

Annual Report and Accounts

2007–2008



This document is part of a series of Departmental Reports which along with the Main Estimates 2008–09, the document Public Expenditure Statistical Analyses 2008 and the Supplementary Budgetary Information 2008–09, present the Government's expenditure plans for 2008–09 onwards, and comparative outturn data for prior years.

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

ISBN: 9780 10 295666 5



Cabinet Office

Annual Report and Accounts 2007–2008

Incorporating the spring Departmental Report and the
annual Resource Accounts

For the year ended 31 March 2008

Presented to Parliament by the Financial
Secretary to the Treasury
pursuant to the Government
Resources and Accounts Act 2000 c.20,s.6 (4)

Ordered by the House of Commons to be printed
15 July 2008

Contents



Introduction

Foreword by Ed Miliband, Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster 4

Overview from Cabinet Secretary and Head of the Home Civil Service, Gus O'Donnell 6

Cabinet Office structure 2007–2008 8

Cabinet Office strategic objectives 10

The story of our year

Timeline of key events and achievements: April 2007 – March 2008 12

SUPPORTING THE PRIME MINISTER AND CABINET

Supporting effective government policy-making and delivery
Economic and Domestic Secretariat, Policy and Coordination 16

Working together to protect Britain's people
Civil Contingencies Secretariat, Policy and Coordination 22

Adding value through innovative strategy
Strategy Unit, Policy and Coordination 25

Reducing future risk
Security, Intelligence and Resilience, Policy and Coordination 28

Constitutional renewal: our role
Propriety and Ethics, Private Offices Group 30

Transforming public services
Transformational Government, Civil Service and Cabinet Office 32

TACKLING SOCIAL EXCLUSION

Working in partnership
Office of the Third Sector, Policy and Coordination 34

Rebuilding shattered lives
Social Exclusion Task Force, Policy and Coordination 36

Thinking family
Social Exclusion Task Force, Policy and Coordination 39

TRANSFORMING CIVIL SERVICE SKILLS AND CAPABILITY

Going the extra mile
Civil Service Capability Group 41

Capability Reviews across government
Civil Service Capability Group 45

BUILDING A BETTER DEPARTMENT

Our corporate objectives
No.10; Government Skills; Civil Service and Cabinet Office Management – No.10 and Civil Service Capability Group 47

How we've changed
Change Team, Civil Service and Cabinet Office Management 54

Connecting better with our audience
Government Communication, Cabinet Office Communication – Civil Service and Cabinet Office Management 57

Ministers and Board members

Ministerial responsibilities and ministerial changes 60

Meet the Board 63

Comprehensive Spending Review 2007

Comprehensive Spending Review 68

Public Service Agreements 70

Cabinet Office Departmental Strategic Objectives 71

Value for Money Plans 75

Performance Report

Progress against Spending Review 2004 Public Service Agreement Targets 76

Public Service Agreement Targets 77

Efficiency and Relocation Programme 86

Public Administration Select Committee 87

Public Accounts Committee

Cabinet Office Groups contributing towards the Department's objectives 88

Better regulation 90

Cabinet Office Finances

Overview 93

Public Expenditure Data 2002–03 to 2010–11 95

Financial Review 2007–08 107

Resource Accounts 2007–08

Introduction by Gus O'Donnell 115

Statement of Accounting Officer's Responsibilities

Statement on Internal Control 116

Remuneration Report 121

Certificate and Report of the Comptroller and Auditor General to the House of Commons 128

Primary Statements 130

Notes to the Departmental Resource Accounts 134

Public Appointments

Non-Departmental Public Bodies 165

Other Office Holders 169

Foreword

The Rt Hon Ed Miliband MP
Minister for the Cabinet Office and
Chancellor of the Duchy of Lancaster



The Cabinet Office supports the work of government in a number of ways, including through its specific responsibilities and its wider remit coordinating the business of government. This year has seen a number of important developments across the whole of the Department.

The Cabinet Office is playing its part in the process of constitutional reform, through its landmark proposals to put the impartiality of the Civil Service into statute. And we have published proposals to provide for 60 key public appointments to be subject to pre-appointment scrutiny for the first time.

One of our most important responsibilities is to lead work on social exclusion across government. We are taking forward Public Service Agreement 16 which is designed to help provide access to a job and a home for specific groups at greatest disadvantage – young people leaving care, ex-offenders, and those with mental health problems or learning difficulties. We have also worked with the Department for Children, Schools and Families to put forward innovative proposals to help families at risk.

Essential to tackling social exclusion and building a strong society is the work of the third sector. The Cabinet Office is proud to have the Office of the Third Sector within the Department. It worked last year to produce a 10-year strategy for the third sector which was formulated on the basis of consultation with more than 1,000 community organisations and charities, and invested more than £500 million in the sector.

The third sector is also at the heart of another of the Cabinet Office's responsibilities – improving public services across government. We are seeking all the time to learn from the most innovative organisations, including those in the third sector. This is being carried forward in the Service Transformation Agreement, helping all public services to be more convenient for citizens, and the new taskforce on the Power of Information will help make sure citizens are better able to access public data and information about public services.



Above: Phil Hope MP, and the Rt Hon Ed Milliband MP

Overall, whether it's the important work of the Cabinet Secretariats, the Strategy Unit, Government Communications, or Intelligence, Security and Resilience, the Cabinet Office is supporting the work of government. At times during the last year, this has been of particular importance, including the work done by the Civil Contingencies Secretariat in supporting efforts to tackle flooding, foot and mouth disease, and other incidents.

I would like to end by thanking all of the staff in the Cabinet Office for their contributions and hard work, and my fellow Ministers, Phil Hope, Tom Watson, Tessa Jowell and Gillian Merron.

Overview

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



The past year has been one of significant change for the Cabinet Office in each of its three key functions:

- Supporting the Prime Minister
- Supporting the Cabinet
- Strengthening the Civil Service

It has been the dedication and professionalism of the people who work at the Cabinet Office that has enabled us to meet the challenges of change within government, and also to help coordinate the Government's response to increasing challenges domestically and internationally. I would like to pay tribute to them.

Supporting the Prime Minister

The first part of the year was dominated by preparations for the first change of Prime Minister in a decade. The Department, with the assistance from colleagues across government was able to deliver high quality support to the outgoing Prime Minister in critical areas like the 2007 G8 agreement on climate change, and the European Treaty. At the same time, we were able to use the period prior to Mr Blair's retirement to undertake preparatory work with Mr Brown and his team. This enabled the Department to have structures and staff in place to support the new Prime Minister from the first day, and ensure the effective delivery of key priorities quickly, for example on constitutional reform.

Supporting the Cabinet

At the centre of government, the Cabinet Office is responsible for the coordination of responses to national emergencies through the Civil Contingencies Secretariat. The summer period saw a number of challenges, including the failed terrorist attacks in London and Glasgow, the outbreak of foot and mouth, and flooding in various parts of England. The effective and professional work of the Department in response to these events is something the Department can be particularly proud of.

More generally, the Department has worked hard in the past year to increase the effectiveness of the coordination of government business and the development of policy and strategy. Last year, the Cabinet met more often than at any time in the past two decades and there has also been

a strengthening of the Cabinet Committee system. Policy and strategy development has been boosted by some excellent work by our Strategy Unit, most notably with the publication of *Realising Britain's Potential: Future Strategic Challenges for Britain* in February.

The Department has led cross-government work on a number of areas, including strengthening the UK's border protection, and developing measures to improve the security of personal data held across government. The effective implementation of the data handling review will be a key priority for the Department in the months ahead. We are also working in close partnership with HM Treasury on the Government's response to increasing global economic challenges, and more generally we have developed a formal compact agreement with the Treasury to coordinate more effectively how the centre of government works with our stakeholders.

Strengthening the Civil Service

Over the past few years the Department has undertaken a great deal of work to help transform the Civil Service. The Department's Transformational Government Unit continues to work with departments to improve delivery and put the citizen first. This is delivering real results at less cost to the taxpayer and in a way that is more convenient for them: 10 million people are now renewing their car tax online and 3 million people are filing online tax returns.

The Department can also be proud of its role in building the capacity and capability of its leaders, and people, to deliver the Government's objectives. In particular, the Civil Service Capability Group has been leading work to continue to develop a more diverse organisation which will help to equip us for the future and better represent the society we serve. The Civil Service Live event in April illustrated how much good work there is to celebrate within the Civil Service.

Conclusion

The Cabinet Office has much to be proud of in the past year. Looking ahead, we will need to develop our skills further to support the Government in meeting the profound challenges of the future, while continuing to deliver value for money for the taxpayer. I am confident that the dedicated and professional staff in the Department will meet this challenge.

Cabinet Office structure 2007–2008



The screenshot shows a web browser window displaying a video from CabCam. The video player shows a meeting around a conference table. The video title is "CO Board Meeting 24th January 2008". The description states: "Roger Marsh and Naomi Eisenstadt talk about the CO Board Meeting, which was attended by Ministers". The video has 310 views. The browser's taskbar at the bottom shows "2 Microsoft Outlook" and "My Computer".

