards in Public Life and the Civil Service Commission. Re-appointments were made to the Boundary Commission for England and Wales and the Charity Commission for England and Wales.

For comparison, in 2012-13 there were 11 new appointments, including to the Big Lottery Fund and the Committee on Standards in Public Life. Re-appointments were made to the Senior Salaries Review Body, the Committee on Standards in Public Life and the Charity Commission for England and Wales.

## Employee Consultation

The Cabinet Office recognises the importance of sustaining good employee relations to achieve its objectives, and consultation with employees and their representatives is central to that work.

Regular communication and consultation continues to take place with all staff through a variety of channels, including the intranet, staff bulletins and team briefings. More formal consultation exercises also take place with staff and unions on matters such as organisational change and changes to staff terms and conditions.

The Department formally recognises the FDA union, the Public and Commercial Services Union and Prospect. It has a partnership agreement with the trade unions and senior managers meet regularly to discuss a shared agenda. There are also regular meetings to negotiate pay awards and other informal meetings to discuss trade union concerns at both the corporate and the local level.

The Cabinet Office Employee Relations Strategy embeds monthly trade union/human resources (HR) meetings and quarterly meetings with the HR Director.

There are also staff networks which represent particular groups of employees, including women, people with disabilities, staff with dyslexia, lesbian, gay, bisexual or transgender employees, and carers.

The Cabinet Office runs an annual people survey which captures employees' views on a number of issues. The results of the survey are used to measure levels of engagement at the local and the corporate level.

## Sickness and Absence

The sickness absence figure for the rolling 12 months to 31 March 2014 stands at 2.3 average working days lost, including the Government Procurement Service (GPS) or 1.8 excluding (GPS).

## Diversity and inclusion policy

The Cabinet Office is committed to:

- eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
- advancing equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- fostering good relations between persons who share a relevant protected

characteristic and persons who do not share it.

The Cabinet Office aims to be an organisation where everyone is:

- treated with fairness and respect
- able to contribute and develop
- confident about how to ensure that the work they do supports equality of outcomes for everyone in society.

The Cabinet Office's people management policies and practices reflect the Cabinet Office and Civil Service Management Codes. They build on the legal obligations under national and European law.

However, diversity for the Cabinet Office entails more than just those elements covered by legislation and enshrines the true diversity of thought, skills, background and experience. It does not tolerate any form of unfair discriminatory behaviour, harassment, bullying or victimisation, and will do all it can to ensure that any such allegations are dealt with sensitively and fairly.

During 2012, the Cabinet Office introduced three equality objectives in line with the requirement of the Public Sector Equality Duty. Equality data about the workforce population can be found on the Cabinet Office website, together with updates on progress, at: [Public Sector Equality Duty](#)

## Employment, training and advancement of disabled persons

The Cabinet Office supports the employment, training and advancement of disabled persons. This is done in several ways. First, the Cabinet Office takes part in the 'Two Ticks' scheme, which encourages candidates with a disability to apply. If a candidate declares a disability and meets the minimum standards required for the job, he or she is offered an interview.

The Cabinet Office uses management information to monitor how the policies and procedures affect staff, and takes necessary

action to mitigate any negative effects that may occur. The Cabinet Office is also a corporate member of the Business Disability Forum, which helps to measure and improve on performance for disabled employees and stakeholders.

## Pensions

Present and past employees of the Cabinet Office are covered by the provisions of the Principal Civil Service Pension Scheme. The scheme allows employees to make pension provision for retirement if they wish. Information on Civil Service pension scheme options is available on the Civil Service website at: [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

The financial status of the scheme is reported in the Cabinet Office Civil Superannuation Accounts, published on the Civil Service website. The accounting policy adopted for pension costs is set out at Note 1.10 to the Accounts. Details of senior management pension entitlements are set out in the Remuneration Report.

## Capabilities learning and development

The Cabinet Office has fully embraced building capability within the four priority areas as identified by the Capabilities Plan 2013 – digital; commercial; programme and project management; and leadership and management of change. A Senior Capabilities Working Group has been established, and Capability Champions have been appointed to identify corporate solutions to closing the capability gaps identified.

Each business unit has a plan to build capability and activity, and this is monitored on a quarterly basis.

At the end of February 2014, each business unit had in place on average four key actions to address capability gaps.

In addition, the Cabinet Office has identified departmental specific capabilities, and people are supported in their personal development.

## Health and safety

The Cabinet Office accepts its responsibilities under the provisions of the Health and Safety at Work etc. Act 1974 and other associated legislation. The Department undertakes, so far as is reasonably practicable, to meet its legal obligations regarding the safety and health of its staff and others who may be affected by the Department's activities.

In the financial year 2013-14, 11 accidents were reported by staff, of which one was reported to the Health and Safety Executive as required under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995.

## Policy on social and community issues

Internally, as part of its corporate social responsibility agenda, the Cabinet Office actively promotes awareness of social and community issues, and is committed to promoting inclusion and equality through its human resource and other policies. A major contributor to this is the encouragement of volunteering, whether individually or in groups, including providing special leave for this purpose. Information is made easily available through the Cabinet Office intranet.

Health and well-being is also embedded within the Cabinet Office People Strategy. A fitness centre is available in some buildings, and, it is hoped, there will also be opportunities to attend well-being seminars as part of an annual Better Cabinet Office event later in the year.

Externally, the Cabinet Office includes the Office for Civil Society (OCS), which works across government to translate the vision for a Big Society into practical policies, provides support to voluntary and community sector organisations, and is responsible for delivering

a number of key Big Society programmes, as well as the Civil Society Compact. Many programmes within the OCS play a hugely important role in encouraging social action. These include the Centre for Social Action, the Government's commitment to the volunteering legacy of the London 2012 Olympic and Paralympic Games, and the Community Organisers programme, to name just a few.

The OCS is leading on work to change the Civil Service into a 'civic service'. This project aims to provide civil servants with opportunities to use their skills to support civil society organisations, and to utilise social action as a means of learning and professional development for civil servants. This ambition to work more closely with the civil society sector was set out in the Civil Service Reform Plan, and the Cabinet Office is working with other departments to help implement it. In line with this, the Cabinet Office has developed a successful Charity of the Year initiative, which is run by staff from across the Department. This partnership successfully supported the British Heart Foundation in 2013-14, and in 2014-15 will be working with the Samaritans, which was selected through a staff vote.

### Estates management strategy

The Cabinet Office owns five freehold properties in London: the interconnected 70 Whitehall and 10-12 Downing Street, Admiralty Arch, Admiralty House and 36 Whitehall. In addition, the Cabinet Office is responsible for the freehold of the Civil Service Club building in Great Scotland Yard. Outside London, it owns the freehold of the Emergency Planning College at Easingwold, Yorkshire, and of the site on which the Hannington radio mast sits. Both of these were inherited from the Home Office on earlier 'machinery of government' changes. The Cabinet Office is also responsible for the Sunningdale Park site, which is the subject of a private finance initiative contract.

The Cabinet Office takes a proactive approach to the management of its estate, in order to provide the necessary accommodation to meet current and future business needs. The

strategy is to consolidate as far as possible in the interconnected 70 Whitehall and 10-12 Downing Street (by investing, where possible, to increase their capacity and provide modernised, more flexible accommodation) and to co-locate with HM Treasury at 1 Horse Guards Road. Leasehold properties will be disposed of, and the Cabinet Office is working with the Government Property Unit to achieve the re-use of the non-core freehold buildings that will no longer be required by the Cabinet Office. Following open planning and modernisation of the infrastructure, 36 Whitehall, which is currently vacant, will be re-used by the Government as office space. Parts of the Sunningdale Park site are now categorised as an investment property, since it is no longer owner occupied and is being held for capital appreciation; see Note 9 to the Accounts. Admiralty Arch is classified as an asset held for sale; see Note 20 to the Accounts.

### Payment of suppliers

Terms of contract are usually payment within 30 days of receipt of a valid invoice. During the year, the Department paid 98.6% of invoices within 30 days (2012-13: 99.0%).

On 8 October 2008, the then Prime Minister committed government organisations to speeding up the payments process, paying suppliers wherever possible within ten days. This commitment is a target rather than a change to standard terms and conditions and is not contractual. During the year, the Cabinet Office paid 93.4% of invoices within ten days (2012-13: 94.5%).

During 2010-11 the then Prime Minister further committed government organisations to speeding up the payments process, to pay suppliers, wherever possible, within five days. This is a target rather than a change to the standard terms and conditions and is not contractual. During the year, the Cabinet Office paid 78.9% of invoices within five days (2012-13: 79.0%).

The amount owed to trade creditors at 31 March, compared with the amount invoiced by suppliers during the year, expressed as number of days, was 12 days (2012-13: 54 days). The significant variance which is expressed as number of days is due to the sum of £18.35 million, mainly made up of invoices for Next Generation HR and Corporate Services ICT costs which were received and unpaid at the end of March 2013. The Department paid out £131,950 on account of late payment of invoices for the year to 31 March 2014 (2012-13: £120,914).

## Better regulation

During 2013-14 the Cabinet Office was responsible for three regulatory changes that are in scope of the 'one-in, two out' (OITO) rule. All of these measures were confirmed by the independent Regulatory Policy Committee (RPC) as having no cost to business, and on that basis the Cabinet Office has maintained a zero balance for 'one in, one out' and 'one in, two out'. Details of the new Cabinet Office regulation subject to OITO are published on the GOV.UK website at: [Cabinet Office Statement of New Regulation](#)

Statements of new regulation for all departments are published at: [One-in, two-out: statement of new regulation](#)

The RPC provides an external and independent challenge to the evidence and analysis presented in impact assessments supporting the development of new regulatory measures proposed by the Government.

During the year, the Cabinet Office published four consultations in its own right, and collaborated with other departments on six further consultations. All Cabinet Office consultations are available on the GOV.UK website.

## Cabinet Office consultations

- [Extending Charity Commission's powers to tackle abuse in charities](#) – Cabinet Office
- [Draft identity assurance principles](#) – Cabinet Office
- [OGP UK 2011 national action plan: self assessment report](#) – Cabinet Office
- [Open Government Partnership: UK National Action Plan 2013](#) – Cabinet Office

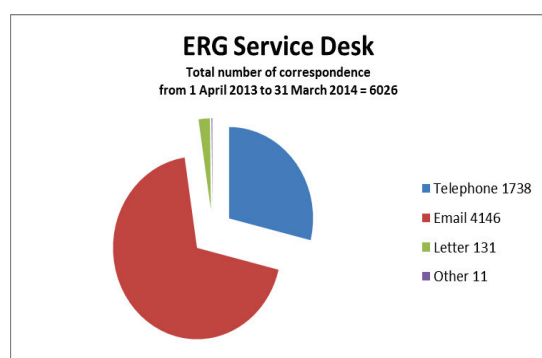
## Collaborative consultations

- [Deregulation Bill: amendment to Clause 47](#) – Cabinet Office and Ministry of Justice
- [Big Lottery Fund triennial review: call for evidence](#) – Cabinet Office and Big Lottery Fund
- [Making public sector procurement more accessible to SMEs](#) – Cabinet Office, Department for Business, Innovation and Skills, Department for Communities and Local Government, Department for Education, Department of Health and Home Office
- [Cyber security organisational standards: call for evidence](#) – Cabinet Office and Department for Business, Innovation and Skills
- [EU directive on network and information security: call for evidence](#) – Cabinet Office, Department for Business, Innovation and Skills and Shareholder Executive
- [Rail and maritime Red Tape Challenge](#) – Cabinet Office and Department for Transport



## Correspondence, complaints and parliamentary questions

The information in this section is taken from the Efficiency and Reform Group (ERG) Service Desk call record system. Each call the Service Desk receives is logged, and agents record relevant detail so that the customer's call can be managed efficiently. This also provides an audit trail, enabling each agent to handle any open calls. The ERG Service Desk is renowned for its exceptional customer service, and over 90% of calls are handled within agreed Service Level Agreements.



For this year's reporting period, the Cabinet Office received 12 complaints in total. There follows a breakdown of the business units receiving complaints.

Cabinet Office	Number of Complaints
Scheme Management Executive/My Civil Service Pension	3
Fast Stream – Civil Service Resourcing	1
Civil Service Learning	1
Office for Civil Society	3
Propriety and Ethics	2
Best Management Practice	1
Individual	1

Breakdown of complaints by stage reached:

Stage 1 – 10 complaints

Stage 2 – 1 complaint

Stage 3 – 1 complaint

## Complaints from the Parliamentary and Health Service Ombudsman

The Parliamentary and Health Service Ombudsman received ten complaints about the Cabinet Office in 2013 and did not accept any complaints for investigation, as set out in the table below.

Cabinet Office	Total
Complaints received	10
Complaints resolved through intervention	0
Complaints accepted for investigation	0
Investigations upheld	0
Investigations partly upheld	0
Investigations not upheld	0

## Freedom of Information requests

Statistics on Freedom of Information implementation in central government are published quarterly by the Ministry of Justice here: [Government FOI statistics](#)

## Parliamentary questions

The Government has committed itself to providing departmental parliamentary question statistics to the Procedure Committee of the House of Commons on a sessional basis. Cabinet Office statistics for the 2013-14 sessions are available on the Committee's website at:

[www.parliament.uk/business/committees/committees-a-z/commons-select/procedure-committee/](http://www.parliament.uk/business/committees/committees-a-z/commons-select/procedure-committee/)

### Cabinet Office ministerial cases performance against 15-day target: January–December 2013

Month	Total
Total no. of MP/peer letters handled (inc. transfer, NRN and outgoing)	14,009
No. of MP/peer letters received	3,072
No. of MP/peer letters transferred to Other Government Departments	303
No. of MP/peer letters where no response was needed	144
No. of MP/peer letters where a response was needed	2,500
No. replied to within 15 working day target	1,801
% in time	72%

Note: Information taken from the date letters were received

## Transparency

The Cabinet Office published its first Dataset Inventory in October 2013, identifying over 80 new datasets, including hitherto unpublished data on major projects, social investment, government procurement and Civil Service reform. Some 37 key datasets were also identified as part of the National Information Infrastructure.

A key achievement this year was the publication of data from the first Annual Report of the Major Projects Authority (MPA). Data of the Government Major Projects Portfolio (GMPP) included progress and future priorities. In addition, each government department has published detailed information about its GMPP. This includes the MPA red/amber/green rating, key project data including financial information (whole life cost, annual budget and forecast spend) and timetable. This data will be updated every 12 months.

Other key information published as open data for the first time in 2013-14 included data on the Government Construction Pipeline, which includes some 1,047 projects and programmes, and more than £109 billion of investment to 2020 and beyond. Also, detailed results of the confirmation process which will be the first step in transition to individual electoral registration. The test involved the matching of all 380 registers, with around 46 million people, against Department for Work and Pensions data.

As part of our commitment to embed open data skills into the business, we ran an Open Data Discovery course for staff in March, run by the Open Data Institute. We are following this up with a programme of regular open data training in 2014-15.

Approval has also now been obtained to establish a Cabinet Office Transparency Board as part of our Open Data Strategy for 2014. The Board will fulfil the senior leadership role necessary for transparency and open data across the Cabinet Office and our arm's length bodies. Its role will be to:

- define what is out of scope for publication and ring-fence data that should not be published
- monitor progress against our departmental commitments and hold data owners accountable for meeting them
- identify data owners and work with them to disseminate good practice in opening up our data and publishing it in ways that encourage re-use by others
- mainstream transparency and open data principles within the Department's core values and behaviours
- embed a culture of transparency and open data across the Cabinet Office and our arm's length bodies.

### Advertising and publicity costs

The Cabinet Office spent approximately £3.85 million on publicity production costs and advertising media in the financial year 2013-14.

## Reporting of personal data-related incidents

The table below gives a summary of protected personal data-related incidents reported to the Information Commissioner's Office (ICO) in 2013-14.

Date of incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
16 January 2014	<p>A staff member had their bag stolen.</p> <p>The bag contained a paper copy of the 'Director's Talent Grid'. The Grid lists the name, gender, department and talent assessment rating of directors (at SCS2) level in all departments. An explanation of the rating's definitions was not lost.</p>	Personal information	615	The ICO was notified and internal investigation and review were undertaken.
24 February 2014	<p>The payslips of 32 pensioners of the Royal Mail Statutory Pension Scheme were erroneously put into the envelopes of other members by the pension administrator's supplier during the payslip print run.</p>	Personal information	32	<p>All payslips have been recovered and sent to the right member.</p> <p>Letters of apology have been issued to all concerned. No complaints or media interest.</p>

# 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 public body designated by order made under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013 (S.I. 2013/488) & Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2013 (S.I. 2013/3187) (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at Note 30 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 net resource outturn, the application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the *'Government Financial Reporting Manual'* 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 public bodies
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Cabinet Office. The Accounting Officer of the Cabinet Office has also appointed Clare Salters, Chief Executive, of its sponsored non-departmental public body, Civil Service Commission, as Accounting Officer of that body. Under her terms of appointment, the Accounting Officer of the Civil Service Commission is accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored body. This appointment does not detract from the Head of Department's overall responsibility as Accounting Officer for the Department's accounts.

The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

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 public body for which the Accounting Officer is responsible, are set out in *'Managing Public Money'* published by HM Treasury.

---

# Statement on the Disclosure of Relevant Audit Information

---

The Cabinet Office Accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with generic Accounts Directions issued to departments by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Notes 5 and 6 to the Accounts. During the reporting year no payment was made to the auditors for non-audit work (2012-13: £Nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the Cabinet Office's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the Cabinet Office's auditors are aware of that information.



