COI

Central Office of Information
Annual Report and Accounts **2010/11**

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Contents

Chief Executives' foreword

The past year has been one of the most challenging in COI's history. As the year opened, everyone in government was faced with one overriding priority – the need to reduce the fiscal deficit.

At COI, the case for action was made clear from the advertising and marketing freeze which was introduced in June 2010. This had a major impact on government marketing and communications, and an immediate restructuring at COI was unavoidable. Largely through a programme of redundancies completed in November, we reduced our staff numbers by 39 per cent, from 737 at the beginning of April 2010 to 450 at the end of March 2011.

Throughout this challenging financial year, we continued to respond positively to the changing priorities and to help government to achieve value-for-money outcomes. Our principal activities throughout the year continued to be:

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

In April 2011, our Chief Executive Mark Lund left the organisation, which led to a series of moves, including the establishment of our roles as Acting Chief Executives. Chris Wood moved from being a Non-executive Director to Acting Chairman, and Ian Watmore assumed the role of Accounting Officer for COI.

Meanwhile, in March, the then Permanent Secretary for Government Communication, Matt Tee, delivered his *Review of government direct communication and the role of COI*.

The government response to the review was published in a written ministerial statement on 23 June 2011 and Francis Maude, Minister for the Cabinet Office, announced that COI would close on 31 March 2012.

Over the past 65 years, COI has helped to produce government communications and marketing campaigns which, as well as being highly effective, have become part of the UK's collective consciousness. As the organisation approaches closure, now is the right time to pay tribute to our clients, who have given us the opportunity to do such good work; our suppliers, who have striven so hard on our behalf; and lastly COI staff, who have worked so tirelessly to pioneer best practice, innovation and cost effectiveness for the taxpayer in the way in which citizens have been informed, engaged and influenced about the issues that matter.

Emma Lochhead and
Graham Hooper

Our year in summary

Financial review

COI turnover for 2010/11, excluding property income, was £168 million, a decrease of £364 million (68 per cent) on the previous year.

Paid-for advertising space and digital marketing (including search) accounted for £35.9 million (21 per cent of turnover), down from £237.1 million (45 per cent of turnover) in the previous year.

£000	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Year on year decrease/ increase
Advertising: Media	154,680	135,909	156,859	211,292	193,020	28,588	–85%
Non Media	13,262	18,825	10,785	14,058	19,987	14,370	–28%
Total	167,942	154,734	167,644	225,350	213,007	42,958	–80%
Digital Marketing	7,710	12,374	21,755	39,943	44,094	7,265	–84%
Direct and Relationship Marketing	27,167	29,926	33,471	45,620	60,353	27,736	–54%
Content (Publications, Moving Image and Audio)	48,536	45,784	49,064	54,613	49,240	19,379	–61%
Interactive Services	4,403	10,078	13,619	23,864	23,353	10,490	–55%
Research	17,703	17,376	22,668	29,437	27,389	9,550	–65%
PR	15,987	14,147	17,238	23,129	19,462	7,805	–60%
Live Events	7,494	10,918	12,994	34,326	21,120	6,386	–70%
Regional Marketing	–	–	–	7,078	11,547	5,798	–50%
News	9,681	9,344	9,670	17,823	22,844	7,053	–69%
Strategy and Planning	7,207	9,724	11,936	18,488	14,530	4,068	–72%
Sponsorship	7,715	8,590	11,981	9,588	10,337	2,857	–72%
Flexible offer – basic procurement*	–	–	–	–	–	1,791	100%
Other	779	1,075	1,185	788	275	5,414	1,869%
Subtotal	**322,324**	**324,070**	**373,225**	**530,047**	**517,551**	**158,550**	**–69%**
GovGap	–	–	3,981	9,702	13,968	9,440	–32%
Total	**322,324**	**324,070**	**377,206**	**539,749**	**531,519**	**167,990**	**–68%**
Paid for-media (advertising media and digital marketing)	162,390	148,283	178,614	251,235	237,114	35,853	
As percentage of total COI activity	50%	46%	47%	47%	45%	21%	–85%

*Basic access to COI-approved frameworks.

Total operating expenditure over the year was £174.4 million, a reduction of £359 million.

Our operating expenditure falls into three distinct categories:

- costs we have incurred on behalf of our clients through central procurement of marketing, advertising and communications-related services, which totalled £103.4 million (£469.3 million in the previous year);
- our own running costs, which totalled £54.0 million (£64.1 million in the previous year); and
- the costs of the redundancy programme, for the 39 per cent reduction in headcount, which totalled £17.0 million.

There was an expectation that the reduced overall activity for the year and the cost of the redundancy programme would result in a deficit that exceeded the Trading Fund's retained reserves. To mitigate against this, HM Treasury wrote to the Accounting Officer on 22 October 2010 requiring COI to retain any volume rebates or discounts from suppliers that it would usually, out of custom and practice, have returned to clients, and to revoke and retain any credit notes issued to clients prior to 31 March 2010 that had not been applied and used by 1 November 2010.

To compensate those clients who had prior year unused credit notes revoked (total value £5.6 million) and other clients who would have expected to receive a rebate, HM Treasury agreed that COI might work pro bono for them for the period from 1 November 2010 to 31 March 2011 on all services with the exception of media buying services and GovGap.

Work was agreed and authorised by these pro bono clients in the usual way; however, hours were recorded against client activity at zero charge to the client. In total, pro bono time with a value of £4.1 million was worked.

The result in year was a deficit of £4.6 million which has been offset against retained reserves, leaving a balance of retained earnings of £3.2 million.

HM Treasury required COI to retain its reserves of £3.5 million to offset any deficits in 2011/12 while the future of government communications, including COI, was being determined.

Savings for clients

Although media buying reduced by £201.2 million (85 per cent) to £35.9 million in 2010/11, we maintained our strong centralised buying position as a direct result of our new contract with M4C, the COI-appointed media-buying agency.

	2006/07	2007/08	2008/09	2009/10	2010/11
Savings on media costs against industry benchmarks*	46.0%	47.7%	49.9%	47.7%	52.2%
Improvement on previous year	1.9%	1.7%	2.2%	–2.2%	4.5%

*Digital media spend is not included in these figures, to provide a like-for-like comparison on previous years. However, this spend has been subject to the same benchmarking to ensure that we deliver very competitive rates.

