CABINET OFFICE

RESOURCE ACCOUNTS 2009-10

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RESOURCE ACCOUNTS 2009-10

Annual Resource Accounts

For the year ended 31 March 2010

Presented to the House of Commons
pursuant to chapter 20, section 6(4) of the Government
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ACCOUNTS
2009-10

INTRODUCTION BY SIR GUS O'DONNELL

I am pleased to present the Cabinet Office Resource Accounts 2009-10 which have been authorised by me as Accounting Officer and audited and certified by the Comptroller and Auditor General.

They include:

- Annual Report (Ministers and Board Members and Cabinet Office Finances Management Commentary) which is read by the auditors for consistency with the audited financial statements;
- Statement of Accounting Officer's Responsibilities which sets out my responsibilities for preparing the Resource Accounts and for ensuring the regularity of financial transactions;
- Statement on Internal Control which is compliant with HM Treasury guidance;
- Remuneration Report which details the salary and pension entitlements of Ministers and senior management;
- Certificate and Report of the Comptroller and Auditor General to the House of Commons;
- audited Financial Statements; and
- unaudited Data Reporting Tables.

BASIS OF ACCOUNTS

The Cabinet Office Resource 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.

AUDITORS

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 Note 10 to the Accounts.

STATEMENT ON THE DISCLOSURE OF RELEVANT AUDIT INFORMATION

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.

Gus O'Donnell

Sir Gus O'Donnell KCB
Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service
5 July 2010

ANNUAL REPORT
MINISTERS AND BOARD MEMBERS

INTRODUCTION

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 broadly responsible for corporate governance that defines the rights and responsibilities among different stakeholders, determines rules and procedures for making decisions, and includes the process through which the department's objectives are set and monitored.

This section outlines the Ministers and Board members leading the Cabinet Office throughout the 2009-10 financial year and details its corporate governance arrangements. It has been read by the auditors for consistency with the financial statements.

MINISTERIAL RESPONSIBILITIES AND MINISTERIAL CHANGES

During the financial year 2009-10, the following changes to the Cabinet Office's Ministerial team were announced.

On 5 June 2009

The Rt Hon. Harriet Harman QC MP was appointed to deputise for the Prime Minister at Prime Minister's Questions in addition to her portfolio of Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality.

The Rt Hon. Baroness Royall of Blaisdon was appointed as Chancellor of the Duchy of Lancaster, in addition to her role as Leader of the House of Lords. From this date she no longer held the post of Lord President of the Privy Council. As of 17 June 2009, she was named Lord Spokesperson for the Cabinet Office.

The Rt Hon. Tessa Jowell MP was appointed Minister for the Cabinet Office, in addition to her role as Minister for the Olympics and Paymaster General. As of 9 June, she was also appointed Minister for London.

Baroness Vadera was appointed as Parliamentary Secretary and Minister for Economic Competitiveness and Small Business (jointly with the Department for Business, Innovation and Skills) until 5 June 2009. From this day onward she is appointed as Parliamentary Secretary for the Cabinet Office (jointly with the Department for Business, Innovation and Skills) until 15 October 2009.

Lord Bassam of Brighton was appointed as Lords Chief Whip to the House of Lords (Captain of the Honourable Corps of Gentlemen at Arms).

Tom Watson MP, Minister for Digital Engagement and Civil Service Issues and Parliamentary Secretary, left the Cabinet Office on 5 June 2009.

The Rt Hon. Liam Byrne MP Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster and Chris Bryant MP Parliamentary Secretary and Deputy Leader of the House of Commons left the Department on 5 June 2009.

On 8 June 2009

Angela E. Smith MP was appointed as Minister of State for the Cabinet Office. Kevin Brennan MP Parliamentary Secretary and Minister for the Third Sector left the Department.

On 9 June 2009

Barbara Keeley MP was appointed as Parliamentary Secretary to the Office of the Leader of the House of Commons.

Nick Brown MP was appointed as Chief Whip to the House of Commons, Parliamentary Secretary to the Treasury and Minister for the North East.

On 17 June 2009

The Rt Hon. Shaun Woodward MP Secretary of State for Northern Ireland became part of the Cabinet Office team with responsibilities for Communications (Government Communications Network and Central Office of Information).

On 30 October 2009

Dawn Butler MP was appointed as Minister for Young Citizens and Youth Engagement and Parliamentary under Secretary of State.

Machinery of government changes

During the financial year 2009-10, there were no changes within the departmental boundary.

MINISTERS

The Ministers who sat within the Cabinet Office during the year were:

The Rt Hon. Liam Byrne MP	**Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster** *until 5 June 2009*
The Rt Hon. Baroness Royall of Blaisdon	**Lord President of the Privy Council and Leader of the House of Lords** *until 5 June 2009* **Leader of the House of Lords and Chancellor of the Duchy of Lancaster** *from 5 June 2009*
The Rt Hon. Tessa Jowell MP	**Minister for the Olympics and Paymaster General** *until 5 June 2009* **Minister for the Cabinet Office, for the Olympics and Paymaster General** *until 9 June 2009* **Minister for the Cabinet Office and for the Olympics and for London and Paymaster General** *from 9 June 2009*
Kevin Brennan MP	**Parliamentary Secretary and Minister for the Third Sector** *until 8 June 2009*
Tom Watson MP	**Parliamentary Secretary and Minister for Digital Engagement and Civil Service Issues** *until 5 June 2009*
Angela E. Smith MP	**Minister of State for the Cabinet Office** *from 8 June 2009*
Dawn Butler MP	**Parliamentary Under Secretary of State, Minister for Young Citizens and Youth Engagement** not remunerated *from 30 October 2009*
Baroness Shriti Vadera	**Parliamentary Secretary and Minister for Economic Competitiveness and Small Business (jointly with the Department for Business, Innovation and Skills)** remunerated by the Department for Business, Innovation and Skills *until 5 June 2009*

	Parliamentary Secretary for the Cabinet Office (jointly with the Department for Business, Innovation and Skills) remunerated by the Department for Business, Innovation and Skills *until 15 October 2009*
The Rt Hon. Harriet Harman QC MP	**Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality**
Chris Bryant MP	**Parliamentary Under Secretary of State and Deputy Leader of the House of Commons** not remunerated *until 5 June 2009*
Barbara Keeley MP	**Parliamentary Secretary to the Office of the Leader of the House of Commons** *from 9 June 2009*

Ministers' remuneration is disclosed within the Remuneration Report included in the section Resource Accounts 2009-10.

After the financial year ended on 31 March 2010, events and changes to the Cabinet Office's Ministerial team occurred as follows:

8 April 2010

The prorogation announcement was made in the chamber of the House of Lords, bringing the 2009-10 session of Parliament to an end.

12 April 2010

The 2005-2010 Parliament is formally dissolved from this date, Parliament ceased to exist.

12 May 2010

Following the general election on the 6 May 2010 the Ministerial team in place as at the end of the financial year 2009-10 stepped down as a result of the change of the administration. New ministerial appointments at the Cabinet Office were announced:

The Rt Hon. Nick Clegg, MP for Sheffield Hallam, was appointed as Deputy Prime Minister and Lord President of the Council (with special responsibility for political and constitutional reform). The Deputy Prime Minister is based in the Cabinet Office.

The Rt Hon. Francis Maude MP was appointed as Minister for the Cabinet Office and Paymaster General.

The Rt Hon. Oliver Letwin MP was appointed as Minister of State, Cabinet Office (providing policy advice to the Prime Minister in the Cabinet Office).

The following business manager appointments were announced:

The Rt Hon. Sir George Young Bt MP was appointed Leader of the House of Commons and Lord Privy Seal.

The Rt Hon. Patrick McCloughlin MP was appointed as Parliamentary Secretary to the Treasury and Chief Whip.

The Rt Hon. Lord Strathclyde was appointed Leader of the House of Lords and Chancellor of the Duchy of Lancaster.

18 May 2010

Nick Hurd MP was appointed Parliamentary Secretary of State and Minister for Civil Society.

Mark Harper MP was appointed Parliamentary Secretary.

The new Parliament was summoned to meet, when the business will be the election of the Speaker and the swearing-in of members.

19 May 2010

The Rt Hon. Baroness Warsi was appointed Minister without Portfolio (Minister of State).

25 May 2010

The State Opening of Parliament followed by the Queen’s Speech.

CABINET SECRETARY

The post of Cabinet Secretary was held during the year by:

Sir Gus O’Donnell KCB	**Cabinet Secretary and** **Head of the Home Civil Service**

CABINET OFFICE GOVERNANCE

The Cabinet Office kept its governance under review during the course of 2009-10, making a number of adjustments to the arrangements set in place following the major overhaul in 2008-09.

The Board retains overall and strategic responsibility for the Cabinet Office and continues to delegate responsibility for a number of short- and medium-term management issues to the Operating Committee and the Finance and Investment Committee. The Board has taken direct responsibility for the Department's People Strategy and People Plan from the People and Pay Committee, which has ceased to exist. The operational and financial aspects of people and pay will be considered and overseen by the Operating Committee and the Finance and Investment Committee and a new Human Resources Advisory Panel provides the Department's Director of Human Resources with support and advice on Human Resources issues.

The Board adjusted its terms of reference and those of the Operating and Finance and Investment Committees to clarify and refine them and reflect the new allocation of responsibilities.

Committee members come from all parts of the organisation but play a corporate role in respect of Cabinet Office management. The Board and committees, alongside the Senior Leaders' Group comprising all those at or above the level of director, provide the Department's corporate leadership.

The Audit and Risk Committee's terms of reference have not changed. The Audit and Risk Committee continues to play its role monitoring risk management, control and governance arrangements.

An integrated secretariat team co-ordinates and supports the work of the Board and all committees.

CABINET OFFICE BOARD

The role of the Board is to provide the Cabinet Office with the strategic leadership needed to ensure that the Department delivers its objectives now and in the future. In particular, it will:

- Shape and communicate the Cabinet Office's vision, strategies and priorities;
- Build effective partnerships with the Treasury to create a strong and effective centre of government, and with Departments to support delivery of the government's objectives;
- Protect and enhance the Department's reputation; and
- Take decisions on issues escalated from sub-committees and provide oversight of their activities.

The full Board meets on a quarterly basis; executive members of the Board meet as and when necessary.

CABINET OFFICE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee supports the Accounting Officer by monitoring the adequacy of risk management, control and governance arrangements. The membership of the Committee, which meets five times a year, comprises four independent non-executive members: Karen Jordan (Chair), David Blackwood, Rosemary Peters Gallagher and Stephen Wilson. Kenneth Ludlam left in July 2009.

CABINET OFFICE OPERATING COMMITTEE

The Operating Committee supports the Board's overall strategy by acting on its behalf on issues of delivery and change, including:

- Monitoring work to deliver the Cabinet Office Public Service Agreement and Service Transformation Agreement targets and its Departmental Strategic Objectives;
- Taking responsibility for all Cabinet Office operational matters;
- Undertaking monthly scrutiny of the Cabinet Office's performance in respect of operational and delivery issues;
- Taking responsibility for improving the way the Cabinet Office works;
- Overseeing the Gateway Review programme, ensuring that it covers key corporate initiatives and deliverables;
- Ensuring the Cabinet Office has effective and efficient systems and processes, including for:
    - business continuity
    - information systems and technology estates
    - sustainability
    - knowledge and information management
    - a healthy, safe and secure environment
    - data and information and other security; and
- Working closely with the Finance and Investment Committee and the Audit and Risk Committee to maximise the Cabinet Office's effectiveness and efficiency.

The Operating Committee is chaired by Alexis Cleveland, Director General, Corporate Services Group, who is also a member of the Board. The Committee meets on a monthly basis.

CABINET OFFICE FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee supports the Board's overall strategy by acting on its behalf on issues of business planning and performance management, including:

- Ensuring financial policies, systems and processes are transparent, effective, efficient and consistently applied;
- Determining pay and reward arrangements for those outside the Senior Civil Service;
- Ensuring effective financial and risk management arrangements and controls are in place across the Department;
- Undertaking monthly scrutiny of the Cabinet Office's general finances and financial management, plus - when required - approval of investments and major contract renewals/extensions;
- Ensuring high quality business planning for the current year and into the future; and
- Working closely with the Operating Committee and the Audit and Risk Committee to maximise the Cabinet Office's effectiveness and efficiency.

The Finance and Investment Committee is chaired by Bruce Mann, Finance Director, who is also a member of the Board. The Committee meets on a monthly basis.

MEET THE BOARD

The Members of the Board during the year were:

CHAIR

Sir Gus O'Donnell KCB	**Cabinet Secretary and** **Head of the Home Civil Service**

EXECUTIVE MEMBERSHIP

Alex Allan	**Chairman of the Joint Intelligence Committee (JIC)** **and Professional Head of Intelligence Analysis**
Paul Britton CB	**Director General, Domestic Policy Group and** **Head of the Economic and Domestic Secretariat** *until 31 August 2009*
Alexis Cleveland	**Director General, Corporate Services Group**
Jon Cunliffe	**Head of the European and Global Issues Secretariat**
Jeremy Heywood	**Permanent Secretary, No.10**
Roger Marsh	**Director General, Business Support Group** *until 31 July 2009*
Bruce Mann	**Finance Director, Corporate Services Group** *from 1 November 2009*
Gill Rider	**Head of Civil Service Capability Group**
Chris Wormald	**Director General, Domestic Policy Group and** **Head of the Economic and Domestic Affairs Secretariat** *from 27 July 2009*

INDEPENDENT NON-EXECUTIVE MEMBERSHIP

The independent Non-Executive Members of the Board are responsible for ensuring that the executive members are supported and constructively challenged in their role. They are accountable to the Chair for their performance. The Non-Executive Members of the Board during the year were:

Ruth Carnall CBE	
Karen Jordan	**Independent Non-Executive Chair, Cabinet Office Audit and Risk Committee**
Baroness Prashar CBE	*until 1 September 2009*

PUBLIC INTEREST

The Cabinet Office maintains a Register of Board Members' Interests with details of company directorships and other significant interests held by Board members. Copies of the register are available on request. A copy will be laid in the House of Commons Library. Senior management remuneration is disclosed within the Remuneration Report included in the section Resource Accounts 2009-10.

BIOGRAPHIES
CHAIR

Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service

Sir Gus O'Donnell took over as Cabinet Secretary on 1 August 2005.

Prior to that, he was Permanent Secretary to HM Treasury (2002-2005). Before that he had been Managing Director, Macroeconomic Policy and International Finance since 1999. From 1998-99 he was Director of Macroeconomic Policy and Prospects, and from 1997-98 was the UK's Executive Director to the IMF and World Bank.

Gus studied economics at the University of Warwick and Nuffield College, Oxford. He joined the Treasury as an economist in 1979, having spent four years as an economics lecturer at the University of Glasgow. Subsequent posts in government included Press Secretary to John Major as the Chancellor of the Exchequer (1989-90) and Prime Minister (1990-94). He was Head of the Government Economics Service, the UK's largest employer of professional economists, from 1998 to 2003.

EXECUTIVE MEMBERSHIP

Alex Allan
Chairman of the Joint Intelligence Committee (JIC)
and Professional Head of Intelligence Analysis

Alex Allan joined the Civil Service in 1973, starting in Customs & Excise before transferring to the Treasury a few years later. He worked mainly on international financial issues (sterling, balance of payments) before taking a couple of years off to work in the IT industry in Australia. Soon after his return to the Treasury he was appointed private secretary to the Chancellor of the Exchequer. He subsequently ran the international finance group, and then the public spending policy group before moving to 10 Downing Street in 1992 as the Prime Minister's principal private secretary. He handled the change of government in 1997 and then took up a Foreign Office appointment as High Commissioner in Australia.

Alex moved back to the Cabinet Office in 2000 as the Government's first “e-Envoy” before taking time off to live and work in Australia again. He was appointed Permanent Secretary at the Department for Constitutional Affairs in 2004, and subsequently at the Ministry of Justice following its creation in 2007. In 2008 he was appointed Chairman of the Joint Intelligence Committee, responsible for producing co-ordinated intelligence assessments for Ministers across a wide range of defence, foreign policy and security issues.

Paul Britton CB
Director General, Domestic Policy Group and Head of the Economic and Domestic Secretariat
until semi-retirement on 31 August 2009

Paul Britton has been Director General and Head of the Economic and Domestic Secretariat at the Cabinet Office since 2001. The Secretariat supports the Cabinet, Cabinet Committees and other forms of collective decision-taking. It also works closely with No.10 to support the Prime Minister, manages the legislative programme and advises on machinery of government. In 2006 Paul became Head of the Domestic Policy Group, which comprised: the Economic and Domestic Secretariat, the Prime Minister's Strategy Unit, the Social Exclusion Task Force, and the Honours and Appointments Secretariat.

He has previously worked on devolution policy in the Cabinet Office and on a wide range of issues covered by what are now the Department for Communities and Local Government, Department for Environment, Food and Rural Affairs and the Department for Transport.

Alexis Cleveland
Director General, Corporate Services Group

Alexis Cleveland became Director General for Corporate Services in April 2009, having moved to the Cabinet Office in July 2007 as Director General for Transformational Government and Head of Cabinet Office Management.

Alexis joined the Civil Service as a statistician in the Department of Health and Social Security, after a short academic career. In 1989 she moved to the Information Technology Services Agency where she ran large scale IT development programmes and managed live service delivery. She moved to the Benefits Agency in 1993 as CIO and Director of Operations (South of England). In 2000 she became Chief Executive of the Benefits Agency and managed its restructure into five separate businesses. Alexis became the first Chief Executive of The Pension Service on its launch in April 2002. In November 2005, she became the Customer Group Director for Older People as part of the Transformational Government strategy.

Jon Cunliffe
Head of the European and Global Issues Secretariat

Prior to becoming the Prime Minister's Adviser on Europe and Global Issues, Jon Cunliffe was Second Permanent Secretary at HM Treasury from 2005, leading the Macroeconomic Policy and International Finance Directorate. Prior to that, he led the Finance, Regulation and Industry Directorate in the Treasury, having held a number of senior positions in the department and in the Department for Transport. He leads on European Union business and the international dimensions of key issues such as trade, energy and climate change, as well as international development and was the Prime Minister’s G8 and G20 Sherpa.

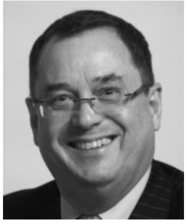
Jeremy Heywood
Permanent Secretary, No.10

Jeremy Heywood is now Permanent Secretary to No.10, after returning to the Civil Service in July 2007 to be the Prime Minister's Senior Adviser on Domestic Policy and Strategy. He spent four years as a Managing Director and co-head of the UK Investment Banking Division at Morgan Stanley. Before joining Morgan Stanley, Jeremy occupied a range of Senior Civil Service roles, most recently 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 and Head of Corporate and Management Change, where he led the department's Fundamental Expenditure Review in the mid-1990s. He also served as Principal Private Secretary to Chancellors Norman Lamont and Kenneth Clarke.

Bruce Mann
Finance Director, Corporate Services Group
from 1 November 2009

Bruce joined the Ministry of Defence in 1979. After early work in policy roles (especially nuclear issues), the Falklands and Gulf conflicts, a secondment to the Cabinet Office and Private Secretary to the MoD’s Permanent Secretary, he was appointed Director, Defence Policy in 1994, taking further forward the post-Cold War transition of defence policy and force structures. He then became Director, European Policy leading on NATO enlargement and developing work on EU defence policy and capabilities. After an assignment to the RAF component of the MoD’s logistics organisation, with responsibilities for finance and other corporate services, he was seconded to NATO for the Kosovo conflict, before returning to MoD to carry out both financial management and planning roles as successively Director, Resources and Plans and then Director General Financial Management. He was seconded to the Cabinet Office again in February 2004 to act as Secretary to Lord Butler’s Review of Intelligence on Weapons of Mass Destruction, before moving on to be Director of Civil Contingencies in the Cabinet Office, leading on work on the UK’s preparedness for and response to major emergencies.

Bruce, who is a member of CIPFA, became the Cabinet Office’s Finance Director in December 2009.



Roger Marsh
Director General, Business Support Group
until 31 July 2009

Roger Marsh was on secondment from PricewaterhouseCoopers as the Director General, Business Support Group at the Cabinet Office until 31 July 2009.

He was sponsored in his Metallurgy degree at Leeds University by the former British Steel Corporation and joined Price Waterhouse in 1976. He is a fellow of the Institute of Chartered Accountants in England and Wales. Following qualification he moved into corporate recovery work where he has built his professional career. He was admitted to partnership of Price Waterhouse in 1988 and is a senior partner within the firm. During the merger of Price Waterhouse and Coopers and Lybrand he had the responsibility of melding the two distinct cultures of business recovery in the North and Scotland together, which was done successfully. He has extensive experience of carrying out strategic and financial business reviews for the commercial and public sectors and of other advisory and executory appointments. This includes being the first person to run commercially a power station in insolvency and solving the financial problems of Bradford Cathedral through a voluntary arrangement. He is acknowledged as particularly experienced (and sensitive) in undertaking complex reviews for lenders and other stakeholders in troubled situations.

Gill Rider
Head of Civil Service Capability Group

Gill is Head of the Civil Service Capability Group; she deals with the people, capability and leadership side of the Civil Service. She is responsible for the Capability Reviews, which is the Cabinet Secretary’s “performance management tool” for the Civil Service. As Head of Profession for Civil Service HR, through the HR Leaders’ Council and other governance bodies, she is leading a challenging programme to improve the performance and professionalism of Civil Service HR. At the end of the calendar year Gill will also take up the presidency of Chartered Institute of Personnel and Development.

Gill has been in her current role since May 2006. Previously, she spent her career in Accenture spanning 27 years, working in various industries including health care and financial services. On becoming a partner in 1990, she subsequently ran various parts of the worldwide business. Her penultimate role was as operating head for the energy, utilities, natural resources and chemical business in 37 countries. She made a significant change in career direction, when in 2002 she was appointed Global Chief Leadership Officer – concentrating on Accenture's organisation change, HR and leadership development. She was a member of Accenture's Global Executive Committee since 1999 and was appointed an Executive Officer in 2002. Gill is a non executive director of De La Rue.

Chris Wormald

Director General, Domestic Policy Group and
Head of the Economic and Domestic Affairs Secretariat
from 27 July 2009

Chris Wormald joined the Civil Service in 1991 and since July 2009 he is Director General, Domestic Policy Group and Head of Economic and Domestic Affairs Secretariat at the Cabinet Office, having joined the Department in February 2009. His remit covers all aspects of Cabinet Office's interests in domestic and economic issues and public services, as well as responsibility for the Strategy Unit, the Social Exclusion Task Force and the Office of the Third Sector. Before joining Cabinet Office, Chris was (since 2006) Director General for Local Government and Regeneration at the Department for Communities and Local Government. Prior to 2006, Chris worked in a range of posts on education policy.

INDEPENDENT NON-EXECUTIVE MEMBERSHIP

Ruth Carnall CBE

Ruth Carnall CBE was appointed Chief Executive of NHS London in March 2007. From September 2006 she worked as NHS London's Interim Chief Executive. Between 2004 and 2006 she was a freelance consultant working for government departments including the Prime Minister's Delivery Unit and the Home Office, as well as for the health service. Prior to 2004 Ruth worked in the NHS for over 25 years. During this time, she undertook senior leadership positions at local, regional and national levels. In 1992 Ruth became Chief Executive at Hastings and Rother NHS Trust. She was Chief Executive of the West Kent Health Authority for six years before taking the position of Regional Director, South East, and then Director of Health and Social Care for the South. From April 2003 to September 2004 Ruth served as Director of the Departmental Change Programme at the Department of Health. She was awarded the CBE for services to the NHS in 2004.

Karen Jordan
B Soc Sc FCMA
Independent Non-Executive Chair, Cabinet Office Audit and Risk Committee

Karen Jordan is an accountant by profession, a graduate in Public Policy-Making and Administration, a Fellow of the Chartered Institute of Management Accountants and a member of the Government Internal Audit Standards Oversight Group. She is also the Head of UK Climate Change Policy for National Grid Plc.

Karen began her career in the energy sector in various finance roles, including management accountancy, internal audit, investment management, risk management and corporate governance. She then led a series of technology enabled business transformation programmes, including Y2K readiness, national field force enablement and support to the multi £billion network sales and UK gas business restructuring.

She was appointed as a non-executive director on the Cabinet Office Board and Chair of the Audit and Risk Committee in 2004.

Baroness Prashar CBE
until 1 September 2009

Baroness Prashar is the Chair of the Judicial Appointments Commission, a Governor of the Ditchley Foundation, non-executive Director of ITV, Trustee of Cumberland Lodge, non-executive Director of the Cabinet Office, a Governor of Ashridge College and a Patron of The Runnymede Trust.

Her previous posts include First Civil Service Commissioner, Chairman of the Royal Commonwealth Society, Chancellor of De Montfort University, Executive Chairman of the Parole Board for England and Wales, Director of the National Council for Voluntary Organisations and Director of The Runnymede Trust. She sits in the House of Lords as a cross-bencher.

Baroness Prashar resigned from the Cabinet Office Board on 1 September 2009 due to her involvement as a member of the Iraq Inquiry Committee.

ANNUAL REPORT
CABINET OFFICE
FINANCES

MANAGEMENT COMMENTARY

OVERVIEW

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 its annual Resource Accounts.

This section explains the framework for managing public money and reviews financial performance. It has been read by the auditors for consistency with the audited financial statements.

CABINET OFFICE CORE BUSINESS

The Cabinet Office's core business consists of three main areas of expenditure:

- supporting the Prime Minister;
- supporting the Cabinet; and
- strengthening the Civil Service.

Administration costs in respect of core business have been more or less constant over the years. With the requirement to deliver objectives within an administration budget that falls by 5 per cent in real terms annually in each of the years 2008-09, 2009-10 and 2010-11, as set out in the Cabinet Office's 2007 CSR settlement, this will see a decline in spend on core administration.

In order to release resources required to meet the challenges ahead, the Cabinet Office committed to an ambitious value for money delivery programme of 3 per cent net cashable value for money gains each year resulting in £35 million savings to be achieved by March 2011.

In order to release resources to support new investment, the Cabinet Office also agreed to a target of £13 million for asset disposals over the three years to March 2011. During 2009-10 the Cabinet Office achieved £5.370 million sales proceeds on asset disposals.

The 2009 Budget announced that the Cabinet Office will contribute a further £15 million value for money savings in 2010-11 as part of the Government's £35 billion value for money target. Accordingly, the Main Estimate 2010-11 records a reduction of £5 million in non-cash charges for depreciation and records a reduction in programme expenditure of £10 million.

The Main Estimate 2010-11 records the Cabinet Office's share of an overall £6 billion of efficiency savings announced by the new Government. The Cabinet Office's share is equivalent to 3% of the Department's total budget prior to the announcement and amounts to £10 million.

MANAGING PUBLIC MONEY FRAMEWORK

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

Resource Estimate (Estimates Boundary)

The Estimate is a statement presented by HM Treasury to the House of Commons in which the Cabinet Office seeks approval for its estimated spending for the coming financial year. The Estimate summarises both the resources and the cash required for the year, and the Cabinet Office actual outturn against Estimate is reported in the Statement of Parliamentary Supply within the Resource Accounts. This is a statement which only applies to central government and has no equivalent statement in IFRS (International Financial Reporting Standards) based accounts.

Resource Accounts (Accounting Boundary)

The Resource Accounts are prepared annually and present the financial results of the Cabinet Office. They are prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards as adapted or interpreted for the public sector context. The Operating Cost Statement, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity have been adapted for central government from their commercial equivalents. The accounting boundary includes the financial results for the Cabinet Office together with some of its Non-Departmental Public Bodies.

Entities within the departmental boundary are Advisory Non-Departmental Public Bodies (ANDPBs). These are bodies which the Cabinet Office sponsors and which 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.

Entities outside the departmental boundary are Executive Non-Departmental Public Bodies (eNDPBs). 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. Entities outside the departmental boundary are not consolidated for accounting purposes but are consolidated for budgeting purposes.

The Resource Accounts only include the grant-in-aid paid to the Executive Non-Departmental Public Bodies (eNDPBs) sponsored by the Cabinet Office. The financial performance and assets and liabilities of the eNDPBs are not consolidated within these accounts. Further detail regarding the departmental boundary can be found at Note 34 to the Resource Accounts.

Resource Budgeting (Budgeting Boundary)

Resource budgeting involves using resource accounting information as the basis for planning and controlling public expenditure. It introduces new concepts such as capital consumption and requires the Cabinet Office to match costs to the period in which the economic activity takes place.

Cabinet Office spending is controlled through the use of Departmental Expenditure Limits (DEL) and capital spending is controlled separately from resource spending. This is the basis on which the Cabinet Office manages spending in-year. It includes the full resource and capital DEL spending of the eNDPBs as opposed to the grant-in-aid provided by the Cabinet Office to finance the activities of eNDPBs.

DEL is spending within the Department's direct control, and which can therefore be planned over an extended period, such as administration payments, payments to third parties including grants to the private sector and to Local Authorities. It also includes expenditure incurred by its executive Non-Departmental Public Bodies (eNDPB) which is funded through Supply Estimates as a grant in aid payment.

Capital budget spending is controlled because net investment increases net borrowing and hence the level of debt.

The Department is expected to manage its resource and capital budgets within DEL and a breach will result in an offsetting reduction in DEL for the year following the year of the breach

AME budgets are usually demand-led and not easily controllable by departments and so are set at the beginning of each financial year by means of the Central Government Supply Estimates – Main Supply Estimates. These can be updated with any changes announced during the year in the Winter and Spring Supplementary Estimates. The Estimates are subject to parliamentary approval. The Cabinet Office has no budget for capital AME.

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 administration budget is a control on resources consumed directly by departments and agencies in providing services which are not directly associated with front-line service delivery and the programme budget is a control on the costs of direct front-line service provision or support activities that are directly associated with front-line delivery.

Relationship between Estimates and Resource Accounts

The difference between the Cabinet Office's Estimate and Resource Accounts is where the Department is required to surrender income to the Consolidated Fund. This is income which is included in the Resource Accounts but has not been appropriated in aid and, as such, has not been approved by Parliament for inclusion in the Department's Estimate. Note 6 to the Resource Accounts details income payable to the Consolidated Fund.

International Financial Reporting Standards (IFRS)
In line with HM Treasury advice, prior period adjustments (PPAs) arising from the adoption of IFRS were not included in Spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

Relationship between Resource Accounts and Budgets

The Department's Resource Accounts then differ from Budget in the following ways.

Resource Accounts may include income payable to the Consolidated Fund that cannot be recorded against budgeted Departmental Expenditure Limits. Budgets remove voted grant-in-aid paid to Capacity Builders (UK) Limited and to the Commission for the Compact Limited (eNDPBs) and replace it with their non-voted resource and capital consumption as reflected in their audited accounts.

