Central Office of Information

Annual Report and Accounts 2009/10

COI

Creating communication for behaviour change

COI

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Annual Report and Accounts 2009/10

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Contents

Chief Executive's foreword

Last year I arrived new to both COI and the Civil Service from the private sector communications industry. I was impressed by the quality of COI's best work, the talent that it could mobilise for government communications and its ability to evolve. That ability is now being tested as COI faces challenges on an unparalleled scale.

We are living through the most rapid changes ever seen in media as digital comprehensively disrupts traditional methods of communication and behaviour. In the public sector we are also facing a period of financial constraint not seen for a generation. That means, in partnership with our clients across government, we have to be continually more innovative to be more effective.

In the last year we have prioritised three areas that we believe can help COI achieve better outcomes for government communications: behaviour change; digital and citizen engagement; and evaluation.

Many public policy initiatives depend on behaviour change, and the more policy-makers and communicators understand how to achieve it, the more likely they are to reach successful outcomes. With the Government Communication Network (GCN), we have published guidance on embedding behaviour change theory into the development of communications strategies, drawing on case histories of success such as smoking cessation.

Digital media offers the exciting potential of greater engagement with citizens at a lower cost, and new opportunities for democratisation and accountability. Over the last year we have greatly expanded our use of digital channels, particularly social media, and we are developing more innovative ways to support the better use of digital tools and methods such as open-source consultations and engagement, and mobile technology.

But to be ultimately successful we have to be able to demonstrate successful outcomes and value for money. This requires robust and comprehensive systems of evaluation that can identify what is working, why it works and how much it costs, and set benchmarks for performance. We have published guidance on how Return on Marketing Investment (ROMI) can be determined in the public sector and we are now developing a shared evaluation service for government that will be a step change in the evaluation of marketing communications across government.

These priorities have built on COI's extensive and comprehensive knowledge of audiences, behaviours and channels and our ability to analyse them and effectively bring them together across the whole of government.

Now we have started another evolution for COI. We are more focused than ever on achieving outcomes at a much lower cost for government. As we look ahead we see more partnerships with brand owners, media owners and civic groups, as well as a more innovative approach to joining up paid-for and other media channels.

In our new world of less money, empowered citizens and a government keen to pass power to the individual, it is the way we must go forward.

Mark Lund

Management Board Members

1. **Marilyn Baxter**
   Non-Executive Director
2. **Peter Buchanan**
   Deputy Chief Executive
3. **Alex Butler**
   Transformational Strategy Director
4. **Mark Cross**
   Communications Planning Director
5. **Ian Hamilton**
   Commercial Director
6. **Graham Hooper**
   Client Service and Strategy Director
7. **Helen Lederer**
   Finance Director
8. **Emma Lochhead**
   HR Director
9. **Neil Martinson**
   News and PR Director
10. **Andrew Wade**
    Business Strategy Director
11. **Sally Whetton**
    Creative Delivery Director
12. **Chris Wood**
    Non-Executive Director

Our year in summary

Turnover and operating expenditure levels

COI turnover for 2009/10 was £532 million, a decrease of £8 million on the previous year, and correspondingly our operating expenditure also decreased by £8 million.

COI turnover is generated across a range of communication channels. Advertising turnover continues to form the largest single component, and accounted for £213 million of turnover in 2009/10, compared with £225 million in the previous financial year.

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Advertising: Media	165,426	154,680	135,909	156,859	211,292	193,020
Non Media	19,507	13,262	18,825	10,785	14,058	19,987
Total	184,933	167,942	154,734	167,644	225,350	213,007
Direct and Relationship Marketing	35,893	27,167	29,926	33,471	45,620	60,353
Digital Marketing	5,563	7,710	12,374	21,755	39,943	44,094
Sponsorship	7,292	7,715	8,590	11,981	9,588	10,337
News	10,224	9,681	9,344	9,670	17,823	22,844
Events	9,730	7,494	10,918	12,994	34,326	21,120
Moving Image and Audio Content	11,301	12,040	13,677	17,687	22,818	21,269
Publications	34,279	36,496	32,107	31,377	31,795	27,971
Interactive Services	5,504	4,403	10,078	13,619	23,864	23,353
PR	11,824	15,987	14,147	17,238	23,129	19,462
Regional Account Management					7,078	11,547
Research	13,215	17,703	17,376	22,668	29,437	27,389
Strategic Consultancy	7,861	7,207	9,724	11,936	18,488	14,530
Other and accrual adjustment	6,166	779	1,075	1,185	788	275
Subtotal	**343,785**	**322,324**	**324,070**	**373,225**	**530,047**	**517,551**
GovGap				3,981	9,702	13,968
Total	**343,785**	**322,324**	**324,070**	**377,206**	**539,749**	**531,519**

Total operating expenditure over the year was £533.4 million. Our operating expenditure can be split into:

- costs we have incurred on our clients' behalf, which totalled £469.3 million (£487.7 million in the previous year); and
- our own running costs, which totalled £64.1 million (£53.8 million in the previous year).

COI's operating costs increased in the year due to increased headcount as a result of continuing demand for COI's services and a 44 per cent increase in the take-up of the GovGap service. In addition, there were small increases in building infrastructure works and the relocation of regional offices to lower-cost accommodation.

Savings for clients

Expenditure on behalf of our clients totalled £469.3 million, of which 45 per cent relates to media buying. The value of media buying undertaken by COI gives us a strong centralised buying position for advertising, which enables us to secure significant savings for our clients. In 2009/10, we secured a 47.7 per cent reduction in media costs measured using recognised industry benchmarks. This reduction in the savings achieved compared with those in 2008/09 was due to inflation returning to the media market-place for the first time in over two years, resulting in lower discounts for advertisers. Within this context we maintained our advantage versus the market.

Financial and treasury management

COI's total assets are £8.5 million (£8.3 million last year), split between £1.8 million of fixed assets (£1.3 million last year) and £6.9 million of net current assets (£7.1 million last year). Our fixed assets are primarily IT equipment and associated software licences. During the year, we invested £1.1 million in new assets, including the acquisition of new servers and software to support our knowledge and client management systems, and investment in building infrastructure. Our current assets decreased from £174.5 million last financial year to £115.2 million this year. The decrease is due to lower year-end debtor balances and lower cash at bank as reflected in the lower trade payables figure (see note 13 to the accounts).

We seek to maximise all assets at our disposal and undertake active treasury management of our cash. Investment of surplus cash balances in UK government deposits generated £83k of bank interest.

Ministerial targets

We are annually set a financial, an efficiency and a quality target:

- to achieve a 2.5 per cent reduction in the unit cost of outputs;
- to achieve a break-even position year on year; and
- to achieve quality targets as measured by the Customer Feedback Survey.

	2005/06	2006/07	2007/08	2008/09	2009/10
Savings on media costs against industry benchmarks	44.1%	46.0%	47.7%	49.9%	47.7%
Improvement on previous year	2.0%	1.9%	1.7%	2.2%	–2.2%

Our performance in 2009/10 against our targets is illustrated below.

Financial review of 2009/10

The demand for COI's services remained high in light of the continuing need to communicate, inform, engage and help citizens during the continued economic uncertainty. There were also a number of large campaigns on issues such as obesity, smoking and Armed Forces recruitment.

Following the appointment of Mark Lund as the new Chief Executive, COI undertook a review and subsequent restructure programme. The 'One COI' programme aligned management of our business by client and policy area through the use of 'Theme Teams'. It also re-engineered the business processes and systems to allow full integration between specialisms, with the objective to deliver the clients' required outcomes more efficiently and effectively.

The alignment covered the following areas:

- People: to reorganise by client themes to aid effective and efficient integration.
- Processes: to establish a common process and enable integration across COI.
- Systems: to enable a client-centric view of turnover and income with a single bottom-line view of the organisation.
- Intellectual capital: to better enable shared insights and expertise.

'One COI' also included providing clients with a new flexible service offer. This allows them to determine the level of COI involvement required and access our supplier frameworks accordingly.

Performance against targets		2005/06	2006/07	2007/08	2008/09	2009/10
Financial performance						
To achieve break-even	Target	£0	£0	£0	£0	£0
	Out-turn	£0.0m	£0.0m	£0.0m	£0.1m	£0.1m
Efficiency						
Unit cost reduction	Target	2.5%	2.5%	2.5%	2.5%	2.5%
	Out-turn	4.8%	6.6%	3.5%	4.3%	10.0%
Customer satisfaction index						
Score (out of 10)	Target	8.25	8.25	8.25	8.25	8.25
	Out-turn	8.65	8.83	8.61	8.70	8.77
% score out of 6 or more	Target	96.0	96.0	96.0	96.0	96.0
	Out-turn	96.7	97.0	96.4	96.8	96.5
% response rate	Target	62.0	62.0	39.9	39.9	39.9
	Out-turn	37.6	36.3	41.3	37.6	32.7

The COI flexible offer gives clients:

- access to the best suppliers;
- a flexible choice of how they work with COI (which includes a basic procurement-only option);
- the benefits of aggregating government marketing expenditure; and
- guaranteed compliance with all EU procurement regulations.

This was fully endorsed by the Office of Government Commerce and GCN.

In order to achieve greater buying leverage and campaign planning efficiencies, COI centralised all media buying into one contract to provide a media-neutral buying platform. Following a competitive tender process, M4C (a Group M offering) was appointed. This is expected to deliver a number of benefits for both COI and its clients, including increased savings on media costs. It also includes an incentive to use a full mix of paid-for and what has been termed ‘owned’ and ‘earned’ media channels to best meet required outcomes.

