Commission for the Compact

Annual Report and Accounts 2009-10

HC 198

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Commissioner's introduction

In the last two years we have had the Compact Debate, which clarified much of the thinking about the future of the Compact, and the refresh of the Compact agreement in late 2009. The refreshed Compact has, with few exceptions, been warmly welcomed.

At the same time the Commission for the Compact commissioned a number of pieces of research to enable us to know more accurately whether the Compact was working and to provide extra evidence to help with promoting the implementation of the Compact. Our Baseline Study, to be published in full in July 2010, reveals the extent to which officials in Government departments and a number of Non-Departmental Public Bodies (quangos) understood and implemented Compact principles in their work. One finding highlights that there was confusion between the respective roles of Compact Voice, the Office for Civil Society and the Commission for the Compact. This confirmed my view that the supporting architecture of the Compact should be reviewed.

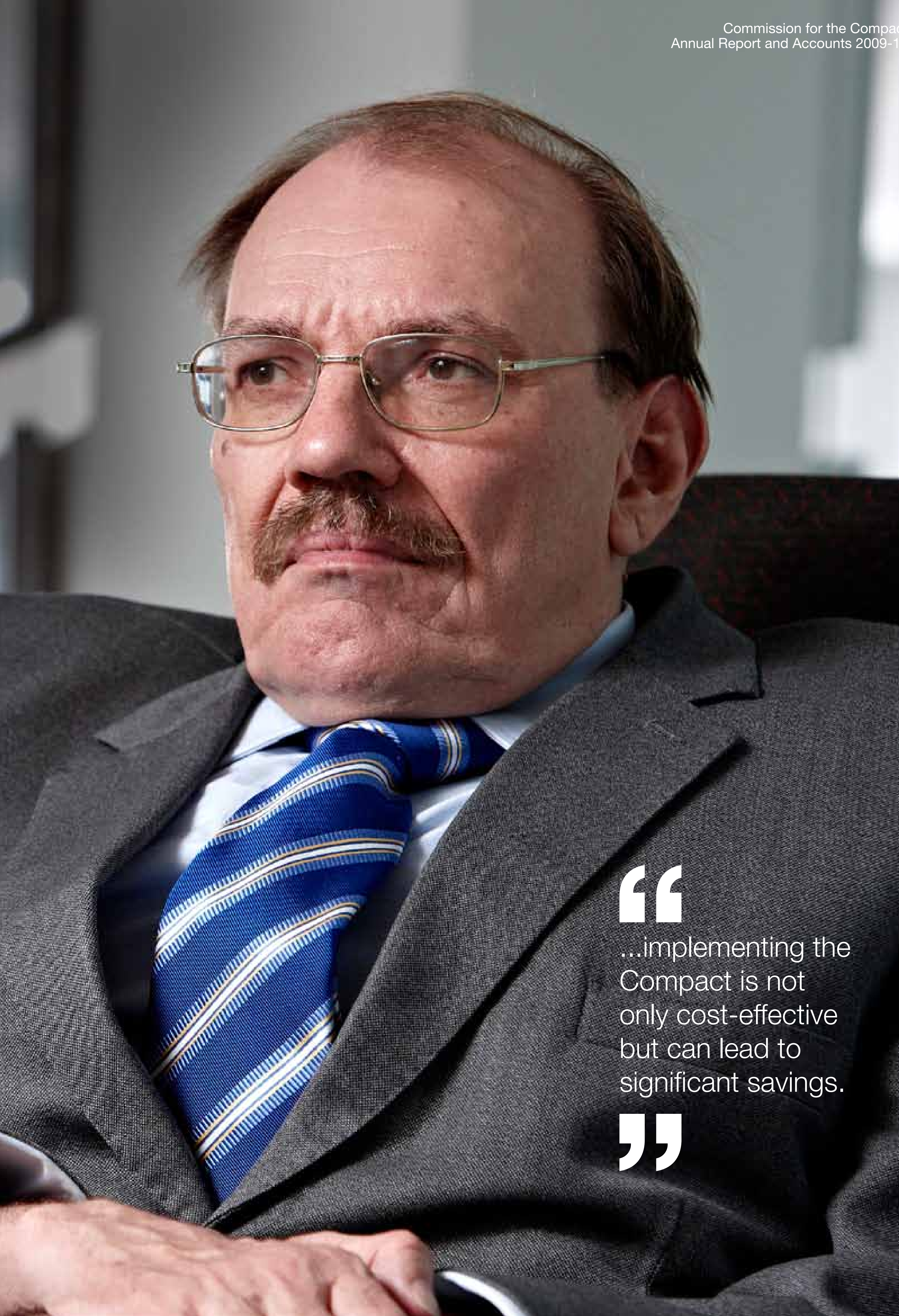
One of the outcomes of the Compact Debate, which took place in September 2008, was that the Commission should be given statutory powers to enquire into breaches or alleged breaches of the Compact. Although the last Government indicated they were prepared to consider this, it is notable that opportunities to take action were not used. And it is unlikely that granting statutory powers to the Commission will be a priority for the new Government. However, the Government could grant authority by ministerial mandate to the Commission to undertake enquiries where appropriate, without the need for primary legislation.

The Government also wants to reduce regulation in the search for efficiency. A question that must be asked is whether implementing Compact principles helps in the efficient delivery of local services and support systems. The Commission engaged Grant Thornton UK LLP to investigate whether local authorities would benefit economically from acting in accordance with the Compact. Their conclusion is that implementing the Compact is not only cost-effective but can lead to significant savings. This is the type of evidence that has been needed for some time to show that following the Compact not only brings social benefits but is also economically efficient.

The need for the state and voluntary sector to work in harmony in future years has never been greater. The realignment of the economy will cause hardship to many and the policy behind the concept of the Big Society is to use all the resources of society to meet need. But it is also about moving democracy from the peaks of our political system to the streets in which we all live. Links between the voluntary sector and the state are likely to increase rather than decrease as we all work together for the common good.

It is now time for the Commission to take action to ensure the Compact's principles are properly implemented, as this will benefit not just the voluntary sector but also the statutory sector. I hope that as the Compact's supporting architecture is reviewed we will be free to pursue this role vigorously.

Sir Bert Massie CBE
Commissioner for the Compact



“...implementing the Compact is not only cost-effective but can lead to significant savings.”

The Board

The Commission's Non-Executive Board meets on a bi-monthly basis and consists of:

Sir Bert Massie CBE
Commissioner for the Compact

Sir Bert Massie was appointed Commissioner for the Compact in March 2008. He has worked in the third sector for 40 years and has wide experience of voluntary organisations and of working with government and governmental agencies. He is a former chairman of the Disability Rights Commission, now part of the Equality and Human Rights Commission (EHRC), and chief executive of RADAR, the Royal Association for Disability and Rehabilitation. Sir Bert served as a commissioner for the EHRC for three years.

Sir Bert has served on a number of government advisory committees concerned with disability including the Disabled Persons Transport Advisory Committee and the National Advisory Committee on Employment of Disabled People. In addition, he was deputy chair of the National Disability Council, a member of the Disability Rights Task Force, and a trustee of the Institute for Employment Studies (IES). At present, he is a governor of Motability, the leading car scheme for disabled people, and trustee of Rights and Humanity, an organisation founded to help poor and disadvantaged people across the world. He is also a governor at Liverpool John Moores University and vice president or patron of a number of disability charities. Sir Bert was created a Knight in 2007 in recognition of his services to disabled people.

Lady (Helen) Baker
Deputy Commissioner for the Compact

Helen Baker trained as a social worker and has worked in executive and non-executive roles, both in the statutory and voluntary sectors, across social care, health, housing and education. Before taking up the chair of the Group Board of Advance Housing and Support, Helen was chair of Oxfordshire Community Health NHS Trust and then Oxfordshire Learning Disability NHS Trust. She was a council member of the General Social Care Council, the non-departmental public body which regulates the social care workforce and social work training, and is currently a member of the governing council of the National College for Leadership of Schools and Children's services.

Helen is currently a founder trustee of Charityworks, a collaborative initiative between a number of national charities, a member of the advisory body for Common Purpose's 'What Next?' programme and a deputy lieutenant for Oxfordshire. Helen was appointed Interim Commissioner for the Compact from September 2007 to March 2008 and continues as Deputy Commissioner.

David Cutler
Non-Executive Director

David Cutler has been the director of the Baring Foundation since 2003. One of the UK's best known independent grant makers, the Foundation has a strong focus on the independence of the third sector as well as programmes for the arts and international development.