Capital grants, classified as resource in Estimates and Resource Accounts, are classified as capital in Budgets to reflect the creation of assets in the wider economy. Gains and losses from the sale of capital assets, classified as resource in Estimates and Resource Accounts, are reported as capital within Budgets since they are a component of sales proceeds on asset disposal.

Budgets include non-voted resource expenditure in relation to the salaries and pension costs of the UK Members of the European Parliament (MEPs); these are not included in Estimates since they are paid directly from the Consolidated Fund as a standing service and these are not included in Resource Accounts, since the Cabinet Office does not benefit directly from MEPs' services and may not choose to re-deploy the funds.

International Financial Reporting Standards (IFRS)
With the introduction of International Financial Reporting Standards (IFRS) departmental budgets have diverged from the financial statements in respect of the treatment of service concession arrangements and, as a result, the budgetary framework remains consistent with the framework under which the Office for National Statistics prepares the National Accounts.

The Cabinet Office has a service concession arrangement upon which it is required to dual report for accounts and budgets.

For accounts purposes, under IFRS, it is determined that the Department has control of the associated assets and these are held on the Statement of Financial Position. For budget purposes and for the purposes of the National Accounts, it is determined that the risks and rewards of the asset rest with the provider and therefore the assets are held off the Statement of Financial Position.

Adjustments are made to net resource outturn and net voted capital to remove assets and related capital charges from budget outturn; see Figure 2.

Reconciliation between Estimates, Resource Accounts and Budget

Financial Review 2009-10 presents reconciliations between Estimates, Resource Accounts and Budget for both resource and capital at Figure 2.

Clear Line of Sight / Alignment Project

HM Treasury has implemented the Alignment (or 'Clear Line of Sight') Project which seeks to simplify government's financial reporting to Parliament by better aligning the recording of government spending in departmental budgets, Estimates and resource accounts. Full details of the alignment reforms were set out in Cm 7567 published in March 2009.

Changes to the budgetary framework resulting from the Alignment Project have been implemented in 2010-11. The main change is that the separate near-cash and non-cash controls within resource budgets have been removed. Of those transactions previously recorded in non-cash budgets:

- cost of capital charge has been removed from budgets, Supply Estimates and Resource Accounts;
- provisions, revaluations, write-off of bad debt and exchange rate gains/losses have been moved from DEL budgets into AME; and
- depreciation, impairments and notional audit fees have remained in Resource DEL.

Impairments score against DEL in cases of loss or damage to assets resulting from normal business operations, abandonment of assets under construction or over-specification of assets. Impairments score against AME where assets have been revalued below their historical cost carrying amount.

These classification changes, which are reflected in all departmental Estimates, have the effect of reducing DEL budgets across departments in all years. However, the adjustments have no impact on the purchasing power of departments or the planned level of expenditure.

FINANCIAL REVIEW 2009-10

INTRODUCTION

This section details the financial performance of the Department in the context of a year-on-year comparison in order to identify the main drivers of change and also in the context of current year actual against budget in respect of the annual spending controls set by Parliament and HM Treasury for the Department.

THE PRIMARY FINANCIAL STATEMENTS IN THE RESOURCE ACCOUNTS

The primary financial statements in the Resource Accounts comprise: the Statement of Parliamentary Supply; the Operating Cost Statement; the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the Statement of Operating Costs by Departmental Strategic Objectives.

STATEMENT OF PARLIAMENTARY SUPPLY

This is the accountability statement for parliamentary reporting purposes. It records the net resource outturn compared to Estimate and only includes expenditure and income (Appropriations in Aid) allowable against the Estimate. It also records the net cash requirement and a summary of income that may not be appropriated in aid of the Department's Estimate and which must be surrendered to the Consolidated Fund.

The net resource requirement limit is voted by Parliament and reflects the maximum amount of expenditure which may be financed from the Estimate. The net cash requirement limit is voted by Parliament and reflects the maximum amount of cash that can be released from HM Treasury's Consolidated Fund (the Government's general bank account at the Bank of England) to a department in order that it may carry out its functions.

The Department's net resource outturn increased by £46.144 million from £409.310 million in 2008-09 to £455.454 million in 2009-10. Explanations are set out below in the Operating Cost Statement variance analysis. Net cash requirement increased by £94.401 million from £370.281 million to £464.682 million.

OPERATING COST STATEMENT

The Operating Cost Statement is similar to an income and expenditure statement and includes all operating income and expenditure relating to the Department on an accruals accounting basis, including items which sit outside of the Estimate. The differences between net operating cost (Accounts) and net resource outturn (Estimates) are explained in the section above *Managing Public Money Framework* and are accounted for at Note 4.1 to the Resource Accounts.

The Department's net operating costs increased by £46.609 million from £408.442 million in 2008-09 to £455.051 million in 2009-10. The main drivers of this variance are detailed below.

STAFF COSTS

Staff costs increased by £4.836 million from 2008-09 to 2009-10. This was split between an increase in administration staff costs of £5.177 million and a decrease in programme staff costs of £0.341 million. Explanations are detailed below in addition to Note 9 to the Resource Accounts.

This year especially the net seconded salary costs year on year variance was kept to a minimum. Agency and temporary staff cost increased by £1.205 million due to professional staff hired to write official histories for the government official histories programme. There was an increase in staff costs of £3.927 million which correlates with an additional headcount of 63 permanently employed staff. Predominantly the majority of the increase in staff cost was attributable to Departmental Strategic Objective 2 which is to support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy making. Pay offer for 2010 also was part of the cause towards the increase in overall salary costs.

The overall staff costs associated with programmes decreased by £0.341million and the majority of this was associated with outward secondment which was considerably reduced due to the implementation of shared services having been completed.

OTHER ADMINISTRATION COSTS

Other administration costs decreased by £4.778 million over the previous year which was made up of a decrease of £12.193 million in near cash and an increase of £7.415 million of non cash items. Explanations are detailed below in addition to Note 10 to the Resource Accounts.

NEAR CASH

Near cash decreases of £12.193 million were mainly in the areas of hire of plant and machines, accommodation and utilities, consultancy and travel, subsistence and hospitality.

There was a significant decrease of £4.879 million in hire of plant and machines costs due to the reclassification as programme which accords with the Estimates treatment of the service concession.

A decrease in Facilities Management (FM) costs was incurred because the Department's total FM contract year on year increase is directly related to the RPI figure and due to the financial downturn, this figure was near zero which resulted in savings. Also re-scoping of the Facilities Management specification to identify efficiency savings led to significant savings in the accommodation and utilities of £3.369 million.

There was an increase of £1.979 million in consultancy due to the consultants hired to carry out the Civil Service Pensions Transformation Project.

There has been a decrease of £3.796 million in travel, subsistence and hospitality. In 2008-09 travel, subsistence and hospitality costs were extraordinarily high due to Chairmanship of the G20 Summit and associated preparations.

NON-CASH

The non-cash increase of £7.415 million can be mainly attributed to an increase in impairment charges of £6.584 million and an increase of £1.273 million in depreciation. The impairment largely includes £3.192 million against the buildings at the Emergency Planning College near York, and during 2009-10 there was 8% fall in the property index applied against the Whitehall Properties.

PROGRAMME COSTS

Programme costs year on year increased by £37.896 million. This is centred on an increase in PFI service charge of £4.213 million and a decrease in other near cash items of £19.109 million, a major increase of near cash Resource and capital grants of £80.802 million, and a decrease in non-cash items of £28.010 million. Explanations are detailed below in addition to Notes 11 and 11.1 to the Resource Accounts.

PFI SERVICE CHARGE
The provision of Information and Communications Technology (ICT) services to the Cabinet Office includes certain infrastructure assets for use in delivering public services that fall within the scope of IFRIC 12 service concession arrangements. A sum of £4.213 million was reclassified from administration during 2009-10.

OTHER NEAR CASH COSTS
A £19.109 million decrease in programme near cash costs is mainly attributable to IT costs, telecommunications and consultancy.

There was a decrease in IT costs borne by the SCOPE IT programme which ended in 2008-09. The decrease on IT costs in total for the Department was £4.459 million.

Spend on telecommunications was down on the previous year by £9.777 million. This was mainly because Cabinet Office used to sponsor the Information Assurance Technical programme and in this capacity as sponsor, acted as agent collecting and paying money from other government departments to The Communications-Electronics Security Group along with its own contribution. This role was transferred to the Ministry of Defence (MOD) leaving just the Cabinet Office contribution.

Consultancy costs accounted for £3.300 million of the decrease where significant savings were in the areas of Government Security Zone Programme which ended in 2008-09 and Information Assurance Technical programme where the role was transferred to MOD.

GRANTS

There was an increase in resource and capital grants of £80.802 million.

RESOURCE GRANTS
An increase in resource grants of £16.101 million incorporates an increase of £14.064 million to the private sector, an increase of £1.798 million to Central Government bodies and an increase of £0.238 million to Local Authorities.

A resource grant of £16.920 million was paid to the Hardship Fund and there was an increase of £5.296 million to the private sector Grassroots Grants programme.

The Hardship Fund was announced in Budget 2009, to support third sector organisations suffering financial hardship to the extent that it was impacting on their ability to provide services. This fund provided additional support to the third sector for 2009-10 only. Grassroots Grants programme are Grants to support the activities of small and local community groups.

CAPITAL GRANTS
An increase of £55.330 million of capital grants incorporates an increase in the number of capital grant funds to Local authorities, private sector and Executive Non-Departmental Public Bodies.

There was a decrease of £10.696 million for the Government Security Zone grant, since the programme ceased.

There was an increase in capital grant monies of £34.046 million paid to Futurebuilders England Limited who have been scaling up disbursements of investments to the third sector since its launch. In addition, Futurebuilders delivered part of the Real Help for Communities: Modernisation Fund to support third sector organisations to become more resilient through the recession.

Community Assets Fund benefited from an increase in capital grants of £9.594 million.

Capital grants of £5 million were paid to a new programme called ‘Participation’. 2009-10 marked the first year of the delivery of the joint Office of the Third Sector(OTS)/The Department for Communities and Local Government (DCLG) for Community Builders Fund. OTS invested £5 million of its £10 million capital commitment to the fund, via DCLG, in 2009-10.

GRANTS-IN-AIDS

There was an increase of £9.371 million in Grants-in-Aids which were mainly disbursed to Capacity Builders (UK) Limited an Executive Non-Departmental Public Body to cover the element of the Real Help for Communities Modernisation Fund supporting third sector organisations to access specialist services in order to become resilient and efficient in the recession.

OTHER PROGRAMME NON-CASH COSTS

There was a £28.010 million decrease in non-cash expenditure from 2008-09 which is mainly attributable to the assets under construction of £24.388 million being written off under the SCOPE programme in 2008-09 as the programme ceased. This had the effect of reducing current year cost of capital and depreciation. The SCOPE Programme was subject to a valuation in 2009-10 and an uplift in value resulted in an impairment write back.

INCOME

An overall decrease of £8.655 million in income comprises an increase of £9.611 million in administration and a decrease of £18.266 million in programme.

ADMINISTRATION

Overall administration income increased £9.611 million over a number of income streams. Income increased by £9.611 million from £36.989 million in 2008-09 to £46.600 million in 2009-10.

£5.817 million was injected in Civil Service Pensions Transformation Project. This income was received from the Principal Civil Service Pension Scheme (PCSPS) where an element of the employer's contribution goes towards the administration costs to complete the project. The Civil Service Pensions Transformation Project is looking at the management and delivery of Civil Service Pensions with a view to centralising the administration and payment of the pensions from the current structure of 9 Authorised Pensions Administration Centres (APACs), in various locations across the country to a single central operation.

The Cabinet Office paid the initial cost for the civil service-wide people survey. A proportionate contribution of £1.615 million was recouped from other government departments.

An Iraq Inquiry Committee was set up during the financial year and the Cabinet Office did bear the cost however a sum of £1.450 million in 2009-10 was recouped from other government departments.

There was a decrease in rental income on property amounting to £1.645 million relating to Stockley House, Admiralty House and Admiralty Arch and particularly 70 Whitehall which underwent major refurbishment.

PROGRAMME

Programme income decreased by £18.266 million and is largely attributable to income streams that now cease to exist.

The SCOPE IT project recorded a decrease in income of £5.303 million and a decrease in the Government Security Zone programme of £5.557 million. Income for these projects involved sharing the project costs with other government departments and agencies.

Cabinet Office used to sponsor the Information Assurance Technical Programme and in this capacity as sponsor, acted as agent collecting and paying money from other government departments to The Communications-Electronics Security Group along with its own contribution. This responsibility was transferred to MOD which left no income to the Cabinet Office. Hence the income was recorded as nil in 2009-10 down from £8.050 million in 2008-09.

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position recognises current and non-current assets and liabilities of the Department.

The Cabinet Office held net assets worth £170.940 million at 31 March 2010 (2008-09 Restated: £168.831 million) comprising:

- Non-Current assets of £186.482 million (2008-09 Restated: £197.928 million);
- Current assets (excluding cash) of £24.872 million (2008-09 Restated: £25.255 million);
- Cash held of £15.530 million (2008-09: £8.652 million);
- Current liabilities of £52.003 million (2008-09 Restated: £58.302 million);
- Provisions of £3.941million (2008-09: £4.072 million); and
- Other payables £Nil (2008-09: £0.630 million).

The Department's net assets increased by £2.109 million as set out below.

NON-CURRENT ASSETS

An overall decrease of £11.446 million in non-current assets comprises a decrease of £11.888 million in Property, Plant and Equipment, a decrease of £2.277 million in Intangible Assets, an increase of £0.642 million in Financial Assets and an increase of £2.077 million in Other assets.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

A decrease of £14.165 million in Property, Plant and Equipment and Intangible Assets was due to the following reasons set out below.

Capital additions for the year amounted to £15.337 million and related predominantly to the 70 Whitehall modernisation programme.

Assets worth £6.423 million were transferred to other government bodies following the cessation of the SCOPE Information Technology (IT) Programme.

There was a fall in asset values of £13.520 million due to a year on year fall of 8% in the index applied to Whitehall properties, a fall of 12% in the index applied to IT assets and a downward revaluation of the Emergency Planning College (EPC). The Valuation Office Agency (VOA), independent chartered surveyors, valued the Emergency Planning College Estate, The Hawkhills, Easingwold, near York as at 30 June 2009 on the basis of fair value. The valuation was £3.5 million, a reduction of £2.992 million from the value on the books as at 31 March 2009. Of the £13.520 million fall, £6.675 million was offset against the revaluation reserve and £6.845 million was charged to the operating cost as impairment.

Depreciation charges for the year amounted to £9.400 million during the year 2009-10. There were minor downward movements in asset disposals of £0.217 million and an upward movement of £0.058 million in donated assets.

FINANCIAL ASSETS

During 2009-10 financial assets have increased by £0.642 million primarily due to an interest-free loan of £0.662 million being made to Bridges Social Entrepreneurs Fund LP which invests in social enterprises.

OTHER NON-CURRENT

The non-current part of the PFI prepayments of £2.050 million represents milestone payments under a service concession arrangement to provide infrastructure assets for use in delivering public services.

Further details on non-current assets can be found at Notes 14, 15, 16.1 and 20 to the Resource Accounts.

CURRENT ASSETS

ASSETS CLASSIFIED AS HELD FOR SALE

There was a reduction of £5.740 million in assets held for sale following the disposal of 53 Parliament Street on 26 March 2010.

TRADE AND OTHER RECEIVABLES

Trade and other receivables increased by £5.389 million which is mainly attributable to an increase in trade receivables and prepayments and accrued income.

An upward movement of £7.898 million in trade receivables is due to an increase in trade and other debtors in other government and non government departments. This was predominantly due to invoices being raised later in the year in respect of the activities of the Office of the Parliamentary Counsel and Civil Service Pensions Transformation Project.

A decrease of £3.767 million in the current part of PFI prepayments which represent milestone payments under a service concession arrangement to provide infrastructure assets for use in delivering public services. This was a result of a re-classification to non-current assets of £2.050 million as explained in other non-current assets and an amount of £1.717 million was used to extinguish related finance lease liabilities. See Note 27.

Further details on Trade receivables and other assets movements can be found at Note 20 to the Resource Accounts.

CASH AND CASH EQUIVALENTS

The cash balance held by the Department increased by £6.878 million in the year and this was mainly due to the sales proceeds relating to the disposal of 53 Parliament Street which were received on 26 March 2010.

CURRENT LIABILITIES

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities decreased by £6.299 million. The supply creditor is a factor of the closing cash balance; see above explanation under cash and cash equivalents. The year on year decrease in trade payables and other liabilities excluding supply creditors amount to £13.692 million. This is mainly attributable to a decrease in accruals and deferred income of £14.209 million.

A fall in year end accruals occurred for the following reasons. During the year the Cabinet Office paid 95.3 per cent of invoices within 10 days. (For the period January to March 2009, 62 per cent of invoices were paid within 10 days). The Cabinet Office paid 99.5% per cent of invoices within 30 days (2008-2009: 98 per cent). In addition in 2008-09 there were significant accruals for Information Assurance Technical Programme (IATP); this activity transferred to the Ministry of Defence (MOD) during 2009-10. Further details on Trade payables and other liabilities movements can be found at Note 22 to the Resource Accounts.

PROVISIONS

The balance of provisions decreased by £0.131 million from 2008-09 to 2009-10.

The early departures provision provides for the additional cost of benefits beyond the normal Principal Civil Service Pensions Scheme (PCSPS) when employees retire early. The balance of this provision decreased £0.131 million since utilisation was slightly greater than what was provided in year.

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 also written back when not required. There were no provisions made for dilapidations during 2009-10 as it was already fully provided. Further details on provisions can be found at Note 23 to the Resource Accounts.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows the increases or decreases in the amounts of cash and how this has been absorbed by the Department during the year on its operating activities and capital expenditure. The net cash requirement is set out at Note 5 to the Resource Accounts and at Figure 1 below.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

The Statement of Changes in Taxpayers' Equity records the change in equity between the beginning and end of the reporting period which reflects the increase or decrease in the department's net assets during the period. The change in equity represents the net operating cost for the year and notional charges of cost of capital and auditors' remuneration, Parliamentary funding and payable and receivable adjustments for Supply and consolidated fund extra receipts (CFERs) payable to the Consolidated Fund and any assets and liabilities introduced or removed from the books.

This statement reflects the unrealised element of revaluations on property, plant and equipment, intangible and donated assets. These gains have not been reflected in the Operating Cost Statement and instead reflect movements within the Statement of Financial Position. As reserves are realised on asset disposal, a relevant portion of the reserve is transferred to the General Fund.

STATEMENT OF OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES

The Statement of Net Operating Costs by Departmental Strategic Objectives shows how resources, as set out in the Operating Cost Statement, have been deployed to each of the Department's Strategic Objectives. For comparison, the prior year has been re-stated.

The increase in the Department's net operating costs is detailed above and the allocation of resources across objectives has varied slightly year on year. Where net costs fall under a single objective, they are allocated wholly to that objective; net expenditure that serves more than one objective is allocated in accordance with estimates made by relevant managers within the Department. Central costs not specific to individual objectives have been apportioned according to allocated headcount.

Departmental Strategic Objective 1 - Build an effective UK intelligence community in support of UK national interests; and the capabilities to deal with disruptive challenges to the UK

The decrease in the net operating costs of £39.904 million from £108.054 million in 2008-09 to £68.150 million in 2009-10 is largely attributable to the SCOPE and Government Security Zone programmes, both of which ceased in 2008-09. See Note 11.

Departmental Strategic Objective 2 - Support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy making

There was an increase in the net operating costs of £11.316 million from £57.063 million in 2008-09 to £68.379 million in 2009-10 due to an increase in salaries which correlates to an increase in staff headcount (see Note 9) and amounts incurred by the newly established Public Service Unit within the Domestic Policy Group in 2009-10.

Departmental Strategic Objective 3 - Improve outcomes for the most excluded people in society; Enable a thriving third sector

An increase in programme (excluding staff costs) and grant expenditure for the Office of the Third sector of £90.942 million have contributed to the overall increase in the net operating costs of £90.988 million. Additional funding was applied to the Capacitybuilders, Futurebuilders, Grassroots Grants and Targeted Support, Community Assets and Hardship Fund programmes. See Note 11.1 to the Resource Accounts.

Departmental Strategic Objective 4 - Transform public services so that they better meet the individual needs of the citizen and business

The net operating costs decrease from £18.821 million in 2008-09 to £13.896 million in 2009-10 were partly due to the Transformational Government programme coming to an end in 2008-09.

Departmental Strategic Objective 5 - Build the capacity and capability of the Civil Service to deliver the Government's objectives

The decrease in the net operating costs of £4.582 million can be primarily aligned to the completion of the Shared Services Project. This is a movement from £27.445 million in 2008-09 to £22.863 million in 2009-10.

Departmental Strategic Objective 6 - Promote the highest standards of propriety, integrity and governance in public life

A variation in the allocation of direct and indirect costs between 2008-09 and 2009-10 has contributed to the decrease in the net operating costs in 2009-10.

PERFORMANCE AGAINST PARLIAMENTARY CONTROL TOTALS

OUTTURN AGAINST ESTIMATE

Authority was sought in the Spring Supplementary Supply Estimate (HC 257) for provision for a net resource requirement of £475.205 million, a net voted capital requirement of £8.713 million and a net cash requirement of £480.075 million.

Net Resource Outturn

Actual net resource requirement for this period was £455.454 million, a saving of £19.751 million against Estimate of £475.205 million. Cabinet Office savings against Estimate net resource requirement are mainly attributable to under-spends on non-cash capital charges of depreciation and cost of capital.

Note 3 to the Resource Accounts provide a breakdown of net resource outturn, and variances are explained in Figure 2 in budget terms, where reconciliation is set out between the Department's Estimate, Accounts and Budget.

Net Voted Capital

An excess spend against Estimate net voted capital of £1.787 million arose when the department decided to re-deploy under spends on its capital grant budget. This is set out at Note 5 to the Resource Accounts and is explained at Figure 2(b).

Adjustments

Non-cash adjustments comprise non-cash items listed at Notes 10 and 11 to the Resource Accounts which largely represent capital charges in respect of property and also changes in working capital and in the use of provision as set out at Note 5 to the Resource Accounts.

Net Cash Requirement

The Cabinet Office required cash amounting to £464.682 million to finance its activities; £15.393 million less than the sum approved by Parliament, owing to the change in working capital being less than expected. See Note 5 to the Resource Accounts.

FIGURE 1 – OUTTURN AGAINST ESTIMATE AND RECONCILIATION OF NET RESOURCE OUTTURN TO NET CASH REQUIREMENT

	Outturn	Estimate	Variance under/(over)	Variance under/(over)
	£000	£000	£000	%
Net resource outturn	455,454	475,205	19,751	4
Net voted capital	10,500	8,713	(1,787)	(20)
	465,954	483,918	17,964	4
Non-cash adjustments	(1,272)	(3,843)	(2,571)	67
Net cash requirement	**464,682**	**480,075**	**15,393**	**3**

See Note 5 to the Resource Accounts

OUTTURN AGAINST BUDGET

Data Quality Measures
HM Treasury have introduced data quality measures with a measure of data accuracy as a simple proxy for sound in year control and a "traffic light" system as a method to indicate results. Treasury consider a 2% variance acceptable with status "green", a 5% variance has "amber" status and a variance of greater than 5% has "red" status. Treasury's intention is that a Department may improve against its own results and against standard indicators.

Commentary
A commentary on outturn against budget is set out below and is analysed between administration non-cash and near cash expenditure and programme non-cash and near cash expenditure. Additional commentary is provided for non-voted expenditure.

Near Cash and Non-cash
Non-cash costs are those where there are no cash transactions but which are included in the Resource Accounts to establish the true cost of all resources used. Near cash costs reflect resource expenditure that has a related cash implication, even though the timing of the cash payment may be slightly different, for example due to payments made in arrears.

Non-voted
Non-voted programme budget expenditure is expenditure not voted by Parliament through the Supply Estimates process. The Department's executive Non-Departmental Public Bodies (eNDPBs) are financed with grant-in-aid voted through the Supply Estimate as reflected in Estimates and Accounts. In budget terms, grant-in-aid is removed and programme resource consumption of the eNDPBs is consolidated with the core Department. The salaries and pension costs of the UK Members of the European Parliament are included within non-voted programme expenditure. The service concession arrangement is voted as programme non –budget in the Estimate and is classified as non-voted administration expenditure in the budget.

Clear Line of Sight
Outturn for all years within the unaudited Public Expenditure Data tables set out in the Annex to the Resource Accounts has been reported on the new 'post-alignment' budgetary basis, although outturn for 2009-10 is assessed against the Spring Supplementary Estimate on a pre-alignment basis.

Outturn against budget for 2009-10, expressed on a pre-alignment basis which corresponds with the Spring Supplementary Estimate, is set out at Figure 2. Outturn against budget for 2009-10, expressed on a post–alignment basis in order to reconcile outturn to the Public Expenditure data tables is set out at Figure 3.

OUTTURN AGAINST BUDGET SET OUT IN THE SPRING SUPPLEMENTARY ESTIMATE (PRE-ALIGNMENT BASIS)

RESOURCE DEPARTMENTAL EXPENDITURE LIMIT (RDEL) – SEE FIGURE 2 (a)

The Cabinet Office's resource budget for 2009-10 was £387.253 million, and actual outturn was £365.227 million, a saving of £22.026 million (5.7%) against the Resource Departmental Expenditure Limit (RDEL) in the Estimate approved by Parliament.

Resource DEL under-spend in total £22.026 million

The overall resource DEL under-spend comprises an under-spend in near cash RDEL of £3.278 million (1.0%) and an under-spend in non-cash RDEL of £18.748 million (46.0%).

Near cash resource under-spend £3.278 million

The Cabinet Office's near cash under-spend comprises savings of £2.071 million relating to the salaries and pensions of the UK Members of the European Parliament, £0.436 million relating to executive Non-Departmental Public Bodies (eNDPB) and £0.771 million relating to core Cabinet Office activities.

Non-cash resource under-spend £18.748 million

The Cabinet Office's non-cash administration and programme under-spend of £18.748 million is attributable to capital charges of depreciation and cost of capital being less than originally planned. Delivery of the SCOPE programme ceased in 2008-09 and the programme's assets were transferred to other government bodies during 2009-10.

Administration under-spend in total £26.520 million

Near cash administration under-spend £8.678 million

The Cabinet Office's near cash administration under-spend against budget amounted to £8.678 million. Of this amount, £5.400 million is required to cover a near cash programme over-spend which is explained below and £0.436 million is to be re-classified to reflect programme under-spend by eNDPBs and a further £2.071 million is to be re-classified to reflect programme under-spend by the UK Members of the European Parliament. HM Treasury has approved a virement of £7.907 million from near cash administration to programme for this purpose. This will leave a residual administration under-spend of £0.771 million against core Cabinet Office activities.

Programme over-spend in total £4.494 million

The Department's programme budget includes resource grant expenditure in addition to the delivery of non-administration projects.

Near cash programme over-spend £5.400 million

The over spend of £5.400 million is covered by the under-spend on the administration budget. HM Treasury has approved a virement of £5.400 million from near cash administration into programme for this purpose.

Historically, much of the budget is held in administration and appropriate amounts are transferred to programme with the authority of HM Treasury during the supplementary Estimate process. In the Spring Supplementary Estimate, an amount of £16 million was transferred from administration to programme and an additional virement of £5.400 million was mainly required to cover the costs of programmes delivered by Domestic Policy Group and Government Office of Chief Information Officer (CIO).

Non-voted under-spend £5.894 million

This includes eNDPB's resource consumption, Service Concession (administration) and salaries and pension costs of UK Members of the European Parliament.

eNDPB Resource Consumption

Capacity Builders (UK) Limited's share of this under-spend was £0.491 million against a reported budget in the Spring Supplementary Estimate of £35.997 million. A managed overspend on resource grant expenditure ensured that as much resource as possible reached grant recipients. This managed overspend was more than offset by an under spend on non recurrent programme and administration costs resulting in a net under spend for the year.

There was a £0.055 million overspend by the Commission for the Compact Limited. A change in the accounting treatment of the Grant in Aid received by the Executive Non Departmental Public Bodies (eNDPB) and the resulting restatement produced a slightly higher spend than initially anticipated.

Service Concession (administration)

There was an under spend of £3.387 million which is attributable to lower payments than originally expected, following agreements with suppliers.

Salaries and pension costs of UK Members of the European Parliament (MEPs) (programme)

There was an under-spend of £2.071 million due to a number of MEPs not being re-elected, and from May 2009 all new MEPs (and those who choose to move) are paid by the European Parliament rather than by national governments. The Cabinet Office does not benefit from the services of the UK Members of the European Parliament and may not re-deploy un-spent funds. Salaries and pensions are paid from the Consolidated Fund Standing Services and the under-spend belongs to Treasury's Consolidated Fund. Therefore, although this is a charge against the Cabinet Office's non-voted resource DEL, it does not form part of the Estimate nor the Resource Account.

ADJUSTMENTS TO RDEL

The following items are excluded from RDEL in the reconciliation between accounts, Estimates and budgets:

Capital Grants

These are classified as CDEL because by their nature they have been used to create an asset in the wider economy.

Losses on sale of capital assets

These appear in CDEL as part of sale proceeds on asset disposal and have therefore been excluded from RDEL to avoid double counting.

Depreciation on property, plant and equipment

That element of depreciation relating to infrastructure asset determined as part of the service concession has been removed from budget, since the service concession assets are treated as off the Statement of Financial Position for budget purposes. See service concession explanation under CDEL Non-Current Assets on IFRS dual reporting of transactions.

CAPITAL DEPARTMENTAL EXPENDITURE LIMIT (CDEL) – SEE FIGURE 2(b)

The expenditure limit consists of two main elements; capital assets and capital grants.

Capital DEL under-spend in total £0.162 million

The Cabinet Office's capital budget for 2009-10 was £103.459 million, and actual outturn was £103.297 million, an under spend of £0.162 million against the Capital Departmental Expenditure Limit (CDEL) in the Estimate approved by Parliament.

The overall under-spend of £0.162 million comprises an over spend of £1.308 million in capital assets and a contra under spend of £1.470 million on capital grants. A under spend in capital grants was offset by bringing forward essential building works to leave capital expenditure in line with budget.

Total capital assets over-spend £1.308 million

An over-spend of £1.308 million comprises £0.531 million on non current assets and £0.662 million on loans and £0.115 million on eNDPB capital expenditure.

Voted

Non-Current Assets over-spend £0.531 million

Property, plant and equipment
70 Whitehall modernisation project gave a lift to an over-spend on non current assets property, plant and equipment by £0.612 million.

Intangible assets
An over-spend of £0.252 million under intangible assets is mainly attributable to Information Technology software costs which were capitalised due to being over the capitalisation threshold and had an economic life greater than one year.