Financial and treasury management

COI's total net assets are £3.5 million (£8.4 million last year), split between £1.2 million of non-current assets (£1.8 million last year) and £4.5 million of net current assets (£6.7 million last year). Our non-current assets are primarily IT equipment and associated software licences. The only additions to non-current assets during the year were a server and other IT equipment related to the changeover in May 2010 to a Microsoft Exchange environment.

Our current assets decreased from £115.2 million last financial year to £50.4 million this year. This was primarily a result of the reduction in business volume this year.

We seek to maximise all assets at our disposal and undertake active treasury management of our cash. Investment of surplus cash balances in UK government deposits generated £58k of bank interest. Through active debt management no borrowings were required during the year and 95 per cent of suppliers were paid within terms.

Ministerial targets

We are set annual ministerial targets – for 2010/11 these were:

- to achieve a break-even position taking one year with another; and
- to achieve quality targets as measured by the Customer Feedback Survey.

Note: The unit cost reduction of output target used in previous years was not set for this year given the advertising and marketing freeze.

Performance against targets

Performance against targets		2006/07	2007/08	2008/09	2009/10	2010/11
Financial performance						
To achieve break-even	Target	£0	£0	£0	£0	£0
	Out-turn	£0.0m	£0.0m	£0.1m	£0.1m	–£4.6m
Efficiency						
Unit cost reduction	Target	2.5%	2.5%	2.5%	2.5%	–
	Out-turn	6.6%	3.5%	4.3%	10.0%	–
Customer satisfaction index						
Score (out of 10)	Target	8.25	8.25	8.25	8.25	8.25
	Out-turn	8.83	8.61	8.70	8.77	8.89
% score out of 6 or more	Target	96.0	96.0	96.0	96.0	96.0
	Out-turn	97.0	96.4	96.8	96.5	97.0
% response rate	Target	62.0	39.9	39.9	39.9	39.9
	Out-turn	36.3	41.3	37.6	32.7	29.1

Outcome of the *Review of government direct communication and the role of COI*

On 23 June 2011, the Minister for the Cabinet Office, Francis Maude, announced a range of reforms to the organisation of government communications.

This was the formal government response to the *Review of government direct communication and the role of COI*, which was published in March 2011 and written by the then Permanent Secretary for Government Communication, Matt Tee.

The government response will lead to changes designed to further improve the effectiveness and efficiency of government communications. These build on the achievements that communications professionals across government have already made in the last year.

In particular, since the introduction of spending controls on advertising and marketing in June 2010, there has been a 68 per cent reduction in external spend through COI, from £532 million in 2009/10 to £168 million in 2010/11. Government departments have also reduced their number of in-house communications staff by around a quarter, and their budgets by around a half.

The reforms are designed to consolidate those reductions, while ensuring that the remaining spend on advertising and marketing is better co-ordinated and executed.

The changes will:

- strengthen central co-ordination, prioritisation and strategic planning of communications across government;
- put in place a new governance structure to increase accountability and transparency, and to drive collective responsibility. This will include the appointment of an Executive Director, and the establishment of a Communications Delivery Board;
- create a specialist communications procurement unit under the leadership of Government Procurement;
- enable government to explore how it can best capitalise on the capability which exists in communications across government, through a programme of reviews;
- explore the development of a shared communications delivery pool for certain specialist services, and a small number of specialist marketing hubs.

These reforms will lead to the closure of COI on 31 March 2012.

Results 2010/11

Director's report

History

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

Statutory background

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

The Chief Executive of COI is also the Accounting Officer (see 'Events after the reporting period date' below) and is formally responsible to the Minister for the operations of the agency within the overall framework set out in COI's Framework Document.

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

Aims and objectives

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

Review of activities

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

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

Results

A deficit of £4,609,000 was made for the year, which has been offset against reserves.

Events after the reporting period date

The Chief Executive and Accounting Officer left COI on 6 April 2011. Two Board members are performing the role of interim Chief Executive, and the Accounting Officer was appointed by HM Treasury.

The closure of COI was announced on 23 June 2011 by the Minister for the Cabinet Office, Francis Maude.

Supervisory Board members during 2010/11

I.R. Hamilton, Commercial Director
(until February 2011)

G. Hooper, Director, Client Service and Strategy

E. Lochhead, Director, Human Resources

M. Lund, Chief Executive

S. Marquis, Non-Executive Director
(from June 2010)

N. Martinson, Director, News and PR
(until January 2011)

C. Wood, Non-Executive Director

Directors' statement with respect to conflict of interest

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

Supplier payment performance

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

Using the Civil Service standard measure, during 2010/11 COI paid 95 per cent of supplier bills within 30 days (92 per cent in 2009/10).

Recruitment

COI recruits staff on the basis of fair and open competition and selection on merit, in accordance with the recruitment code laid down by the Civil Service Commissioners. Systems are subject to internal and external checks. Only one new employee (Female Information Officer) was recruited through fair and open competition in 2010/11. This was prior to the recruitment freeze introduced in May 2010.

13 per cent of COI's staff are recorded as being from ethnic minority groups and 1.5 per cent have a disability as defined under the Disability Discrimination Act 1995.

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

Sickness absence

During the year, 1.1 per cent of available working days were recorded as sickness absence.

Employee involvement

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

EU Information and Consultation Directive, which gives employees rights to be informed and consulted about the business they work for.

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

People with disabilities

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

Personal data security incidents

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

Pension liabilities

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

HM Treasury Accounts Direction

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

Disclosure of relevant audit information

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

Audit services and costs

The Comptroller and Auditor General (C&AG) is head of the National Audit Office and is appointed as the auditor of the COI Trading Fund under section 4(6) of the Government Trading Funds Act 1973. The auditor's remuneration payable is £65,000 for the year ended 31 March 2011. The C&AG has been appointed by COI under a non-statutory letter of engagement to provide an independent review of the systems and workings supporting performance indicators reported in the annual accounts. The audit fee payable for the review of performance indicators is £nil for the year ended 31 March 2011. The C&AG has also been appointed to complete the statutory audit of the resource account under the Government Resources and Accounts Act 2000. The notional audit fee payable is £3,500 for the year ended 31 March 2011.