For the past 20 years, David has worked in the voluntary and public sectors. He was director of the Carnegie Young People Initiative, a major research and advocacy initiative to involve young people in public decision making, and ran Divert, the National Charity for Youth Crime Prevention. From 1988-96, David was head of the Hammersmith and Fulham Community Safety Unit which pioneered work on a number of areas including domestic violence and coordinated strategies between local authorities and the police. Before this he worked in racial equality.

Among other roles in the voluntary and public sectors, he was a non-executive director of Hammersmith and Fulham Primary Care Trust until 2004, is deputy chair of the British Institute for Human Rights, and was vice chair of the UK section of Amnesty International.

Fred Heddell CBE
Non-Executive Director

Fred Heddell is a qualified teacher and spent most of his early teaching career teaching in special education in the East of London. For many years he was also the head teacher of an innovatory special school in Suffolk. Following a period working with the BBC as a writer and advisor on some ground breaking programmes for people with disability he joined Mencap, initially as director of education and subsequently as chief executive. During his 13 years as chief executive, Mencap not only grew nearly ten fold in size but also became a far more inclusive organisation. Much of the expansion was the result of partnership working between the charity and local and central government.

Following his retirement from Mencap Fred founded the Rix Centre for innovation in technology at the University of East London, has been a member of Ofcom's older and disabled people advisory committee and a trustee and director of Inclusion International, a world wide network of NGOs like Mencap, which provides help and consultancy to developing organisations all over the world.
In addition to his work with the Commission, he is currently a lay member of the NHS East of England Competition Panel, the co-chair of Speaking Up, a Cambridge based disability advocacy organisation, and a trustee of several local and community organisations working with young people and people with disabilities.

Richard Corden
Chief Executive, Commission for the Compact

Richard Corden joined the Commission for the Compact as interim chief executive in June 2007 and was confirmed in that role in June 2008.

Richard has 20 years experience of working within government on third sector policy, on charity law and practice, and on the regulation of charities. He joined the Commission from HM Treasury, where he worked on the Government's review of the role of the third sector in social and economic regeneration. Before that, he worked in the Office of the Third Sector, where he was in charge of government legislation (the Charities Act 2006) to reform and modernise the law and regulation of charities. His earlier appointments were in the Home Office, the Prime Minister's Strategy Unit, and the Charity Commission.

The Commission's vision and objectives

Established in April 2007, the Commission for the Compact is an independent public body responsible for overseeing and promoting use of the Compact. This is the agreement which sets out shared commitments and guidelines for working between government and the third sector.

The Commission is sponsored by the Office of the Third Sector (part of Cabinet Office) and by the Minister for the Third Sector. It was set up to improve awareness of the Compact and to address the barriers to its adoption and implementation. The Commission is not a regulatory body and does not have any legal or statutory powers.

Our mission

To promote effective partnerships through the Compact between the third sector, government and the rest of the public sector that lead to benefits for individuals and communities.

Our strategic objectives

- To continue to develop awareness and understanding of the Compact
- To promote greater use of, and build evidence for the impact of, the Compact
- To ensure the continuing relevance of the Compact
- To manage the Commission effectively and efficiently.

Review of the year

April

- The Commission is an exhibitor at a series of regional road shows organised by the Office of the Third Sector in support of its *Real Help for Communities: Volunteers, Charities and Social Enterprises* action plan. The road shows take place throughout April, May and June.

- A letter from Kevin Brennan MP, Minister for the Third Sector, and Simon Blake, Chair of Compact Voice, asks the Commission to lead a process to redraft the Compact documents for public consultation later in 2009.

Compact Refresh

It requests that the Commission takes *"what is best from the existing documents rather than start from scratch, and ensure that the new version takes into account recent developments in law, policy and practice."*

In addition, it asks that the new Compact *"takes account of the implications for Local Compacts, and the new local performance framework, Local Strategic Partnerships, Local Area Agreements and the Comprehensive Area Assessment."*

May

- The first in a series of Refresh Panel meetings takes place in London. The meetings involve senior figures from across government and the third sector and their aim is to help inform the process of refreshing the national Compact.

- A ten-minute rule bill, proposed by Tom Levitt MP, calls for statutory powers for the Commission for the Compact.


Tom Levitt MP

- Nominations open for the Compact Awards 2009. The Commission publishes a booklet highlighting the work of the winning entries in the 2008 Compact Awards and a new Compact Awards website goes live at **www.compactawards.org.uk**

June

- Angela Smith MP is appointed the new Minister for the Third Sector.

- The second Refresh Panel meeting takes place in London.

- The Commission and Compact Voice hold a series of six Compact Champions workshops to explore the role of Compact Champions. The workshops are held in Newcastle-upon-Tyne, Wolverhampton, London, Leeds, Bristol and Manchester.

- The Commission publishes a research report entitled *Mapping third sector quality standards and the Compact,* which examines eight quality standards and how they relate to the Compact.

Review of the year
(continued...)

June *continued*

- The Commission publishes its implementation guidance on the issue of independence. This includes five common dilemmas that face both the public sector and third sector and how these can be addressed by applying Compact principles.

- The Commission issues a think piece looking at the potential impact of the recession on the relationship between government and the third sector.

- The Commission is an exhibitor at the CES and IDeA National Quality Conference in London and the NHS Confederation Conference in Liverpool.

- Publication of the ***insight*** newsletter about the Compact.

July

12-week consultation

- A consultation paper entitled *Refreshing the Compact: a framework for partnership working* is published by the Commission on behalf of the Compact partnership. This sets in motion the start of the official 12-week consultation on the refresh of the national Compact.

“This is the time for everyone with an interest in the Compact to influence it.”
Sir Bert Massie,
Commissioner for the Compact

- The Commission publishes implementation guidance on the Compact and Procurement Law.

- The Commission and Compact Voice publish jointly a research report assessing the role and impact of Compact Champions entitled *They are the Champions: the role and impact of Local Compact Champions.*

- The Commission attends the 2009 LGA Conference in Harrogate as a sponsor and exhibitor.

on the refresh of the national Compact

August

- The consultation on the refresh of the national Compact is promoted through advertising in specialist publications during the consultation period.

- The Commission publishes its first annual report and accounts.

- The Commission produces a Compact Week 2009 guidance pack containing materials to assist Local Compact partners, government departments and public sector bodies in their communications activities. A new Compact Week website goes live at **www.compactweek.org.uk**

September

- The Third Refresh Panel meeting takes place in London.

- The Commission contributes to a series of regional 'refresh' consultation seminars held in Birmingham, Blackpool (as part of the NAVCA Annual Conference), London, Guildford, Manchester and Taunton.

- The Commission publishes interim findings for a forthcoming research report entitled *The costs, barriers and benefits of involving volunteers from under-represented groups.* The report provides an initial analysis as well as observations and recommendations.

- The Commission is an exhibitor at Development Trusts Association (DTA) Conference in London and a sponsor at the Third Sector Awards.

- The judging of the 2009 Compact Awards takes place.

October

- This month sees the end of the official 12-week consultation on the refresh of the national Compact. In total, there were 244 responses to the consultation from organisations such as the LGA, UNITE, Sport England, the Big Lottery Fund and Cipfa, third sector umbrella organisations, and government departments. Feedback was also received from delegates attending the regional consultation events in September and the series of Refresh Panel meetings.

- Field work gets underway on the new Compact Baseline Survey. The aim of the Commission's survey is to measure the level of awareness, knowledge, use and understanding of the Compact within central government departments and non-departmental public bodies.

- The Commission is an exhibitor at the Local Compacts Conference in Birmingham and the Solace Conference in Brighton.

- *"Massie is making some sound and purposeful moves to make the Compact more meaningful and democratic even without the benefit of legislation. His latest proposals will help to rescue it from its relative obscurity and really get it on the map."*
  Editorial in Third Sector Magazine

Review of the year
(continued...)

November

- Compact Week, a national awareness week to promote the Compact and engage people across both Government and the third sector, takes place from 2 to 8 November 2009. Nearly 50 events take place across the length and breadth of the country and Sir Bert and members of the Commission's Non-Executive Board as well as staff members from the Commission visit and support activities.

- Compact partnerships from across the country have their achievements recognised when the winners of the 2009 Compact Awards are announced at a ceremony held at the Dali Universe in London. The Solihull Compact Plus wins the prestigious title of Local Compact of the Year.

- The Office of the Third Sector announces its decision to transfer funding designated for the Campaigning Research Fund to the Hardship Fund. The lack of consultation generates an immediate negative response and constitutes a breach of the Compact. The Minister for the Third Sector reiterates her commitment to the Compact during Cabinet Office questions the following month.

December

- On behalf of the Compact partnership, the Commission publishes the refreshed national Compact as well as an accompanying publication entitled *An introduction to the Compact.*

- An open letter endorses the refreshed Compact and is signed by the chief executives of five national bodies - NCVO, ACEVO, the Directory of Social Change, NAVCA and Volunteering England.