Sales proceeds on assets disposal
There was a reduction in the sale proceeds on asset disposal against budget because the Parliament (the purchasers of the building) received a valuation of the building which came out at £5 million. It was agreed between the purchaser and the Cabinet Office that the difference would be split, so that both parties effectively had an equal loss.

IFRS dual reporting of transactions
An adjustment has been made to remove from the capital budget £0.594 million of assets classified as property, plant and equipment in the accounts. 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 and this includes certain infrastructure assets for use in delivering public services that fall within the scope of IFRIC12 service concession arrangements.

For accounting purposes, those assets which are provided on an exclusive basis have been brought into use and recognised on the Statement of Financial Position as property, plant and equipment during 2009-10.

For budget purposes, the Fujitsu contract will continue to be treated as an operating lease on the grounds that the Flex contract assets are classified as off the Statement of Financial Position for the purposes of preparing the National Accounts. Further information is provided at Note 27.1 to the Accounts.

Loans over-spend £0.662 million

A loan of £0.662 million was made to Bridges Social Entrepreneurs Fund LP, matched by private sector finance. The fund aims to improve access to risk capital for new and growing social enterprises to scale their delivery of high social impacts. Strictly this was not an over-spend since the budget for this activity was included within capital grants which reported a saving.

Non-Voted

Commission for the Compact Limited's under-spend against a reported budget of £0.020 million amounted to £0.007 million. The expenditure on non current assets was in line with their forecast.

Capacity Builders (UK) Limited's share of the variance was £0.122 million against a £nil budget. The reported overspend relates to information technology equipment and software purchases which were funded by under spend on capital grants.

Total capital grants under-spend £1.470 million

Voted

A capital grant under-spend of £1.338 million was primarily derived from an under spend relating to the Community Assets Fund and a classification of the loan to Bridges Social Entrepreneurs' Fund LP to capital assets.

The Community Asset Fund was established to provide grants for refurbishment of local authority buildings before transfer of ownership into the community. The programme experienced some delays due to weather conditions affecting building works in early 2010. The majority of the fund however, has now been disbursed and the programme will be completed in 2010-11.

Non-Voted

Capacity Builders (UK) Limited's under-spend of £0.132 million on capital grants against a reported budget of £3.380 million was redeployed and applied to capital expenditure on IT.

Overall, Capacity Builders (UK) Limited reported a net under-spend of £0.010 million against a reported total capital budget in the Spring Supplementary Estimate of £3.380 million.

FIGURE 2 – RECONCILIATIONS BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

2(a) RESOURCE

	Outturn £000	Budget £000	Variance under/ (over) £000	Variance under/ (over) %
Net resource outturn (Estimates) - see Note 4.1 to Accounts	**455,454**	**475,205**	**19,751**	4.2
Remove consolidated fund extra receipts - See Note 6 to Accounts	(403)	–	403	(100)
Net operating cost (Accounts) - see Note 4.1 to Accounts	**455,051**	**475,205**	**20,154**	4.2
Add back consolidated fund extra receipts	18	–	(18)	(100)
Remove:				
Capital grants - see Note 11 to Accounts	(90,008)	(91,346)	(1,338)	1.5
Gains and losses from sale of capital assets – see Note 10	(478)	–	478	(100.0)
Depreciation on Property, Plant and Equipment	(251)	–	251	(100.0)
Remove voted Grant-in-Aid to executive NDPBs – see Note 11				
Capacity Builders (UK) Limited	(39,377)	(39,377)	–	0.0
Commission for the Compact Limited	(1,992)	(2,000)	(8)	0.4
Remove voted Service Concession (programme) – see Note 3	(4,213)	(7,600)	(3,387)	44.6
Add non-voted eNDPB resource consumption				
Capacity Builders (UK) Limited	35,506	35,997	491	1.4
Commission for the Compact Limited	2,035	1,980	(55)	(2.8)
Add non-voted expenditure				
Service Concession (administration)	4,213	7,600	3,387	44.6
Salaries and pension costs of UK Members of the European Parliament	4,723	6,794	2,071	30.5
Resource budget (Budgets)	**365,227**	**387,253**	**22,026**	**5.7**
Of which:				
Departmental Expenditure Limit (DEL)	**365,227**	**387,253**	**22,026**	**5.7**
Annually Managed Expenditure (AME)	–	–	–	**0.0**
Resource DEL				
Near cash	343,197	346,475	3,278	1.0
Non-cash	22,030	40,778	18,748	46.0
Total	**365,227**	**387,253**	**22,026**	**5.7**
Programme				
Near cash	214,499	209,099	(5,400)	(2.6)
Non-cash - see Note 11 to Accounts	(902)	4	906	100.0
Total	**213,597**	**209,103**	**(4,494)**	**(2.1)**
Administration				
Near cash	128,698	137,376	8,678	6.3
Non-cash - see Note 10 to Accounts	22,932	40,774	17,842	43.8
Total - see Note 4.3 to Accounts	**151,630**	**178,150**	**26,520**	**14.9**

2(b) CAPITAL

	Outturn	Budget	Variance under/ (over)	Variance under/ (over)
	£000	£000	£000	%
Non-Current Assets - additions				
Property, Plant and Equipment – see Note 14.1 to Accounts	15,085	14,473	(612)	(4.2)
Intangible assets - see Note 15.1 to Accounts	252	–	(252)	(100.0)
	15,337	14,473	(864)	(6.0)
Remove:				
Sales proceeds on capital asset disposals - See Note 5	(5,479)	(5,740)	(261)	4.5
Property, Plant and Equipment – see Note 27.1 to Accounts	(594)	–	594	(100.0)
	9,264	8,733	(531)	(6.1)
Non- Current Assets - loans				
Loans – see Note 16.1 to Accounts	662	–	(662)	(100.0)
Loan repayments - see Note 16.1 to Accounts	(20)	(20)	–	0.0
	9,906	8,713	(1,193)	(13.7)
Add eNDPB non-voted capital consumption				
Commission for the Compact Limited	13	20	7	35.0
Capacity Builders (UK) Limited	122	–	(122)	(100.0)
Total capital assets (Budgets)	**10,041**	**8,733**	**(1,308)**	**(15.0)**
Capital grants - see Note 11 to Accounts	90,008	91,346	1,338	1.5
Add eNDPB non-voted capital grant consumption				
Capacity Builders (UK) Limited	3,248	3,380	132	3.9
Total capital grants (Budgets)	**93,256**	**94,726**	**1,470**	**1.6**
Capital budget (Budgets)	**103,297**	**103,459**	**162**	**0.2**
Of which:				
Departmental Expenditure Limit (DEL)	**103,297**	**103,459**	**162**	**0.2**
Annually Managed Expenditure (AME)	**–**	**–**	**–**	**0.0**

FIGURE 3 – RECONCILIATIONS BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS

POST-CLEAR LINE OF SIGHT (POST-CLOS) / POST-ALIGNMENT BASIS

3(a) RESOURCE

	Outturn £000	Budget £000	Variance under/ (over) £000	Variance under/ (over) %
Net resource outturn (Estimates) - see Note 4.1 to Accounts	**455,454**	**475,205**	**19,751**	4.2
Remove consolidated fund extra receipts - See Note 6 to Accounts	(403)	–	403	(100)
Net operating cost (Accounts) - see Note 4.1 to Accounts	**455,051**	**475,205**	**20,154**	4.2
Add back consolidated fund extra receipts	18	–	(18)	(100)
Remove:				
Capital grants - see Note 11 to Accounts	(90,008)	(91,346)	(1,338)	1.5
Gains and losses from sale of capital assets – see Note 10	(478)	–	478	(100.0)
Depreciation on Property, Plant and Equipment	(251)	–	251	(100.0)
Remove voted Grant-in-Aid to executive NDPBs – see Note 11				
Capacity Builders (UK) Limited	(39,377)	(39,377)	–	0.0
Commission for the Compact Limited	(1,992)	(2,000)	(8)	0.4
Remove voted Service Concession (programme) – see Note 3	(4,213)	(7,600)	(3,387)	44.6
Add non-voted eNDPB resource consumption				
Capacity Builders (UK) Limited	35,506	35,997	491	1.4
Commission for the Compact Limited	2,035	1,980	(55)	(2.8)
Add non-voted expenditure				
Service Concession (administration)	4,213	7,600	3,387	44.6
Salaries and pension costs of UK Members of the European Parliament	4,723	6,794	2,071	30.5
Resource budget (Budgets) PRE-CLOS	**365,227**	**387,253**	**22,026**	**5.7**
CLOS ADJUSTMENTS:				
Exclude Cost of Capital	**(5,813)**	**(8,748)**	**(2,935)**	**33.6**
Reclassify to AME – See Notes 10, 11 and 23:				
New provisions	(666)	(1,222)	(556)	45.5
Bad debt write off	(1)	(19)	(18)	94.7
Utilisation/Release of existing provisions	797	819	22	2.7
Impairments-administration	(8,024)	-	8,024	(100.0)
Impairments-programme	1,179	-	(1,179)	100.0
Total reclassified to AME	**(6,715)**	**(422)**	**6,293**	**(1,491.2)**
Classification change				
Losses from sale of capital assets remain in RDEL	**478**	**–**	**(478)**	**100.0**
Resource budget (Budgets) POST-CLOS	**353,177**	**378,083**	**24,906**	**6.6**

Of which:

Departmental Expenditure Limit (DEL)	**POST-CLOS**	**353,177**	**378,083**	**24,906**	**6.6**
Annually Managed Expenditure (AME)	**POST-CLOS**	**6,715**	**422**	**(6,293)**	**1,491.2**

Resource DEL				
Other costs	343,433	346,475	3,042	1.0
Ring-fenced depreciation	9,482	31,349	21,867	69.8
Notional audit fee	262	259	(3)	(1.2)
Total	**353,177**	**378,083**	**24,906**	**6.6**

Programme				
Other costs	214,499	209,099	(5,400)	(2.6)
Ring fenced depreciation	135	4	(131)	3,275.0
Total	**214,634**	**209,103**	**(5,531)**	**(2.6)**

Administration				
Other costs	128,934	137,376	8,442	(6.1)
Ring fenced depreciation	9,347	31,345	21,998	70.2
Notional audit fee	262	259	(3)	(1.2)
Total	**138,543**	**168,980**	**30,437**	**18.0**

Resource AME				
New provisions	666	1,222	556	45.5
Utilisation/Release of existing provisions	(797)	(819)	(22)	2.7
Impairments	8,024	-	(8,024)	100.0
Impairments	(1,179)	-	1,179	(100.0)
Bad debt write off	1	19	18	94.7
Total	**6,715**	**422**	**6,293**	**1,491.2**

3(b) CAPITAL

	Outturn	Budget	Variance under/ (over)	Variance under/ (over)
	£000	£000	£000	%
Non-Current Assets - additions				
Property, Plant and Equipment – see Note 14.1 to Accounts	15,085	14,473	(612)	(4.2)
Intangible assets - see Note 15.1 to Accounts	252	–	(252)	(100.0)
	15,337	14,473	(864)	(6.0)
Remove:				
Sales proceeds on capital asset disposals - See Note 5	(5,479)	(5,740)	(261)	4.5
Property, Plant and Equipment – see Note 27.1 to Accounts	(594)	–	594	(100.0)
	9,264	8,733	(531)	(6.1)
Non- Current Assets - loans				
Loans – see Note 16.1 to Accounts	662	–	(662)	(100.0)
Loan repayments - see Note 16.1 to Accounts	(20)	(20)	–	0.0
	9,906	8,713	(1,193)	(13.7)
Add eNDPB non-voted capital consumption				
Commission for the Compact Limited	13	20	7	35.0
Capacity Builders (UK) Limited	122	–	(122)	(100.0)
Total capital assets (Budgets)	**10,041**	**8,733**	**(1,308)**	**(15.0)**
Capital grants - see Note 11 to Accounts	90,008	91,346	1,338	1.5
Add eNDPB non-voted capital grant consumption				
Capacity Builders (UK) Limited	3,248	3,380	132	3.9
Total capital grants (Budgets)	**93,256**	**94,726**	**1,470**	**1.6**
Capital budget (Budgets) PRE-CLOS	**103,297**	**103,459**	**162**	**0.2**
CLOS Adjustments - Classification change				
Losses from sale of capital assets remain in RDEL	**(478)**	**–**	**478**	**(100.0)**
Capital budget (Budgets) POST-CLOS	**102,819**	**103,459**	**640**	**0.6**
Of which:				
Departmental Expenditure Limit (DEL) POST-CLOS	**102,819**	**103,459**	**640**	**0.6**
Annually Managed Expenditure (AME)	**–**	**–**	**–**	**0.0**

OTHER INFORMATION

MACHINERY OF GOVERNMENT

During the financial year 2009-10 there were no changes within the departmental boundary.

SUSTAINABLE DEVELOPMENT

The Cabinet Office strives to embed sustainable development into all of its operations and activities. The Department has recently published its first Climate Change Strategy which sets out the steps which it will undertake in order to meet the recently introduced departmental carbon budgets and how it intends to adapt its policies and operations to cope with the risks presented by a changing climate.

ESTATE MANAGEMENT STRATEGY

The Cabinet Office owns seven freehold properties in London: the inter-connected 70 Whitehall and 10-12 Downing Street, the inter-connected Admiralty Arch, 22-26 Whitehall, 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 the Cabinet Office 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 takes a pro-active 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 into the two main inter-connected freehold building complexes (including by investing in these where possible to increase their capacity and provide modernised more flexible accommodation), disposing of other properties. Space in six leased properties has already been disposed of and the freehold of 53 Parliament Street was disposed of in March 2010.

PENSIONS

Present and past employees of the Cabinet Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The scheme allows everyone to make pension provision for retirement if they wish. Membership is not compulsory and neither is it automatic in all cases. The options available to staff depend on the date the member of staff joined the Civil Service and their employment status. The financial status of the scheme is reported in a separate PCSPS financial statement. The accounting policy adopted for pension costs is set out at Note 1.21 to the Resource Accounts. Details of senior management pension entitlements are set out in the Remuneration Report section of the Resource Accounts.

DIVERSITY AND INCLUSION POLICY

The Cabinet Office is committed to improving the diversity of its workforce and to ensuring equal opportunities for all, irrespective of age, disability, ethnicity, gender, gender identity, religion or belief, sexual orientation, working pattern or trade union membership. It is striving towards a culture of respect and value that harnesses differences and allows everyone to make a full and valued contribution through the Diversity Strategy and Action Plan. The Senior Civil Service (SCS) Diversity Team is the driving force in implementing the Action Plan and promoting diversity across the department.

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

- treated with fairness and respect;
- able to contribute and develop; and

- 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 covers 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 all such allegations are dealt with sensitively and fairly.

The Cabinet Office diversity networks are represented by Board level Diversity Champions to ensure the department's aims on diversity are understood at every level and are acted upon and delivered.

The Cabinet Office currently has 52.3 per cent women, 12.2 per cent ethnic minorities and 4.7 per cent disabled staff (2008-09: 52.2 per cent, 12.6 per cent, 6.9 per cent respectively).

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 take place with staff through a variety of media, including intranet, bulletins and team briefings. Larger consultation exercises also take place on important developments. In addition, the Cabinet Office runs an annual people survey and pulse surveys to capture employees' views on a number of issues. The Department has a partnership agreement with the trade unions. Senior managers meet bi-monthly with trade union representatives to discuss a shared agenda. There are also regular meetings to negotiate pay awards and other informal meetings to discuss trade union concerns.

There are diversity networks which represent particular groups of employees, including women, Black and Minority Ethnic staff, people with disabilities, staff with dyslexia, lesbian, gay, bisexual or transgender employees and carers. The Department actively supports and consults these networks on particular diversity and equality-related issues.

POLICY ON SOCIAL AND COMMUNITY ISSUES

Internally as part of its the corporate social responsibility agenda, the Cabinet Office actively promotes the 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 individual or in groups, and includes providing special leave entitlements for this purpose. Regular meetings and events are held internally and also involve voluntary sector organisations to raise awareness of issues where people can help. Information is made easily available through the internal website.

Health and well-being is also taken seriously at the centre of government with such facilities as a fitness centre and opportunities to attend seminars on nutrition and stress being available.

Externally, the Cabinet Office incorporated the Office of the Third Sector (OTS) which led work across government to support a thriving third sector (voluntary and community groups, social enterprises, charities, co-operatives and mutuals), enabling the sector to campaign for change, deliver public services, promote social enterprise and strengthen communities. The decision to place the OTS at the centre of government in the Cabinet Office was taken in recognition of the increasingly important role the third sector plays in both society and the economy. Many programmes within OTS play a hugely important role in empowering local communities to work together, and address their own unique challenges.

The Cabinet Office, in partnership with Timebank, runs a successful employee-volunteering scheme. Most Cabinet Office staff are now eligible for up to five days' special leave for volunteering. The new scheme, COntribution, enables individuals to put back into local communities whilst strengthening teams in the process. The scheme has been particularly successful since its launch, with groups completing environmental projects in Southwark Park, working with the homeless, mentoring school children and helping out in an arts group.

SICKNESS AND ABSENCE

The Cabinet Office sickness absence represents 1.2 per cent of the total staff population and remains one of the lowest rates across Government departments. The most recent data available based on calendar years shows for 2009 an Average Working Days Lost to sickness per staff year of 3.3 days (2008: 5.0 days).

The Cabinet Office Health and Wellbeing Strategy include:

- promoting wellness through seminars and an intranet wellness website;
- building awareness of disability and mental illness through seminars and publications; and
- providing support for managers dealing with longer term sick absence.

A programme of development and awareness sessions includes Stress Awareness for all staff and Managing Team Health for managers.

In common with a number of other departments the Cabinet Office is committed to reducing absence by a further 10 per cent by 2011.

Quarterly headline figures together with analysis is available on the Cabinet Office website at: http://www.cabinetoffice.gov.uk/reports/absence.aspx

POLICY ON PAYMENT OF SUPPLIERS

Terms of contract are usually payment within 30 days of receipt of a valid invoice. During the year the Department paid 99.5% per cent of invoices within 30 days (2008-09: 98 per cent).

During the year, the amount owed to trade creditors at the year end compared with the amount invoiced by suppliers during year, expressed as a number of days, was 7 days (2008-09: 2 days).

On the 8 October 2008 the then Prime Minister committed Government organisations to speeding up the payments process, paying suppliers wherever possible within 10 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 95.3 per cent of invoices within 10 days. (For the period January to March 2009, 62 per cent of invoices were paid within 10 days).

The Department has not paid any interest charges levied on late payment of invoices for the year ended 31 March 2010 (2008-09: £Nil).

REPORTING OF PERSONAL DATA RELATED INCIDENTS

There were no reportable incidents. The incidents disclosed in the table below were not deemed to be of a nature that warranted reporting to the Information Commissioner's Office.

SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2009-10				
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
Incident 1: October 2009	A Security Questionnaire, classified as Restricted' and completed by a member of staff as part of the National Security Vetting (NSV) process was lost in the post whilst in transit to this department.	The lost questionnaire contained personal details of the employee (e.g. home address, date of birth; nationality and any criminal convictions) and the names, home addresses and nationality details of parents. No financial information was shown.	One	An immediate search was undertaken to try to locate the missing questionnaire. Person concerned was notified as soon as the matter was known and advised as to what potential mitigating actions needed to be taken and how this should be done. Detailed investigation undertaken and recommendations made to reduce the potential for any repetition of this type of incident. Since the incident, questionnaires are now completed and despatched electronically via a secure IT link so the necessity for hard copies of the questionnaires to be sent has now almost entirely disappeared.
Incident 2: November 2009	Member of staff lost some documents, classified as 'commercial in confidence' on their way back to this department following an evaluation meeting	Tender documents from 3 bidders	One	In line with departmental policy, every effort was made to recover the documents and all bidders were notified within 24 hours of the loss taking place.

Further action on information risk	The Department has a Senior Information Risk Owner (SIRO), whose role is to 'own' the Department's information risk policy and assessment and by so doing to ensure that it is embedded into the culture and work of the department. The SIRO is supported by a network of Information Asset Owners (IAOs) who oversee data handling in the units for which they have responsibility. During the past year, the department's Operating Committee reviewed and defined the department's 'risk appetite'. The Committee also endorsed: a new Information Assurance policy, new arrangements to ensure that appropriate procedures and arrangements exist so that in the event of an incident that requires digital forensic evidence to be provided, that the required evidence is readily available and is admissible as evidence; and revised arrangements to handle any actual or potential losses of information. During 2009-10, all staff were instructed to undertake the Level 1 data handling e-learning package hosted by National School of Government. All staff have been instructed to re-do the package annually and all IAOs and other staff who handle significant amounts of Information must also undertake the level 2 training package annually. The security of the data held on our corporate IT network (CabNet) continues to be maintained in line with its "Confidential" accreditation. FLEX, which is being rolled out to replace CabNet, is also accredited. Interim accreditation is already in place and signed by the SIRO. Full accreditation is due in August. In addition Management Units have confirmed that any non corporate IT systems they run comply with the required service-wide security requirements. We continue to assess the principal threats to the integrity of the department's data which are copied from the network onto removable media and inappropriate transmission via email. Accordingly restrictions remain on the copying of data; for example all data exported onto memory sticks must be encrypted and the export of data onto CDs, DVDs and floppy disks has been stopped until further software enhancements are available later this year to enforce encryption on these media. Under Flex, both CD and DVD are now set for mandatory encryption where required. A ban also remains on any non-encrypted laptops or drives containing personal data being taken outside of secure office premises. Departmental data copying continues to be audited by an automated software product.

EVENTS AFTER THE REPORTING PERIOD

The following events occurred between 31 March 2010 and 12 July 2010, the point at which these accounts were authorised for issue by the Accounting Officer.

Emergency Planning College

On 16 April 2010, the Cabinet Office outsourced the provision of all services at the Emergency Planning College via a multi-activity management contract with Serco Limited. The contract is for a minimum period of 15 years with expected business outcomes of improved UK resilience and efficiency savings, in respect of reduced operating costs and headcount, to the value of £2.6 million in the first 3 years and potentially as much as £15 million over the full 15 year period, depending on income and profit share. The contract provides for an extension beyond 15 years to a maximum period of 25 years.

Public Service Pensions

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Cabinet Office provides to employees.

Machinery of Government Changes

Staff from Ministry of Justice to join Cabinet Office

On the 27 May 2010, the Prime Minister agreed that responsibility for key aspects of the work on the Programme for Government will transfer from the Secretary of State for Justice to the Deputy Prime Minister, Nick Clegg MP. This implements the previously announced decision that the Deputy Prime Minister will be in charge of political and constitutional reform. To support the Deputy Prime Minister's work, about 50 staff from the Ministry of Justice (MoJ) will be joining the Cabinet Office.

The Deputy Prime Minister will also have policy responsibility for the Electoral Commission, Boundary Commission and Independent Parliamentary Standards Authority.

The Office of Government Commerce to join the Cabinet Office

On the 15 June 2010, the Prime Minister agreed that the responsibility for the Office of Government Commerce (OGC), an independent office of HM Treasury and its Executive Agency, Buying Solutions will transfer from the Chancellor of the Exchequer to the Minister for the Cabinet Office, and the organisations will become part of the Cabinet's Office's Efficiency and Reform Group with immediate effect.

Property functions in the Office of Government Commerce and the Shareholder Executive will combine into a single unit responsible for property efficiency and will be based in the Shareholder Executive within the Department for Business, Innovation and Skills. It will report to Cabinet Office and Treasury Ministers and come under the Efficiency and Reform Group which was announced by the Chancellor, Chief Secretary to the Treasury and the Minister for the Cabinet Office on Monday 24 May 2010. The Efficiency and Reform Group will be led at official level by a new Chief Operating Officer (COO).

The Efficiency and Reform Group will help Cabinet Office and HM Treasury to work in a partnership programme of reform across the Civil Service.

Office for Civil Society

The Office of the Third Sector will become the Office for Civil Society and support the Minister for Civil Society who is based in the Cabinet Office.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Cabinet Office to prepare for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- 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 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 Cabinet Office's assets, are set out in *Managing Public Money*, published by HM Treasury.

Statement on Internal Control

1. Scope of responsibility

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

2. Accountability arrangements

I work with Ministers and senior managers through the Board, governance committees and other meetings and correspondence to achieve the Cabinet Office's aims. I involve Ministers in the management of risks at a strategic level, considering major factors that could prevent the Cabinet Office's objectives being achieved.

I discharge my responsibility as Accounting Officer in conjunction with the Accounting Officers, as designated by me, of the Department's executive Non-Departmental Public Bodies, Capacity Builders (UK) Limited and Commission for the Compact Limited. My relationship with these Accounting Officers, the Chief Executives of the companies, is set out in a Governance Management and Accountability Protocol.

3. The purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2010 and up to the date of approval of the Resource Accounts. It accords with HM Treasury guidance.

4. Capacity to handle risk

The Cabinet Office Management Board (the Board) is responsible for the strategic leadership and management of the department. This includes building effective partnerships with the Treasury to create a strong and effective centre of government and with Departments to support delivery of the government's objectives.

The Board has overall responsibility for strategic and corporate risks. It is supported in its responsibility for managing risk by two of its sub-committees; the Operating Committee and the Finance and Investment Committee.

The Cabinet Office Audit and Risk Committee (COARC) is also a sub-committee of the Board, comprising four non-executive directors. COARC advises the Accounting Officer on the adequacy of the department's audit, risk, control and corporate governance arrangements. The formal terms of reference are "to give advice to the Accounting Officer on the adequacy of audit, risk management, control arrangements and corporate governance across the Cabinet Office". COARC formally reports annually to the Accounting Officer with an independent opinion on risk management process and updates the Board quarterly on audit, risk and assurance.

Governance arrangements

The Cabinet Office continues to change to meet the challenge of ensuring that it is fully focused on delivery of its core activities and objectives and in September 2009, the Board decided on a number of changes to governance arrangements to slim down and re-focus its structures and their terms of reference.

The Operating Committee and the Finance and Investment Committee, whilst continuing, were given slightly revised terms of reference to clarify their areas of responsibilities and improve accountability.

The Board's decision to take direct responsibility for the People Strategy and People Plan means that the People and Pay Committee has been replaced by a Human Resources Advisory Panel with a focus of assisting with the development and implementation of the People Strategy and People Plan. The operational and financial aspects of people and pay is considered and overseen by the Operating and the Finance and Investment Committees. An Engagement Group has been established to develop understanding of staff engagement, ensuring that the department focuses its approach on the factors that make the most difference and drive change through engaging with staff.

The new governance committees are as follows:

Operating Committee: with responsibility for supporting the Department's overall strategy by acting on its behalf on issues of delivery and change.

Finance and Investment Committee: with responsibility for supporting the Department's overall strategy by acting on its behalf on all issues of business planning and performance management.

HR Advisory Panel: with responsibility for supporting the Department's overall strategy by ensuring that the implementation of the People Strategy is business-focused, enhances business performance and contributes to the development of staff.

Engagement Group: with responsibility for supporting the Department's overall strategy by devising and implementing a strategy for staff engagement that creates the right conditions for improvements in staff productivity and departmental performance.

All Directors and above are members of at least one of the Committees. In addition, whilst not a formal part of the department's new governance arrangements, a new Senior Leader's Group has been established, which meets fortnightly, and comprises all Directors and above working in the department.

Staff continue to be encouraged to identify and take opportunities to manage risks well. Good risk management appears as an effective behaviour in the competence frameworks for both Senior Civil Service (SCS) and non-SCS staff. Resources available to staff include: attendance on training courses, guidance on managing risk via the intranet and access to expertise in the Internal Audit Service and in Finance and Estates (Corporate Services Group).

5. Risk and Control Framework

The Cabinet Office manages risk at a corporate level through its corporate governance arrangements for all activities and spend. The key corporate risks identified by the Board each have an owner at Board sub-committee level. The key corporate risks include:

- Financial risks;
- Reputational risks;
- Delivery risks; and
- Operational risks.

The Board has overall responsibility for strategic and corporate risk. It is supported in its responsibility for managing risk by two sub-committees (Operating Committee and Finance and Investment Committee).

The Board has delegated responsibility for day-to-day management of corporate and operational risks to the Operating Committee. Corporate risk processes have been further developed and agreed by the Operating Committee. A programme of risk workshops is being undertaken at Group level to ensure a common understanding of the corporate risk management process in the Cabinet Office and the relationship between corporate and organisational risk.

The Board receives a quarterly Performance Report. This is scrutinised by the Operating Committee and the Finance and Investment Committee. Additionally on a monthly basis, the Operating Committee carries out deep dives into corporate risk and Cabinet Office strategic objectives to challenge and further strengthen accountability.

The Performance Report requires those responsible for delivery of our strategic objectives to provide regular updates on progress and key risks. It provides data and analysis on published targets for corporate functions and an update on assurance activity and resources. This enables progress on the outcomes of objectives to be regularly monitored, and strategic risks managed and addressed by the Board. The Cabinet Office dashboard brings together risk, audit and corporate governance to give an overview of the management of assurance and internal controls in the department. The latest version of the dashboard is issued with the Performance Reports.

A central unit within the Cabinet Office is responsible for managing the performance management process for the Cabinet Office strategic objectives and their key deliverables, milestones and risks. That Unit has responsibility for co-ordinating risk management, business planning and performance management within the department.

The Cabinet Office's Audit and Risk Committee scrutinises and challenges management of risks to provide independent assurance to the Board and to myself as Accounting Officer. Internal Audit Service carry out an annual programme of audit reviews to provide assurance on the effectiveness and adequacy of the department's control framework and risk management arrangements.

Financial spend and associated risks are regularly scrutinised by the Finance and Investment Committee on a monthly basis and a regular update on the department's finances is provided to the Board by the Finance Director.

Election Planning within the Cabinet Office

Reputational risk is reviewed regularly by the Operating Committee against other key risks and progress on Cabinet Office strategic objectives. The Operating Committee identified risks around managing through the election period through its deep dive of the reputational corporate risk in October 2009, and undertook an initial assessment of election planning corporate risks in November 2009.

The forward planning in November established a solid grounding for the election project work to progress from once the election was announced. This meant that the Groups that were subsequently involved in election planning already had identified key risks that they could take account of in their work and that mitigation plans could be made early in the process.

Risk management in the DWP

In April 2009 the department outsourced its finance, procurement and human resources transactional processes to the Department for Work & Pensions (DWP), under a shared services arrangement.

I receive an annual Letter of Assurance from DWP and risk management is reviewed regularly. Audit reports are available to me as Accounting Officer.

6. Key ways in which risk management is embedded in the department's activities

The department remains continually aware of the need to ensure that risk is identified and managed both as part of its day to day activities and when changes and improvements are being made to its practices and procedures.

a) Fraud

The Cabinet Office's fraud policy is available to all staff on the Cabinet Office intranet, CabWeb. The policy requires all staff at all times to act honestly and 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. The central finance team reports quarterly to the Audit and Risk Committee on identified cases of suspected fraud.

b) Business Continuity and Disaster Recovery Plans

Effective business continuity and disaster recovery planning allows us to survive and recover from realised risks and to minimise the impact on our operational efficiency. Key planning assumptions are derived from the Civil Contingencies Secretariat's *National Resilience Planning Assumptions*. – revised in 2008. In summary, these are a sliding scale of loss of accommodation and assets, loss of services (IT, telephones and facilities), loss or shortage of staff and key service providers.