Remuneration report

COI remuneration policies for senior staff

Supervisory Board directors

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

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

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

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

Accounting Officer

The Accounting Officer's remuneration is determined by the Cabinet Office Remuneration Committee.

Non-executive directors

COI has two non-executive directors who attend all Supervisory Board meetings. Remuneration of the non-executive directors is set by the Accounting Officer and the HR Director, and is reviewed annually. For the financial year ended 31 March 2011, the non-executive directors' remuneration was £28,000. COI does not contribute to the pension of the non-executive directors.

The Non-Executive Director C. Wood is appointed on an open-ended contract. The Non-Executive Director S. Marquis is appointed on a fee-paid contract which commenced in August 2010.

Performance assessment of senior COI staff

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

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

Duration of directors' contracts

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

The appointments of all COI's Supervisory Board directors and the Chief Executive are open ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

Directors' remuneration for the period 1 April 2010 to 31 March 2011

Remuneration of directors and the Chief Executive comprises a base salary, non-consolidated performance pay, a corporate bonus scheme and a pension. No benefits in kind are paid to directors. The remuneration of the Chief Executive, directors and non-executive directors for the year ended 31 March 2011 is set out in the table overleaf. The following information has been subject to audit. Information about named individuals in the Remuneration Report is consistent with identifiable information of those individuals in the financial statements. In exceptional circumstances non-disclosure is acceptable and has been granted in this publication.

Directors' remuneration for the period 1 April 2010 to 31 March 2011

Director's name and position	Salary as at 31.3.11	Additional payments† as at 31.3.11	Real increase (or decrease) in pension and related lump sum at age 60	Total accrued pension at age 60 at 31.3.11
	£000	£000	£000	£000
M. Lund*** Chief Executive	150–155	0–5	2.5–5.0	5.0–7.5
E. Lochhead** Director	90–95	15–20	0–2.5 plus 0.25	10–15 plus 30–35 lump sum
G. Hooper* Director	85–90	10–15	0–2.5	30–35
I. Hamilton** Director (until 24.02.11)	80–85 (90–95 full year equivalent)	15–20	(0–2.5) plus (0–2.5)	40–45 plus 125–130 lump sum
N. Martinson* Director (until 31.01.11)	75–80 (90–95 full year equivalent)	10–15	5.0–7.5	20–25
S. Marquis Non-Executive Director (from 06.08.10)	10–15 (15–20 full year equivalent)	–	–	–
C. Wood Non-Executive Director	15–20	–	–	–
M. Baxter (until 31.01.10)	–	–	–	–
P. Buchanan (until 31.12.10)	–	–	–	–
S. Whetton ††	–	–	–	–
A. Wade	–	–	–	–
H. Lederer ††	–	–	–	–
M. Cross ††	–	–	–	–
A. Butler †† (until 05.11.10)	–	–	–	–

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

Cash equivalent transfer value (CETV) at 31.3.11	Salary as at 31.3.10	Additional payments† as at 31.3.10	Cash equivalent transfer value (CETV) at 31.3.10	Real increase (or decrease) after adjustment to market investment factors
£000	£000	£000	£000	£000
69	125–130 (150–155 full year equivalent)	–	48	21
159	90–95	15–20	152	7
369	85–90	10–15	392	(23)
916	90–95	10–15	928	(12)
392	90–95	15–20	379	13
–	–	–	–	–
–	15–20	–	–	–
–	15–20	–	–	–
–	110–115	15–20	–	–
–	70–75	5–10	–	–
–	85–90	10–15	–	–
–	75–80	0–5	–	–
–	85–90	10–15	–	–
–	75–80	10–15	–	–

† Includes corporate and performance bonus and sale of annual leave.
†† COI’s Management Board was replaced by the Supervisory Board and Management Board on 1 April 2010.

Civil Service pensions

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. The classic plus scheme is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website **www.civilservice.gov.uk/my-civil-service/pensions/index.aspx**

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or an arrangement to secure pension benefits in another pension scheme or when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown in the table on pages 16 and 17 relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This is the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It is worked out using common market valuation factors for the start and end of the period.

Compensation for loss of office

Ian Hamilton left under compulsory early retirement terms on 24 February 2011. The capitalised cost of the package he received was £250,000–£300,000.

Non-adjusting post-reporting period events

On June 23 2011, the Minister for the Cabinet Office, Francis Maude, announced a range of reforms to the organisation of government communications.

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The government response will lead to changes designed to further improve the effectiveness and efficiency of government communications. These build on the achievements that communications professionals across government have already made in the last year.

In particular, since the introduction of spending controls on advertising and marketing in June 2010, there has been a 68 per cent reduction in external spend through COI, from £532 million in 2009/10 to £168 million in 2010/11. Government departments have also reduced their number of in-house communications staff by around a quarter, and their budgets by around a half.

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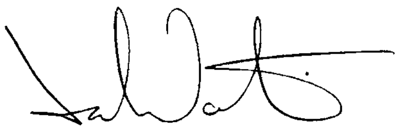
These reforms will lead to the closure of COI on 31 March 2012.



Ian Watmore
Accounting Officer
28 October 2011

Statement of Trading Fund's and Accounting Officer's responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973, HM Treasury has directed the Central Office of Information Trading Fund to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Trading Fund's state of affairs at the year-end and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Trading Fund will continue in operation or that current functions will continue to be performed.

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

Statement on internal control

Scope of responsibility

Following the resignation and departure of Mark Lund who held the position up to that point, HM Treasury appointed me as Accounting Officer on 9 April 2011.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of COI policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with *Managing Public Money* and the COI Framework Document, issued by the Minister for the Cabinet Office.

In previous years, the Minister for the Cabinet Office received an annual business plan with an assessment of the key corporate risks facing COI in achieving its objectives. Following the 2010 general election, the incoming Government announced a marketing and advertising freeze. This led to COI submitting alternative plans to the Minister for the Cabinet Office.