CabCam Sign Up | Upload video | Log

CREATE | PLAY

Video

CO Board Meeting 24th January 2008

Title: CO Board Meeting 24th 2008
by robthorn, submitted on 30/01/08 17:08:05
Unit: Comms and Information G
Category: Board/EMG (15)
Tags: Cabinet Office Board Minis
Marsh Naomi Eisenstadt SETF Sc
Exclusion Task Force

Display all by category
Board/EMG (15)

Display all by group
Business Support Grou

Latest video

Prime Minister's (09/07/08 pt1)
by robthorn | 10/07/08 09:12:31
Watch | Views: 17

Prime Minister's (09/07/08 pt2)
by robthorn | 10/07/08 09:11:36
Watch | Views: 9

Description: Roger Marsh and Naomi Eisenstadt talk about the CO Board Meeting, which was attended by Ministers
Views: 310

Share this video

2 Microsoft Outlook My Computer

Cabinet Office structure 2007–2008



The Rt Hon Gordon Brown MP
Prime Minister

Our Ministers



The Rt Hon Ed Miliband MP
Minister for the Cabinet Office
and Chancellor of the Duchy
of Lancaster



Phil Hope MP
Parliamentary Secretary,
Minister for the Third Sector
and the East Midlands



Tom Watson MP
Parliamentary Secretary,
Minister for Transformational
Government

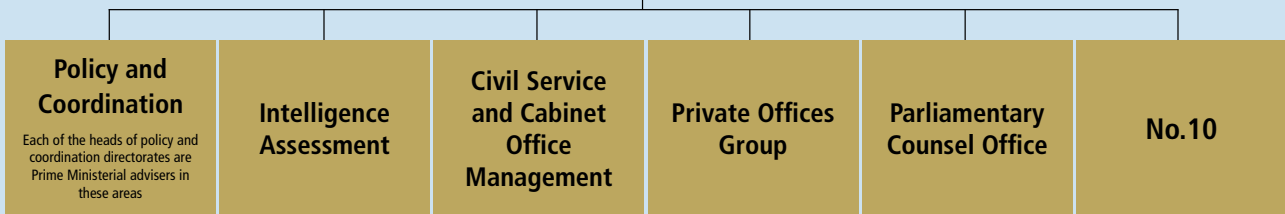


The Rt Hon Tessa Jowell MP
Minister for the Olympics
and London

Our Board



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



Paul Britton
Director General,
Domestic Policy and
Strategy



Jon Cunliffe
Head, International
Economic Affairs
and Europe



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



Alexis Cleveland
Director General,
Transformational
Government and
Cabinet Office
Management



Gill Rider
Director General,
Civil Service
Capability Group



Howell James
Permanent Secretary
for Government
Communication



Roger Marsh
Director General,
Strategic Finance
and Operations



Jeremy Heywood
Permanent Secretary,
10 Downing Street



Ruth Carnall
(Non-Executive Director)



Karen Jordan
(Non-Executive Director)



Baroness Prashar
(Non-Executive Director)

Cabinet Office strategic objectives



The Cabinet Office’s aim – making government work better – is wide-ranging. The Department’s responsibilities include:

- supporting the Prime Minister and Cabinet;
- coordinating national security;
- tackling social exclusion; and
- transforming the skills and capability of the UK Civil Service.

These are all central to the Government’s ability to deliver its objectives and Public Service Agreements (PSA).

Announced in the Comprehensive Spending Review 2007 (CSR 2007), in October 2007, were 30 new PSAs. These set out the Government’s highest priority outcomes for the CSR 2007 period, from 2008/09 to 2010/11. The Cabinet Office is leading on the delivery of one PSA; *Increase the proportion of socially excluded adults in settled accommodation and employment* and is also a delivery partner for three further PSAs:

- build more cohesive, empowered and active communities;
- reduce the risk to the UK and its interests overseas from international terrorism; and
- reduce the impact of conflict through enhanced UK and international efforts.

Also agreed as part of the Government’s CSR settlement were six Departmental Strategic Objectives (DSOs). All the main government departments set themselves varying numbers of DSOs which are intended to cover the wider span of their departmental activities. These objectives include business as usual, while at the same time underpin delivery of the Government’s highest priorities as set out in the 30 PSAs.

Our DSOs demonstrate how everyone in the Cabinet Office is contributing to our overall aim of ‘making government work better’

For further information on CSR, PSAs and the key performance indicators used to measure successful delivery of our DSOs, please see page 68.

Cabinet Office Departmental Strategic Objectives

- DSO 1.** Build an effective UK intelligence community in support of UK national interests; and the capabilities to deal with disruptive challenges to the UK.
- DSO 2.** Support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy-making.
- DSO 3a.** Improve outcomes for most excluded people in society.
- DSO 3b.** Enable a thriving third sector.
- DSO 4.** Transform public services so that they better meet the individual needs of the citizen and business.
- DSO 5.** Build the capacity and capability of the Civil Service to deliver the Government’s objectives.
- DSO 6.** Promote the highest standards of propriety, integrity and governance in public life.

THE STORY OF OUR YEAR

Timeline of key events and achievements

April 2007 – March 2008



APRIL

- Public Sector Reform Conference run by Cabinet Office and the National School of Government: focus on future public service delivery
- Internal newsletter *Inside* wins Communicators in Business award



- Cabinet Office Black and Asian Network event celebrates the diversity of India
- Signing of 'Skills pledge' with 15 other government departments to help employers deliver 2010 skills level targets from Leitch Report



MAY

- Kofi Annan, former UN Secretary General, visits Cabinet Office after addressing both Houses of Parliament to mark the 200th anniversary of the abolition of the slave trade



- Cabinet Office holds sustainable development event with Defra, Carbon Trust and the Energy Saving Trust
- First full meeting of Civil Service HR Leaders Council to develop HR professionalism across government

JUNE

- Cabinet Office welcomes new Prime Minister, new departmental Ministers and Board members
- Civil Service Capability Group was put in place to build the capacity and capability of the Civil Service to deliver the Government's objectives.
- Publication of Cabinet Office People Strategy
- Cabinet Office Ministers support Volunteers' Week by helping out at three different community projects in London



- Office of the Third Sector announces £117 million funding programme for v to transform youth volunteering in England
- Cabinet Office Briefing Room (COBR) activated to deal with terrorist threats in London and Glasgow
- Publication of Capability Reviews for three government departments

JULY



- Cabinet Office Staff Conference: Prime Minister delivers keynote speech and first ever Cabinet Office Awards for staff held
- Cabinet Office leads first ever public consultation on the draft legislative programme
- Prime Minister asks Gus O'Donnell to lead a review of the UK's border security arrangements
- Publication of *The future role of the third sector in social and economic regeneration*, a joint Cabinet Office/HM Treasury report



AUGUST



- Cabinet Office introduces staff video sharing site 'CabCam' to improve internal communication
- Government Gateway launches Safety in Numbers campaign



SEPTEMBER

- Pitt Review interim report on reducing the impact of future flooding published



- Office of the Third Sector launches £30 million programme – to refurbish and transfer underused local authority assets to local organisations

OCTOBER

- Joint meeting of Cabinet Office Board and ministers
- Launch of new Cabinet Office diversity plan and framework at first ever Cabinet Office People Week
- Launch of Senior Civil Servants' (SCS) induction programme – SCS 'Base-camp' – with National School for Government
- Cross-government Crime and Communities review team set up in Cabinet Office to engage local communities in the fight against crime
- European and Global Issues Secretariat produced the publication: *Global Europe; Meeting the Economic and Security Challenges*

NOVEMBER

- Sir Suma Chakrabarti's review of the role and purpose of the Cabinet Office published



- Cabinet Office pilots new People Survey based on employee engagement principles, in advance of roll out across government
- Social enterprise day: one year on – Office of the Third Sector publishes update on progress against action plan
- Civil Service Awards: Cabinet Office wins procurement award for ICT shared services project *Flex*
- *Security in a global hub* report on new UK border arrangements published by Cabinet Office



DECEMBER

- 1977 Cabinet Office and Prime Minister's Office records transferred to The National Archives under the 30 year rule
- Office of the Third Sector publishes update on progress against *Partnership in Public Services* action plan
- Capability Reviews' progress and next steps document published: all 17 Whitehall departments now reviewed
- Joint Board meeting between Cabinet Office and HM Treasury



JANUARY 2008

- Two new Ministers and three new Board members join the Cabinet Office
- Launch of *Think Family*, the second half of the *Families at Risk* review, by Cabinet Office Social Exclusion Task Force
- Cabinet Office launches Single Equality Scheme to staff for consultation
- Office of the Third Sector unveils Grassroots Grants, a £130 million programme to boost local community organisations
- Launch of new Honours campaign for nominations from the general public of local heroes in their area



Above: Ylana First, MBE

FEBRUARY



- Launch of Cabinet Office discussion paper *Realising Britain's Potential: Future Strategic Challenges for Britain*
- Phil Hope MP announces £10 million Risk Capital fund for social enterprises

MARCH

- Cabinet Office holds International Women's Day event with HM Treasury
- First UK national security strategy published by Cabinet Office
- Cabinet Office organises *Tower 08* event on public service transformation with trade association Intellect



Above: Tom Watson MP, Parliamentary Secretary and Minister for Transformational Government

- Phil Hope announces the Government's response to the Commission on the Future of Volunteering report, *Manifesto for Change*
- Civil Service Capability Group publishes new performance management arrangements on leadership for Civil Service

SUPPORTING THE PRIME MINISTER AND CABINET

Supporting effective government policy-making and delivery



Our new structure

The Cabinet Office works in partnership with No.10 to provide a comprehensive service to the Prime Minister and Cabinet, the supreme committee of government. They bring together a combination of policy, resilience, security, and communications expertise, to advise and deliver the Government's priorities.