The departmental Business Continuity (BC) and Disaster Recovery Policy was revised and reissued in December 2008. Work continues on producing a comprehensive supporting Plan, which takes into account changes in internal structure, new technology and new working procedures and is not only fit to meet changing external world events and threats, but also other 'more domestic incidents' such as weather and travel disruption; which can potentially have a major impact on the department's efficiency and work.

We recognise the importance of having effective and comprehensive BC and Disaster Recovery Plans both at individual management unit level and with key contractors and much work has and is being undertaken to ensure that plans have been reviewed, updated and are subsequently. We are using the Business Impact Analysis approach to collate up-to-date information on critical functions and recovery plans for management units and to help formulate our departmental BC and Disaster Recovery Plan.

A programme of testing of units own BC and Disaster Recovery Plans is continuing. During the year new guidance was produced for use by the department's Incident Management Team and an extensive test exercise held.

Elements of the department's BC and Disaster Recovery Plans were used at various times during the year as part of our response to/planning for, potential instances that could affect the efficient operation of the department e.g. pandemic flu, travel etc disruption due to bad weather.

We are continuing to work in accordance with the British Standard for Business Continuity Management (BS25999).

Business Continuity and Disaster Recovery– ICT

An identified risk, regarding `back up' arrangements, to the continued operation of the department's corporate IT system has been mitigated by the introduction of the new IT Flex system. Currently some 92% of Cabinet Office staff use Flex and the remainder (primarily corporate contractors) should be transferred onto that system by end-June 2010. Some legacy systems also remain to be transferred onto Flex which should be completed by the end of August 2010. A further advantage of Flex is the ability for more staff to work from alternative premises or from home which would prove useful in the event of a Business Continuity incident affecting our estate.

c) Information Risk, Information Handling and Protective Security

We place maximum importance on ensuring the protection and safety both of all those who work on our estate and also of all our assets; including the integrity of all security classified material and Personal Information which the department handles and for which it is responsible.

The department has in place a range of measures designed to protect the security of all our assets and to reduce the potential for any compromise, along with mitigation actions and recovery plans to handle and reduce the impact of any such losses. A report produced in early 2010 by the department's Internal Audit Service stated "We consider the control framework around Security has been strengthened through the significant level of work focused around updating and extending Security policies and procedures as required by the Security Policy Framework (SPF). However, the SPF and its constituent controls still requires further embedding into the CO in our opinion" and a priority for 2010/2011 will be to complete that work.

The Department has a Senior Information Risk Owner (SIRO), whose role is to 'own' the Department's information risk policy and assessment and by so doing to ensure that it is embedded into the culture and work of the department. The SIRO is supported by a network of Information Asset Owners (IAOs) who oversee data handling in the units for which they have responsibility.

During the past year, the Operating Committee reviewed and defined the department's 'risk appetite'. The Committee also endorsed: a new Information Assurance policy; new arrangements to ensure that appropriate procedures and arrangements exist so that in the event of an incident that requires digital forensic evidence to be provided, that the required evidence is readily available and is admissible as evidence; and revised arrangements to handle any actual or potential losses of information.

During 2009/10 all staff had to undertake the level 1 data handling e-learning package and level 2 training is continuing for those who handle substantial amounts of classified information.

The security of the data held on our corporate IT network (CabNet) continues to be maintained in line with its "Confidential" accreditation. FLEX, which is being rolled out to replace CabNet, is also accredited and additional protection measures have been taken as required. Interim accreditation is in place and full accreditation is due in August. Management Units have confirmed that any non-corporate IT systems they run comply with the required service-wide security requirements.

We continue to assess the principal threats to the integrity of the department's data are from data copied from the network onto removable media and inappropriate transmission via email. Accordingly restrictions remain on the copying of data; for example all data exported onto memory sticks must be encrypted and the export of data onto CDs, DVDs and floppy disks has been stopped until further software enhancements are available later this year to enforce encryption on these media. Under Flex, both CD and DVD are now set for mandatory encryption where required. A ban remains on any non-encrypted laptops or drives containing personal data being taken outside of secure office premises. Departmental data copying continues to be audited by an automated software product. The department's Protective Security Policy and its associated practices and procedures are compliant with the SPF.

d) Health and Safety

The Cabinet Office accepts its responsibilities under the provisions of the *Health and Safety at Work Act 1974* and all other associated legislation. The Cabinet Office undertakes, so far as is reasonably practicable, to meet its legal obligations regarding health, safety and welfare of its staff and others who may be affected and is managed in proportion to its risks. This is reflected in the risk register and policies and guidance notes which are updated as and where necessary.

7. Department's Delivery Providers

Futurebuilders England Limited

The Futurebuilders' programme is managed by Futurebuilders England Limited (FBE) under contract (services agreement) to the Cabinet Office. The Cabinet Office has a separate grant agreement with FBE which sets out how and when the Cabinet Office will make funds available to FBE to enable them to provide financial assistance to third sector organisations. This agreement contains safeguards to ensure that funds are not paid to FBE until the Cabinet Office has agreed the draw down request.

The Futurebuilders investments are managed by FBE. Cabinet Office retains an interest in the Loan Book and monitors the service level and performance delivered by FBE in accordance with the services agreement.

The services agreement contains a novation clause giving 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.

Bridges Social Entrepreneurs Fund LP

The Bridges Social Entrepreneurs Fund LP is an innovative financial solution that is tailored to the needs of social enterprises. Investments are coupled with hands-on advice and support to help social enterprises realise their potential. The Cabinet Office has committed up to £3,909,748 in the Fund and this will leverage in additional investment from private investors (individuals, foundations and institutions).

8. Compliance by the department's Executive Non-Departmental Public Bodies

Capacity Builders (UK) Limited

I take assurance from the Statement on Internal Control produced by Capacity Builders (UK) Limited and published with their Annual Report and Accounts.

During 2009/10 Capacitybuilders' system of internal control has been significantly enhanced through the introduction (from November 2009) of a new grant management system and through the upgrade of the finance system. The risk and control framework has also been strengthened through the adoption of updated Articles of Association and a new Management Framework between Capacitybuilders and the Cabinet Office. A programme of audits was undertaken during the year covering all core aspects of internal control. A number of minor recommendations either have been implemented or are being implemented to strengthen processes and controls further. Overall the organisation has strengthened its internal controls, management, key relationships, systems and processes during the year and this has been reflected in a significant improvement in delivery performance during 2009/10.

Commission for the Compact Limited

I take assurance from the Statement on Internal Control produced by the Commission for the Compact Limited and published with their Annual Report and Accounts.

The Commission engaged the Department for Communities and Local Government's Internal Audit Services (IAS), to carry out a full programme of inspections of the Commission's internal risk management measures. The inspection was carried out in November 2009 and March 2010 and covered Key Financial and HR Controls Management (November 2009); Governance (March 2010) and Information Security (March 2010).

9. Review of effectiveness

a) Pre-election planning within the Cabinet Office

Following agreement with the previous administration, during the pre-election period I met with the leaders of both Opposition parties and the then Shadow Minister for the Cabinet Office to provide factual advice on a range of government and specific Cabinet Office issues.

In addition I chaired and participated in a range of planning groups to focus on post election planning including meetings with Permanent Secretaries, the Top 200, specific meetings with a range of persons on Hung Parliaments, and internal planning meetings with the Board and other stakeholders.

The Cabinet Office provided a core role in the cross government election planning with Alex Allan leading a group of strategy directors from across the main government departments to discuss and resolve issues relating to the election. Coordination of election work across government was led by our Strategy Unit.

b) Other

Internal Audit: The Department's Internal Audit Service (IAS) carries out its work in accordance with Government Internal Audit Standards. Their work is informed by its analysis of the risks to which the Department is exposed and the annual audit plan has been based on this analysis. The plans are discussed and endorsed by the Department's Audit and Risk Committee (COARC). The Head of Internal Audit (HIA) annually provides me with an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The HIA opinion for 2009-10 is that: a substantial assurance can be placed on the Department's arrangements for governance and; partial assurance on arrangements for risk management and control.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and COARC, which advises on the adequacy of internal and external audit arrangements, the implications of assurances provided in respect of risk and control in the organisation and provides a forum for dealing with business risk management and control matters. Internal auditors and the executive managers within the Department have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I am advised on the effectiveness of the system of internal control by COARC.

The previous Statement on Internal Control stated that as from the 6th of April 2009, the department outsourced its finance, procurement and human resources transactional processes to the Department for Work & Pensions (DWP) under a shared services operation. This was the biggest system change that the department undertook that year. Whilst there were the, inevitable, problems which occur whenever significant and new procedures are put into effect, which in this instance was not helped by an internal re-organisation, we were able to maintain confidence in our overall financial monitoring and reporting data and arrangements and indeed we were also able to make some improvements and further strengthen our processes. There were, as previously reported, some issues regarding the production of the more disaggregated information required by individual business units to monitor/report on their financial spend and this resulted in some Units needing to part qualify their Statements. The outstanding programme of work was completed by the latter part of the financial year and this, along with the creation in the autumn of 2009 of the Business Management Team structure, has resulted in improved financial reporting at 'local' level.

Internal Audit work performed during the year highlighted where controls needed to be improved on purchasing, travel and subsistence and the Department's compliance with Civil Service Pension Division's annual assurance certificate. The Operating Committee will oversee that staff are aware of new required procedures post the move to Shared Services and monitor the extent to which these new processes are embedded within our working practices.

In support of our work on the production of a comprehensive and effective departmental Business Continuity and Disaster Recovery Plan, individual Business Units have had to review, revise and test their own Plans. For many Units this was an extensive exercise and as some had not completed this work by the end of 2009/10 they had to qualify their Statement of Assurance accordingly. Matters have since progressed significantly and all units now have a Business Continuity and Disaster Recovery Plan, and a programme of tests is underway.

The individual Statements of Assurance from Group heads is one major way in which we ensure compliance throughout the department with our systems of internal control. Work continues on improving the guidance, clarity and advice provided on the completion of the Statements and on establishing more robust procedures regarding the challenging and reviewing of the completed Statements once returned by Group heads. This will ensure that the Statements become a more effective part of our performance management system and a clear and evidence-based account of the state of the department's assurances.

The Accounting Officer holds overall accountability for health and safety performance in the department. In support of this role the Chairperson of the Operating Committee has been appointed as a member of the Board with designated health and safety responsibilities; thereby ensuring that the Board is kept up to date on significant health and safety issues. In addition the Chairman of the department's health and safety committee has been co-opted as a member of the Operating Committee to ensure that the Committee is advised on health and safety performance on a regular basis. These arrangements ensure that the Operating Committee and the Board are kept informed of the department's performance. The department produces an annual health and safety report and further training/briefing was provided to senior staff on health and safety and their personal and corporate responsibilities.

An audit undertaken by IAS showed that the department is compliant with HSE guidelines in respect of meeting its occupational H&S obligations with the exception of three key areas: travelling and working overseas; home working; and incomplete records of the outcome of fire drills. The HR directorate has been working with Units on the former to ensure that local guidance is updated. Action regarding home working is on-going and records of fire drills are now maintained.

A review was also undertaken of the department's compliance with, and recording of, the department's adherence to the Working Time Regulations 1998. Policies and working practices were reviewed and revised with the aim of mitigating risk. A further review of compliance will be undertaken by HR during 2010.

The department acknowledges that effective risk management must be a vital tool in helping us to ensure that our resources are targeted correctly and focusing the Department on delivering its objectives and efficiencies. Work will continue during 2010/11 to further develop and improve our arrangements for risk management.

Gus O'Donnell

Sir Gus O'Donnell KCB
Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service

5 July 2010

REMUNERATION REPORT

REMUNERATION OF MINISTERS AND CABINET OFFICE SENIOR MANAGEMENT

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 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 2009-10 non-consolidated awards paid to the senior civil servants disclosed in this report ranged from £7,500 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 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 on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

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

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when 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. Roger Marsh joined the Department on 22 January 2007 on secondment from PricewaterhouseCoopers LLP. This secondment ended on 31 July 2009.

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

Audited Information

The following tables detailing Ministers' and Senior Management's salary and pension entitlements have been audited.

REMUNERATION (INCLUDING SALARY) AND PENSION ENTITLEMENTS

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the department.

REMUNERATION (SALARY AND BENEFITS IN KIND)

MINISTERS

	2009-10		2008-09	
Ministers	**Salary** £	**Benefits in kind** (to nearest £100)	**Salary** £	**Benefits in kind** (to nearest £100)
The Rt Hon. Liam Byrne MP Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster *(until 5 June 2009)*	10,162 (40,646 full-year equivalent)	–	16,937 (from 3 Oct 2008) (40,646 full- year equivalent)	–
The Rt Hon. Baroness Royall of Blaisdon Lord President of the Privy Council and Leader of the House of Lords *(until 5 June 2009)* Leader of the House of Lords and Chancellor of the Duchy of Lancaster *(from 5 June 2009)*	144,636	–	62,019 (from 3 Oct 2008) (144,013 full-year equivalent)	–
The Rt Hon. Tessa Jowell MP Minister for the Olympics and Paymaster General *(until 5 June 2009)* Minister for the Cabinet Office and for the Olympics and Paymaster General *(until 9 June 2009)* Minister for the Cabinet Office and for the Olympics and for London and Paymaster General *(from 9 June 2009)*	7,338 (40,646 full- year equivalent) 64,208 (78,356 full- year equivalent)	–	41,230	–
Kevin Brennan MP Parliamentary Secretary and Minister for the Third Sector *(until 8 June 2009)*	7,734 (30,937 full- year equivalent)	–	12,890 (from 5 Oct 2008) (30,937 full- year equivalent)	–
Tom Watson MP Parliamentary Secretary and Minister for Digital Engagement and Civil Service Issues *(until 5 June 2009)*	5,570 (30,851 full -year equivalent)	–	32,008	–

Angela E. Smith MP Minister of State for the Cabinet Office *(from 8 June 2009)*	33,081 (40,646 full- year equivalent)	–	–	–
The Rt Hon. Harriet Harman QC MP[1] Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality	78,356	–	79,260	–
Barbara Keeley MP Parliamentary Secretary to the Office of the Leader of the House of Commons *(from 9 June 2009)*	25,023 (30,851 full- year equivalent)	–	–	–

[1] The Government Equalities Office (GEO) made 50% contribution to the salary of The Rt Hon. Harriet Harman QC MP in respect of her time spent working on GEO- related areas.

Remuneration shown is that incurred by the Cabinet Office and may not reflect the actual period in post due to transfers within Government.

Although the Cabinet Office has administrative responsibility for the Offices of the Government Whips in the House of Commons and the House of Lords as a result of the machinery of government change, which brought them into the Cabinet Office following the split of the Privy Council Office, for historical reasons, the Whips remain on the payroll of HM Treasury and disclosures relating to them can be found in HM Treasury's Resource Accounts.

REMUNERATION (SALARY AND BENEFITS IN KIND)

SENIOR MANAGEMENT

	2009-10		2008-09	
Senior Management	**Salary** [3] £000	**Benefits in kind** (to nearest £100)	**Salary** [3] £000	**Benefits in kind** (to nearest £100)
Sir Gus O'Donnell KCB Cabinet Secretary and Head of the Home Civil Service	235-240	16,000	250-255	12,800
Alex Allan Chairman of the Joint Intelligence Committee (JIC) and Professional Head of Intelligence Analysis	160-165	–	170-175	1,700
Paul Britton CB[1] Director General, Domestic Policy Group and Head of the Economic and Domestic Secretariat *(until 31 August 2009)*	75-80 (145-150 full-year equivalent)	–	170-175	–
Alexis Cleveland Director General, Corporate Services Group	150-155	3,000	150-155	–
Jon Cunliffe Head of the European and Global Issues Secretariat	155-160	35,900	160-165	30,000
Jeremy Heywood Permanent Secretary, No.10	150-155	7,700	160-165	17,900
Stephen Laws CB First Parliamentary Counsel	225-230	–	230-235	–
Bruce Mann Finance Director, Corporate Services Group *(from 1 November 2009)*	45-50 (105-110 full-year equivalent)	–	–	–
Roger Marsh[2] Director General, Business Support Group *(until 31 July 2009)*	60-65 (165-170 full-year equivalent)	–	160-165	–

Gill Rider Director General, Civil Service Capability Group	195-200	–	195-200	–
Matt Tee Permanent Secretary for Government Communications	160-165	2,500	35-40	700
Chris Wormald Director General, Domestic Policy Group and Head of the Economic and Domestic Affairs Secretariat *(from 1 August 2009)*	90-95 (135-140 full-year equivalent)	–	–	–

[1] Paul Britton semi-retired from the Cabinet Office on 31 August 2009.

[2] Roger Marsh was on secondment from PricewaterhouseCoopers LLP until 31 July 2009. Under the arrangement, the Cabinet Office contributed a payment of £60,950 (inclusive of VAT) (2008-09: £160,425 inclusive of VAT) to PricewaterhouseCoopers LLP.

[3] 'Salary' includes gross salary; performance-related variable pay; 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.

Disclosures above represent periods appointed to the Board or in a Permanent Secretary post, and may not be the same as the periods employed by the Department.

SALARY

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

This report is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£64,766 from 1 April 2009, £63,291 from 1 April 2008, £61,820 from 1 November 2007) 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 employer and treated by the HM Revenue & Customs as a taxable emolument; those for senior officials relate to the private use of official cars, home to work transport and dress hire in the circumstances permitted by the Civil Service Management Code.

FEES PAID TO NON-EXECUTIVE MEMBERS

Karen Jordan, a non-executive Chair of the Cabinet Office Audit and Risk Committee and an independent non-executive member of the Cabinet Office Board, is entitled to receive a fee of £14,000 per annum.

David Blackwood, Rosemary Peters Gallagher and Stephen Wilson are non-executive members of the Cabinet Office Audit and Risk Committee. Kenneth Ludlam resigned from the Cabinet Office Audit and Risk Committee on 31 July 2009.

Ruth Carnall CBE is an independent non-executive member of the Cabinet Office Board. Baroness Prashar CBE, an independent non-executive member, resigned from the Cabinet Office Board on 1 September 2009 due to her involvement as a member of the Iraq Inquiry Committee.

The independent non-executive members are each entitled to receive a fee of £4,000 per annum. They claimed their fees as and when preferred, hence the total fees paid during the financial year may include arrears of fees earned in prior years. Claimed fees are included within wages and salaries costs at Note 9 to the Accounts.

		2009-10	2008-09
Independent Non-executive Members	**Fee Entitlement**	**Fees Paid**	**Fees Paid**
	£	£	£
David Blackwood	4,000	9,000	–
Ruth Carnall CBE	4,000	–	4,000
Karen Jordan	14,000	14,000	17,500
Kenneth Ludlam	4,000	2,000	4,000
Rosemary Peters Gallagher	4,000	4,000	6,000
Baroness Prashar CBE	4,000	6,333	4,000
Stephen Wilson	4,000	5,000	4,000

PENSION BENEFITS
MINISTERS

Ministers	Accrued pension at age 65 as at 31 March 2010	Real increase in pension at age 65	CETV at 31 March 2010[2]	CETV at 31 March 2009[1]	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon. Liam Byrne MP Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster *(until 5 June 2009)*	0-5.0	0-2.5	34	32	1
The Rt Hon. Baroness Royall of Blaisdon Lord President of the Privy Council and Leader of the House of Lords *(until 5 June 2009)* Leader of the House of Lords and Chancellor of the Duchy of Lancaster *(from 5 June 2009)*	10-15	0-5.0	145	97	31
The Rt Hon. Tessa Jowell MP Minister for the Olympics and Paymaster General *(until 5 June 2009)* Minister for the Cabinet Office, for the Olympics and Paymaster General *(until 9 June 2009)* Minister for the Cabinet Office and for the Olympics and Paymaster General and Minister for London *(from 9 June 2009)*	15-20	0-2.5	342	279	31
Kevin Brennan MP[3] Parliamentary Secretary and Minister for the Third Sector *(until 8 June 2009)*	-	-	-	-	-
Tom Watson MP Parliamentary Secretary and Minister for Digital Engagement and Civil Service Issues *(until 5 June 2009)*	0-5.0	0-2.5	28	26	1
Angela Smith MP Minister of State for the Cabinet Office *(from 8 June 2009)*	0-2.5	0-2.5	11	-	7
The Rt Hon. Harriet Harman QC MP Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality	15-20	0-2.5	378	304	42
Barbara Keeley MP Parliamentary Secretary to the Office of the Leader of the House of Commons *(from 9 June 2009)*	0-2.5	0-2.5	10	-	7

[1] The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. The start date for calculations is 31 March 2009 unless the Minister was appointed to the Department during the year.

[2] The end date for calculations is 31 March 2010 unless the Minister left the Department during the year.

[3] Kevin Brennan opted out of the pension scheme.

MINISTERIAL PENSIONS

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution. 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 changes in the Retail Prices Index. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the ministerial salary.

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

THE CASH EQUIVALENT TRANSFER VALUE (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

THE 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
SENIOR MANAGEMENT

Senior Management	Accrued pension at pension age as at 31 March 2010 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2010[2]	CETV at 31 March 2009[1]	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Gus O'Donnell KCB Cabinet Secretary and Head of the Home Civil Service	100-105 plus 305-310 lump sum	2.5-5.0 plus 0-15.0 lump sum	2,320	2,099	108	–
Alex Allan Chairman of the Joint Intelligence Committee (JIC) and Professional Head of Intelligence Analysis	60-65 plus 185-190 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	1,486	1,340	74	–
Paul Britton CB Director General, Domestic Policy Group and Head of the Economic and Domestic Secretariat *(until 31 August 2009)*	70-75 plus 220-225 lump sum	0-2.5 plus 0-2.5 lump sum	1,760	1,700	18	–
Alexis Cleveland Director General, Corporate Services Group	55-60 plus 175-180 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	1,274	1,139	63	–
Jon Cunliffe Head of the European and Global Issues Secretariat	55-60 plus 170-175 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	1,278	1,140	65	–
Jeremy Heywood Permanent Secretary, No.10	40-45 plus 125-130 lump sum	2.5-5.0 plus10.0-12.5 lump sum	715	617	41	–
Stephen Laws CB First Parliamentary Counsel	100-105 plus 300-305 lump sum	2.5-5.0 plus 12.5-15.0 lump sum	2,401	2,220	111	–
Bruce Mann Finance Director Corporate Services Group *(from 1 November 2009)*	40-45 plus120-125 lump sum	0-2.5 plus 2.5-5.0 lump sum	830	827	17	–
Roger Marsh[3] Director General, Business Support Group *(until 31 July 2009)*	–	–	–	–	–	–
Gill Rider[4] Director General, Civil Service Capability Group	–	–	–	–	–	–
Matt Tee Permanent Secretary for Government Communications	0-5	2.5-5.0	49	9	34	–

Chris Wormald Director General, Domestic Policy Group *(from 1 August 2009)*	35-40	0-2.5	420	389	13	–

[1] *The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008. The start date for calculations are 31 March 2009 unless the member was appointed to the Department during the year.*

[2] *The end date for calculations is 31 March 2010 unless the member left the Department during the year.*

[3] *Roger Marsh was on secondment and was not in a Cabinet Office pension scheme.*

[4] *Gill Rider does not receive any pension entitlements.*

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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 pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. 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 where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (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 arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Gus O'Donnell

Sir Gus O'Donnell KCB
Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service

5 July 2010

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 for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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 the financial statements in accordance with applicable law and 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows 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 Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

12 July 2010

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10

									2009-10 £000	2008-09 £000
				Estimate			Outturn			Outturn
Request for Resources	Note	Gross Expenditure	A in A[1]	Net Total	Gross Expenditure	A in A[1]	Net Total	Net Total outturn compared with Estimate: saving / (excess)		Net Total
1*	3	537,410	(62,205)	475,205	504,951	(49,497)	455,454	19,751		413,570
Total Resources	4	**537,410**	**(62,205)**	**475,205**	**504,951**	**(49,497)**	**455,454**	**19,751**		**413,570**
Non-Operating Cost A in A[1]				**5,760**			**5,499**	**261**		**36**

[1] A in A represents Appropriations in Aid

Request for Resources 1*: Supporting the Prime Minister's Office closely in ensuring the delivery of Government objectives

Net cash requirement 2009-10

				2009-10 £000	2008-09 £000
	Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving / (excess)	Outturn
Net Cash Requirement	5	**480,075**	**464,682**	**15,393**	**370,281**

Summary of income payable to the Consolidated Fund

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

		Forecast 2009-10 £000		Outturn 2009-10 £000	
	Note	Income	*Receipts*	Income	*Receipts*
Total	6	**-**	**-**	**403**	***353***

Explanations of variances between Estimate and outturn are given in Note 3 and in the section Cabinet Office Finances, Financial Review 2009-10, Performance against Parliamentary Control totals.

Notes 1 to 36 form part of these accounts.

Operating Cost Statement

for the year ended 31 March 2010

	Note	Staff Costs	Other Costs	2009-10 £000 Income	2008-09 Restated £000
Administration costs					
Staff costs	9	91,046			85,869
Other administration costs	10		103,686		108,464
Operating income	12			(46,600)	(36,989)
Programme costs					
Staff costs	9	1,210			1,551
Programme costs	11		307,536		269,640
Income	12			(1,827)	(20,093)
Totals		**92,256**	**411,222**	**(48,427)**	**408,442**
Net Operating Cost	4.1,13			**455,051**	**408,442**

Notes 1 to 36 form part of these accounts.

Statement of Financial Position

	Note	As at 31 March 2010 £000		As at 31 March 2009 Restated £000		As at 1 April 2008 Restated £000	
Non-current assets							
Property, plant and equipment	14	181,548		193,436		220,582	
Intangible assets	15	1,851		4,128		6,572	
Financial assets	16.1	1,006		364		392	
Other non-current assets	20	2,077		-		-	
Total non-current assets			**186,482**		**197,928**		**227,546**
Current assets							
Assets classified as held for sale	18	-		5,740		5,740	
Inventories	19	461		493		523	
Trade and other receivables	20	24,411		19,022		17,341	
Cash and cash equivalents	21	15,530		8,652		74,008	
Total current assets			**40,402**		**33,907**		**97,612**
Total assets			**226,884**		**231,835**		**325,158**
Current liabilities							
Trade and other payables	22	(52,003)		(58,302)		(115,874)	
Total current liabilities			**(52,003)**		**(58,302)**		**(115,874)**
Non-current assets less net current liabilities			**174,881**		**173,533**		**209,284**
Non-current liabilities							
Provisions	23	(3,941)		(4,072)		(3,189)	
Other payables	22	-		(630)		-	
Total non-current liabilities			**(3,941)**		**(4,702)**		**(3,189)**
Assets less liabilities			**170,940**		**168,831**		**206,095**
Taxpayers' equity							
General fund			130,103		120,797		153,036
Revaluation reserve			37,090		44,012		48,170
Donated asset reserve			3,747		4,022		4,889
Total taxpayers' equity			**170,940**		**168,831**		**206,095**

Sir Gus O'Donnell KCB
Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service
5 July 2010

Notes 1 to 36 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009-10 £000	2008-09 £000
Cash flows from operating activities			
Net operating cost	4	(455,051)	(408,442)
Adjustments for non-cash transactions	10,11	23,377	43,972
Decrease in inventories	19	32	30
Increase in trade and other receivables	20	(7,466)	(1,681)
Less movements in trade and other receivables relating to items not passing through the OCS			
Amounts relating to the Consolidated Fund for Supply		-	(3,747)
Amounts relating to novated assets		-	112
Amounts relating to prepayment for service concession		(1,717)	-
Movement in amounts relating to provision for doubtful debt		(69)	-
Amounts relating to bad debt write off		(1)	-
Decrease in trade payables and other payables	22	(6,929)	(56,942)
Less movements in trade payables relating to items not passing through the OCS			
Amounts due to the Consolidated Fund for Supply		(7,393)	(8,000)
Amounts due to the Consolidated Fund for extra receipts		465	77,001
Other		-	10
Movement in amounts relating to imputed finance lease	27.1	1,717	(1,123)
Movement in capital accruals relating to investing activities		665	2,111
Amounts relating to novated liabilities		3	(124)
Use of provisions	23	(797)	(1,133)
Net cash outflow from operating activities		**(453,164)**	**(357,956)**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(15,085)	(8,263)
Purchase of intangible assets	15	(252)	(1,221)
Purchase of financial assets	16.1	(662)	-
Net movement in trade payables - capital accruals		(665)	(2,111)
Proceeds of disposal of property, plant and equipment		5,479	8
Repayments from other bodies	16.1	20	28
Net cash outflow from investing activities		**(11,165)**	**(11,559)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		472,075	378,281
From the Consolidated Fund (Supply) – prior year	20	-	3,747
Net financing		**472,075**	**382,028**

Statement of Cash Flows (continued)

for the year ended 31 March 2010

	Note	2009-10 £000	2008-09 £000
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**7,746**	**12,513**
Payments of amounts due to the Consolidated Fund	22	(868)	(77,869)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**6,878**	**(65,356)**
Cash and cash equivalents at the beginning of the period	21	**8,652**	**74,008**
Cash and cash equivalents at the end of the period	21	**15,530**	**8,652**

Notes 1 to 36 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000
Balance at 31 March 2008		**150,779**	**55,917**	**4,889**	**211,585**
Changes in accounting policy	2	2,257	(7,747)	-	(5,490)
Restated balance at 1 April 2008		**153,036**	**48,170**	**4,889**	**206,095**
Changes in taxpayers' equity for 2008-09					
Net (loss) on revaluation of property, plant and equipment and intangible assets	14.2	-	(4,074)	(870)	(4,944)
Net (loss) on revaluation of intangible assets	15.2	-	(162)	-	(162)
Receipt of donated assets	14.2	-	-	57	57
Release of reserves to the operating cost statement	10	-	-	(37)	(37)
Non-cash charges - cost of capital	10,11	6,621	-	-	6,621
Non-cash charges – auditors' remuneration	10	242	-	-	242
Transfers between reserves		(61)	78	(17)	-
Net operating cost for the year	4.1	(408,442)	-	-	(408,442)
Total recognised income and expense for 2008-09		**(401,640)**	**(4,158)**	**(867)**	**(406,665)**
Net Parliamentary Funding – drawn down		378,281	-	-	378,281
Net Parliamentary Funding – deemed		-	-	-	-
Supply (payable)/receivable adjustment	22	(8,000)	-	-	(8,000)
CFERS payable to the Consolidated Fund		(868)	-	-	(868)
Assets and liabilities introduced and removed:		-	-	-	-
Novation (Deputy Prime Minister's Office)[1]		(12)	-	-	(12)
Balance at 31 March 2009		**120,797**	**44,012**	**4,022**	**168,831**
Changes in taxpayers' equity for 2009-10					
Net (loss) on revaluation of property, plant and equipment	14.1	-	(6,558)	(117)	(6,675)
Net (loss) on revaluation of intangible assets	15.1	-	-	-	-
Receipt of donated assets	14.1	-	-	58	58
Release of reserves to the operating cost statement	10	-	-	(157)	(157)
Non-cash charges - cost of capital	10,11	5,813	-	-	5,813
Non-cash charges – auditors' remuneration	10	262	-	-	262
Transfers between reserves		423	(364)	(59)	-
Net operating cost for the year	4.1	(455,051)	-	-	(455,051)
Total recognised income and expense for 2009-10		**(448,553)**	**(6,922)**	**(275)**	**(455,750)**

Statement of Changes in Taxpayers' Equity (continued)

for the year ended 31 March 2010

	Note	General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
		£000	£000	£000	£000
Net Parliamentary Funding – drawn down		472,075	-	-	472,075
Net Parliamentary Funding – deemed		8,000	-	-	8,000
Supply (payable)/receivable adjustment	22	(15,393)	-	-	(15,393)
CFERS payable to the Consolidated Fund	6	(403)	-	-	(403)
Transfer of non-current assets to other government departments	14,15	(6,423)	-	-	(6,423)
Assets and liabilities removed:		-	-	-	-
Novation (Deputy Prime Minister's Office) [1]		3	-	-	3
Balance at 31 March 2010		**130,103**	**37,090**	**3,747**	**170,940**

[1] On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office and on 1 April 2008 the Deputy Prime Minister's Office's closing debtors and creditors were novated to the Cabinet Office. In light of better information, some elements of the closing debtors and creditors balances were written out of the books during 2009-10.