- The Commission publishes a guidance note for local authorities on managing budget revisions that can be due to the loss of expected income or pressure from increased demand for services.

- The Commission facilitates workshop sessions about the Compact at the Department for Children, Schools and Families (DCSF) Conferences in Sheffield and London.

- The Commission joins the 'twittering' community at **http://twitter.com/TheCompact**

January

The refreshed national Compact is available now

- The refreshed national Compact is promoted through an extensive advertising campaign in a variety of publications and websites over the next three months.

- The Commission publishes a research report entitled *Compact application and the administration of European structural funding.* This looks specifically at cases where there have been issues in Compact implementation.

- Publication of the ***insight*** newsletter about the Compact.

- The Commission is an exhibitor at the New Local Government Network (NLGN) Conference in London.

February

- The Commission publishes interim findings for its Compact Baseline Survey.

- Nearly 100 delegates representing the Government and the third sector attend the Annual Meeting to review the Compact, which was organised by the Commission and held at London Zoo. The event was chaired by Dawn Butler MP, Cabinet Office Minister, and Simon Blake, Chair of Compact Voice.

- At the meeting, Sir Bert Massie, Commissioner for the Compact, gives a brief overview of the interim findings of the new Compact Baseline Survey. Although there was a lower level of response to the survey than anticipated, the results show that where the Compact is taken seriously there are examples of good practice of working with the third sector within central government departments and non-departmental public bodies.

- Start of a direct mailing campaign promoting the refreshed national Compact and targeting local authorities, charities, non-departmental public bodies and government offices.

- The Commission attends the NCVO Conference in London as a sponsor and exhibitor, as well as the C'llr 10 Conference in London.

- Sir Bert takes part in a web 'hot-seat' on the IDeA Third Sector Community of Practice website.

March

- The Commission launches the Compact Knowledge Bank, a new online resource containing a range of research papers and documents associated with the Compact. **www.thecompact.org.uk/knowledgebank**

- The Commission is an exhibitor at the bassac Conference in Manchester and NAVCA's Improving Local Partnerships (ILP) Conference in Birmingham.

- The Commission oversees a Compact Champions training workshop in Hemel Hempstead for the Dacorum Compact. This work will form part of a wider project during 2010 to create a series of case studies showing the Compact in use within the public sector and to illustrate good practice as well as provide guidance for others.


Dacorum Compact Champions

60 second update

- **In 2009**

  the Commissioner for the Compact and other representatives from the Commission spoke at approximately 80 events, covering every region of England, with an estimated audience reach of over 5,000 people.

- **The Compact website**

  received 281,130 distinct visits and downloadable files were requested 53,420 times. Between its publication in December 2009 through to the end of March 2010, the refreshed national Compact was downloaded 3,473 times; over 4,850 hard copies of the publication were requested and sent out by the Commission.

- **Over 650 people**

  participated in events organised and funded by the Commission this year. Events included workshops and seminars on research concerning Compact Champions, the Compact Refresh consultation, the Compact Annual Meeting at London Zoo, and the Compact Awards presentation event at the Dali Universe.

- **The consultation**

  on the refresh of the Compact, which took place from Monday 20 July to Monday 12 October 2009, generated 244 responses from the statutory, public and voluntary and community sectors.

- **Research undertaken**

  by the Commission in 2009-10 included:

  » Implementation guidance on independence (June 2009)

  » A report into mapping third sector quality standards and the Compact (June 2009)

  » A ‘think piece’ on the recession (June 2009)

  » Implementation guidance on the Compact and Procurement Law (July 2009)

  » A study into the role and impact of Local Compact Champions (July 2009)

  » An interim report into the costs, barriers and benefits of involving volunteers from under-represented groups (September 2009)

  » A guidance note for local authorities on managing budget revisions (December 2010)

  » A report about Compact application and the administration of European structural funding (Jan 2010)

  » A research briefing on the interim results of the Compact Baseline Survey (February 2010)

Performance report 2009-10

The last 12 months have built on the Commission for the Compact's strategic objectives and taken forward the progress and changes delivered by the Commission in the previous year's Joint Compact Action Plan (JCAP). The JCAP for 2009-10, agreed at the 2008 Annual Meeting, contained four distinct but interrelated themes.

The four themes:

1. Raising the profile of the Compact

2. Building our knowledge of the Compact

3. Embedding the Compact in structures, process and policy

4. Maintaining the relevance of the Compact.

The 2009-10 JCAP contained 28 actions and the Commission was the lead body for 18 of the actions. By year end, 17 of these actions were complete; one (low priority) action was postponed by the Commission's Board in August 2009 in order to allow more time to complete the refreshed national Compact.

Of the actions delivered by the Commission during the year, the highest priority was given to the refresh and rewriting of the national Compact and the Codes of Good Practice.

For further information and to download copies of all the various reports mentioned in this performance report, please visit the Compact website or the Compact Knowledge Bank at:

www.thecompact.org.uk

www.thecompact.org.uk/knowledgebank

Performance report 2009-10 *(continued...)*

Progress on **Theme 1**

Raising the profile of the Compact

The Commission's work in this theme was designed to increase the breadth and depth of the awareness, use and understanding of the Compact among public bodies.

- During spring 2010, work commenced on a long-term project to produce a series of case studies showing the Compact in use within the public sector and illustrating good practice. The first three case studies involved the Department for Children, Schools and Families (DCSF), Rutland County Council and Dacorum Borough Council.
- The consultation leading up to the refresh of the national Compact was publicised widely and involved the creation of a Refresh Panel, a series of consultation seminars and supporting advertising. The publication of the refreshed national Compact in December 2009 was followed by an advertising campaign in specialist press and targeted mailings to local authorities, non-departmental public bodies and third sector organisations.
- The Compact website continued to be an important means of communicating with stakeholders and new developments included adding blogs, becoming a part of the twitter community, and sending out regular e-bulletins; two new sub-sites were created for the annual Compact Awards and Compact Week campaigns.

Case study:
The business case for using the Compact at a local level

Having identified a gap in resources for local authorities, the Commission felt there was a need for a product that enabled local authorities to see the advantages of implementing the Compact. Work began on developing a toolkit to help identify the social and economic advantages of a Compact way of working.

This toolkit is designed to help increase the implementation of Compact principles at a local level, particularly in those areas where the Compact is not recognised or implemented, by linking the value of a Compact way of working to helping local authorities achieve their wider strategic objectives. The toolkit will be available in summer 2010.

Progress on **Theme 2**

Building our knowledge of the Compact

The Commission's work in this theme was designed to gather evidence of the impact of the Compact, and to ensure there is a growing body of knowledge on the Compact that contributes towards improved consultation, design of policy and programmes, and change of practice.

- The Commission established the Compact Knowledge Bank, an online resource containing a range of research papers and documents associated with the Compact.
- Together with Compact Voice, the Commission produced a study into the role and impact of Local Compact Champions; this was supplemented by five regional Compact Champions workshops to encourage dialogue on the findings.
- Research was undertaken into the costs, barriers and benefits of involving volunteers from under-represented groups such as disabled people, single parents, refugees and asylum seekers. This project included an online survey of public and third sector organisations in 10 local authority areas and interviews with 10 case study organisations. An interim report was produced in September 2009 and the final report will be published in summer 2010.

Case study: Compact Baseline Survey

While the Compact has been in place since 1998, there was no knowledge about the level of awareness of the Compact and its principles among government and public bodies. In order to make an annual assessment of the level of awareness, understanding and use of the Compact in central government departments and public bodies, a Compact baseline survey was commissioned.

This survey was the first to explore in detail how well the Compact is working by creating a national baseline assessment, against which future progress can be measured. Future research by the Commission will establish progress in Compact implementation in government against the baseline survey results. An interim report of the findings was published in February 2010 and the full report will follow in summer 2010.

Performance report 2009-10 *(continued...)*

Progress on **Theme 3**

Embedding the Compact in structures, process and policy

The Commission's work in this theme was designed to promote greater use of the Compact, and ensure that there was clarity about the contribution of the Compact in meeting local and national priorities.

- Two more examples of implementation guidance were produced by the Commission this year, one concerning the independence of the third sector and the other relating to the Compact and Procurement Law. Both guides were promoted extensively and distributed in both the public and third sectors.

  The Independence Guidance explores why sectorial independence is an important thing for both partners and highlights how the Compact can be used to support and strengthen independence.

  The guidance on the Compact and Procurement Law clarifies how they relate to each other and answers key questions showing that Compact principles and procurement law are compatible and how it is possible to follow procurement law and yet ensure that processes are flexible enough to support third sector providers.