**Richard Heaton CB**  
Permanent Secretary for the Cabinet Office,  
First Parliamentary Counsel and  
Accounting Officer

24 June 2014

---

# Financial Statements

---

---

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

---

I certify that I have audited the financial statements of the Cabinet Office and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. 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 2013. The financial statements comprise: the Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. 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 Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 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.

### **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 2014 and shows that those totals have not been exceeded; and



- 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 financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Departmental Group's affairs as at 31 March 2014 and of the Departmental Group's net operating cost 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 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 Resources and Accounts Act 2000; and
- the information given in the Strategic Report and Governance section 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 part of the Remuneration 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.

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

25 June 2014

## Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Cabinet Office to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

### Summary of Resource and Capital Outturn 2013-14

£000	2013-14							2012-13	
	Estimate				Outturn			Restated	
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Outturn	
							Voted outturn compared with Estimate: saving / (excess)	Total	
<b>Departmental Expenditure Limit</b>									
Resource	SOPS2.1	451,689	2,000	453,689	418,049	1,826	419,875	33,640	413,816
Capital	SOPS2.2	47,703	-	47,703	42,873	-	42,873	4,830	15,054
<b>Annually Managed Expenditure</b>									
Resource	SOPS2.1	5,100	-	5,100	(4,080)	-	(4,080)	9,180	(35,479)
Capital		-	-	-	-	-	-	-	-
<b>Total Budget</b>		<b>504,492</b>	<b>2,000</b>	<b>506,492</b>	<b>456,842</b>	<b>1,826</b>	<b>458,668</b>	<b>47,650</b>	<b>393,391</b>
<b>Non-Budget</b>		-	-	-	-	-	-	-	-
<b>Total</b>		<b>504,492</b>	<b>2,000</b>	<b>506,492</b>	<b>456,842</b>	<b>1,826</b>	<b>458,668</b>	<b>47,650</b>	<b>393,391</b>

Total Resource	SOPS2.1	456,789	2,000	458,789	413,969	1,826	415,795	42,820	378,337
Total Capital	SOPS2.2	47,703	-	47,703	42,873	-	42,873	4,830	15,054
<b>Total</b>		<b>504,492</b>	<b>2,000</b>	<b>506,492</b>	<b>456,842</b>	<b>1,826</b>	<b>458,668</b>	<b>47,650</b>	<b>393,391</b>

### Net Cash Requirement 2013-14

£000	Note	Estimate	Outturn	2013-14	2012-13
				Outturn compared with Estimate: saving / (excess)	Outturn
	SOPS4	<b>517,545</b>	<b>471,621</b>	45,924	440,914

### Administration Costs 2013-14

£000	Note	Estimate	Outturn	2013-14	2012-13
				Outturn compared with Estimate: saving / (excess)	Outturn
	SOPS2.1	<b>184,809</b>	<b>153,325</b>	31,484	193,137

Figures in the areas outlined in bold 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 the Financial Review section.

Notes SOPS1 to SOPS4 form part of these accounts

# Notes to the Accounts (Statement of Parliamentary Supply) for the period ended 31 March 2014

## SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

### SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high-quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

### SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences as detailed below. The accounting treatment under IFRS is set out at Note 1 Statement of Accounting Policies accompanying the Accounts. A reconciliation of the Department's outturn as recorded in the SoPS compared to the IFRS-based Statement of Comprehensive Net Expenditure (SoCNE) is provided in SOPS Note 3.1.

#### SOPS1.21 Capital Grants

Grant income, expenditure and Grant-in-Kind used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply to reflect the creation of assets in the wider economy. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure and income in the Consolidated SoCNE. Accounting treatment is set out in Accounting Policy Note 1.12 accompanying the Accounts.

#### SOPS1.22 Investments in Associates

The Department recognises in accounts an investment equal to its share of its associates' net assets as at 31 March. The initial investment and eventual disposal are scored as a charge and benefit to Capital DEL respectively but in other respects, accounting and budgeting treatment are mis-aligned.

The share of opening net assets recognised in the Statement of Financial Position (SoFP) and in the SoCNE is classified to Capital DEL non-budget and non-voted and therefore has no impact on control totals. Dividends received which reduce the investment score to administration in Resource DEL. The share of profit or loss for the year and of any impairment in value are outside the scope of budgets. Accounting treatment is set out in Accounting Policy Note 1.23 accompanying the Accounts.

### **SOPS1.23 Private Finance Initiative (PFI) Transactions**

The accounting treatment applied to PFI transactions is set out in Accounting Policy Note 1.21 accompanying the Accounts; and the transactions are recognised in the SoPS as follows .

Non-current asset additions under a PFI contract are recognised as capital expenditure (CDEL). PFI expenditure on service charges and finance lease interest charges is recognised as resource expenditure (RDEL).

Where the Department contributes assets to a PFI operator, a prepayment for their fair value is recognised as capital expenditure (CDEL). Amortisation of the prepayment is recognised over the life of the contract as resource expenditure (RDEL).

Where, at the end of a PFI contract, a property reverts to the Department, the difference between the expected fair value of the residual element on reversion and any agreed payment on reversion is built up over the life of the contract through recognising part of the unitary charge each year as capital expenditure (CDEL).

### **SOPS1.24 Provisions – Administration and Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the SoPS across AME and DEL control totals, which do not affect the SoCNE. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the SoPS differ from that reported in the IFRS-based accounts; see SOPS Note 3.2.

### **SOPS1.25 Consolidated Fund Standing Services**

Budgets include payments from the Consolidated Fund in relation to the salaries and pension costs of the UK Members of the European Parliament (MEPs). These are included in the Estimates but do not form part of the net cash requirement since they are paid directly from the Consolidated Fund as a standing service. The MEP salaries are not included in accounts, since the Cabinet Office does not benefit directly from MEPs' services and cannot re-deploy the funds.

Election expenses are included in budgets and accounts but not in Estimates since they are classified as Consolidated Fund Standing Services which are funded directly from the Consolidated Fund at Treasury and therefore do not form part of Supply net cash requirement.

### **SOPS1.26 Grant-in-aid to eNDPBs**

Grant-in-aid to eNDPBs is included in the accounts as resource expenditure and in Estimates as part of net cash requirement but is excluded from budgets which instead include the resource and capital expenditure incurred by the eNDPB. Accounting treatment is set out in Accounting Policy Note 1.12 accompanying the Accounts.

## SOPS2. Net Outturn

### SOPS2.1 Analysis of net resource outturn by section

£000	2013-14										2012-13 Restated
	Outturn						Estimate				Prior-year outturn
	Administration			Programme			Total				
	Gross	Income	Net	Gross	Income	Net	Net Total	Net Total	Net Total compared to Estimate	Net Total compared to Estimate, adjusted for virements	
<b>Spending in Departmental Expenditure Limit Voted</b>											
<b>A: Support to the Cabinet, the PM &amp; the Deputy PM</b>	62,684	(8,895)	53,789	3,902	-	3,902	57,691	59,417	1,726	1,726	60,679
<b>B: Political &amp; Constitutional Reform</b>	4,155	(143)	4,012	16,617	-	16,617	20,629	19,986	(643)	351	9,958
<b>C: National Security</b>	16,569	(1,293)	15,276	14,707	(907)	13,800	29,076	28,246	(830)	-	44,472
<b>D: Efficiency &amp; Reform</b>	79,206	(44,719)	34,487	71,378	(5,350)	66,028	100,515	88,731	(11,784)	-	86,285
<b>E: Government Innovation Group</b>	8,233	(1,724)	6,509	164,500	(917)	163,583	170,092	169,369	(723)	-	134,013
<b>F: Transactional Shared Services</b>	30,403	(29,838)	565	-	-	-	565	1,709	1,144	1,144	-
<b>G: Hosted Functions</b>	1,102	-	1,102	1,272	(1,222)	50	1,152	1,250	98	98	1,340
<b>H: Corporate Services Group</b>	130,794	(95,003)	35,791	744	-	744	36,535	81,094	44,559	30,228	73,796
<b>I: Executive NDPBs (Net)</b>	1,799	(5)	1,794	-	-	-	1,794	1,887	93	93	1,442
<b>Total Voted</b>	<b>334,945</b>	<b>(181,620)</b>	<b>153,325</b>	<b>273,120</b>	<b>(8,396)</b>	<b>264,724</b>	<b>418,049</b>	<b>451,689</b>	<b>33,640</b>	<b>33,640</b>	<b>411,985</b>
<b>Non-voted</b>											
<b>J: Consolidated Fund Standing Services</b>	-	-	-	1,826	-	1,826	1,826	2,000	174	174	1,831
<b>Total DEL</b>	<b>334,945</b>	<b>(181,620)</b>	<b>153,325</b>	<b>274,946</b>	<b>(8,396)</b>	<b>266,550</b>	<b>419,875</b>	<b>453,689</b>	<b>33,814</b>	<b>33,814</b>	<b>413,816</b>
<b>Annually Managed Expenditure Voted</b>											
<b>K: Corporate Services Group</b>	-	-	-	(4,080)	-	(4,080)	(4,080)	5,100	9,180	9,180	(35,479)
<b>Non-budget</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>334,945</b>	<b>(181,620)</b>	<b>153,325</b>	<b>270,866</b>	<b>(8,396)</b>	<b>262,470</b>	<b>415,795</b>	<b>458,789</b>	<b>42,994</b>	<b>42,994</b>	<b>378,337</b>

**SOPS2.2 Analysis of net capital outturn by section**

£000	2013-14						2012-13
	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Net Outturn
<b>Spending in Departmental Expenditure Limit</b>							
<b>Voted</b>							
<b>A:</b> Support to the Cabinet, the PM & the Deputy PM	1,479	(3)	1,476	1,500	24	24	1,798
<b>B:</b> Political & Constitutional Reform	6,567	-	6,567	11,000	4,433	4,433	2,290
<b>C:</b> National Security	975	-	975	600	(375)	-	(40)
<b>D:</b> Efficiency & Reform	4,547	-	4,547	7,130	2,583	373	3,949
<b>E:</b> Government Innovation Group	12,185	(105)	12,080	11,929	(151)	-	482
<b>H:</b> Corporate Services Group	17,512	(284)	17,228	15,544	(1,684)	-	6,575
<b>Total DEL</b>	<b>43,265</b>	<b>(392)</b>	<b>42,873</b>	<b>47,703</b>	<b>4,830</b>	<b>4,830</b>	<b>15,054</b>

Detailed explanations on variances may be found in the Financial Review section.

## SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget and Administration net operating costs

### SOPS3.1 Reconciliation of net resource outturn to net operating costs

£000		2013-14	2012-13 Restated
	Note		
<b>Total Resource Outturn in Statement of Parliamentary Supply</b>			
Budget	SOPS2.1	415,795	378,337
Non-Budget		-	-
		415,795	378,337
<b>Add:</b>			
Capital Grants	6	15,804	7,963
Capital Grant-in-Kind		-	44,145
Depreciation on dual reported PFI assets		-	47
Service concession - Programme	6	-	2,418
MyCSP Ltd dividend received	17	470	-
<b>Less:</b>			
Capital Grant Income	7	(3)	(8,105)
Service concession – Administration		-	(1,834)
UK Members of the European Parliament	SOPS2.1	(1,826)	(1,831)
Share of Associate profit and gain on opening net assets	7, 17	(48,283)	(5,882)
<b>Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure</b>		381,957	415,258

### SOPS3.2 Outturn against final Administration Budget and Administration net operating costs

£000		2013-14	2012-13 Restated
	Note		
<b>Estimate – Administration costs limit</b>		184,809	199,434
Outturn – Gross Administration Costs		334,945	289,858
Outturn – Gross Income relating to administration costs		(181,620)	(96,722)
<b>Outturn – Net administration costs</b>	SOPS2.1	153,325	193,136
<b>Reconciliation to operating costs:</b>			
Add: MyCSP Ltd dividend received	17	470	-
Less: Utilisation of provisions	24	(1,421)	(4,062)
Less: Service Concession (Administration)		-	(1,834)
<b>Administration Net Operating Costs</b>		152,374	187,240

Detailed explanations of the variances are given in the Financial Review section.

## SOPS4. Reconciliation of Net Resources to Net Cash Requirement

£000				2013-14
	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
<b>Resource Outturn</b>	SOPS2.1	<b>458,789</b>	<b>415,795</b>	<b>42,994</b>
<b>Capital Outturn</b>	SOPS2.2	<b>47,703</b>	<b>42,873</b>	<b>4,830</b>
<b>Accruals to cash adjustments:</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation	5, 6	(24,587)	(5,457)	(19,130)
Release of deferred income	5	-	8	(8)
Amortisation	5, 6	-	(1,310)	1,310
Impairment	5, 6	-	(7,107)	7,107
Devaluation	6	-	137	(137)
Bad debt write off	5, 6	(300)	(164)	(136)
New provisions and adjustments to previous provisions	5, 6	-	2,809	(2,809)
Audit fee	5	(495)	(495)	-
Loan impairment	19	378	(109)	487
Investment property gain on change in fair value	9	-	23	(23)
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital	SOPS2.1	(1,887)	(1,794)	(93)
Add non-cash transactions relating to Civil Service Commission restatement		-	(11)	11
Remove voted resource and capital - Accrual		-	156	(156)
Elimination adjustment		-	(457)	457
Add cash grant-in-aid		1,887	2,106	(219)
<i>Adjustment to reflect movements in working balances:</i>				
Increase in inventories		-	9	(9)
Increase in trade receivables		-	14,410	(14,410)
Decrease in trade payables		35,648	10,546	25,102
Use of provisions	24	2,409	1,421	988
<b>Carbon Reduction Commitment Energy Efficiency Scheme:</b>				
<i>Capital assets outside the scope of capital budgets and outturn</i>				
Purchase of allowances for carbon dioxide emissions	10	-	75	(75)
Disposal of allowances for carbon dioxide emissions	10	-	(17)	17
		<b>519,545</b>	<b>473,447</b>	<b>46,098</b>
<b>Removal of non-voted budget items:</b>				
Consolidated Fund Standing Services	SOPS2.1	(2,000)	(1,826)	(174)
<b>Net cash requirement</b>		<b>517,545</b>	<b>471,621</b>	<b>45,924</b>

Detailed explanations on variances may be found in the Financial Review section.



## Consolidated Statement of Comprehensive Net Expenditure

for the period ended 31 March 2014

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

£000		2013-14	2012-13 Restated
	Note	Departmental Group	Departmental Group
<b>Administration costs</b>			
Staff costs	4	114,661	106,130
Other costs	5	216,118	175,504
Income	7	(178,405)	(94,394)
<b>Programme expenditure</b>			
Staff costs	4	52,565	32,756
Other costs	6	233,788	220,508
Income	7	(8,487)	(19,364)
Income from Associates	7	(48,283)	(5,882)
<b>Net Operating Costs for the period ended 31 March</b>	SOPS3.1	<b>381,957</b>	<b>415,258</b>
Total expenditure		617,132	534,898
Total income		(235,175)	(119,640)
<b>Net Operating Costs for the period ended 31 March</b>		<b>381,957</b>	<b>415,258</b>
<b><u>Other Comprehensive Income</u></b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net gain on:			
revaluation of Property, Plant and Equipment		(1,632)	(15,138)
revaluation of Intangible assets		(77)	(852)
Investments in Associates:			
Share of unrecognised (gains)/losses		(2)	185
<b>Total Other Comprehensive Income</b>		<b>(1,711)</b>	<b>(15,805)</b>
<b>Total Comprehensive Expenditure for the period ended 31 March</b>		<b>380,246</b>	<b>399,453</b>

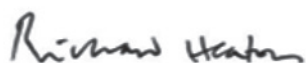
Notes 1 to 31 form part of these accounts

## Consolidated Statement of Financial Position

as at 31 March 2014

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

£000		As at 31 March 2014	As at 31 March 2013	As at 1 April 2012
	Note	Departmental Group	Departmental Group	Departmental Group
<b>Non-current assets</b>				
Property, plant and equipment	8	178,235	162,093	175,857
Investment properties	9	2,288	62,265	-
Intangible assets	10	4,600	6,190	4,406
Investments in Associates	17	53,695	5,882	-
Other financial assets	19	2,128	1,404	1,403
Other non-current assets	21	16,450	-	354
<b>Total non-current assets</b>		<b>257,396</b>	<b>237,834</b>	<b>182,020</b>
<b>Current assets</b>				
Other financial assets	19	-	284	20
Assets held for sale	20	60,000	-	44,145
Inventories		468	459	417
Trade and other receivables	21	52,161	54,440	59,860
Cash and cash equivalents	22	22,646	7,093	38,978
<b>Total current assets</b>		<b>135,275</b>	<b>62,276</b>	<b>143,420</b>
<b>Total assets</b>		<b>392,671</b>	<b>300,110</b>	<b>325,440</b>
<b>Current liabilities</b>				
Trade and other payables	23	(100,484)	(95,600)	(169,779)
Provisions	24	(4,693)	(1,884)	(4,288)
<b>Total current liabilities</b>		<b>(105,177)</b>	<b>(97,484)</b>	<b>(174,067)</b>
<b>Non-current assets less net current liabilities</b>		<b>287,494</b>	<b>202,626</b>	<b>151,373</b>
<b>Non-current liabilities</b>				
Provisions	24	(3,830)	(10,829)	(13,036)
<b>Total non-current liabilities</b>		<b>(3,830)</b>	<b>(10,829)</b>	<b>(13,036)</b>
<b>Total assets less liabilities</b>		<b>283,664</b>	<b>191,797</b>	<b>138,337</b>
<b>Taxpayers' equity and other reserves</b>				
General fund		221,998	130,271	84,929
Revaluation reserve		61,666	61,526	53,408
<b>Total equity</b>		<b>283,664</b>	<b>191,797</b>	<b>138,337</b>