Notes 1 to 36 form part of these accounts.

Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

	2009-10 £000			2008-09 Restated £000		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
Strategic Objective 1	73,806	(5,656)	68,150	132,316	(24,262)	108,054
Strategic Objective 2	84,801	(16,422)	68,379	72,033	(14,970)	57,063
Strategic Objective 3	273,788	(1,159)	272,629	183,313	(1,672)	181,641
Strategic Objective 4	15,634	(1,738)	13,896	21,560	(2,739)	18,821
Strategic Objective 5	45,799	(22,936)	22,863	39,129	(11,684)	27,445
Strategic Objective 6	9,650	(516)	9,134	17,173	(1,755)	15,418
Net operating costs	**503,478**	**(48,427)**	**455,051**	**465,524**	**(57,082)**	**408,442**

When net expenditure falls under a single objective, it is allocated wholly to that objective; net expenditure that serves more than one objective is allocated in accordance with estimates made by relevant managers within the Department. Central net expenditure not specific to individual objectives has been apportioned according to headcount.

	2009-10 £000	2008-09 Restated £000
	Total Assets	Total Assets
Strategic Objective 1	48,089	55,025
Strategic Objective 2	96,027	89,964
Strategic Objective 3	18,425	18,728
Strategic Objective 4	13,787	18,260
Strategic Objective 5	36,905	38,707
Strategic Objective 6	13,651	11,151
Total assets[1]	**226,884**	**231,835**

[1] Total assets comprise of total non-current and current assets. Total assets are allocated to strategic objectives on the basis of headcount.

Total assets, which largely relate to office accommodation, have been apportioned according to headcount, which reflects the link between size of operations and the total assets to manage them.

Statement of Operating Costs by Departmental Strategic Objectives (continued)

The Cabinet Office has one core aim: **'Making government work better'** which was supported during the year by the Departmental Strategic Objectives (DSOs) which underpinned delivery of the then Government's priorities as set out in Public Service Agreements (PSAs) and in a Service Transformation Agreement (STA) outlined below:

Strategic Objective 1 **Build an effective UK intelligence community in support of UK national interests; and the capabilities to deal with disruptive challenges to the UK**	This Strategic Objective contributed to the delivery of the then Government's: PSA 26 – Reduce the risk to the UK and its interests overseas from international terrorism; and PSA 30 – Reduce the impact of conflict through enhanced UK and international efforts. The Cabinet Office was a delivery partner for these PSAs.
Strategic Objective 2 **Support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy making**	This Strategic Objective is not linked to any one PSA, but underpinned successful delivery of all.
Strategic Objective 3a **Improve outcomes for the most excluded people in society**	This Strategic Objective supported delivery of the then Government's : PSA 16 – Increase the proportion of socially excluded adults in settled accommodation and employment, education or training. The Cabinet Office led on delivery of this PSA.
Strategic Objective 3b **Enable a thriving Third Sector**	This Strategic Objective contributed to delivery of the then Government's: PSA 21- Build more cohesive, empowered and active communities. The Cabinet Office was a delivery partner for this PSA.
Strategic Objective 4 **Transform public services so that they better meet the individual needs of the citizen and business**	This Strategic Objective supported delivery of the then Government's : Transformational Government Strategy and Service Transformation Agreement. The Cabinet Office, with HM Treasury, led on delivery of this agreement.
Strategic Objective 5 **Build the capacity and capability of the Civil Service to deliver the Government's objectives**	This Strategic Objective was not linked to any one PSA, but underpinned successful delivery of all.
Strategic Objective 6 **Promote the highest standards of propriety, integrity and governance in public life**	This Strategic Objective was not linked to any one PSA, but underpinned successful delivery of all.

See Note 24.

Notes 1 to 36 form part of these accounts.

Notes to the Resource Accounts for the year ended 31 March 2010

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *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 Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

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

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

1.1 Accounting convention

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

1.2 Restated amounts

This is the first year that the Cabinet Office has presented its financial statements under IFRS. The last financial statements for the year ended 31 March 2009 were prepared under UK generally accepted accounting practice (GAAP) to the extent that it was meaningful and appropriate to the public sector. The date of transition to IFRS was 1 April 2008. The Statement of Financial Position has been restated as at 31 March 2009 and as at 1 April 2008. Further details can be found at Note 2 First-time adoption of IFRS.

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 36.

1.3 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 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:

Service concession arrangements
The Department is party to a Public Finance Initiative (PFI). The classification of such 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 Department is involved in long-term arrangements which may contain a lease. The classification of such 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 Department is the lessor and lessee of property, plant and equipment. The classification of such 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 Statement of Financial Position.

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.

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

1.4 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. Any cost of capital charge associated with the item of property, plant or equipment is not capitalised. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Fair value of properties is based on professional valuations every five years and in the intervening years by the use of published indices appropriate to the type of property. Land and buildings are restated to fair value every five years using professional valuations prepared in accordance with the RICS Valuation Standards, 6th Edition. Fair values are determined on the basis of market value but on the assumption that the properties are 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.

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 Number 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 Operating Cost Statement, in which case the increase is recognised in the Operating Cost Statement. A revaluation deficit is recognised in the Operating Cost Statement, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

1.5 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	7 years
IT hardware and office equipment	3 to 5 years
Vehicles	3 to 5 years

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

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

1.6 Donated assets

Donated assets are capitalised at their fair value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Operating Cost Statement, except for gifts described below.

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 with this value being taken to the donated asset reserve. They are subject to professional valuation every five years with the revaluation being taken to the donated asset reserve. They are not depreciated, since by their nature, their useful economic life is indefinite.

The Civil Service Club is recognised as a donated asset and its value credited to the donated asset reserve. 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 14.

1.7 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.

1.8 Intangible assets

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

Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets is £5,000. Following initial recognition, where an active market exists, intangible assets are carried at fair value at the Statement of Financial Position date. 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 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 depreciated 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.

1.9 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 Operating Cost Statement 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 Operating Cost Statement on a straight-line basis over the lease term.

1.10 Service concession arrangements

The Department accounts for Public Finance Initiative (PFI) transactions on a control approach based on IFRIC 12 *Service Concession Arrangements.* The Department is considered to control the infrastructure in a public-to-private service concession arrangement if:

- The Department controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- The Department controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, the Department assesses such arrangements under IFRIC 4 *Determining whether an Arrangement contains a Lease.* Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach set out above at section 1.9 Leases.

Where it is determined that arrangements are in scope of IFRIC 12, the Department recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement; or where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

Where practicable, in determining the interest expense on the capital element of the contract obligation, the Department uses the rate implicit in the contract. Where it is not practicable to determine this rate, the Department uses its cost of capital rate (including inflation). The rate is not changed unless the infrastructure element or the whole contract is renegotiated.

The Department recognises a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the Operating Cost Statement.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (section 1.4 above) and intangible assets (section 1.8 above). Liabilities are measured using the appropriate discount rate.

1.11 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.

The Cabinet Office has issued loans to the London Hostels Association. 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. The loans are carried at fair value. Due to the uncertainty and the complexity of the arrangements for returning the funds and given that the Fund was newly established in 2009-10 it is not possible to ascertain the market value of the loans. The fair value is therefore derived as the 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.

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.

1.12 Inventories

Inventories of insignia are valued at the lower of replacement cost and net realisable value.

1.13 Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

1.14 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.

1.15 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 the real rate set by HM Treasury (currently 2.2 per cent). Provisions for early departure costs are discounted at the pensions rate (currently 1.8 per cent). Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

1.16 Contingent liabilities and contingent assets

In addition to contingent 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.

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.

1.17 Income

Operating Income
Operating income is income which relates directly to the operating activities of the Department. 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 appropriated in aid of the Estimate against resource spending and income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income.

Non-operating income
Non-operating income may be appropriated in aid of the Estimate to finance-related capital spending or due to the Consolidated Fund and relates to the sale of capital assets and repayment of loan principal.

1.18 Administration and programme expenditure

The Operating Cost Statement 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.

1.19 Capital charge

A non-cash charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for the following where the charge is £nil: donated assets, cash balances held with the Office of the Paymaster General, debtors due for surrender to the Consolidated Fund on collection and those amounts due to and from the Consolidated Fund.

1.20 Foreign currency translation

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

1.21 Pensions

The majority of past and present employees 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.

1.22 Grants

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period (usually a financial year) are recorded as expenditure for that period. Grants-in-aid, made to the Department's executive Non-Departmental Public Bodies to finance their operating expenditure, are recognised in the Operating Cost Statement in the period in respect of which they are paid.

1.23 Value Added Tax

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

2. First- time adoption of IFRS

2.1 Summary of IFRS adjustments

	2008-09 Published Resource Accounts £000	IFRS adjustments £000	2008-09 Restated £000
Net Operating Cost			
Expenditure			
Staff costs	87,420	-	87,420
Administration costs	112,724	(4,260)	108,464
Programme costs excluding staff costs and grants	94,716	-	94,716
Programme grants	174,924	-	174,924
Total expenditure	**469,784**	**(4,260)**	**465,524**
Income			
Administration	(36,989)	-	(36,989)
Programme	(20,093)	-	(20,093)
Total income	**(57,082)**	**-**	**(57,082)**
Total Net Operating Cost	**412,702**	**(4,260)**	**408,442**
Assets less liabilities			
Property, plant and equipment	209,012	(15,576)	193,436
Intangible assets	192	3,936	4,128
Financial assets	364	-	364
Assets classified as held for sale	-	5,740	5,740
Inventories	493	-	493
Trade and other receivables	13,615	5,407	19,022
Cash and cash equivalents	8,652	-	8,652
Trade and other payables – current	(58,017)	(285)	(58,302)
Trade and other payables - non-current	-	(630)	(630)
Provisions	(4,072)	-	(4,072)
Total assets less liabilities	**170,239**	**(1,408)**	**168,831**
Taxpayers' equity			
General fund	114,280	6,517	120,797
Revaluation reserve	51,937	(7,925)	44,012
Donated asset reserve	4,022	-	4,022
Total taxpayers' equity	**170,239**	**(1,408)**	**168,831**

2.2 Details of IFRS adjustments

	IFRIC 12 Adjustment £000	IAS16 Adjustments £000	IAS 16/38 Reclassification £000	IFRIC 5 Reclassification £000	Total IFRS Adjustments £000
Net Operating Cost	**(3,965)**	**(295)**	**-**	**-**	**(4,260)**
Assets less liabilities					
Property, plant and equipment	1,730	(7,630)	(3,936)	(5,740)	(15,576)
Intangible assets	-	-	3,936	-	3,936
Financial assets	-	-	-	-	-
Assets classified as held for sale	-	-	-	5,740	5,740
Inventories	-	-	-	-	-
Trade and other receivables	5,407	-	-	-	5,407
Cash and cash equivalents	-	-	-	-	-
Trade and other payables – current	(285)	-	-	-	(285)
Trade and other payables - non-current	(630)	-	-	-	(630)
Provisions	-	-	-	-	-
Total assets less liabilities	**6,222**	**(7,360)**	**-**	**-**	**(1,408)**
Taxpayers' equity					
General fund	6,222	295	-	-	6,517
Revaluation reserve	-	(7,925)	-	-	(7,925)
Donated asset reserve	-	-	-	-	-
Total taxpayers' equity	**6,222**	**(7,630)**	**-**	**-**	**(1,408)**

	Note	**General Fund** £000	**Revaluation Reserve** £000	**Donated asset Reserve** £000
Taxpayers' equity at 1 April 2008 under UK GAAP		150,779	55,917	4,889
Adjustments for:				
IFRIC 12: Service concession arrangements	14,20,22	2,257	-	-
IAS 16: Notional acquisition costs	14	-	(7,747)	-
Taxpayers' equity at 1 April 2008 under IFRS		**153,036**	**48,170**	**4,889**
Taxpayers' equity at 31 March 2009 under UK GAAP		114,280	51,937	4,022
Adjustments for:				
IFRIC 12: Service concession arrangements	14,20,22	6,222	-	-
IAS 16: Notional acquisition costs	14	295	(7,925)	-
Taxpayers' equity at 31 March 2009 under IFRS		**120,797**	**44,012**	**4,022**

		£000
Net operating cost for 2008-09 under UK GAAP		412,702
Adjustments for:		
IFRIC 12: Service concession arrangements	10	(3,965)
IAS 16: Notional acquisition costs	10	(295)
Net operating cost for 2008-09 under IFRS		**408,442**

The transition to IFRS has no material impact on the cash flow statement.

Explanation of reconciling items between UK GAAP and IFRS

IFRIC 12: Service concession arrangements

The provision of Information and Communications Technology (ICT) services to the Cabinet Office includes 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 services include the provision of IT equipment throughout the life of the contract. Milestone payments made to FSL relate to delivery of new equipment and infrastructure for the services.

At 31 March 2009, the new equipment and infrastructure were not available for use, except for multi-functional devices (MFDs), and it was expected they would be brought into use by 31 March 2010. At the point when the assets will be brought into use, those assets provided on an exclusive basis, such as desktop IT and telephony, will be recognised as property, plant and equipment and an imputed finance lease liability will be established and the related prepayments will be released to offset this liability, and prepayments relating to those assets provided on a non-exclusive basis, such as servers, will be expensed over the life of the contract in the year in which they are consumed.

At the date of transition property, plant and equipment assets were brought onto the books with a value of £1.510 million relating to existing infrastructure and the current part of a PFI prepayment relating to milestone payments with a value of £0.747 million; these adjustments to the general fund total £2.257 million.

At 31 March 2009 the current part of a PFI prepayment relating to milestone payments amounted to £5.407 million, and owned property, plant and equipment relating to existing infrastructure transferred into the arrangement amounted to £0.815 million; these cumulative adjustments to the general fund total £6.222 million.

Those MFDs in use are recorded as property, plant and equipment and an imputed finance lease liability has been recognised and commitments under a Public Finance Initiative (PFI) contract disclosed; see Notes 14, 22 and 27. At the date of transition, property, plant and equipment assets were brought onto the books at a fair value of £1.123 million and an imputed finance lease liability was recognised in respect of MFDs. At 31 March 2009 the imputed finance lease liability remained at £1.123 million and property, plant and equipment financed by on the Statement of Financial Position PFI contracts amounted to £0.915 million, of which £0.285 million current and £0.630 million non-current.

At 31 March 2009 the net amount written out of the Operating Cost Statement totalled £3.965 million comprising £4.660 million milestone payments reclassified as PFI prepayments, £0.208 million accrual reversal offset by depreciation charges of £0.695 million on existing infrastructure and £0.208 million on MFDs.

IAS 16: Notional acquisition costs and related revaluation reserve

Under UK GAAP notional directly attributable acquisition costs, representing legal fees and stamp duty, were added onto existing use values to arrive at replacement cost for land, buildings and dwellings. The surveyors determined notional costs to be 5.75% of existing use values. Under IFRS property is to be held at fair value, where fair value has been interpreted as market value for existing use. 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.

At the date of transition notional acquisition costs and their related revaluation reserve were written out of the books reducing property values by £7.747 million. At 31 March 2009 the amounts written out of the books were £7.630 million property, plant and equipment, £7.925 million revaluation reserve and £0.295 million general fund and £0.295 million Operating Cost Statement.

Explanation of reclassification items between UK GAAP and IFRS

IAS 16/38: SCOPE and software reclassification

Under UK GAAP software development expenditure was capitalised as a tangible fixed asset, whereas under IFRS this cost is classified as an intangible asset.

At the date of transition the reclassification from tangible fixed assets (property, plant and equipment) to intangible assets is £6.543 million. At 31 March 2009 the Statement of Financial Position reclassification is £3.936 million. The Operating Cost Statement charge of £1.714 million is reclassified from depreciation to amortisation.

IFRS 5: Assets held for sale

Under IFRS, on the date of transition, the proposed sale of 53 Parliament Street fulfilled available-for-sale criteria.

At the date of transition the reclassification from property, plant and equipment to assets held for sale is £5.740 million. Under IFRS, there is a reduced depreciation charge in the 2008-09 Operating Cost Statement because the asset held for sale is not depreciated post its transfer into the held for sale Statement of Financial Position category. The asset was designated as held for sale on 31 March 2008.

Explanations of Prior-Period Adjustments

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

3. Analysis of net resource outturn by section

								2009-10 £000	2008-09 £000
						Outturn	**Estimate**		
	Admin	**Other current**	**Grants**	**Gross resource expenditure**	**A in A**	**Net Total**	**Net Total**	**Net Total outturn compared with Estimate**	**Prior-year outturn**
Request for resources 1:									
Central Government Spending									
Cabinet Office	188,451	38,737	3,291	230,479	(48,640)	181,839	196,207	14,368	234,397
Office of the Third Sector	3,367	10,056	210,460	223,883	(699)	223,184	224,937	1,753	142,333
Social Exclusion Task Force	1,588	-	-	1,588	(158)	1,430	1,378	(52)	1,508
Committee on Standards in Public Life - Advisory NDPB	676	-	-	676	-	676	838	162	608
Independent Offices:									
Civil Service Commissioners	1,122	-	-	1,122	-	1,122	1,220	98	1,172
Commissioner for Public Appointments	577	-	-	577	-	577	584	7	615
Advisory Committee on Business Appointments - Advisory NDPB	220	-	-	220	-	220	208	(12)	172
House of Lords Appointments Commission - Advisory NDPB	218	-	-	218	-	218	250	32	181
Support for Local Authorities									
London Fire and Emergency Planning Authority	-	-	606	606	-	606	606	-	606
Non-Budget									
Executive NDPB:									
Capacity Builders (UK) Limited	-	-	39,377	39,377	-	39,377	39,377	-	30,178
Commission for the Compact Limited	-	-	1,992	1,992	-	1,992	2,000	8	1,800
Cabinet Office Service Concession	-	4,213	-	4,213	-	4,213	7,600	3,387	-
Resource Outturn	**196,219**	**53,006**	**255,726**	**504,951**	**(49,497)**	**455,454**	**475,205**	**19,751**	**413,570**

Request for resources 1 – Supporting the Prime Minister's Office closely in ensuring the delivery of Government objectives

The Cabinet Office's administration budget under-spend of £19.751 million is predominantly attributable to non-cash capital charges of depreciation and cost of capital. The Cabinet Office's other current over-spend (contained within the £14.368 million under-spend) is offset by the Service Concession under-spend of £3.387 million due to classification of expenditure relating to the FLEX contract. Detailed explanations of the variances are given in the section Cabinet Office Finances, Financial Review 2009-10, Performance against Parliamentary Control totals.

4. Reconciliation of outturn to net operating cost and against Administration Budget

4.1 Reconciliation of net resource outturn to net operating cost

		2009-10 £000			2008-09 Restated £000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net resource outturn	3	455,454	475,205	19,751	413,570
IFRS adjustments	4.2	-	-	-	(4,260)
Non-supply income (CFERs)	6	(403)	-	403	(868)
Net Operating Cost		**455,051**	**475,205**	**20,154**	**408,442**

4.2 Reconciliation of net resource outturn under UK GAAP to net operating cost under IFRS

	Note	2008-09 £000
Net resource outturn for 2008-09 under UK GAAP		**413,570**
Adjustments for:		
IFRIC 12: Service concession arrangements	2	(3,965)
IAS 16: Notional acquisition costs	2	(295)
Net resource outturn for 2008-09 under IFRS		**409,310**
Non-supply income (CFERs)	4.1	(868)
Net operating cost for 2008-09 under IFRS	4.1	**408,422**

4.3 Outturn against final Administration Budget

	2009-10 £000		2008-09 Restated £000
	Budget	Outturn	Outturn
Gross Administration Budget – see Note 3 total Admin	228,372	196,219	201,826
Income allowable against the Administration Budget	(57,822)	(48,073)	(40,220)
IFRS adjustments	-	-	(4,260)
Service Concession – Admin within Budget	7,600	4,213	-
Remove depreciation on property, plant and equipment	-	(251)	-
Remove losses on sale of capital assets	-	(478)	-
Net outturn against final Administration Budget	**178,150**	**151,630**	**157,346**

The Cabinet Office's administration budget under-spend is predominantly attributable to non-cash capital charges of depreciation and cost of capital. Further under-spends within administration spend are offset against a corresponding reduction in administration income. The remaining administration under-spend is offset by an over-spend on programme budget. Depreciation of £251,000 relates to service concession assets which are included in accounts but excluded from budgets. Detailed explanations of the variances are given in the section Cabinet Office Finances, Financial Review 2009-10, Performance against Parliamentary Control totals.

5. Reconciliation of net resource outturn to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess) £000
Resource Outturn	4.1	475,205	455,454	19,751
Capital				
Acquisition of property, plant and equipment	14.1	14,473	15,085	(612)
Acquisition of intangible assets	15.1	-	252	(252)
Investments	16.1	-	662	(662)
Non-operating A in A				
Proceeds of asset disposals		(5,740)	(5,479)	(261)
Loan repayment	16.1	(20)	(20)	-
Accruals adjustments				
Non-cash items	10,11	(41,597)	(23,377)	(18,220)
Changes in working capital other than cash	5.1	36,935	20,678	16,257
Changes in non-current payables		-	630	(630)
Use of provision	23	819	797	22
Net cash requirement		**480,075**	**464,682**	**15,393**

Cabinet Office savings against Estimate net cash requirement are mainly due to the change in working capital being less than expected. Detailed explanations of the variances between Estimate and outturn are given in the section Cabinet Office Finances, Financial Review 2009-10, Performance against Parliamentary Control totals.

5.1 Changes in working capital other than cash within the reconciliation of resources to cash requirement at Note 5

	Note	2009-10 £000	2008-09 Restated £000
Decrease in inventories	19	32	30
Increase in trade and other receivables	20	(7,466)	(1,681)
less movements in debtors relating to items not passing through the OCS			
Amounts relating to the Consolidated Fund for Supply		-	(3,747)
Movement in amounts receivable due to the Consolidated Fund when received		50	102
Amounts relating to novated assets		-	112
Amounts relating to prepayment for service concession		(1,717)	-
Movement in amounts relating to provision for doubtful debt		(69)	-
Amounts relating to bad debt write off		(1)	-
Decrease in trade payables (current liabilities)	22	(6,299)	(57,572)
less movements in creditors relating to items not passing through the OCS			
Amounts due to the Consolidated Fund for Supply		(7,393)	(8,000)
Amounts due to the Consolidated Fund for extra receipts		465	77,001
Other		-	10
Movements in amounts relating to imputed finance lease	27.1	1,717	(493)
Amounts relating to novated assets		3	(124)
Changes in working capital other than cash	5	**(20,678)**	**5,638**

6. Analysis of income payable to the Consolidated Fund

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

		Forecast 2009-10 £000		Outturn 2009-10 £000	
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	403	*353*
	7	**-**	**-**	**403**	***353***
Non-operating income and receipts – excess A in A		-	-	-	-
Other non-operating income and receipts not classified as A in A		-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**403**	***353***

7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £000	2008-09 £000
Operating income	12	48,427	57,082
Netted off in Operating Cost			
Seconded staff	9	1,473	3,275
Gross income		49,900	60,357
Income authorised to be appropriated-in-aid	3	(49,497)	(59,489)
Operating income payable to the Consolidated Fund	6	**403**	**868**

8. Non Operating Income - Excess AinA

	2009-10 £000	2008-09 £000
Principal repayments of voted loans	-	-
Proceeds on disposal of fixed assets	-	-
Non-operating Income – excess A in A	**-**	**-**

9. Staff numbers and related costs

Staff costs comprise:

					2009-10 £000	2008-09 £000
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
Wages and salaries	66,106	62,960	-	404	2,742	62,970
Social security costs	6,047	5,715	-	41	291	5,559
Other pension costs	12,533	11,993	-	-	540	12,229
Agency/temporary	3,080	-	3,080	-	-	1,875
Sub total	**87,766**	**80,668**	**3,080**	**445**	**3,573**	**82,633**
Inward secondments[4]	5,963	5,963	-	-	-	8,062
Total	**93,729**	**86,631**	**3,080**	**445**	**3,573**	**90,695**
Less:						
Recoveries in respect of outward secondments	(1,473)	(1,473)	-	-	-	(3,275)
Total net costs[1]	**92,256[2]**	**85,158**	**3,080**	**445**	**3,573**	**87,420[3]**

During the year, costs of £12,532,636 were incurred in respect of pensions (2008-09 Restated: £12,228,800).

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 Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £11,840,319 were payable to the PCSPS (2008-09 £11,500,036) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £141,981 (2008-09: £153,575) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £10,713 (2008-09: £20,895), 0.8 per cent 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 Statement of Financial Position date were £11,336 (2008-09: £1,450). Contributions prepaid at that date were £nil (2008-09: £nil).

[1] Of the total, £nil has been charged to capital (2008-09: £nil).

[2] £18.425 million was against objective 1, £41.850 million against objective 2, £6.627 million against objective 3, £5.974 million against objective 4, £14.282 against objective 5 and £5.098 million against objective 6.

[3] £17.401 million was against objective 1, £36.292 million against objective 2, £6.556 million against objective 3, £7.049 million against objective 4, £16.175 million against objective 5 and £3.947 million against objective 6.

[4] Inward secondment costs in 2008-09 include the cost of extra staff resources to the value of £3.602 million. The majority of the resource was contracted from the Department for Work and Pensions (value £2.962 million) and a small element from other outside sources who were treated as part of the team (value £0.640 million). They were effectively all seconded to the Cabinet Office and worked exclusively on the setup of a Shared Services arrangement for the benefit of the Cabinet Office and for other departments to utilise in the future. Due to the nature of the project and its arrangements these resources are not included in the staff numbers.

Special advisers' pension costs incurred during the year were £539,623 (2008-09: £554,294).

During the year one individual (2008-09: one individual) retired early on ill-health grounds; the total additional annual pension granted to them amounted to £nil (2008-09: £nil).

Average number of persons employed

The average number of whole-time equivalent persons employed, including agency/temporary staff, during the year was as follows:

					2009-10	2008-09
					Number	Number
Departmental Strategic Objective	**Total**	**Permanently employed staff**[1]	**Others**[2]	**Ministers**	**Special advisers**	**Total**
Strategic Objective 1	**322**	289	30	1	2	**308**
Strategic Objective 2	**592**	541	23	1	27	**526**
Strategic Objective 3	**141**	135	4	1	1	**120**
Strategic Objective 4	**81**	72	7	1	1	**111**
Strategic Objective 5	**254**	220	32	1	1	**222**
Strategic Objective 6	**86**	80	2	1	3	**72**
Total	**1,476**[3]	**1,337**	**98**	**6**	**35**	**1,359**

[1] *Permanent staff headcount as at 31 March is further analysed at Table 6 in the Annex to the Resource Accounts.*
[2] *'Others' category represents agency/temporary staff. Headcount in 2009-10 was 98 (2008-09: 44).*
[3] *No staff were engaged on capital projects.*

10. Other administration costs

	Note	2009-10 £000	2009-10 £000	2008-09 Restated £000	2008-09 Restated £000
Rentals under operating leases					
Hire of plant and machines[1]		212		5,091	
Land and buildings		4,502		4,792	
Total rentals under operating leases			**4,714**		**9,883**
PFI service charges[1]			**-**		**-**
Other near- cash items					
Accommodation and utilities		26,637		30,006	
Consultancy		10,711		8,732	
IT costs		8,653		8,660	
Other staff-related costs		10,349		11,487	
Supplies and services		8,838		9,531	
Travel, subsistence and hospitality		9,327		13,123	
Total other near-cash items			**74,515**		**81,539**
Non-cash items					
Depreciation	14	8,065		6,792	
Release of donated asset reserve		(49)		(36)	
Amortisation	15	1,331		626	
Impairment- PPE	14	7,771		1,440	
Impairment- Intangible assets	15	253		-	
Loss on disposal of property, plant and equipment		370		-	
Loss on disposal of donated assets		108		1	
Release from donated asset reserve		(108)		(1)	
Cost of capital charges		5,718		5,972	
Auditors' remuneration and expenses[2]		262		242	
Provisions provided for in year	23	647		2,008	
Unwinding of discount on provisions	23	19		8	
Bad debt write off		1		9	
Provision for doubtful debt		69		(19)	
Total non-cash items			**24,457**		**17,042**
Total			**103,686**		**108,464**

[1] PFI service charge for 2008-09 is included in the hire of plant and machines since the amount cannot be derived or inferred.
[2] During the year, the Department purchased audit services from its auditor, the National Audit Office, in respect of the audit of the International Financial Reporting Standards restated Statement of Financial Position at a cost of £23,500 (2008-09: £16,950) and statutory audit services at a cost of £239,000 (2008-09: £225,000).