The ‘One COI’ structure and systems went live on 5 April 2010.

GovGap, which was established in April 2007 to enable clients to tap into COI’s pool of experienced marketing and communication professionals, saw a 44 per cent increase in turnover during the year.

COI took part in the Civil Service-wide staff survey during the year, resulting in the ninth best feedback scores. We also won the distinction of third best organisation to work for in the Sunday Times ‘Best place to work in the public sector’ survey.

Looking ahead to 2010/11

A general election was called in April 2010 and the majority of government marketing and communications was halted during the election period. The new Government, formed in May, implemented an immediate freeze on government advertising and marketing spend.

Government will continue to commission campaigns this year, but only where there is an essential need to do so. Exceptions will require approval from relevant directors of communications or from the Cabinet Office and HM Treasury, depending on the budget.

The Cabinet Office has confirmed that COI remains an important centre for marketing and communications expertise and an aggregator of government’s buying power. However, it is clear that these measures will severely reduce our income for the current financial year.

Our own budgets for 2010/11, which are predominantly made up of staff costs (81 per cent), assumed a reduction in turnover. However, in light of the new restrictions the Supervisory Board is undertaking a size and shape review of the organisation to ensure that our service remains efficient and effective, both during the marketing freeze and beyond. This is likely to mean headcount reduction, and staff and unions have been advised accordingly.

This review is also looking at the services we deliver and establishing new opportunities offered by the evolving media landscape. The traditional cornerstone of government communication campaigns has been paid-for media, but as we look to deliver more for less, the focus is shifting towards including more owned and earned media. In addition, we expect more activity to be created and implemented in conjunction with partners – media owners, brand owners and civic groups.

Proving effectiveness

In the new communication landscape, every campaign will need to deliver measurable value. COI's holistic approach to evaluation provides a consistent way to demonstrate this.

"We need to embed evaluation in our processes and formalise the way we do it far more rigorously than before.

Mark Cross, Communications Planning Director

Proving the effectiveness of government communication has never been more important. With limited budgets, you have to be able to answer basic questions such as: Why are we spending this money? What are the outcomes we want? And how do we measure the results and Payback?

But to get these answers requires a step change in our approach to measuring effectiveness. Too often evaluation is treated as an afterthought at the end of an activity, or done patchily – for example focusing on things that are easy to measure and ignoring those that are hard to pin down.

"Some evaluations may capture part of the story, such as the number of responses," says Marc Michaels, COI's Director of Direct and Relationship Marketing and Evaluation. "But it might not look at whether they were the right people or if they took out the core message of the campaign, or went on to do the things you wanted."

COI's holistic approach to evaluation aims to provide a consistent system of evaluation, built into campaigns from the start, that works for all departments, communication disciplines and channels. It is designed to use hard data, with the aim of arriving at a Cost per Result that will demonstrate effectiveness and, where possible, Payback (the benefit in £s achieved by the marketing spend).

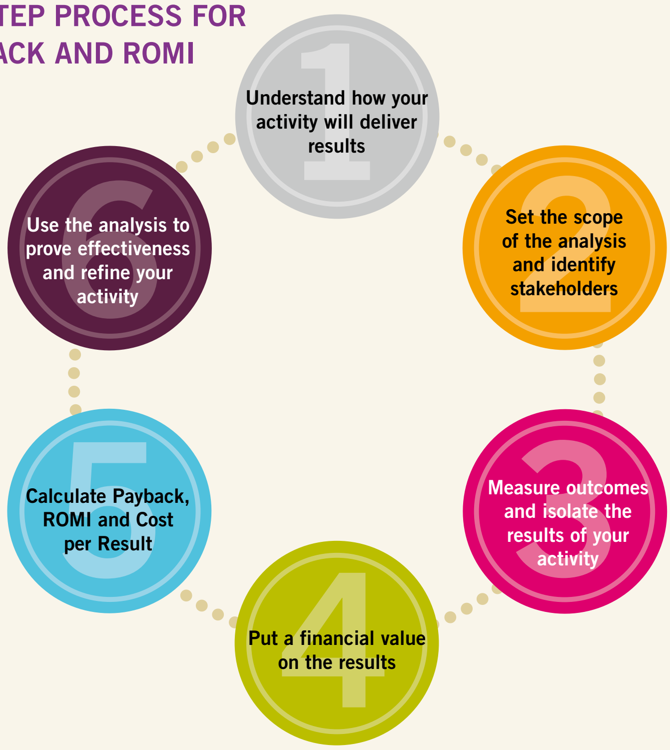
Evaluation planning

Key to this approach is rigorous evaluation planning. For this to be successful, it means deciding what needs to be measured, tracked and analysed at the outset, setting key performance indicators (KPIs) and building a metric matrix of the data that is required to demonstrate effectiveness.

Only by drawing up a clear evaluation plan can you be sure that you source the right data, measure the performance against the explicit benchmarks and build a complete picture of how the campaign has performed – not just what went well but what didn't work and the lessons to be learned.

"We need to embed evaluation in our processes and formalise the way we do it far more rigorously than before," says Mark Cross, Communications Planning Director. "When we get this right, it can tell a very powerful story. For example, the Payback and saving to HM Treasury from campaigns such as anti-smoking and teacher recruitment have been huge."

SIX-STEP PROCESS FOR PAYBACK AND ROMI



Calculating Payback

But not every campaign is so easy to measure. How do you monetise an increase in volunteering, for example? COI strategist Kevin Traverse-Healy has carried out ground-breaking work, in co-operation with industry experts Les Binet and Sarah Carter, to help demonstrate the financial benefit of complex communication campaigns.

In *Payback and Return on Marketing Investment in the public sector*, they analysed and demonstrated the Payback of several leading campaigns and set out a process to help calculate Payback, Return on Marketing Investment (ROMI) and Cost per Result – see the chart, above.

Likewise, COI News and PR has produced standardised measurement metrics for media coverage, both quantitative and qualitative, which will make it easier to compare results across PR campaigns – and against other media – and benchmark results for planning future campaigns.

All of this learning is expected to feed into the development of a GCN shared evaluation service – a new web-based portal which will pool evaluation data, results and knowledge – and for the first time create a common base to compare activity across disciplines and channels, so that users can learn from past campaigns and share knowledge across departments, building a rolling picture of campaign activity by client and theme.

The paper on *Payback and Return on Marketing Investment in the public sector* can be found on the COI 'Big Thinkers' blog at **www.coi.gov.uk/blogs/bigthinkers**

Changing behaviours

Certain behaviours can be costly to us all as individuals and as a nation of taxpayers. Behavioural theory is about understanding people better so that we can help policy-makers achieve their objectives – not only saving money but also improving lives.

"It's about trying to ensure consistency in how behavioural theory is placed at the heart of everything we do…

Fiona Wood, Head of Research and Insight

Changing people's behaviour has always been part of government communication. Many government departments have been doing it expertly for decades, as anyone who remembers the classic public information TV fillers of the 1970s will agree. So why is behaviour change such a hot topic now – and how can a five-step process developed by COI help government communicators understand it better?

The right message, the right way at the right time

"There's an improved understanding of what shapes our behaviour or compels us in particular ways," COI's Head of Research and Insight Fiona Wood explains. "By harnessing this insight and incorporating it into policy objectives and communications planning right at the beginning of the process, government is more likely to realise long-term benefits and return on investment."

The interest in behavioural theory has been steadily growing, gaining momentum with the publication in 2008 of *Nudge* by Richard Thaler and Cass Sunstein, and the Government Social Research Unit's Behaviour Change Knowledge Review. In the same year, a COI team led by Fiona began work on guidance for communicators.

Many people already understand the significance of behavioural theory. What's sometimes missing is a consistent approach to embedding it early enough to allow properly targeted communications, placed in the wider framework of a range of interventions. By understanding our audience properly, we can plan the role for communication within the wider context and make it many times more effective.

Stimulating a cross-government debate

After reviewing literature from a range of sources and consulting clients from across government, including the Cabinet Office, the Department of Health and the Department for Environment, Food and Rural Affairs, COI's team developed a five-step process for behaviour change communications planning. This was road tested with thought leaders from across government and industry.

COI and GCN launched the guidance, *Communications and behaviour change*, in November 2009. The launch seminar was chaired by COI Chief Executive Mark Lund and attended by the Permanent Secretary for Government Communications, Matt Tee, and senior communicators from across government. Fiona emphasises that the purpose of launching the guidance was to engage people in ongoing debate. "It's about trying to ensure consistency in how behavioural theory is placed at the heart of everything we do and ensuring that we are clear and specific about the role for communication."

Forging ahead to change behaviour

After six months in print, requests for *Communications and behaviour change* keep rolling in. And in March 2010, the Cabinet Office and the Institute for Government published *MINDSPACE*, a report on influencing behaviour through public policy, which provides an invaluable checklist of key principles and a range of examples of behavioural theory in action.

Behavioural theory is relevant across government from tax compliance to pensions and from crime to climate change. Right now, it's more vital than ever that behaviours that cost the taxpayer money are targeted, so that money being spent on repairing that damage can be redirected elsewhere. It's also crucial that communication is focused tightly on supporting policy objectives and underpinned by deep insight into influences on behaviour.