With the arrival of the new Prime Minister in June 2007, we have made some structural changes which have enhanced the policy and security and intelligence functions. The roles of Adviser to the Prime Minister on European and Global Issues, on Foreign and Defence Policy, and on Domestic Policy all moved to the centre of the Cabinet Office from No.10.

At the same time, relationships between No.10 and Cabinet Office have been strengthened. The No.10 private office, the No.10 policy unit – staffed by Special Advisers – and the No.10 press office, work more closely with core Cabinet Office units and the Prime Minister's advisers to create a total policy, security, delivery and crisis management service.

With the appointment of Jeremy Heywood in January 2008, No.10 now has a Permanent Secretary for the first time. Jeremy is helping to ensure a greater sense of cohesion between No.10 and the other Cabinet Office units engaged in supporting the Prime Minister. It's a more coordinated, coherent centre of government, which results in improved policy formulation, decision making and delivery.

Policy formulation and decision making

The Cabinet Committee structure was also re-organised, to streamline the system and align it with the new set of 30 Public Service Agreements (PSAs).

PSAs are at the centre of departments' performance management systems. They are three-year agreements, negotiated every two years between each of the 17 main departments and HM Treasury during the Spending Review process. Each PSA sets out the department's high-level aim, priority objectives and key performance targets.

The Cabinet Committee system is supported by the Cabinet Secretariat and the Intelligence and Security function, working with the Strategy Unit and the Prime Minister's Delivery Unit (now in HM Treasury). The Secretariat plays a neutral but valuable role in: bringing people together, communicating the Prime Minister's views, brokering agreement on difficult issues, and preparing policy proposals for Ministers to consider and decide on.

Economic and Domestic Secretariat (EDS)

EDS is primarily responsible for organising Cabinet and also organises the majority of Cabinet Committees. It provides policy advice to the Prime Minister on a wide range of domestic issues and works with departments on policy proposals. EDS also has a range of other responsibilities which include:

- coordinating government policy on public sector pay with HM Treasury;
- providing advice to Gus O'Donnell, Head of the Home Civil Service, and the Prime Minister, on machinery of government issues; coordinating the business of devolved administrations across Whitehall; and
- supporting the Joint Ministerial Committee in which senior Ministers meet with their counterparts from Northern Ireland, Scotland and Wales.

EDS also provides the secretariat for the Public Services Forum (PSF), which engages trade unions in dialogue with government on workforce reform issues such as learning and skills, staff engagement, diversity and health and well-being. This year private and third sector employers have been included in PSF work. The PSF has also agreed a Joint Statement on Access to Skills, Trade Unions and Advice for staff working on central government contracts.

Draft Legislative Programme

The new Prime Minister wanted to improve the way that Britain is governed, by revitalising democracy and listening to the public. One of his first actions was to publish a Draft Legislative Programme (DLP). This set out for the first time, the details of the Bills that would appear in the Queen's Speech in November. For the first time, the public, as well as Parliament, were asked what they thought about them, and the Government were able to consider their views before deciding what legislation should go before Parliament.

As part of the DLP consultation, East Midlands Minister Gillian Merron, went to Nottingham to meet with heads of business, community leaders and local policy makers from across the region. She said:

"I want to find out whether people think these themes are the right ones, what other issues they think the Government should be considering, and how they would like to be involved in shaping these priorities in the future. The views of local people will feed back into our thinking, paving the way for better laws which are more closely aligned to the services that people in the East Midlands want and need."

Statistics and Registration Service Act 2007

This year the Cabinet Office also set up the independent UK Statistics Authority to replace the Office of National Statistics, in order to increase public confidence in official statistics.

Speaking at the launch of the Authority on 31 March 2008, the Chair of the Authority, Sir Michael Scholar, outlined his commitment:

"The UK Statistics Authority comes into being tomorrow, an independent statutory body, supported by all parties in both Houses of Parliament, and in all the devolved administrations, with powers and with the obligation to promote, to improve and to safeguard official statistics across the UK.

"I give you this promise, on behalf of myself and all my colleagues in the Authority, that we will do our utmost to achieve this objective, in the hope that, with time and hard work, we will make some serious progress in rebuilding public trust in UK official statistics."

Right: Gillian Merron MP, former Minister for the East Midlands and Alan Bishop, Central Office of Information Chief Executive



The European and Global issues Secretariat (EGIS)

EGIS, which was restructured in 2007, is responsible for the coordination of the Government's European and International economic policies, and directly supports the Prime Minister's own involvement in these policy areas. This includes preparation and support to the Prime Minister at European Council and G8 meetings.

In addition to direct support to the Prime Minister, EGIS has also coordinated broader government work on key European and international dossiers including: the Future of Europe; the Single Market Review; the Lisbon Reform Programme; and the international response to climate change.

Over the past year EGIS has supported the Prime Minister at:

- the June and December 2007 European Councils;
- the October 2007 Lisbon Informal Council;
- the March 2008 Spring European Council;
- the June 2007 G8 meeting in Bad Doberan; and
- the Prime Minister's January 2007 Downing Street Summit with other European G8 Leaders.

Foreign and Defence Policy Secretariat (F&DPS)

The Foreign and Defence Policy Secretariat supports and advises the Prime Minister and the Cabinet, ensuring coherence, quality and delivery of foreign, defence and security policy across government departments. Its primary role is to support the work and decision-making of the National Security and International Development Committee (NSID) and its supporting sub-committees. Specifically, F&DPS:

- Ensures that collective foreign, defence and security policy decisions are facilitated and supported by timely, well-informed and objective advice.

- Helps to organise deliverables for the PM's overseas visits.
- Communicates the Prime Minister's views to Whitehall and to advisers to other countries' Heads of Government.

Its key roles include: coordinating the Government's bilateral and multilateral policies; anticipating crises and managing any coordinated interventions; and driving the Government's defence and security policy.

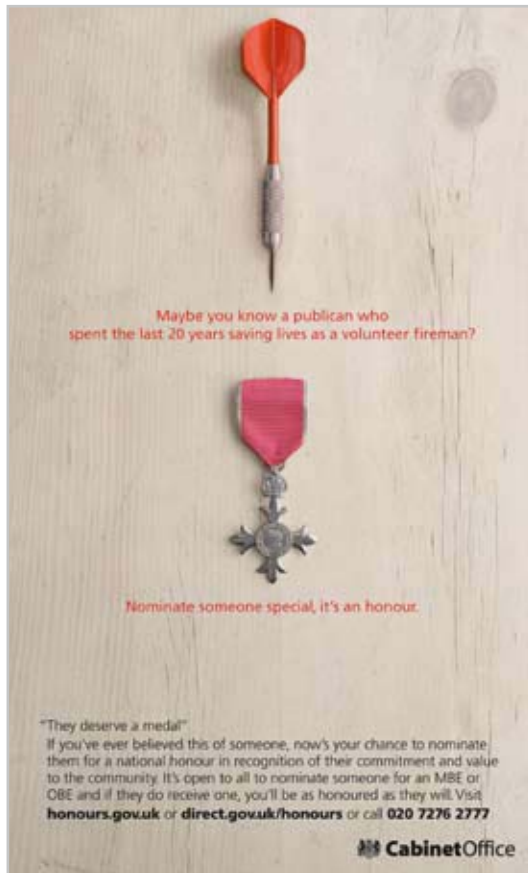
Some recent examples of such work over the past year include:

- A revision of the cross-government Afghanistan strategy which is recognised as providing an improved framework for Her Majesty's Government's efforts to build an effective Afghan state.
- Negotiation of the Defence Trade Cooperation Treaty – negotiated and signed before the change of Prime Minister against tight deadlines.
- Delivery of the National Security Strategy.

Honours and Appointment Secretariat

The Honours and Appointments Secretariat is responsible for both the policy and the operation of the national honours and medals systems. The new independent honours committee system has been in place for three years, and its independence and the transparency of the new processes are becoming widely known.





In 2007 the Prime Minister set the challenge of identifying and honouring more people who are giving outstanding service to their local communities. These people are going the extra mile in support of the local community and often doing so on a voluntary basis. 80% and 76% of candidates at OBE and MBE in the Honours Lists, published at New Year and The Queen's Birthday 2008, are in this category. A publicity campaign ran in four regions in January, to increase representation of these groups even further.



We need to mobilise all the resources available to us: the power of our military, police and security services; the persuasive force and reach of diplomacy; the authority of strengthened global institutions which, with our full support, can deploy both 'hard' and 'soft' power; and because arms and authority will never be enough, the power of ideas, of shared values and hopes that can win over hearts and minds.

THE RT HON GORDON BROWN MP, PRIME MINISTER



Intelligence, Security and Resilience Group (ISR)

The Prime Minister's Security Adviser is responsible for providing advice on strategic issues relating to the security of the UK to the Head of the Civil Service and Prime Minister. The ISR Group supports the Prime Minister's Security Adviser, Permanent Secretaries, and Ministerial Committees in coordinating the policy, funding and delivery of security, intelligence and resilience.

The Group provides advice to the Prime Minister on the full range of national security issues, including counter-terrorism. It provides the Secretariat for the National Security Committee and a number of its sub-committees, including those dealing with extremism, protective security and resilience. It is also responsible for the United Kingdom's crisis management arrangements; for the maintenance of associated facilities; and supporting the operation of the Cabinet Office Briefing Room (COBR), including providing any crisis secretariat.

It is currently working to implement the Prime Minister's National Security Strategy, published in March 2008, and provides support to the new National Security Forum.