11. Programme costs

	Note	2009-10 £000	2009-10 £000	2008-09 £000	2008-09 £000
PFI service charges[1]	3		**4,213**		-
Other near-cash items					
Consultancy		7,284		10,584	
Grant fund management services		7,926		7,283	
IT costs		601		5,059	
Other staff-related costs		975		1,559	
Supplies and services		24,997		26,551	
Telecommunications		6,702		16,479	
Travel, subsistence and hospitality		192		271	
Total other near-cash items			**48,677**		**67,786**
Resource Grants to Local Authorities					
Civil Defence Grant		606		606	
Invest to Save Bid Projects		927		1,071	
Getting There First		240		-	
SMEs in the Community		50		-	
Young Foundation		92		-	
Resource Grants to Private Sector					
Futurebuilders		1,426		2,641	
v		44,235		47,006	
Strategic Programme		5,739		5,827	
Participation		3,021		5,302	
Grassroots Grants and Targeted Support Fund		28,575		23,279	
Social Enterprise		948		400	
Public Service Delivery		743		1,478	
Compact		303		305	
Charity Act Implementation		-		25	
Hardship Fund		16,920		-	
Other		795		2,378	
Resource Grants to Central Government Bodies					
Youth Volunteering		-		331	
Participation		1,000		-	
Social Enterprise		1,975		2,109	
Public Service Delivery		100		200	
Charity Act Implementation		223		215	
Other		2,555		1,200	
Capital Grants to Local Authorities					
Government Security Zone		-		10,696	
Community Assets		12,191		2,597	
Capital Grants to Private Sector					
Futurebuilders		50,383		16,337	
Community Assets		3,869		775	
Grassroots Grants and Targeted Support Fund		18,565		4,273	
Capital Grants to NDPBs and other Central Government Bodies					
Participation		5,000		-	
Grants-in-Aid to Civil Service Welfare Bodies		2,097		1,579	
Grants-in-Aid to Private Sector					
v		4,500		5,000	
Youth Volunteering		1,060		1,040	
Participation		5,407		5,421	
Chequers Trust		812		855	
Grants-in-Aid to Executive Non-Departmental Public Bodies					
Capacitybuilders		39,377		30,178	
Compact		1,992		1,800	
Total resource and capital grants	3		**255,726**		**174,924**
Total near-cash items			**308,616**		**242,710**
Non-cash items					
Depreciation	14	4		530	
Amortisation	15	-		1,115	
Impairment- PPE	14	2,268		248	
Impairment write back – Intangible assets	15	(3,447)		-	

	Note				
Cost of capital charges		95		649	
Write off assets under construction	14,15	-		24,388	
Total non-cash items			**(1,080)**		**26,930**
Total			**307,536**		**269,640**

[1] PFI service charge for 2008-09 is included in the hire of plant and machines since the amount cannot be derived or inferred. See Note 10 to the Resource Accounts.

11.1 Near cash costs analysed by programme

	Note	2009-10 £000	2009-10 £000	2008-09 £000	2008-09 £000
PFI service charges	3		**4,213**		-
Intelligence, Security and Resilience Group					
SCOPE Programme		1		5,968	
Government Security Zone:					
Capital Grants		-		10,696	
Other expenditure		965		1,147	
Information Assurance Technical Programme		1,726		12,794	
Electronic Communications Assurance Programme		860		1,282	
Resilient Telecommunications		3,472		3,341	
BBC Monitoring		24,610		24,600	
Gold Standard		133		1,388	
Emergency Planning College		673		740	
Civil Contingencies Secretariat:					
London Fire and Emergency Planning Authority		606		606	
Research and Doctrine		170		227	
Cyber Security		64		-	
Total Intelligence, Security and Resilience Group			**33,280**		**62,789**
Office of the Government CIO & SIRO					
Common Good Information Assurance Research					
Other expenditure		5,004		5,000	
Government Cloud					
Other expenditure		330		-	
Public Service Network					
Other expenditure		308		-	
Total Office of the Government CIO & SIRO			**5,642**		**5,000**
Domestic Policy Group					
Getting There First					
Resource Grants		240		-	
SMEs in the Community					
Resource Grants		50		-	
Young Foundation					
Resource Grants		92		-	
Total Domestic Policy Group			**382**		**-**
Office of the Third Sector					
Capacitybuilders:					
Grant-in-Aid		39,377		30,178	
Other expenditure		-		57	
Futurebuilders:					
Resource Grants		1,426		2,641	
Capital Grants		50,383		16,337	
Other expenditure		5,101		4,543	
v:					
Resource Grants		44,235		47,006	
Grant-in-Aid		4,500		5,000	
Youth Volunteering:					
Resource Grants		-		331	
Grant-in-Aid		1,060		1,040	
Strategic Programme:					
Resource Grants		5,739		5,827	
Other expenditure		-		14	
Participation:					
Resource Grants		4,021		5,302	
Capital Grants		5,000		-	
Grant-in-Aid		5,407		5,421	
Other expenditure		563		1,227	
Community Assets:					
Capital Grants		16,060		3,372	
Other expenditure		439		880	
Grassroots Grants and Targeted Support Fund:					

Resource Grants	28,575		23,279	
Capital Grants	18,565		4,273	
Other expenditure	1,221		988	
Social Enterprise:				
Resource Grants	2,923		2,509	
Other expenditure	284		379	
Risk Capital Fund for Social Enterprise:				
Other expenditure	57		42	
Public Service Delivery:				
Resource Grants	843		1,678	
Other expenditure	929		467	
Compact:				
Resource Grants	303		305	
Grant-in-Aid	1,992		1,800	
Other expenditure	(1)		3	
Invest to Save Bid Projects:				
Resource Grants	927		1,071	
Charity Act Implementation:				
Resource Grants	223		240	
Other expenditure	188		143	
Hardship Fund:				
Resource Grants	16,920		-	
Other expenditure	737		1	
Other:				
Resource Grants	3,350		3,548	
Other expenditure	482		985	
Total Office of the Third Sector		**261,829**		**170,887**
Transformational Government				
Connecting People	-		802	
Total Transformational Government		**-**		**802**
Other				
Resource Grants	-		30	
Grant-in-Aid	2,909		2,434	
Other expenditure	361		768	
Total Other		**3,270**		**3,232**
Total near-cash costs		**308,616**		**242,710**

Notes

Intelligence, Security and Resilience Group

SCOPE Programme – IT system similar to COIN worked between the Intelligence Agencies. Scope 2 was abandoned in 2008-09.

Government Security Zone – A programme to deliver improved protective security measures in the Whitehall area.

Information Assurance Technical Programme - The IATP is a Ministry of Defence (MOD)/Communications-Electronics Security Group (CESG) portfolio programme to develop a range of information assurance capabilities to support cross-departmental requirements.

Electronic Communications Assurance Programme - UK secure communications.

Resilient Telecommunications - A programme to provide resilient communications to Public Authorities.

BBC Monitoring - Purchase of subscriptions services for the supply of news, information and comment from worldwide media.

Gold Standard is aimed at strategic decision makers operating in a multi-agency context. It brings together people, technologies and procedures to provide multi-agency command teams with the training and validation necessary to manage effectively a major emergency.

The Emergency Planning College provides a programme of training for emergency preparedness, aimed at those with responsibility for preventing, planning for, responding to or recovering from a major incident.

Civil Contingencies Secretariat provides a grant to support the London Fire and Emergency Planning Authority (LFEPA) towards expenditure lawfully incurred or to be incurred by it in connection with its functions under the Civil Contingencies Act 2004.

Research and Doctrine – A programme of independent research for the Civil Contingencies Secretariat.

Cyber Security – Protecting cyber space and enhancing cyber security in the UK.

Office of the Government Chief Information Officer (CIO) and Senior Information Risk Owner (SIRO)

Common Good Information Assurance Research – Core funding for Information Assurance Research at Communications-Electronics Security Group (CESG).

The **Government Cloud (G-Cloud)** programme encompasses the G-Cloud, Application Store for Government (ASG) and Data Centre Consolidation strategy strands. The G-Cloud Programme will transform the way ICT is delivered across the Public Sector, through introducing shared, re-usable ICT services that will be used by multiple public sector organisations, giving rise to financial savings, environmental benefits and enabling the faster and more effective delivery of enhanced services to citizens and employees. The programme receives support from numerous other major government departments both through funding (totalling £372,000 in contributions towards running the project) and through voluntary manpower.

The aim of the **Public Sector Network** (PSN) programme is to create a network of networks providing secure fixed and mobile communications operating to common standards. The whole Public Sector (e.g. the Government Secure Intranet and Managed Telephony System) will be fully operational on PSN services by 2020. The Public Sector Network strategy will generate a single telecommunications service supporting email, telephony and other services (e.g. video conferencing) along with a supporting network. It will take the procurement of network services into the 21st century, by creating a centrally managed standard design to save time and money and enable the easier, yet more secure, sharing of services and information.

Domestic Policy Group

The Innovators Council provided grant funding for each of the following projects in financial year 2009-10 for spend and full evaluation in financial year 2010-11.

Getting There First
Total: £240,000 (£120,000 for each authority)
To test at Southwark and Barking & Dagenham the importance of flexibility in supporting different segments of the population through and out of the Global recession, as well as the potential for public services to be much more creative in how they think about supporting individuals and communities.

SMEs in the Community
Total: £50,000 (£50,000 for the University of Hertfordshire)
To explore how the use of predictive scoring and modelled data can inform the direction of enterprise support for economically and socially excluded groups. The study will look at the local community and its business base to identify those in greatest need (e.g. the 500 most deprived families in Hertfordshire). The University will establish an Enterprise Academy to offer a route to economic activity by providing options for further learning, jobs and voluntary activity that leads to employment.

Young Foundation
Total: £92,000 comprising £75,000 (£25,000 for each authority) and £17,000 has been provided separately to South Tyneside for them to tender a full evaluation of the work undertaken by the three authorities.

To test a number of innovative ways to develop very local partnerships between services and communities in Essex, South Tyneside and Barnsley around five emerging themes: local innovation brokers; community dividends; maximising the use of public assets; new local and national performance measures; and improved local partnerships. Full details of the projects can be found at www.hmg.gov.uk/innovation

Office of the Third Sector

Capacitybuilders - To help third sector organisations work more effectively in delivering high quality, collaborative and sustainable sector support services and representation. In 2009-10 this also includes the Capacitybuilders element of the Real Help for Communities Modernisation Fund supporting third sector organisations to access specialist services in order to become resilient and efficient in the recession. This programme is delivered through an executive non-departmental public body (eNDPB), Capacity Builders (UK) Limited.

Futurebuilders provides new investment via grants and loans for third sector organisations delivering public services. In 2009-10 this also includes the Futurebuilders element of the Real Help for Communities Modernisation Fund supporting third sector organisations to access specialist services in order to become resilient and efficient in the recession. Futurebuilders is managed under an agreement between the Minister for the Cabinet Office and Futurebuilders England Fund Management Limited which is under the ownership of the Adventure Capital Fund (ACF). ACF was accountable to the Minister for the propriety and efficiency of the Fund.

v - Project funded by the Office of the Third Sector aimed at encouraging volunteering and increasing the number of opportunities for young volunteers. **v** are an independent charity established by the then government on 8th May 2006. **v** will deliver the recommendations of the Russell Commission published in March 2005 to create a step change in the quantity, quality and diversity of youth volunteering opportunities, with a vision of having one million more young volunteers within five years. Under a tri-partite agreement between Her Majesty's Treasury, Cabinet Office and **v**, the Treasury will match fund money **v** raises from the private sector on a pound-for-pound basis.

Youth Volunteering - To provide a step change in the quality, quantity and diversity of volunteering opportunities available to young people.

Strategic Programme - Grants to third sector organisations to enable greater voice and engagement in policy development.

Participation - Grant schemes, including strategic grants aimed at local community, volunteering and charitable giving organisations.

Community Assets - The fund provides grants for refurbishment of local authority buildings, to ensure that high-quality spaces and facilities are transferred to third sector ownership.

Grassroots Grants and the Targeted Support Fund - Grants to support the activities of small and local community groups. The Targeted Support Fund is an additional Real Help for Communities fund delivered through some of the Grassroots Grants local funder network. The Targeted Support Fund provides grant funding to small and medium providers in areas most at risk for deprivation.

Social Enterprise - Funding to enable action to be taken to address barriers to the growth of social enterprises and identify and spread good practice for the sector.

Risk Capital Fund for Social Enterprise – Risk capital investments in social enterprises through the Office of the Third Sector partnership with Bridges Ventures Limited.

Public Service Delivery - Enabling better service delivery by the third sector and the sharing of innovation and good practice.

Compact - To enable the government and the sector to improve their relationship for mutual advantage and community gain. This programme is delivered through an eNDPB, Commission for the Compact Limited.

Invest to Save Bid (ISB) Projects - A joint Treasury/Cabinet Office initiative with an aim to create sustainable improvements in the capacity of third sector organisations to deliver public services in a more joined up manner.

Charity Act Implementation - Implementation of the Charities Act which will enable charities to administer themselves more efficiently, improve the regulation of charity fundraising, provide a clear definition of charity and modernise the Charity Commission's functions and powers as regulator.

Hardship Fund - Real Help for Communities funding for third sector organisations that are suffering financial hardship that is impacting on their ability to deliver services in health and social care, housing support, education and training, and advice, information and guidance.

Transformational Government

Connecting People is a programme of small, innovative projects to pilot technologies for collaborative working and knowledge sharing within the Civil Service. It takes forward discussion and ideas raised at Civil Service Live 08.

12. Income

	2009-10 £000	2008-09 £000
Administration		
Central management of Principal Civil Service Pension Scheme	9,862	10,034
Civil Service Pensions Transformation Project	5,817	-
Services of the Office of the Parliamentary Counsel	11,815	12,342
Rental income on freehold properties	989	2,634
Emergency Planning College events	3,033	3,560
Departmental Capability Reviews	1,157	1,800
Fast Stream	2,220	2,250
Government Gateway Strategic Support Programme	2,860	2,360
Employee Engagement Programme	1,615	-
Iraq Inquiry	1,450	-
Various cost recoveries	5,768	2,007
Income payable to the Consolidated Fund	14	2
	46,600	**36,989**
Programme		
Intelligence, Security and Resilience Group		
SCOPE Programme	45	5,348
Government Security Zone	153	5,710
Information Assurance Technical Programme	-	8,050
Gold Standard	36	10
Office of the Third Sector		
Other	500	109
Office of the Government CIO & SIRO		
Government Cloud	372	-
Public Service Network	330	-
Various cost recoveries	2	-
Income payable to the Consolidated Fund	389	866
	1,827	**20,093**
Total	**48,427**	**57,082**

Notes on sources of income and cost sharing arrangements

Employers are responsible for the day-to-day administration of the **Principal Civil Service Pension Scheme (PCSPS)** / Civil Service Compensation Scheme (CSCS) and meet the associated costs from their running cost provision. An element of the accruing superannuation liability charge, paid by employers, is appropriated in aid of the Cabinet Office to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by scheme administrators and the publication of explanatory scheme material.

The Civil Service Pensions Transformation Project is looking at the management and delivery of Civil Service Pensions with a view to centralising the administration and payment of the pensions from the current structure of 9 APACs, in various locations across the country, and Capita, who currently pay the pensions, to a single central operation.

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). Two-thirds of the cost of the OPC is funded by the Cabinet Office with the balance coming from the largest users of the OPC's services.

The Emergency Planning College operates a charging regime for a programme of prospectus, non-prospectus, commercial and international events held on and off site.

The Departmental Capability Reviews programme is part of the wider Civil Service reform agenda. The Programme is funded by the government departments that have been reviewed.

The **Fast Stream** is an accelerated development graduate entry programme to the civil service with the objective of being a feeder route to the senior civil service. The Cabinet Office leads on the policy and designs, develops and runs a number of Fast Stream schemes each year including the Graduate Fast Stream Scheme, the Economic Fast Stream Scheme, the Statistical Fast Stream Scheme, the Technology in Business Fast Stream Scheme, the HR Fast Stream Scheme and the In-Service Fast Stream Scheme. All government departments participate in the schemes and they contribute towards the costs incurred by the Cabinet Office for marketing, recruitment and assignment.

The e-Delivery Team (eDT), part of Transformational Government (TGov) put in place a regime where the Department for Work and Pensions (DWP), HM Revenue and Customs and Communities and Local Government departments have signed a concordat to share a cost of £90 million for **Government Gateway Strategic Support Programme (GGSSP)** from 1 April 2006 to 31 March 2011. This was originally funded by the Cabinet Office and the cost would be recouped from the stakeholders. eDT, moved from TGov to DWP on 1 April 2008 under a Machinery of Government transfer and the funds are now to be recouped from DWP in respect of Cabinet Office's funding of GGSSP assets for current infrastructure and prior investments.

The **Employee Engagement Programme** is the support and co-ordination, by the Cabinet Office, of local employee engagement projects across the Civil Service. The Programme Team manages the policy by delivering a joined-up approach to this core People Management function; in particular the Civil Service People Survey (CSPS). 95 government departments and agencies are participating in the Programme in 2009-10 and they fully share the costs incurred by the Cabinet Office for its contract with the external supplier, ORC International, to deliver the CSPS. Cost recovery is also carried out in respect of the procurement activity (for the external supplier) that was undertaken in early 2009 as well as the additional staffing costs for the Programme Team.

The sum of £1,450,000 was received from Department for International Development (DFID), Ministry of Defence (MOD) and Foreign & Commonwealth Office (FCO) as a contribution toward the 2009-10 costs of the **Iraq Inquiry**.

Contributions to the cost of the **Government Security Zone** programme are met by twelve government departments to reflect the benefits accruing to them from the work undertaken.

13. Analysis of net operating cost by spending body

		2009-10 £000	2008-09 Restated £000
	Estimate	**Outturn**	**Outturn**
Spending body:			
Core Department	218,845	199,325	233,518
Capacity Builders (UK) Limited (eNDPB)	39,377	39,377	30,178
Commission for the Compact Limited (eNDPB)	2,000	1,992	1,800
Total grants to local authorities	606	14,106	14,970
Total grants to other bodies	214,377	200,251	127,976
Net Resource Requirement/ Net Operating Cost	**475,205**	**455,051**	**408,442**

14.1 Property, plant and equipment

	Land	Buildings	Dwellings	Information Technology	Plant & Machinery	Furniture & Fittings	Art & Antiques	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2009[1]	**39,535**	**104,249**	**27,019**	**15,171**	**6,489**	**1,982**	**10,289**	**3,756**	**208,490**
Additions	-	4,282	-	1,275	(124)	55	-	9,597	15,085
Donations	-	-	-	-	-	-	58	-	58
Disposals[2]	-	(4,086)	-	(442)	(1,531)	(1,278)	(217)	-	(7,554)
Transfers out[3]	-	-	-	(3,363)	-	-	-	-	(3,363)
Impairment Administration[4]	(659)	(3,491)	(1,469)	(532)	-	-	-	-	(6,151)
Impairment Programmme[5]	-	-	-	(2,268)	-	-	-	-	(2,268)
Reclassifications	(952)	9,688	-	72	-	-	-	(8,808)	-
Revaluations[4]	(1,911)	(5,548)	(785)	-	-	17	122	-	(8,105)
At 31 March 2010	**36,013**	**105,094**	**24,765**	**9,913**	**4,834**	**776**	**10,252**	**4,545**	**196,192**
Depreciation									
At 1 April 2009[1]	**-**	**4,803**	**-**	**5,096**	**3,501**	**1,654**	**-**	**-**	**15,054**
Charged in year	-	3,853	871	2,370	764	211	-	-	8,069
Disposals[2]	-	(4,086)	-	(442)	(1,531)	(1,278)	-	-	(7,337)
Transfers out[3]	-	-	-	(1,332)	-	-	-	-	(1,332)
Impairment Administration[4]	-	1,787	-	(189)	22	-	-	-	1,620
Impairment Programmme[5]	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations[4]	-	(1,432)	(11)	-	-	13	-	-	(1,430)
At 31 March 2010	**-**	**4,925**	**860**	**5,503**	**2,756**	**600**	**-**	**-**	**14,644**
Net book value at 31 March 2010	**36,013**	**100,169**	**23,905**	**4,410**	**2,078**	**176**	**10,252**	**4,545**	**181,548**
Net book value at 31 March 2009 Restated	**39,535**	**99,446**	**27,019**	**10,075**	**2,988**	**328**	**10,289**	**3,756**	**193,436**
Asset financing:									
Owned	36,013	100,169	23,905	3,152	2,078	176	10,252	4,545	180,290
On-Statement of Financial Position PFI contract	-	-	-	1,258	-	-	-	-	1,258
Net book value at 31 March 2010	**36,013**	**100,169**	**23,905**	**4,410**	**2,078**	**176**	**10,252**	**4,545**	**181,548**

[1] Restated opening balances.
[2] Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.
[3] Delivery of the SCOPE programme ceased in 2008-09. The programme's assets were transferred to other government bodies.
[4] Impairment and 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.
[5] Prior to transfer to other government bodies the Scope programme's property, plant and equipment assets were impaired to reflect a change in their fair value following an independent valuation.

14.2 Property, plant and equipment

	Land £000	Buildings £000	Dwellings £000	Information Technology £000	Plant & Machinery £000	Furniture & Fittings £000	Art & Antiques £000	Payments on Account & Assets under Construction £000	Total £000
Cost or valuation									
At 1 April 2008[1]	**53,730**	**118,909**	**14,400**	**8,901**	**7,350**	**3,530**	**10,239**	**30,620**	**247,679**
IFRS additions	-	-	-	1,123	-	-	-	-	1,123
Additions	-	138	-	1,111	235	18	-	6,761	8,263
Donations	-	-	-	-	-	-	57	-	57
Disposals[2]	(2)	(1,548)	-	(1,149)	(1,043)	(1,601)	(7)	-	(5,350)
Impairment[3]	(312)	(1,164)	-	(371)	-	-	-	-	(1,847)
Reclassifications	-	5,301	-	5,621	-	-	-	(10,922)	-
Revaluations[3]	(13,881)	(17,387)	12,619	(65)	(53)	35	-	-	(18,732)
Write off[4]	-	-	-	-	-	-	-	(22,703)	(22,703)
At 31 March 2009	**39,535**	**104,249**	**27,019**	**15,171**	**6,489**	**1,982**	**10,289**	**3,756**	**208,490**
Depreciation									
At 1 April 2008[1]	**-**	**15,796**	**502**	**4,112**	**3,820**	**2,867**	**-**	**-**	**27,097**
Charged in year	-	3,635	172	2,406	750	359	-	-	7,322
Disposals[2]	-	(1,548)	-	(1,149)	(1,043)	(1,601)	-	-	(5,341)
Impairment[3]	-	(37)	-	(198)	(1)	-	-	-	(236)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations[3]	-	(13,043)	(674)	(75)	(25)	29	-	-	(13,788)
Write off[4]	-	-	-	-	-	-	-	-	-
At 31 March 2009	**-**	**4,803**	**-**	**5,096**	**3,501**	**1,654**	**-**	**-**	**15,054**
Net book value at 31 March 2009 Restated	**39,535**	**99,446**	**27,019**	**10,075**	**2,988**	**328**	**10,289**	**3,756**	**193,436**
Net book value at 1 April 2008 Restated	**53,730**	**103,113**	**13,898**	**4,789**	**3,530**	**663**	**10,239**	**30,620**	**220,582**
Asset financing:									
Owned	39,535	99,446	27,019	9,160	2,988	328	10,289	3,756	192,521
On-Statement of Financial Position PFI contract	-	-	-	915	-	-	-	-	915
Net book value at 31 March 2009	**39,535**	**99,446**	**27,019**	**10,075**	**2,988**	**328**	**10,289**	**3,756**	**193,436**

[1] Restated opening balances.
[2] Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.
[3] Impairment and 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.
[4] SCOPE programme ceased in 2008-09 and assets were written out of the books.

Notes

VALUATION

Land and Buildings and Dwellings

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, valued London properties on the basis of fair value as at 31 March 2009 as follows: 22-26 Whitehall £45 million, Admiralty Arch £28.6 million, Admiralty House £12.5 million, 36 Whitehall £7.8 million, 10-12 Downing Street £28.75 million, 70 Whitehall £27 million and the Civil Service Club £3.175 million. Due to the unusual nature of the size, location and property categories, valuations of 10-12 Downing Street and Admiralty Arch are subject to valuation uncertainty.

The Valuation Office Agency (VOA), independent chartered surveyors, valued the site of the Hannington Radio Mast, Hampshire on the basis of fair value as at 31 March 2009. The valuation was £2.3 million.

The Valuation Office Agency (VOA), independent chartered surveyors, valued the Emergency Planning College Estate, The Hawkhills, Easingwold, near York as at 30 June 2009 on the basis of fair value. The valuation was £3.5 million.

All surveyors are members of the Royal Institute of Chartered Surveyors (RICS).

Art and Antiques

Sotheby’s valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall Estate in Summer 2005 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 Hawkhills, Easingwold, near York on 5 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 June 2005 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 HM Treasury.

DONATED ASSETS

Land and Buildings £2.887 million (2008-09: £3.175 million)

The Civil Service Club has been recognised as a donated asset and its value credited to the donated asset reserve with effect from 31 March 2004. 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.

Art and Antiques £0.860 million (2008-09: £0.898 million)

Gifts to past and present Prime Ministers and items gifted to the Emergency Planning College, The Hawkhills, Easingwold near York are treated as donated assets within Art and Antiques and their value credited to the donated asset reserve.

ASSETS UNDER CONSTRUCTION

Included within assets under construction of £4.545 million (2008-09: £3.756 million) are:
£3.826 million (2008-09: £3.330 million) spent on refurbishment to Whitehall properties which has yet to be completed;
£NIL million (2008-09: £0.017 million) spent on developments at the Emergency Planning College facilities based in York; and
£0.719 million (2008-09: £0.409 million) spent on IT hardware and software developments which have yet to be completed.

PLANT AND MACHINERY

Included within Plant and Machinery are motor vehicles with a net book value of £2,727 (2008-09: £4,235).

LEASEHOLD IMPROVEMENTS

Included within Land and Buildings are improvements with a net book value of £2.625 million (2008-09: £4.888 million) relating to leasehold properties in London at 35 Great Smith Street, Stockley House, 67 Tufton Street and 9 Whitehall.

15.1 Intangible assets

Intangible assets comprise purchased software licences, SCOPE and software development expenditure.

	Purchased Software Licences £000	IT Software £000	Assets under Construction £000	Total £000
Cost or valuation[1]				
At 1 April 2009[2]	**832**	**7,540**	**21**	**8,393**
Additions	-	252	-	252
Donations	-	-	-	-
Disposals[3]	(268)	-	-	(268)
Transfers out[4]	-	(6,616)	-	(6,616)
Impairment Administration[5]	-	(404)	-	(404)
Impairment Programmme[6]	-	3,441	-	3,441
Reclassifications	-	-	-	-
Revaluations[5]	-	-	-	-
At 31 March 2010	**564**	**4,213**	**21**	**4,798**
Amortisation				
At 1 April 2009[2]	**640**	**3,625**	**-**	**4,265**
Charged in year	71	1,260	-	1,331
Disposals[3]	(268)	-	-	(268)
Transfers out[4]	-	(2,224)	-	(2,224)
Impairment Administration[5]	-	(151)	-	(151)
Impairment Programmme[6]	-	(6)	-	(6)
Reclassifications	-	-	-	-
Revaluations[5]	-	-	-	-
At 31 March 2010	**443**	**2,504**	**-**	**2,947**
Net book value at 31 March 2010	**121**	**1,709**	**21**	**1,851**
Net book value at 31 March 2009 Restated	**192**	**3,915**	**21**	**4,128**

[1] Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available.
[2] Restated opening balances.
[3] Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.
[4] Delivery of the SCOPE programme ceased in 2008-09. The programme's assets were transferred to other government bodies.
[5] Impairment and 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.
[6] Prior to transfer to other government bodies the Scope programme's assets were independently valued. As a result the prior year impairment loss was reversed to the extent that the original loss was recognised in the Operating Cost Statement.

15.2 Intangible assets

	Purchased Software Licences £000	IT Software £000	Assets under Construction £000	Total £000
Cost or valuation[1]				
At 1 April 2008[2]	**965**	**6,571**	**3,177**	**10,713**
Additions	191	1,009	21	1,221
Donations	-	-	-	-
Disposals[3]	(324)	(1,181)	-	(1,505)
Impairment[4]	-	(135)	-	(135)
Reclassifications	-	1,492	(1,492)	-
Revaluations[4]	-	(216)	-	(216)
Write off[5]	-	-	(1,685)	(1,685)
At 31 March 2009	**832**	**7,540**	**21**	**8,393**
Amortisation				
At 1 April 2008[2]	**936**	**3,205**	**-**	**4,141**
Charged in year	28	1,713	-	1,741
Disposals[3]	(324)	(1,181)	-	(1,505)
Impairment[4]	-	(58)	-	(58)
Reclassifications	-	-	-	-
Revaluations[4]	-	(54)	-	(54)
Write off[5]	-	-	-	-
At 31 March 2009	**640**	**3,625**	**-**	**4,265**
Net book value at 31 March 2009 Restated	**192**	**3,915**	**21**	**4,128**
Net book value at 31 March 2008 Restated	**29**	**3,366**	**3,177**	**6,572**

[1] Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available.
[2] Restated opening balances.
[3] Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.
[4] Impairment and 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.
[5] SCOPE programme ceased in 2008-09 and assets were written out of the books.

16. Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The 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 minor 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. See Note 16.1 and 29.

16.1 Financial assets

The Department's investments represent loans to the London Hostels Association and the Bridges Social Entrepreneurs Fund LP which invests in social enterprises.

	Civil Service Sports Council Loan £000	London Hostels Association Loan £000	Bridges Social Entrepreneurs Fund Loan £000	Total £000
Balance at 1 April 2008	8	384	-	392
Loan repayments	(8)	(20)	-	(28)
Balance at 31 March 2009	**-**	**364**	**-**	**364**
Balance at 1 April 2009	-	364	-	364
Additions	-	-	662	662
Impairment	-	-	-	-
Loan repayments	-	(20)	-	(20)
Balance at 31 March 2010	**-**	**344**	**662**[1]	**1,006**

[1] For information on commitments, see Note 29.

The Department's share of the assets and results of the above bodies is as summarised below:

	Civil Service Sports Council Loan £000	London Hostels Association Loan £000	Bridges Entrepreneurs Fund Loan £000
Net assets at 1April 2008	-	-	-
Turnover	-	-	-
Surplus for the year (before financing)	-	-	-
Net assets at 31 March 2009	-	-	-
Turnover	-	-	-
Surplus for the year (before financing)	-	-	-
Net assets at 31 March 2010	-	-	572[1]
Turnover	-	-	-
Surplus for the year (before financing)	-	-	-

[1] Net assets include £34,036 which was the subject of a drawdown request dated 24 March 2010 to settle management fees for the period 1 April 2010 to 30 June 2010. The amount of £34,036 is not included in the total additions figure of £661,895 as it was paid on 12 April 2010 under the terms of the Limited Partnership Agreement. The loan has not been impaired in 2009-10 given that the Fund was newly established in August 2009.

17. Impairments

	Note	2009-10 £000	2008-09 £000
Charged to Operating Cost:			
Other administration costs – impairment	10	8,024	1,440
Programme costs – impairment	11	2,268	248
Programme costs – write(back)/ off assets under construction	11	(3,446)	24,388
		6,846	**26,076**
Taken through revaluation reserve		6,558	15,955
Taken through donated assets reserve		238	870
Total		**13,642**	**42,901**

Impairments taken through reserves relate to a fall in property values.