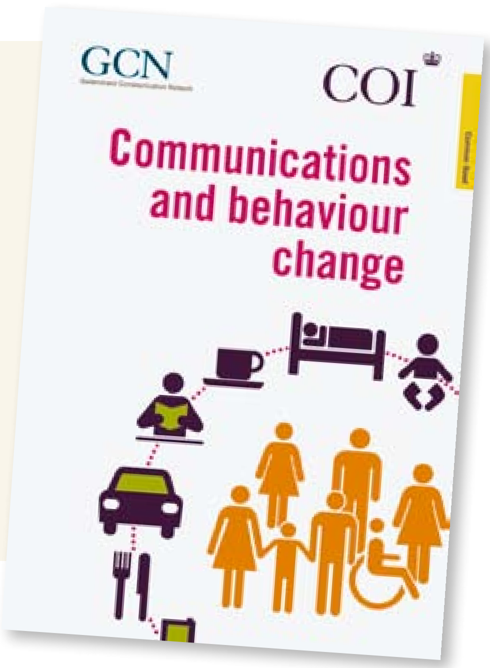
You can find out more about COI and behaviour change theory, listen to COI Chief Executive Mark Lund's podcast and read the guidance in full at: **http://coi.gov.uk/behaviourchange**

BRINGING EXPERT SUPPLIERS ON BOARD

In November 2009, COI launched its first-ever Approved Supplier List for behaviour change. The list will include experts from across a range of disciplines, including behavioural economics and social psychology.

THE FIVE-STEP BEHAVIOUR CHANGE PROCESS

1. Identify behaviours
2. Understand the influences by audience
3. Develop a practical model of influences on behaviour
4. Build a marketing framework
5. Develop a communications model



Making the right digital connections

COI is showing how digital media can target audiences, engage the public and develop working partnerships across government. It's all about building relationships.

Social media now has levels of reach comparable to traditional channels.

Nick Jones, Director of Interactive Services

The impact of digital communication is changing society. People now have access to more support and information than ever before. They are more confident about making their own decisions and leading their own lives. They are finding it simpler to build communities of like-minded people. And they are becoming more involved in shaping their neighbourhoods.

All of this has the potential to accelerate the drift of people away from government and public institutions as sources of authority. It poses tough challenges for government communicators, especially when they need to influence people to change their behaviour and do it all on much tighter budgets.

COI recognises that government needs to reconnect with people on their own terms and in their own spaces. Digital media can help government communicators to do this, if they are only willing to let go of the impulse to control everything. COI has been active over the last year in showing its government clients and colleagues how to make the most of the new digital opportunities.

Alex Butler, COI's Director of Transformational Strategy, says, "We take a broad view of digital innovation. It's not just about understanding the impact of digital tools and techniques. It's about what we can do with online communities, collaborative models and greater involvement from the public."

Social networking

COI has been helping some of its clients to take their first steps in social spaces. Whereas the Armed Forces might once have relied on broadcast media such as TV to recruit people, now they are using social media to engage their audiences. "Social media now has levels of reach comparable to traditional channels," says Nick Jones, COI's Director of Interactive Services. "Overlay that with the ability to interact to a high degree and it's a great place to have conversations and build relationships."

For example, COI helped the Royal Air Force (RAF) to stimulate conversation between people in the RAF and potential recruits by encouraging RAF personnel to tell their stories on Flickr and Twitter. This low-cost initiative has delivered some great results. The photos on Flickr are proving very popular, while each storyteller is building a following on Twitter.

Digital engagement

Meanwhile, COI has continued to play a wide role making it simpler for the public to connect with government online. By establishing quality standards and best practice guidelines for government websites, COI has ensured that people have a satisfying experience online, find the information they need and establish a relationship with government.

"We make a point of engaging with the public and the wider world in all our work," says David Pullinger, COI's Head of Digital Policy. "We use wikis and digital consultations to get the best feedback we can on the development of our policies. Our 'Digigov' blog gets lots of comments. All this helps to generate excellent recommendations and improve their uptake."

Using digital media to engage the public with policy formation is becoming more of a focus for government. COI's expertise in this area means it is well placed to become the government hub for all forms of digital engagement.

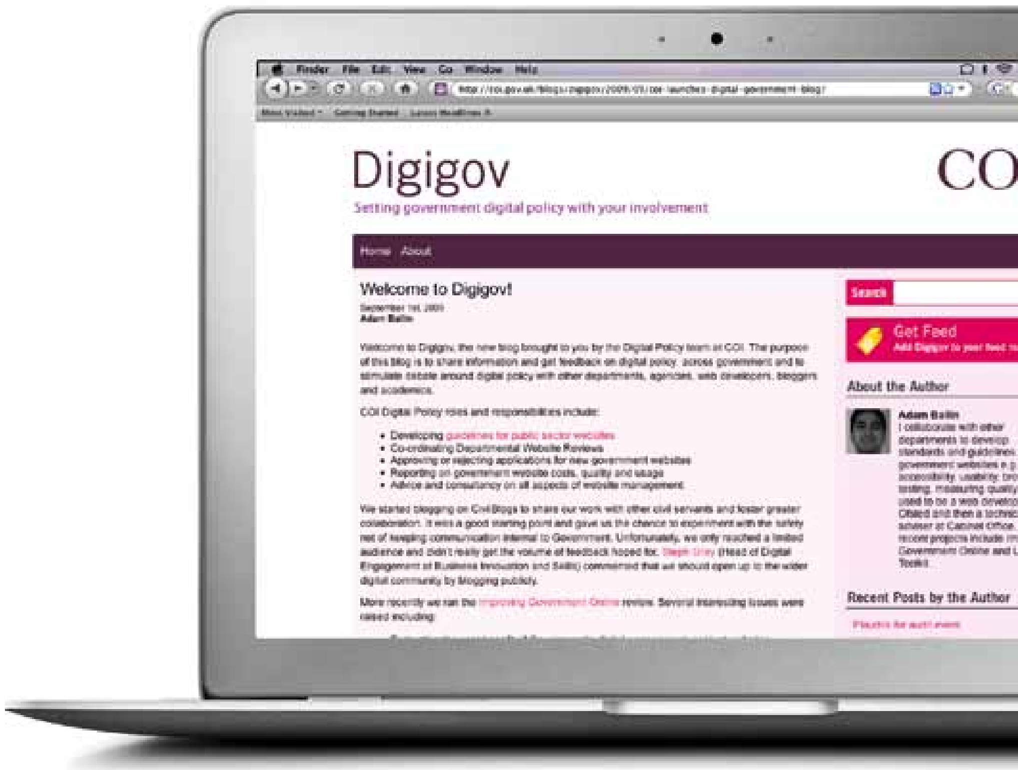
Blended team-working

COI has also been involved with the GCN Innovation project and has pioneered collaborative ways of working with digital media. Selected volunteers from COI teamed up with government colleagues using microblogging tools such as Yammer. Together they brainstormed the development of digital innovation in key policy areas. Four new ventures rapidly found external partners in the private sector and most are already moving ahead to be piloted and implemented.

As all these examples show, COI has been championing the use of digital media across government in order to build relationships, develop communications strategies and reach out to the public. One significant finding from all this activity is that there are excellent digital opportunities to influence public behaviour change programmes at a fraction of the cost of large-scale advertising campaigns.

COI RESOURCES FOR DIGITAL INDUSTRY AND THE PUBLIC

- Blogging on the semantic web and information re-use
- Digital guidance on everything from inclusive websites to browser testing
- Usability toolkit containing over 20 e-learning modules
- Common framework for measuring the cost-effectiveness, use and quality of government department websites
- Advice on the government use of social media



Results 2009/10

Director's report

History

COI was established in 1946, when responsibility for information policy was taken up again by departmental ministers after the closure of the wartime Ministry of Information. COI became a common service agency, concentrating expertise to avoid a wasteful duplication of specialists throughout Whitehall and taking advantage of centralised purchasing. In 1981, the then Prime Minister approved the move to a repayment service, which was introduced on 1 April 1984. On 5 April 1990 COI became a vote-funded executive agency, and on 1 April 1991 it became a trading fund under the Central Office of Information Trading Fund Order 1991.

Statutory background

On 22 June 1992 ministerial responsibility for COI was transferred to the Minister for the Cabinet Office from the Chancellor of the Exchequer. COI continues to be a department of the Minister, who is accountable to Parliament and its select committees for all COI's activities. Taking into account the advice of the Chief Executive, the Minister determines the overall policy and financial framework within which COI operates but does not normally become involved in day-to-day management.

The Chief Executive of COI is also the Accounting Officer and is formally responsible to the Minister for the operations of the agency within the overall framework set out in COI's Framework Document.

As a government department, COI continues to receive a small provision in respect of central advisory services. This is included as income to the Trading Fund Account and is also accounted for separately through COI's Resource Account. Details of the COI Resource Account are available on the COI website (**www.coi.gov.uk**).

Aims and objectives

The aim of COI is to enable central government to secure its policy objectives through achieving maximum communication effectiveness and best value for money. COI's objectives are to improve the effectiveness of, and add value to, its clients' communications and marketing programmes through its consultancy, procurement and project management services across all communication channels.

Review of activities

COI's principal activities throughout the year continued to be:

- providing strategic advice to departments and agencies on achieving their communication objectives;
- providing purchasing and project management services implementing those strategies; and
- supplying directly those services that, for propriety or other reasons, can only be provided by a government organisation.

Results

A surplus of £94,000 was made for the year, which has been retained and carried to reserves.

Events after the reporting period date

The new Government, formed in May, implemented an immediate freeze on government advertising and marketing spend. Government will continue to commission campaigns this year, but only where there is an essential need to do so. However, it is clear that these measures will severely reduce our income for the current financial year. While this will have a significant short-term impact on COI's operations, it does not affect COI's ability to meet its liabilities. The Cabinet Office has confirmed that COI remains an important centre for marketing and communications expertise and an aggregator of government's buying power.