The Joint Intelligence Committee (JIC)

The JIC is responsible for providing coordinated inter-departmental intelligence assessments on issues of immediate and long-term importance to the UK's national interests – primarily in the fields of foreign affairs, defence and security.

The JIC's members are senior officials from across government: the Foreign and Commonwealth Office; Ministry of Defence; Home Office; Department for International Development; HM Treasury and Cabinet Office; the Heads of the three intelligence Agencies and the Chief of the Assessments Staff. Other departments attend JIC meetings as necessary.

The JIC Chairman is responsible for supervising the work of the JIC and is charged specifically with ensuring that the committee's warning and monitoring role is discharged effectively. Like the Agency Heads, he has direct access to the Prime Minister. Present Chairman Alex Allan says: "JIC assessments provide vital underpinning for the key decisions the Government has to make on foreign and defence policy, on counter-terrorism and on counter-proliferation. With the deployment of British troops overseas and the continuing threat from international terrorism, the volume of reports produced by the assessment staff in 2007–08 was the highest for several years. I took over as Chair in January this year, and was immediately struck by the depth of cross-departmental expertise around the JIC table, and the tradition of informed and challenging debate. This helps make sure that JIC judgements are respected and authoritative."

In June 2007, the post of Prime Minister's Adviser on Security was separated from that of the Chairman to underline the clear separation of intelligence assessment from policy advice. The JIC Chairman is also Head of the Cabinet Office Joint Intelligence Organisation, which comprises the Assessments Staff, the Professional Head of Intelligence Analysis and the JIC Secretariat.



Above: Alex Allan, JIC Chairman

Intelligence, Security and Resilience Group

The Civil Contingencies Secretariat (CCS) has to ensure the resilience of the UK at every level, central, regional and local, and leads on emergency planning and training (more on this in the article on p.24).

The Counter-terrorism and Crisis Management Team works closely with CCS to maintain the effective coordination of government response in the event of civil emergencies, terrorist incidents and international crises.

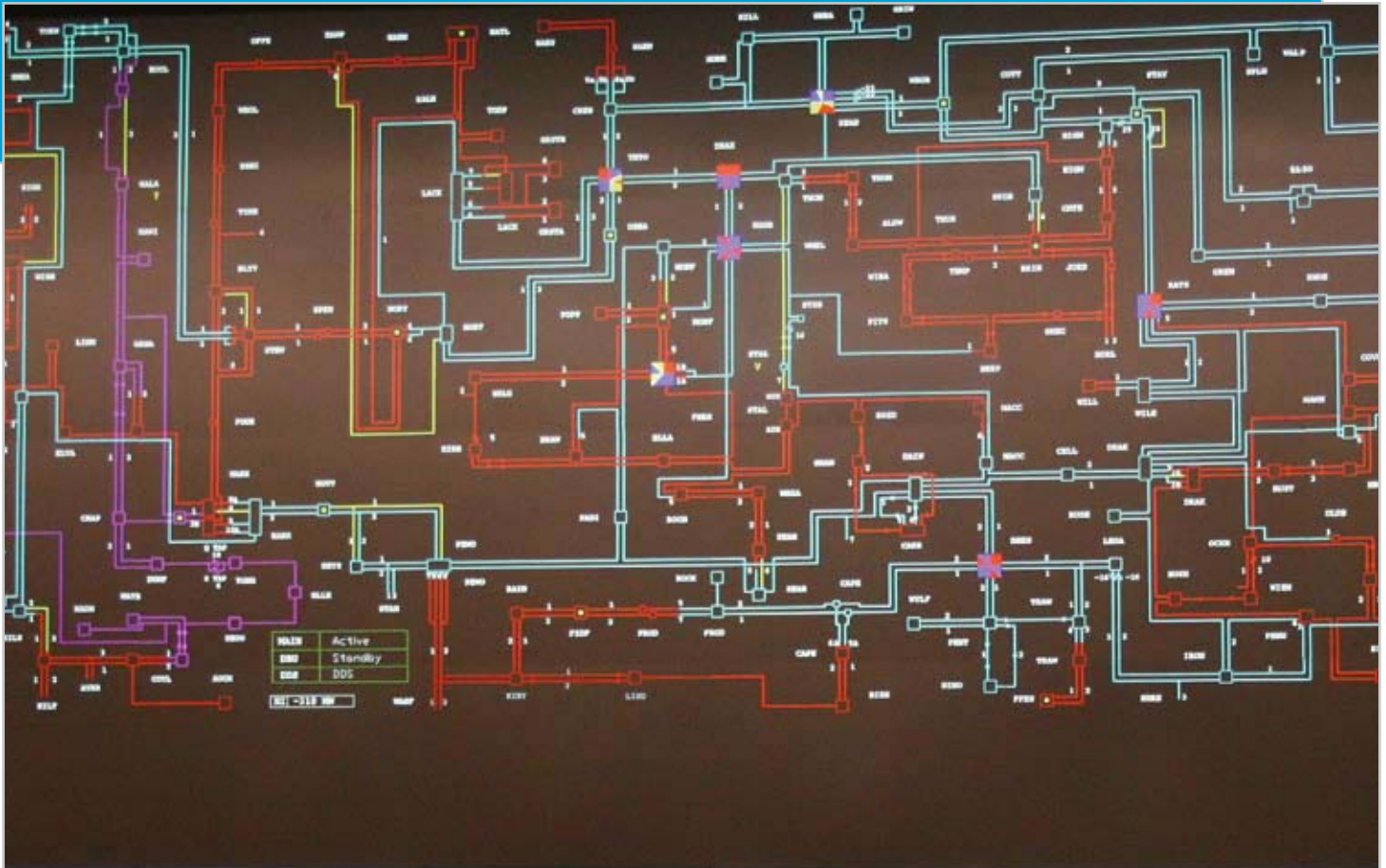
The Directorate of Security and Intelligence provides strategic leadership and coordination of government activity to manage risks to government assets; and support to the Prime Minister, Ministers, and the Prime Minister's Security Adviser on cross-cutting issues regarding the intelligence community.



SUPPORTING THE PRIME MINISTER AND CABINET

Working together to protect Britain's people

The security challenges facing the UK are increasingly complex and unpredictable, ranging from disease to cyber warfare.



The White Paper *The National Security Strategy of the United Kingdom: Security in an interdependent world* is the first government document to draw together all the potential threats, along with the structures put in place to deal with them.

A White Paper document issued by a government department, containing detailed proposals for legislation, is the final stage before the Government introduces its proposals to Parliament in the form of a Bill.

Published by the Cabinet Office in March 2008, this strategy highlights the new security challenges and illustrates the range of knowledge and activity across departments, agencies and armed forces, helping people to go about their daily lives freely, and with minimal risk.

The White Paper also argues that globalisation and an increasingly interdependent world bring massive opportunities – which the UK, as an outward-facing nation with global links and a focus on skills, is well placed to exploit.

One of the many security initiatives highlighted in the White Paper is the creation in April 2008 of the UK Border Agency, which brings together in one organisation the work previously carried out by the Border and Immigration Agency, the border control work of Her Majesty's Revenue and Customs and UKvisas, a joint operation of the Home Office and the Foreign and Commonwealth Office.

Improving the UK's border controls

The case for establishing the agency is outlined in *Security in a Global Hub – Establishing the UK's new border arrangements*, a Cabinet Office review commissioned by the Prime Minister.

The UK's economic and social well-being depends to a great extent on its international links, as well as on flows of people and trade, which are increasing. But the UK needs to be prepared to respond to threats, such as organised crime and terrorism.

The Cabinet Office team, including staff from all of the agencies involved in security and border control, examined how those



aims could be best approached – particularly through:

- early action to address risks;
- targeting of activity;
- management of bottlenecks at points of entry to the UK;
- maximising the UK's depth and breadth of protection; and
- providing visible reassurance and deterrence.

The published report sets out how the new UK Border Agency should be structured, and what its approach should be to deliver benefits to the UK population.

"In establishing the UK Border Agency, we are being given a huge and important responsibility to protect the UK public by securing the border and controlling migration," says Lin Homer, Chief Executive of the UK Border Agency. "The Cabinet Office review provided the critical framework on which to build the new agency. By setting out some of the early priorities that we needed to focus upon, the review ensured a clear direction and momentum for our new organisation."

Managing internal crises

Within its borders, Britain has faced emergencies as diverse as terrorist plots, flooding and bird flu over the past year.

Local services have risen to the challenge of dealing with these crises as they occurred.

Opposite page:
The National Grid



COBR is at the heart of government's response to a national crisis. Cabinet Office supplies the secretariat and the back-up to ensure that we can prepare for and react to any kind of crisis and ensure that the Prime Minister and ministerial colleagues have the best information and advice to deal with these events.



BRUCE MANN, DIRECTOR, CIVIL CONTINGENCIES SECRETARIAT

The Civil Contingencies Secretariat at the Cabinet Office has played a key role in developing resilience – planning and coordinating strategies to ensure the UK is well equipped to deal with civil crises. The Cabinet Office also plays a crucial role in coordinating the overall government response and in supporting the Prime Minister and other Ministers.

A key part of the Department's contribution has been in activating the Cabinet Office Briefing Room (COBR), set up to prepare for national emergency. During the past year the Civil Contingencies Secretariat, working with the Crisis Management and Counter Terrorism team, has set COBR in motion over 10 times to coordinate efforts across government and to channel rapid support to local frontline services.