18. Assets classified as held for sale

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 Restated £000
Land and buildings	-	5,740	5,740
Total carrying amount	**-**	**5,740**	**5,740**

The asset comprised properties at 49, 50, 52 and 53 Parliament Street. The premises consisted of predominantly office accommodation on part of the ground and each of the four upper floors with two ground floor retail units and ancillary basement space.

Strutt & Parker, independent chartered surveyors, valued the property as at 31 March 2008 on the basis of open market value, since the property became surplus to requirement. The valuation was £5.74 million. The asset ceased to be depreciated from this date. The value was unchanged at 31 March 2009. The asset was initially expected to be sold during the financial year 2008-09. However, delays arose in finalising an agreed valuation for the transfer of the building within the public sector. A price was agreed in August 2009 and the sale was completed before 31 March 2010.

19. Inventories

	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 1 April 2008 £000
Insignia	461	493	523
Total	**461**	**493**	**523**

20. Trade receivables and other assets

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 Restated £000
Current			
VAT	1,656	1,859	2,196
Trade receivables	13,414	5,516	1,989
Deposits and advances	533	509	490
Other receivables	422	224	134
Prepayments and accrued income	6,746	5,507	8,038
Amounts due to the Consolidated Fund in respect of Supply	-	-	3,747
Current part of PFI prepayment	1,640	5,407	747
	24,411	**19,022**	**17,341**
Non-current			
Deposits and advances	27	-	-
Non-current part of PFI prepayment	2,050	-	-
	2,077	**-**	**-**
Total	**26,488**	**19,022**	**17,341**

Included within Other receivables is £265,587 (2008-09: £216,368) that will be due to the Consolidated Fund once the debts are collected.

The current and non-current part of PFI prepayments of £3.690 million (2008-09: £5.407 million and 2007-08 £0.747 million) represents milestone payments under a service concession arrangement to provide infrastructure assets for use in delivering public services. See Note 27.

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:

	2009-10 £000	2008-09 £000
At 1 April	61	79
Charge for the year	70	(1)
Amounts written off	-	(9)
Unused amounts reversed	(1)	(8)
At 31 March	**130**	**61**

The analysis of trade receivables that were past due but not impaired is as follows:

	2009-10 £000	2008-09 £000
Neither past due nor impaired	10,953	3,758
Past due but not impaired		
< 30 days	290	346
30 – 60 days	345	1,186
60 – 90 days	289	93
90 – 120 days	365	54
> 120 days	1,302	140
At 31 March	**13,544**	**5,577**

20.1 Intra-government balances

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 Restated £000
Current			
Balances with other central government bodies	13,826	7,260	10,811
Balances with local authorities	75	3,044	1,982
Balances with NHS Trusts	13	51	33
Balances with public corporations and trading funds	924	55	25
***Subtotal:* intra- government balances**	**14,838**	**10,410**	**12,851**
Balances with bodies external to government	9,573	8,612	4,490
Total	**24,411**	**19,022**	**17,341**

	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 1 April 2008 £000
Non-current			
Balances with other central government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with NHS Trusts	-	-	-
Balances with public corporations and trading funds	-	-	-
***Subtotal:* intra- government balances**	**-**	**-**	**-**
Balances with bodies external to government	2,077	-	-
Total	**2,077**	**-**	**-**

21. Cash and cash equivalents

	Total £000
Balance at 1 April 2008	74,008
Net change in cash and cash equivalent balances	(65,356)
Balance at 31 March 2009	**8,652**
Net change in cash and cash equivalent balances	6,878
Balance at 31 March 2010	**15,530**

	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 1 April 2008 £000
The following balances were held at:			
Office of HM Paymaster General	15,229	8,295	73,803
Commercial banks and cash in hand	301	357	205
Total	**15,530**	**8,652**	**74,008**

22. Trade payables and other liabilities

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 £000
Current			
Other taxation and social security	1,990	2,093	1,891
Trade payables	2,553	1,026	342
Other payables	1,260	1,209	1,217
Accruals and deferred income	30,404	44,613	34,555
Current part of imputed finance lease element of on-Statement of Financial Position PFI contract	-	493	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	15,393	8,000	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
Received	137	652	77,755
Receivable	266	216	114
Total	**52,003**	**58,302**	**115,874**

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 £000
Non-current			
Imputed finance lease element of on-Statement of Financial Position PFI contract	-	630	-
Total	**-**	**630**	**-**

22.1 Intra-government balances

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 £000
Current			
Balances with other central government bodies	26,098	28,882	90,224
Balances with local authorities	711	1,660	207
Balances with NHS Trusts	-	14	13
Balances with public corporations and trading funds	3,734	1,529	1,587
***Subtotal:* intra- government balances**	**30,543**	**32,085**	**92,031**
Balances with bodies external to government	21,460	26,217	23,843
Total	**52,003**	**58,302**	**115,874**

	As at 31 March 2010 £000	As at 31 March 2009 Restated £000	As at 1 April 2008 £000
Non-current			
Balances with other central government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with NHS Trusts	-	-	-
Balances with public corporations and trading funds	-	-	-
***Subtotal:* intra- government balances**	**-**	**-**	**-**
Balances with bodies external to government	-	630	-
Total	**-**	**630**	**-**

23. Provisions for liabilities and charges

	Early Departure Costs	Specific Dilapidations	Total
	£000	£000	£000
Balance at 1 April 2008	**1,415**	**1,774**	**3,189**
Provided in the year	771	1,440	2,211
Provisions not required written back	-	(203)	(203)
Provisions utilised in the year	(1,133)	-	(1,133)
Unwinding of discount	8	-	8
Balance at 1 April 2009	**1,061**	**3,011**	**4,072**
Provided in the year	647	-	647
Provisions not required written back	-	-	-
Provisions utilised in the year	(797)	-	(797)
Unwinding of discount	19	-	19
Balance at 31 March 2010	**930**	**3,011**	**3,941**

Analysis of expected timing of discounted flows

	Early Departure Costs	Specific Dilapidations	Total
	£000	£000	£000
In the remainder of the Spending Review Period (to 2011)	482	424	906
Between 2012 and 2016	438	525	963
Between 2017 and 2021	10	739	749
Thereafter	-	1,323	1,323
Balance at 31 March 2010	**930**	**3,011**	**3,941**

Included in the amounts not expected to be called until after 2021 are:

	Early Departure Costs	Specific Dilapidations	Total
	£000	£000	£000
Amounts not expected to be called until the Period beginning 2021	-	1,323	1,323
Amounts not expected to be called until the Period beginning 2061	-	-	-
Amounts not expected to be called until the Period beginning 2086	-	-	-

23.1 Early departure costs

The 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 this in full when the early retirement programme becomes binding on the Department by establishing a provision for the estimated payments. For 2009-10 the provision for estimated payments was discounted by the HM Treasury pension rate of 1.8 per cent (2008-09: Treasury discount rate of 2.2 per cent) in real terms. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2017.

23.2 Specific dilapidations

The Department leases a number of properties which it is required to bring into a good state of repair at the end of the 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 written-back when there is evidence that it is no longer required The expiry dates of these leases range from April 2010 to February 2027. It is anticipated that most of the expenditure will take place at the end of the lease.

24. Notes to the Statement of Operating Costs by Departmental Strategic Objectives

24.1 Allocation of net costs to departmental strategic objectives

When net operating costs fall under a single objective, they are allocated wholly to that objective; net expenditure that serves more than one objective is allocated in accordance with estimates made by relevant managers within the Department. Central expenditure not specific to individual objectives has been apportioned according to headcount.

Programme grants and other current expenditure net of programme income have been allocated as follows:

	2009-10 £000	2008-09 Restated £000
Strategic Objective 1	33,283	76,774
Strategic Objective 2	3,665	1,918
Strategic Objective 3	261,819	170,267
Strategic Objective 4	4,142	750
Strategic Objective 5	3,774	1,341
Strategic Objective 6	236	48
Total	**306,919**	**251,098**

24.2 Capital employed by Departmental Strategic Objectives at 31 March 2010

Capital employed, which largely relates to office accommodation, has been apportioned according to headcount, which reflects the link between size of operations and the capital employed to manage them.

	2009-10 £000	2008-09 Restated £000
Strategic Objective 1	36,231	40,071
Strategic Objective 2	72,349	65,517
Strategic Objective 3	13,882	13,638
Strategic Objective 4	10,388	13,297
Strategic Objective 5	27,805	28,188
Strategic Objective 6	10,285	8,120
Total	**170,940**	**168,831**

25. Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of capital goods and services. The majority of these relate to investment in the Cabinet Office estate.

	2009-10 £000	2008-09 £000
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	1,395	1,397
Intangible assets	108	252
Total	**1,503**	**1,649**

26. Commitments under leases

26.1 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:

	2009-10 £000	2008-09 Restated £000
Obligations under operating leases comprise:		
Land and Buildings		
Not later than one year	4,006	4,292
Later than one year and not later than five years	13,042	13,857
Later than five years	26,189	29,379
	43,237	**47,528**
Other		
Not later than one year	150	362
Later than one year and not later than five years	94	244
Later than five years	-	-
	244	**606**
Total	**43,481**	**48,134**

26.2 Finance leases

There are no obligations under finance leases.

27. Commitments under PFI contracts

27.1 On-Statement of Financial Position

The provision of Information and Communications Technology (ICT) services to the Cabinet Office includes 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 services include 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 and an imputed lease liability was established.

At 31 March 2009 only multi-functional devices (MFDs) were available for use. The imputed lease liability was £1.123 million. IT desktop equipment was brought into use in March 2010, and a further imputed lease liability of £0.594 million was established. On 31 March 2010 the related prepayments were released to offset the liability in full. Settlement of the imputed lease liability removed all liability for imputed interest payments.

Non-current and current part of PFI prepayment

Milestone payments made to FSL relate to delivery of new equipment and infrastructure for the services. Prepayments of £1.717 million were released to offset the finance lease liability in full. The value of the prepayments at 31 March 2010 was £3.690 million (2008-09-8: £5.407million) of which current £1.640 million and non-current £2.050 million.

The prepayments relating to those assets provided on a non-exclusive basis, such as servers, will be recorded in the operating cost statement as services expenditure over the periods for which those assets are used.

Property, plant and equipment

The assets provided on an exclusive basis and in use at 31 March 2010 were recorded as property, plant and equipment. The net book value of those assets at 31 March 2010 was £1.258 million (2008-09: £0.915 million).

Obligations under imputed finance lease element of on-Statement of Financial Position PFI contract analysed by the period during which payments will be made:

Obligations under imputed finance lease comprise:	2009-10 £000	2008-09 Restated £000
On-Statement of Financial Position PFI contract		
Not later than one year	-	493
Later than one year and not later than five years	-	738
Later than five years	-	-
	-	1,231
Less interest element	-	(108)
Total – see Note 22	**-**	**1,123**

27.2 Charge to the Operating Cost Statement and future commitments

In respect of the Fujitsu ICT contract the total payments to which the Department is committed, analysed by the period during which the payments will be made are as follows:

	2009-10 £000	2008-09 Restated £000
Not later than one year	6,230	7,167
Later than one year and not later than five years	18,986	15,845
Later than five years	-	-
Total	**25,216**	**23,012**

28. Grant commitments – Futurebuilders Programme

The Cabinet Office has the following grant commitments to Futurebuilders England Limited in respect of the Futurebuilders programme as at 31 March 2010:

	2009-10 £000	2008-09 £000
Loans and Guarantees offered		
Futurebuilders	126,652	86,544
Modernisation Fund	7,413	–
	134,065	86,544
Less Loans and Guarantees drawn from funder		
Futurebuilders	(84,434)	(46,267)
Modernisation Fund	(7,413)	–
	(91,847)	(46,267)
Total loan commitments	**42,218**	**40,277**
Grants offered		
Futurebuilders	26,357	19,322
Modernisation Fund	1,092	–
	27,449	19,322
Less Grants drawn		
Futurebuilders	(18,928)	(13,771)
Modernisation Fund	(1,092)	–
Less Utilisation of recycled funds	(158)	–
	(20,178)	(13,771)
Total grant commitments	**7,271**	**5,551**
Grant Commitments Contingent Liability as at 31 March	**49,489**	**45,828**
Contingent Assets as at 31 March	**83,068**	**40,779**

Since its launch in 2004, Futurebuilders has provided loan and grant based finance to support charities, voluntary groups, social enterprises and other third sector organisations to develop their capacity to deliver better public services. The first phase focused on developing services in five key areas: children and young people, community cohesion, crime, health, and education. From 1 April 2008, the second phase opened up the fund to bids from third sector organisations delivering any public service. This Fund is currently closed for new applications.

Futurebuilders has been managed since 1 April 2008 by the Adventure Capital Fund through a wholly owned subsidiary company, Futurebuilders England Fund Management Limited, which is the sole member of Futurebuilders England Limited. The contract runs until 31 March 2011 with the option to extend for up to three years.

Against the fund value, the Cabinet Office has made cumulative grant payments to Futurebuilders England Limited totalling £125.786 million (2008-09: cumulative £73.977 million) and service fees and related payments totalling £9.369 million (2008-09: £4.415 million); see Note 11.1.

In addition to Futurebuilders, Modernisation Fund was another Third Sector Action Plan; 'Real Help for Communities: Volunteers, Charities and Social Enterprises', which was announced in February 2009 for one year only under the same contract. The action plan was an immediate government response to the huge increase in demand that third sector organisations were facing as a result of the recession. Modernisation Fund will help third sector organisations be more resilient to the impact of the economic downturn. It is focused on helping organisations providing services to those worst hit by the recession. During the financial year 2009-10, a fund of £8.505 million was fully paid to Futurebuilders England Limited and consequently, this did not give rise to a contingent liability at 31 March 2010. Part of the £8.505 million was issued as loans by Futurebuilders England Limited and is included in the contingent asset declared at the year-end.

Contingent Liability

The Cabinet Office has a contingent liability which is the undrawn fund; the amount of the fund not yet drawn from the Cabinet Office by Futurebuilders England Limited.

Against the fund value, there are commitments of £49.489 million (2008-09: £45.828 million), as shown in the table above, to Futurebuilders England Limited relating to offers which they have made in respect of grants and loans to future investees. These have been approved by the Futurebuilders Board, where a commitment is measurable and there is reasonable certainty of disbursement. The total amount of loans and guarantees offered £134.065 million and grants offered £27.449 million was accepted by beneficiaries. The loans and grants drawn represent that element of total grant amount drawdown from the Cabinet Office rather than payments by Futurebuilders England Limited to investees and grant recipients. Recycled funds are amounts received, relating to investments, which will be utilised in future new loans and grants. In most cases, a commitment arises where the actual payment of the loan investment takes place over several years after the offer is made because there are important conditions to be met before funds can be disbursed; building projects in particular can take time to be completed.

Contingent Asset

The Cabinet Office has a contingent asset of £83.068 million (2008-09: £40.779 million) in the Futurebuilders Restricted Fund as reported in the 2009-10 accounts of Futurebuilders England Limited. The service agreement contains a novation clause which applies to the Futurebuilders Restricted Fund 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

29. 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 2010:

	2009-10 £000	2008-09 £000
Total loan commitment	3,910	-
Less: Capital and loan drawn down	(662)	-
Total undrawn commitment	**3,248**	**-**

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement dated 21 August 2009 and managed by Bridges Ventures Limited. 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 £9 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 has 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 43.43% share of the Fund.

Due to administrative technicalities, Bridges Social Entrepreneurs Fund LP recognises the Department's commitment at the end of the financial year to be £3,640,534. The total capital commitments to the Fund by all limited partners stands at £8,461,672 as at the end of March 2010. On 31 March, the Fund had its third close increasing its capital commitments to £9 million.

The investment period for the remaining drawdown is currently estimated to end in 2014, but may be extended at the discretion of Bridges Ventures Limited 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 Note 16.1.

For further information see www.bridgesventures.com

30. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to telecommunications resilience development and estate management services. The total payments to which the Department is committed, analysed by the period during which payments will be made, are as follows:

	2009-10 £000	2008-09 Restated £000
Not later than one year	44,794	39,160
Later than one year and not later than five years	54,900	50,211
Later than five years	24,700	15,160
	124,394	**104,531**

31. Contingent liabilities and contingent assets

31.1 Contingent liabilities and contingent assets disclosed under IAS 37

Contingent Asset

The Department is pursuing a claim through legal processes where the outcome is uncertain. The claim is for recovery of monies expended in respect of one element of an information technology programme which has been terminated. The probable value of the contingent asset is in the range of £40-£50 million. The Cabinet Office has adopted a prudent accounting policy with regard to disputed assets. It does not consider it appropriate to make any provision in respect of any pending dispute resolution process. The full information usually required by IAS 37 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the process.

Contingent Liability

On 16 April 2010 the Cabinet Office entered into a management contract with Serco Limited relating to the provision of services to the Emergency Planning College. As at 31 March 2010 it was calculated that a shortfall payment (excess of the Principal Civil Service Pension Scheme (PCSPS) Transfer Liability over the PCSPS Transfer Value) might arise potentially from the staff transfer to Serco under the terms of a draft pension contract. The probable value of this contingent liability will be in the region of £650,000 to £750,000.

There are no other material contingent liabilities or contingent assets for disclosure under IAS 37 at 31 March 2010.

31.2 Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes

There are no other material contingent liabilities at 31 March 2010.

32. Losses and special payments

32.1 Losses statement

The operating cost statement includes the following losses, including write-offs of unrecoverable debts, fruitless payments and losses of stocks or other assets.

	Total number of cases	2009-10 £000	Total number of cases	2008-09 £000
Total	**8**	**5**	**97**	**24,549**

32.2 Special payments

	Total number of cases	2009-10 £000	Total number of cases	2008-09 £000
Total	**15**	**68**	**39**	**118**

33. Related party transactions

The Cabinet Office undertakes the majority of its business with other government departments, public corporations and grant giving bodies. The main recipients of grants from the Cabinet Office in this category in 2009-10 were **v** (an independent charity), Futurebuilders England Limited and Capacity Builders (UK) Limited an executive non-departmental body and the main suppliers to the Cabinet Office were the British Broadcasting Corporation, Ecovert FM Limited, Ministry of Defence and The Communications-Electronics Security Group.

The main customers of the Cabinet Office in 2009-10 were Civil Service Pensions, Department for Work and Pensions, the Ministry of Justice, the Department for Business, Innovation and Skills, the Home Office and Her Majesty's Treasury.

The Cabinet Office paid monies to the Community Development Foundation and The Big Lottery Fund, which act as agents of the Cabinet Office in running programmes on behalf of the Office of the Third Sector.

The Cabinet Office is the sponsor of the non-departmental public bodies shown at Note 34. These bodies are regarded as related parties with which the Department has had various transactions during the year.

The ministerial titles and names of all ministers who had responsibilities for the department during the year are included in the Ministers and Board Members section. No minister, board member, key manager or other related parties had undertaken any material transactions with the Cabinet Office.

The Department's Internal Audit service is provided under a co-sourcing arrangement between the Department for Communities and Local Government (DCLG) and PricewaterhouseCoopers LLP (PwC). Chris Buxton, Director of Internal Audit, was a partner in PwC until the end of December 2009 and was employed by them as a consultant from January 2010. Roger Marsh, Director General, Business Support Group until 31 July 2009, was a senior partner on secondment from PwC. Although the Cabinet Office let a number of contracts with PwC during the year, neither had any involvement with the letting of those contracts.

34. Entities within the departmental boundary

The departmental boundary in this context relates to the boundary of the Departmental Resource Accounts.

Entities within the departmental boundary

Advisory Non-Departmental Public Bodies (ANDPBs)

The Cabinet Office sponsors a number of 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:

Advisory Committee on Business Appointments
Civil Service Appeal Board
Committee on Standards in Public Life
House of Lords Appointments Commission
Main Honours Advisory Committee
Security Commission
Security Vetting Appeals Panel
Senior Salaries Review Body

Third Sector Advisory Body
The report *Ethics and Standards: The Regulation of Conduct in Public Life, Government Response to the Committee's Fourth Report of Session 2006-07 First special Report of Session 2007-08 (HC88 published 21 November 2007)*, recommended that the Cabinet Office show separately in its Accounts and Estimates the cost of each independent Office and the Committee on Standards in Public Life. As a result, the cost of each office is clearly identified at Note 3.

Entities outside the departmental boundary

Executive Non-Departmental Public Bodies (eNDPBs)

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.

Entities outside the departmental boundary are not consolidated for accounting purposes but are consolidated for budgeting purposes. eNDPBs of the Cabinet Office include:

Capacity Builders (UK) Limited

Capacitybuilders is an Executive Non-Departmental Public Body funded by Grant-in-Aid and sponsored by the Office of the Third Sector within the Cabinet Office. Its purpose is to improve the quality of advice and support available to third sector organisations in England.

Capacitybuilders' vision is to help to create a more effective third sector by ensuring that all third sector organisations are able to access high quality support that meets their needs, when they need it. By improving the support available to third sector organisations, the sector will be strengthened, increasing its ability to create a better quality of life for individuals and communities.

It seeks to achieve this by: investing in improvements in the quality of advice and support available to third sector organisations; supporting the provision of resources for support providers at a national level; working with local and regional consortia of support providers to ensure that they collaborate effectively in meeting the needs of third sector organisations; sharing knowledge, resources and best practice to improve the provision of support; ensuring support is inclusive and accessible to all communities; and influencing wider policy and practice relating to the provision of third sector support.

The legal form of Capacitybuilders is a Company Limited by Guarantee; it has not been established in statute. The Capacitybuilders Board comprises the Chair, seven non-executive members, the Chief Executive and the Director of Policy and Programmes.

The Annual Report and Accounts 2008-09 for Capacity Builders (UK) Limited were laid in the House of Commons under reference HC 886. Copies can be found at Companies House (registered company number 05708912).

For further information see: www.capacitybuilders.org.uk

Commission for the Compact Limited

The Commission is an Executive Non-Departmental Public Body and Company Limited by Guarantee funded by Grant-in-Aid from the Cabinet Office. It has been established as an independent body sponsored by the Office of the Third Sector, but working closely with Compact Voice. It has not been established in statute. The current Commissioner for the Compact, Sir Herbert Massie CBE took up his post on 1 April 2008.

The Annual Report and Accounts 2008-09 for the Commission for the Compact Limited were laid in the House of Commons under reference HC 536. Copies can be found at Companies House (registered company number 5932855).

For further information see: www.thecompact.org.uk

35. Events after the reporting period

The following events occurred between 31 March 2010 and 12 July 2010, the point at which these accounts were authorised for issue by the Accounting Officer.

Emergency Planning College

On 16 April 2010, the Cabinet Office outsourced the provision of all services at the Emergency Planning College via a multi-activity management contract with Serco Limited. The contract is for a minimum period of 15 years with expected business outcomes of improved UK resilience and efficiency savings, in respect of reduced operating costs and headcount, to the value of £2.6 million in the first 3 years and potentially as much as £15 million over the full 15-year period, depending on income and profit share. The contract provides for an extension beyond 15 years to a maximum period of 25 years.

Public Service Pensions

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Cabinet Office provides to employees.

Machinery of Government Changes

Staff from Ministry of Justice to join Cabinet Office

On the 27 May 2010, the Prime Minister agreed that responsibility for key aspects of the work on the Programme for Government will transfer from the Secretary of State for Justice to the Deputy Prime Minister, Nick Clegg MP. This implements the previously announced decision that the Deputy Prime Minister will be in charge of political and constitutional reform. To support the Deputy Prime Minister's work, about 50 staff from the Ministry of Justice (MoJ) will be joining the Cabinet Office.

The Deputy Prime Minister will also have policy responsibility for the Electoral Commission, Boundary Commission and Independent Parliamentary Standards Authority.

The Office of Government Commerce to join the Cabinet Office

On the 15 June 2010, the Prime Minister agreed that the responsibility for the Office of Government Commerce (OGC), an independent office of HM Treasury and its Executive Agency, Buying Solutions will transfer from the Chancellor of the Exchequer to the Minister for the Cabinet Office, and the organisations will become part of the Cabinet's Office's Efficiency and Reform Group with immediate effect.

Property functions in the Office of Government Commerce and the Shareholder Executive will combine into a single unit responsible for property efficiency and will be based in the Shareholder Executive within the Department for Business, Innovation and Skills. It will report to Cabinet Office and Treasury Ministers and come under the Efficiency and Reform Group which was announced by the Chancellor, Chief Secretary to the Treasury and the Minister for the Cabinet Office on Monday 24 May 2010. The Efficiency and Reform Group will be led at official level by a new Chief Operating Officer (COO).

The Efficiency and Reform Group will help Cabinet Office and HM Treasury to work in a partnership programme of reform across the Civil Service.

Office for Civil Society

The Office of the Third Sector will become the Office for Civil Society and support the Minister for Civil Society who is based in the Cabinet Office.

36. Corresponding amounts

There were no machinery of government changes during the financial year 2009-10. Corresponding amounts due to the IFRS adjustments are set out at Note 2, First-time adoption of IFRS.

Annex to the Resource Accounts

Data Reporting Tables

The Data Reporting Tables presented in this annex to the Resource Accounts 2009-10 are unaudited.

They comprise:

A. Nine core data tables

Tables 1 - 6 Cabinet Office and Civil Superannuation (Civil Service Pensions)

Tables 7 - 9 Security and Intelligence Agencies

B. Performance data tables

I. PSA/DSO indicator table
II. CSR07 efficiency programme table

C. Table on Public Accounts Committee recommendations

D. Table on complaints to the Parliamentary Ombudsman

A. CORE DATA TABLES

Table 1 Cabinet Office Total Departmental Spending

£'000

	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Resource budget							
Resource DEL							
Cabinet Office	245,219	289,173	288,800	326,779	379,878	353,177	309,138
Total resource budget DEL	**245,219**	**289,173**	**288,800**	**326,779**	**379,878**	**353,177**	**309,138**
Resource AME							
Cabinet Office	-877	-78	-1,369	-188	728	6,715	-1,200
Civil Superannuation (Civil Service Pensions)	5,378,416	5,724,890	6,043,267	7,573,233	7,156,509	7,437,877	9,433,000
Total resource budget AME	**5,377,539**	**5,724,812**	**6,041,898**	**7,573,045**	**7,157,237**	**7,444,595**	**9,431,800**
Total resource budget	**5,622,758**	**6,013,985**	**6,330,698**	**7,899,824**	**7,537,115**	**7,797,769**	**9,740,938**
of which: depreciation	23,489	27,520	24,277	8,352	34,495	16,326	27,526
Capital budget							
Capital DEL							
Cabinet Office	21,751	30,709	30,523	33,072	40,203	102,819	47,887
Total capital budget DEL	**21,751**	**30,709**	**30,523**	**33,072**	**40,203**	**102,819**	**47,887**
Capital AME							
Total capital budget AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total capital budget	**21,751**	**30,709**	**30,523**	**33,072**	**40,203**	**102,819**	**47,887**
Total departmental spending†							
Cabinet Office	242,604	292,284	293,677	351,311	386,314	446,385	328,299
Civil Superannuation (Civil Service Pensions)	5,378,416	5,724,890	6,043,267	7,573,233	7,156,509	7,437,877	9,433,000
Total departmental spending†	**5,621,020**	**6,017,174**	**6,336,944**	**7,924,544**	**7,542,823**	**7,884,262**	**9,761,299**
of which:							
Total DEL	243,481	292,362	295,046	351,499	385,586	446,515	329,499
Total AME	5,377,539	5,724,812	6,041,898	7,573,045	7,157,237	7,437,747	9,431,800

† 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.*

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Spending by local authorities on functions relevant to the department						
Current spending	**39,020**	**49,084**	**54,104**	**60,554**	**57,754**	**63,162**
of which:						
financed by grants from budgets above	19,915	1,373	525	1,744	1,677	1,915
Capital spending						
of which:						
financed by grants from budgets above††	-	-	10,554	5,268	13,293	12,191

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Table 2 Cabinet Office Resource budget DEL and AME

£'000

	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Resource DEL							
Cabinet Office	**245,219**	**289,173**	**288,800**	**326,779**	**379,878**	**353,177**	**309,138**
of which:							
Cabinet Office	245,219	289,173	288,800	326,779	379,878	353,177	309,138
Total resource budget DEL	**245,219**	**289,173**	**288,800**	**326,779**	**379,878**	**353,177**	**309,138**
of which:†							
Pay	91,672	97,468	84,479	88,742	91,936	94,696	90,344
Procurement	63,881	69,331	93,236	109,500	111,003	86,512	79,241
Current grants and subsidies to the private sector and abroad	46,578	94,566	87,867	122,105	136,470	154,100	111,143
Current grants to local authorities	19,915	1,373	525	1,744	1,677	1,915	606
Depreciation	23,489	27,520	24,277	8,352	34,495	9,481	27,526
Resource AME							
Cabinet Office	**-877**	**-78**	**-1,369**	**-188**	**728**	**6,715**	**-1,200**
of which:							
Cabinet Office	-877	-78	-1,369	-188	728	6,715	-1,200
Civil Superannuation (Civil Service Pensions)	**5,378,416**	**5,724,890**	**6,043,267**	**7,573,233**	**7,156,509**	**7,437,877**	**9,433,000**
of which:							
Civil Superannuation (Civil Service Pensions)	5,378,416	5,724,890	6,043,267	7,573,233	7,156,509	7,437,877	9,433,000
Total resource budget AME	**5,377,539**	**5,724,812**	**6,041,898**	**7,573,045**	**7,157,237**	**7,444,592**	**9,431,800**
of which:†							
Pay	23,000	12,500	4,500	-	-	-	-
Procurement	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	6,845	-
Total resource budget	**5,622,758**	**6,013,985**	**6,330,698**	**7,899,824**	**7,537,115**	**7,797,769**	**9,740,938**

† The economic category breakdown of resource budgets only shows the main categories, so may not sum to the total. The breakdown may even exceed the total where further income scores in resource budgets.