**Richard Heaton CB**

Permanent Secretary for the Cabinet Office,  
First Parliamentary Counsel and  
Accounting Officer

24 June 2014

Notes 1 to 31 form part of these accounts

## Consolidated Statement of Cash Flows

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 Departments' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

### Departmental Group for the period ended 31 March 2014

£000		2013-14	2012-13 Restated
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net operating cost		(381,957)	(415,258)
Adjustments for non-cash transactions	5, 6, 7	11,662	24,541
Remove income from Associates	7	(48,283)	(5,882)
Remove income from dividends	7	(2,641)	(2,615)
Increase in inventories		(9)	(42)
(Increase)/Decrease in trade and other receivables	21	(14,171)	5,774
<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 doubtful debt	21	40	371
Amounts relating to bad debt write off	5, 6	(164)	(80)
Increase/(Decrease) in trade and other payables	23	4,884	(74,179)
<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	23	(16,380)	18,699
Release of deferred income	5, 6	8	19
Movement in capital accruals relating to investing activities		(593)	2,153
Amounts relating to Consolidated Fund Standing Services – Elections		4	458
Amounts due to the Consolidated Fund for non voted receipts – Elections	23	86	8,842
Use of provisions	24	(1,421)	(4,062)
<b>Net cash outflow from operating activities</b>		<b>(448,935)</b>	<b>(441,261)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(24,785)	(11,068)
Purchase of intangible assets	10	(1,809)	(3,952)
Loans to other bodies	19	(938)	(444)
Net movement in trade payables - capital accruals		593	(2,153)
Income from dividends – Government Procurement Service	7	2,641	2,615
Dividends received from Associates	17	470	-
Proceeds of disposal of property, plant and equipment		-	54
Proceeds of disposal of intangible assets		17	-
Repayments from other bodies	19	389	20
<b>Net cash outflow from investing activities</b>		<b>(23,422)</b>	<b>(14,928)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		488,000	422,214
From the Consolidated Fund (Supply) – in respect of machinery of government transfer of function		-	11,390
<b>Net financing</b>		<b>488,000</b>	<b>433,604</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>15,643</b>	<b>(22,585)</b>
Non-voted receipts surrendered to the Consolidated Fund – Elections		(90)	(9,300)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	22	<b>15,553</b>	<b>(31,885)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	22	<b>7,093</b>	<b>38,978</b>
<b>Cash and cash equivalents at the end of the period</b>	22	<b>22,646</b>	<b>7,093</b>

Notes 1 to 31 form part of these accounts

## Consolidated Statement of Changes in Taxpayers' Equity

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). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure.

### Departmental Group for the period ended 31 March 2014

£000		General Fund	Revaluation Reserve	Taxpayers' Equity
	<b>Note</b>			
<b>Restated Balance at 1 April 2012</b>		<b>84,929</b>	<b>53,408</b>	<b>138,337</b>
Net Parliamentary Funding – drawn down		422,214	-	422,214
Net Parliamentary Funding – deemed		24,125	-	24,125
Supply payable adjustment	23	(5,426)	-	(5,426)
Non-voted receipt surrenderable to the Consolidated Fund – Elections		(458)	-	(458)
Comprehensive Net Expenditure for the year		(415,258)	-	(415,258)
Assets and liabilities introduced:				
Amounts relating to machinery of government transfer of functions	2	11,390	-	11,390
<b>Non-Cash Adjustments</b>				
Non-cash charges – auditors' remuneration	5	425	-	425
<b>Movements in Reserves</b>				
Net gain on revaluation of property, plant and equipment	8.2	-	15,138	15,138
Net gain on revaluation of intangible assets	10.2	-	852	852
Amounts relating to Consolidated Fund Standing Services – Elections		458	-	458
Transfers between reserves		7,872	(7,872)	-
<b>Restated Balance at 31 March 2013</b>		<b>130,271</b>	<b>61,526</b>	<b>191,797</b>
Net Parliamentary Funding – drawn down		488,000	-	488,000
Net Parliamentary Funding – deemed	23	5,426	-	5,426
Supply payable adjustment	23	(21,806)	-	(21,806)
Non-voted receipt surrenderable to the Consolidated Fund – Elections		(4)	-	(4)
Comprehensive Net Expenditure for the year		(381,957)	-	(381,957)
<b>Non-Cash Adjustments</b>				
Non-cash charges – auditors' remuneration	5	495	-	495
<b>Movements in Reserves</b>				
Net gain on revaluation of property, plant and equipment	8.1	-	1,632	1,632
Net gain on revaluation of intangible assets	10.1	-	77	77
Amounts relating to Consolidated Fund Standing Services – Elections		4	-	4
Transfers between reserves		1,569	(1,569)	-
<b>Balance at 31 March 2014</b>		<b>221,998</b>	<b>61,666</b>	<b>283,664</b>

Notes 1 to 31 form part of these accounts

# Notes to the Accounts for the period ended 31 March 2014

## 1. Statement of accounting policies

### 1.1 Statement of compliance

These financial statements have been prepared in accordance with the 2013-14 *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.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare one additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

### 1.2 Basis of preparation

These accounts have been prepared under the historical cost convention modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities at their value to the business by reference to their current costs.

### 1.3 Basis of consolidation

These accounts comprise a consolidation of the core Department and those Arm's length bodies which fall within the departmental boundary as defined in the *FReM* and make up the "Departmental Group". Transactions between entities included in the consolidation are eliminated. A list of all those entities within the departmental boundary is given at Note 30.

The Civil Service Commission accounts are not material to the Cabinet Office and therefore the core account is not disclosed 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. Spending Review 2010 and Spending Round 2013 set out budgets for 2014-15 and 2015-16 respectively and Parliament has authorised spending for 2014-15 in the Main Estimate published within 'Central Government Supply Estimates 2014-15' HC 1233.

The financial statements for the Civil Service Commission have been prepared on the basis that it is a going concern which is financed by grant-in-aid from the Cabinet Office.

### 1.5 Restated amounts

Prior year comparatives are restated for changes in accounting policy applied retrospectively and for machinery of government transfers of function.

Following a change in accounting policy applied retrospectively, the opening balance of the general fund is adjusted for the earliest prior period presented such that it is, as if, the new accounting policy had always been applied.

Machinery of government changes which involve the transfer of functions or responsibilities between two or more government departments 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.

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. Further details can be found at 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 2013 the following functions transferred from the Cabinet Office to its executive non-departmental public body, the Civil Service Commission: the Advisory Committee on Business Appointments and the House of Lords Appointments Commission, both advisory non-departmental public bodies and the Office of the Commissioner for Public Appointments. The reason for the transfer is to improve the transparency of the Civil Service Commission's financial reporting and to remove the need for complex recharges between four units under a single Accounting Officer.

## 1.7 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 Statement of Financial Position (SoFP) and amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Information about the assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are disclosed.

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:

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

The classification of Public 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.

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

The classification of long term arrangements as containing a lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset.

### *Operating lease commitments*

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 SoFP.

*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. Impairments that are due to a clear consumption of economic benefit are recognised in the Statement of Comprehensive Net Expenditure (SoCNE) rather than set against an available revaluation reserve. The treatment of impairments in accounts therefore corresponds with the treatment in departmental budgets and Estimates.

*Development costs*

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

**1.8 Operating segments**

Operating segments are based on the main areas of business activity and align with performance reporting and are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Accounting Officer and the Board.

**1.9 Employee benefits***Short term benefits*

Where an employee has rendered service to the Department during the financial year, the Department recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that service as an expense. Performance bonuses 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 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 where appropriate, reverses the earlier provision.

**1.10 Pensions**

The majority of past and present employees of the core Department and its eNDPB, the Civil Service Commission, are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. 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 PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

**1.11 Administration and programme expenditure and income**

The SoCNE is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury.

Administration costs and operating income reflect the costs of running the Department. Income is analysed between that which is allowed to be offset against gross administration costs in determining the outturn against the gross administration budget and that operating income which is not.

Programme costs include payments of grants and grant-in-aid and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

## 1.12 Grants

Grants are unrequited payments made by the Department to outside bodies to reimburse expenditure on agreed items or functions and often only paid on statutory conditions being met. Grants may be resource or capital. The Department recognises grant expenditure at the point of cash disbursement.

Grants-in-aid are financing payments made by the Department to a NDPB or other arm's length body. Grants-in-aid to NDPBs 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.

## 1.13 Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Department and is measured at the fair value of the consideration received or receivable. It is recognised when it is probable that any future economic benefit associated with the item of revenue will flow to the entity and when the amount of revenue can be measured with reliability; it may not be probable until the consideration is received or until an uncertainty is removed.

### *Operating Income*

Operating income is generated by the Department in pursuit of its activities and in managing its affairs. It is stated net of VAT. Operating income principally comprises fees and charges for services provided on a full-cost basis to external customers as well as public re-payment work and includes income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income. Royalties are recognised on an accruals basis. Dividends are recognised when the Department's right to receive payment has been established.

### *Non-operating income*

Non-operating income relates to the sale of capital assets and repayment of loan principal. It may be retained to finance related capital spending in cases where it has been described in the income ambit to the Estimate, otherwise it may not be retained and is due to the Consolidated Fund.

### *Consolidated Fund Extra Receipts (CFERS)*

Income which is of a type not anticipated by the Department within its budgets and which therefore has not been described in the income ambit to the Estimate may not be retained for use by the Department and must be paid over to Treasury's Consolidated Fund. Such income is known as (CFERS). CFERS are accounted for on an accruals basis.

## 1.14 Value Added Tax

Most of the activities of the core Department are outside the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable.

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within receivables and payables within the SoFP.

Its NDPB, the Civil Service Commission, is not registered for VAT purposes.

## 1.15 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 art and antiques and properties surplus to requirement.



Cost comprises the amount of cash paid to acquire the asset and includes any costs directly attributable to making the asset capable of operating as intended. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Land and buildings are restated to fair value every five years (every three years for Sunningdale Park) using professional valuations prepared in accordance with current Royal Institution of Chartered Surveyors Valuation Standards. In the intervening years, if material, changes in fair value are determined by reference to current prices on an active market for similar property.

Residual interests in Private Finance Initiative (PFI) properties are included in property, plant and equipment at the amount of unitary charge allocated for the acquisition of the residual to the date of the SoFP plus an adjustment based on the net present value of the change in fair value of the residual as estimated at the start of the contract and its estimated fair value at the date of the SoFP.

Properties surplus to requirement are valued on the basis of open market value less any directly attributable selling costs where material.

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 or 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 SoCNE, in which case the increase is recognised in the SoCNE. A revaluation deficit is recognised in the SoCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

### **1.16 Depreciation 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 prospectively.

Asset lives are normally in the following ranges:

Freehold buildings including dwellings	25 to 55 years
Leasehold building improvements	over the remaining term of the lease
Plant and equipment	3 to 10 years
Furniture and fittings	5 to 7 years
IT hardware and office equipment	3 to 5 years
Vehicles	3 to 5 years

The following exceptions apply to the asset lives for property, plant and equipment at the Sunningdale Park site in Berkshire:

Freehold buildings including dwellings	25 to 60 years
Furniture and fittings	5 to 20 years

Assets in the course of construction are not depreciated until the assets are available for use. Residual interests in PFI contract assets are not depreciated until the asset reverts to the Department. 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.

### **1.17 Donated Assets**

The value of donated assets is recognised as 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 SoCNE; in which case the increase is recognised in the SoCNE. A revaluation deficit is recognised in the SoCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

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 every five years. 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 8.

### **1.18 Investment Properties**

Properties held to earn rentals, capital appreciation or both are recognised as investment properties at fair value.

Fair value of investment properties is based on professional valuations every five years (every three years for Sunningdale Park), or, if available for an individual investment property, by reference to an agreed sale price on an active market. In the intervening years, if material, changes in fair value are recognised by reference to current prices on an active market for similar property. Changes arising from valuations are recognised directly in the SoCNE. The Department does not depreciate its investment properties.

### **1.19 Intangible assets and amortisation**

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 at the SoFP. Where no active market exists, the Department uses published indices to assess the depreciated replacement cost.

The useful lives of intangible assets are assessed to be either finite or indefinite. All intangible assets are currently assessed to have a finite life of between three and five 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.

#### *Software licences*

Externally-acquired computer software licences are amortised over the shorter of the term of the licence and the useful economic life of three to five years. As reliable evidence of market value could not be obtained, these have not been re-valued.

*Research and development*

Research costs are expensed as 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.

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.

Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

**1.20 Leases**

Assets held under finance leases, which transfer to the Department substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the SoCNE so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the SoCNE on a straight-line basis over the lease term.

**1.21 Private Finance Initiative (PFI) Transactions**

PFI transactions are accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector by the *FReM*.

Where the Department has control over a PFI asset, or where the Department does not have control but the balance of risks and rewards of control is borne by the Department, the asset is recognised as a non-current asset. The Department recognises a liability for the capital value of the contract. That liability does not include interest charges and service elements, which are expensed annually to the Statement of Comprehensive Net Expenditure.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (Note 1.15) and intangible assets (Note 1.19). Liabilities are measured using the appropriate discount rate.

Where the Department does not have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, the PFI payments are recorded as an expense in the Statement of Comprehensive Net Expenditure.

Where the Department has contributed assets to a PFI operator, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Amortisation is recognised as an expense to the Statement of Comprehensive Net Expenditure. Where at the end of the PFI contract, a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year. The values for both of these elements (the prepayment and the reversionary interest) are recognised as Property, Plant and Equipment. The element of a property covered by a lease granted to a PFI operator, and for which sub-leases are granted to the Department for continued occupation, is recognised as an investment property.

## 1.22 Financial assets

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

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

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

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

### *Investments in other bodies*

Loans, Public Dividend Capital (PDC) and other interests in public bodies outside the departmental boundary are shown at historical cost, less any impairment.

In the past, the Cabinet Office has issued loans to the London Hostels Association, LHA London Ltd, which have been repaid during 2013-14.

Loans issued by the Cabinet Office to the Bridges Social Entrepreneurs' Fund LP are recognised at the point of the disbursement under the terms set out in the Limited Partnership Agreement. Bridges Social Entrepreneurs' Fund LP is an entity which lies outside the departmental boundary and consequently the loans are reported at historical cost less any impairment. The impairment is assessed as the difference between the cost of the loan issued and the Department's share of the net asset value as reported in the Bridges Social Entrepreneurs' Fund LP accounts. The net asset value equals the sum of the investment value at cost in the initial year and marketable value in subsequent years, adjusted for other net assets.

The Cabinet Office has Public Dividend Capital held within the Government Procurement 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 in the SoCNE when the Department's right to receive payment is established.

### *Loans and receivables*

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

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

## 1.23 Investments in associates

An associate is an entity in which the Department has significant influence, but not control or joint control, being the power to participate in, but not control, the financial and operating policy decisions of the associate investee. 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. 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 co-terminous but are no greater than 3 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.

#### **1.24 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 its carrying value), and are not depreciated further.

#### **1.25 Inventories**

Inventories of insignia are valued at the lower of original cost and replacement cost.

#### **1.26 Cash and cash equivalents**

Cash in the SoFP comprises cash at bank and in hand. Any overdraft will be recorded as a creditor. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

#### **1.27 Financial liabilities**

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

##### *Other financial liabilities*

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

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

#### **1.28 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.

If the effect is material, expected future cash flows are discounted using real rates set by HM Treasury which are short-term (0-1 year) -1.90% (2012-13: -1.80%), medium-term (1-5 years) -0.65% (2012-13: -1%) and long-term (5+ years) 2.20% (2012-13: 2.20%) with effect from 31 March 2014.

For early departure costs the Department establishes a provision for the estimated payments discounted by the Treasury discount rate of 1.80% (2012-13: 2.35%) in real terms. Where discounting is used, the increase in the provision due to borrowing costs is recognised as a finance cost.

## 1.29 Contingent liabilities and contingent assets

Contingent assets and liabilities are not recognised as liabilities or assets in the SoFP 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 uncertain future events or present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured.

The Department discloses a contingent asset where it is probable 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.

In addition to contingent assets and liabilities disclosed in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

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. Contingent liabilities that are not required to be disclosed by *IAS 37* are stated at the amounts reported to Parliament.

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

Certain new standards, interpretations and amendments to existing standards have been published that the Department will be required to apply on or after 1 April 2014 or later periods, following EU-adoption and as applied by the *FReM*. The Department provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Department's financial statements. The Department will assess the impact of these standards.

### Effective 1 January 2013:

#### **IFRS 10 'Consolidated Financial Statements'**

Definition of control requires more judgement, notably of agency-principal relationships.

#### **IFRS 11 'Joint Arrangements'**

This provides a principles-based definition of joint arrangements (joint operations or joint ventures) based on rights and obligations. Proportional consolidation accounting for joint ventures is no longer permitted (only equity accounting).

#### **IFRS 12 'Disclosure of Interests in Other Entities'**

This requires more disclosure of the financial effects on, and risks to, the consolidating entity.

