COI

Helping public money to work harder

Central Office of Information

Annual Report and Accounts 2008/09

Central Office of Information
Annual Report and Accounts for 2008/09

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Chief Executive's foreword

I joined COI on 1 June 2009 from the private sector communications industry. I am greatly looking forward to the challenges of leading COI and to working closely with Matt Tee, the Permanent Secretary for Government Communications, who has kindly contributed to this report.

COI has just completed a very busy year, with a significant increase in turnover. I would like to thank all COI staff for their great efforts and our clients for their continuing support, confirmed earlier this year through our biennial client survey.

The scale of the year's activity reflects the wide range of communication challenges our clients have faced, tackling the behavioural change required to reduce the cost to society of obesity, climate change, smoking, skill shortages and community safety among many others.

In so doing we have sought to maximise value for money and effectiveness, through the aggregation of spend and evaluation. The increased use of COI by government departments has brought savings on media alone of more than £240 million, representing many times the cost of running the organisation.

There is still a great deal more to do. We want to move campaign evaluation on to the next level so that our learning and cost effectiveness continue to improve. Continuing to build our expertise in customer insight will inform how policy is better refined and communicated across audiences, and we will further develop our use of digital engagement.

Finally I would like to thank Alan Bishop, the outgoing Chief Executive, for his great contribution to COI and wish him every success in his new role at the Southbank Centre.

I hope you enjoy reading this report, which is also available online at coi.gov.uk.

Mark Lund

Management Board members (from top left to bottom right): **Emma Lochhead** HR Director; **Peter Buchanan** Deputy Chief Executive; **Marilyn Baxter** Non-Executive Director; **Chris Wood** Non-Executive Director; **Helen Lederer** Finance Director; **Andrew Wade** Business Strategy Director; **Neil Martinson** News and PR Director; **Sally Whetton** Creative Delivery Director; **Graham Hooper** Client Service and Strategy Director; **Ian Hamilton** Commercial Director; **Alex Butler** Transformational Strategy Director; and **Mark Cross** Communications Planning Director.

Our year in summary

Turnover and operating expenditure levels

COI turnover for 2008/09 was £540 million, an increase of £163 million on the previous year, and correspondingly our operating expenditure also increased by £163 million.

COI turnover is generated across a range of communication channels. Advertising turnover continues to form the largest single component, and accounted for £232 million of turnover in 2008/09, compared with £168 million in the previous financial year. >>

Turnover by service £000	2004/05	2005/06	2006/07	2007/08	2008/09
Advertising: Media	165,426	154,680	135,909	156,859	211,292
Non Media	19,507	13,262	18,825	10,785	21,136
Total	184,933	167,942	154,734	167,644	232,428
Direct and Relationship Marketing	35,893	27,167	29,926	33,471	45,620
Digital Marketing	5,563	7,710	12,374	21,755	39,943
Sponsorship	7,292	7,715	8,590	11,981	9,588
News and PR	22,048	25,668	23,491	26,908	40,952
Live Events	9,730	7,494	10,918	12,994	34,326
Moving Image and Audio Content	11,301	12,040	13,677	17,687	22,818
Publications	34,279	36,496	32,107	31,377	31,795
Interactive Services	5,504	4,403	10,078	13,619	23,864
Research	13,215	17,703	17,376	22,668	29,437
Strategic Consultancy	7,861	7,207	9,724	11,936	18,488
GovGap				3,981	9,702
Other and accrual adjustment	6,166	779	1,075	1,185	788
Total	343,785	322,324	324,070	377,206	539,749

<< Total operating expenditure over the year was £542 million. Our operating expenditure can be split into:

- costs we have incurred on our clients' behalf, which totalled £487.7 million (£340.3 million in the previous year); and
- our own running costs, which totalled £54.3 million (£52.0 million in the previous year).

COI's operating costs increased in the year due to higher accommodation costs, including essential building maintenance and infrastructure works, and increased staff costs because of the continued strong demand for COI's GovGap service.

Savings for clients

Expenditure on behalf of our clients totalled £487.7 million, of which 48 per cent relates to media buying. The value of media buying undertaken by COI gives us a strong centralised buying position for advertising, which enables us to secure significant savings for our clients. In 2008/09, we secured a 49.9 per cent reduction in media costs measured using recognised industry benchmarks.

	2004/05	2005/06	2006/07	2007/08	2008/09
Savings on media costs against industry benchmarks	42.1%	44.1%	46.0%	47.7%	49.9%
Improvement on previous year	1.7%	2.0%	1.9%	1.7%	2.1%

Balance sheet and treasury management

COI's net assets are £8.3 million, which is consistent with that reported in the last financial year. The split of assets is also comparable with that reported last year, with £1.3 million of fixed assets (£1.3 million last year) and £7.1 million of net current assets (£7.1 million last year). Our fixed assets are primarily IT equipment and associated software licences. During the year, we invested £0.4 million in new IT equipment and infrastructure, including the acquisition of new servers to support our knowledge and client management systems. Our current assets increased from £124.6 million in the last financial year to £174.5 million this year. The increase is due to increased debtor and cash balances reflecting end-year activity to complete campaigns.

We seek to maximise all assets at our disposal and undertake active treasury management of our cash. During the year, we borrowed and repaid to the National Loans Fund £35 million at an interest cost of £70k. Investment of surplus cash balances generated £602k of bank interest. The level of borrowing undertaken by COI has consistently fallen for the last three years because of improved client billing and credit control systems.

Ministerial targets

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

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

<< We have consistently met our financial target, and annually achieved unit cost reductions significantly in excess of the 2.5 per cent target. Feedback from clients continues to be positive – reflected in us exceeding our CFS targets for the ninth year running.

Our performance against our targets is illustrated below:

		2004/05	2005/06	2006/07	2007/08	2008/09
Financial performance						
To achieve break-even	Target	£0	£0	£0	£0	£0
	Out-turn	£0.3m	£0.0m	£0.0m	£0.0m	£0.1m
Efficiency						
Unit cost reduction	Target	2.5%	2.5%	2.5%	2.5%	2.5%
	Out-turn	3.6%	4.8%	6.6%	3.5%	4.3%
Customer satisfaction index						
Score (out of 10)	Target	8.25	8.25	8.25	8.25	8.25
	Out-turn	8.75	8.65	8.83	8.61	8.70
% score of 6 or more	Target	96.0	96.0	96.0	96.0	96.0
	Out-turn	96.9	96.7	97.0	96.4	96.8
% response rate	Target	62.0	62.0	62.0	39.9	39.9
	Out-turn	42.5	37.6	36.3	41.3	37.6

Financial review of 2008/09

The last financial year was challenging for COI and its clients, with several major campaigns in operation during the year against a backdrop of a worsening economic environment. COI has positioned itself to offer effective services to clients that utilise both COI's market power and the specific skills of its staff. We increasingly work with clients in an upstream capacity, to enable clients to better plan their campaigns. As a consequence of this, COI continued to experience strong demand for all of its services as clients seek to gain maximum effectiveness and value for money from their marketing and communication budgets. Currently the channel substitution witnessed in the private sector is not replicated for government, where the need remains for citizens to access information across all platforms and channels, which has also helped to increase turnover levels.

Demand for media-buying services led to an £64.8 million increase in advertising turnover as clients sought to utilise COI's buying power. GovGap, which was established in April 2007 to enable clients to tap into COI's talent pool of experienced marketing professionals without paying a premium price, experienced an increase of £5.7 million in turnover over the year.