A COBR activation can entail anything from one-off meetings to multiple meetings for long-running events. Government colleagues convene national experts at short notice to make fast paced and focused decisions aimed at protecting Britain's people.

Every emergency situation, however well handled, brings with it the opportunity to learn important lessons. These lessons are used to deliver continuous improvements across government and are shared with key stakeholders in anticipation of future scenarios.

Training for emergencies

The Emergency Planning College at Easingwold, based in the heart of the Yorkshire countryside, has built up an international reputation for training people in emergencies and their effects – prevention, preparation, responses and recovery.

"Since becoming part of the Civil Contingencies Secretariat five years ago, we've transformed ourselves into a world class civil protection college," says Chief Executive Michael Charlton-Weedy – recruited from the Army in 2003 to get the £7 million transformation programme off the ground.

"Last year we trained some 7,000 people from across the UK who occupy key positions in civil protection and public safety.

"Working across government as part of the Cabinet Office has been critical to transforming the quality of civil protection training. We provide training that directly benefits the safety of the UK; and we earn substantial income from our commercial activities. That represents real value for the taxpayer."

Below: The Emergency Planning College at Easingwold, Yorkshire



SUPPORTING THE PRIME MINISTER AND CABINET

Adding value through innovative strategy



INTRODUCTION
Pages 4-11

THE STORY OF
OUR YEAR
Pages 12-59

MINISTERS AND BOARD
MEMBERS
Pages 60-67

COMPREHENSIVE
SPENDING REVIEW 2007
Pages 68-75

PERFORMANCE
REPORT
Pages 76-91

CABINET OFFICE
FINANCES
Pages 92-113

RESOURCE ACCOUNTS
2007-08
Pages 114-163

PUBLIC
APPOINTMENTS
Pages 164-169

Britain is one of the world's most prosperous nations, but keeping up with the pace of change globally and domestically is a continuous challenge. This demands decisive action on a number of fronts, including the promotion and development of skills to tap into the varied talents of the UK population.

These are the conclusions of *Realising Britain's Potential: Future Strategic Challenges for Britain* – a comprehensive report detailing the long-term strategic challenges facing the UK, published by the Strategy Unit in the Cabinet Office in February 2008.

Commissioned by the Prime Minister in late 2007, the report represents the most in-depth analysis of future challenges and opportunities yet produced by government, covering everything from globalisation to an ageing population and climate change.

The nine key strategic challenges facing Britain

- Globalisation
- Ensuring economic prosperity
- Tackling the barriers to opportunity
- Population change
- Building stronger families and communities
- Public safety
- Personalised public services
- Climate change
- Modernising democracy

"While the report is not a statement of government policy, it is helping to define strategic policy work across government and will help to frame the next Spending Review," says Strategy Unit Director Stephen Aldridge. "Because the Strategy Unit operates from the centre of government, we're strongly placed to influence strategy and policy on a wide range of issues which cut across government departments. We do a lot of 'heavy lifting' for government in terms of analysis; our approach is to think across, as well as within departmental boundaries, while grounding our research firmly in evidence."

Helping government departments build effective strategies and policies is a key role for the Strategy Unit. It works in partnership with other departments on a range of projects covering education, children and families, health and social care, home affairs, life chances, welfare reform and skills, public service improvement, food policy and local communities.

The landmark *Children's Plan: building brighter futures*, published in December 2007, is a good example of partnership working across government, with the plan setting out world class ambitions for all Britain's children. Although the plan is owned by the Department for Children, Schools and Families (DCSF), policy colleagues from DCSF worked closely with Cabinet Office to develop it, with the Strategy Unit adding value by helping to analyse issues and define policies for short and long term improvements.



We do a lot of 'heavy lifting' for government in terms of analysis; our approach is to think across as well as within departmental boundaries while grounding our research firmly in evidence.

STEPHEN ALDRIDGE, STRATEGY UNIT DIRECTOR



Right: Anne Bonson-Johnson, Assistant Information Manager, Strategy Unit



The Strategy Unit is also making government work better by using innovative approaches to encourage thinking 'outside the box' on fundamental issues affecting all UK citizens. One such issue is food – the subject of a high profile analytical discussion paper published in January 2008.

"Food: an analysis of the issues was broad-ranging and highly innovative," says Stephen Aldridge. "It brought together some excellent analysis on food in a range of contexts, from diet and health to climate change and food safety. Like most of our work, it involved collaboration with other government departments, notably Health and Environment, Food and Rural Affairs as well as the Food Standards Agency. Because food issues had not been approached in that way before, it was well received across government and is influencing cross-government thinking in a number of areas."

As well as working on time-limited projects, the Strategy Unit has a number of standing teams covering core policy areas such as education, home affairs, health and public service improvement.

David Knott is a policy analyst in the health standing team. "I work closely with the Department of Health, most recently on Lord Darzi's 60th anniversary review of the NHS," he says. "There's a strong focus on how we can encourage more preventative action in health, building partnerships between government, the NHS, society and individuals." David also did some analytical work for a Prime Minister's speech in January, which set out the early intervention health agenda. "A key part of our remit is to give strategy and policy advice to the Prime Minister and No.10 and we work closely with special advisers in the No.10 Policy Unit.

"I also recently authored *Achieving Culture Change: A policy framework*, a cross-cutting discussion paper. This looked at the impact of our choices on such issues as obesity, climate change and higher education retention rates – as well as the lessons learned from customer insight and behavioural science in addressing these issues. It was fascinating work, with a focus on how the Government can play an enabling role in helping people reach the better outcomes both they and we want to see.

"There are about 45 core staff in the Strategy Unit but there's a lot of flexibility, as people are brought in for specific projects as well as loaned or seconded out to other departments and to the private, third and wider public sectors. The teams work well together and we'll often bring our collective analytical skills to bear on strategic issues.

"As well as liaising across government, we work across the Cabinet Office on strategic issues affecting other units – social exclusion and sustainability, for example. We also have an active seminar series where we invite high profile public figures into the Cabinet Office to discuss the key issues of the day – we encourage all units to attend."

Adam Sharples, Director General of Work Welfare and Equality at the Department for Work and Pensions, says that the Strategy Unit has added value to strategic work in his department. "In my experience the Strategy Unit can complement and strengthen policy thinking in departments. I am always hugely impressed by the unit's ability to draw on a wide range of research, bring fresh insights and distil complex issues into excellent presentations."

For further information about the work of the Strategy Unit go to:
www.cabinetoffice.gov.uk/strategy

Reducing future risk

Due to high-profile security breaches placing government data handling procedures under intense scrutiny, it is now more vital than ever for the public to have trust in how their personal information is handled.



The Government is responsible for processing massive amounts of both sensitive and personal data on a daily basis. This includes the general public's social security details, tax returns and patient health records, as well as a large amount of data relating to national security.

Following the widely publicised loss of child benefit data last November, the Prime Minister asked Cabinet Secretary Gus O'Donnell to work with security experts to review data handling procedures across government. The two-stage review was led by Robert Hannigan, Head of Intelligence, Security and Resilience at the Cabinet Office, to examine:

- data protection procedures in all government departments and agencies;
- consistency with government-wide policies and standards; and
- arrangements for ensuring the appropriate procedures are implemented in full.

The interim report, published in December 2007, analysed current procedures and systems across government, detailing the ongoing actions in place to reduce risk and highlighting areas for further improvement.

The second stage review, published in June 2008, focuses in detail on how current standards could be improved across government. It also considers how government could provide greater transparency about its responsibilities to protect public data. The new measures are already being implemented across Whitehall.

In January 2008 the Cabinet Secretary wrote to all Permanent Secretaries across central government, to ensure that electronic devices containing personal data were kept safe until they could be appropriately protected through encryption.

Encryption effectively scrambles data to make it unintelligible to unauthorised users. This new measure is in addition to the password and user ID authentication already required by staff and extended to any government electronic storage device including laptops, portable email devices and memory stick hard drives.

“The Cabinet Office is playing a leading role with the support of departments and technical experts to embed across government a culture that values information as a key business asset,” says Roger Styles, the Central Sponsor for Information Assurance at the Cabinet Office. “We need clear accountabilities and responsibilities at all levels of government, as well as improvements to training and awareness across the whole Civil Service. To be really effective, there needs to be much greater consciousness of the value of data across the whole public sector and, indeed, the whole of the UK.”

What we're doing as a Department

While the Cabinet Office processes smaller amounts of personal information than some government departments, it is ensuring that high levels of protection apply to the information it does hold.

CabNet, the department's corporate IT network, has 'Confidential' accreditation and the Cabinet Office is ensuring rigorous compliance with Whitehall-wide security measures in every aspect of its work.

A revised security policy has also been put in place to remind all staff working in the Department that they must ensure that they:

- handle, distribute and keep safe personal information and classified assets, protectively marking any documents they create appropriately; and
- ensure compliance with all current rules relating to the protection of information on laptops and mobile devices.

To view the data handling review, visit: www.cabinetoffice.gov.uk

SUPPORTING THE PRIME MINISTER AND CABINET

Constitutional renewal: our role

The change of Prime Minister last year has meant that the Cabinet Office is now leading government on two major proposals for constitutional renewal.



The two proposals for the Cabinet Office, outlined in *The Governance of Britain*, and published for further consultation and debate in the July 2007 Green Paper were:

- legislation for the Civil Service; and
- increased Parliamentary scrutiny of key public appointments.

The Propriety and Ethics Team at the Cabinet Office developed proposals for Civil Service legislation which will embed the core values of impartiality, objectivity, honesty and integrity within statutory law.