Management Board members during 2009/10

M. Baxter, Non-Executive Director

P.M. Buchanan, Deputy Chief Executive

A. Butler, Director, Transformational Strategy

M. Cross, Director, Communications Planning

I.R. Hamilton, Commercial Director

G. Hooper, Director, Client Service and Strategy

H. Lederer, Director, Finance

E. Lochhead, Director, Human Resources

M. Lund, Chief Executive (from June 2009)

N. Martinson, Director, News and PR

A. Wade, Director, Business Strategy

S.E. Whetton, Director, Creative Delivery

C. Wood, Non-Executive Director

Directors' statement with respect to conflict of interest

All Management Board members have confirmed that they have no significant outside interests that conflict with their management responsibilities.

Supplier payment performance

COI's policy is to pay all suppliers within 30 days of receipt of goods or services or of a correctly documented invoice (whichever is received later), or according to contract where a different payment period is agreed. COI observes the principles of the CBI Better Payment Practice Code.

Using the Civil Service standard measure, during 2009/10 COI paid 92 per cent of supplier bills within 30 days (90 per cent in 2008/09).

Recruitment

COI recruits staff on the basis of fair and open competition and selection on merit, in accordance with the recruitment code laid down by the Civil Service Commissioners. Systems are subject to internal and external checks.

75 staff were recruited during 2009/10:

	Male	Female
Unified grades	9	15
Information	13	27
Administration	2	9
Total	24	51

10 people from ethnic minority groups were recruited and no person with a disability was recruited. 13 per cent of COI's staff are recorded as being from ethnic minority groups and 1.5 per cent have a disability as defined under the Disability Discrimination Act 1995.

The permitted exceptions to the principles of fair and open competition and selection on merit were not used on any occasion for appointments over 12 months.

Sickness absence

During the year, 1.7 per cent of available working days were recorded as sickness absence.

Employee involvement

COI encourages the involvement of its staff in the daily running of its affairs through normal line management contacts. Information is disseminated through office circulars, e-mail, the intranet, an electronic staff newspaper and distribution of the Annual Report and Accounts. Regular workplace meetings are also used to pass on information to staff and to answer questions. Since 2005/06, a Representative Council has been in operation, which allows staff to have a say on important issues that affect the organisation, and to provide the COI Management Board with an insight into popular thinking that can be considered as part of the decision-making process. The Representative Council fulfils the requirements of the EU Information and Consultation Directive, which gives employees rights to be informed and consulted about the business they work for.

COI took part in the Civil Service-wide staff survey during the year (resulting in the ninth best feedback scores) as well as entering the Sunday Times 'Best place to work in the public sector' survey (finishing as the third best organisation to work for).

COI has formal contact with its trade unions through the departmental Whitley Council and more frequent and less formal discussions through several sub-committees.

People with disabilities

In relation to employees with disabilities, COI complies with the equal opportunities legislation and provides special facilities where necessary.

Personal data security incidents

During the year there were no incidents that resulted in the loss of personal data by COI employees.

Pension liabilities

These are covered in notes 1(f) and 6 to the accounts.

HM Treasury accounts direction

These accounts have been prepared in accordance with accounts direction given by HM Treasury, in accordance with section 4(6)(a) of the Government Trading Funds Act 1973.

Disclosure of relevant audit information

As far as the Chief Executive is aware, there is no relevant audit information of which COI's auditors are unaware, and the Chief Executive has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that COI's auditors are aware of that information. 'Relevant audit information' means information needed by the entities auditor in connection with preparing the audit report.

Audit services and costs

The Comptroller and Auditor General (C&AG) is head of the National Audit Office and is appointed as the auditor of the COI Trading Fund under section 4(6) of the Government Trading Funds Act 1973. The auditor's remuneration payable is £94,500 for the year ended 31 March 2010 (£55,250 for the year ended 31 March 2009). The C&AG has been appointed by COI under a non-statutory letter of engagement to provide an independent review of the systems and workings supporting performance indicators reported in the annual accounts. The audit fee payable for the review of performance indicators is £3,000 for the year ended 31 March 2010 (£2,750 for the year ended 31 March 2009). The C&AG has also been appointed to complete the statutory audit of the resource account under the Government Resources and Accounts Act 2000. The notional audit fee payable is £5,250 for the year ended 31 March 2010 (£5,000 for the year ended 31 March 2009).

Remuneration report

COI remuneration policies for senior staff

Management Board directors

All COI Management Board directors are members of the Senior Civil Service (SCS), and the independent Review Body on Senior Salaries (SSRB) advises the Government on appropriate remuneration for SCS members. In setting the remuneration of Management Board directors, it is COI policy to adopt the recommendations of the SSRB. COI's Remuneration Committee for setting directors' salaries comprises the Chief Executive and the Deputy Director of Human Resources (HR). Decisions are subject to ratification by the Employment and Reward Group of the Cabinet Office.

The principal objectives of the pay system for directors adopted by COI, based on SSRB recommendations, are:

- aligning directors' pay with the market, to enable COI to recruit and retain high-calibre people; and
- reinforcing policies to raise the performance of individual directors by relating pay to performance within a formal performance management system.

Details on the remit and work of the SSRB can be found on the Office of Manpower Economics website (**www.ome.uk.com**).

Chief Executive

The Chief Executive's remuneration is determined by the Cabinet Office Remuneration Committee.

Non-executive directors

COI has two non-executive directors who attend all Management Board meetings. Remuneration of the non-executive directors is set by the Chief Executive and the HR Director, and is reviewed annually. For the financial year ended 31 March 2010, the non-executive directors' remuneration was £36,600. COI does not contribute to the pension of the non-executive directors. The Non-Executive Director M. Baxter is appointed on a fixed-term contract, renewable annually, which commenced in September 2003. This appointment can be terminated with three months' notice on either side. The Non-Executive Director C. Wood is appointed on an open-ended contract.

Performance assessment of senior COI staff

In line with COI's policy of linking individual performance to pay, COI's Management Board directors are appraised under the standard SCS appraisal system against agreed targets and objectives. The objectives of Management Board directors are linked to the corporate objectives identified by the Management Board as part of its annual corporate planning and budget-setting process, in line with ministerial targets. The performance and targets of the Chief Executive are determined by the Cabinet Office.

The Chief Executive formally assesses each Management Board director's performance against his/her objectives at a six-monthly interim stage and annually at the end of the business year, to ensure that progress is being made against targets.

Duration of directors' contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit, on the basis of fair and open competition.

The appointments of all COI's Management Board directors and the Chief Executive are open ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Directors' remuneration for the period 1 April 2009 to 31 March 2010

Remuneration of directors and the Chief Executive comprises a base salary, non-consolidated performance pay, a corporate bonus scheme and a pension. No benefits in kind are paid to directors. The remuneration of the Chief Executive, directors and non-executive directors for the year ended 31 March 2010 is set out in the table overleaf. The following information has been subject to audit.

Pension benefits

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 who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good-quality 'money purchase' stakeholder pension with a significant employer contribution (the **partnership** pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

The classic plus scheme is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year, immediately after the scheme year end, and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service or 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 **http://beta.civilservice.gov.uk/pensions**

Directors' remuneration for the period 1 April 2009 to 31 March 2010

Director's name and position	Salary (including performance pay and bonuses) at 31.3.10	Salary (including performance pay and bonuses) at 31.3.09	Real increase in pension and related lump sum at 60	Total accrued pension at aged 60 at 31.3.10	Cash equivalent transfer value (CETV) at 31.3.10	Cash equivalent transfer value (CETV) at 31.3.09	Real increase after adjustment for inflation and adjustment to market investment factors
	£000	£000	£000	£000	£000	£000	£000
M. Lund*** Chief Executive (from 01.06.09)	125–130	N/A	2.5–5.0	2.5–5.0	48	N/A	44
M. Baxter Non-Executive Director	15–20	15–20	N/A	N/A	N/A	N/A	N/A
P. Buchanan** Deputy Chief Executive	130–135	125–130	0–2.5 plus 5.0–7.5	36–40 plus 115–120 lump sum	888	836	50
I. Hamilton** Director	100–105	100–105	0–2.5 plus 5.0–7.5	40–45 plus 125–130 lump sum	928	831	44
S. Whetton** Director	80–85	75–80	0–2.5 plus 5.0–7.5	20–25 plus 70–75 lump sum	436	376	26
A. Wade** Director	95–100	95–100	0–2.5 plus 5.0–7.5	30–35 plus 90–95 lump sum	650	581	36
G. Hooper* Director	100–105	95–100	0–2.5	25–30	392	342	25
E. Lochhead** Director	110–115	105–110	0–2.5 plus 2.5–5.0	5–10 plus 25–30 lump sum	152	122	21
H. Lederer*** Director	80–85	30–35 (70–75 full year equivalent)	0–2.5	0–2.5	27	7	16
N. Martinson* Director	110–115	100–105	0–2.5	20–25	379	326	33
M. Cross*** Director	95–100	90–95	0–2.5	2.5–5.0	51	27	19
A. Butler* Director	85–90	85–90	0–2.5	5.0–7.5	83	61	15
C. Wood Non-Executive Director	15–20	15–20	N/A	N/A	N/A	N/A	N/A

*Has opted to join the premium pension scheme.
**Has opted to join the classic pension scheme.
***Has opted to join the nuvos pension scheme.

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 an arrangement to secure pension benefits in another pension scheme or when the member leaves a scheme and chooses to transfer the pension benefits accrued in their former scheme. The pension figures shown in the table opposite 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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated with the Occupational Pension Schemes (Transfer Values) (Amendments) Regulations 2008 and do not take account of any actual or potential reductions 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 or 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.