The demand for COI's Strategic Consultancy and Research services continued to grow, with turnover in these areas up 55 per cent and 30 per cent respectively on last year. Our growth in Research work has been partly derived from the Varney agenda and the development of Customer Insight Units within departments, which has been a growing phenomenon over the last three years. Demand for Strategic Consultancy services is being driven by a growing requirement for greater knowledge and skills to ensure effectiveness in marketing delivery, driven by the Engage agenda as it permeates Government. >>

COI now benchmarks its prices against 40 separate measures

Looking ahead to 2009/10

<< With the onset of recession and a high degree of economic uncertainty, COI has been conscious of the need to temper business growth with only appropriately increased resources and to use the private sector to full advantage, thereby supporting the creative industry. The assumptions in our 2009/10 business plan have been informed by frequent insight from clients over future budgets, and HM Treasury. We are planning a steady state for 2009/10 and expect demand for COI's services to remain high in light of the increased need to communicate, inform, engage and help citizens during the continued economic uncertainty.

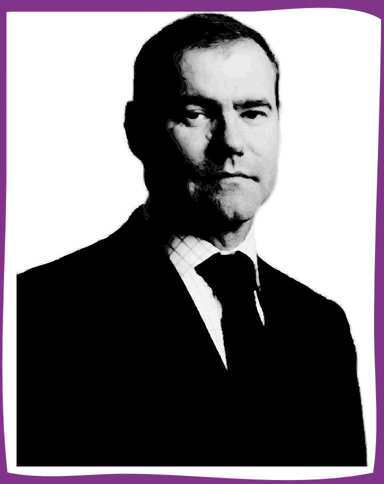
We remain sensitive to the financial environment faced by our clients through the pressures of the Comprehensive Spending Review and tightening of budgets; and we will continue to deliver savings for our clients through efficiencies, maximising our market position and internal integration. We fully expect to continue to deliver savings and efficiencies to the benefit of our clients.

Demand for our services is very strongly client-led and, therefore, accurate long-term forecasting of our trading activity is challenging. Based on our current knowledge of our marketplace, the wider financial environment our clients are operating in and early indications from clients of likely activity, our operational units have mostly set provisional turnover and expenditure budgets at similar levels to their 2008/09 budgets.

In reaction to the fluidity of our trading environment, we maintain our financial flexibility through our budget control processes. Our own budgets, which are predominantly made up of staff costs (77 per cent), are based on a steady-state financial environment for 2009/10. Should demand for our services change during the year, we are able to manage our costs by flexing our use of agency and freelance staff.

Our budgets for next year include ongoing investment in our systems and processes and our programme of development will be constantly reviewed in the light of the prevailing trading environment. To give us further financial flexibility and to allow us to react to changing trading patterns, our specialist teams review their trading performance on a monthly basis and submit revised forecasts for formal review by the Management Board. II

Joined-up thinker



Communicators in all departments need to share knowledge and resources to deliver effective, joined-up campaigns, says Permanent Secretary Matt Tee (left). Here COI talks to him about his vision for government communications and how COI can help to achieve it.

It's a cliché that communicators are good at talking to the public, but bad at talking to each other.

When applied to government, this could read as departments being good at communicating with their audiences, but not so great at sharing knowledge and working together.

Like all clichés, there is some truth in it. And it's something that Matt Tee, the Permanent Secretary for Government Communications, wants to improve.

"We need to think more about how customers perceive the range of communications they receive from various departments," he says. "Does how we deliver campaigns make sense to people, or is there a more joined-up way of communicating policy?" >>

“Your work on behaviour change and customer insight is a great resource that all departments can draw on”

Matt Tee, Permanent Secretary

<< Matt mentions the use of research as an example of a more joined-up approach. He points to the useful surveys that departments commission to deepen their understanding of audience groups. He explains that even though they may share their data with others, there is not enough synthesis or deep analysis of this research to add value across government.

“For example, we might have various pieces of research on, say, 16- to 24-year-olds, on their health choices, their educational attainment, their economic circumstances. If we could draw on the sum of that knowledge and understand how these factors inter-relate, we would have deeper customer insight that could inform more effective communication with that group.”

With its cross-government profile, COI is ideally placed to enable such links. For example, Matt was interested to learn that two-thirds of major departments have signed up to a new joint COI/Cabinet Office initiative to share research. This has quickly grown to contain over 400 separate reports, which all participating departments can access.

Matt, who took up his post in January 2009, has also been impressed with COI’s cross-government work in areas such as digital engagement, helping departments to harness the potential of new forms of communication (see ‘Government gets engaging’, page 20).

“This is one of the areas in which COI has established itself as a centre of expertise, demonstrating what best practice looks like. Your work on behaviour change and customer insight is a great resource that all departments can draw on.” (See ‘It’s all in the planning’, page 12.)

Matt believes that such resources are vital at a time when directors of communication are being asked to do ‘better for less’. As departmental budgets come under pressure due to the global recession, government communicators will have to go further to add value and to demonstrate value for money.

“We’ll have to be more astute about who our customers are and what they need. For example, it’s not enough to present a minister with a bunch of press cuttings. We’ll also have to demonstrate the impact the coverage is having on the audience, as well as tangible outcomes from stakeholder marketing and other below-the-line activities.”

With its strong commercial focus, Matt sees COI as being central to delivering this kind of added value and achieving higher-quality communications on tighter budgets.

“I think COI should be a communications hub, helping departments to join up, be more cost effective and do what’s right for government as a whole,” he says.

All of which makes a full to-do list for COI’s new Chief Executive, Mark Lund.

“I’m looking forward to working with Mark very much,” says Matt. “I’m confident that, under his leadership, COI will be an integral partner to government as it faces the communication challenges of the next few years.”

It's all in the planning

As media touchpoints proliferate and audiences fragment, the challenge for communications becomes ever more complex. COI is responding by embedding communications planning into every aspect of its business and striving to maximise the effectiveness of every campaign.

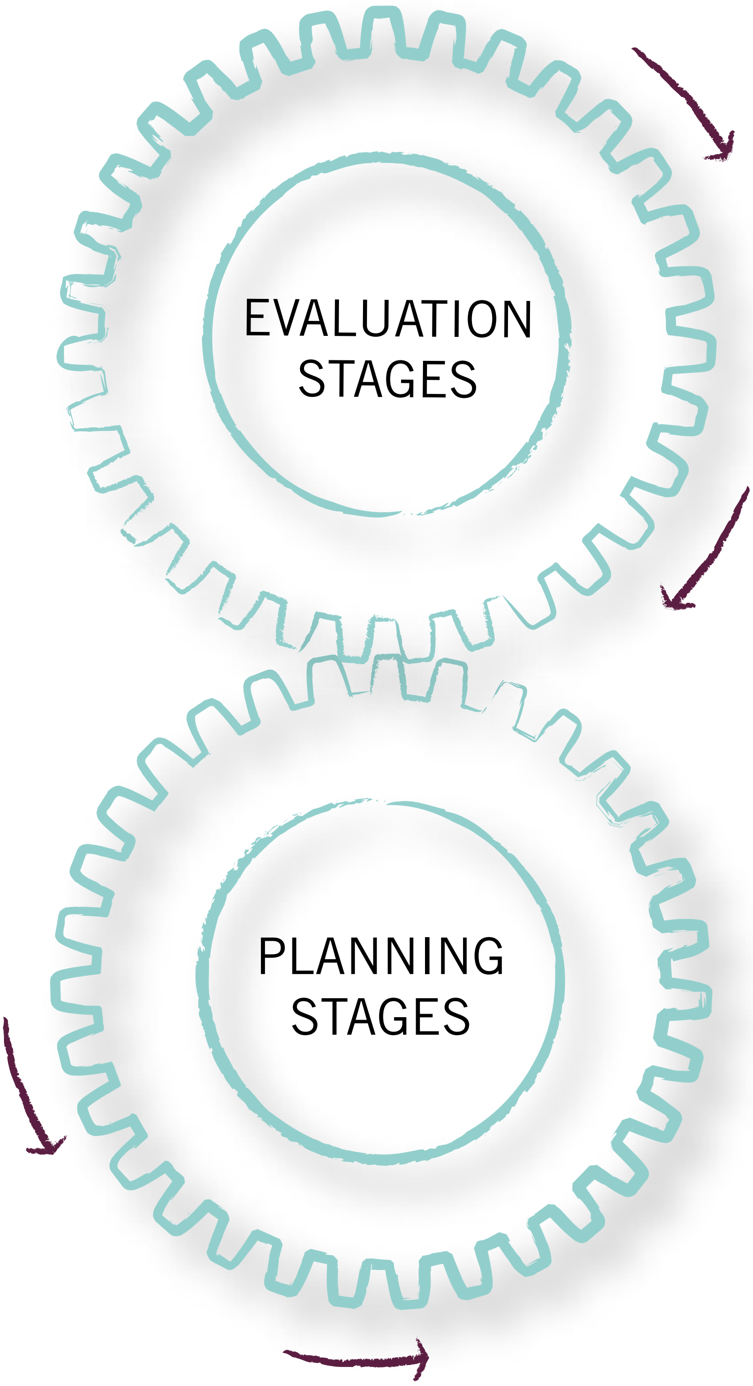
Over the last year, the COI Management Board, led by Communications Planning Director Mark Cross, has been active in driving a communications planning agenda across all its services – from Moving Image and Audio Content to Interactive Services, from Direct and Relationship Marketing to Publications. This agenda has been built into corporate objectives as well as into the business plans of every department.