#### **IAS 27 'Consolidated and Separate Financial Statements' - Amendment**

#### **IAS 28 'Investments in Associates and Joint Ventures' – Amendment**

#### **IFRS 13 'Fair Value Measurement'**

This will provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

## 2. Restatement of prior year comparatives

£000	2012-13 Published Accounts	Machinery of government transfers		2012-13 Restated Accounts
		Royal Mail Statutory Pension Scheme <sup>1</sup>	Youth Policy	
<b>Statement of Comprehensive Net Expenditure for the year ended 31 March 2013</b>				
<b>Expenditure</b>				
Staff costs	138,680	206	-	138,886
Administration costs	169,488	6,016	-	175,504
Programme costs excluding staff costs, grants and election expenses	101,977	-	-	101,977
Programme grants	113,246	-	5,285	118,531
<b>Total expenditure</b>	<b>523,391</b>	<b>6,222</b>	<b>5,285</b>	<b>534,898</b>
<b>Income</b>				
Administration	(94,277)	(117)	-	(94,394)
Programme	(19,364)	-	-	(19,364)
Income from Associates	(5,882)	-	-	(5,882)
<b>Total income</b>	<b>(119,523)</b>	<b>(117)</b>	<b>-</b>	<b>(119,640)</b>
<b>Total Net Operating Costs</b>	<b>403,868</b>	<b>6,105</b>	<b>5,285</b>	<b>415,258</b>
<b>Statement of Financial Position as at 31 March 2013</b>				
<b>Total net assets</b>				
Property, plant and equipment	162,093	-	-	162,093
Investment properties	62,265	-	-	62,265
Intangible assets	6,190	-	-	6,190
Investments in Associates	5,882	-	-	5,882
Other financial assets	1,688	-	-	1,688
Inventories	459	-	-	459
Trade and other receivables	54,440	-	-	54,440
Cash and cash equivalents	7,093	-	-	7,093
Trade and other payables	(95,600)	-	-	(95,600)
Provisions	(12,713)	-	-	(12,713)
	<b>191,797</b>	<b>-</b>	<b>-</b>	<b>191,797</b>
<b>Taxpayers' equity</b>				
General fund	130,271	-	-	130,271
Revaluation reserve	61,526	-	-	61,526
	<b>191,797</b>	<b>-</b>	<b>-</b>	<b>191,797</b>
<b>Average number of persons employed:</b>				
Permanently employed staff	1,896	3	-	1,899
Commissioners	2	-	-	2
Others <sup>2</sup>	85	-	-	85
Ministers	8	-	-	8
Special advisers	46	-	-	46
<b>Total</b>	<b>2,037</b>	<b>3</b>	<b>-</b>	<b>2,040</b>

<sup>1</sup> This represents the management and administration of the Royal Mail Statutory Pension Scheme (RMSPS). RMSPS has its own separate Estimate and Accounts

<sup>2</sup> 'Others' category represents agency/temporary staff

## 2. Restatement of prior year comparatives (continued)

£000	2012-13 Published Accounts	Machinery of government transfers		2012-13 Restated Accounts
		Royal Mail Statutory Pension Scheme	Youth Policy	
<b>Statement of Cash Flows for the year ended 31 March 2013</b>				
<b>Cash flows from operating activities</b>				
Net operating cost	(403,868)	(6,105)	(5,285)	(415,258)
Adjustments for non-cash transactions	24,541	-	-	24,541
Remove Income from Associates	(5,882)	-	-	(5,882)
Remove income from dividends	(2,615)	-	-	(2,615)
Increase in inventories	(42)	-	-	(42)
Decrease in trade and other receivables	5,774	-	-	5,774
<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 doubtful debt	371	-	-	371
Amounts relating to bad debt write off	(80)	-	-	(80)
Decrease in trade and other payables	(74,179)	-	-	(74,179)
<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	18,699	-	-	18,699
Release of deferred income	19	-	-	19
Movement in capital accruals relating to investing activities	2,153	-	-	2,153
Amounts relating to Consolidated Fund Standing Services – Elections	458	-	-	458
Amounts due to Consolidated Fund for non voted receipts - Elections	8,842	-	-	8,842
Use of provisions	(4,062)	-	-	(4,062)
<b>Net cash outflow from operating activities</b>	<b>(429,871)</b>	<b>(6,105)</b>	<b>(5,285)</b>	<b>(441,261)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(11,068)	-	-	(11,068)
Purchase of intangible assets	(3,952)	-	-	(3,952)
Loans to other bodies	(444)	-	-	(444)
Net movement in trade payables - capital accruals	(2,153)	-	-	(2,153)
Proceeds of disposal of property, plant and equipment	54	-	-	54
Income from dividends	2,615	-	-	2,615
Repayments from other bodies	20	-	-	20
<b>Net cash outflow from investing activities</b>	<b>(14,928)</b>	<b>-</b>	<b>-</b>	<b>(14,928)</b>
<b>Cash flows from financing activities</b>				
From the Consolidated Fund (Supply) – current year	422,214	-	-	422,214
From the Consolidated Fund (Supply) in respect of machinery of government transfer of function	-	6,105	5,285	11,390
<b>Net financing</b>	<b>422,214</b>	<b>6,105</b>	<b>5,285</b>	<b>433,604</b>
<b>Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<b>(22,585)</b>	<b>-</b>	<b>-</b>	<b>(22,585)</b>



## 2. Restatement of prior year comparatives (continued)

£000	2012-13 Published Accounts	Machinery of government transfers		2012-13 Restated Accounts
		Royal Mail Statutory Pension Scheme	Youth Policy	
<b>Statement of Cash Flows (continued)</b>				
Non-voted receipts surrendered to the Consolidated Fund - Elections	(9,300)	-	-	(9,300)
<b>Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>(31,885)</b>	-	-	<b>(31,885)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>38,978</b>	-	-	<b>38,978</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,093</b>	-	-	<b>7,093</b>
<b>Statement of Financial Position as at 1 April 2012</b>				
<b>Total net assets</b>				
Property, plant and equipment	175,857	-	-	175,857
Intangible assets	4,406	-	-	4,406
Other financial assets	1,423	-	-	1,423
Other non current assets	354	-	-	354
Assets held for sale	44,145	-	-	44,145
Inventories	417	-	-	417
Trade and other receivables	59,860	-	-	59,860
Cash and cash equivalents	38,978	-	-	38,978
Trade and other payables	(169,779)	-	-	(169,779)
Provisions	(17,324)	-	-	(17,324)
	<b>138,337</b>	-	-	<b>138,337</b>
<b>Taxpayers' equity</b>				
General fund	84,929	-	-	84,929
Revaluation reserve	53,408	-	-	53,408
	<b>138,337</b>	-	-	<b>138,337</b>

### 3. Statement of Net Resource Outturn by Operating Segment

£000		2013-14			2012-13 Restated		
Operating Segment	Note	Gross outturn	Income	Net Outturn	Gross Outturn	Income	Net Outturn
Support to the Cabinet, PM & Deputy PM		82,129	(21,861)	60,268	85,183	(16,747)	68,436
Political & Constitutional Reform		26,587	(352)	26,235	13,008	(1,208)	11,800
National Security		39,386	(5,406)	33,980	59,682	(7,421)	52,261
Efficiency & Reform		189,040	(123,052)	65,988	160,736	(61,634)	99,102
Government Innovation Group		221,013	(6,492)	214,521	187,465	(18,898)	168,567
Transactional Shared Services		30,403	(29,838)	565	-	-	-
Independent Business Units		3,039	(3,003)	36	4,012	(2,097)	1,915
Civil Service Commission		2,303	(12)	2,291	1,644	(174)	1,470
<b>Subtotal</b>		<b>593,900</b>	<b>(190,016)</b>	<b>403,884</b>	<b>511,730</b>	<b>(108,179)</b>	<b>403,551</b>
Consolidated Fund Standing Services – UK Members of European Parliament		1,826	-	1,826	1,831	-	1,831
Ring fenced depreciation, amortisation, impairment and provision for doubtful debt		13,670	-	13,670	8,009	-	8,009
Audit fee		495	-	495	425	-	425
<b>Total Resource DEL</b>	SOPS2.1	<b>609,891</b>	<b>(190,016)</b>	<b>419,875</b>	<b>521,995</b>	<b>(108,179)</b>	<b>413,816</b>

The segmental analysis has been prepared to align with the reporting of the Cabinet Office's structure, where units within the Department have been organised into pillars, which are represented by the segments shown above. Financial information is reported through a regular Performance Report, which adopts the segmental analysis shown above. The Performance Report is reviewed by the Cabinet Office Board, chaired by the Minister for the Cabinet Office, and also the Executive Management Committee (EMC), chaired by the Accounting Officer.

The segmental analysis total net outturn in Resource Departmental Expenditure Limit agrees to SOPS2.1. Overall outturn at SOPS2.1 includes Resource Annually Managed Expenditure and is reconciled to net operating costs at SOPS3.1. Explanations on year on year variance may be found in the Financial Review section. Corporate Services Group net DEL outturn as reported in SOPS2.1 is allocated across operating segments in proportion to their gross expenditure and gross income, except for Transactional Shared Services.

#### Support to the Cabinet, Prime Minister and Deputy Prime Minister

This segment provides support to the Cabinet, to drive the coherence, quality and delivery of policy and operations across departments, and provides support to the Prime Minister and Deputy Prime Minister, to define and deliver the government's objectives, implement political and constitutional reform, and drive forward from the centre particular cross-departmental priority issues.

#### Political and Constitutional Reform

This segment covers the work of Political and Constitutional Reform, which provides support to the Deputy Prime Minister and Minister for Political and Constitutional Reform in delivering the wide-ranging political and constitutional reform agenda set out in the coalition's Programme for Government. Political and Constitutional Reform delivers day-to-day policy and operational work on issues relating to the constitutional structure of the UK and electoral law, policy and conduct and also includes the Office of the Privy Council, and supports ministerial sponsorship of the Independent Parliamentary Standards Authority (IPSA) and the Boundary Commissions for England and Wales. The segment also covers the implementation of individual electoral registration to tackle electoral fraud and improve the system of voter registration which will come into force in 2014.

### 3. Statement of Net Resource Outturn by Operating Segment (continued)

#### National Security

This segment covers the work of the National Security Secretariat (NSS), responsible for defence and foreign affairs as well as intelligence, security and resilience issues. NSS advises the Prime Minister and ministers on the Government's response to cross-cutting strategic issues relating to intelligence and leads on intelligence assessment and priorities through the central intelligence machinery. It coordinates the Government's response to civil emergencies, terrorist incidents and international crises. It is also responsible for the Single Intelligence Account, which funds the work of the UK intelligence agencies. It works in partnership with all government units with a security or intelligence remit as well as the security and intelligence agencies.

#### Efficiency and Reform

This segment covers the work carried out by the areas previously combined together as the Efficiency and Reform Group (ERG). ERG was created in early 2010-11, to bring together a range of functions previously scattered between departments to lead and drive substantial changes and reforms in Civil Service HR, ICT, commercial and procurement, estates and other support functions. The Efficiency and Reform Group (ERG) works in partnership with HM Treasury and government departments to deliver efficiencies, savings and reforms on behalf of UK taxpayers. ERG aims to transform the way public services are delivered, improve user experience and support UK growth. ERG includes Government Property Unit (GPU) and the Government Digital Service.

The Civil Service Reform Group is responsible for delivering the Civil Service Reform Plan (published June 2012) which set out a series of specific and practical actions for reform, which, when implemented, will lead to real change for the Civil Service. It will equip a smaller Civil Service to meet current and future challenges, including the demands of public sector reform and rising consumer expectations, as well as economic and financial challenges.

#### Government Innovation Group

The Government Innovation Group develops new approaches to tackle social problems in order that public services can deliver better with less. It is made up of Civil Society, which now also has lead responsibility for Youth Policy, Transparency, Analysis and Insight, Open Policy Making teams and for most of the year Behavioural Insights.

#### Transactional Shared Services

The Cabinet Office became accountable for the Department for Work and Pensions (DWP) Shared Service Centre (SSC) from 1 April 2013 until the Shared Services Connected Ltd associate was created from 1 November 2013. The programme costs and income relating to Transactional Shared Services are for monies paid and collected by the Cabinet Office in relation to the services provided by SSC.

#### Independent Business Units

This segment covers the Independent Business Units which are hosted by the Cabinet Office. The Cabinet Office is often tasked to lead with inquiries, reports, and other areas of work which require independence, but which work across a number of Departments. The work covered by this segment includes the Iraq Inquiry, Detainee Inquiry, Committee for Standards in Public Life and the Intelligence and Security Committee.

#### Civil Service Commission

This is an executive non-departmental public body whose accounts are consolidated with the Cabinet Office; see Note 30.

## 4. Staff numbers and related costs

### Staff costs comprise:

£000	2013-14					2012-13 Restated	
	Permanently employed staff	Commissioners	Others	Ministers	Special advisers	Total	Total
Wages and salaries	98,847	362	-	422	3,513	103,144	95,872
Social security costs	9,364	37	-	42	343	9,786	9,388
Other pension costs	19,273	-	-	-	746	20,019	19,056
Agency/temporary	-	-	30,622	-	-	30,622	13,814
Termination benefits	791	-	-	-	-	791	303
<b>Sub total</b>	<b>128,275</b>	<b>399</b>	<b>30,622</b>	<b>464</b>	<b>4,602</b>	<b>164,362</b>	<b>138,433</b>
Inward secondments	-	-	6,304	-	-	6,304	5,709
<b>Total</b>	<b>128,275</b>	<b>399</b>	<b>36,926</b>	<b>464</b>	<b>4,602</b>	<b>170,666</b>	<b>144,142</b>
Less:							
Recoveries in respect of outward secondments	-	-	(2,658)	-	-	(2,658)	(2,525)
<b>Total staff costs</b>	<b>128,275</b>	<b>399</b>	<b>34,268</b>	<b>464</b>	<b>4,602</b>	<b>168,008</b>	<b>141,617</b>
Staff engaged on Capital projects <sup>1</sup>	(353)	-	(429)	-	-	(782)	(2,731)
<b>Total net staff costs</b>	<b>127,922</b>	<b>399</b>	<b>33,839</b>	<b>464</b>	<b>4,602</b>	<b>167,226</b>	<b>138,886</b>

<sup>1</sup> £782,509 has been charged to capital

£000	2013-14				2012-13 Restated			
Of which:	Charged to Administration budgets	Charged to Programme budgets <sup>2</sup>	Charged to Capital budgets <sup>2</sup>	Total (Post Consolidation)	Charged to Administration budgets	Charged to Programme budgets <sup>2</sup>	Charged to Capital budgets <sup>2</sup>	Total (Post Consolidation)
Core department NDPBs	113,307	53,347	(782)	165,872	105,225	35,487	(2,731)	137,981
	1,354	-	-	1,354	905	-	-	905
<b>Total net costs</b>	<b>114,661</b>	<b>53,347</b>	<b>(782)</b>	<b>167,226</b>	<b>106,130</b>	<b>35,487</b>	<b>(2,731)</b>	<b>138,886</b>

<sup>2</sup> The net amount charged to Programme budgets is £52.565m (2012-13: £32.756m) as shown within the Statement of Comprehensive Net Expenditure

During the year, costs of £20,019,716 were incurred in respect of pensions (2012-13 Restated: £19,055,524).

Of this amount, £19,905,719 (2012-13 Restated: £18,976,814) was borne by the core department and £113,997 was borne by the Civil Service Commission (2012-13: £78,710).

The following analysis is in respect of the core department:

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

For 2013-14, employers' contributions of £19,034,241 were payable to the PCSPS (2012-13 Restated: £17,432,276) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

## 4. Staff numbers and related costs (continued)

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £116,216 (2012-13: £100,461) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3 % of pensionable pay.

In addition, employer contributions of £8,750 (2012-13: £6,658), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death-in-service and ill-health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £11,814 (2012-13: £7,123). Contributions prepaid at that date were £Nil (2012-13: £Nil).

Special advisers' pension costs incurred during the year were £746,512 (2012-13: £496,352).

In 2012-13, the Department recognised a liability to pay a debt to the Trustees of the Labour Party Superannuation Society in the amount of £941,067. It represented a funding shortfall for benefits built up by special advisers and was due from the Crown following its cessation as a participating employer in its pension scheme. This shortfall was settled during 2013-14.

During the year three individuals (2012-13: one individual) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £28,754 (2012-13: £2,610).

### Average number of persons employed

The average number of whole time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as other bodies included within the consolidated departmental accounts.

Operating Segment	Permanently employed staff <sup>1</sup>	Commissioners <sup>2</sup>	Others <sup>3</sup>	Ministers	Special advisers	2013-14		2012-13
						Total	Total Restated	
Support to the Cabinet, the PM & the Deputy PM	609	-	2	9	52	672		641
Political & Constitutional Reform	116	-	3	-	-	119		115
National Security	225	-	4	-	-	229		242
Government Innovation Group	162	-	-	-	-	162		-
Efficiency & Reform	720	-	214	-	-	934		760
Hosted Functions	11	-	-	-	-	11		9
Corporate Services Group	167	-	2	-	-	169		187
Executive NDPBs	16	3	-	-	-	19		14
Staff engaged on Capital projects	9	-	3	-	-	12		72
<b>Total</b>	<b>2,035</b>	<b>3</b>	<b>228</b>	<b>9</b>	<b>52</b>	<b>2,327</b>		<b>2,040</b>
<b>Of which:</b>								
Core Department	2,019	-	228	9	52	2,308		2,026
NDPBs	16	3	-	-	-	19		14
<b>Total</b>	<b>2,035</b>	<b>3</b>	<b>228</b>	<b>9</b>	<b>52</b>	<b>2,327</b>		<b>2,040</b>

<sup>1</sup> Permanent staff headcount is further analysed at Table 5 in the Financial Review where it is presented on the basis of actual headcount at 31 March

<sup>2</sup> Commissioners receive emoluments for board fees

<sup>3</sup> 'Others' category represents agency / temporary staff

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

£	Departmental Group			
	2013-14			2012-13
Exit package by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	–	–	–	1
£10,000 - £25,000	–	5	5	–
£25,000 - £50,000	–	9	9	2
£50,000 - £100,000	–	2	2	–
£100,000- £150,000	–	–	–	2
£150,000- £200,000	–	2	2	–
<b>Total number of exit packages</b>	–	<b>18</b>	<b>18</b>	<b>5</b>
<b>Total cost</b>	–	<b>£791,491</b>	<b>£791,491</b>	<b>£302,595</b>

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 in which the departure was agreed as binding. 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.