Non-adjusting post-reporting period events

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

Mark Lund
Chief Executive
20 July 2010

Statement of Trading Fund's and Chief Executive's responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, HM Treasury has directed the Central Office of Information Trading Fund to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Trading Fund's state of affairs at the year-end and of its income and expenditure, 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 have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trading Fund will continue in operation.

HM Treasury has appointed the Chief Executive as the Accounting Officer for the Central Office of Information and for the Central Office of Information Trading Fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Offier is answerable, for keeping of proper records and for safeguarding the Central Office of Information's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in *Managing Public Money*.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of COI's policies, aims and objectives, while 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* and the COI Framework document, issued by the Minister for the Cabinet Office.

The Minister for the Cabinet Office receives an annual business plan with an assessment of the key corporate risks facing COI in achieving its objectives. I also report to the Permanent Secretary, Government Communications, on cross-government co-ordination of research, marketing and campaigns.

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 in delivering policies, achieving aims and meeting objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of departmental policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should this happen; and
- manage these risks efficiently, effectively and economically.

The system of internal control has been in place in COI for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The Management Board

The Management Board has primary responsibility for identifying and monitoring key risks facing COI. The terms of reference for the Management Board set out their roles and responsibilities for the management of risk. Responsibility for the continuous improvement of COI's risk management framework is delegated to a nominated member of the Management Board. The structure and content of risk registers, risk policies and risk procedures are reviewed and updated regularly in line with the changing needs of the business.

Annually, the Management Board meets to review progress against COI objectives and to set out new or revised objectives for the forthcoming year. A risk workshop is also held annually to identify the key risks facing COI. Mitigating actions are owned at Management Board level, and progress towards their implementation monitored. During 2009/10, a series of podcasts were made in which Management Board members spoke about progress in achieving specific objectives.

From April 2010, a two-tier Board structure is being introduced to further enhance governance arrangements within COI. The two Boards – a Supervisory Board and a Management Board – are being established with clear terms of reference that will be reviewed at least annually.

Sub-committees

The Management Board has a number of established sub-committees. These include the Audit and Risk Committee (A&RC), chaired by a non-executive member, and the Business Investment and Improvement Group and Security Committee, chaired by a nominated Management Board member. The committees report to the Management Board and have clear terms of reference that are reviewed annually. A well-established Representative Council is also in place.

The A&RC examines and reviews the adequacy of arrangements for accounting, risk management, internal control and governance in liaison with internal and external audit. The A&RC obtains its assurance on risk, governance and controls from reports and updates provided at each meeting. The non-executive directors, who are also members of the A&RC, report formally to the Management Board after each meeting. From April 2010, the A&RC became a sub-committee of the Supervisory Board.

The Security Committee is responsible for directing and monitoring COI's compliance with the Security Policy Framework document. It is chaired by the Senior Information Risk Owner (SIRO), who is also a member of the Management Board. The SIRO is supported in their role by the Departmental Security Officer, the IT Security Manager and Information Asset Owners. Risks to personnel, and physical and information security are monitored by the Committee, which also oversees the work of the Information Security Forum, responsible for IT security risks and compliance with IT standards, including ISO 27001 certification.

All proposals for improvement and investment in internal systems and business processes must follow established project management standards. These require thorough risk assessments as part of the business proposals, which are scrutinised by the Business Investment and Improvement Group.

Operations

Specialist directors and corporate resource heads are responsible for the day-to-day management of risks in their area of responsibility. Risks are identified as part of the annual business planning process and are monitored on an ongoing basis. Overall strategy, including the review of risk management and reporting on it to the Management Board, lies with the Management Board member responsible for that area.

The Representative Council allows staff to have a say on important issues that affect COI and to provide the Management Board with an insight into popular thinking that can be considered as part of the decision-making process.

Risk and control

Framework

COI has a well-established risk and control framework underpinned by documented and established strategies, policies and processes. The risk framework is owned and managed by a Management Board member appointed by the Accounting Officer. Risk ownership and responsibility are clearly defined and cascaded to specialist directors and business managers across COI. The process is facilitated by well-established risk registers at corporate and business levels. The registers are designed to enable the identification and assessment of risks, with an emphasis on monitoring actions to mitigate risks by allocating owners and target dates for action.

COI managers are encouraged to integrate risk management into the decision-making process, for both internal and external-facing tasks, projects and initiatives. Individual business areas have also developed various job-level risk-management techniques over the years. However, the Management Board is encouraging business areas to follow more consistent and proportionate job-level risk-management techniques and is reviewing the need for further guidance and training in this area.

Policies

The control framework is supported by policies and procedures for all key business processes. These include HR policies, project management standards, the procurement policy and manual, finance policies and procedures, the information security policy and the risk strategy and process guidance. Written policies and procedures are available on Policy Matter (the COI policy store) on the COI intranet and locally within all business and corporate resource areas, including HR, Finance, Procurement and IT.

The HR Director is responsible for ensuring that COI has good people-management and development systems and processes in place. This ensures that the right levels of knowledge, skill and competence are in place to run the business efficiently and effectively. HR policies set out the principal rules of conduct, including duty of care, standards of propriety and rules relating to conflict of interest, to which staff are required to adhere.

Outlook

The two Boards coming into effect from April 2010 have distinct responsibilities for risk and control. More specifically, the Supervisory Board will support the Accounting Officer in discharging his responsibilities by exercising oversight of the Management Board with regard to the performance of COI against ministerial targets and monitoring the application of good governance. The Supervisory Board will set the strategic goals of COI and ensure that these are implemented through the Management Board. It will also be responsible for building and monitoring stakeholder relationships at ministerial, Permanent Secretary and industry levels. The Supervisory Board will nominate members to represent COI at the Government Strategic Marketing Board, the client/industry board.

The Management Board is responsible for advising the Chief Executive on the management of COI's business. It supports the Chief Executive in the discharge of his responsibility as Accounting Officer for the overall organisation, performance and management of COI within the policy and resource framework set by ministers and in line with the strategic goals that the Supervisory Board has set. The Management Board will achieve this by developing plans, policies, standards, systems and procedures in line with the strategy, business plan and policy goals set by the Supervisory Board.

The Management Board will also have responsibility for:

- allocating and managing COI's financial and human resources;
- monitoring organisational performance;
- maintaining an effective system of corporate governance; and
- establishing and maintaining a transparent system of prudent and effective controls, including those relating to operational and strategic risk management, supported by clearly documented and understood management systems, processes and procedures.

Risks

My most significant risks are associated with:

- a fast-evolving media landscape;
- the changing role of communications in government;
- increased emphasis on behaviour change, evaluation and digital innovation; and
- the current economic environment.

Based on my assessment of these risks, I initiated a review to improve the service that we offer to our clients. The 'One COI' programme aligned management of our business by client area through the use of 'Theme Teams'. It also re-engineered the business processes and systems to allow full integration between specialisms, with the objective to deliver the clients' required outcomes more effiiciently and effectively. The programme also included providing clients with the flexible offer, allowing them access to our supplier frameworks and the capacity to determine the level of COI involvement they needed. A new governance structure was also introduced from April 2010.

We are also increasing our capacity to offer services in behaviour change, evaluation and digital innovation, and striving to find ways to offer maximum value for money in the current challenging economic climate. I have also appointed a Supervisory Board member responsible for reputation.

Review of effectiveness

Controls

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and in other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the A&RC, and a plan to address weaknesses and ensure continuous improvement of the systems is in place. It is also my belief that there are satisfactory processes in place for identifying, evaluating and managing the significant risks faced by COI.

Performance monitoring

My review is also informed by monthly meetings of the Management Board to consider planning, performance and change management, and by the annual business planning cycle which culminates in an overall COI business plan for the Minister. Appropriate mechanisms are also in place to monitor progress against COI objectives and the business plan and to manage underlying risks, both at strategic and operational levels. The Management Board and I also receive and review regular management information, including comprehensive financial management information.

Sub-committees

I receive regular reports from the sub-committees established by the Management Board, including the A&RC, the Business Investment and Improvement Group, the Security Committee and the Specialist Directors Board, which is being integrated into the new Board structure with effect from April 2010.

Regular information risk assessments are carried out by the SIRO and presented to the Security Committee, and a framework to provide me with assurances on physical, personnel and information risk is in place.

Operational assurance

I am informed by well-established half-yearly and year-end internal control and risk compliance assurances from specialist directors and corporate resource heads. These provide reasonable assurance that the controls and safeguards are operating in line with established policies, procedures and standards. Internal Audit also reviews the effectiveness of controls in specific business and corporate resource areas on a rotational basis.

Audit assurance

I receive regular reports from Internal Audit, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of COI's risk management, control and governance systems, together with recommendations for improvement and observations made by the external auditors in their management letter and reports.

The activities associated with upgrading our financial systems led to some weakening in post year-end controls. This was rectified and the new system is expected to lead to more enhanced system-based controls in future. Other than that there were no significant internal control issues arising during the year, although areas for improvement in the control, risk and governance environment were identified in individual audit reports and summarised in the annual Internal Audit report, with agreed remedial actions implemented or in hand.

Outlook

Improvements associated with my review referred to earlier include the delivery of a new process for managing jobs, ensuring that briefs are delivered and evaluated using clear and simple guidelines, and making best use of the skills and resources required to deliver our offer. Other changes include the upgrade of our financial systems and the introduction of new policies on delegation of authority, timesheet recording, purchase orders and asset approval. Budgeting and cash flow monitoring processes have also been streamlined to enable more accurate forecasting and reporting for management.