The first challenge was to establish a common definition for communications planning. "Communications planning is a vague term," says Mark. "We've had to define it for ourselves and for our clients." COI is now working in partnership with its clients and agencies to establish common standards for communications planning across government and to co-ordinate best practice.

COI defines communications planning as the development of a holistic plan borne out of a deep understanding of the relationships between three overlapping areas – audiences, communications touchpoints and the issue we seek to address. The planning process is driven throughout by a holistic approach to evaluation. Cleverly integrating research and data analysis to support the scoping, development and delivery of our solutions lies at the very heart of our ability to bring about the behaviour change required. It provides us with the perfect platform for creativity, innovation and learning in planning and developing communications.

By bringing these things together we are able to develop insights at every stage of the communications process so that communications can be an effective lever of behavioural change. >>

INTEGRATED PLANNING PROCESS



Every stage of evaluation (from data analysis to evaluation workshops) feeds into every stage of planning (from target setting to campaign types), turn by turn.

> “Evaluation is not just about tracking campaign responses”

Mark Cross, COI's Communications Planning Director

<< The nature of communications is changing rapidly. Government communications are increasingly about gaining public consent, building relationships and creating dialogue. Often, this means seeding content which is valued by audiences, and doing it through touchpoints where they can share and interact with the content when it suits them. These touchpoints are often owned by the brands that audiences trust, which means that COI is increasingly partnering with a broad range of traditional and new media outlets.

There's a risk for clients in offering control of their content to audiences, but this is mitigated by the co-ordinated approach to evaluation within communications planning. “Evaluation is not just about tracking campaign responses,” says Mark. “Working closely with the Government Heads of Marketing Group, we launched the Holistic Evaluation Initiative to encourage best practice.”

Chair of the Group, Tim Mack from National Savings and Investments, said, “We have made a good start in sharing knowledge about strategy, audiences, evaluation and the ‘lessons learned’ of campaigns. We will continue to develop the best ways to analyse and share the results with COI, policy-makers and other colleagues.” II

> “We will continue to develop the best ways to analyse and share the results with COI, policy-makers and other colleagues”

Tim Mack, NS&I's Head of Marketing and Communications

Forty ways to save costs

It’s one thing to purchase well against the market, and quite another to be able to quantify the savings achieved. But that’s just what COI is doing with its innovative cost-benchmarking project.

The fact is that, in many areas of COI’s work, robust industry measures simply don’t exist for benchmarking how well the organisation buys on behalf of its clients.

Which is why, six years ago, COI began its cost-benchmarking project, which has so far developed no fewer than 40 ways in which to benchmark value. These innovative measures range from comparing the prices paid against rate card or the market average to putting a new industry benchmark in place – such as the deal with Royal Mail and BT on door-drops and incoming calls.

Using these measures, COI has been able to clearly demonstrate savings for clients in each of the last five years. In 2007/08, total savings increased for the fourth year in succession to £209 million – COI’s second best result to date. Savings in media buying have improved for nine successive years, reaching an all-time high of £241 million in 2008/09 (see over). And when other savings figures for 2008/09 become available, COI expects to demonstrate continuing high levels of discount across the board. >>

> "COI's media-buying prices are seen as excellent and… [its] unique flexibility makes COI's pricing superb"

McArthur review, June 2007

<< COI's measures are gaining authority. Media-buying savings have already been certified by the Office of Government Commerce (OGC), so that departments can set their 2008/09 savings figure against overall efficiency targets. COI is currently in discussion with OGC on several more of its measures, and is optimistic that certification will follow in due course.

COI ★ vs ★ industry standard

MEDIA

FOR MEDIA (AS AGAINST TV STATION AVERAGE, PRESS RATE CARD, RAB ESTIMATE, CINEMA RATE CARD AND OUT-OF-HOME RATE CARD) 2007/08

MAKING SAVINGS OF

£166m

COI ★ vs ★ industry standard

BT CALLS

FOR BT CALL MINUTES (AS AGAINST RATE CARD) 2007/08

MAKING SAVINGS OF

£9.6m

COI ★ vs ★ industry standard

PRE PRESS

FOR PRESS PRE-PRODUCTION (AS AGAINST ISBA) 2007/08

MAKING SAVINGS OF

£1.8m

COI ★ vs ★ industry standard

PRINT

FOR PRINT (AS AGAINST AVERAGE PRINTERS' PRICES QUOTED SAME DAY) 2007/08

MAKING SAVINGS OF

£1.5m

COI ★ LATEST ON MEDIA SAVINGS ★

£241m – THE OGC RECOGNISED MEDIA SAVINGS THROUGH COI FOR 2008/09. THIS REPRESENTS A **50% REDUCTION IN MEDIA COSTS** MEASURED USING RECOGNISED INDUSTRY BENCHMARKS

COI ★ VS ★ industry standard

CONTACT

FOR CONTACT CENTRES (AS AGAINST IVR RATE CARD) 2007/08

MAKING SAVINGS OF

£2.0m

COI ★ VS ★ industry standard

BROADCAST

FOR BROADCAST PRODUCTION (AS AGAINST RATE CARD) 2007/08

MAKING SAVINGS OF

£2.0m

COI ★ VS ★ industry standard

ROYAL MAIL

FOR ROYAL MAIL PRODUCTS (AS AGAINST ROYAL MAIL RATE CARD) 2007/08

MAKING SAVINGS OF

£734k

FIRST CLASS

COI ★ VS ★ industry standard

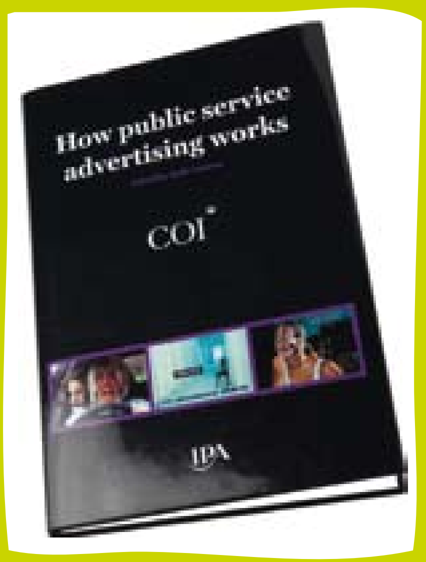
PAPER

FOR PAPER (AS AGAINST PRINTERS' QUOTED PRICES) 2007/08

MAKING SAVINGS OF

£187k

The power of persuasion



A new book commissioned by COI examines the effectiveness of public service advertising by looking back over 25 years of campaigns, from tax returns to teacher recruitment.