Mark Lund reported to the Permanent Secretary for Government Communication on cross-government co-ordination of research, marketing and campaigns. The Permanent Secretary was also Chair of the COI Supervisory Board during the year under review. The Permanent Secretary left his role on 31 March 2011.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure in delivering policies, achieving aims and meeting objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness.

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

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

The system of internal control has been in place in COI for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. More exceptionally, the freeze on marketing and advertising and the resulting redundancy programme have had a significant impact on COI's operations. This is reflected in reduced income, an annual deficit mitigated by retained reserves, staff reductions and associated redundancy costs. Inevitably, this had an impact on the operation of some controls and required modification to others; the more significant are recorded in this statement.

Capacity to handle risk

The Boards

In April 2010, a two-tier Board structure was introduced to further enhance governance arrangements within COI. The two Boards – a Supervisory Board and a Management Board – were established with clear terms of reference, to be reviewed annually.

The Boards have distinct responsibilities for risk and control. More specifically, the Supervisory Board supports the Accounting Officer in discharging his responsibilities by exercising oversight of the Management Board with regard to the performance of COI against ministerial targets and monitoring the application of good governance. The Supervisory Board sets the strategic goals of COI and ensures that these are implemented through the Management Board. It is also responsible for building and monitoring stakeholder relationships at ministerial, Permanent Secretary and industry levels.

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

The Management Board also has responsibility for:

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

The Boards have primary responsibility for identifying and monitoring key risks facing COI. The terms of reference for the Boards set out their roles and responsibilities for the management of risk. Responsibility for the continuous improvement of COI's risk management framework is delegated to a nominated member of the Management Board.

In view of the extraordinary circumstances facing COI following the 2010 general election, the Corporate Risk Register was suspended and in its place a set of critical risks was determined and monitored by the Board on a regular basis.

In addition, COI did not have an agreed business plan for 2010/11 and corporate objectives for the year were not finalised as they were no longer relevant to the new environment in which COI was operating. Alternative plans were submitted to the Minister for the Cabinet Office and subsequently the Minister commissioned a review of the future of government direct communication and the role of COI from the then Permanent Secretary for Government Communication. This report was submitted in March 2011 for consideration. In June 2011 the Minister for the Cabinet Office announced on behalf of the Government that COI will close at the end of March 2012.

Sub-committees

The Boards have a number of established sub-committees. These include the Audit and Risk Committee (A&RC), chaired by a non-executive member, and the Business Investment and Improvement Group and the Security Committee, chaired by a nominated Management Board member. The committees report to the relevant Board and have clear terms of reference that were reviewed during the year.

The A&RC examines and reviews the adequacy of arrangements for accounting, risk management, internal control and governance in liaison with internal and external audit. The A&RC obtains its assurance on risk, governance and controls from reports and updates provided at each meeting. The non-executive directors, who are also members of the A&RC, report formally to the Boards after each meeting. Since April 2010, the A&RC has been operating as a sub-committee of the Supervisory Board. This has ensured that due consideration has been given to the accounting arrangements throughout the year and that a clear understanding of the significant risks exists within the organisation.

The Security Committee is responsible for directing and monitoring COI's compliance with the Security Policy Framework document. It is chaired by the Senior Information Risk Owner (SIRO), who is also a member of the Management Board. The SIRO is supported in their role by the Departmental Security Officer, the IT Security Manager and Information Asset Owners. Risks to personnel, and physical and information security are monitored by the Committee, which also oversees the work of the Information Security Forum, responsible for IT security risks and compliance with IT standards, including ISO 27001 certification. The Committee reported no significant issues during the year and the ISO 27001 was certified. In addition, online security awareness training was undertaken by all members of staff during the year.

All proposals for improvement and investment in internal systems and business processes must follow established project management standards. These require thorough risk assessments as part of the business proposals, which are scrutinised by the Business Investment and Improvement Group. There was very little investment activity during the year given the uncertainty, but several projects begun in the previous year were successfully concluded under the oversight of the Business Investment and Improvement Group.

The Representative Council was replaced by the Staff Engagement Committee which, together with the unions, was engaged in the redundancy exercise and the Permanent Secretary's review of the future of government direct communication and the role of COI. The Staff Engagement Committee allows staff to have a say on important issues that affect COI and provide the Boards with an insight into grassroots thinking, and to form part of the decision-making process. This enabled a difficult process to run smoothly with a minimum of legal or other risk.

Operations

Group theme leads, specialist directors and corporate resource heads are responsible for the day-to-day management of risks in their area of responsibility. Risks are identified as part of the annual business planning process and are monitored on an ongoing basis. However, these local Business and Corporate Risk Registers were not monitored and updated as frequently as in previous years. This is in line with the overarching Corporate Risk Register, as referred to earlier. Despite this, it was pleasing to note that there were a number of good examples of risk management in action. A sound risk-managed process was put in place for the staff (39 per cent of the workforce) who left through the redundancy process. All assets were returned, projects were formally handed over and all the necessary paperwork was completed.

Risk and control

Framework

The risk framework is owned and managed by a Management Board member appointed by the Chief Executive. Risk ownership and responsibility are clearly defined and cascaded to group client directors, specialist directors, business and corporate managers and heads across COI. The process is facilitated by risk registers designed to enable the identification and assessment of risks, with an emphasis on monitoring actions to mitigate risks by allocating owners and target dates for action.

COI managers are encouraged to integrate risk management into the decision-making process, both for internal and external-facing tasks, projects and initiatives. Individual business areas have also developed various job-level risk-management techniques over the years.

Policies

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

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

Risks

In May 2010, the Cabinet Office informed COI that ministers had decided to freeze spending on all new advertising and marketing across government. Only essential campaigns were allowed, with an approval required from the government Efficiency and Reform Group. These new restrictions were designed to deliver significant savings in advertising and marketing expenditure during the year under review and continue to remain in place.

These measures meant severe reductions to COI's income for the financial year 2010/11. To enable COI to cope with this challenge, the Supervisory Board initiated a redundancy programme which led to 230 staff being made redundant.