- A guidance note for local authorities on managing budget revisions that can be due to the loss of expected income or pressure from increased demand for services was published by the Commission.

Case study:
The Compact and European Structural Funding

There used to be significant confusion about whether the Compact could be applied to the distribution of European structural funding by government bodies in England. In January 2010, the Commission published a research report which clarified this issue. It demonstrated that while there are a small number of cases where European regulations can cause difficulties in implementing the Compact, in general the Compact can and should be applied to the distribution of this funding.

The Compact now contains a specific commitment on European Funding and the Commission has been using the report's findings to push for better Compact implementation in this important area.

Progress on **Theme 4**

Maintaining the relevance of the Compact

The Commission's work in this theme was designed to ensure that the Compact is responsive to changes in the environment in which it operates and ensuring the continued relevance of the Compact.

- In April 2009, the Commission was invited to lead the process to redraft the Compact documents for public consultation. Following an extensive programme of discussion and a consultation across the public and third sector, the refreshed national Compact was published in December 2009.

  As well as retaining all the key points of the original, the refreshed agreement takes into account recent developments in law, policy and practice. It is divided into three key areas covering *Involvement in policy development*, *Allocating resources* and *Advancing equality*. It is accompanied by a publication entitled An introduction to the Compact. This contains general information about the Compact, explaining who it applies to, how to implement the Compact and how to resolve differences.

  For more information, please visit the Compact website where there is a section all about the Compact refresh process and the consultation.

- Research looking at eight third sector quality standards and how they relate to the Compact was published in June 2009. The findings showed that the Compact is complementary and that there is a high level of similarly between Compact principles and quality standards.

Case study:
Participatory Budgeting

Participatory budgeting is being used increasingly as a way of involving local people in making decisions about how public money should be spent. Often this approach involves partnership working between local public bodies and third sector organisations.
In spring 2010, the Commission analysed how the Compact applied to participatory budgeting. The final report identified which specific Compact commitments applied to the process and discussed various issues which are preventing the Compact being followed as well as it could be in this area. This report will be published in summer 2010.

The Commission's work in the year ahead

At the date of this annual report, June 2010, the coalition Government has been in office for six weeks. During that period it has launched its "Big Society" agenda. This is, in the Prime Minister's words, "a deep and serious reform agenda to take power away from politicians and give it to people".

The agenda includes some initiatives designed to make it easier for charities, social enterprises and voluntary organisations (collectively the voluntary sector) to work with the state. Among those initiatives will be:

- Reforms to reduce bureaucracy in the state's commissioning of services from voluntary sector bodies
- Measures to increase transparency and accountability in relations between the state and the voluntary sector.

Those reforms and measures are to be developed between June and December 2010. While we do not know at present their detail or their implications for the Compact, it seems likely that in the next 12 months there will be changes both to the Compact agreement and to its supporting architecture.

The Government has already made clear its strong commitment to maintaining the Compact as a basis for government and voluntary sector partnership working. However, we expect that the national Compact agreement will need some adjustments to its wording in the second half of 2010 to reflect the changes introduced by those reforms and measures and by other policy developments and recent legislation.

The same may well be true of many Local Compacts, since the Big Society agenda is principally about engaging people to participate in civic life at local and community level. But we do not think there is any appetite, either in Government or in the voluntary sector, for another substantial revision of the text of the national agreement following the refresh of 2009.

We also expect that changes will be agreed to the architecture of the Compact in the second half of 2010. These may include changes to the respective roles and functions of the Commission for the Compact, Compact Voice, and the Office for Civil Society. All have important roles to play.

In Opposition, the new Minister for Civil Society proposed that the Commission should take on the role of “independent monitor to ensure that the Government is held accountable for meeting the commitments of the Compact”. We agree that an independent monitoring function is needed for the Compact, not just to hold the Government accountable, but also to hold the voluntary sector accountable.

With the Commission performing the independent role, the roles of Compact Voice and the Office for Civil Society would essentially involve promoting the adoption and use of the Compact more widely within their own constituencies, and of representing their views.

Directors' report and commentary 2009-10

Background, constitution and governance

These accounts cover the year from 1 April 2009 to 31 March 2010. They have been prepared in accordance with the Accounts Direction given to the Commission for the Compact ("the Commission") by the Minister for the Cabinet Office on 10 February 2009.

The Commission is a Non-Departmental Public Body (NDPB) sponsored by the Office of the Third Sector (a management unit in the Cabinet Office).

Unlike many NDPBs the Commission is not a creature of statute and has no statutory functions. It is established as a company limited by guarantee with functions prescribed by its Memorandum and Articles of Association dated 12 September 2006.

The Commission's purpose under its Memorandum of Association is to "promote the voluntary and community sector for the benefit of the public by the strengthening of partnership working between public sector bodies and voluntary and community sector ("VCS") organisations through the operation of the Compact."

The Commission is governed by a board of directors which, when complete, is required to consist of the Commissioner for the Compact, the Chief Executive, and other elected or appointed directors. The board has established an Audit and Risk Committee and a Remuneration Committee.

The directors in 2009-10 were as follows:

Name	Date of appointment	Date of resignation
Lady (Helen) Baker	7 September 2007	still a director on 31 March 2010
David Cutler	10 September 2007	still a director on 31 March 2010
Fred Heddell CBE	10 September 2007	still a director on 31 March 2010
Sir Bert Massie CBE	24 April 2008	still a director on 31 March 2010
Richard Corden	15 July 2008	still a director on 31 March 2010

Lady Baker, David Cutler, Fred Heddell and Sir Bert Massie are Non-Executive Directors. Richard Corden, as the Commission's Chief Executive Officer, is an executive director.

A register of the directors' interests is published on the Compact website at www.thecompact.org.uk/ information/100018/101234/101489/129469/ register_of_interests

The Commission has a sole member. Membership of the Commission in 2009-10 was as follows:

Name	Date of appointment	Date of withdrawal
The Chancellor of the Duchy of Lancaster	30 May 2007	still the member on 31 March 2010

Principal activities

To pursue its purpose of strengthening of partnership working between public sector bodies and VCS organisations through the operation of the Compact, the Commission adopted objectives and a work programme to:

- Increase awareness and understanding of the Compact by public bodies and by VCS organisations
- Disseminate evidence of the benefits to public bodies and to VCS organisations of working in accordance with the Compact
- Promote adherence to the Compact by public bodies and by organisations in the VCS
- Maintain the relevance of the Compact by ensuring that its contents keep pace with changes in legislation and developments in policy.

The Commission works closely with, and for 2009-10 adopted a joint programme of work (the Joint Compact Action Plan)[1] with:

- Compact Voice, the organisation which represents the views and interests of the VCS on the Compact
- The Office of the Third Sector, which similarly represents the views and interests of the Government
- The Local Government Association, which similarly represents the views and interests of local authorities.

Financial overview

The Accounts on pages 33-36 show the income, expenditure and surplus for the year. The notes on pages 37-51 form part of the Accounts.

The Commission's sole revenue during the year was Grant-in-Aid funding provided by the Office of the Third Sector. 2009-10 was the second year of the three years of the 2007 Comprehensive Spending Review (CSR) period. The Office of the Third Sector made a commitment to provide the Commission with £6.0m of Grant-in-Aid funding over that three-year CSR period. The existing funding arrangements with the Cabinet Office under the current 2008-2011 spending period ends on 31 March 2011. Funding beyond that period will be affected by decisions arising from the forthcoming Government review of spending priorities. The Government has given no indication of its intention to change the function of the Commission in any significant way.

The Office of the Third Sector made available to the Commission in 2009-10 Grant-in-Aid funding of £2.0m, consisting of Resource (i.e. revenue) funding of £1.98m and Capital funding of £0.02m.

Against its available budget of £2.0m the Commission's cash drawdown consisted of £1.98m for Resource expenditure and £0.012m for Capital expenditure. In addition the Commission retained the brought forward amount held in general reserves, £151,365 for use in 2009-10. The total expenditure during the year, which was in accordance with its plans, was £2,047,385, consisting of Resource expenditure of £ 2,034,832 and Capital expenditure of £12,553.

[1] *Available at www.thecompact.org.uk*

Directors' report and commentary 2009-10 *(continued...)*

Post balance sheet events

There have been no material events since the year end.

Payment of creditors

In October 2008 the then Prime Minister announced a commitment by Government organisations to speeding up the process of payment of their suppliers' bills. This commitment, which is a step designed primarily to improve the cashflow of small and medium-sized enterprises (whether public, private or third sector), applied to the Commission from January 2009. Accordingly the Commission's aim since then has been to pay valid and correctly-delivered bills from our suppliers within 10 working days of receipt.

In 2009-10 the Commission paid 78.2 per cent of its bills within 10 working days of receipt, representing 67.8 per cent of the total value of its supplier invoices.