Given the cost of public service communications, it has never been more important for government to examine the value and effectiveness of its work. In July 2008, the time was ripe for the publication of a new book: *How public service advertising works*, commissioned by COI in association with the Institute of Practitioners in Advertising (IPA), which explores key topics within public service marketing and communications.

Edited by Judie Lannon, former Planning Director for JWT Europe, the book contains a collection of papers from high-profile players in the advertising industry, academics and the media. The papers cover issues ranging from measuring the success of a public advertising campaign to the importance of understanding your audience. >>

"In a foreword, Sir Gus O'Donnell calls it ground-breaking and for once that adjective is spot on"

Society Guardian

<< Case studies in the book show how government advertising has succeeded in changing behaviour. Recent tax self-assessment campaigns such as 'Tax doesn't have to be taxing' have moved away from hectoring the audience to a more supportive and reassuring tone. In data from 2003–05, almost half the target audience claimed that the new advertising had directly prompted action.

The book also makes a strong case for the returns on investment of government communications. The tax campaign is estimated to have saved HM Revenue and Customs about £185 million – a return on investment that is more than eight times the cost of the advertising.

Other examples include the following:

- Over a four-year period the Home Office vehicle crime reduction campaign proved that the £21.4 million spent on advertising saved 28 times that figure – just over £590 million – in the reduced cost of crime.
- A Reading and Literacy campaign paper proved that over 300,000 parents became actively involved in helping with the reading of over half a million children.
- Training and Development Agency for Schools advertising directly resulted in 67,000 trainee teachers being recruited. Had those trainees not joined, the extra money needed for supply teachers to fill the gaps would have been over 86 times the cost of the campaign.

In general, the social benefits of government communications are difficult to quantify. However, this book covers 25 years of campaigns, ranging from drink-driving to teacher recruitment, and it's hard to imagine what today's society would be like without their impact. II

Government gets engaging

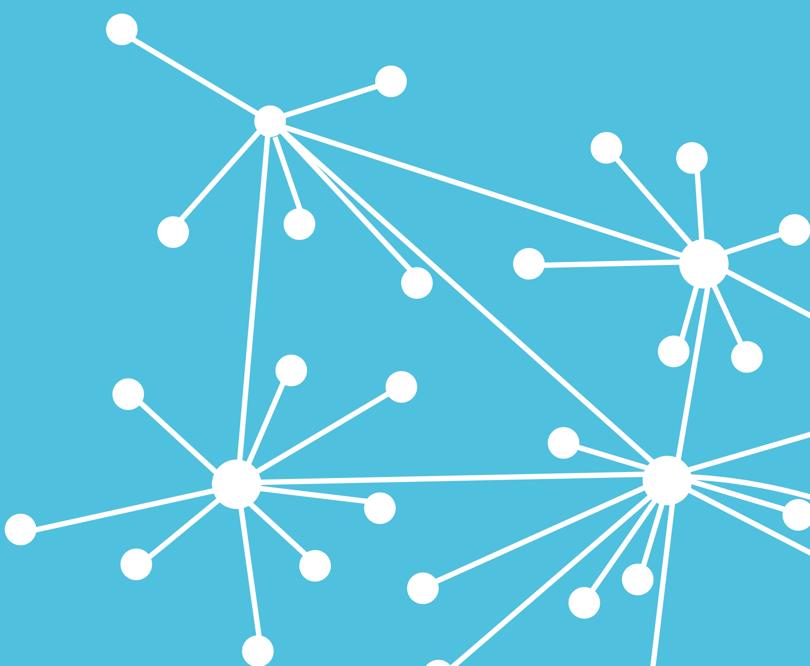
There's hardly an area of our lives that can't be improved, or at the very least informed, by contact with digital technologies. Now, COI is helping government to use online engagement to make meaningful contributions to citizens' lives.

In a world where we shop for groceries, apply for jobs, manage our money, research our family histories, get directions, and rate products or services we've purchased online, it's no surprise that we also want to relate to government in the same way.

"This is where COI's core values and skills come in," says Alex Butler, COI's Transformational Strategy Director. "Everything we do is about connections, audiences and effective engagement. What we're doing now is translating this expertise to help government achieve new types of citizen participation."

Right across government, citizen engagement is starting to gather momentum. The evolution of Web 2.0 means that citizens want to contribute, challenge and collaborate in ways that were previously impossible, and this presents some major challenges for government.

"This is a totally new way of working for a traditional, structured and hierarchical organisation like the Civil Service with all its processes, checks and balances," Alex explains. >>



> "This is where COI's core values and skills come in. Everything we do is about connections, audiences and effective engagement"

Alex Butler, COI's Transformational Strategy Director

<< In March 2008, Cabinet Office Minister Tom Watson MP established the Power of Information Taskforce to help government get to grips with citizen engagement. At the Taskforce's launch, he said: "Transformational Government is about wrapping services around the citizen, not citizens around the services. Government is already doing this but the Power of Information agenda can help it to do better."

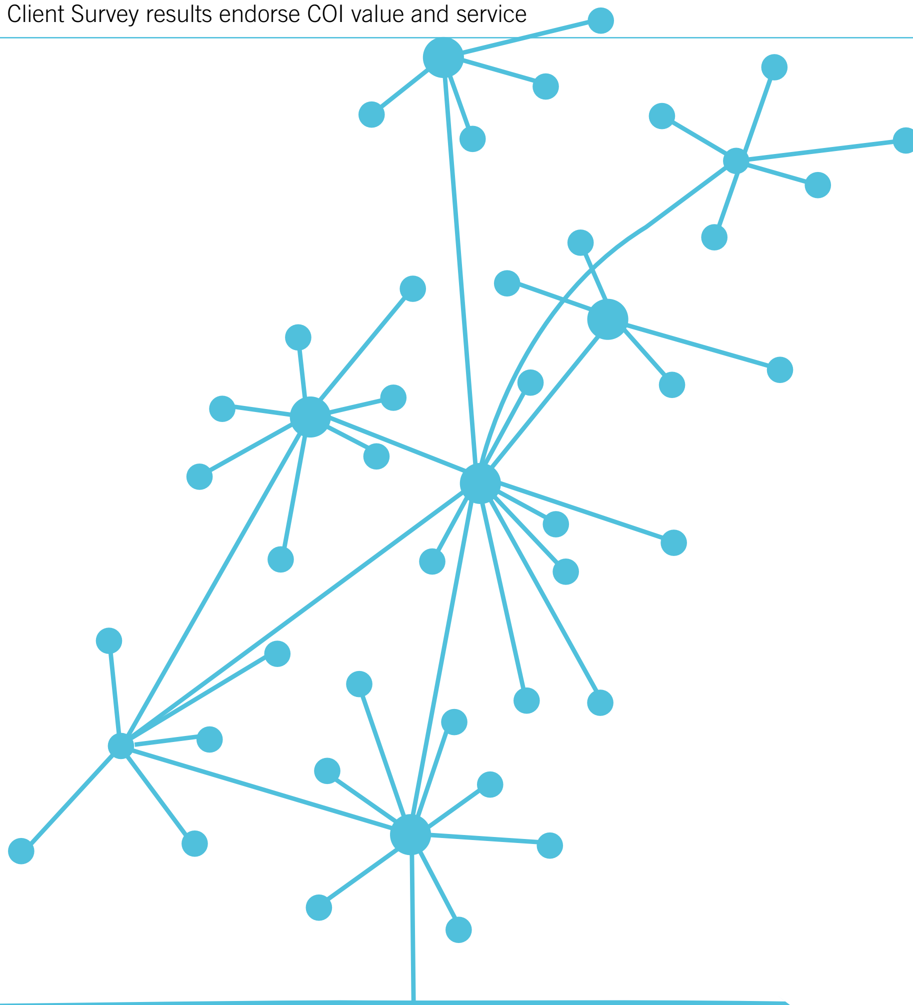
COI is helping to develop some of the Taskforce's recommendations, focusing particularly on rules of engagement that will help civil servants to bring citizen participation into their communications strategies.