In November 2010, the Minister for the Cabinet Office announced a review of government direct communication and the role of COI. In June 2011 the Minister announced that COI would close on 31 March 2012.

The most significant current risks following the closure announcement are associated with:

- managing the required work for clients during further uncertainty and transition;
- retaining the relevant talent and expertise within government communications for the new structure;
- managing the financial position of COI both for the year and in transition;
- managing the transition of work and redeployment or exit of staff; and
- managing the orderly wind-down of COI and its infrastructure, archives and knowledge management.

Review of effectiveness

Controls

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

Performance monitoring

My view is also informed by meetings of the Supervisory Board and the Management Board to consider planning, performance and change management. The Boards also receive and review regular management information, including comprehensive financial management information.

Sub-committees

I am satisfied that I receive regular reports from the sub-committees established by the Supervisory Board and the Management Board, including the A&RC, the Business Investment and Improvement Group and the Security Committee.

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

Operational assurance

The Accounting Officer is informed by well-established half-yearly and year-end internal control and risk compliance assurances from directors and managers across COI. These provide reasonable assurance that the controls and safeguards are operating in line with established policies, procedures and standards. Confirmations of internal control are subject to review by Internal Audit. Internal Audit also reviews the effectiveness of controls in specific business and corporate resource areas on a rotational basis.

Audit assurance

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

Because of continuing changes to COI's business model and the reduction in overall staff numbers, including audit resource, the current Internal Audit plan had to be revised to give emphasis to ongoing governance and process controls rather than to seek to deliver the original plan in totality. Ongoing changes to the plan were approved by the Management Board and the A&RC.

Although there were no significant internal control issues arising during the year, areas for improvement in the control, risk and governance environment were identified in individual audit reports and summarised in the annual Internal Audit report, with agreed remedial actions implemented.

During the year, COI made one severance payment to a member of staff which was not referred in advance to HM Treasury for approval in line with the requirements of *Managing Public Money*. COI therefore applied to HM Treasury for retrospective approval, which was not granted. COI has taken steps to prevent a recurrence, including reminding budget holders of the requirements concerning such payments.

Following the resignation of the Head of Internal Audit towards the end of the financial year, an arrangement was made with HM Treasury's Group Internal Audit Services to provide an interim Head of Internal Audit. This will continue until the closure of COI in 2012.

Following the announcement in June 2011 of COI's forthcoming closure, governance arrangements, including the risk-management framework and the provision of cost-effective internal audit services, have been reviewed.

Ian Watmore
Accounting Officer
28 October 2011

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

I certify that I have audited the financial statements of the Central Office of Information Trading Fund Account for the year ended 31 March 2011 under the Government Trading Funds Act 1973. These comprise the Statement of Comprehensive Income and Statement of Changes in Taxpayers' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Central Office of Information, Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Central Office of Information Trading Fund Account's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Central Office of Information Trading Funding Account; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Central Office of Information Trading Fund Account's affairs as at 31 March 2011 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Emphasis of matter – going concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures in the financial statements made in Note 1(a) 'Going Concern' which address the Government's announcement that subject to Parliamentary approval of the statutory instrument they intend to close the Central Office of Information Trading Fund. This announcement indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Central Office of Information Trading Fund to continue as a going concern. The financial statements do not include the adjustments that would result if the Central Office of Information Trading Fund was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Director's Report and Our Year in Summary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have one observation to make on these financial statements with regard to a severance payment of some £117,965 which has not been authorised by HM Treasury and is therefore deemed to be irregular expenditure. More details are set out in my following Report.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

9 November 2011

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

1. Under Section 4(6A) of the Government Trading Funds Act 1973, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the Accounts have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

2. In voting money or passing specific legislation, Parliament does not and cannot approve special payments outside the normal range of departmental activity. Special severance payments are those paid to employees beyond or above normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. The relevant HM Treasury guidance, *Managing Public Money*, stipulates that special severance payments should be exceptional and will always require Treasury approval.

3. The Special Payments Note (Note 19) of the Central Office of Information Trading Fund Account refers to one severance payment made during 2010-11 of some £117,965 to a senior member of staff in the Central Office of Information Trading Fund. The payment was subject to a legally binding compromise agreement between the Central Office of Information Trading Fund and the individual, including a confidentiality clause.

4. The Central Office of Information Trading Fund made this payment believing, at the time, that it had discretion to do so. As such, it did not seek HM Treasury approval before making the payment.

5. My staff questioned whether the employee was contractually entitled to the severance payment, and whether the Central Office of Information Trading Fund had the discretion to make such a payment without recourse to HM Treasury.

   On reconsidering this matter, the Central Office of Information Trading Fund agreed that as the whole payment was made as an ex-gratia payment, it did not have the discretion to make the payment and therefore should have sought Treasury approval at the time. The Central Office of Information Trading Fund wrote to HM Treasury in June 2011 and requested retrospective approval for the payment, however HM Treasury declined to give approval.

6. The Central Office of Information Trading Fund has taken steps to prevent a recurrence, including reminding budget holders of the requirements concerning such payments.

7. Although I have not qualified my opinion on regularity, I consider this severance payment of £117,965 to a senior member of staff to be irregular expenditure and, because of its nature, I have decided to specifically bring it to the attention of Parliament.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

9 November 2011

Statement of comprehensive income

for the year ended 31 March 2011

	Notes	2010/11 £000	2009/10 £000
Revenue	1(b), 2	167,990	531,519
Other income	3	1,754	1,981
		169,744	533,500
Operating costs	4	(174,411)	(533,414)
Gross operating (deficit)/surplus		(4,667)	86
Loss on disposal of non-current assets		–	(75)
Finance income	7	58	83
Retained (deficit)/surplus for the period	14	(4,609)	94

All income and expenditure arises from continuing operations.

There were no recognised gains or losses in either year other than those recognised in the statement of comprehensive income.

The notes on pages 34 to 48 form part of these accounts.