Equal Opportunities

The Commission is committed to equality of opportunity and diversity in all its activities. In particular it is the Commission's policy that no actual or potential employee should be unfairly discriminated against, directly or indirectly, because of their ethnicity, national origin or nationality, gender, sexual orientation, marital status, religious beliefs (or lack of them), political affiliation, age, social class, disability, trades union membership, employment status or role as a carer.

Employees

The Commission ensures that there are arrangements to promote effective consultation and communication with all staff. Meetings of all staff are held periodically at which staff are encouraged to raise and discuss any matter relating to the Commission or its activities.

The table below shows, for each quarter of 2009-10, the percentage of staff working days lost to sickness in that quarter. The average for 2009-10 of 1.95 per cent is an average of 4.5 working days lost per staff year. This is an increase on 2008-09's figures of 1.1 per cent and 2.7 working days. As expected, Pandemic Flu caused a significant increase in the number of days lost to illnesses of the respiratory system.

Quarter	%
Apr-Jun 2009	0.9
Jul-Sep 2009	2.3
Oct-Dec 2009	2.4
Jan-Mar 2010	2.2

Environmental Policy

During 2009-10 the Commission's environmental policy consisted of:

- Minimising paper consumption
- Maximising the proportion of waste recycled
- Making efficient use of energy and materials.

Audit Information

All necessary audit information has been disclosed to the auditors. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the directors have taken all the steps they are obliged to take as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Under The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General ("the C&AG") is required to audit the Commission's accounts for 2009-10.

signed by:

Richard Corden
Accounting Officer
2 July 2010

Sir Bert Massie CBE
Director
2 July 2010

The Certificate and Report of the Comptroller and Auditor General to the Members of the Commission for the Compact (company number 05932855)

I certify that I have audited the financial statements of the the Commission for the Compact for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the net Expenditure Account, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; 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 company's affairs as at 31 March 2010 and of its net expenditure for the period then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report and Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for 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
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

7 July 2010

Remuneration report

The Commissioner for the Compact and three Non-Executive Directors, were appointed by the Chancellor of the Duchy of Lancaster, who has determined their remuneration. The Chief Executive was appointed by the Commission Itself.

During 2009-10 the board decided to deal itself with matters relating to the pay of the Commission's staff including the Chief Executive (who absented himself from the board's discussions about his own pay and did not participate in any decision about it) rather than delegating those matters to the Remuneration Committee. Consequently the Remuneration Committee did not meet during the year.

During 2009-10 the salaries or fees payable to the Commission's Directors were as follows:

Audited information

The Commissioner for the Compact Sir Bert Massie CBE, from 1 April 2009 to 31 March 2010	
	£s
Salary	45,000
Pension contribution	5,625
Taxable benefit	-
Total	50,625

Non-Executive Director and Deputy Commissioner for the Compact Lady Baker, from 1 April 2009 to 31 March 2010	
	£s
Salary	7,855
Pension contribution	-
Taxable benefit	-
Total	7,855

Non-Executive Director Fred Heddell CBE, from 1 April 2009 to 31 March 2010	
	£s
Salary	6,568
Pension contribution	-
Taxable benefit	-
Total	6,568

Non-Executive Director David Cutler, from 1 April 2009 to 31 March 2010	
	£s
Salary[2]	2,704
Pension contribution	-
Taxable benefit	-
Total	2,704

Executive Director and Chief Executive Richard Corden, from 1 April 2009 to 31 March 2010	
	£s
Salary	72,471
Pension contribution	11,233
Taxable benefit	-
Total	83,704

The pension figures above consist of contributions in respect of membership of the Commission's Group Stakeholder Pension Scheme.

[2] *David Cutler is employed by the Baring Foundation, a charitable trust, as its Director. Mr Cutler's salary in respect of his directorship of the Commission is paid to the Baring Foundation as fees for his services.*

Unaudited information

Details of Directors' service agreements are as follows:

- There is a service agreement between Sir Bert Massie CBE and the Chancellor of the Duchy of Lancaster. The agreement runs from 1 April 2008 until 31 March 2011. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice. In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Sir Bert not likely to exceed three months' remuneration.
- There was a service agreement between Lady Baker and the Chancellor of the Duchy of Lancaster which ran from 7 September 2007 until 31 March 2010.
- There was a service agreement between Fred Heddell CBE and the Chancellor of the Duchy of Lancaster which ran from 7 September 2007 until 31 March 2010.
- There was a service agreement between the Baring Foundation, as David Cutler's employer, and the Chancellor of the Duchy of Lancaster, under which the Baring Foundation agreed to provide Mr Cutler's services to the Commission. The agreement ran from 7 September 2007 until 31 March 2010.
- There is a contract of employment between the Commission and Richard Corden. The contract runs from 1 July 2008 to 30 June 2011 and is terminable by either party with three months' written notice or, in certain circumstances, by the Commission without notice or compensation. The contract may, by mutual agreement, be extended for up to a further two years from 1 July 2011.

signed by:

Richard Corden
Accounting Officer
2 July 2010

Sir Bert Massie CBE
Director
2 July 2010

Statement of Directors' and Accounting Officer's responsibilities

The Commission's Chief Executive is designated, by the Principal Accounting Officer of the Cabinet Office, as the Commission's Accounting Officer.

The Commission's Accounting Officer has personal responsibility for ensuring that the Commission meets the service and other standards, set out in Chapters 1 and 3 of Managing Public Money (HM Treasury), expected of an organisation which manages public resources.

In particular, the Commission's Accounting Officer takes personal responsibility for:

- Safeguarding the public funds under the Commission's control and ensuring regularity and propriety in their handling
- Ensuring that the Commission's resources are applied only for the purposes, and in accordance with the powers, set out in its Memorandum and Articles of Association
- The selection and appraisal of programmes and projects
- Value for money
- The management of risk and opportunity
- Ensuring that the Commission learns from experience
- Accounting accurately for the Commission's transactions and financial position.

The Directors are required under the Companies Act 2006 to prepare financial statements for each financial year. The Directors and the Accounting Officer are responsible for preparing the financial statements in accordance with the applicable law, HM Treasury Guidance, and the Government Financial Reporting Manual (FReM). The FReM provides guidance on the application of International Financial Reporting Standards, adapted and interpreted for the public sector context.

The financial statements are required by law, the Accounts Direction and the FReM to give a true and fair view of the state of affairs and of the surplus or deficit of the Commission for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether the guidance in the FReM and applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Directors are responsible for keeping proper accounting records that

- Disclose, with reasonable accuracy at any time, the financial position of the Commission
- Enable them to ensure that the financial statements comply with the Companies Act 2006 and the Accounts Direction.

The Directors are also responsible for safeguarding the Commission's assets by taking reasonable steps to prevent and detect fraud and other irregularities.

signed by:

Richard Corden
Accounting Officer
2 July 2010

Sir Bert Massie CBE
Director
2 July 2010

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 the Commission's policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Commission is an NDPB sponsored, and wholly funded, by the Cabinet Office, within which the Office of the Third Sector is the Commission's sponsor unit. A programme of work designed to achieve the Commission's objectives is agreed between the Commission and the Office of the Third Sector each year: progress against it, including any risks to the achievement of the Commission's objectives, is reviewed at least every six weeks by the Commission and officials of the Office of the Third Sector together. Similarly, there are monthly reviews by the Commission and the Cabinet Office's financial expenditure management team of the Commission's progress against its budget forecasts.

The purpose of the system of internal control

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

Capacity to handle risk

As Accounting Officer I am responsible to the Commission's board, through its Audit and Risk Committee, for ensuring that:

- Risks to which the Commission is exposed are identified and set out in a Risk Register
- An assessment is made of the likelihood of risks materialising and of the impact on the Commission if risks materialised
- Proportionate measures are devised and implemented to mitigate the likelihood and impact of risks
- The arrangements for handling risk are regularly reviewed and, if necessary, altered.

All of the Commission's staff have participated in the process of developing the Risk Register, with the aim of promoting among staff a wider understanding both of the risks which the Commission faces and of the arrangements which exist to manage risk.

The risk and control framework

Risks, and measures in mitigation, are analysed in the Risk Register under five headings (which may overlap):

- Risks to the successful completion by the Commission of its work programme
- Risks to the Commission's reputation
- Risks arising from impropriety, financial or other, within or towards the Commission
- Risks arising from the Commission's failure to comply with regulatory requirements (including requirements for the protection of personal data and other sensitive information)
- Risks arising from the Commission's failure to foresee and/or respond to changes in the environment in which it operates.

I am satisfied that the Commission has no potential data vulnerabilities of any significance. The Commission holds minimal amounts of protected personal data, and the data are accessible only on a protected site.