"Our contribution is enabling," explains David Pullinger, COI's Head of Digital Policy. "For example, we know there is a lot of useful information that could be made available to people, but isn't, simply because it is difficult to extract or put to use."

"We're working to develop structures that will make government information and data more useful. It's all about making things easy to find, easy to use and easy to reuse."

Some of the work that David's team has done is ground-breaking. Using the semantic web – a way of making information understandable so that computers can find, share and combine it – government is making it easier for citizens to find jobs and take part in consultations. >>

February 2009 Mark Lund is appointed Chief Executive; Client Survey results endorse COI value and service



<< "The government web estate is a large, complex and distributed environment," David says. "We're trying to bring the collective whole up to a standard so that citizens experience the same levels of accessibility and opportunities for feedback on all sites."

Although this will take time, COI's role is key, argues Nick Jones, COI's Interactive Services Director. "More than ever before, it's vital that digital engagement isn't seen simply as a tactical add-on. It has to be part and parcel of every department's communications strategy. COI has the expertise and resources that can help to make this happen." II

Engagement in action

COI has been involved in a range of digital engagement projects in the past year. Here are some of the highlights.

Fire Kills
http://campaigns.direct.gov.uk/firekills/game.html
COI, in partnership with Communities and Local Government, produced a campaign to raise fire safety awareness among young people. Rubber Republic developed the Rapid Fire Game and i-level promoted the game with paid-for digital media. To date, total plays among the target audience have reached over half a million. Research reveals that 27 per cent of those who played the game went on to the Fire Kills website.

Improving websites
coi.gov.uk/improvingwebsites
COI held a consultative review of draft guidance on measuring the costs, usage and quality of government websites. The guidance, which was produced by COI and the Cabinet Office, was opened up for public comment and ideas using a blog, email and Twitter.

Thmbnls
thmbnls.co.uk
COI commissioned a ground-breaking interactive mobile drama as part of the Department for Children, Schools and Families' 'Want respect? Use a condom' campaign, which aims to halve the under-18 conception rate by 2010. Viewers downloaded 22 60-second episodes of the drama to their phones, and interacted with the drama by text or SMS and social networking sites.


bebo
HABBO
facebook
dubit
netmums.com
YAHOO! ANSWERS
myspace

Value in the frame

Public-sector procurement is getting more complex. COI has changed the way in which it operates its supplier frameworks in order to help clients remain compliant with the regulations and continue to get the best possible value.

Navigating the choppy waters of public-sector procurement can be tricky. And with the ever-increasing need for government bodies to demonstrate efficiency and value, the role of purchasing grows.

In this context, the Public Contracts Regulations 2006 make things even more complicated for the uninitiated. They state that anyone inviting tenders for public contracts has to apply the concept of capability – which means that COI cannot select a shortlist from its newest frameworks because any supplier that could be said to be 'capable' of supplying the relevant service must be given an equal opportunity to bid.

Six new supplier frameworks were launched during 2008/09 – all of which comply with the Public Contracts Regulations 2006.

Rachel Carter from COI's Procurement team explains how the organisation is working within the legislation while at the same time stopping the procurement process from becoming too unwieldy: "We've broken the frameworks down into lots and labels. These are sub-categories which effectively give us ready-made tender lists."

So what difference does it make to COI's clients? It makes the process quicker because a selection list already exists; and clients can also feel reassured that they are getting the best agency at the best price while sticking to the rules.

And COI's approach has been supported by Nigel Smith, Chief Executive of the Office of Government Commerce (OGC), the body which aims to ensure >>

“OGC fully endorses COI’s role as a central purchasing body for marketing services in government”

Nigel Smith, Chief Executive, Office of Government Commerce

<< that government gets maximum value from its buying: “OGC fully endorses COI’s role as a central purchasing body for marketing services in government.

“Through a combination of creating high-quality frameworks, aggregating expenditure across government and providing a very high standard of procurement, COI delivers substantial savings and added value to its clients.

“I welcome COI’s participation and support in our efforts to drive the collaborative procurement agenda forward.”

COI adds value

COI renewed six of its frameworks during 2008/09, and the renewal of a seventh is ongoing. The task was overseen by COI’s Procurement team, led by Bob Ager.

COI’s efforts help to reduce the stress, expense and legal burden that would otherwise fall to its clients, explains Bob.

“We are able to select the very best suppliers because of our strict criteria, and because of the level of demand from suppliers to join.”

Figures show that the number of suppliers trying to get on to COI’s frameworks has increased by a third since 2007/08. And COI works closely with clients and trade bodies when putting together the frameworks, to ensure that the requirements are thoroughly scoped and that industry best practice is taken on board.

One of the greatest challenges for the Procurement team is keeping an eye on the future. “We expect our frameworks to be in place for four years, so we work very hard to predict trends in media and marketing so that we can fulfil our clients’ future needs and future-proof the frameworks,” says Bob.

“And our job isn’t just to set up the frameworks; it is also COI’s role to manage, evaluate and communicate with suppliers constantly to make sure that the work we help to deliver is of the highest possible standard,” he adds.

“At the end of the day, we’re here to give our clients access to the best of the best.” >>

"We've broken the frameworks down into lots and labels. These are sub-categories which effectively give us ready-made tender lists"

Rachel Carter, COI Procurement

Frameworks renewed during 2008/09

Paper, June 2008
Covering silk, matt, gloss and uncoated grades of paper, in both sheets and reels.

PR, November 2008
Covering UK wide; nations and government regions; government and public sector to business; international; healthcare; environment; and sport.

Internal communications, engagement and change, March 2009
Covering employee communications and engagement; change management and culture change; brand and values; and evaluation.

Marketing, brand and strategy, March 2009
Covering marketing and communication; stakeholder communication; branding; insight and modelling; business strategy; concept development; and evaluation.

External engagement and facilitation communications, April 2009
Covering external stakeholder engagement and consultation; project management; workshop design and facilitation; analytical and reporting services; digital infrastructure; and evaluation.

Regional marketing, April 2009
Covering North West; North East, Yorkshire and The Humber; Midlands; East; South East; South West; Scotland; Wales; and Northern Ireland.

Market research framework, review ongoing
Covering qualitative research; quantitative research; deliberative engagement; desk research; and omnibus. **II**

Results 2008/09

Directors' report

History

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

Statutory background

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

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

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

Aims and objectives

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

Review of activities

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

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

Results

A surplus of £108,679 was made for the year, which has been retained and carried to reserves.

Events after the balance sheet date

None.

Management Board members during 2008/09

A. Bishop, Chief Executive (until January 2009)

P.M. Buchanan, Deputy Chief Executive

G.W. Beasant, Director, Finance and Corporate Resources (until August 2008)

A. Butler, Director, Transformational Strategy

M. Cross, Director, Communications Planning

I.R. Hamilton, Commercial Director

G. Hooper, Director, Client Service and Strategy

H. Lederer, Director, Finance (from November 2008)

E. Lochhead, Director, Human Resources

N. Martinson, Director, News and PR

A. Wade, Director, Business Strategy

S.E. Whetton, Director, Creative Delivery

M. Baxter, Non-Executive Director

C. Wood, Non-Executive Director

Directors' statement with respect to conflict of interest
All Management Board members have confirmed that they have no significant outside interests that conflict with their management responsibilities.