Statement of financial position

as at 31 March 2011

	Notes	2010/11 £000	2010/11 £000	2009/10 £000
Assets				
Non-current assets				
Property, plant and equipment	9	1,149		1,401
Intangible assets	8	79		367
Total non-current assets			1,228	1,768
Current assets				
Inventories	10	4,015		4,478
Trade receivables and other current assets	11	18,117		103,028
Cash and cash equivalents	12	28,224		7,697
Total current assets			50,356	115,203
Total assets			51,584	116,971
Current liabilities				
Trade payables and other current liabilities	13	(45,193)		(108,325)
Provisions for liabilities and charges	6(b)	(705)		(173)
Total current liabilities			(45,898)	(108,498)
Non-current assets plus net current assets			5,686	8,473
Non-current liabilities				
Provisions for liabilities and charges	6(b)		(2,180)	(32)
Assets less liabilities			3,506	8,441
Taxpayers' equity				
Public dividend capital	15	265		265
Reserves				
Revaluation reserve		–		326
Retained earnings		3,241		7,850
Total equity			3,506	8,441

Ian Watmore
Accounting Officer
28 October 2011

The financial statements on pages 30 to 33 were approved by the Board on 28 October 2011 and were signed on its behalf by Ian Watmore, Accounting Officer.

The notes on pages 34 to 48 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2011

	Notes	2010/11 £000	2010/11 £000	2009/10 £000 (restated)	2009/10 £000 (restated)
Cash flows from operating activities					
Retained (deficit)/surplus for the year		(4,609)		94	
Adjustments for:					
Net interest	7	(58)		(83)	
Loss on disposal		–		75	
Depreciation	8, 9	589		830	
Increase in provision	6(b)	2,680		137	
Operating profit before working capital changes		(1,398)		1,053	
Decrease/increase in inventories	10	463		(1,032)	
Decrease in trade receivables and other current assets	11	84,911		26,996	
Decrease in trade payables and other current liabilities	13	(63,132)		(59,067)	
Cash generated from operations		20,844		(33,103)	
Interest paid	7	(4)		–	
Net cash inflow from operating activities			20,840		(32,050)
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(375)		(1,270)	
Purchase of intangible assets	8	–		(126)	
Interest received	7	62		83	
Net cash inflow from investing activities			(313)		(1,313)
Net decrease in cash and cash equivalents in the year	12		20,527		(33,363)
Cash and cash equivalents at beginning of year	12		7,697		41,060
Cash and cash equivalents at end of year	12		28,224		7,697

The notes on pages 34 to 48 form part of these accounts.

Statement of changes in taxpayers' equity

	Public dividend capital £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 31 March 2009	265	326	7,756	8,347
Retained surplus for the year	–	–	94	94
Balance at 31 March 2010	265	326	7,850	8,441
Retained deficit for the year	–	–	(4,609)	(4,609)
Net loss on revaluation of property, plant and equipment	–	(326)	–	(326)
Balance at 31 March 2011	265	–	3,241	3,506

Notes to the accounts

1 Accounting policies

(a) General

(i) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM comply with IFRS as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of COI for the purpose of giving a true and fair view has been selected. The particular policies adopted by COI are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Standards issued but not yet effective
The following standards have been issued but have not been adopted in these financial statements as they are not yet effective.

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

- IFRIC 9 'Reassessment of embedded derivatives' – Amendment
- IFRIC 13 'Customer loyalty programmes'
- IFRIC 14 'Prepayments of a minimum funding requirement'
- IFRIC 15 'Agreements for the construction of real estate'
- IFRIC 16 'Hedges of a net investment in a foreign operation'
- IFRIC 17 'Distribution of non-cash assets to owners'
- IFRIC 18 'Transfer of assets from customers'
- IFRIC 19 'Extinguishing financial liabilities with equity instruments'

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

- IFRS 2 'Share based payment' – Amendments
- IFRS 3 'Business combinations' – Revision
- IFRS 7 'Financial instruments: Disclosures' – Amendments
- IAS 1 'Presentation of financial statements' – Amendment
- IAS 23 'Borrowing costs' – Revision
- IAS 27 'Consolidated and separate financial statements' – Amendments
- IAS 28 'Investments in associates' – Amendment
- IAS 31 'Investments in joint ventures' – Amendment
- IAS 32 'Financial instruments: Presentation' – Amendment
- IAS 39 'Financial instruments: Recognition and measurement' – Amendment

We do not belive the adoption of these amendments will have any impact on COI.

Going concern
The closure of COI was announced on 23 June 2011 by the Minister for the Cabinet Office, Francis Maude. COI remains as a trading fund until its closure. The Cabinet Office has agreed to underwrite all loans and liabilities to closure at March 2012. As a result, the Accounting Officer considers it appropriate to prepare the financial statements on a going concern basis.

(b) Revenue

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

In 2010/11, COI recognised the effects of the HM Treasury letter to mitigate against the cost of the redundancy programme. COI retained prior year rebates and unapplied credit notes. To compensate clients for revoked prior year credit notes (total value £5.6 million), HM Treasury agreed that COI might work pro bono for services. In total, pro bono time with a value of £4.1 million was worked.

Other income consists of rentals from sub-tenants.

Interest income is recognised in the statement of comprehensive income and represents interest earned.

(c) Inventory

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

(d) Non-current assets

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

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

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

(e) Provisions for liabilities and charges

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

(f) Pensions

Past and present employees are covered by the provisions of the PCSPS, which is described at note 6(a). The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. COI recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, COI recognises the contributions payable for the year.

(g) Leasing

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

(h) Staff on secondment to GovGap

GovGap was established in April 2007 to provide skilled professional interim staff to COI clients. Staff are provided either from an external pool of interim staff or by placing COI staff on interim assignments. The cost and number of COI staff on secondment are shown separately in note 4 and note 5(b) to the accounts.

(i) Financial assets and liabilities

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

Trade and other payables are measured at fair value.

(j) Current and deferred tax

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

(k) Financial risk management

Credit risk

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

Liquidity risk

COI's objective is to ensure continuity of funding and flexibility. COI's operational cash flow is largely stable and predictable, reflecting the low risk profile of the customer base. Cash flow forecasts are produced daily to assist management in identifying future liquidity requirements. The Cabinet Office has agreed to underwrite all loans and liabilities to closure at March 2012.