Statement on internal control *(continued...)*

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, including controls which exist in relation to the Commission's outsourced payroll service. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit Services, by managers within the Commission, and by comments made by the external auditors in their management letter and other reports. I am advised on the implications of the result of my reviews of the effectiveness of the system of internal control by the board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Commission engaged the Department for Communities and Local Government's Internal Audit Services (IAS) to undertake in 2009-10 a full programme of inspection of the Commission's internal risk management measures. The inspection was carried out in November 2009 and March 2010 and covered Key Financial and HR Controls Management (November 2009); Governance (March 2010; and Information Security (March 2010).

IAS's audit report on Key Financial and HR Controls Management gave a rating of "Amber Green - substantial assurance, systems established and found to be working effectively with some minor weaknesses." To address those "minor weaknesses" IAS made two recommendations, both of which the Commission immediately accepted and has now implemented.

IAS's audit report on Governance gave the opinion that "there are adequate arrangements in operation for the Commission's Board ensuring effective Governance operation, reporting, and management oversight. Given the Commission's size and complexity, it is our view that the organisation is following reasonable governance practices as set by Cabinet Office and protocols established from wider public sector and commercial guidelines." The report made no recommendations.

IAS's audit report on Information Security gave the opinion that "there are satisfactory controls in operation to ensure data is managed and controlled in accordance to guidelines. Internal users are well advised on procedures to be followed. External parties providing information are required to comply with guidance and agreed terms." The report made no recommendations.

There are no significant internal control weaknesses to report.

signed by:

Richard Corden
Accounting Officer
2 July 2010

Net expenditure account

For the year ended 31 March 2010

	Notes	2009-10 £s	2008-09 £s
Expenditure			
Administration:			
Staff costs	5a	(720,427)	(589,329)
Depreciation and amortisation	6	(88,505)	(64,236)
Other expenditure	6	(1,221,265)	(1,184,583)
Programme:			
Staff		0	0
Other costs	8	0	0
Total Expenditure		(2,030,197)	(1,838,148)
Income			
Income from activities		0	0
Other income		0	0
Total Income		0	0
Net Expenditure		(2,030,197)	(1,838,148)
Cost of capital	10	(4,635)	(5,967)
Interest receivable	9	0	293
Interest payable	9	0	(293)
Net Expenditure after cost of capital charge and interest before taxation		(2,034,832)	(1,844,115)
Tax charge	11	0	(109)
Net Expenditure after cost of capital charge, interest and taxation		(2,034,832)	(1,844,224)

All activities are from continuing operations.

The notes on pages 37 to 51 form part of these accounts.

Statement of financial position

As at 31 March 2010

	Notes	31 March 2010 £s	31 March 2009 £s	1 April 2008 £s
Non-current Assets				
Property, plant and equipment	13	111,238	168,715	139,815
Intangible assets	14	17,432	35,907	37,303
Total Non-current Assets		128,670	204,622	177,118
Current Assets				
Trade and other receivables	15	5,104	4,832	2,354
Cash and cash equivalents	16	293,165	202,663	209,681
Total Current Assets		298,269	207,495	212,035
Total Assets		426,939	412,117	389,153
Current Liabilities				
Trade and other payables	17	(261,354)	(182,576)	(95,296)
Total Current Liabilities		(261,354)	(182,576)	(95,296)
Non-current assets less net current liabilities		165,585	229,541	293,857
Assets Less Liabilities		165,585	229,541	293,857
Reserves				
General reserve		113,468	151,365	189,622
Donated assets reserve		52,117	78,176	104,235
Total Reserves		165,585	229,541	293,857

The notes on pages 37 to 51 form part of these accounts.

The financial statements, which comprise the net expenditure account, the statement of financial position, the statement of cash flows, the statement of changes in reserves and the related notes, were approved by the Board on 21 June 2010 and signed on its behalf by:

Richard Corden
Accounting Officer
2 July 2010

Sir Bert Massie CBE
Director
2 July 2010

Statement of cash flows

For the year ended 31 March 2010

	Notes	2009-10 £s	2008-09 £s
Cash Flows from Operating Activities			
Net expenditure before taxation		(2,034,832)	(1,844,115)
Adjustments for cost of capital charge	10	4,635	5,967
(Increase)/decrease in trade and other receivables		(272)	(2,478)
Depreciation of property, plant and equipment	13	70,030	48,633
Amortisation of intangible assets	14	18,475	15,603
Increase/(decrease) in trade and other payables		78,778	87,171
Donated asset reserve released	6	(26,059)	(26,059)
Net Cash Outflow from Operating Activities		(1,889,245)	(1,715,278)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	13	(12,553)	(77,533)
Purchase of intangible assets	14	0	(14,207)
Net Cash Outflow from Investing Activities		(12,553)	(91,740)
Cash Flows from Financing Activities			
Receipt of Grant-in-Aid financing	4	1,992,300	1,800,000
Net Cash Inflow from Financing Activities		1,992,300	1,800,000
Net increase/(decrease) in Cash and Cash Equivalents		90,502	(7,018)
Cash and cash equivalents at the beginning of the year	16	202,663	209,681
Cash and cash equivalents at the end of the year	16	(293,165)	(202,663)

The notes on pages 37 to 51 form part of these accounts.

Statement of changes in reserves

For the year ended 31 March 2010

	Notes	General Reserve £s	Donated Asset Reserve £s	Total £s
Balance at 31 March 2008		139,508	104,235	243,743
Changes in accounting policy	2	50,114	0	50,114
Restated balance at 1 April 2008		189,622	104,235	293,857
Changes in reserves 2008-09				
Net Expenditure after cost of capital charge, interest and taxation		(1,844,224)	0	(1,844,224)
Release to net expenditure account	6	0	(26,059)	(26,059)
Non cash charges - Cost of capital	10	5,967	0	5,967
Total recognised income and expense 2008-09		(1,838,257)	(26,059)	(1,864,316)
Grant in Aid receipt		1,800,000	0	1,800,000
Balance at 31 March 2009		151,365	78,176	229,541
Changes in reserves 2009-10				
Net Expenditure after cost of capital charge, interest and taxation		(2,034,832)	0	(2,034,832)
Release to net expenditure account	6	0	(26,059)	(26,059)
Non cash charges - Cost of capital	10	4,635	0	4,635
Total recognised income and expense 2009-10		(2,030,197)	(26,059)	(2,056,256)
Grant in Aid receipt		1,992,300	0	1,992,300
Balance at 31 March 2010		113,468	52,117	165,585

The notes on pages 37 to 51 form part of these accounts.

Notes to the accounts

For the year ended 31 March 2010

1 Accounting policies

Statement of accounting policies

As a Non Departmental Public Body (NDPB), the Commission's financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is the Commission's Sponsoring Department. So far as appropriate they meet the requirements of the Companies Act 2006 and the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Commission's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from the Commission's funder and in response to the progress made by the Commission in obtaining future funding confirmation. The Commission's sole funder is its Sponsoring Department, the Cabinet Office.

Accounting convention

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

Judgements and key sources of estimation uncertainty

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

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

Outsourced Research Accruals

The Commission's Policy team award contracts to outsourced suppliers for the provision of research work as determined by the work plan contained within the Joint Compact Action Plan. This work may span across more than one financial year and the preparation of the financial statements requires the Commission to determine, based on an evaluation of the terms and conditions of the arrangements, that it fully and accurately reflects the completeness of any accruals in this regard by reference to stage of completion of any ongoing projects.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

Property, plant and equipment

Property, plant and equipment are valued at the lower of depreciated replacement cost and recoverable amount. Depreciated historical cost is used as a proxy for depreciated replacement cost where there is considered to be no significant difference between depreciated historical cost and depreciated replacement cost.

Cost comprises the amount of cash paid to acquire the asset and includes any costs directly attributable to making the asset capable of operating as intended. Any cost of capital charge associated with the item of property, plant or machinery is not capitalised. The capitalisation threshold for expenditure on property, plant and equipment is £2,500, or where an asset forms part of a larger group that in total is more than £2,500.

Operational assets are assessed annually to ensure the carrying values are not materially different to fair value and the assets revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable.

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the Net expenditure account, in which case the increase is recognised in the Net expenditure account. A revaluation deficit is recognised in the Net expenditure account, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Depreciation

Property, plant and equipment are depreciated on a straight line basis in order to write down the costs of the assets to their estimated residual value over their expected useful lives, as follows:

- Information technology over three years
- Furniture and fittings over five years.