The termination benefits of £791,491 (2012-13: £302,595) are included in the staff costs and in the exit package table.

## 5. Other administration costs

£000		2013-14	2012-13 Restated
	Note	Departmental Group	Departmental Group
<b>Rentals under operating leases</b>			
Hire of plant and machinery		-	127
Land and buildings		11,901	11,567
<b>Total rentals under operating leases</b>		<b>11,901</b>	<b>11,694</b>
<b>Lease surrender premium</b>		<b>-</b>	<b>16,350</b>
<b>PFI and other service concession arrangements service charges</b>		<b>968</b>	<b>2,242</b>
<b>Interest charges</b>		<b>132</b>	<b>121</b>
<b>EU Funding received – transferred to DfID</b>	7	<b>731</b>	<b>-</b>
<b>Goods and services</b>			
Pensions administration fee – MyCSP Limited	29	32,515	30,834
Pensions administration additional costs – MyCSP Limited	29	12,444	3,157
Pensions administration fee – Royal Mail Statutory Pension Scheme		4,740	5,687
Pensions administration additional costs - Royal Mail Statutory Pension Scheme		166	328
Transactional Shared Services	7.1	30,403	-
Accommodation and utilities		17,784	24,039
Business rates		2,722	2,646
IT costs		22,282	16,649
Consultancy		23,819	5,136
Professional services		25,759	25,684
Supplies and services		10,778	12,299
Other staff-related costs		2,170	2,966
Travel, subsistence and hospitality		5,641	6,420
Auditors' remuneration and expenses – NDPBs <sup>1</sup>		7	7
Competition fees paid to Commissioners		-	167
<b>Total goods and services</b>		<b>191,230</b>	<b>136,019</b>
<b>Non-cash items</b>			
Depreciation	8	4,896	5,396
Release of deferred income		(8)	-
Amortisation	10	113	276
Impairment – Property, plant and equipment	8, 11	4,603	2,891
Impairment – Intangible assets	10, 11	709	-
Loss on disposal of property, plant and equipment	8	-	9
Loss on disposal of PPE - donated assets	8	-	4
Auditors' remuneration and expenses – Core Department <sup>1</sup>		495	425
Bad debt write off		167	-
Provision for bad debt	21	181	-
Carbon Dioxide Emissions	10	-	77
<b>Total non-cash items</b>		<b>11,156</b>	<b>9,078</b>
<b>Total</b>		<b>216,118</b>	<b>175,504</b>

<sup>1</sup> During the year the Department and its NDPBs have not purchased any non-audit services from its auditors, the National Audit Office (2012-13: £Nil)

## 6. Programme costs

£000		2013-14	2012-13 Restated
	Note	Departmental Group	Departmental Group
<b>Rentals under operating leases</b>			
Land and buildings		2,716	1,338
<b>Total rentals under operating leases</b>		<b>2,716</b>	<b>1,338</b>
<b>PFI and other service concession arrangements service charges</b>			
		-	2,418
<b>Goods and services</b>			
Accommodation and utilities		8,451	8,083
Business rates		677	1,032
Consultancy		4,316	1,061
Professional services		452	123
Grant fund management services		2,823	1,286
IT costs		22,241	16,633
Other staff-related costs		1,182	659
Supplies and services		53,805	51,774
Lord Lieutenants' expenses		1,305	1,377
Travel, subsistence and hospitality		1,210	646
<b>Total goods and services</b>		<b>96,462</b>	<b>82,674</b>
<b>Grants and subsidies</b>			
Resource Grants to local authorities		8,363	961
Resource Grants to private sector		51,178	87,888
Resource Grants to NDPBs		23,248	19,247
Resource Grants to central government bodies		8	414
Capital Grants to private sector		10,887	7,963
Capital Grants to NDPBs and other central government bodies		4,917	-
Grants-in-Aid to Civil Service welfare bodies		1,098	1,376
Grants-in-Aid to private sector		34,402	682
<b>Total resource and capital grants</b>		<b>134,101</b>	<b>118,531</b>
<b>Non-cash items</b>			
Depreciation	8	561	596
Release of deferred income		-	(19)
Amortisation	10	1,197	1,741
Impairment – Property, plant and equipment	8, 11	355	844
Impairment – Intangible assets	10, 11	1,440	-
Impairment - loans	11, 19	109	159
Devaluation of Property, plant and equipment	11	(137)	811
Loss on disposal of Property, plant and equipment	8	-	113
Capital Grant in Kind – Property	20	-	44,145
Investment properties gains on change in fair value	9	(23)	(32,003)
Provision provided for in year	24	(3,175)	(180)
Borrowing costs (unwinding of discount on provisions)	24	406	(369)
Bad debt write off		(3)	80
Provision for doubtful debt	21	(221)	(371)
<b>Total non-cash items</b>		<b>509</b>	<b>15,547</b>
<b>Total</b>		<b>233,788</b>	<b>220,508</b>



## 6.1 Programme costs analysed by programme

£000	2013-14	2012-13 Restated
	Departmental Group	Departmental Group
<b>PFI and other service concession arrangements service charges</b>	-	2,418
<b>National Security Secretariat</b>		
Government Security Zone	890	890
Resilient Telecommunications	6,742	6,396
Cyber Emergency Response Team (UK)	2,333	-
BBC Monitoring	-	17,476
Other	-	369
<b>Total National Security Secretariat</b>	<b>9,965</b>	<b>25,131</b>
<b>Honours and Appointments Secretariat</b>		
Lord Lieutenants' Expenses	1,305	1,377
Honours and Dignities	1,189	1,185
<b>Total Honours and Appointments Secretariat</b>	<b>2,494</b>	<b>2,562</b>
<b>Political and Constitutional Reform</b>		
Electoral Registration Transformation Programme	13,120	852
Individual Electoral Registration	3,084	-
Boundary Commissions for England and Wales	80	603
Other	82	74
<b>Total Political and Constitutional Reform</b>	<b>16,366</b>	<b>1,529</b>
<b>Prime Minister's Office</b>		
Great Campaign	1,557	2,952
<b>Efficiency and Reform Group</b>		
Government Digital Service	23,347	19,452
Mutuals	2,942	767
Office of the Government CIO & SIRO	771	453
<b>Total Efficiency and Reform Group</b>	<b>27,060</b>	<b>20,672</b>
<b>Government Innovation Group</b>		
Open data programme	501	-
<b>Office of Civil Society</b>		
v	1,000	1,000
Strategic Programme	1,710	2,191
Social Action	20,271	27,387
National Citizen Service (NCS)	84,297	62,036
Office for Civil Society general research programme	1,060	953
Community Organisers	6,424	5,412
Community First	18,187	17,221
Structural Support	75	15,392
Technical Assistance	13,384	5,925
Advice Services Fund	16,504	373
Youth Policy	4,982	5,285
Other	2,531	1,470
<b>Total Office for Civil Society</b>	<b>170,425</b>	<b>144,645</b>
<b>Total Government Innovation Group</b>	<b>170,926</b>	<b>144,645</b>
<b>Other</b>	<b>4,911</b>	<b>5,052</b>
<b>Sub total</b>	<b>233,279</b>	<b>204,961</b>
<b>Total non-cash items</b>	<b>509</b>	<b>15,547</b>
<b>Total</b>	<b>233,788</b>	<b>220,508</b>

## 6.1 Programme costs analysed by programme (continued)

### National Security Secretariat

**Government Security Zone** – Payments to the Metropolitan Police Service for the manning and running costs of the dedicated incident management control centre.

**Resilient Telecommunications** – A programme to provide resilient communications to Public Authorities.

**Cyber Emergency Response Team (UK)** – a new organisation formed in response to the 2011 national Cyber Security Strategy. It will work closely with industry, government and academia to enhance UK cyber resilience.

### Honours & Appointments Secretariat

Honours & Appointments Secretariat is responsible for making certain expenses payments to Her Majesty's **Lord-Lieutenants**.

**Honours and Dignities** – The Honours and Appointments Secretariat provides the budget for the Central Chancery of the Orders of Knighthood at St James' Palace (CCOK). CCOK is responsible for the administration of the Orders of Chivalry including the administration of investitures and the provision of medals and regalia for successful honours candidates.

### Political and Constitutional Reform

#### Electoral Registration Transformation Programme/ Individual Electoral Registration

The Electoral Registration Transformation Programme (ERTP) supports the implementation of Individual Electoral Registration (IER), to tackle electoral fraud and improve electoral registration. This is a key part of the political reform package in the Coalition Agreement. Cabinet Office ministers have approved a timetable for implementation in 2014.

#### Prime Minister's Office

The Communications **Great Campaign** Team will be working to increase UK jobs and growth by encouraging more tourists, students and inward investors to visit, study and invest in the UK. They will also aim to encourage and support more British companies to export to our target markets and enhance the UK's reputation abroad.

### Efficiency and Reform Group

**Government Digital Service** works to achieve the following objectives; to make transactions between citizens and government simpler, cheaper and easier; to encourage and support more people to use online services; to drive quality and take up of digital public services by making government on the web easier to find and simpler to use; to equip central government to engage with citizens online effectively; and, to foster, across government, a digital culture for the delivery of citizen, business and government focused services. This is supported by the ID Assurance work stream which looks at the provision of a simple, trusted and secure way to access digital public services based on published standards and commissioned services. This most notably looks at protecting personal data from compromise and misuse, and ensures an appropriate level of privacy for the transaction.

The Efficiency and Reform Group supports public sector workers to form their own employee-led organisations, in three key ways: a **Mutuals** Taskforce convenes key policymakers and experts to drive the changes to policy and process necessary across Whitehall to address the issues that mutuals face; a Pathfinder programme leading the way in forming more mutuals and; the Mutuals Support Programme will support some of the most promising and innovative mutuals so that they reach the point of investment readiness.

### Government Innovation Group

**Open data programme** – Improving the transparency and accountability of government and its services.

#### Office for Civil Society (OCS)

**v** – Project funded by the Office for Civil Society aimed at encouraging volunteering and increasing the number of opportunities for young volunteers. **v** are an independent charity established by the then government on 8<sup>th</sup> May 2006.

**Strategic Programme** - Grants to civil society organisations to enable greater voice and engagement in policy development.

The OCS leads on **Social Action** making it easier for people to play a more active part in their communities through volunteering and giving and supports the voice of the sector through strategic funding relationships.

## 6.1 Programme costs analysed by programme (continued)

**National Citizen Service (NCS)** will help to build a more cohesive, responsible and engaged society by bringing 16 year olds from different backgrounds together in a residential and home-based programme of activity and service during the summer.

The **Community Organisers** programme is about catalysing community action at a neighbourhood level. Community Organisers will be well-trained and committed individuals who will play a major role in delivering the Big Society. They will work closely with communities to identify local leaders, projects and opportunities, and empower the local community to improve their local area.

The **Community First** programme encourages more social action in neighbourhoods with significant deprivation and low social capital. Groups, active individuals and communities work with businesses, charities and public authorities, encouraging people to help others and themselves to improve the quality of life locally.

**Technical Assistance** – specialist support to the voluntary, community and social enterprise sector to enable them to deliver contracts for tackling social problems and to grow the social investment market.

The **Advice Services Fund** supports not-for-profit advice service providers to ensure that people continue to have access to good quality free advice in their communities.

**Youth Policy** – During the year cross cutting responsibilities for youth policy transferred from the Department for Education to the Cabinet Office. The Cabinet Office now leads for the Government on: cross government youth strategy and policy co-ordination; management of the statutory duty on Local Authorities for youth provision in their areas; and, strategic relationship management with young people and youth sector organisations on policy development.

## 7. Income

£000		2013-14	2012-13 Restated
	Note	Departmental Group	Departmental Group
<b>Administration</b>			
Civil Service Pensions			
Central management of Principal Civil Service Pension Scheme		51,937	39,146
Royal Mail Statutory Pension Scheme		188	117
Transactional Shared Services	7.1	29,838	-
Next Generation Shared Services – Single Operating Platform		2,550	-
Transfer of shares in AXELOS Limited	29	38,200	-
Framework Establishment Fee in respect of Shared Services Connected Limited		7,500	-
Services of the Behavioural Insights Team (BIT)		668	-
Rental income on freehold properties		537	556
Next Generation HR		21,330	24,183
Royalties		7,699	10,275
Services of the Office of the Parliamentary Counsel		3,028	3,003
<b>Other</b>			
Emergency Planning College events		41	44
Employee Engagement Programme		988	974
Media Monitoring Unit		911	958
Regional News Network		1,329	1,354
Fillers Marketing		112	147
Media Planning, Buying and Evaluation		1,011	1,279
Government Communications		366	280
Supplier Rebates		3,498	7,031
ERG Procurement Policy and Capability		3,002	2,880
ERG Major Projects Team		367	291
ERG Commercial Portfolio Team		256	-
ERG Debt Market Integrator		250	-
HR Capability and Talent		264	-
Various cost recoveries		1,804	1,876
EU funding received – transferred to DfID	5	731	-
<b>Total Administration Income</b>		<b>178,405</b>	<b>94,394</b>
<b>Programme</b>			
<b>National Security Secretariat</b>			
Government Security Zone		880	450
Iraq Inquiry		1,222	974
Other		-	1,175
<b>Office for Civil Society</b>		858	246
<b>Office of the Government CIO &amp; SIRO</b>			
Public Service Network		777	3,868
<b>Dividends</b>			
Government Procurement Service		2,641	2,615
Government Digital Service		1,932	879
Various cost recoveries		147	99
Grant Repayments		27	953
Grant income – capital		-	8,021
<b>Non Cash Income</b>			
Capital Grant in Kind income on donated assets	8	3	84
<b>Total Programme Income</b>		<b>8,487</b>	<b>19,364</b>
<b>Other Non Cash Income</b>			
Income from Associates	17	48,283	5,882
<b>Total</b>		<b>235,175</b>	<b>119,640</b>

## 7. Income (continued)

The Cabinet Office is responsible for governance of the **Principal Civil Service Pension Scheme (PCSPS)**, and MyCSP Ltd is responsible for pension administration. Employers participating in the PCSPS pay the Cabinet Office for the cost of pension administration for current employee members. The Cabinet Office is responsible for meeting central costs, including the element of MyCSP costs not covered by the sums paid by employers. These costs are met by income from a charge on Civil Superannuation employer pension contributions.

With effect from 1<sup>st</sup> April 2012 the Government assumed responsibility for both the Royal Mail Pension Plan deficit and the majority of the plan's liabilities. This was achieved through the establishment in the Department for Business Innovation and Skills (BIS) of a new unfunded pension scheme - the **Royal Mail Statutory Pension Scheme (RMSPS)**. Responsibility for governance of the RMSPS passed from BIS to the Cabinet Office with effect from 1 April 2013. The Cabinet Office is responsible for meeting the administration costs of the scheme. The income represents charges that the Cabinet Office levies for some specific pension administration services.

**Next Generation Shared Services: Single Operating Platform** – Development of the Single Oracle Platform for Government. The objective is to reduce the cost to HMG of running multiple Oracle solutions for different Departments by consolidating solutions and achieving a better competitive deal for Oracle licensing, hosting and support that is applicable across the Crown Estate.

**Transfer of shares in AXELOS Limited** – The Cabinet Office transferred its 51 'B' ordinary shares in AXELOS Limited, an associate, to Capita Business Services Limited, the immediate parent of AXELOS Limited.

**Framework Establishment Fee in respect of Shared Services Connected Limited** - The purpose of the Framework Establishment Fee is to allow the Cabinet Office to recoup its transaction costs, being the costs of the procurement project team, from Shared Services Connected Limited (SSCL).

**Next Generation HR – Civil Service HR (CSHR)** is a key part of the Government's Efficiency and Reform agenda. CSHR involves sharing HR expertise and maximising buying power across the Civil Service in a joined up and effective manner, to deliver a professional and more efficient service. The programme operates on a cost sharing basis across the government departments and agencies participating in the programme.

### Royalties

This income relates to the sales of **products** (e.g. publications) and from fees for accreditation and examination of practitioners. The products, e.g. ITIL and PRINCE2, have been developed to support best practice in key areas of project, programme, portfolio and IT service management. The income comes from public and private sector organisations in the UK and overseas. This income stream ceased when the function transferred into AXELOS Limited, an associate; see Note 17.

**The Office of the Parliamentary Counsel (OPC)** drafts Government Bills for introduction into Parliament, advises on related Parliamentary procedure and drafts or vets subordinate legislation which amends or has a significant impact on primary legislation. They also advise the Government on certain constitutional matters (e.g. Ministerial appointments, elections, Parliamentary and the Royal prerogative). The Cabinet Office provides the funding for approximately 60% of the costs of the OPC, with the balance coming from Departments who use the OPC's services. The contributions from Departments are based on their usage of the OPC's services in the previous calendar year.