Additional risk assessment processes were introduced over the course of the review, led by a programme steering group under the headings of People, Processes and Systems, to ensure that risks are identified at an early stage and addressed to ensure that overall timescales for delivery are met.

Training on the new ways of working and finance systems took place in April and May 2010. The process of regular risk assessment and reporting will also be further developed to take account of the new governance structure and changes to business processes.

In May 2010, the Cabinet Office informed us that ministers have decided to freeze spending on all new advertising and marketing across government. Only essential campaigns will be allowed, with an approval required from the newly established government Efficiency and Reform Group. These new restrictions are designed to deliver significant savings in advertising and marketing expenditure during this year and will remain in place until March 2011 when they will be reviewed.

These measures will mean severe reductions to our income for the current financial year. To enable COI to cope with this challenge, the Supervisory Board has initiated a size and shape review which is likely to mean headcount reduction. Staff and unions have been advised, although there is some inbuilt flexibility through the use of temporary staff contracts.

Mark Lund
Chief Executive
20 July 2010

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Central Office of Information for the year ended 31 March 2010 under the Government Trading Funds Act 1973. These comprise the Net Expenditure Account and Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows 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 Central Office of Information, Chief Executive and auditor

As explained more fully in the Statement of Trading Fund's and Chief Executive's Responsibilities, the Central Office of Information and the Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit 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 Central Office of Information's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Central Office of Information; 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 Central Office of Information's affairs as at 31 March 2010 and of its surplus, 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 Trading Funds Act 1973 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 Trading Funds Act 1973; and
- the information given in the Director's 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
London SW1W 9SP

23 July 2010

Net expenditure account

for the year ended 31 March 2010

	Notes	2009/10 £000	2008/09* £000
Revenue	1(b)	531,519	539,749
Other income	3	1,981	1,738
		533,500	541,487
Operating costs	4	(533,414)	(541,531)
Gross operating surplus		86	(44)
Loss on disposal of non-current assets		(75)	(1)
Finance income	7	83	602
Finance costs	7	–	(70)
Retained surplus for the period	14	94	487

*Restated for IFRS adjustment – see Reconciliation of net expenditure account (page 37).

All income and expenditure arises from continuing operations.

There were no recognised gains or losses in either year other than those recognised in the net expenditure account.

The notes on pages 38 to 52 form part of these accounts.

Statement of financial position

as at 31 March 2010

	Notes	2009/10 £000	2009/10 £000	2008/09 £000	2007/08 £000
Assets					
Non-current assets					
Property, plant and equipment	9	1,401		864	755
Intangible assets	8	367		413	581
Total non-current assets			1,768	1,277	1,336
Current assets					
Inventories	10	4,478		3,446	2,549
Trade receivables and other current assets	11	103,028		130,024	94,287
Cash and cash equivalents	12	7,697		41,060	27,790
Total current assets			115,203	174,530	124,626
Total assets			116,971	175,807	125,962
Current liabilities					
Trade payables and other current liabilities	13	(108,325)		(167,392)	(117,888)
Provisions for liabilities and charges	6(b)	(173)		(31)	(42)
Total current liabilities			(108,498)	(167,423)	(117,930)
Non-current assets plus net current assets			8,473	8,384	8,032
Non-current liabilities					
Provisions for liabilities and charges	6(b)		(32)	(37)	(62)
Assets less liabilities			8,441	8,347	7,970
Taxpayers' equity					
Public dividend capital	15	265		265	265
Reserves					
Revaluation reserve		326		326	436
Retained earnings		7,850		7,756	7,269
Total equity			8,441	8,347	7,970

Mark Lund
Chief Executive
20 July 2010

The financial statements on pages 32 to 37 were approved by the Board on 20 July 2010 and were signed on its behalf by Mark Lund, Chief Executive, COI.

The notes on pages 38 to 52 form part of these accounts.

Statement of changes in taxpayers' equity

	Public dividend capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2008	265	436	7,269	7,970
Retained surplus for the year	–	–	487	487
Net loss on revaluation of property, plant and equipment	–	(12)	–	(12)
Net loss on revaluation of intangible assets	–	(98)	–	(98)
Balance at 31 March 2009	265	326	7,756	8,347
Retained surplus for the year	–	–	94	94
Balance at 31 March 2010	265	326	7,850	8,441

Statement of cash flows

for the year ended 31 March 2010

	Notes	2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000
Cash flows from operating activities					
Retained surplus for the year		94		109	
Adjustments for:					
Net interest	7	(83)		(532)	
Loss on disposal		75		1	
Depreciation/Amortisation	8, 9	489		519	
Increase (decrease) in provision	6(b)	137		(36)	
Operating profit before working capital changes			712		61
(Increase) decrease in inventories	10	(1,032)		(897)	
(Increase) decrease in trade receivables and other current assets	11	26,996		(35,737)	
Increase (decrease) in trade payables and other current liabilities	13	(59,067)		49,882	
Cash generated from operations		(33,103)		13,248	
Interest paid	7	–		(70)	
Net cash inflow from operating activities			(32,391)		13,239
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(929)		(415)	
Proceeds of disposal of property, plant and equipment	9	–		1	
Purchase of intangible assets	8	(126)		(157)	
Interest received	7	83		602	
Net cash inflow from investing activities			(972)		31
Net decrease in cash and cash equivalents in the year	12		(33,363)		13,270
Cash and cash equivalents at beginning of year	12		41,060		27,790
Cash and cash equivalents at end of year	12		7,697		41,060

The notes on pages 38 to 52 form part of these accounts.

Reconciliation of net expenditure account

for the year ended 31 March 2010

	Notes	2009/10 Previous GAAP* £000	2009/10 Effect of transition £000	2009/10 IFRS £000
Revenue	1(b)	531,519	–	531,519
Other income	3	1,981	–	1,981
		533,500	–	533,500
Operating costs	4	(533,414)	–	(533,414)
Gross operating deficit		86	–	86
Loss on disposal of non-current assets		(75)	–	(75)
Finance income	7	83	–	83
Finance costs	7	–	–	–
Retained surplus for the period	14	94	–	94

*Generally accepted accounting principles.

Reconciliation of equity

at 31 March 2010

	Notes	2009/10 Previous GAAP* £000	2009/10 Effect of transition £000	2009/10 IFRS £000
Assets				
Non-current assets				
Property, plant and equipment	9	1,401	–	1,401
Intangible assets	8	367	–	367
Total non-current assets		1,768	–	1,768
Current assets				
Work in progress	10	4,478	–	4,478
Trade receivables	11	103,028	–	103,028
Cash and cash equivalents	12	7,697	–	7,697
Total current assets		115,203	–	115,203
Total assets		116,971	–	116,971
Current liabilities				
Trade and other payables	13	(108,498)	–	(108,498)
Total current liabilities		(108,498)	–	(108,498)
Total assets less current liabilities		8,646	–	8,646
Non-current liabilities				
Provisions	6(b)	(32)	–	(32)
Assets less liabilities		8,441	–	8,441
Taxpayers' equity				
Public dividend capital	15	265	–	265
Revaluation reserve		326	–	326
Retained earnings		7,850	–	7,850
Total equity		8,441	–	8,441

*Generally accepted accounting principles.

Reconciliation of net expenditure account for the year ended 31 March 2010 (continued)

		2008/09			2007/08		
		Previous GAAP	Effect of transition	IFRS	Previous GAAP restated	Effect of transition	IFRS
	Notes	£000	£000	£000	£000	£000	£000
Revenue	1 (b)	539,749	–	539,749	377,206	–	377,206
Other income	3	1,738	–	1,738	1,274	–	1,274
		541,487	_	541,487	378,480	–	378,480
Operating costs	4	(541,909)	378	(541,531)	(378,848)	(378)	(379,226)
Gross operating deficit		(422)	378	(422)	(368)	(378)	(746)
Loss on disposal of non-current assets		(1)	–	(1)	(96)	–	(96)
Finance income	7	602	–	602	622	–	622
Finance costs	7	(70)	–	(70)	(151)	–	(151)
Retained surplus for the period	14	109	378	487	7	(378)	(371)

At 31 March 2009 UK GAAP accounts include IFRS transitional adjustments.

Reconciliation of equity at 31 March 2010 (continued)

		2008/09			2007/08		
		Previous GAAP	Effect of transition	IFRS	Previous GAAP restated	Effect of transition	IFRS
	Notes	£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Property, plant and equipment	9	864	–	864	755	–	755
Intangible assets	8	413	–	413	581	–	581
Total non-current assets		1,277	–	1,277	1,336	–	1,366
Current assets							
Work in progress	10	3,446	–	3,446	2,549	–	2,549
Trade receivables	11	130,024	–	130,024	94,287	–	94,287
Cash and cash equivalents	12	41,060	–	41,060	27,790	–	27,790
Total current assets		174,530	–	174,530	124,626	–	124,626
Total assets		175,807	–	175,807	125,962	–	125,962
Current liabilities							
Trade and other payables	13	(167,429)	–	(167,429)	(117,510)	(440)	(117,950)
Total current liabilities		(167,429)	–	(167,429)	(117,510)	(440)	(117,950)
Total assets less current liabilities		8,415	–	8,415	8,452	(440)	8,012
Non-current liabilities							
Provisions	6(b)	(68)	–	(68)	(104)	62	(42)
Assets less liabilities		8,347	–	8,347	8,348	(378)	7,970
Taxpayers' equity							
Public dividend capital	15	265	–	265	265	–	265
Revaluation reserve		326	–	326	436	–	436
Retained earnings		7,756	–	7,756	7,647	(378)	7,269
Total equity		8,347	–	8,347	8,348	(378)	7,970

The notes on pages 38 to 52 form part of these accounts.