Depreciation is calculated on a monthly basis and is charged from the month the asset is brought into use. The depreciation period and the depreciation method are reviewed at least at each financial year end.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, where an active market exists, intangible assets are carried at fair value at the statement of financial position date. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Net expenditure account in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. All intangible assets are currently assessed to have a finite life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Software licences

Externally acquired computer software licences with a life of more than one year are amortised over the shorter of the term of the licence and the useful economic life of three years.

Other software

Externally acquired purchased database software with a life of more than one year is amortised over the useful economic life of three years.

The capitalisation threshold for expenditure on intangible assets is £2,500, or where an asset forms part of a larger group that in total is more than £2,500.

Expenditure which does not meet the criteria for capitalisation is treated as an expense in the year in which it is incurred.

Impairment of non-financial assets

The Commission assessed whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The recoverable amount is deemed to be the higher of value in use and fair value less costs to sell.

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

Donated assets

Donated assets are capitalised at their fair value on receipt, and this value is credited to the donated assets reserve. Subsequent revaluations are also taken to this reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Net expenditure account.

Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the Net expenditure account on a straight line basis over the lease term.

Financial instruments

The Financial instruments of the Commission comprise:

- Financial assets: other receivables and cash and cash equivalents
- Financial liabilities: trade and other payables

Financial assets are recognised at the fair value of the consideration receivable i.e. cash to be paid less any impairment provision. A provision for impairment is accounted for when the Commission deems specific receivable balances not to be collectable. Other receivables fall due within one year.

Cash and cash equivalents comprise cash in hand and deposits that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial liabilities are recognised at the fair value of the consideration payable i.e. cash to be paid. Trade and other payables all fall due within one year.

Notional Cost of Capital

In accordance with FReM, which requires NDPBs to disclose the full cost of their activities, a non cash capital charge, reflecting the cost of capital is included in the Net expenditure account. The charge is calculated at the Government's standard rate of 3.5 per cent in real terms on total assets less liabilities excluding donated assets.

Grant-in-Aid

As an NDPB, Grant-in-Aid, whether for revenue or capital purposes is treated as financing from the Sponsor Department, the Cabinet Office. This is credited to the general reserve and is treated on a cash (rather than accruals) basis according to the guidance given in the FReM.

Value Added Tax

The Commission is not registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure account or included in the capitalised cost of fixed assets.

Provisions

The Commission makes provisions for liabilities and charges where, at the statement of financial position date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the outflow of economic benefits is probable and a reasonable estimate can be made. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time. If the effect is material, expected future cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

Pensions

The costs of all employer pension contributions are charged to the Net expenditure account when incurred. Employees are eligible to join the Commission's Group Stakeholder Pension scheme on successful completion of their three month probation period. The scheme is a defined contribution scheme.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

Disclosure of IFRSs in issue not yet effective

The Commission has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' includes new Interpretations and any new amendments to IFRSs and Interpretations. It has been determined the following new IFRSs will have no significant impact on the Commission's financial statements.

New IFRSs

- IFRS 9 Financial Instruments

Amendments to IFRSs

- IFRS 1 Additional Exemptions for First-time Adopters (Amendments to IFRS 1)
- IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)
- IAS 24 Related Party Disclosures
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)
- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- IAS 32 Classification of Rights Issues
- IAS 39 Eligible Hedged Items

Amendments to IFRSs resulting from Annual Improvements to IFRSs (May 2008 and April 2009)

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

New Interpretations

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to Interpretations

- IFRIC 14 Prepayments of a Minimum Funding Requirement

Major FReM changes for 2010-11

The Commission has reviewed the major FReM changes for 2010-11 and determined the following will have no significant impact on the Commission's financial statements.

- Chapter 6 Tangible non-current assets
- Chapter 8 Impairments
- Chapter 13 Accounting for consolidated fund revenue

The Commission has identified the following accounting change as significant.

- Chapter 11 Income and Expenditure. The removal of Cost of Capital charging from the accounts. From 1 April 2010 notional costs should not be recorded for cost of capital. Cost of Capital charging will be excluded from the Commission's accounts.

2 First-time adoption of IFRS

This is the first year that the Commission has presented their financial statements under IFRS, as adapted and interpreted for the public sector. The last financial statements for the year ended 31 March 2009 were prepared under UK generally accepted accounting practice (GAAP) to the extent that it was meaningful and appropriate to the public sector. The date of transition to IFRS was 1 April 2008.

	Notes	General Reserve £s	Donated Asset Reserve £s	Total £s
Balance at 31 March 2008 under UK GAAP		139,508	104,235	243,743
Adjustments for:				
IAS 19 - holiday pay accrual	B	(3,179)	0	(3,179)
IAS 20 as interpreted by the FReM - capital grant-in-aid	C	53,293	0	53,293
Balance at 1 April 2008 under IFRS		189,622	104,235	293,857
Balance at 31 March 2009 under UK GAAP		38,405	78,176	116,581
Adjustments for:				
IAS 19 - holiday pay accrual	B	(5,950)	0	(5,950)
IAS 20 as interpreted by the FReM - capital grant-in-aid	C	118,910	0	118,910
Balance at 1 April 2009 under IFRS		151,365	78,176	229,541
Net expenditure for 2008-09 under UK GAAP		(1,804,216)	0	(1,804,216)
Adjustments for:				
IAS 19 - holiday pay accrual	B	(2,771)	0	(2,771)
IAS 20 as interpreted by the FReM - capital grant-in-aid	C	(34,383)	0	(34,383)
Adjustment to cost of capital charge arising from the above		(2,854)	0	(2,854)
Net expenditure for 2008-09 under IFRS		(1,844,224)	0	(1,844,224)

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

Explanation of reconciling items between UK GAAP and IFRS

A. IAS 16 - Computer software
Under UK GAAP, capitalised computer software is classified as a tangible fixed asset, whereas under IFRS computer software is classified as an intangible asset.

At the date of transition the reclassification from tangible fixed assets to intangible assets is included in the opening IFRS statement of financial position to the value of £37,303. The Net Expenditure Account charge of £3,916 is reclassified from depreciation to amortisation. At 31 March 2009 the statement of financial position reclassification is £35,907. The Net Expenditure Account charge of £19,519 is reclassified from depreciation to amortisation.

B. IAS 19 - Holiday pay accrual
No holiday pay accrual was recognised under UK GAAP whereas under IFRS holiday pay should be accrued as it is earned. At the date of transition an accrual for holiday pay earned not yet taken for 2007-08 is included in the opening IFRS statement of financial position to the value of £3,179. There is a Net Expenditure Account charge in respect of untaken leave for (£2,771) in the financial year 2008-09. An accrual for holiday pay earned not yet taken for 2008-09 is included at £5,950 in the Commission's IFRS statement of financial position at 31 March 2009.

C. IAS 20 as interpreted by the FReM - capital grant-in-aid
In applying IAS20, the FReM requires grants-in-aid, whether for revenue or capital purposes, to be treated as contributions from controlling parties and credited to general reserves. Previously, in applying SSAP4, grant-in-aid for capital purposes was credited to deferred income and released over the useful lives of the related assets acquired.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

3 Segmental analysis

Management considers that all operations carried out by the Commission are of a similar nature, and that these operations are carried out in one geographical location. Therefore there is only one operating segment. Refer to the primary statements for the analysis of gross expenditure, income, net expenditure and total assets.

4 Grant-in-Aid receipts

	2009-10	2008-09
	£s	£s
Receipt of Grant-in-Aid revenue financing	1,980,000	1,700,000
Receipt of Grant-in-Aid Capital financing	12,300	100,000
Total	1,992,300	1,800,000

5 Staff costs

a. The total administrative staff costs	2009-10	2008-09
	£s	£s
Salaries and benefits	593,749	478,963
Social security costs	61,477	49,553
Pension contributions	65,201	60,813
Total	720,427	589,329

Further information on pensions is included in note 5d.

b. Directors' emoluments	2009-10	2008-09
	£s	£s
Emoluments	134,598	105,454
Contributions to pension schemes	16,858	13,936
Total	151,456	119,390

Key management personnel includes the board of directors only.

Emoluments include short-term employee benefits comprising directors' salaries.