The **Employee Engagement Programme** includes the Civil Service People Survey which is an annual survey of staff perceptions across the Civil Service and provides key people metrics to help drive business improvement. The survey is provided by an external contractor, the cost of this plus the cost of the programme team based in the Cabinet Office is fully recharged to the participating Departments and Agencies.

**Media Monitoring Unit** provides a 24-hour/7 days a week media monitoring and briefing service to No.10 and all other government departments and organisations. This service is funded by annual subscriptions.

**Regional News Network** provides press office support to government departments and organisations in the regions. This service covers a range of activities including regionalisation of national messaging; proactive placement of stories and case studies in print, broadcast and online media; support for regional events and Ministerial visits; reactive response to media enquiries; drafting and issuing news releases; and ad hoc campaign work. This service is funded via annual subscriptions.

**Fillers Marketing** – providing a service to government departments/organisations in the delivery of free airtime for public good communications - or Fillers - which carry messages relating to health, safety and welfare issues. This service both manages the marketing and distribution of TV and Radio Fillers to terrestrial, digital and out-of-home TV and radio channels and also reports on their performance. This service is funded by annual subscriptions.

## 7. Income (continued)

**Communications/media planning, media buying management and campaign evaluation** involves providing expertise and guidance for government departments/organisations which require early stage communications planning services or support with the implementational media planning and buying process through M4C (the media buying agency). A key service is to support GPS in the management of the M4C contract and to oversee the independent auditing of both domestic and international media. This team also provides advice on campaign evaluation best practice and implementational support in the planning, conducting and commissioning of evaluation projects. This service (including the third party cost of independent media auditing) is funded by a levy on media spend.

**Supplier Rebates** is income from contractors relating to costs from previous years' programmes.

**ERG Procurement Policy and Capability** – Government Procurement Service contribution to the costs of the work of the Commercial Reform Team for the internal development of Government Procurement Service to tackle existing capability issues and to grow capability for development into the future Crown Commercial Service.

**EU funding received - transferred to Department for International Development** – The Civil Contingencies Secretariat in the Cabinet Office is the National Contact Point for the EU Civil Protection Mechanism, through which the UK applied for grants for co-financing of the transportation of aid to the Philippines following Typhoon Haiyan. The European Union made the grants to CCS (as the National Contact Point), which was then paid to DFID who had arranged transportation of aid to the Philippines.

### National Security Secretariat

**Government Security Zone** - The Cabinet Office makes two annual payments to the Metropolitan Police on behalf of Whitehall Departments for cost of the Whitehall Secure Zone. This income reflects the payments from the various Whitehall Departments to the Cabinet Office.

The Department for International Development (DFID), Ministry of Defence (MOD) and Foreign & Commonwealth Office (FCO) contributed toward the costs of the **Iraq Inquiry** in 2013-14, 2012-13 and 2011-12.

The aim of the **Public Service Network** (PSN) programme is to create a network of networks providing secure fixed and mobile communications operating to common standards.

**Government Procurement Service** - The Cabinet Office receives dividends for its holding in the Government Procurement Service Trading Fund.

### 7.1 Fees and charges

The analysis below 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.

The **financial objective** of Transactional Shared Services:

As a result of various investigations and recommendations relating to the sharing of back office functions across government, an initiative was identified to set up a second Independent Shared Service Centre (ISSC2). The business case demonstrated that the best value for money delivery model for ISSC2 would be an associate partnership between government and a Private Sector Partner. As a first step towards this, on 1 April 2013, accountability for the provision of IT, employee and financial transactional services to other public sector bodies transferred from the Department for Work and Pensions (DWP) until the Shared Services Connected Limited traded from 1 November 2013; see Note 17.

	Transactional Shared Services
	£000
<b>Full cost of service to other government departments</b>	29,231
<b>Less: Income received</b>	(29,838)
<b>Net surplus</b>	<b>(607)</b>

## 8.1 Property, plant and equipment

### Consolidated 2013–14

£000	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Art & Antiques	Payments on Account & Assets under Construction	Total
<b>Cost or valuation</b>									
<b>At 1 April 2013</b>	<b>32,602</b>	<b>86,703</b>	<b>37,432</b>	<b>6,985</b>	<b>7,533</b>	<b>1,955</b>	<b>9,733</b>	<b>16,849</b>	<b>199,792</b>
Additions	400	1,147	-	2,197	52	1,464	30	19,495	24,785
Donations	-	-	-	-	-	-	3	-	3
Disposals <sup>1</sup>	-	-	-	(2,772)	(4,571)	(359)	-	-	(7,702)
Impairment <sup>2</sup>	-	(4,603)	(74)	(223)	(620)	-	(17)	-	(5,537)
Reclassifications	-	15,485	(313)	304	-	-	-	(15,476)	-
Revaluations	7,485	(5,781)	(464)	(59)	(57)	(59)	134	-	1,199
<b>At 31 March 2014</b>	<b>40,487</b>	<b>92,951</b>	<b>36,581</b>	<b>6,432</b>	<b>2,337</b>	<b>3,001</b>	<b>9,883</b>	<b>20,868</b>	<b>212,540</b>
<b>Depreciation</b>									
<b>At 1 April 2013</b>	-	<b>19,488</b>	<b>5,036</b>	<b>5,148</b>	<b>6,595</b>	<b>1,432</b>	-	-	<b>37,699</b>
Donations	-	-	-	-	-	-	-	-	-
Charged in year	-	2,811	1,223	956	340	127	-	-	5,457
Disposals <sup>1</sup>	-	-	-	(2,772)	(4,571)	(359)	-	-	(7,702)
Impairment <sup>2</sup>	-	(91)	-	(147)	(341)	-	-	-	(579)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(421)	(40)	(31)	(42)	(36)	-	-	(570)
<b>At 31 March 2014</b>	-	<b>21,787</b>	<b>6,219</b>	<b>3,154</b>	<b>1,981</b>	<b>1,164</b>	-	-	<b>34,305</b>
<b>Carrying amount at 31 March 2014</b>	<b>40,487</b>	<b>71,164</b>	<b>30,362</b>	<b>3,278</b>	<b>356</b>	<b>1,837</b>	<b>9,883</b>	<b>20,868</b>	<b>178,235</b>
<b>Carrying amount at 31 March 2013</b>	<b>32,602</b>	<b>67,215</b>	<b>32,396</b>	<b>1,837</b>	<b>938</b>	<b>523</b>	<b>9,733</b>	<b>16,849</b>	<b>162,093</b>
<b>Asset financing:</b>									
Owned	36,787	61,057	30,362	3,278	356	1,837	9,883	20,868	164,428
PFI Finance Leased	-	2,195	-	-	-	-	-	-	2,195
PFI Residual Assets	3,700	7,912	-	-	-	-	-	-	11,612
<b>Carrying amount at 31 March 2014</b>	<b>40,487</b>	<b>71,164</b>	<b>30,362</b>	<b>3,278</b>	<b>356</b>	<b>1,837</b>	<b>9,883</b>	<b>20,868</b>	<b>178,235</b>
<b>Of the total:</b>									
Department NDPBs	40,487	71,164	30,362	3,278	356	1,837	9,883	20,868	178,235
<b>Carrying amount at 31 March 2014</b>	<b>40,487</b>	<b>71,164</b>	<b>30,362</b>	<b>3,278</b>	<b>356</b>	<b>1,837</b>	<b>9,883</b>	<b>20,868</b>	<b>178,235</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 arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure the asset base is correctly valued

## 8.2 Property, plant and equipment

### Consolidated 2012–13

£000	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Art & Antiques	Payments on Account & Assets under Construction	Total
<b>Cost or valuation</b>									
<b>At 1 April 2012</b>	<b>37,559</b>	<b>107,291</b>	<b>27,260</b>	<b>13,219</b>	<b>7,648</b>	<b>1,870</b>	<b>10,583</b>	<b>8,795</b>	<b>214,225</b>
Additions	-	892	-	716	-	-	-	9,460	11,068
Donations	-	-	-	-	-	-	84	-	84
Disposals <sup>1</sup>	-	(741)	-	(5,900)	(75)	(26)	(58)	-	(6,800)
Impairment <sup>2</sup>	-	(1,067)	-	(1,436)	(13)	(3)	(876)	(15)	(3,410)
Reclassifications	-	846	417	-	-	149	-	(1,391)	21
Revaluations	5,966	155	10,067	386	(27)	(35)	-	-	16,512
Transfer to Investment Properties <sup>3</sup>	(10,923)	(20,673)	(312)	-	-	-	-	-	(31,908)
<b>At 31 March 2013</b>	<b>32,602</b>	<b>86,703</b>	<b>37,432</b>	<b>6,985</b>	<b>7,533</b>	<b>1,955</b>	<b>9,733</b>	<b>16,849</b>	<b>199,792</b>
<b>Depreciation</b>									
<b>At 1 April 2012</b>	<b>-</b>	<b>19,788</b>	<b>2,489</b>	<b>8,637</b>	<b>6,117</b>	<b>1,337</b>	<b>-</b>	<b>-</b>	<b>38,368</b>
Donations	-	-	-	-	-	-	-	-	-
Charged in year	-	2,009	1,386	1,935	522	140	-	-	5,992
Disposals <sup>1</sup>	-	(740)	-	(5,790)	(67)	(23)	-	-	(6,620)
Impairment <sup>2</sup>	-	-	-	211	(8)	-	-	-	203
Reclassifications	-	-	-	48	-	-	-	-	48
Revaluations	-	30	1,208	107	31	(22)	-	-	1,354
Transfer to Investment Properties <sup>3</sup>	-	(1,599)	(47)	-	-	-	-	-	(1,646)
<b>At 31 March 2013</b>	<b>-</b>	<b>19,488</b>	<b>5,036</b>	<b>5,148</b>	<b>6,595</b>	<b>1,432</b>	<b>-</b>	<b>-</b>	<b>37,699</b>
<b>Carrying amount at 31 March 2013</b>	<b>32,602</b>	<b>67,215</b>	<b>32,396</b>	<b>1,837</b>	<b>938</b>	<b>523</b>	<b>9,733</b>	<b>16,849</b>	<b>162,093</b>
<b>Carrying amount at 31 March 2012</b>	<b>37,559</b>	<b>87,503</b>	<b>24,771</b>	<b>4,582</b>	<b>1,531</b>	<b>533</b>	<b>10,583</b>	<b>8,795</b>	<b>175,857</b>
<b>Asset financing:</b>									
Owned	29,302	57,047	32,396	1,837	938	523	9,733	16,849	148,625
PFI Finance Leased	-	2,926	-	-	-	-	-	-	2,926
PFI Contract Assets <sup>3</sup>	-	-	-	-	-	-	-	-	-
PFI Residual Assets	3,300	7,242	-	-	-	-	-	-	10,542
<b>Carrying amount at 31 March 2013</b>	<b>32,602</b>	<b>67,215</b>	<b>32,396</b>	<b>1,837</b>	<b>938</b>	<b>523</b>	<b>9,733</b>	<b>16,849</b>	<b>162,093</b>
<b>Of the total:</b>									
Department NDPBs	32,602	67,215	32,396	1,837	938	523	9,733	16,849	162,093
<b>Carrying amount at 31 March 2013</b>	<b>32,602</b>	<b>67,215</b>	<b>32,396</b>	<b>1,837</b>	<b>938</b>	<b>523</b>	<b>9,733</b>	<b>16,849</b>	<b>162,093</b>

<sup>1</sup> Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use

<sup>2</sup> Revaluations arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure the asset base is correctly valued

<sup>3</sup> Admiralty Arch and Sunningdale Park were recognised as investment properties; see Note 9



## 8. Property, plant and equipment (continued)

### Valuation

#### Land and Buildings

The Valuation Office Agency has determined fair value on the basis of market value but on the assumption that the property is sold as part of the continuing enterprise in occupation. For 'in use' non-specialised property assets, fair value has been interpreted as market value for existing use.

The Valuation Office Agency (VOA), independent chartered surveyors and members of the Royal Institute of Chartered Surveyors (RICS), valued all properties on the basis of fair value as at 31 March 2014 except for 10-12 Downing Street which was valued at 31 March 2013. Due to the unusual nature of the size, location and property category the valuation of 10-12 Downing Street is subject to valuation uncertainty.

#### Sunningdale Park

The Valuation Office Agency valued Sunningdale Park, Ascot, Berkshire, as at 31 March 2014 on the basis of total worth in existing use reflecting the infrastructure. A breakdown of the carrying value of assets under the PFI contract is detailed at Note 15. Sunningdale Park is revalued every three years.

#### 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 January 2011 on the basis of insurance value being the likely cost of replacing the items.

Rosebery's Auctioneers & Valuers valued art and antiques, including antique and other furniture, silver, plate and objects situated at The Hawkhill, Easingwold, near York in February 2010 at an average of the lower and higher figures of a presale auction estimate.

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 2010 on the basis of best estimate of the price at auction.

#### All Other Tangible Non-Heritage Assets

All other tangible non-heritage fixed assets are re-valued annually using indices provided by the Office of National Statistics.

### Assets under construction

Assets under construction of £20.868 million (2012-13: £16.849 million) include:

£14.252 million (2012-13: £13.795 million) spent on refurbishment to Whitehall properties which has yet to be completed; and

£6.616 million (2012-13: £3.054 million) spent on IT hardware and software developments which have yet to be completed.

### Leasehold improvements

Included within Land and Buildings are improvements with a carrying amount of £0.662 million (2012-13: £0.715 million) relating to a leasehold property in London at 35 Great Smith Street.

## 9. Investment Properties

£000	Note	2013-14			2012-13		
		Admiralty Arch	Sunningdale Park	Total	Admiralty Arch	Sunningdale Park	Total
<b>Cost at 1 April</b>		60,000	2,265	62,265	-	-	-
Additions		-	-	-	-	-	-
Accruals		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
Impairment		-	-	-	-	-	-
Transferred from Property, Plant and Equipment	8.2	-	-	-	28,129	2,133	30,262
Revaluation	6	-	23	23	31,871	132	32,003
Reclassified as held for sale	20	(60,000)	-	(60,000)	-	-	-
<b>Balance at 31 March</b>		<b>-</b>	<b>2,288</b>	<b>2,288</b>	<b>60,000</b>	<b>2,265</b>	<b>62,265</b>

### Admiralty Arch

The Department has freehold ownership of Admiralty Arch which became vacant on 10 August 2012 from when it was recognised as an investment property. The Department reclassified this asset as held for sale as at 31 March 2014; see Note 20.

### Sunningdale Park

Following the closure of the National School of Government on 31 March 2012, the Department retained freehold of the site at Sunningdale Park and recognised it as an investment property from 1 April 2012. Sunningdale Park is recognised at fair value which equates to market value for existing use of £2.288 million (2012-13: £2.265 million).

## 10.1 Intangible assets

### Consolidated 2013-14

£000	Purchased Software Licences	IT Software	Carbon Reduction Commitment	Website	Payments on Account & Assets under Construction	Total
<b>Cost or valuation<sup>1</sup></b>						
<b>At 1 April 2013</b>	<b>1,147</b>	<b>4,453</b>	<b>154</b>	<b>7,038</b>	<b>22</b>	<b>12,814</b>
Additions	(6) <sup>2</sup>	705	-	437	598	1,734
Allowances purchased	-	-	75	-	-	75
Disposals	(330)	(1,636)	(17)	(234)	-	(2,217)
Impairment	(772)	(1,766)	-	(3,019)	-	(5,557)
Reclassifications	-	-	-	(288)	288	-
Revaluations	-	7	-	84	-	91
<b>At 31 March 2014</b>	<b>39</b>	<b>1,763</b>	<b>212</b>	<b>4,018</b>	<b>908</b>	<b>6,940</b>
<b>Amortisation</b>						
<b>At 1 April 2013</b>	<b>455</b>	<b>2,979</b>	<b>77</b>	<b>3,113</b>	<b>-</b>	<b>6,624</b>
Charged in year	9	191	-	1,110	-	1,310
Disposals	(330)	(1,636)	-	(234)	-	(2,200)
Allowances surrendered	-	-	-	-	-	-
Impairment	(108)	(951)	-	(2,349)	-	(3,408)
Reclassifications	-	-	-	-	-	-
Revaluations	-	1	-	13	-	14
<b>At 31 March 2014</b>	<b>26</b>	<b>584</b>	<b>77</b>	<b>1,653</b>	<b>-</b>	<b>2,340</b>
<b>Carrying amount at 31 March 2014</b>	<b>13</b>	<b>1,179</b>	<b>135</b>	<b>2,365</b>	<b>908</b>	<b>4,600</b>
<b>Carrying amount at 31 March 2013</b>	<b>692</b>	<b>1,474</b>	<b>77</b>	<b>3,925</b>	<b>22</b>	<b>6,190</b>
<b>Asset financing:</b>						
Owned	13	1,179	135	2,365	908	4,600
<b>Carrying amount at 31 March 2014</b>	<b>13</b>	<b>1,179</b>	<b>135</b>	<b>2,365</b>	<b>908</b>	<b>4,600</b>
<b>Of the total:</b>						
Department	13	1,179	135	2,365	908	4,600
NDPBs	-	-	-	-	-	-
<b>Carrying amount at 31 March 2014</b>	<b>13</b>	<b>1,179</b>	<b>135</b>	<b>2,365</b>	<b>908</b>	<b>4,600</b>

<sup>1</sup> Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

<sup>2</sup> The negative amount of £6,000 under Purchased Software Licence Additions relates to a reversal of a 2012-13 accrual incorrectly raised against additions