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

Using the Civil Service standard measure, during 2008/09 COI paid 90 per cent of supplier bills within 30 days (91 per cent in 2007/08).

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.

Some 118 staff were recruited during 2008/09:

	Male	Female
Unified grades	9	11
Information	26	56
Administration	7	9
Total	42	76

Some 22 people from ethnic minority groups were recruited and no person with a disability was recruited. Of COI's staff, 14 per cent are 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, 2.2 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 circulars via e-mail, the intranet, an electronic staff newspaper and distribution of the Annual Report and Accounts. Regular workplace meetings are also used to pass on information to staff and to answer questions. Since 2005/06, a Representative Council has been in operation, which allows staff to have a say on important issues that affect the organisation, and to provide the COI Management Board with an insight into popular thinking that can be considered as part of the decision-making process. The Representative Council fulfils the requirements of the EU Information and Consultation Directive, which gives employees rights to be informed and consulted about the business they work for.

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

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

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

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

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

Disclosure of relevant audit information
As far as the Chief Executive is aware, there is no relevant audit information of which COI's auditors are unaware, and the Chief Executive has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that COI's auditors are aware of that information.

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 £55,250 for the year ended 31 March 2009 (£53,750 for the year ended 31 March 2008). 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 £2,750 for the year ended 31 March 2009 (£2,500 for the year ended 31 March 2008). The C&AG has also been appointed to complete the statutory audit of the resource account under the Government Resources and Accounts Act 2000. The notional audit fee payable is £5,000 for the year ended 31 March 2009 (£4,850 for the year ended 31 March 2008). During the year, a review was undertaken of COI's restatement of its accounts at 1 April 2008 into an International Financial Reporting Standard (IFRS) compliant format. A notional non-statutory audit fee of £3,500 was payable for this work.

Remuneration report

COI's remuneration policies for senior staff

Management Board directors

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

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

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

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

Chief Executive

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

Non-executive directors

COI has two non-executive directors who attend Management Board meetings. Remuneration of the non-executive directors is set by the Chief Executive and the HR Director, and is reviewed annually. For the financial year ended 31 March 2009, the non-executive directors' remuneration was £31,500. COI does not contribute to the pension of the non-executive directors. Non-Executive Director M. Baxter is appointed on a fixed-term contract, renewable annually, which commenced in September 2003. This appointment can be terminated with three months' notice on either side. Non-Executive Director C. Wood is appointed on an open-ended contract.

Performance assessment of senior COI staff

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

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

Duration of directors' contracts

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

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

Directors' remuneration for the period 1 April 2008 to 31 March 2009

Remuneration of the 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 2009 is set out in the table overleaf. The following information has been subject to audit.

Pension benefits

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

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

Directors' remuneration for the period 1 April 2008 to 31 March 2009

Director's name and position	Salary (including performance pay and bonuses) at 31.3.09	Salary (including performance pay and bonuses) at 31.3.08	Real increase in pension and related lump sum at 60	Total accrued pension at aged 60 at 31.3.09	Cash equivalent transfer value (CETV) at 31.3.09	Cash equivalent transfer value (CETV) at 31.3.08	Real increase after adjustment for inflation and adjustment to market investment factors
	£000	£000	£000	£000	£000	£000	£000
A. Bishop* Chief Executive (to 31.01.09)	150–155	165–170	0–2.5	10–15	226	169	26
M. Baxter Non-Executive Director	15–20	10–15	N/A	N/A	N/A	N/A	N/A
P. Buchanan** Deputy Chief Executive	125–130	120–125	0–2.5 plus 0–2.5	36–40 plus 105–110 lump sum	844	805	11
I. Hamilton** Director	100–105	95–100	0–2.5 plus 0–2.5	40–45 plus 120–125 lump sum	842	777	2
S. Whetton** Director	75–80	70–75	0–2.5 plus 2.5–5.0	20–25 plus 66–70 lump sum	382	338	14
A. Wade** Director	95–100	95–100	0–2.5	25–30 plus 85–90 lump sum	590	534	7
G. Hooper* Director	95–100	95–100	0–2.5	25–30	348	310	7
E. Lochhead** Director	105–110	100–105	0–2.5 plus 2.5–5.0	5–10 plus 20–25 lump sum	124	100	15
G. Beasant** Director (to 31.07.08)	25–30	75–80	0–2.5 plus 0–2.5	10–15 plus 40–45 lump sum	335	328	1
H. Lederer*** Director (from 03.11.08)	30–35 (70–75 full year equivalent)	0	0–2.5	0–2.5	7	0	6
N. Martinson* Director	100–105	40–45 (85–90 full year equivalent)	0–2.5	15–20	331	286	16
M. Cross*** Director	90–95	25–30 (70–75 full year equivalent	0–2.5	2.5–5.0	29	7	19
A. Butler* Director	85–90	80–85	0–2.5	5	62	45	11
C. Wood Non-Executive Director	15–20	0–5	N/A	N/A	N/A	N/A	N/A

*Has opted to join the Premium pension scheme. **Has opted to join the Classic pension scheme. *** Has opted to join the Nuvos pension scheme.

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 (ill-health retirement or death in service).

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 beta.civilservice.gov.uk/pensions

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or an arrangement to secure pension benefits in another pension scheme or when the member leaves a scheme and chooses to transfer the pension benefits accrued in their former scheme. The pension figures shown in the table on page 34 relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reductions to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

Mark Lund
Chief Executive
6 July 2009

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

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

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

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

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

Statement on internal control

Scope of responsibility

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

The Minister for the Cabinet Office receives an annual business plan with an assessment of the key corporate risks and actions taken to actively manage the risks identified. I also report to the Permanent Secretary, Government Communications, on cross-government co-ordination of research, marketing and campaigns.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and 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; 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 COI for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The Management Board has primary responsibility for identifying and monitoring the key risks facing COI. The Management Board approves the Corporate objectives and business plans annually and considers the main risks to the organisation in the context of the objectives; mitigating actions are determined and the success of these actions monitored.

The Audit and Risk Committee, a sub-committee of the Management Board, examines and reviews, in conjunction with internal and external audit, the adequacy of the arrangements for accounting, risk management, internal control and governance. A non-executive director, who is a member of the Committee, reports formally to the Management Board after each meeting of the Committee.

A Management Board member is responsible for the continuous improvement of COI's risk management policies and procedures. The structure and content of the risk registers, and the supporting guidance, are updated annually.

A series of workshops is held annually as part of the business planning and risk identification process. This involves identification of risks at both corporate and business unit level. Guidance for completing and reviewing risk registers, including direction for risk escalation, is regularly updated and provided to all areas.

All relevant staff have written delegated authorities and are trained in respect of risk management appropriate to their level of responsibility. Risk management processes are embedded across COI, with a corporate risk register and business unit risk registers in place. In addition to assessing risk during business planning and budgeting, risks are also assessed when major projects are initiated. Guidance in place includes HR policies, project management standards, the procurement policy, the finance manual, the information security policy and the risk strategy and process guidance.

The HR Director is responsible for ensuring that COI employs good staff management systems and practices, so that staff possess the right level of knowledge, skill and competence to run the business efficiently and effectively. HR policies set out the principles and rules of conduct, including duty of care, standards of propriety and rules relating to conflict of interest, to which staff are expected to adhere.