The team consulted key stakeholders such as the Civil Service Commissioners and the Civil Service trade unions throughout the process, and also had the benefit of a full public consultation on the prospect of Civil Service legislation. Lisa Harlow, a member of the team, says: "The work involved going back to the first principles of the Civil Service – its role, governance and values – and understanding the full scope of the draft legislation such as the management of the Civil Service, the role of the Civil Service Commissioners and how these would sit with wider proposals in the draft Constitutional Renewal Bill."

Others in the team, such as Rob Wall, have been looking at how the Government will strengthen the role of Parliament in the

public appointments process. This will involve candidates for key public appointments appearing before Parliamentary select committees before being appointed. It's been a major piece of work for the Propriety and Ethics team, involving partnership working with other government departments, the Commissioner for Public Appointments and Parliament, to establish a process and to agree a list of suitable appointments. "The Government is committed to strengthening the role of Parliament in certain key public appointments and increasing democratic scrutiny of the public appointments process," says Rob Wall. "Looking at how the Government will deliver this commitment has been a major focus for the Propriety and Ethics team. We've worked in partnership with other government departments, the Commissioner for Public Appointments and Parliament to establish policy and draw up a list of suitable key appointments.

Rob says: "This is a new and innovative approach in making public appointments. The aim is to increase scrutiny of the public appointments process and provide greater public reassurance that those appointed to key public offices are appointed on merit."



Looking at how the Government will deliver this commitment has been a major focus for the Propriety and Ethics team.

ROB WALL, CABINET OFFICE PROPRIETY AND ETHICS TEAM



SUPPORTING THE PRIME MINISTER AND CABINET

Transforming public services

CabinetOffice intelled



You can already tax your car in seconds online – although the choice is still there to complete the transaction face-to-face or over the phone.

This is just one example of transformational government, which is about using technology to make services simpler, faster and more convenient for users. It is also about giving people real choice; centred around what customers want.

Over the next three years, the Cabinet Office will drive forward an ambitious programme of public service reform. This will require a highly skilled IT workforce, capable of developing innovative solutions. The scale of the challenge they face is immense: the UK government runs many of the world's largest computer systems and spends some £12 billion a year across the public sector, and also operates in over 140 countries.

Going with the Fast Stream

The next generation of IT leaders in the public sector will benefit from the new Technology in Business Fast Stream. Starting in 2007, this Cabinet Office-led graduate entry scheme, hand picks participants for their potential to plan, deliver and manage technology-based change centred around the needs of UK citizens.

Nicola Joiner was one of six people selected from 350 applicants for the inaugural year of the programme. With her fellow recruits she follows a four year programme of specialist training and managed placements. She is currently based at the Department for International Development (DfID).

"I'm working on an improved search facility for DfID staff, which has the potential to be used on other departmental systems," says Nicola. "Most of DfID's work involves helping people in developing countries; I've already been to Delhi to recruit additional staff, increasing the capacity of our helpdesk function to support offices in South East Asia and parts of Africa. I found that hugely rewarding and, again, will be able to use the skills I've developed in other contexts."

Opposite page: Alexis Cleveland, Director General, Transformational Government and Head, Cabinet Office Management at Tower 08

Moving Forward

Working in partnership to deliver public services, genuinely supported and enabled by information technology, was also the theme of *Tower 08 – Moving Forward*. Organised in March by the Cabinet Office and Intellect, the UK technology industry trade association, it brought together public sector officials from across Britain and around the world. Contributors included Cabinet Secretary Gus O'Donnell; Cabinet Office Minister for Transformational Government Tom Watson; and Sir David Varney, the Prime Minister's Adviser on Public Service Transformation.

Sir David Varney's service transformation review, published in December 2006, spells out the challenges faced by public services in the future. His recommendations are being implemented across government following the publication of the Service Transformation Agreement (STA), and alongside the pre-Budget Report in October 2007.

For more on transformational government, visit www.cio.gov.uk

Recommendations from the Varney review include:

- piloting a service called 'Tell Us Once' that enables citizens to tell public services just once about birth, death and change of address;
- reducing the number of government websites and moving their citizen and business content to two single access websites, Directgov and businesslink.gov.uk. Of the 1,499 websites identified for closure in departmental website reviews by March 2008, 441 have already closed, with a further 538 planned closures by 2011;
- reducing the number of times citizens and businesses need to contact call centres and local offices; and
- empowering citizens to influence the services they receive, including design and delivery.

Working in partnership

Touching the lives of people in local communities can only happen through meaningful engagement. By working in partnership with third sector organisations, the Government is better able to understand the needs and issues affecting all parts of society.



The third sector covers a range of not-for-profit organisations, from community groups to charities. Many work at the forefront of public service delivery, driving forward innovative programmes with the potential to transform people's lives.

Leading from the Cabinet Office, the Office of the Third Sector (OTS) builds support across government for developing the environment for a thriving third sector. It seeks to empower the sector to excel at what it does best – deliver and transform public services, campaign for change, promote and encourage social enterprise and strengthen communities.

Following the largest ever public consultation with the sector, the Cabinet Office and Treasury published *The future role of the third sector in social and economic regeneration: final report* in July 2007. This sets out a 10-year framework for partnership working between the third sector and government, outlining a £515 million programme to support community organisations over the next three years.

v for volunteering

A key element in achieving the report's aims is to ensure that all individuals and communities are enabled to play a full part in civil society. And one way of ensuring such engagement is by encouraging and promoting volunteering.

The document confirms the Government's intention to invest a further £117 million in the youth volunteering charity v. This was set up in 2006 with OTS funding to lead in delivering a step change in the quality, quantity and diversity of volunteering opportunities for young people aged 16 to 25 in England. One of the charity's initiatives is an innovative match fund, developed in partnership with the OTS and HM Treasury, which enables it to match – pound for pound – any private sector contributions for youth volunteering. The match fund has enabled several initiatives aiming to strengthen communities.

Volunteering hubs

One such initiative is delivered by the charity Oasis UK with support from Stagecoach Group, Lancaster Foundation and the Cabinet Office's Economic and Domestic Secretariat. v's £117,752 investment will enable Oasis

Over the next three years, the Office of the Third Sector will invest over £515 million in programmes including:

- £130 million in Grassroots Grants, combining small community grants and endowment funds to build sustainability into local grant allocations;
- £117 million in youth volunteering charity v;
- over £85 million in Capacitybuilders for third sector infrastructure development;
- £65 million in Futurebuilders, bringing the total value of the fund to support the third sector's role in the delivery of public services to £215 million by 2011; and
- £30 million in community asset development and £10 million in community anchors.

UK to expand volunteering opportunities across hubs in Grimsby, Clitheroe, Enfield and London Waterloo.

One of the charity's drop-in youth clubs provides a safe place for young people to 'hang out' on Enfield's Kettering Estate. Local police and community members approached Oasis UK to start the club, which supports the young people through relationships built with youth workers, mostly volunteers.

"It's a good youth club, you can do different activities and young people from the estate can come. The youth workers are good and you can get along with them easily," says one young person on the project.

The volunteers also do youth work in other parts of Enfield, including Edmonton, which has seen five youth-on-youth murders since Christmas 2007, and Enfield Lock – where crime has gone down by 10% and anti-social behaviour by 14% since Oasis UK started working there. A local police sergeant says: "Thanks to our partnerships with Oasis UK and close working relationships with individual youth workers, we are more successful in making life safer for young people in Enfield Lock."

The OTS strategic funding to v is part of a range of programmes outlined in the Third Sector Review that aims to develop an environment in which the third sector can thrive.

To find out more about these programmes and the Office of the Third Sector, visit www.cabinetoffice.gov.uk/thirdsector

TACKLING SOCIAL EXCLUSION

Rebuilding shattered lives

Working from the centre of government, the Cabinet Office is leading a Public Service Agreement (PSA) to increase the numbers of chronically excluded adults in settled accommodation and employment, education or training.



For the past 12 months, the small but highly effective Social Exclusion Task Force has been influencing government departments and local service providers to drive forward the agreement, which took effect from April 2008.

Adults facing chronic exclusion will often experience problems such as behavioural difficulties, a history of the care system or periods of time in prison. Because they have multiple needs, they may cross several agencies at once, meaning they can bounce from service to service without receiving the tailored help that they need. Accessing the right services at the right time can prevent considerable obstacles to themselves and their families, as well as keeping down the cost to the wider community.

The focus of the PSA is on four client groups who are especially vulnerable to multiple forms of disadvantage, and who may be negotiating difficult life situations involving leaving prison or long-term care:

The four groups are:

- young people leaving care;
- adult offenders on probation;
- adults with mental health problems; and
- adults with moderate to severe learning difficulties.

“This is an issue which requires extensive engagement across central and local government, as well as with external stakeholders,” says Naomi Eisenstadt, Director of the Social Exclusion Task Force. “The Cabinet Office is powerfully placed to coordinate the action. While the Social Exclusion Task Force does not have a service delivery role, it does have a key role in bringing together and influencing those responsible for delivery, both across Whitehall, and in local areas.

“The challenge is to bring together the departments responsible for the key services that will solve the problems: the Department for Work and Pensions for jobs; Communities and Local Government for homes; Department for Innovation, Universities and Skills for the training that will get people into employment; and the departments that have responsibility



for the overall well-being of our four client groups: Health, Ministry of Justice, and the Department for Children, Schools and Families.