## 10.2 Intangible assets

### Consolidated 2012-13

£000	Purchased Software Licences	IT Software	Carbon Reduction Commitment	Website	Payments on Account & Assets under Construction	Total
<b>Cost or valuation<sup>1</sup></b>						
<b>At 1 April 2012</b>	<b>1,396</b>	<b>4,826</b>	<b>-</b>	<b>3,168</b>	<b>506</b>	<b>9,896</b>
Additions	87	299	-	3,403	9	3,798
Allowances purchased	-	-	154	-	-	154
Disposals <sup>2</sup>	(275)	(857)	-	-	-	(1,132)
Impairment	(58)	(23)	-	-	(32)	(113)
Reclassifications	-	-	-	440	(461)	(21)
Revaluations	(3)	208	-	27	-	232
<b>At 31 March 2013</b>	<b>1,147</b>	<b>4,453</b>	<b>154</b>	<b>7,038</b>	<b>22</b>	<b>12,814</b>
<b>Amortisation</b>						
<b>At 1 April 2012</b>	<b>640</b>	<b>2,927</b>	<b>-</b>	<b>1,923</b>	<b>-</b>	<b>5,490</b>
Charged in year	195	640	-	1,182	-	2,017
Disposals	(275)	(857)	-	-	-	(1,132)
Allowances surrendered	-	-	77	-	-	77
Impairment	-	9	-	-	-	9
Reclassifications	(48)	-	-	-	-	(48)
Revaluations	(57)	260	-	8	-	211
<b>At 31 March 2013</b>	<b>455</b>	<b>2,979</b>	<b>77</b>	<b>3,113</b>	<b>-</b>	<b>6,624</b>
<b>Carrying amount at 31 March 2013</b>	<b>692</b>	<b>1,474</b>	<b>77</b>	<b>3,925</b>	<b>22</b>	<b>6,190</b>
<b>Carrying amount at 31 March 2012</b>	<b>756</b>	<b>1,899</b>	<b>-</b>	<b>1,245</b>	<b>506</b>	<b>4,406</b>
<b>Asset financing:</b>						
Owned	692	1,474	77	3,925	22	6,190
<b>Carrying amount at 31 March 2013</b>	<b>692</b>	<b>1,474</b>	<b>77</b>	<b>3,925</b>	<b>22</b>	<b>6,190</b>
<b>Of the total:</b>						
Department	692	1,474	77	3,925	22	6,190
NDPBs	-	-	-	-	-	-
<b>Carrying amount at 31 March 2013</b>	<b>692</b>	<b>1,474</b>	<b>77</b>	<b>3,925</b>	<b>22</b>	<b>6,190</b>

<sup>1</sup> Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

<sup>2</sup> Intangible assets at Sunningdale Park were reduced to nil from their carrying value as a result of the closure of National School of Government

## 11. Impairments

£000		2013-14	2012-13
	Note	Departmental Group	Departmental Group
Charged to Statement of Comprehensive Net Expenditure			
Impairment – PPE and Intangible assets	5, 6	7,107	3,735
Impairment on loans	6	109	159
		<b>7,216</b>	<b>3,894</b>
Devaluation of assets	6	(137)	811
Taken through revaluation reserve		6,349	69
<b>Total</b>		<b>13,428</b>	<b>4,774</b>

## 12. Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for capital goods and services.

£000		2013-14	2012-13
		Departmental Group	Departmental Group
Contracted capital commitments at 31 March for which no provision has been made and not otherwise included in these financial statements			
Property, plant and equipment		10	279
Intangible assets		76	12
<b>Total</b>		<b>86</b>	<b>291</b>

## 13. 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, estate management services and contracts relating to investments in the voluntary and community sector. The total payments to which the Department is committed, analysed by the period during which the payments will be made are as follows:

£000		2013-14	2012-13
		Departmental Group	Departmental Group
Not later than one year		78,962	49,260
Later than one year and not later than five years		118,020	53,095
Later than five years		-	6,944
<b>Total</b>		<b>196,982</b>	<b>109,299</b>

## 14. Commitments under leases

### 14.1 Operating leases

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	2013-14	2012-13
	Departmental Group	Departmental Group
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>Land and Buildings</b>		
Not later than one year	15,616	17,282
Later than one year and not later than five years	55,336	61,003
Later than five years	29,587	54,126
	<b>100,539</b>	<b>132,411</b>
<b>Other</b>		
Not later than one year	-	3
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>-</b>	<b>3</b>
<b>Total</b>	<b>100,539</b>	<b>132,414</b>

### 14.2 Finance leases

There are no obligations under finance leases.

## 15. Commitments under PFI contracts

### 15.1 On-Statement of Financial Position

#### Fujitsu Services Ltd

The provision of Information and Communications Technology (ICT) services to the Cabinet Office included certain infrastructure assets for use in delivering public services that fall within the scope of IFRIC 12 service concession arrangements.

In June 2007 the Cabinet Office entered into a contract with Fujitsu Services Limited (FSL) for the provision of Information and Communications Technology (ICT) services over a 5 year term until June 2012. The contract terminated in June 2012. The services included the provision of IT equipment throughout the life of the contract. Those assets provided on an exclusive basis were recognised as property, plant and equipment at the time they were brought into use.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the Fujitsu ICT contract was £Nil (2012-13: £2.418m). See Note 6.

The contract with Fujitsu expired on 30th June 2012. The Department now receives ICT services through HM Treasury under a memorandum of understanding.

#### Sunningdale Park site

Although the National School of Government closed on 31 March 2012, Cabinet Office has retained the site at Sunningdale Park for the present and is examining how the existing facilities can best be utilised going forwards. The site is operated under a PFI contract with a term of 30 years from 13 May 2002.

The National School gave a lease to the private sector partner for the office buildings against which sub leases were granted to the National School for their continuing use. This asset was recognised as property, plant and equipment at a carrying value of £2.133 million at 31 March 2012. The asset was reclassified as an investment property on 1 April 2012. Its carrying value at 31 March 2014 is £2.288 million (2012-13: £2.265 million). See Note 9.

The National School also gave a lease for the rest of the site upon which the private sector partner has undertaken an initial capital investment of £12 million in new training facilities.

As a consequence of these agreements:

#### Deferred asset

A pre-payment was established for the fair value of the property which was contributed to the scheme at the commencement of the contract. This deferred asset is recognised as property, plant and equipment and written off over 15 years. Its value at 31 March 2014 is £2.195 million (2012-13: £2.926 million); see Note 8.

#### Reversionary interest

A further asset is recognised for the Department's residual interest in the training facilities which revert to the Cabinet Office at no cost at the end of the contract. The accruing residual interest, built up over the term of the contract by capitalising part of the contract payments, is recognised as property, plant and equipment. Additional interest accrued in 2013-14 was £1.070 million (2012-13: £Nil). The value of the residual interest at 31 March 2014 is £11.612 million (2012-13: £10.542 million).

Whilst these two individual transactions reflect the underlying contractual arrangements, the Cabinet Office retains ownership of the training facilities throughout the period of the contract, the value of which at 31 March 2014 is reflected in the combined carrying value of the deferred asset and reversionary interest - recognised as property, plant and equipment - of £13.807 million (2012-13: £13.468 million); see Note 8.

#### Combined Value

The combined carrying value of the office buildings and training facilities is £16.095 million (2012-13: £15.733 million). This is the sum of the Dwellings balances and Land and Buildings balances in Note 8 Property, Plant and Equipment and Note 9 Investment Properties.

### 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 £968,485 (2012-13: £2,242,597) as disclosed at Note 5. The payments to which the Department was committed during 2013-14, analysed by the period during which the commitment expires, are as follows:

£000	2013-14	2012-13 Restated <sup>1</sup>
	Departmental Group	Departmental Group
Not later than one year	2,087	2,038
Later than one year and not later than five years	4,616	6,570
<b>Total</b>	<b>6,703</b>	<b>8,608</b>

<sup>1</sup> The 2012-13 figures have been restated to remove the office accommodation charge which formed part of the original guaranteed payments schedule to 2017. This commitment ceased when the National School of Government closed and no longer occupied the site at Sunningdale Park

## 16. Loan commitments – Bridges Social Entrepreneurs Fund LP

The Cabinet Office has the following loan commitments to the Bridges Social Entrepreneurs Fund LP as at 31 March 2014:

£000		2013-14	2012-13
	<b>Note</b>		
Total loan commitment		3,910	3,910
Less: Capital and loan drawn down		(2,631)	(1,693)
<b>Total undrawn commitment</b>		<b>1,279</b>	<b>2,217</b>
<b>Analysis of undrawn commitment</b>			
Total loan commitment		3,910	
Loan made in 2009-10		(662)	
Loan made in 2010-11		(244)	
Loan made in 2011-12		(343)	
Loan made in 2012-13	19	(444)	
Loan made in 2013-14	19	(938)	
<b>Total undrawn commitment</b>		<b>1,279</b>	

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement dated 21 August 2009 and is managed by Bridges Ventures LLP. The Fund invests in social enterprises that have the potential to generate scaleable and sustainable social impacts. The Fund currently has a committed capital of £11.75 million and has a life of 10 years (ending on 27 August 2019) unless terminated earlier in certain circumstances specified in the Limited Partnership Agreement.

The Department originally agreed to invest up to £5 million in the Bridges Social Entrepreneurs Fund LP, by match funding the investment that the Fund Manager secures from private investors. The Cabinet Office increased its commitment from £3,640,534 to £3,909,748 for the lifetime of the Fund, which in accordance with the terms set in the Limited Partnership Agreement denotes the Department's commitment as at 31 March 2010 to be £3,909,748, constituting a 33.27% share of the Fund. This commitment level has now been fixed.

The investment period for the remaining drawdown is currently estimated to end in 2016, but may be extended at the discretion of Bridges Ventures LLP subject to an Investors Ordinary Consent. The investments in the Bridges Social Entrepreneurs Fund LP are valued by the Fund Manager using the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. See Notes 19 and 29.

For further information see [www.bridgesventures.com](http://www.bridgesventures.com)



## 17. Investments in Associates

£000		MyCSP Limited	Shared Services Connected Limited	AXELOS Limited	Behavioural Insights Team Limited	Total
<b>Cost or valuation<sup>1</sup></b>	<b>Note</b>					
<b>At 1 April 2012</b>		-	-	-	-	-
Acquisitions		-	-	-	-	-
Disposals		-	-	-	-	-
Share of opening net assets	7	5,412	-	-	-	5,412
Dividend received		-	-	-	-	-
Share of results	7	470	-	-	-	470
Impairment in value		-	-	-	-	-
<b>At 31 March 2013</b>		<b>5,882</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,882</b>
Acquisitions		-	-	-	-	-
Disposals		-	-	-	-	-
Share of opening net assets	7	-	7,500	36,720	-	44,220
Dividend received		(470)	-	-	-	(470)
Share of results	7	1,955	436	1,672	-	4,063
Impairment in value		-	-	-	-	-
<b>At 31 March 2014</b>		<b>7,367</b>	<b>7,936</b>	<b>38,392</b>	<b>-</b>	<b>53,695</b>

The Department accounts for its investments in associates using the equity method in accordance with IAS 28 Investments in Associates.

### MyCSP Limited

The Department has a 35% equity shareholding in MyCSP Limited which administers civil service pensions, injury benefit claims and compensation awards for 1.5 million public and private sector employees.

The Government established MyCSP Limited as a private limited company with three minority shareholders: Paymaster (1836) Limited with a 40% equity stake, the Cabinet Office with a 35% equity stake and an Employee Benefit Trust with a 25% equity stake. It began trading on 1 May 2012. There has been no change in the Department's ownership for the reported year. For additional information, see Notes 7 and 29.

MyCSP Limited has prepared its accounts on a UKGAAP basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments have been required.

The reporting date of MyCSP Limited's financial statements is 31 March and will be available at [MyCSP Limited](#)

### Shared Services Connected Limited

The Department has a 25% equity shareholding in Shared Services Connected Limited (SSCL) which provides Business Process Outsourcing services.

The Government established SSCL as a private limited company with two shareholders: 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 for the reported year. For additional information, see Notes 7 and 29.

SSCL has prepared its accounts on a UKGAAP basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments have been required.

The reporting date of SSCL's financial statements is 31 December, the same date as its major shareholder and ultimate controlling entity. When applying the equity method of accounting, SSCL 2013 financial

statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

SSCL's published accounts may be found at [Shared Services Connected Limited 2013 Report and Accounts](#)

### **AXELOS Limited**

The Department has a 49% equity shareholding in AXELOS Limited which manages and develops intellectual property around best management practice methodologies and frameworks.

The Government established AXELOS Limited 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 for the reported year. For additional information, see Notes 7 and 29.

AXELOS Limited has prepared its accounts on a UKGAAP basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments have been required.

The reporting date of AXELOS Limited's financial statements is 31 December, the same date as its major shareholder and immediate parent undertaking. When applying the equity method of accounting, AXELOS Limited's 2013 financial statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

AXELOS Limited published accounts may be found at [Axelos Limited Directors' Report and Financial Statements to 31 December 2013](#)

### **Behavioural Insights Team Limited**

The Department has a 35% equity shareholding share in Behavioural Insights Team Limited (BIT) which applies insights from behavioural sciences to tackle public policy problems.

The Government established BIT Limited 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.

BIT Limited will prepare its first published accounts for the 14 month period from 4 February 2014 to 31 March 2015 and consequently Cabinet Office has not recognised its share of this associate's net assets in 2013-14.

## 18. Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

The Department's investment in the Bridges Social Entrepreneurs Fund LP subjects the Department to credit and market risks. The Cabinet Office appointed Capital for Enterprise Limited (CfEL), an asset management business, to assist in the establishment of the Fund. The loans issued to the Bridges Social Entrepreneurs Fund LP are invested as part of an investment portfolio to deliver both financial returns and social and environmental benefits. The disposal of an investment by the Fund may differ from its valuation and the difference could be significant. The loans are subject to an annual impairment review which is carried out by Bridges Ventures Ltd. See Notes 11 and 19.

The Department holds public dividend capital in the Government Procurement Service. This financial asset is carried at historical cost less any impairment recognised. Information on the Government Procurement Service, a body outside the departmental boundary, is included at Note 19 and 30.

## 19. Other financial assets

The Core Department holds investments which include loans to the Bridges Social Entrepreneurs Fund LP which invests in social enterprises and public dividend capital held in the Government Procurement Service.

£000		Public Dividend Capital	Loans	Total
	<b>Note</b>			
Balance at 1 April 2012		350	1,073	1,423
Additions	16	-	444	444
Impairment		-	(159)	(159)
Loan repayments		-	(20)	(20)
<b>Balance at 31 March 2013</b>		<b>350</b>	<b>1,338<sup>1</sup></b>	<b>1,688</b>
Additions	16	-	938	938
Impairment		-	(109)	(109)
Loan repayments		-	(389) <sup>1</sup>	(389)
<b>Balance at 31 March 2014</b>		<b>350</b>	<b>1,778</b>	<b>2,128</b>
Of which at 31 March 2014				
Current liability		-	-	-
Non current liability		350	1,778	2,128
<b>Balance at 31 March 2014</b>		<b>350</b>	<b>1,778</b>	<b>2,128</b>
Of which at 31 March 2013				
Current liability		-	284 <sup>1</sup>	284
Non current liability		350	1,054	1,404
<b>Balance at 31 March 2013</b>		<b>350</b>	<b>1,338</b>	<b>1,688</b>

<sup>1</sup> The balance of the loan of £0.284 million made to LHA London Ltd was repaid during 2013-14. For information on loan commitments, see Notes 16 and 29

The Department's share of the assets and results of the Bridges Social Entrepreneurs Fund LP is as summarised below:

£000	Bridges Social Entrepreneurs Fund Loan
Net assets at 31 March 2013	1,054
Turnover	-
Surplus for the year (before financing)	-
Net assets at 31 March 2014	1,778 <sup>2</sup>
Turnover	-
Surplus for the year (before financing)	-

<sup>2</sup> The Department holds a 33.27% share of the total net assets and partnership funds amounting to £1,778,037

### Government Procurement Service

In accordance with the FReM, the Cabinet Office's investment in the Government Procurement Service is shown at its historical cost. The published accounts can be found at [Government Procurement Service Annual Report and Accounts](#). A dividend of £2.641 million (2012-13: £2.615 million) is payable for the year ended 31 March 2014; see Notes 7 and 30.

## 20. Assets held for sale

£000		As at 31 March 2014	As at 31 March 2013
	Note	Departmental Group	Departmental Group
Land and buildings	9	60,000	44,145
Disposal	6	-	(44,145)
<b>Total carrying amount</b>		<b>60,000</b>	<b>-</b>

### Admiralty Arch

The Department has sold Admiralty Arch on a long lease subject to the developer meeting certain conditions and considers it highly probable that the disposal will be completed within 12 months. Admiralty Arch is recognised at fair value as determined within an agreement between the Department and the developer. Further information on estate management strategy may be found within the Director's Report.