Market risk

The nature of COI's customer base means that COI's exposure to market risk is minimal. However, on 23 June 2011, the Minister for the Cabinet Office, Francis Maude, announced a range of reforms to the organisation of government communications. These reforms will lead to the closure of COI.

Currency risk

COI has no exposure to currency risk.

Interest rate risk

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

Capital risk management

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

(l) Accounting estimates and judgements

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

2 Segment information

	2010/11 £000	2009/10 £000
Revenue		
Health	56,680	188,729
Business, Benefits and Revenue	27,170	75,517
Defence and International Affairs	22,437	43,567
Environment and Transport	17,750	72,647
Education, Skills and Culture	17,189	87,700
Security and Justice	14,048	44,637
Other	1,295	1,674
Theme total	156,569	514,471
Media Monitoring Unit/News Distribution Service	1,981	3,080
GovGap	9,440	13,968
Total	167,990	531,519

COI has identified reportable revenue segments that reflect its client base, and are clusters of government departments, arm's-length bodies and non-departmental public bodies. Grouping clients into themes allows COI to join up policy themes, media channels and audiences to drive cost-effective government communications and marketing. Segmental revenue reports are reviewed regularly by the Management Board and are used for internal management purposes only.

3 Revenue and other income

	2010/11 £000	2009/10 £000
Income for central advisory services	656	673
Rent received under operating leases	1,754	1,981

4 Operating costs

(a) Staff costs:	2010/11 Permanent £000	2010/11 Other £000	2010/11 Total £000	2009/10 Permanent £000	2009/10 Other £000	2009/10 Total £000
Wages and salaries	26,292	1,974	28,266	32,767	1,041	33,808
Social security costs	2,417	167	2,584	2,373	313	2,686
Other pension costs	5,491	179	5,670	5,749	190	5,939
Agency staff	–	707	707	–	2,420	2,420
Staff on secondment	6,898	–	6,898	3,777	3,750	7,527
Restructuring costs	17,039	9	17,048	–	–	–
Total staff costs	58,137	3,036	61,173	44,666	7,714	52,380
(b) Other external charges:						
External supplier costs	–	–	103,405	–	–	469,312
Operating leases in respect of office accommodation*	–	–	2,462	–	–	2,432
Operating leases in respect of hire of plant and machinery*	–	–	58	–	–	55
Facilities management and office costs	–	–	2,564	–	–	3,053
IT costs	–	–	1,618	–	–	1,604
Finance, legal and insurance	–	–	176	–	–	91
Staff training and development	–	–	490	–	–	822
Auditor’s remuneration	–	–	65	–	–	97
Auditor’s remuneration for non-audit work	–	–	–	–	–	12
Other external charges	–	–	2,399	–	–	3,556
Total other external charges	–	–	113,237	–	–	481,034
Total operating costs	58,137	3,036	174,410	44,666	7,714	533,414

(c) External supplier costs are net of:	2010/11 £000	2009/10 £000
Advertising discounts	4,580	5,972
Total	4,580	5,972

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

5 Staff

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

	2010/11 Permanent	2010/11 Other	2010/11 Total	2009/10 Permanent	2009/10 Other	2009/10 Total
Total permanent staff	525.4	48.8	574.2	654.0	98.2	752.2
Staff on GovGap secondment	19.6	33.9	53.5	21.8	34.7	56.5
Total	545.0	82.7	627.7	675.8	132.9	808.7

(b) Reporting of the Civil Service and other compensation schemes – exit packages:

Exit package cost band	Number of compulsory redundancies	Number of other departures	Total number of exit packages by cost band
<£10,000	1	1	2
£10,000–£25,000	10	38	48
£25,000–£50,000	17	37	54
£50,000–£100,000	19	51	70
£100,000–£150,000	4	22	26
£150,000–£200,000	4	12	16
£200,000–£250,000	1	8	9
£250,000–£300,000	–	4	4
£350,000–£400,000	–	1	1
Total number of exit packages	56	174	230
Total resource cost	£3,392,000	£13,656,000	£17,048,000

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme. Exit costs are accounted for in full in the year of departure. Where COI has agreed early retirements, the additional costs are met by COI and not by the PCSPS. Ill-health retirement costs are met by the PCSPS and are not included in the table.

6 Pensions

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

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

For 2010/11, employers' contributions for COI employees of £5,594,000 with a further £498,000 in respect of staff on secondment were payable to the PCSPS (£5,824,000 in 2009/10 and a further £550,000 in respect of staff on secondment) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay (17.1 per cent to 25.5 per cent in 2009/10), based on salary bands. The scheme's actuary reviews employer contributions every four years, following a full scheme valuation.

The salary bands and contribution rates were revised for 2005/06 and remained unchanged until 2008/09. In 2009/10 the contributions rates reduced and they are now in the range 16.7 per cent to 24.3 per cent. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £68,000 (£107,000 in 2009/10) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 per cent to 12.5 per cent of pensionable pay (3 per cent to 12.5 per cent in 2009/10). Employers can also match employee contributions up to a limit of 3 per cent of pensionable pay. In addition, employer contributions of £5,000 (£8,000 in 2009/10), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £3,000. No contributions were prepaid at that date.

There were no cases of retirement on ill-health grounds during 2010/11.

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

6 Pensions (continued)

The provision is made up as follows:

	2010/11 £000	2009/10 £000
Balance at 1 April	205	68
Provisions utilised in the year	(75)	(42)
Provided in the year	2,755	179
Balance at 31 March	2,885	205

The liability falls due in the following timescales:

	2010/11 £000	2009/10 £000
Within one year	705	173
Within two to five years	1,642	32
After five years	538	–
Total	2,885	205

7 Finance income and costs

	2010/11 £000	2009/10 £000
Finance income		
Interest received from the National Loans Fund	25	46
Interest received from HM Paymaster General	2	37
Interest received from the Government Banking Service	35	–
Interest receivable	62	83
Finance costs		
Interest on short-term borrowing	(4)	–
Net cash inflow from returns on investments and servicing of finance	58	83

8 Intangible assets

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

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

	Software licences 2010/11 £000	Software licences (restated) 2009/10* £000
Gross replacement cost or valuation		
Opening balance at 1 April	982	1,092
Acquisitions	–	126
Disposals	–	(236)
Closing balance at 31 March	982	982
Amortisation		
Opening balance at 1 April	615	678
Charged in the year	74	114
Disposals	–	(177)
Revaluation	214	–
Closing balance at 31 March	903	615
Net book value		
Closing balance at 31 March	79	367
Opening balance at 1 April	367	414

*Assets have been restated to correct prior year balances.
The change in closing gross replacement cost or valuation balance and closing amortisation balance is £98,000.
The change is reflected in the statement of cash flows.