“Within the Cabinet Office, we work closely with the Office of the Third Sector, which covers charities and voluntary organisations, and with the Strategy Unit, which support us in problem analysis. Indeed, our strength lies in the combination of our intensive contact with frontline service users, provider organisations, and our rigorous analysis of problems and solutions.”

ACE pilots help put lives back on track

September 2007 saw the launch of the ACE (adults facing chronic exclusion) pilot programme, a cross-government initiative designed to tackle social exclusion among society’s most marginalised people. The Cabinet Office is leading the programme in partnership with voluntary and community organisations, local authorities and health authorities across the country.

The 12 projects selected for the pilot cover a range of voluntary, public and private sector organisations, dealing with issues as diverse as domestic violence, autism and sleeping rough. The Home Office, Communities and Local Government, Health and Work and Pensions are providing sponsorship of £6 million over three years to cover all 12 pilots.

Above: Gus O’Donnell at the ThamesReach project visit in Catford

Opposite page: Adults on the ThamesReach team building exercise in Wales



Our strength lies in the combination of our intensive contact with frontline service users and provider organisations and our rigorous analysis of problems and solutions.



NAOMI EISENSTADT, DIRECTOR, SOCIAL EXCLUSION TASK FORCE

A national evaluation process will draw lessons from the effectiveness of different approaches.

One of the pilots, based at ThamesReach in London, is working to get deeply excluded adults back on the road to sustainable employment. Jeremy Swain, Chief Executive of ThamesReach, says that one of the most exciting things about the project was that four fifths of the homeless people the organisation supports actively wanted to get back into work.

“We give a lot of emphasis to practical skills and a crucial part of the course is a three-day team building exercise in Wales. We also give people financial incentives. One of our participants wanted to become a locksmith, so we gave him the money for a short course to learn the trade.

“We give participants all the help we can in managing the transition to work, which can be tricky after a long period of unemployment.”



Thinking family

The Social Exclusion Task Force (SETF) also launched *Reaching Out: Think Family* in June 2007 as the first stage of its *Families At Risk Review*. It highlighted innovative practice and demonstrated the need for existing services to work together more effectively.



The final report *Think Family: Improving the Life Chances of Families at Risk*, published in January 2008, set out a vision for a local system that helps break the cycle of disadvantage by 'thinking family' at every level.

"The research makes it clear that taking family circumstances into account is of vital importance," says Naomi Eisenstadt, Director, Social Exclusion Task Force. "If an adult with multiple problems is also a parent, then it is essential for the adults' services involved to think of them as a parent rather than as just a person with problems. There has to be effective collaboration not only across adults' services but between adults' and children's services, with support tailored to the whole family. The best children's services, working on their own, can't eliminate the impact on children of parents with severe and entrenched problems – be these drugs, mental health issues or a range of other difficulties."

Family Pathfinder pilots

Partners in government such as the Department for Children, Schools and Families (DCSF) are leading a £16 million programme of Family Pathfinder pilots in 15 areas to test and develop the 'Think Family' approach set out by SETF in the Families at Risk review. Local authorities and their partners will drive improved outcomes for families at risk, improve coordination between adult and children's services and develop solutions such as whole family assessments. Six Pathfinder areas will also become Extended Family Pathfinders for Young Carers, addressing the specific support needs of families with young carers.

Previous page: Social Exclusion Task Force interviewing young mothers at the Wishes project, Thurrock, Essex

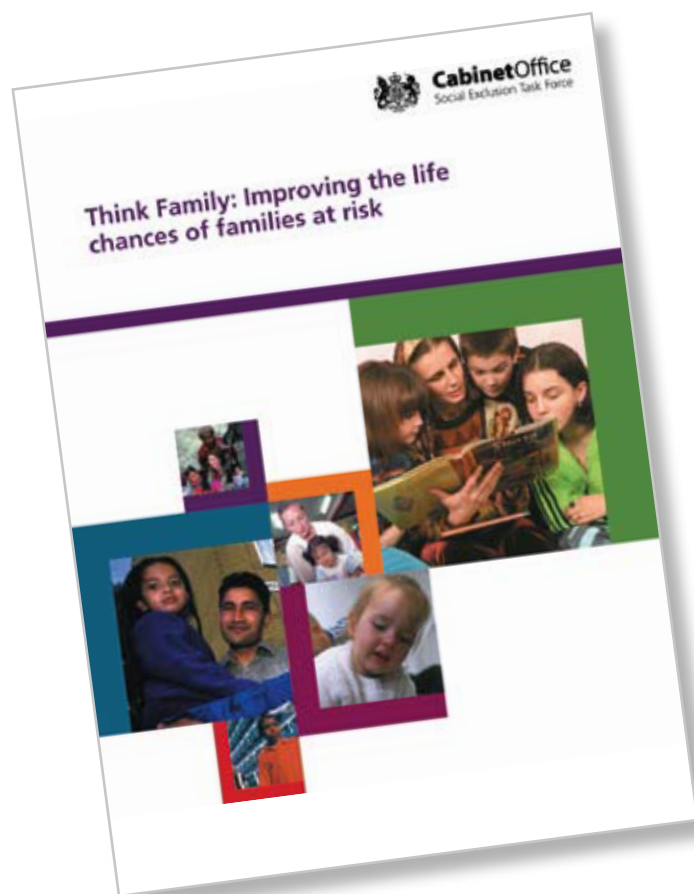
Other innovative approaches

During 2007, the Task Force was instrumental in helping to launch two cross-cutting pilot schemes being led by the Department for Children, Schools and Families, and the Department for Health and Communities and Local Government:

- Family Nurse Partnerships – 10 pilots aimed at supporting the most vulnerable mothers-to-be and their children. The programme provides intensive home visits to disadvantaged young mothers from early pregnancy until the child is aged two. The sites went live in April 2007.
- Multi-systemic Therapy Pilots – 10 pilots aimed at promoting behaviour change in young people at high risk of being taken into care or custody. The pilot sites will go live between June and September 2008.

To find out more about the work of the Social Exclusion Task Force, visit:

www.cabinetoffice.gov.uk/social_exclusion.aspx



TRANSFORMING CIVIL SERVICE SKILLS AND CAPABILITY

Going the extra mile

Dusty corridors and stiff suits are a far cry from today's Civil Service. The Civil Service of the 21st century is a dynamic, increasingly streamlined organisation with employees who are working to make a difference to people's lives.



INTRODUCTION
Pages 4-11

THE STORY OF
OUR YEAR
Pages 12-59

MINISTERS AND BOARD
MEMBERS
Pages 60-67

COMPREHENSIVE
SPENDING REVIEW 2007
Pages 68-75

PERFORMANCE
REPORT
Pages 76-91

CABINET OFFICE
FINANCES
Pages 92-113

RESOURCE ACCOUNTS
2007-08
Pages 114-163

PUBLIC
APPOINTMENTS
Pages 164-169

The work of civil servants touches the lives of everyone in the UK, from advising job-seekers to formulating climate change policy. The Cabinet Office has a special role at the centre of government and supports Gus O'Donnell in driving the Civil Service forward.

Strong, effective leadership for the Civil Service

To deliver the challenging results that the Government and the public expect, the Civil Service needs strong, effective leaders. In 2008 the Civil Service Capability Group incorporated leadership skills into the annual performance assessments of all 4,000 members of the Senior Civil Service. This extends up to, and includes, Permanent Secretaries.

As a result, leadership is now a key competency for the Senior Civil Service. These skills, set out in the Leadership Framework element of Professional Skills for Government (PSG), define the expectations the Civil Service has of its leaders both individually and collectively, in four areas:

- integrity – building on team working and self-awareness;
- providing direction for the organisation;
- delivering results; and
- building capability in the organisation to address current and future challenges.

Jacquie Heany, Deputy Director for Government HR Professionalism at the Cabinet Office, is a new entrant to the Senior Civil Service. She commends the new arrangements: "Knowing that there is real commitment to assessing my leadership style is very reassuring – it means that there is an absolute link between what I deliver in my job and how I deliver it as a leader. In this way, there is real clarity for me and the people I lead that all aspects of my performance are taken into account."

This new development is just one part of a wider set of tools, including PSG, which have been introduced to build and strengthen capability in the Senior Civil Service.

Building corporate leadership at Base Camp

Another key development over the past year has been Base Camp, our corporate leadership induction course for new entrants to the Senior Civil Service. Shaped by the Civil Service Capability Group in partnership with the National School of Government, the programme ran for the first time in November 2007 and again in February 2008.

These initial three-day courses brought together some 150 new Senior Civil Servants from across government, and set out to explain the corporate Civil Service leadership behaviours expected of them all. The events also offered delegates an opportunity to participate in workshops, network, and hear from some of the foremost leaders in the Civil Service.

BBC broadcaster Jeremy Vine, who attended the first event to host a Q&A session, was positively impressed by the participants: "My listeners are the ones who are queuing at the Post Office or the hospital, and what impressed me about today's session was that the participants knew that."

Below: Jeremy Heywood, Permanent Secretary, No.10, addresses Senior Civil Servants

Previous page: Delegates inputting feedback at Civil Service Live





Increasingly your job will be not just to talk to each other across departments but to consult the public, involve them, and engage them in the process of change.

THE RT HON GORDON BROWN MP, PRIME MINISTER



LIVE: for learning, innovation, versatility and enterprise

Inspiring innovation across the whole Civil Service was the aim of Civil Service Live – the first event of its kind dedicated to UK civil servants. More than 6,000 civil servants from across government came together at Westminster’s QEII Conference Centre to share best practice and learn from interactive events.