## 21. Trade receivables, financial and other assets

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Current – Amounts falling due within one year</b>		
VAT	6,019	2,589
Trade receivables	16,017	37,167
Deposits and advances	911	717
Advances to Returning Officers - Elections	665	780
Other receivables	480	263
Prepayments and accrued income	18,669	12,924
Deferred consideration from Capita Business Services Limited <sup>1</sup>	9,400	-
	<b>52,161</b>	<b>54,440</b>
<b>Non-current – Amounts falling due after more than one year</b>		
Deferred consideration from Capita Business Services Limited <sup>1</sup>	16,450	-
	<b>16,450</b>	<b>-</b>
<b>Total</b>	<b>68,611</b>	<b>54,440</b>

<sup>1</sup> Cabinet Office transferred its 51 'B' Ordinary shares in AXELOS Limited to AXELOS' immediate parent, Capita Business Services Limited (CBSL), in return for consideration of £38.2 million; see Note 7 Income. CBSL has deferred payment of £25.850 million to be paid in 33 equal monthly instalments between April 2014 and December 2016

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		2013-14	2012-13
	Note	Departmental Group	Departmental Group
<b>At 1 April</b>		679	1,050
Charge for the year	5, 6	250	246
Amounts written off		-	-
Unused amounts reversed	5, 6	(290)	(617)
<b>At 31 March</b>		<b>639</b>	<b>679</b>

The analysis of trade receivables that were past due but not impaired is as follows:

£000	2013-14	2012-13
	Departmental Group	Departmental Group
Neither past due nor impaired	12,454	28,077
Past due but not impaired		
< 30 days	667	925
30 – 60 days	110	543
60 – 90 days	197	2,507
90 – 120 days	431	77
> 120 days	2,797	5,717
<b>At 31 March</b>	<b>16,656</b>	<b>37,846</b>

## 21.1 Intra-government balances

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Current – Amounts falling due within one year</b>		
Balances with other central government bodies	28,285	31,498
Balances with local authorities	335	772
Balances with NHS Bodies	-	96
Balances with public corporations and trading funds	198	62
<b>Subtotal: intra-government balances</b>	<b>28,818</b>	<b>32,428</b>
Balances with bodies external to government	23,343	22,012
<b>Total</b>	<b>52,161</b>	<b>54,440</b>

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Non-current – Amounts falling due within one year</b>		
Balances with other central government bodies	-	-
Balances with local authorities	-	-
Balances with NHS Bodies	-	-
Balances with public corporations and trading funds	-	-
<b>Subtotal: intra-government balances</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	16,450	-
<b>Total</b>	<b>16,450</b>	<b>-</b>

## 22. Cash and cash equivalents

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Balance at 1 April</b>	7,093	38,978
Net change in cash and cash equivalent balances	15,553	(31,885)
<b>Balance at 31 March</b>	<b>22,646</b>	<b>7,093</b>
The following balances at 31 March were held at:		
Government Banking Service - Supply	21,806	5,312
Government Banking Service - Consolidated Fund Standing Services – UK Parliamentary By-elections	840	1,666
Commercial banks and cash in hand - Supply	-	115
<b>Balance at 31 March</b>	<b>22,646</b>	<b>7,093</b>

The cash balance includes an amount of £840,356 (2012-13: £1,666,296) in respect of the funding advanced from the Consolidated Fund to cover the costs of UK Parliamentary By-elections with the agreement of HM Treasury. This balance is held with the Government Banking Service. It is owned by the Cabinet Office but managed by the Election Claims Unit in the Department for Communities and Local Government.

## 23. Trade payables and other liabilities

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Current – Amounts falling due within one year</b>		
Other taxation and social security	3,178	2,881
Trade payables	9,720	37,605
Other payables	2,414	2,088
Accruals and deferred income	61,861	45,127
Accruals relating to Consolidated Fund Standing Services – UK Parliamentary By-elections	1,505	2,360
Accruals – termination benefits	-	27
Amounts issued from the Consolidated Fund for supply but not spent at year end	21,806	5,426
Non voted receipts surrenderable to the Consolidated Fund - Elections	-	86
<b>Total</b>	<b>100,484</b>	<b>95,600</b>

### 23.1 Intra-government balances

£000	As at 31 March 2014	As at 31 March 2013
	Departmental Group	Departmental Group
<b>Current – Amounts falling due within one year</b>		
Balances with other central government bodies	49,179	52,242
Balances with local authorities	715	494
Balances with NHS Bodies	65	3
Balances with public corporations and trading funds	31	605
<b>Subtotal: intra- government balances</b>	<b>49,990</b>	<b>53,344</b>
Balances with bodies external to government	50,494	42,256
<b>Total</b>	<b>100,484</b>	<b>95,600</b>

## 24. Provisions for liabilities and charges

£000	Early Departures	Specific Dilapidations	Onerous Contracts	Total
	Departmental Group	Departmental Group	Departmental Group	Departmental Group
<b>Balance at 1 April 2012</b>	<b>4,803</b>	<b>7,215</b>	<b>5,306</b>	<b>17,324</b>
Provided in the year	210	-	910	1,120
Provisions not required written back	(171)	(655)	(474)	(1,300)
Provisions utilised in the year	(1,469)	(600)	(1,993)	(4,062)
Borrowing costs (unwinding of discounts)	113	-	(482)	(369)
<b>Balance at 31 March 2013</b>	<b>3,486</b>	<b>5,960</b>	<b>3,267</b>	<b>12,713</b>
Provided in the year	121	-	5	126
Provisions not required written back	(91)	(1,191)	(2,019)	(3,301)
Provisions utilised in the year	(1,159)	-	(262)	(1,421)
Borrowing costs (unwinding of discounts)	74	-	332	406
<b>Balance at 31 March 2014</b>	<b>2,431</b>	<b>4,769</b>	<b>1,323</b>	<b>8,523</b>
Of which:				
Current liability	982	3,142	569	4,693
Non current liability	1,449	1,627	754	3,830
<b>Balance at 31 March 2014</b>	<b>2,431</b>	<b>4,769</b>	<b>1,323</b>	<b>8,523</b>
Of which:				
Current liability	1,145	407	332	1,884
Non current liability	2,341	5,553	2,935	10,829
<b>Balance at 31 March 2013</b>	<b>3,486</b>	<b>5,960</b>	<b>3,267</b>	<b>12,713</b>

### Analysis of expected timing of discounted flows

£000	Early Departures	Specific Dilapidations	Onerous Contracts	Total
	Departmental Group	Departmental Group	Departmental Group	Departmental Group
Not later than one year	982	3,142	569	4,693
Later than one year and not later than five years	1,374	355	739	2,468
Later than five years	75	1,272	15	1,362
<b>Balance at 31 March 2014</b>	<b>2,431</b>	<b>4,769</b>	<b>1,323</b>	<b>8,523</b>

### Analysis of expected timing of discounted flows

£000	Early Departures	Specific Dilapidations	Onerous Contracts	Total
	Departmental Group	Departmental Group	Departmental Group	Departmental Group
Not later than one year	1,145	407	332	1,884
Later than one year and not later than five years	2,147	354	1,536	4,037
Later than five years	194	5,199	1,399	6,792
<b>Balance at 31 March 2013</b>	<b>3,486</b>	<b>5,960</b>	<b>3,267</b>	<b>12,713</b>

## 24. Provisions for liabilities and charges (continued)

### 24.1 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. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2020-21.

During the year 2013-14 there were no new cases of early departures, although top ups of £0.121 million were made to the existing provisions. Those early exit packages whose costs have been accrued in year are disclosed at Note 4.

### 24.2 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 metre which is updated each year on advice from a facilities management company. A provision is also written back when not required.

During 2013-14 provision of £1,191,410 was written back in respect of Hercules House. The expiry dates of the remaining leases range from 2016-17 to 2026-27.

### 24.3 Onerous Contracts

The Government Property Unit manages the Government's property portfolio which includes vacant leasehold properties for which provision has been made for estimated payments discounted by the Treasury's discount rates for general provisions. Payments include rent, rates, service charges, demolition work and property management charges.

During the financial year £261,668 was utilised. The provision was topped up by £5,322. There was a write back of £2,018,858 being no longer required; £1,660,175 of which related to County Farm. This was due to the change in expectation regarding the timing of the demolition of the buildings on site. The remaining £358,683 written back relates to Birch House, Willow House and Kings Court which generated increased revenues and fewer costs. The lease expiry dates of the remaining contracts range from 2014-15 to 2016-17.

## 25. Contingent asset - Futurebuilders programme

The Futurebuilders Fund provided loan financing, often combined with grants and professional support, to civil society organisations in England needing investment to help them bid for, win and deliver public service contracts. The Modernisation Fund provided interest-free loans to help organisations be more resilient to the impact of the economic downturn. Both Funds are closed for new applications.

£000	2013-14	2012-13
Futurebuilders England Fund	96,843	101,960
Modernisation Fund	5,832	5,752
<b>Contingent asset as at 31 March</b>	<b>102,675</b>	<b>107,712</b>



The Cabinet Office has a contingent asset of £102.675 million (2012-13: £107.712 million) which is reported as Restricted Funds in the 2013 -14 accounts of Futurebuilders England Limited (FBE). FBE entered into a portfolio holding contract with the Cabinet Office to oversee the investment portfolio of the Futurebuilders and Modernisation Funds. The Cabinet Office contracts with The Social Investment Business Limited to manage the loan book. The contract has been re-awarded for a three year period from April 2013 with a possible six years extension period. At the end of the contracts the Funds will revert to the Cabinet Office or a third party appointed by the Cabinet Office. The service agreement contains a novation clause which applies to the Futurebuilders Restricted Funds and which gives the Cabinet Office the entitlement to assign, novate or otherwise dispose of its rights and obligations under the agreement or novate the agreement itself to any other body.

Further information about Futurebuilders England Limited (Registered company number 05066676) can be found at: [www.futurebuilders-england.org.uk](http://www.futurebuilders-england.org.uk)

## **26. Contingent Liabilities**

In June 2010 the Office of Government Commerce (OGC) was transferred from HM Treasury to the Cabinet Office under machinery of government (MOG) arrangements whereby terms and conditions of those transferring were protected. OGC had comprised units including the Government Property Unit, oversight of Major Projects and the development of collaborative procurement and procurement policy. An Employment Tribunal claim was brought by three former members of OGC and the PCS Trade Union against the Cabinet Office with regard to expected pay progression, based on a 2008 pay deal negotiated with PCS by HMT. The Employment Tribunal found in favour of the claimants and the Cabinet Office was notified of this on 15th January 2013, and following an appeal lodged by Cabinet Office an Employment Appeal Tribunal upheld the Tribunal decision in favour of the claimants on 13 December 2013.

There are up to 290 former OGC members of staff who are affected by this Employment Tribunal ruling. The ruling relates to the two year pay deal entered into in 2008 which offered pay progression points to OGC staff at two, four, six and eight years' continuous service in pay band and having the qualifying level of performance. This only affected OGC staff and not the rest of staff within the Cabinet Office. The estimated cost of the initial backdated pay progression payments to date is approximately £160,000. Agreement has been reached with a number of staff that they are due payment, however, the value and timing of these payments has yet to be agreed. In addition to this, there is also a number of staff where consultations with staff have not yet commenced or where agreement of a liability has yet been reached.

## **27. Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes**

The Cabinet Office has given the following indemnity whose amount is unquantifiable and which, within the meaning of IAS 37, is not a contingent liability, since the likelihood of a transfer of economic benefit in settlement is too remote.

### **Indemnity for Returning Officers at the European Parliamentary Elections May 2014**

The Cabinet Office has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Elections which were held on 22 May 2014. The indemnity is for amounts which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department will also certificate the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Regional and Returning Officers for any by-elections which are held prior to the next scheduled European Parliamentary election in 2019. A parliamentary minute was laid on 8 April 2014.

## 28. Losses and special payments

### 28.1 Losses statement

The Statement of Comprehensive Net Expenditure includes the following losses, including write-offs of unrecoverable debts and fruitless payments.

£000	2013-14 Departmental Group	2012-13 Departmental Group
Total	179	16,432

Number of cases	2013-14 Departmental Group	2012-13 Departmental Group
Total	27	13

#### Constructive losses 2013-14: £Nil (2012-13: £16.350 million)

In 2012-13 the Cabinet Office made payments in respect of two leases; one for £2.7 million in respect of 67 Tufton Street, London and the other for £13.650 million in respect of 1 Palace Street, London. The payments were made on the basis of value for money cases demonstrating future cost savings.

### 28.2 Special payments

£000	2013-14 Departmental Group	2012-13 Departmental Group
Total	597	24

Number of cases	2013-14 Departmental Group	2012-13 Departmental Group
Total	15	11

#### Compensation payments

There was one case relating to a personal injury claim in the amount of £0.600 million; £0.025 million of which was paid in 2011-12.

## 29. Related party transactions

The Cabinet Office undertakes the majority of its business with other government departments, public corporations, grant giving bodies and associate companies. The following bodies are regarded as related parties with which the Cabinet Office has had various material transactions during the year.

The main recipient of grants-in-aid from the Cabinet Office in 2013-14 was National Citizen Service Trust (NCS Trust). The new independent Trust is a Community Interest Company which was created to lead and manage the National Citizen Service. The programme aims to further establish itself as a key mechanism for encouraging personal and social development and social cohesion at a critical stage in young peoples' lives.

The main recipients of grants from the Cabinet Office in this category in 2013-14 were Big Lottery Fund, The Challenge Network, Community Development Foundation, The Social Investment Business, Locality and Nesta.

Within government, the main suppliers to the Cabinet Office were Department for Work and Pensions, HM Revenue & Customs, HM Treasury and Home Office.

Within government, the main customers of the Cabinet Office were Department for Work and Pensions, HM Revenue and Customs, Ministry of Defence, Government Procurement Service (now known as Crown Commercial Service from 1 April 2014) an executive agency, with trading fund status (see Note 7 & 30.1), and Ministry of Justice.

The Cabinet Office is a sponsor of the Civil Service Commission, an executive non-departmental public body shown in Note 30. Balances and transactions between the department and its executive non-departmental public body have been eliminated on consolidation and are not disclosed in this note.

The Cabinet Office has four associate companies, MyCSP Limited, Shared Services Connected Limited, AXELOS Limited and Behavioural Insights Team Limited. The Cabinet Office received pension administration and other services from MyCSP Limited which are funded by a charge on Civil Superannuation employer pension contributions. Commencing November 2013, the Cabinet Office received payroll, HR, finance and procurement services from Shared Services Connected Limited. The Cabinet Office transferred its 51 'B' Ordinary shares in AXELOS Limited to Capita Business Services Limited, its immediate parent. The ultimate parent undertaking of AXELOS Limited is Capita plc which holds an indirect interest in Capita Resourcing Limited with whom the Cabinet Office has transacted in year. Programme evaluation services were received from The Behavioural Insights Team Limited (see Other Administration Costs Note 5, Income Note 7 and Investments in Associates Note 17).

The Cabinet Office makes loans and has loan commitments to the Bridges Social Entrepreneurs Fund LP which is managed by Bridges Ventures Limited. The Fund invests in social enterprises that have the potential to generate scaleable and sustainable social impacts. Bridges Social Entrepreneurs Fund LP is outside the departmental boundary and is therefore not classed as an associate (see Notes 16 and 19).

The Cabinet Office has responsibility for setting and reimbursing the fees and expenses of Returning Officers conducting the polls at Parliamentary elections in England and Wales. No members of staff within the Cabinet Office and the Department for Communities and Local Government had undertaken any material transactions with Returning Officers.

The ministerial titles and names of all ministers who had responsibilities for the department during the year are included in the Governance section. No minister, board member, key manager or other related parties had undertaken any material transactions with the Cabinet Office during the year. The remuneration of ministers and board members and senior managers is set out in the Remuneration Report.

## 30. Entities within the departmental boundary

The departmental boundary in this context relates to the boundary of the Departmental Accounts. The following bodies have been designated for consolidation into the Cabinet Office Estimates and Accounts.

### Executive Non-Departmental Public Bodies (eNDPBs)

Executive Non-Departmental Public Bodies are consolidated with the accounts of the core department. eNDPBs can be established in statute. They carry out administrative, regulatory and commercial functions; they employ their own staff, are allocated their own budgets, are self-accounting and produce their own accounts.

The Cabinet Office has one executive non-department public body; the Civil Service Commission.

The annual report and accounts for the Civil Service Commission (which includes the expenditure of the Advisory Committee on Business Appointments, the House of Lords Appointments Commission and the Office of the Commissioner for Public Appointments, for which the Civil Service Commission provides secretariat services) are published separately.

Further information can be found at the links:

[Civil Service Commission Annual Report and Accounts](#)

<http://civilservicecommission.independent.gov.uk>

### Advisory Non-Departmental Public Bodies (ANDPBs)

The Cabinet Office sponsors a number of advisory non-departmental public bodies 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:

- Boundary Commission for England
- Boundary Commission for Wales
- Committee on Standards in Public Life
- Security Vetting Appeals Panel
- Senior Salaries Review Body
- Advisory Committee on Business Appointments
- House of Lords Appointments Commission
- Main Honours Advisory Committee (Honours and Appointments Secretariat)

### Other

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.

## 30.1 Entities outside the departmental boundary

### Executive Agency – Government Procurement Service

Government Procurement Service was an Executive Agency and a Trading Fund (set up under the Government Trading Funds Act 1973) of the Cabinet Office. The overall priority was to provide savings for the UK public sector through centralised procurement agreements.

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 brings together, into one organisation, 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, an advisory service and the UK Government's procurement policy function.

Further information can be found at Note 19 and at the links:

[Government Procurement Service](#)

[Government Procurement Service Annual Report and Accounts](#)

### **Other**

Cabinet Office's role is to act as the principal point of liaison within government for the Parliamentary and Health Service Ombudsman and it is non-funded.

### **Cabinet Office Public Bodies**

The Cabinet Office produces a comprehensive annual Public Bodies directory providing details of NDPBs and similar public bodies. The directory can be found at the link:

[Public Bodies directory](#)

## **31. Events after the reporting period**

No events occurred between 31 March 2014 and 25 June 2014, the point at which these accounts were authorised for issue by the Accounting Officer.





ISBN 978-1-4741-0619-1



9 781474 106191