The risk and control framework

Our management of risk is embedded in planning and delivery through:

- a risk management strategy and process;
- the business planning process with risk registers;
- project management standards with risk identification for major process change programmes; and
- policies, procedures and framework controls over procurement, finance, IT, information security and HR.

In COI, the main processes that are in place for identifying, evaluating and managing risk are:

- an annually reviewed risk management strategy and process;
- workshops at Management Board and business unit levels;
- project management standards, overseen by the Business Investment and Improvement Group, which include a requirement for all new business improvement projects to undergo a risk assessment;
- corporate and business unit risk registers facilitating regular reviews of risk;
- the Information Security Forum overseeing IT security risks; and
- an Information Security Governance Framework. The framework is underpinned by a Senior Information Risk Owner (SIRO), who is also a Board member. The SIRO is supported in their role by the Departmental Security Officer, the IT Security Manager and Information Asset Owners. Information risks are identified and managed in accordance with the overall risk framework.

I have assessed my most significant risks. These are associated with:

- achieving ministerial targets;
- building strong client relationships;
- matching staff skills and experience with business needs;
- supporting effective, integrated business systems; and
- budget flexibly to cope with changes in demand.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the systems is in place.

The main processes that have been applied in reviewing the effectiveness of the system of internal control include:

- monthly meetings of the Management Board to consider planning, performance and change management. Each meeting includes a review of a number of operating units, with the aim of seeing all units at least twice a year;
- a process to monitor progress towards the key strategic objectives and to ensure that the management of underlying risks, both at a strategic and an operational level, is satisfactory;
- monthly meetings of the heads of the business units, chaired by the Deputy Chief Executive;
- periodic reports from the Information Security Forum and the Business Investment and Improvement Group;
- quarterly and annual information risk assessment from the SIRO and a framework to provide the Accounting Officer with assurance on information risk;
- a process of regular risk reporting, which is being further developed, particularly in respect of collating unit risks with corporate risks;
- a formal half-yearly and year-end sign-off process by senior managers in order to ensure, as far as is possible, that the controls and safeguards are being operated in line with established procedures, policies and standards, and a review of internal controls in specific business areas by Internal Audit on a rotational basis;
- regular reports by 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
- comments made by the external auditors in their management letter and reports.

There were no significant internal control issues during the year, although areas for improvement in the control environment were identified in individual audit reports and summarised in the annual Internal Audit report, with agreed remedial actions implemented or in hand.

Mark Lund
Chief Executive
6 July 2009

Income and expenditure account for the year ended 31 March 2009

	Notes	2008/09 £000	2007/08 £000
			Restated
Turnover	2	539,749	377,206
Other operating income	3	1,738	1,274
Operating costs	4	(541,909)	(378,848)
Gross operating deficit		(422)	(368)
Loss on disposal of fixed assets		(1)	(96)
Deficit on ordinary activities		(423)	(464)
Interest receivable	7	602	622
Short-term interest payable	7	(70)	(151)
Retained surplus for the period	13, 15	109	7

All income and expenditure arises from continuing operations.

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

The notes on pages 43 to 53 form part of these accounts.

Balance sheet as at 31 March 2009

	Notes	2009 £000	2009 £000	2008 £000
Fixed assets				Restated
Intangible assets	8	413		581
Tangible assets	9	864		755
Total fixed assets			1,277	1,336
Current assets				
Work in progress	1(c)	3,446		2,549
Debtors	10	130,024		94,287
Cash in hand and at bank	11(a)	41,060		27,790
		174,530		124,626
Current liabilities				
Creditors: amounts falling due within one year	12	(167,392)		117,510
Net current assets			7,138	7,116
Total assets less current liabilities			8,415	8,452
Provisions for liabilities and charges	6(b)		(68)	(104)
TOTAL ASSETS LESS TOTAL LIABILITIES			8,347	8,348
FINANCED BY CAPITAL AND RESERVES				
Capital				
Public dividend capital	14		265	265
Reserves				
Revaluation reserve	15	326		436
Income and expenditure account	15	7,756		7,647
			8,082	8,083
			8,347	8,348

Mark Lund
Chief Executive
6 July 2009

The notes on pages 43 to 53 form part of these accounts.

Cash flow statement for the year ended 31 March 2009

	Notes	2008/09 £000	2008/09 £000	2007/08 £000 Restated
Net cash inflow from operating activities	16		13,309	12,711
Returns on investments and servicing of finance				
Interest received		602		622
Interest paid		(70)		(151)
Net cash inflow from returns on investments and servicing of finance	7		532	471
Capital expenditure				
Payments to acquire intangible fixed assets	8	(157)		(283)
Payments to acquire tangible fixed assets	9	(415)		(278)
Proceeds from sale of tangible assets		1		0
Net cash outflow from capital expenditure			(571)	(561)
Increase in cash	11(b)		13,270	12,621

The notes on pages 43 to 53 form part of these accounts.

Notes to the accounts

1 ACCOUNTING POLICIES

(a) General
The accounts are prepared under the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. Significant departures from accounting standards are disclosed and explained in the notes, and the financial effects quantified where practicable.

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

(b) Turnover
Turnover represents the invoiced amount 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.

(c) Jobs
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. The omission of amounts recoverable from clients has led to the adoption of Format 1 (under the Companies Act) for the income and expenditure account. This has no impact on the surplus for the year.

(d) Fixed assets
(i) 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:

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

(ii) Items of equipment costing less than £2,000 are expensed in the year of acquisition.

(e) Early retirement costs
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.

(f) Pensions
Past and present employees are covered by the provisions of the Civil Service Pension Scheme, which is described at note 6(a). The defined benefit scheme is unfunded and are 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 notes 4 and 5(b) to the accounts. To ensure consistent disclosure, prior year figures have been restated in both notes 4 and 5.

2 TURNOVER

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 COI staff and all overhead costs.

3 OTHER OPERATING INCOME

	2008/09 £000	2007/08 £000
Rent received under operating leases	1,738	1,274
Total	1,738	1,274

4 OPERATING COSTS

	2008/09 £000	2007/08 £000
(a) Staff costs:		Restated
Wages and salaries	29,222	26,164
Social security costs	2,272	2,068
Other pension costs	5,548	4,786
Agency staff*	2,137	2,500
Staff on secondment**	4,447	1,598
Total staff costs	43,626	37,116
Raw materials and consumables	3,727	3,680
Other external charges	494,037	377,550
Depreciation and amortisation	519	502
Total operating costs	541,909	378,848

* Restated to reallocate GovGap placement costs.

** Restated to reallocate staff on secondment costs.

(b) Other external charges include:	2008/09 £000	2007/08 £000
Auditor's remuneration	54	54
Auditor's remuneration for non-audit work	3	3
Operating leases in respect of hire of plant and machinery	96	74
Operating leases in respect of office accommodation*	2,000	1,800

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

(c) Other external charges are net of:

	2008/09 £000	2007/08 £000
Advertising discounts	4,770	3,372
Total advertising discounts	4,770	3,372

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

5 STAFF

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

	2008/09	2007/08
Permanent*		Restated
Unified grades	140.6	134.7
Information	418.5	374.8
Administration	118.3	125.4
Support	10.7	12.8
Total	688.1	647.7

* Includes casual staff, staff on fixed-term contracts of over one year and agency staff, but excluding staff working at COI on GovGap secondment.

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

	2008/09	2007/08
Permanent*		Restated
Unified grades	163.9	160.7
Information	441.7	389.4
Administration	118.3	129.4
Support	10.7	12.8
Total	734.6	692.3

*Includes casual staff, staff on fixed-term contracts of over one year, agency staff and staff working on GovGap secondments.

6 PENSIONS

(a) 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, an unfunded multi-employer defined benefit scheme.