Notes to the accounts

1 Accounting policies

(a) General

(i) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of COI for the purpose of giving a true and fair view has been selected. The particular policies adopted by COI are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Following the general election, the new Government implemented an immediate freeze on government advertising and marketing spend, with some exceptions, until March 2011. While this will have a significant short-term impact on COI's operations, it does not affect COI's ability to meet its liabilities. COI continues to play a role in evaluation, engagement and behaviour change across government and the wider public sector.

Prior year figures have been restated to remove Directgov income, expenditure and headcount, following a Machinery of Government transfer. The transfer moved responsibility for Directgov, the Government's primary digital service for citizens, from COI to the Department for Work and Pensions on 1 April 2008.

(ii) IFRS 1 'First-time adoption of International Financial Reporting Standards' allows entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition (i.e 2008/09). COI elected not to take any exemptions.

Where appropriate, transitional notes required by IFRS 1 are included in the financial statements.

The following standards were adopted early by COI:

- International Accounting Standard (IAS) 1 'Presentation of financial statements' – amendment. This amendment aims to assist users in their ability to analyse and compare the information given in the financial statements. Changes include changes to titles of some of the financial statements and changes to the components of financial statements. The amendment is effective for periods commencing on or after 1 January 2009.
- IFRS 8 'Operating segments'. This standard replaces IAS 14 'Segment reporting'. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision-maker in determining the allocation of resources and in assessing its performance. The standard is effective for periods commencing on or after 1 January 2009.

(iii) Standards issued but not yet effective: the following standards have been issued but have not yet been adopted by the company in these financial statements as they are not yet effective.

Interpretations that are not predicted to have an impact on the company are:

IFRS 2 'Share-based payment'

IFRS 3 'Business combinations'

IFRS 7 'Financial instruments: disclosures'

IFRS Interpretations Committee (IFRIC) 9 'Reassessment of embedded derivatives'

IFRIC 13 'Customer loyalty programmes'

IFRIC 15 'Agreements for the construction of real estate'

IFRIC 16 ‘Hedges of a net investment in a foreign operation’

IFRIC 17 ‘Distributions of non-cash assets’

IFRIC 18 ‘Transfers of assets from customers’

IAS 23 ’Borrowing costs’

IAS 27 ‘Consolidated and separate financial statements’

IAS 28 ‘Investments in associates’

IAS 31 ‘Interests in joint ventures’

IAS 32 ‘Financial instruments: presentation’

IAS 39 ‘Financial instruments: recognition and measurement’.

(b) Revenue

Revenue represents the invoiced amounts and accrued amounts to be invoiced of goods sold and services provided (net of value added tax) from the ordinary activities of the business. It also includes money received from Parliament in respect of central advisory services. Clients are charged the actual cost of external goods and services purchased in respect of their work, together with a fee for the time of COI staff, set at a level to recover all COI staff and overhead costs.

Other income consists of rentals from sub-tenants.

Interest income is recognised in the net expenditure account and represents interest earned.

(c) Inventory

The principle governing COI work-in-progress contracts is that they are performed on a break-even basis and therefore, for jobs open at the year-end, it is assumed that income and costs will match, with an accrual made to either income or cost as necessary on a job-by-job basis to bring them into balance.

(d) Non-current assets

Intangible assets
The costs of purchase of software, where they are separable from an item of hardware, are capitalised separately and amortised over a period not exceeding 10 years. Intangible assets are reviewed annually for impairment and an impairment is recognised when its carrying amount exceeds its recoverable amount. The intangible assets are stated at amortised historic cost in the accounts. Non-current items costing less than £2,000 are expensed in the year of acquisition.

Property, plant and equipment
Fixed assets are valued at modified historic cost, except where current cost adjustments are immaterial. Depreciation is charged using the straight-line method at a rate chosen to recover the cost of the asset over its anticipated useful life, as follows:

- new technology equipment: over 1 to 10 years; and
- equipment, fixtures and fittings: over 1 to 26 years.

(e) Provisions for liabilities and charges

Full provision is made in the accounts for all future liabilities in respect of payments to employees who have retired early. Payments are due from COI from the date of early retirement until age 60, when the Principal Civil Service Pension Scheme (PCSPS) assumes the liability. Provisions are recognised where COI considers that there is a present obligation arising from a past event and that there is a probable outflow of economic benefit to settle the provision. Provisions have not been discounted to reflect present value as the effect is not deemed material.

(f) Pensions

Past and present employees are covered by the provisions of the PCSPS, which is described at note 6(a). The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. COI 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, COI recognises the contributions payable for the year.

(g) Leasing

Rentals under operating leases are charged on a straight-line basis over the lease term.

(h) Staff on secondment to GovGap

GovGap was established in April 2007 to provide skilled professional interim staff to COI clients. Staff are provided either from an external pool of interim staff or by placing COI staff on interim assignments. The cost and number of COI staff on secondment are shown separately in note 4 and note 5(b) to the accounts. To ensure consistent disclosure, prior year figures have been restated in both notes 4 and 5.

(i) Financial assets and liabilities

COI does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (notes 11 and 13). Trade and other receivables are recognised at fair value. A provision for impairment is made when there is evidence that COI will be unable to collect an amount due in accordance with agreed terms.

Trade and other payables are measured at fair value.

(j) Current and deferred tax

As a trading fund, COI is not liable for Corporation Tax or Deferred Tax.

(k) Financial risk management

Credit risk
Credit risk arises from cash and cash equivalents and accounts receivables. COI's exposure to credit risk arising from its operations is minimal given that the customer base is central government departments.

Liquidity risk
COI's objective is to ensure continuity of funding and flexibility. COI's operational cash flow is largely stable and predictable, reflecting the low risk profile of the customer base. Cash flow forecasts are produced daily to assist management in identifying future liquidity requirements. COI is not therefore exposed to material liquidity risks.

Market risk
The nature of COI's customer base means that COI's exposure to market risk is minimal.

Currency risk
COI has no exposure to currency risk.

Interest rate risk
COI's exposure to interest rate risk is negligible. COI seeks to minimise interest expense by minimising borrowings.

Capital risk management
COI's policy is to maintain a strong capital structure consistent with its size. COI's objective when managing capital is to safeguard its ability to continue as a going concern.

(l) Accounting estimates and judgements

Other than the assumption that income and costs on work in progress will match, no material accounting estimates or judgements were made by COI in preparing these accounts.

2 Segment information

COI is not required to disclose segment information as it would be detrimental.

3 Other income

	2009/10 £000	2008/09 £000
Rent received under operating leases	1,981	1,738
Total	1,981	1,738

4 Operating costs

(a) Staff costs:	2009/10 Permanent £000	2009/10 Other £000	2009/10 Total £000	2008/09 Permanent £000	2008/09 Other £000	2008/09 Total £000
Wages and salaries	32,767	1,041	33,808	27,131	2,091	29,222
Social security costs	2,373	313	2,686	2,103	169	2,272
Other pension costs	5,749	190	5,939	5,365	183	5,548
Agency staff*	–	2,420	2,420	–	2,137	2,137
Staff on secondment**	3,777	3,750	7,527	1,514	2,933	4,447
Total staff costs	44,666	7,714	52,380	36,113	7,513	43,626
Raw materials and consumables	–	–	7,193	–	–	3,727
Other external charges	–	–	473,841	–	–	493,659
Depreciation and other amounts	–	–	–	–	–	519
Total operating costs	44,666	7,714	533,414	36,113	7,513	541,531

*Restated to reallocate GovGap placement costs.
**Restated to reallocate staff on secondment costs.

(b) Other external charges include:	2009/10 £000	2008/09 £000
Auditor's remuneration	97	54
Auditor's remuneration for non-audit work	12	3
Operating leases in respect of hire of plant and machinery	55	96
Operating leases in respect of office accommodation*	2,432	2,000

*Relates to lease on Hercules House, which expires in 2033, with a minimum annual rental of £2 million, and regional news offices.

(c) Other external charges are net of:	2009/10 £000	2008/09 £000
Advertising discounts	5,972	4,770
Total	5,972	4,770

(d) Volume discounts are received from suppliers based on the volume of work placed with them by COI.

5 Staff

(a) The average number of employees* during the year is made up as follows:

	2009/10 Permanent £000	2009/10 Other £000	2009/10 Total £000	2008/09 Permanent £000	2008/09 Other £000	2008/09 Total £000
Unified grades	168.9	7.5	176.4	137.6	3.0	140.6
Information	351.0	63.1	414.1	366.2	56.3	422.5
Administration	127.8	25.6	153.4	96.4	17.8	114.2
Support	6.3	2.0	8.3	6.0	4.7	10.7
Totals	654.0	98.2	752.2	606.2	81.8	688.0

*Excluding staff on GovGap secondment.

(b) The average number of employees** (including GovGap secondments) during the year is made up as follows:

	2009/10 Permanent £000	2009/10 Other £000	2009/10 Total £000	2008/09 Permanent £000	2008/09 Other £000	2008/09 Total £000
Unified grades	178.6	23.0	201.6	146.8	17.1	163.9
Information	351.0	63.1	414.1	374.5	67.2	441.7
Administration	139.9	44.8	184.7	98.7	19.6	118.3
Support	6.3	2.0	8.3	6.0	4.7	10.7
Totals	675.8	132.9	808.7	626.0	108.6	734.6

**Including staff working through COI on GovGap secondment.

6 Pensions

(a) The PCSPS is an unfunded multi-employer defined benefit scheme, but COI is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (**www.civilservice-pensions.gov.uk**).