Table 3 Cabinet Office Capital Budget DEL and AME

£'000

	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Capital DEL							
Cabinet Office	**21,751**	**30,709**	**30,523**	**33,072**	**40,203**	**102,819**	**47,887**
of which:							
Cabinet Office	21,751	30,709	30,523	33,072	40,203	102,819	47,887
Total capital budget DEL	**21,751**	**30,709**	**30,523**	**33,072**	**40,203**	**102,819**	**47,887**
of which:							
Capital expenditure on fixed assets net of sales†	15,959	16,488	20,688	17,724	9,567	8,921	4,493
Capital grants to the private sector and abroad	5,814	14,242	8,384	16,813	22,871	76,065	43,414
Net lending to private sector	-22	-21	-22	-22	-28	642	-20
Capital support to public corporations	-	-	-	-	-	-	-
Capital support to local authorities††	-	-	10,554	5,268	13,293	12,191	-
Capital AME							
Total capital budget AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total capital budget	**21,751**	**30,709**	**30,523**	**33,072**	**40,203**	**102,819**	**47,887**
Of which:							
Capital expenditure on fixed assets net of sales†	15,959	16,488	20,688	17,724	9,567	8,921	4,493
Less depreciation†††	23,489	27,520	24,277	8,352	34,495	16,326	27,526
Net capital expenditure on tangible fixed assets	-7,530	-11,032	-3,589	9,372	-24,928	-7,405	-22,983

† Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

Table 4 Cabinet Office Capital Employed

£'000

	2004-05 Outturn (UK GAAP)	2005-06 Outturn (UK GAAP)	2006-07 Outturn (UK GAAP)	2007-08 Outturn (IFRS restated)	2008-09 Outturn (IFRS restated)	2009-10 Outturn (IFRS)	2010-11 Plans (IFRS)
Assets and liabilities in the Statement of Financial Position at year end:							
Assets							
Non-current assets							
Property, plant and equipment							
of which:							
Land and Buildings	146,273	162,998	159,070	156,843	138,981	136,182	143,319
Dwellings	16,013	12,382	13,444	13,898	27,019	23,906	23,711
Transformational Govt Projects	37,116	16,931	1,055	-	-	-	-
Information Technology	6,486	5,514	8,554	4,789	10,075	4,410	2,924
Plant and Machinery	4,945	4,087	3,819	3,530	2,988	2,078	1,378
Furniture and Fittings	2,205	1,724	1,099	663	328	176	100
Art and Antiques	8,297	10,196	10,177	10,239	10,289	10,252	10,252
Assets under construction (AUC)	14,287	13,688	26,087	30,620	3,756	4,545	3,184
AUC - Transformational Government	3	328	4,303	-	-	-	-
Intangible assets	772	220	77	6,572	4,128	1,851	774
Financial assets	457	436	414	392	364	1,006	2,986
Other assets	8,047	-	-	-	-	2,077	1,139
Current assets*	49,880	34,145	122,906	97,612	33,907	40,402	40,402
Liabilities							
Current liabilities - Trade and other payables	-59,793	-63,349	-64,256	-115,874	-58,302	-52,003	-52,000
Non-current liabilities - Provisions	-7,321	-7,053	-5,594	-3,189	-4,072	-3,941	-4,000
Non-current liabilities - Other payables	-	-3,497	-	-	-630	-	-
Capital employed within the Cabinet Office	**227,667**	**188,750**	**281,155**	**206,095**	**168,831**	**170,940**	**174,170**

** Under IFRS Current assets includes non-current assets classified as held for sale (IFRS 5). Unless UK GAAP based figures have been restated, the equivalent non-current assets which do not meet the criteria of discontinued operations under FRS 3 will be included within non-current assets.*

Table 4 shows a breakdown of capital employed from 2004-05 to 2010-11. Outturn figures are as reported in the audited Cabinet Office Resource Accounts published for the years 2004-05 to 2006-07 on a UK GAAP basis and are restated on an IFRS basis for years 2007-08 and 2008-09.

Table 5 Cabinet Office Administration Costs

£'000

	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Plans
Administration Expenditure							
Paybill	83,398	84,913	77,894	80,576	85,869	90,247	
Other	93,493	110,653	91,216	88,349	109,253	96,383	
Total administration expenditure	**176,891**	**195,566**	**169,110**	**168,925**	**195,122**	**186,630**	**217,032**
Administration income	-32,791	-45,128	-33,408	-31,070	-40,605	-48,087	-35,173
Total administration budget	**144,100**	**150,438**	**135,702**	**137,855**	**154,517**	**138,543**	**181,859**
Analysis by activity							
Cabinet Office	144,100	150,438	135,702	137,855	154,517	138,543	181,859
Total administration budget	**144,100**	**150,438**	**135,702**	**137,855**	**154,517**	**138,543**	**181,859**

Table 6A Staff numbers for the Cabinet Office

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Plans
CS FTEs	1,795	1,735	1,455	1,271	1,279	1,242	1,242
Casuals (incl. short-term/fix term appointments	145	95	24	12	26	103	103
Special Advisors	-	-	-	-	38	34	34
Total Cabinet Office	**1,940**	**1,830**	**1,479**	**1,283**	**1,343**	**1,379**	**1,379**

Table 6B Staff numbers for the Cabinet Office

Grade	Pay Band	Full-time equivalents (FTEs)
Permanent Secretary	£139,740-£273,250	6
SCS 3	£99,960 - £205,000	23
SCS 2	£81,600 - £160,000	44
SCS 1	£56,100 - £116,000	125
Total		***198**

**Total includes 55.84 from the Office of the Parliamentary Counsel (OPC)*

Table 7 Security and Intelligence Agencies Total Departmental Spending

£'000

	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Estimated Outturn	2010-11 Plans	2009-10 Estimated Outturn Pre alignment
Resource budget								
Resource DEL								
Security and Intelligence Agencies	1,104,425	1,227,519	1,347,624	1,381,250	1,581,694	1,762,824	2,011,254	1,846,316
Total resource budget DEL	**1,104,425**	**1,227,519**	**1,347,624**	**1,381,250**	**1,581,694**	**1,762,824**	**2,011,254**	**1,846,316**
Resource AME								
Security and Intelligence Agencies	-	-	-	54,031	16,885	19,885	6,790	2,500
Total resource budget AME	**-**	**-**	**-**	**54,031**	**16,885**	**19,885**	**6,790**	**2,500**
Total resource budget	**1,104,425**	**1,227,519**	**1,347,624**	**1,435,281**	**1,598,579**	**1,782,709**	**2,018,044**	**1,848,816**
of which: depreciation	141,840	170,372	144,644	190,115	234,812	277,130	321,164	277,130
Capital budget								
Capital DEL								
Security and Intelligence Agencies	150,576	204,026	211,700	284,682	355,020	354,816	301,000	354,000
Total capital budget DEL	**150,576**	**204,026**	**211,700**	**284,682**	**355,020**	**354,816**	**301,000**	**354,000**
Capital AME								
Total capital budget AME	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total capital budget	**150,576**	**204,026**	**211,700**	**284,682**	**355,020**	**354,816**	**301,000**	**354,000**
Total departmental spending†								
Security and Intelligence Agencies	1,113,161	1,261,173	1,414,680	1,529,848	1,718,787	1,860,395	1,997,880	1,925,686
Total departmental spending†	**1,113,161**	**1,261,173**	**1,414,680**	**1,529,848**	**1,718,787**	**1,860,395**	**1,997,880**	**1,925,686**
of which:								
Total DEL	1,113,161	1,261,173	1,414,680	1,527,107	1,713,905	1,840,510	1,997,590	1,923,186
Total AME	-	-	-	2,741	4,882	19,885	290	2,500

† 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.*

Spending by local authorities on functions relevant to the department								
Current spending	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which:								
financed by grants from budgets above	-	-	-	-	-	-	-	-
Capital spending	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
of which:								
financed by grants from budgets above††	-	-	-	-	-	-	-	-

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Table 8 Administration Costs for the Security and Intelligence Agencies

£'000

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2009-10
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Estimated Outturn Pre alignment
Administration Expenditure								
Paybill	54,166	58,709	53,912	93,046	54,485	58,326		58,326
Other	30,974	30,375	33,225	39,365	33,377	36,769		36,769
Total administration expenditure	**85,140**	**89,084**	**87,137**	**132,411**	**87,862**	**95,095**	**89,307**	**95,095**
Administration income	-3,836	-6,767	-5,768	-58,502	-6,688	-12,540	-6,307	-12,540
Total administration budget	**81,304**	**82,317**	**81,369**	**73,909**	**81,174**	**82,555**	**83,000**	**82,555**
Analysis by activity								
Security and Intelligence Agencies	81,304	82,317	81,369	73,909	81,174	82,555	83,000	82,555
Total administration budget	**81,304**	**82,317**	**81,369**	**73,909**	**81,174**	**82,555**	**83,000**	**82,555**

Table 9 Staff Numbers for the Security and Intelligence Agencies

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Plans
CS FTEs	9,301	9,730	11,305	11,814	12,838	12,698	12,991
Casuals (incl. short-term/ fix term appointments	18	19	21	23	20	2	2
Total	**9,319**	**9,749**	**11,326**	**11,837**	**12,858**	**12,700**	**12,993**

B. PERFORMANCE DATA TABLES

I. PSA/DSO Indicator table

Indicator	Indicator belongs to	Statement on data	OGDs (where indicator lead different to PSA reporting lead)
Promote and protect UK security and national interests through intelligence and security agencies	DSO 1	This information is confidential	PSA 26 & 30 led by Home Office
Major foreign, defence and security policy decisions are usefully informed by timely, accurate and objective all-source assessments			
Improve the nation's capacity to prepare, absorb, respond to and recover from disruptive challenges			
Lead development of effective, protective security polices and practices that allow government to function undisrupted			
Domestic, foreign, defence and security policy decisions are facilitated and supported by timely, well-informed and objective advice.	DSO 2	It is not possible to measure this DSO through numerical indicators, other than process measures which cannot assess the quality of support being provided to ministers	
Offenders under probation supervision in settled and suitable accommodation **(National Indicator (NI) 143)**	DSO 3a / PSA16	2008/09 position 78.5%. 2009/10 position 86%	
Offenders under probation on supervision in employment **NI 144**		2008/09 position 46.4%. 2009/10 position 44%	
Adults with moderate to severe learning disabilities in settled accommodation **NI 145**		2008/09 position 65.2%. Data for 2009/10 not currently available	
Adults with moderate to severe learning disabilities in employment **NI 146**		2008/09 position 7.5%. Data for 2009/10 not currently available	
Care leavers at age 19 in suitable accommodation **NI 147**		2008/09 position 89.6%. Data for 2009/10 not currently available	

Care leavers at age 19 in employment, education or training **NI 148**		2008/09 position 63%. Data for 2009/10 not currently available	
Adults receiving secondary mental heath services in settled accommodation **NI 149**		2008/09 position 21.5%. Position up to Q3 of 2009/10 52.7%	
Adults receiving secondary mental health services in employment **NI 150**		2008/09 position 3.5%. Position up to Q3 of 2009/10 6.6%	
The proportion of people formally volunteering at least once a month, as measured by the Citizenship Survey	DSO 3b	2007/08 baseline 27%. Position up to December 2009 is 26%	PSA 21 led by Department for Communities and Local Government
The number of full-time equivalent employees within the third sector, as measured by the Annual Population Survey.		2007/08 baseline 464,000. Position up to September 2009 529,000	
The environment for a thriving third sector (National Indicator 7), as measured by the National Survey of Third Sector Organisations (NSTSO).		2008 baseline 16.2%. Next data due 2010/11	
The proportion of government funding to the third sector for three years or more, as measured by annual departmental returns to the OTS		In 2008 an average of 65.7% of grant funding was for three years or more across central government departments. 2009/10 position is 83%	
Reduction in the amount of avoidable contact. To achieve a 50% reduction by 31 March 2011	DSO 4 / STA	As there was insufficient data to asses during the year it was agreed in principle to replace this indicator	
Closure of more than 95 per cent of websites and migration of content to Directgov and Businesslink.gov by end of CSR 2007		Position at end March 2009 55.3%. Position at end March 2010 66.5%	
Capability Reviews overall scores	DSO 5	It is not possible to measure this DSO through numerical indicators	
Overall management of departments			
Leadership capability			
Confidence in senior management			

Government ability to improve public services			
Likelihood of delivery of PSAs			
International Government Effectiveness			
Publication of codes, guidance, annual lists, etc	DSO 6	It is not possible to measure this DSO through numerical indicators, other than process measures which cannot assess the quality of publications	
Ensuring public servants are aware of and abide by standards of propriety			

II. CSR07 efficiency programme

The CSR07 efficiency programme was a CSR07 commitment to an overall target across Government of £35 billion efficiency savings for that spending review period. We have a value for money savings target of £45 million in 2010/11. This is made up of: £35 million set at CSR07; and a further £10 million announced at Budget 2009. Value for money savings achieved this year total £32 million.

C. PUBLIC ACCOUNTS COMMITTEE RECOMMENDATIONS

SIXTEENTH REPORT: Government on the Internet: Progress in delivering information and services online	
PAC Conclusion (1): To prevent a recurrence of the proliferation of government websites, no new ones should be established without the agreement of the Government's Chief Information Officer in the Cabinet Office.	Good progress is being made. By end of March 2010, Department Website Reviews collated by Central Office of Information (COI) had identified 1,795 websites and closed 1,001 of them. This constitutes shutting down over 3 in 5 of those planned for closure. A tight grip has been maintained by COI on new central government .gov.uk websites. Those that have been approved comprise six with machinery of government and name changes, one Welsh language version, a redirect and an international policy campaign site (actoncopenhagen.gov.uk). It is government policy that all government websites use the domain .gov.uk (except for the permitted .mod.uk, .police.uk and .nhs.uk). However a few departments and their agencies are still creating new websites using other domains.
PAC Conclusion (2): The Chief Information Officer (CIO) Council should agree a methodology for identifying the costs of websites, to be applied by all departments and agencies by the end of the next financial year. An analysis of these costings should be included in the Delivery and Transformation Group's Transformational Government annual report.	Websites run by departments will report their costs for financial year 2009/10 and COI will publish these.
PAC Conclusion (3): The Central Office for Information, together with the Cabinet Office, should develop a methodology and single set of measures for analysing user data such as that used by the Transport of London to make improvements in all its services. The agreed methodology and the measures should be applied by all departments by end of 2008-09. **PAC Conclusion (4): The Cabinet Office and the Central Office for Information should establish and agree with the CIO Council a single set of quality standards for government websites, which should be implemented by all departments. These should include the performance of internal search engines and facilities that allow the public to provide feedback on public services.**	COI has appointed the not-for-profit industry body, ABCe, to audit usage of government websites. This achieved nearly a 50% saving to departments. All departments have responded to register their websites for audit. COI will publish reported levels of usage and quality. Improvement of quality is not only a matter of standards and guidance, but also practical support and education. COI has developed an online interactive toolkit to help public sector web staff improve their skills. Based on a Usability Review commissioned by the Power of Information Task Force the toolkit addresses the top ten issues found to be problematical to users. The online interactive toolkit can be found at www.coi.gov.uk/usability Taken together with the work on costs, this provides a coherent and consistent set of requirements, guidance and toolkit that enables departments to improve the quality of government websites. It also delivers public accountability for the cost and effectiveness of government's web estate. User behaviour in regard to search has changed since the Public Accounts Committee report was published and responding to this is more important than simply introducing new technology. Firstly, people now mainly use the major web search engines to identify the information and location of

	services they seek. For example, use of search and click through from the home page of Directgov is tiny compared to the access of relevant Directgov content directly from web search engines. Secondly, people are alerted to relevant content through online social networks and then follow links sent to them. A strategy has been developed for improving search that includes: 1. Ensuring that people can find government website content through web search engines by enabling web search engines to access and index content from government websites. There was previously a widespread and incorrect belief that putting content on a website automatically resulted in it being available through web search engines. The requirement for this is laid out on the web standard Exposing your website to search engines (TG122). This can be found on the COI website at www.coi.gov.uk/guidance.php?page=246 2. Improving the helpfulness of the information through audience friendly text and information when it is displayed on web search engine results. The requirements for this will be described in a new web standard on search engine optimization, Ensuring content is findable (TG123) which is in preparation. Reducing the number of websites has also helped people recognise the relevant site quickly in search results lists and saved them time. 3. Reviewing what people, businesses and patients seek and then ensuring that the public sector delivers content that is easy to find, access and understand so that content and services to meet their needs. With the two previous actions implemented, the issue becomes less of one to do with the difficulty of finding and more one of ensuring that the content people seek is available and that they get all the relevant content to their enquiry. Good progress has been made on each of these actions. Government is also building expertise on helping people find what they seek both through the web search engines and through social networks.
PAC Conclusion (6): In moving services and information from departmental websites to Direct. gov.uk and businesslink.gov.uk and reorganising the material left on departmental sites, all government websites should meet the accepted industry standard of accessibility by 2011.	Reported progress on implementation will be published. In addition, many commercial companies directly analyse government websites for compliance. In the light of the recent updated W3C standard on accessibility, which is being considered by the European Commission, COI has issued further advice to the public sector allowing use of the updated standard. COI has also invited advice from the public sector on the deadline for moving to the new standard.
PAC Conclusion (7): The CIO Council should require all departments and agencies to develop channel strategies which take into account the needs of those without internet access, by the end	Guidance on Channel Strategies was published on 3 September on the Cabinet Office website, This has received a positive response.

of the next financial year, and to update them every three years.	Departmental members of the Contact Council are responsible for promoting the guidance within their departments and reporting progress on departmental strategies. The guidance includes modules on Channel Shift and Digital Inclusion. Departments have committed to having Channel Strategies in place.

<table>
<tr><th colspan="2">EIGHTEENTH REPORT: Improving corporate functions using Shared Services</th></tr>
<tr><td>PAC Conclusion (1): Government lacks reliable information on the cost of corporate services. Departmental Management Boards should receive clear information on the cost and performance of their corporate services on a regular basis. This would enable them to consider the contribution these services make to key business objectives and whether they are providing value for money.</td><td rowspan="3">During 2008 and 2009 the Cabinet Office has been at the centre of the largest benchmarking programme of back office services ever undertaken by HM government. The Cabinet Office has led and coordinated the HR, Finance, Procurement, Estates and IT professions in establishing and defining their benchmark indicators. It has also played a key role in the collation and analysis of that data.

In December 2009, for the first time, benchmarking data was published for the whole of central government, covering 153 organisations and over 770,000 employees.

The results highlight the relative performance of Government Corporate Service functions. This will enable each profession to focus where necessary on the contribution made by Shared Service operations and that of the retained function within each organisation. .

These benchmarking programmes will continue as an annual activity. The 2010 collection is underway and the definitions improved with the benefit of lessons learnt from the first exercise.</td></tr>
<tr><td>PAC Conclusion (2): Inconsistency in the way corporate services are recorded prevents regular benchmarking to help secure improvements in value for money. The Cabinet Office should develop standard definitions for what constitutes corporate services and how their costs and activities should be reported. The Cabinet Office should undertake regular benchmarking exercises to identify scope for further efficiencies.</td></tr>
<tr><td>PAC conclusion (3): It is not clear how the £1.4 billion potential savings from shared services will be achieved. The Cabinet Office will find it difficult to drive improvements until it obtains clear information on the relative performance of departments’ corporate services. Departments should publish an overview of their corporate services performance in their annual report, including an analysis of costs by corporate function, how shared services are being used to improve value for money, and performance against centrally agreed benchmarks.</td></tr>
<tr><td>PAC Conclusion (4): The Cabinet Office does not have sufficient grip on the cost of its activities to promote shared services. The team set up to encourage use of shared services did not know how much money it had spent or how it was allocated across different activities. To improve performance and operational efficiency, the team should routinely record and analyse all its expenditure and assess the cost effectiveness of different interventions.</td><td>The Cabinet Office Shared Service Team consists of 3.8 (as at 31 March 2010) full time equivalent staff, all permanent civil servants. The team has a discrete budget with a break down of costs against activities. The team has also participated in the Cabinet Office zero based budgeting review which assesses the value of team activities against their budgeted costs.</td></tr>
</table>

PAC conclusion (8): Further savings could be achieved through economies of scale if more small departments bought their corporate services from larger departments. Smaller departments should evaluate the benefits of buying corporate services from one of the two designated sellers – HM Revenue and Customs and the Department for Work and Pensions. To allow this to happen, these two departments must develop the capacity to provide shared services and market the benefits to smaller public sector bodies.	The Shared Services team have continued to encourage smaller departments to examine their options for improving their corporate services, including receiving their services from a Government Shared Service Supplier. However, The Cabinet Office maintains that small organisations must assess their adoption of Shared Services through a full business case and must only proceed if it offers value for money. The Cabinet Office and the Department for Children, Schools and Families (now Department for Education) now use Department for Work and Pensions (DWP) Shared Services for many of their back office HR, finance and procurement processes. The remaining central Government Shared Service Centres have been contracted to supply services to other government organisations. Most notably the National Offender Management Service (NOMs) Shared Service Centre now supplies the Home Office and UK Borders Agency. Additionally, NOMs Shared Services are working with core Ministry of Justice (MoJ) to plan the transition of their staff to their system and service. The DWP, Department for Transport and Department for Environment, Food and Rural Affair (Defra) are actively engaging with other public sector organisations to encourage wider adoption of their services. The Ministry of Defence and HM Revenue and Customs currently do not feel they should offer their services to other public sector organisations.
PAC conclusion (9): Whether or not they move to using shared services, public bodies will miss potential efficiency savings if they do not streamline their administrative processes. Even when shared services are not adopted, public bodies should be able to show that they have mapped all the key processes in their corporate functions and used the results as a basis for driving out waste.	The Shared Services team at the Cabinet Office has not had sufficient resources to coordinate and lead this activity although it has supported the Next Generation HR programme which is reviewing Central Government HR processes.

THIRTYSEVENTH REPORT: Building the Capacity of the third sector	
PAC Conclusion (1): The design of the ChangeUp programme was complex and took longer than planned, leading to less time than intended for consortia and national hubs to spend the initial funding of £80 million. Effective consultation and good programme design are important foundations for successful programme delivery. But spending too much time on these elements and then squeezing delivery is counter productive leading to waste, poor value for money and adverse impacts on funded organisations. In the event of delays in implementing future programmes, the Cabinet Office should assess the risk to successful programme delivery before deciding whether to enforce or revise original timescales.	The Office of the Third Sector (OTS) aims to achieve the right balance between ensuring excellent programme design with appropriate consultation. OTS and Capacitybuilders have implemented improvements since ChangeUp was first developed and rolled out in 2004 to 2006. Since the transfer of responsibility for management of the programme to Capacitybuilders (a non-departmental public body) in 2006, funding levels for ChangeUp have stabilised and all Capacitybuilders' current ChangeUp programmes run for three years. Capacitybuilders met its targets around the delivery of the Real Help for Communities Modernisation Fund grants. For example, 'Modernisation Fund stage 2 grants application window to open by October (2009), providing large bursaries of up to £10,000, with all funds successfully disbursed by year end 2009-10'. In a 2010 survey of Capacitybuilders' stakeholders, 87% reported that the timeliness of the release of funds was good.
PAC Conclusion (2): The period for which funding is given to organisations can affect the ability of those organisations to use it fruitfully. A review of the national hubs led to a prolonged period of uncertainty around their future and funding. Such uncertainty creates problems for funded organisations, diverting time and attention from their primary objectives into, for example, raising further funds in order to continue their work. While some progress has been made in providing longer-term funding for third sector organisations, Cabinet Office, and its associated bodies should further reduce uncertainty through greater clarity around terms and conditions of funding and investments where possible, and by more prompt and timely decision-making.	OTS champions three year funding across government. The Department agrees to ensure that all terms and conditions of funding and investment, including the timescales, are clear in grant funding agreements and contracts, and is taking steps to ensure that this happens currently. Reporting on three year funding by government departments, their agencies and NDPBs this year (2009-2010) showed that 83% of the value of the funding (grants and contracts) was for three years or more.
PAC Conclusion (3): The lack of a planned evaluation of ChangeUp is a major failing, and is particularly alarming given the inherent risks in the programme, its untested approach, complex delivery mechanism, and devolved decision-making arrangements. The Cabinet Office should ensure in the future that proper evaluation is built into the design of all its programmes. Such evaluations should include clarity around the baseline, objectives and outcomes of the programme, as well as how they will be achieved and measured, and a system of review which enables adjustments to be made and lessons disseminated. The costs of effective evaluation should be built into the programme budget from the outset.	The OTS aims for robust evaluation to be embedded into its programmes, in order to ensure effective monitoring and assessment of objectives and outcomes. In the case of ChangeUp, the Department recognises the problems with early evaluation. To address this, Capacitybuilders has commissioned an independent evaluation to evaluate the impact of ChangeUp on the capacity of infrastructure and frontline organisations. The evaluation of ChangeUp (2004-2008) was published in January 2010 and is available at: www.capacitybuilders.org.uk/research. The three new programmes established by Capacitybuilders in 2009-10 are all being independently evaluated against their objectives and outcomes. In addition, Capacitybuilders is extending the evaluation of ChangeUp to include more detail on each element of the programme.

PAC Conclusion (4): It is unacceptable that these significant and costly programmes were established without setting any proper targets against which the performance could be measured. Both programmes were set up without performance targets that were sufficiently aligned to the programme objectives and outcomes. In respect of Futurebuilders, in particular, the lack of appropriate targets is likely to have contributed to the sluggish rate of drawdown of investments in the early years. Before approving all future programmes, the Cabinet Office should require managers to develop meaningful indicators and targets to drive performance and measure progress towards the intended outcomes.	All contracts and grant agreements specify the outcomes intended and are monitored on that basis. The finance director in the Cabinet Office signs new contracts on behalf of the Department. For future programmes they will ensure that contracts set out clearly the indicators and targets to ensure delivery and drive performance. In regards to the Futurebuilders programme, the Department has built on the learning from the first phase of the fund and has aligned the fund's targets more closely with the objectives of the fund.
PAC Conclusion (5): Judging value for money is hampered by limited and uncertain financial information from the early days of the ChangeUp programme. Even with adequate evaluation, any judgement on the value for money of ChangeUp is undermined by the uncertainty surrounding the financial data about the programme. The Cabinet Office and Treasury should strengthen their guidance to departments on collecting adequate data on costs and benefits to enable effective evaluation, and on ensuring that accurate records are preserved in the event of machinery of government changes or the introduction of new financial systems.	The Department has issued revised guidance to departments on Machinery of Government changes (Machinery of Government Changes: Best Practice Handbook, published in January 2010).
PAC Conclusion (6): Management of the ChangeUp programme has been undermined by problems since it started. Third sector bodies have complained of short timescales for applications, delays in receiving grant payments and pressure to spend money quickly. The processes that Capacitybuilders has in place still do not appear to be working adequately and satisfaction among funding recipients is low. Capacitybuilders should address these concerns as a matter of urgency by setting clear targets for the time allowed for applications, the timeliness of payments to fundees and the speed at which money has to be spent.	The allocation of ChangeUp funding has now improved to give greater certainty for grant applicants, and avoid the delays that could result in increased pressure on grant holders to spend money more quickly than is optimal. A new risk-based approach to monitoring and payment, introduced for 2009-10, has enabled Capacitybuilders to improve the speed with which grant holders receive funds. Capacitybuilders' outcomes monitoring processes are working well. A survey conducted by Capacitybuilders in early 2010 showed that the majority of its stakeholders were positive about the way the organisation has been operating over the preceding 12 months: • 92% felt that the ease of the application process was good • 87% rated timeliness of the release of funds was good • Overall, 88% felt that Capacitybuilders offers a professional service
PAC Conclusion (7): The application process for a Futurebuilders investment was lengthy and costly for both the fund and applicants. On average the process took 127 days, whilst costs were estimated at 40% of Futurebuilders total fund management costs and up to £9 million for applicants in the three years to February 2007. The	The Department has worked with Futurebuilders England to ensure that the length of time and cost of applying to Futurebuilders is tracked. Since April 2008, Futurebuilders England has taken steps to ensure that the application process is streamlined. The independent Sheffield Hallam University evaluation,

Committee has commented before on the importance of funders identifying the cost to themselves and to applicants of making grants. Such concerns are equally relevant to investment decision processes. Although Futurebuilders considers it has secured better performance under the second management contract, it should track the burden of the application processes on applicants on an ongoing basis.	published on 26 March 2010, found that the change in Fund Manager in 2008 and the introduction of Key Performance Indicators has led to streamlined processes. The evaluation also found that Futurebuilders management costs, application costs to investees and monitoring costs to investees were similar to or lower than comparable schemes.
PAC Conclusion (8): Public money is invested and repaid by Futurebuilders, so the taxpayer will have a substantial and long-term financial interest in the Futurebuilders loan book. This interest will continue long after the active investment period ends in 2011 and, under certain broad assumptions, annual capital and interest payments in 2030 could be £8 million. The Government should set out a clear plan for the management of the asset. This plan should provide the Committee with assurance that action will be taken to protect its value and, as a minimum, should set out how the loan book will be managed beyond the current contract, its expected value, the key financial risks and how they will be managed.	The Department is currently considering options for the longer-term management of the Futurebuilders' loan book.
PAC Conclusion (9): A key part of the ChangeUp vision is that the needs of frontline organisations will be met by services that are 'sustainably funded', but insufficient thought has been given to the long-term sustainability of improvements. Capacitybuilders currently intends to fund projects which consider sustainability, but should do more to identify examples of sustainable services, how these were achieved and support the spread of best practice. Best practice should include material on managing the impact of the recession.	Capacitybuilders focuses on securing long-term sustainability of improvements to support services to voluntary and community organisations, charities and social enterprises. A primary aim of ChangeUp was to encourage greater partnership working between support providers, resulting in a number of sustainable benefits. This will ultimately improve the support provision available to frontline organisations. Capacitybuilders commissioned a piece of research to explore how its funding has improved the sustainability of support services. This produced a series of case studies, a learning event for grant holders and an overarching report which provide practical tips and advice for support providers on how to meet the challenge of providing high quality, sustainable support services in the current economic climate.
PAC Conclusion (10): Both programmes were set up to provide additional capacity building support to the third sector, not replace existing provision. ChangeUp provides funding to help support providers improve the way that their services are planned, developed and co-ordinated. It was not intended to provide core funding for services. Futurebuilders is intended to invest only in third sector organisations that do not have access to commercial sources of finance, and it is important that these funding streams do not displace what is available from other sources. The evaluations for both programmes should provide an independent	Capacitybuilders aims to be distinct to the approach of core funders of sector support. The evaluation published in January 2010 states that: "the local infrastructure sector has indeed been 'changed up' a gear and…where funding is available to it, it would now be able to direct it in more effective ways than before to the frontline organisations which need support."[1] Ongoing independent evaluations of ChangeUp funding streams will consider their impact in the context of other investment in support services.

1 Third Sector Research Centre, "Evaluation of ChangeUp 2004 to 2008, Summative Report", December 2009, Page.9.

and objective assessment of whether these programmes have in fact filled gaps that would not have been addressed by other funders.	The Futurebuilders programme has been independently evaluated by Sheffield Hallam University. This evaluation includes an assessment of whether Futurebuilders has filled a gap in the market that would not have been addressed by other investors. The final Sheffield Hallam evaluation report was published on 26 March 2010. The evaluation found that Futurebuilders has successfully addressed a market failure. The investments were found to be largely additional. That is, the investee organisations would not have secured investment funding at the same scale and at the same time from commercial sources.

D. COMPLAINTS TO THE PARLIAMENTARY OMBUDSMAN

The Cabinet Office has not received any complaints from the Parliamentary Ombudsman's Office.

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