For 2008/09, employers' contributions for COI employees of £5,547,933 with a further £439,998 in respect of staff on secondment were payable to the PCSPS (£4,786,212 in 2007/08 and a further £490,343 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 2007/08), 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 have remained unchanged until 2008/09. For 2009/10 onwards the contribution rates will reduce and they will be 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 £92,210 (£45,067 in 2007/08) were paid to one or more of a panel of four 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 2007/08). Employers can also match employee contributions up to a limit of 3 per cent of pensionable pay. In addition, employer contributions of £6,658 (£3,183 in 2007/08), 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 ill-health retirement or death in service of these employees. Contributions due to the partnership pension providers at the balance sheet date were £10,057. No contributions were prepaid at that date.

There were no cases of retirement on ill-health grounds during 2008/09.

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

The provision is made up as follows:

	2008/09 £000	2007/08 £000
Balance at 1 April	104	38
Use of provision	(50)	(33)
Increase in provision charged to income and expenditure account	14	99
Total	68	104

The liability falls due in the following timescales:

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

7 INTEREST

	2008/09 £000	2007/08 £000
Interest received from the National Loans Fund	316	52
Interest received from the Paymaster General	286	570
Interest receivable	602	622
Interest on short-term borrowing	(70)	(151)
Net cash inflow from returns on investments and servicing of finance	532	471

8 INTANGIBLE FIXED 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 £000
Gross replacement cost or valuation	
Opening balance at 1 April 2008	1,089
Acquisitions	157
Disposals	(147)
Closing balance at 31 March 2009	1,099
Amortisation	
Opening balance at 1 April 2008	508
Provided during year	227
On disposals	(147)
Revaluation*	98
Closing balance at 31 March 2009	686
Net book value	
Closing balance at 31 March 2009	413
Opening balance at 1 April 2008	581

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

9 TANGIBLE FIXED 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)):

	New technology equipment £000	Equipment, fixtures and fittings £000	Total £000
Gross replacement cost or valuation			
Opening balance at 1 April 2008	746	778	1,524
Acquisitions	339	76	415
Disposals	(125)	0	(125)
Closing balance at 31 March 2009	960	854	1,814
Depreciation provision			
Opening balance at 1 April 2008	198	571	769
Provided during the year	207	85	292
On disposals	(123)	0	(123)
Revaluation*	28	(16)	12
Closing balance at 31 March 2009	310	640	950
Net book value			
Closing balance at 31 March 2009	650	214	864
Opening balance at 1 April 2008	548	207	755

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

10 TRADE DEBTORS

	31 March 2009 £000	31 March 2008 £000
		Restated
Trade debtors	115,072	85,515
Prepayments and accrued income	14,725	8,662
Other debtors	227	110
Total debtors	130,024*	94,287*

*Intra-government balances are disclosed in note 22.

11 CASH IN HAND AND AT BANK

(a) The balance of cash in hand and at bank is made up as follows:

	31 March 2009 £000	31 March 2008 £000
		Restated
Cash with Paymaster General	41,057	27,787
Girobank	3	3
Cash in hand and at bank	41,060	27,790

(b) Analysis of changes in cash during the period:

	31 March 2009 £000	31 March 2008 £000
		Restated
Balance at 1 April	27,790	15,169
Balance at 31 March	41,060	27,790
Increase in cash	13,270	12,621

12 TRADE CREDITORS

	31 March 2009 £000	31 March 2008 £000
		Restated
Trade creditors	45,385	20,134
VAT creditors	15,645	14,651
Accruals for jobs	89,272	76,722
Deferred income	12,913	4,380
Accrued expenses	4,177	1,623
Total creditors	167,392*	117,510*

*Intra-government balances are disclosed in note 22.

13 FINANCIAL TARGET

COI was set a financial target of break-even. It achieved a surplus of £108,679 (£6,777 surplus in 2007/08).

14 CAPITAL

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

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

(b) Other long-term finance is provided by retained surpluses on the income and expenditure account and by the revaluation reserve (note 15) which represents changes made to the value to the business of fixed assets to reflect current costs.

15 RECONCILIATION OF MOVEMENT IN GOVERNMENT FUNDS

	Revaluation reserve £000	Income and expenditure £000	Total £000
At 1 April 2007	447	7,640	8,087
Retained surplus for the year	0	7	7
Revaluation surplus	(11)	0	(11)
At 31 March 2008	436	7,647	8,083
Retained surplus for the year	0	109	109
Revaluation surplus	(110)	0	(110)
At 31 March 2009	326	7,756	8,082

The revaluation reserve comprises the increase in gross replacement cost less prior year backlog depreciation on fixed assets.

16 RECONCILIATION OF SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008/09 £000	2007/08 £000
		Restated
Retained surplus for period	109	7
Less net interest received	(532)	(471)
Depreciation	519	504
Loss on disposal of fixed assets	1	96
(Increase)/Decrease in work or progress	(897)	9,130
(Increase) in debtors	(35,737)	(10,862)
Increase in creditors	49,882	14,241
(Decrease)/Increase in provisions	(36)	66
Net cash inflow from operating activities	13,309	12,711

17 OPERATING LEASES

At 31 March 2009, COI was committed to making the following payments during the next year in respect of operating leases expiring:

	Land and buildings £000	Plant and machinery £000
Within one year	0	69
Within two to five years	0	46
Over five years	2,000	0
Total operating leases	2,000	115

18 CAPITAL COMMITMENT

At 31 March 2009, no orders had been placed for capital expenditure (£nil at 31 March 2008).

19 RELATED PARTY TRANSACTIONS

COI is a trading fund of the Central Office of Information Department. The Minister for the Cabinet Office has ministerial responsibility for the activities of COI and the COI Trading Fund and is therefore regarded as a related party. During the year ended 31 March 2009, COI has had various material transactions with both the COI Department and the Cabinet Office.

In addition, COI has various material transactions with most government departments and other publicly funded bodies.

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.

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 repaid before the end of the year. 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 significant currency risks. FRS 25, 26 and 29 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

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other central government bodies	119,525		30,598	
Balances with local authorities	409		0	
Balances with NHS trusts	4,376		286	
Balances with public corporations and trading funds	1,661		156	
Subtotal	125,971		31,040	
Balances with bodies external to government	4,053		136,352	
As at 31 March 2009	130,024	0	167,392	0
Balances with other central government bodies	74,791		19,808	
Balances with local authorities	1,448		0	
Balances with NHS trusts	1,957		9	
Balances with public corporations and trading funds	2,846		1,488	
Subtotal	81,042		21,305	
Balances with bodies external to government	13,245		96,205	
As at 31 March 2008	94,287	0	117,510	0

23 EVENTS AFTER THE BALANCE SHEET DATE

COI's Trading Fund accounts are laid before the Houses of Parliament by the National Audit Office. FRS 21 requires COI to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by COI's management to HM Treasury.

The authorised date for issue is 20 July 2009.

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

I certify that I have audited the financial statements of the Central Office of Information for the year ended 31 March 2009 under the Government Trading Funds Act 1973. These comprise the income and expenditure account, the balance sheet, the cash flow statement and statement of total recognised gains and losses, 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 being audited.

Respective responsibilities of the Central Office of Information, Chief Executive and auditor

The Central Office of Information and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the remuneration report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of Trading Fund's and Chief Executive's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with the International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, certain information which comprises the Director's Report given in the Annual Report is consistent with the financial statements. I also report whether, 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.

In addition, I report to you if the Central Office of Information has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on internal control reflects the Central Office of Information's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Central Office of Information's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Central Office of Information and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Central Office of Information's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of the Central Office of Information's affairs as at 31 March 2009 and of its surplus for the year then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- information which comprises the Director's Report given within the Annual Report is consistent with the financial statements.

Audit 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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

8 July 2009

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

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