The employees of COI are civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Employees are eligible to join the PCSPS.

For 2009/10, employers' contributions for COI employees of £6,374,134 with a further £550,081 in respect of staff on secondment were payable to the PCSPS (£5,547,933 in 2008/09 and a further £439,998 in respect of staff on secondment) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay (17.1 per cent to 25.5 per cent in 2008/09), based on salary bands. The scheme's actuary reviews employer contributions every four years, following a full scheme valuation. The salary bands and contribution rates were revised for 2005/06 and remained unchanged until 2008/09. In 2009/10 the contributions rate has reduced and they are in the range 16.7 per cent to 24.3 per cent. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £106,925 (£92,210 in 2008/09) were paid to one or more of a 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 (3 per cent to 12.5 per cent in 2008/09). Employers can also match employee contributions up to a limit of 3 per cent of pensionable pay. In addition, employer contributions of £7,753 (£6,658 in 2008/09), 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 reporting period date were £9,895. No contributions were prepaid at that date.

There were no cases of retirement on ill-health grounds during 2009/10.

(b) Provisions for liabilities and charges are in respect of early retirement costs (see note 1(e)).

6 Pensions (continued)

The provision is made up as follows:

	2009/10 £000	2008/09 £000	2007/08 £000
Balance at 1 April	68	104	38
Provisions utilised in the year	(42)	(50)	(33)
Provided in the year	179	14	99
Balance at 31 March	205	68	104

The liability falls due in the following timescales:

	2009/10 £000	2008/09 £000	2007/08 £000
Within one year	173	31	42
Within two to five years	32	32	49
After five years	–	5	13
Total	205	68	104

7 Finance income and costs

	2009/10 £000	2008/09 £000
Finance income		
Interest received from the National Loans Fund	46	316
Interest received from HM Paymaster General	37	286
Interest receivable	83	602
Finance costs		
Interest on short-term borrowing	–	(70)
Net cash inflow from returns on investments and servicing of finance	83	532

8 Intangible assets

The movement between the opening and closing balances is accounted for as follows:

Using the current cost accounting convention (in accordance with note 1(d)):

	Software licences 2009/10 £000	Software licences 2008/09 £000
Gross replacement cost or valuation		
Opening balance at 1 April	1,099	1,089
Acquisitions	126	157
Disposals	(145)	(147)
Closing balance at 31 March	1,080	1,099
Amortisation		
Opening balance at 1 April	686	508
Charged in the year	114	227
Disposals	(87)	(147)
Revaluation	–	98
Closing balance at 31 March	713	686
Net book value		
Closing balance at 31 March	367	413
Opening balance at 1 April	413	581

*Assets have been re-lifed to reflect continued use.

9 Property, plant and equipment

The movement between the opening and closing balances is accounted for as follows:

Using the current cost accounting convention (in accordance with note 1(d)):

	Information technology equipment 2009/10 £000	Equipment, fixtures and fittings 2009/10 £000	Total 2009/10 £000	Information technology equipment 2008/09 £000	Equipment, fixtures and fittings 2008/09 £000	Total 2008/09 £000
Gross replacement cost or valuation						
Opening balance at 1 April	960	854	1,814	746	778	1,524
Acquisitions	402	527	929	339	76	415
Disposals	(94)	(9)	(103)	(125)	–	(125)
Closing balance at 31 March	1,268	1,372	2,640	960	854	1,814
Depreciation provision						
Opening balance at 1 April	310	640	950	198	571	769
Charged in the year	278	97	375	207	85	292
Disposals	(79)	(7)	(86)	(123)	–	(123)
Revaluation	–	–	–	28	(16)	12
Closing balance at 31 March	509	730	1,239	310	640	950
Net book value						
Closing balance at 31 March	759	642	1,401	650	214	864
Opening balance at 1 April	650	214	864	548	207	755

*Assets have been re-lifed to reflect continued use.

10 Inventories

	2009/10 £000	2008/09 £000	2007/08 £000
Work in progress	4,478	3,446	2,549
Total	4,478	3,446	2,549

11 Trade receivables and other current assets

	2009/10 £000	2008/09 £000	2007/08 £000
Trade receivables	95,875	115,072	85,515
Prepayments and accrued income	6,913	14,725	8,662
Other receivables	240	227	110
Total	103,028*	130,024*	94,287*

*Intra-government balances are disclosed in note 21.

12 Cash and cash equivalents

	2009/10 £000	2008/09 £000	2007/08 £000
Balance at 1 April	41,060	27,790	15,169
Net change in cash and cash equivalent balances	(33,363)	13,270	12,621
Balance at 31 March	7,697	41,060	27,790

The following balances at 31 March were held at:

	2009/10 £000	2008/09 £000	2007/08 £000
Office of HM Paymaster General	55,636	41,057	27,787
Commercial banks and cash in hand	(47,939)	3	3
Balance at 31 March	7,697	41,060	27,790

There are no cash and cash equivalent balances held by the entity not available for use by the Trading Fund.

13 Trade payables and other current liabilities

	2009/10 £000	2008/09 £000	2007/08 £000
Bank loans and borrowings	10,000	–	–
Trade payables	9,268	45,385	20,134
Other taxes and social security	13,144	15,645	14,651
Accruals for jobs	53,905	89,272	76,722
Deferred income	17,873	12,913	4,380
Accrued expenses	4,135	4,177	2,001
Total	108,325*	167,392*	117,888*

*Intra-government balances are disclosed in note 21.

14 Financial target

COI was set a financial target of break-even. It achieved a surplus of £94,000 (£487,000 surplus in 2008/09).

15 Capital

(a) The COI Trading Fund was established on 1 April 1991 under the Government Trading Funds Act 1973 with an originating debt of £1,792,279.50. The debt comprised:

- public dividend capital of £265,000; and
- a deemed loan from the National Loans Fund of £1,527,279.50 bearing interest at 10.5 per cent and repayable, in equal instalments of capital, over six years. Repayment of the loan was completed during 1996/97.

(b) Other long-term finance is provided by retained surpluses on the income and expenditure account and by the revaluation reserve, which represents changes made to the value to the business of fixed assets to reflect current costs.

16 Commitments under leases

At 31 March 2010, COI was committed to making the following payments in respect of operating leases expiring:

	Land and buildings £000	Plant and machinery £000
Within one year	–	43
Within two to five years	2,432	20
Over five years	5,647	–
Total	8,079	63

17 Capital commitment

At 31 March 2010, no orders had been placed for capital expenditure (£nil at 31 March 2009).

18 Related party transactions

COI is a trading fund of the Central Office of Information Department.

None of the Management Board members, key management staff or other related parties has undertaken any material transactions other than payment of salaries and expenses with COI during the period.

19 Contingent liabilities

There were no contingent liabilities.

20 Financial instruments

COI has no long-term borrowings and relies for its cash requirements primarily on receipts from clients. Due to timing differences between income and expenditure, there are cash surpluses or forecast cash deficits. In the former case surplus cash is deposited short term with the National Loans Fund (NLF). In the latter case COI borrows short term from the NLF, but all such borrowings are normally repaid before the end of the year. In 2009/10 COI borrowed £10 million (note 13) from the NLF to cover supplier payments paid forward. Interest rates on both borrowings and deposits are fixed at the date at which the transaction takes place.

All material assets and liabilities are denominated in sterling so COI is not exposed to currency risks. IFRS 7, 32 and 39 and FReM disclosures exclude short-term debtors and creditors. All of COI's financial instruments are short term and no numerical disclosures have been made.

21 Intra-government balances

	Trade receivables		Trade and other payables	
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	87,069	–	79,812	–
Balances with local authorities	233	–	118	–
Balances with NHS trusts	5,637	–	3,248	–
Balances with public corporations and trading funds	3,254	–	5,883	–
Subtotal	96,193	–	89,061	–
Balances with bodies external to government	6,835	–	19,264	–
As at 31 March 2010	103,028	–	108,325	–
Balances with other central government bodies	119,525	–	30,598	–
Balances with local authorities	409	–	–	–
Balances with NHS trusts	4,376	–	286	–
Balances with public corporations and trading funds	1,661	–	156	–
Subtotal	125,971	–	31,040	–
Balances with bodies external to government	4,053	–	136,352	–
As at 31 March 2009	130,024	–	167,392	–
Balances with other central government bodies	74,791	–	19,808	–
Balances with local authorities	1,448	–	–	–
Balances with NHS trusts	1,957	–	9	–
Balances with public corporations and trading funds	2,846	–	1,488	–
Subtotal	81,042	–	21,305	–
Balances with bodies external to government	13,245	–	96,583	–
As at 31 March 2008	94,287	–	117,888	–

22 Events after the reporting period date

COI's Trading Fund accounts are laid before the Houses of Parliament by the National Audit Office. IAS 10 requires COI to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by COI's management to HM Treasury.

The authorised date for issue is 26 July 2010.

The new Government, formed in May, implemented an immediate freeze on government advertising and marketing spend. Government will continue to commission campaigns this year, but only where there is an essential need to do so. However, it is clear that these measures will severely reduce our income for the current financial year. While this will have a significant short-term impact on COI's operations, it does not affect COI's ability to meet its liabilities. The Cabinet Office has confirmed that COI remains an important centre for marketing and communications expertise and an aggregator of government's buying power.

The maintenance and integrity of the Central Office of Information's website is the responsibility of the Central Office of Information's Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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