9 Property, plant and equipment

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

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

	Information technology equipment	Equipment, fixtures and fittings	Total	Information technology equipment (restated)	Equipment, fixtures and fittings (restated)	Total (restated)
	2010/11	2010/11	2010/11	2009/10*	2009/10*	2009/10
	£000	£000	£000	£000	£000	£000
Gross replacement cost or valuation						
Opening balance at 1 April	1,594	1,387	2,981	960	854	1,814
Acquisitions	328	47	375	728	542	1,270
Disposals	(16)	–	(16)	(94)	(9)	(103)
Closing balance at 31 March	1,906	1,434	3,340	1,594	1,387	2,981
Depreciation provision						
Opening balance at 1 April	835	745	1,580	310	640	950
Charged in the year	381	135	516	604	112	716
Disposals	(16)	–	(16)	(79)	(7)	(86)
Revaluation	45	66	111	–	–	–
Closing balance at 31 March	1,245	946	2,191	835	745	1,580
Net book value						
Closing balance at 31 March	661	488	1,149	759	642	1,401
Opening balance at 1 April	759	642	1,401	650	214	864

*Assets have been restated to correct prior year balances.
Information technology equipment: the change in closing gross replacement cost or valuation balance and closing depreciation balance is £326,000.
Equipment, fixtures and fittings: the change in closing gross replacement cost or valuation balance and closing depreciation balance is £15,000.
The changes are reflected in the statement of cash flows.

10 Inventories

	2010/11 £000	2009/10 £000
Work in progress	4,015	4,478
Total	4,015	4,478

11 Trade receivables and other current assets

	2010/11 £000	2009/10 £000
Trade receivables	16,992	95,875
Prepayments and accrued income	948	6,913
Other receivables	177	240
Total	18,117*	103,028*

*Intra-government balances are disclosed in note 22.

12 Cash and cash equivalents

	2010/11 £000	2009/10 £000
Balance at 1 April	7,697	41,060
Net change in cash and cash equivalent balances	20,527	(33,363)
Balance at 31 March	28,224	7,697

The following balances at 31 March were held at:

	2010/11 £000	2009/10 £000
Office of HM Paymaster General	–	55,636
Commercial banks and cash in hand	28,224	(47,939)
Balance at 31 March	28,224	7,697

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

13 Trade payables and other current liabilities

	2010/11 £000	2009/10 £000
Bank loans and borrowings	–	10,000
Trade payables	16,421	9,268
Other taxes and social security	4,819	13,144
Accruals for jobs	10,494	53,905
Deferred income	12,579	17,873
Accrued expenses	880	4,135
Total	45,193*	108,325*

*Intra-government balances are disclosed in note 22.

14 Financial target

COI was set a financial target to achieve break-even position taking one year with another. The result for 2010/11 was a deficit of £4,609,000 (£94,000 surplus in 2009/10).

15 Capital

(a) The COI Trading Fund was established on 1 April 1991 under the Government Trading Funds Act 1973 with an originating debt of £1,792,000. The debt comprised:

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

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

16 Commitments under leases

At 31 March 2011, COI was committed to making the following payments in respect of operating leases expiring:

	Land and buildings £000	Plant and machinery £000
Within one year	2,527	30
Within two to five years	3,290	16
Over five years	–	–
Total	5,817	46

17 Capital commitment

At 31 March 2011, no orders had been placed for capital expenditure (£nil at 31 March 2010).

18 Related party transactions

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

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

COI has a significant number of material transactions with government departments and other central government bodies. Balances at year end are disclosed in note 22.

19 Special payments

During the year, COI made one severence payment of £118,000 to a member of staff which was not referred in advance to HM Treasury for approval in line with the requirements of *Managing Public Money*. COI therefore applied to HM Treasury for retrospective approval, which was not granted. COI has taken steps to prevent a recurrence, including reminding budget holders of the requirements concerning such payments.

20 Contingent liabilities

There were no contingent liabilities.

21 Financial instruments

COI has no long-term borrowings and relies for its cash requirements primarily on receipts from clients. Due to timing differences between income and expenditure, there are cash surpluses or forecast cash deficits. In the former case surplus cash is deposited short term with the National Loans Fund (NLF). In the latter case COI borrows short term from the NLF, but all such borrowings are normally repaid before the end of the year. There were no short-term borrowings at the end of 2010/11 (2009/10 £10 million borrowed (note 13) from the NLF). Interest rates on both borrowings and deposits are fixed at the date at which the transaction takes place.

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

22 Intra-government balances

	Trade receivables		Trade and other payables	
	Amounts falling due within one year	Amounts falling due after more than one year	Amounts falling due within one year	Amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	9,943	–	21,929	–
Balances with local authorities	629	–	233	–
Balances with NHS trusts	2,304	–	2,670	–
Balances with public corporations and trading funds	648	–	905	–
Subtotal	13,524	–	25,737	–
Balances with bodies external to government	4,593	–	19,456	–
As at 31 March 2011	18,117	–	45,193	–
Balances with other central government bodies	87,069	–	79,812	–
Balances with local authorities	233	–	118	–
Balances with NHS trusts	5,637	–	3,248	–
Balances with public corporations and trading funds	3,254	–	5,883	–
Subtotal	96,193	–	89,061	–
Balances with bodies external to government	6,835	–	19,264	–
As at 31 March 2010	103,028	–	108,325	–

23 Events after the reporting period date

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

The authorised date for issue is 9 November 2011.

The closure of COI was announced on 23 June 2011 by the Minister for the Cabinet Office, Francis Maude. COI remains a trading fund until its closure.

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