During the period two directors participated in money purchase pension schemes. The highest paid director's emoluments were as follows:

Highest paid director's emoluments	2009-10	2008-09
Salary	72,471	50,157
Pension contributions	11,233	8,829

In the table above, the highest paid director's emoluments for 2008-09 are for the period from 15 July 2008, the date on which the person in question was appointed as a director, to 31 March 2009. The figures for 2009-10 are for the full year.

c. Number of employed staff	2009-10	2008-09
Administration staff – on company payroll	15	15
Total	15	15

The table above excludes non-executive directors.

d. Pension costs

Commission employees are eligible to join the Commission's Group Stakeholder Pension scheme. This is a stakeholder pension with an employer contribution. Employer's contributions in 2008-09 of £60,813 were paid to the pension provider. Employer's contributions of £65,201 were paid to the pension provider during the year 2009-10. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. The Commission also matches any employee contributions up to 3 per cent of pensionable pay.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

6 Administration (Other Costs)

	2009-10	2008-09
	£s	£s
Other staff related costs	29,594	90,941
Travel and subsistence	56,416	73,451
Premises	157,017	150,861
ICT	87,502	339,859
General running costs	462,583	214,323
Legal fees	4,146	9,043
Fees payable to external auditor for audit of Annual Accounts	10,625	14,375
Fees payable to external auditor for audit of IFRS Accounts	4,722	2,128
Non audit fees for IFRS preparation	5,750	5,750
Internal audit fees	6,164	7,235
Consultancy fees	1,469	22,181
Professional fees	8,302	7,375
Contract and service costs	413,034	273,120
Donated asset reserve release	(26,059)	(26,059)
Total other expenditure	1,221,265	1,184,583
Depreciation	70,030	48,633
Amortisation	18,475	15,603
Total depreciation and amortisation	88,505	64,236
Total other costs	1,309,770	1,248,819

During 2008-09 the Commission provided for the fees payable to the external auditor for the audit of the 2008-09 Annual Accounts £14,375 gross. During 2009-10 the charge received was £12,500 net leaving a balance of (£1,875). The value of the fee payable to the external auditor for the audit of the 2009-10 Annual Accounts is £12,500 net.

Payments made in the year relating to operating leases:

	2009-10	2008-09
	£s	£s
Plant and machinery	1,503	1,494
Property	77,302	76,256

7 Depreciation, amortisation, impairment and losses on disposal

		2009-10	2008-09
		£s	£s
Property, plant and equipment			
Depreciation charge for the period	Donated	26,059	26,059
	Purchased	43,971	22,574
Total depreciation property, plant and equipment		70,030	48,633
Intangible assets			
Amortisation charge for the period		18,475	15,603
Total amortisation intangible assets		18,475	15,603
Total depreciation, amortisation, impairment and losses on disposal		88,505	64,236

8 Programme (Other Costs)

	2009-10	2008-09
	£s	£s
Discretionary projects, private sector recipients	0	0
Total	0	0

9 Interest receivable and payable

	2009-10	2008-09
	£s	£s
Interest receivable		
Bank interest received	0	293
Interest payable		
Bank interest repaid	0	(293)
Net interest	0	0

If the Commission receives interest on its bank accounts it must return the interest to the Cabinet Office. These funds are shown as a creditor until paid back to the Cabinet Office.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

10 Cost of Capital

	2009-10	2008-09
	£s	£s
Cost of Capital	4,635	5,967
Total	4,635	5,967

In accordance with FReM, NDPBs are required to disclose the full cost of their activities in their accounts. The Commission has included in its accounts an amount for the cost of capital. The cost of capital has been arrived at by calculating a rate of 3.5 per cent to the average capital employed. The average capital employed is defined as an average of total assets less total liabilities at the start and end of the accounting period. The total assets are to exclude donated assets.

11 Taxation

	2009-10	2008-09
	£s	£s
Current tax		
Net Expenditure before taxation	(2,034,832)	(1,844,115)
Net Expenditure before taxation not liable for corporation tax	2,034,832	1,844,408
Interest receivable liable for corporation tax	0	293
UK corporation tax based on results for the year	0	62
Under provided in prior years	0	47
Total	0	109

12 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are given in the table below; analysed according to the period in which the lease expires.

	2009-10	2008-09
	£s	£s
Property		
Later than five years	362,216	438,472
Other		
Not later than one year	763	0
Later than one year and not later than five years	0	2,242

13 Property, plant and equipment

	Information Technology	Furniture & Fittings	Total
	£s	£s	£s
Cost or valuation as at 1 April 2008	53,371	130,293	183,664
Additions	67,846	9,687	77,533
As at 31 March 2009	121,217	139,980	261,197
Depreciation as at 1 April 2008	17,791	26,058	43,849
Charge in year	21,994	26,639	48,633
As at 31 March 2009	39,785	52,697	92,482
Cost or valuation as at 1 April 2009	121,217	139,980	261,197
Additions	4,608	7,945	12,553
As at 31 March 2010	125,825	147,925	273,750
Depreciation as at 1 April 2009	39,785	52,697	92,482
Charge in year	41,220	28,810	70,030
As at 31 March 2010	81,005	81,507	162,512
Net book value as at 31 March 2010	44,820	66,418	111,238
Net book value as at 31 March 2009	81,432	87,283	168,715
Net book value as at 31 March 2008	35,580	104,235	139,815

Property, plant and equipment includes donated assets at original cost of £130,293 at 31 March 2008 and 31 March 2009 and 31 March 2010. The net book value of these donated assets at 31 March 2010 was £52,117 (31 March 2009 £78,177, 31 March 2008 £104,235).

Additions in the year include irrecoverable VAT.

Notes to the accounts

For the year ended 31 March 2010

(continued...)

14 Intangible assets

	Software	AUC	Total
	£s	£s	£s
Cost or valuation as at 1 April 2008	11,749	29,470	41,219
Reclassification	29,470	(29,470)	0
Additions	14,207	0	14,207
As at 31 March 2009	55,426	0	55,426
Amortisation at 1 April 2008	3,916	0	3,916
Charge in year	15,603	0	15,603
As at 31 March 2009	19,519	0	19,519
Cost or valuation as at 1 April 2009	55,426	0	55,426
Additions	0	0	0
As at 31 March 2010	55,426	0	55,426
Amortisation at 1 April 2009	19,519	0	19,519
Charge in year	18,475	0	18,475
As at 31 March 2010	37,994	0	37,994
Net book value as at 31 March 2010	17,432	0	17,432
Net book value as at 31 March 2009	35,907	0	35,907
Net book value as at 31 March 2008	7,833	29,470	37,303

Additions in the year include irrecoverable VAT.

15 Other receivables

	31 March 2010	31 March 2009	1 April 2008
	£s	£s	£s
Due within one year			
Other receivables	0	2,588	0
Prepayments	5,104	2,244	2,354
Total	5,104	4,832	2,354

Other receivables were within 30 days, not overdue and no provision has been made for credit losses. Other receivables pertained to a single transaction with Capacitybuilders (UK) Limited. Refer to Note 21.

16 Cash and cash equivalents

	31 March 2010	31 March 2009	1 April 2008
	£s	£s	£s
Cash at bank	293,165	202,663	209,681
Petty cash	0	0	0
Total	293,165	202,663	209,681

17 Trade and other payables

	31 March 2010	31 March 2009	1 April 2008
	£s	£s	£s
Amounts falling due within one year			
Trade payables	(142,300)	(3,554)	(31,794)
Corporation tax	0	(109)	0
Other taxation and social security costs	(18,670)	(16,814)	(10,082)
Other payables	(5,713)	(9,916)	0
Interest repayable	0	0	(168)
Accruals	(94,671)	(152,183)	(53,252)
Total payables	(261,354)	(182,576)	(95,296)

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

Notes to the accounts

For the year ended 31 March 2010
(continued...)

18 Financial instruments

Given the largely non-trading nature of its activities and the way government entities are financed, the Commission is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. The Commission has very limited powers to borrow, invest surpluses, or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Commission in undertaking its activities.

Liquidity Risk
The Commission's net revenue resource requirements are financed entirely by the Cabinet Office, as is most of its capital expenditure. It is not, therefore, exposed to significant liquidity risks, and the Commission has no need to maintain commercial borrowing facilities.

Interest rate risk
The Commission has no material financial assets or financial liabilities carrying variable rates of interest and it is not therefore exposed to significant interest rate risk.

Foreign currency risk
The Commission does not conduct any business denominated in foreign currency and, therefore, is not exposed to any risk as a result of currency fluctuations.

Credit risk
There are no significant concentrations of credit risk within the Commission unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

19 Capital commitments

There are no amounts authorised and contracted for in respect of capital expenditure as at 31 March 2010.

20 Contingent liabilities

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

21 Related party transactions

As the Commission is an NDPB sponsored by the Cabinet Office, the Cabinet Office is regarded as a related party. Transactions with the Cabinet Office related to the Commission's Grant-in-Aid and receipt of donated assets.

Related party transactions were also entered into with another NDPB, Capacitybuilders (UK) Limited, also sponsored by the Cabinet Office. The transactions related to the recharging of costs incurred on behalf of the other party.

During the year, the Commission entered into no material transactions with bodies to which board members are related parties.

No board member, key manager or other related party has undertaken any material transactions with the Commission during the year.

22 Losses and special payments

No reportable special payments or losses were made during the course of the year.

Further information

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