The event was organised by the Cabinet Office in tandem with the National School of Government and fortnightly publication *Whitehall & Westminster World*.

Opening the event, Prime Minister Gordon Brown said that the British Civil Service had long been recognised worldwide for its impartiality, independence and record of service. But it was important to focus on the challenges of the future, which would demand a high degree of collaboration and interaction.

“Increasingly your job will be not just to talk to each other across departments but to consult the public, involve them, and engage them in the process of change.

“The very title of this conference, and the focus on innovation, versatility, enterprise and learning from each other, shows that we are ready to make the changes that are necessary.”

The event gave participants the opportunity to explore innovation in a range of areas, from sustainability to skills, with many of the

free sessions available offering key insights into government working. One of the many highlights was *Lion’s Lair*, an adaptation for civil servants of the BBC programme *Dragon’s Den*.

The event challenged civil servants to put ideas for making government work better before a panel of experts including Peter Jones, a star entrepreneur on *Dragon’s Den*. It also took inspiration from *Angels and Dragons*, a similar staff suggestion scheme already up and running within the Cabinet Office.

One winning *Lion’s Lair* proposal was from Rupert Cryer of the Cabinet Office Capability Review team. His idea is to gather success stories from the Civil Service, and to celebrate the best of these by sharing them with colleagues across government departments in a regular headlines bulletin. These ideas will be taken forward over the next 12 months.





Thank you for the dedication you show, the commitment you give, for the expertise you have, for the professionalism that is always there and for the service that is appreciated by citizens in every part of the United Kingdom.



THE RT HON GORDON BROWN MP, PRIME MINISTER

Awarding success

Celebrating success is also the driving force behind the Civil Service Awards, launched in 2006 by the Cabinet Office, the Office of Government Commerce and the National Audit Office with backing from sponsors including *Whitehall & Westminster World*.

The awards, which showcase examples of good practice across government, are open to any civil servant who has made a difference to the way government works. Over the past two years the awards have helped civil servants share examples of innovation, leadership, operational delivery, transformational government and joined-up working.



Above: Delegates at Civil Service Live



Kevin Doherty, Head of Corporate Information and Communications Technologies (ICT), (and his team) scooped an award at the November 2007 awards for their work on *Flex*, an ICT outsourcing project. The initiative is set to create shared ICT services across the public sector, potentially saving £2.5 million a year as well as over 300 tonnes of carbon for the Cabinet Office. In addition to the Cabinet Office, the Department for Innovation, Universities and Skills and the Office for National Statistics have also opted to adopt the service.

"*Flex* means more value for money for the public purse," says Kevin. "As well as improving efficiency and reducing costs, it will enable us to collaborate more effectively and to join up government."

TRANSFORMING CIVIL SERVICE SKILLS AND CAPABILITY

Capability Reviews across government

Today's Civil Service needs the capability to deal with increasingly complex and diverse challenges, from climate change to joining up government effectively.



INTRODUCTION
Pages 4-11

THE STORY OF
OUR YEAR
Pages 12-59

MINISTERS AND BOARD
MEMBERS
Pages 60-67

COMPREHENSIVE
SPENDING REVIEW 2007
Pages 68-75

PERFORMANCE
REPORT
Pages 76-91

CABINET OFFICE
FINANCES
Pages 92-113

RESOURCE ACCOUNTS
2007-08
Pages 114-163

PUBLIC
APPOINTMENTS
Pages 164-169

To ensure government departments are up to the task of delivering the services UK citizens need for the 21st century, the Cabinet Office launched a programme of Capability Reviews across the Civil Service in January 2006. The programme aims to assess the performance of each government department in three key areas – leadership, strategy and delivery.

Led by the Capability Review team, part of the the Cabinet Office's Civil Service Capability Group, the programme has now completed reviews of all 17 Whitehall departments, almost 100 review team members have been drawn from: the private sector; chief executives from local authorities; the Civil Service and other public sector bodies. Many of the reviewers have since provided updates to the Cabinet Secretary on the progress departments have made.

Two years on, the challenge is to assess whether those departments are bringing about lasting change and strengthening Civil Service capability. Are they, in short, making a difference?

In May 2007, the Civil Service Steering Board commissioned a team from the Sunningdale Institute to evaluate the Capability Reviews programme, analyse what has been achieved so far, and suggest how to build the programme to deliver the next stage of reform.

Opinion Leader Research in July 2007 showed that 64% of Senior Civil Servants surveyed, believed that their Capability Review had been effective in delivering departmental changes. They felt that the reviews had helped ensure that departments were engaging effectively with stakeholders, partners and the public.

However, the Sunningdale Institute evaluation recommends that the centre of government must cement gains made during the first two years of the programme. To maintain momentum, the focus should now be on addressing both common capability gaps across departments and cross-cutting issues

to ensure there is no impact on government's ability to deliver public services. The four common capability gaps identified across departments are:

- leadership and boards;
- management of delivery and performance;
- delivery models; and
- people and skills.

The Civil Service Capability Group, based in the Cabinet Office, has responded to these challenges by creating a Civil Service Change Team who focus on capturing knowledge and sharing it across Whitehall. The Capability Reviews Team is also working with the Prime Minister's Delivery Unit on a set of Public Service Agreement reviews aimed at identifying and tackling barriers to public service delivery.

Next steps

A second programme of reviews to chart progress and next steps started in May 2008. This involves departments being reviewed for a second time two years on and will sustain the momentum for change and improvement across the Civil Service. It will also provide departments with an opportunity to demonstrate the progress they are making, and to learn from the positive ways in which the Civil Service as a whole is changing for the better to improve delivery and outcomes for citizens.

The second programme of reviews will follow a smarter and sharper process and there will also be a greater emphasis on self-assessment and supporting evidence from departments. As before, each review will be followed by the publication of a report. The first tranche of the current reviews comprising the Home Office, The Department for Children, Schools and Families and the Department for Work and Pensions, has already started and is due to be published before the 2008 summer recess.

BUILDING A BETTER DEPARTMENT

Our corporate objectives

As head office of UK Government, the Cabinet Office has a dual role: to set an example to the wider Civil Service, but also to develop its own capability.



INTRODUCTION
Pages 4-11

THE STORY OF
OUR YEAR
Pages 12-59

MINISTERS AND BOARD
MEMBERS
Pages 60-67

COMPREHENSIVE
SPENDING REVIEW 2007
Pages 68-75

PERFORMANCE
REPORT
Pages 76-91

CABINET OFFICE
FINANCES
Pages 92-113

RESOURCE ACCOUNTS
2007-08
Pages 114-163

PUBLIC
APPOINTMENTS
Pages 164-169



Above: Jonathan Slater and Nicholas Holgate from the Department of Culture, Media and Sport

Previous page: Last July's all staff event

The Cabinet Secretary is holding Permanent Secretaries to account on progress against four corporate objectives: skills, diversity, sustainability of the Government estate, and health & well-being.

Upskilling the Civil Service

Developing the skills of the Civil Service is at the forefront of the Government's agenda.

But more action is needed to achieve the stretching targets set out in the December 2006 Leitch review. In his landmark report Lord Leitch called for 'radical change right across the skills spectrum' to avert a 2.2 million skills shortage by 2020 and enable the UK to become a world leader in skills.

Led by Government Skills, the sector skills council for central government, the Civil Service signalled its determination to meet the challenge within its own workforce through the signing of a skills pledge.



In the 21st century, our natural resource is our people – and their potential is both untapped and vast. Skills will unlock that potential. The prize for our country will be enormous – higher productivity, the creation of wealth and social justice.

PROSPERITY FOR ALL IN THE GLOBAL ECONOMY:
WORLD CLASS SKILLS, BY LORD LEITCH



In April 2007 Permanent Secretaries came together committed to helping all eligible employees gain basic skills and a Level 2 qualification (broadly equivalent to 5 GCSEs at grades A* – C). The commitment covers more than 475,000 people working to deliver public services in 17 main government departments.

Permanent Secretaries across the UK also put their combined support behind the Skills Strategy for Government, completed by Government Skills in January 2008 and launched at Civil Service Live in April 2008. *Building Professional Skills for Government* sets out how government employers will step up to meet the skills challenge over a three-year period from now until 2011.

Implementing this will provide Civil Service staff with clearer career paths, improved access to accredited skills and better mobility prospects within government and beyond.

Government Skills has subsequently transferred from the Cabinet Office to the Department for Innovation, Universities and Skills (in April 2008) in a machinery of government move designed to increase momentum for the next phase of the Skills Strategy for Government.

For more on Government Skills, visit www.government-skills.gov.uk

'It's not just about textbooks'

Barbara Cooper and Freddie Puttman, both cleaners at No.10, described *Skills for Life* – the national strategy for improving adult literacy, numeracy and Information and Communications Technologies (ICT) – as a life-changing experience:

"We wanted to improve our spelling and grammar, and we had the perfect opportunity when tutors of *Skills for Life* came to explain what courses were available to us.

"We took a 10-week intensive course which consisted of two hours a week learning areas of the new National Curriculum for adults. It went really well. Sophie, the tutor, was great – so understanding and helpful. We have achieved so much in such little time, from improving punctuation to boosting our self-confidence. It's not just about textbooks. We have improved our skills for everyday life."

Diversity

Diversity, one of the five core Cabinet Office values, is a strong priority – both for the Department and across government.

Mainstreaming diversity in everything we do

The Cabinet Office is driving forward a range of initiatives aimed at ensuring the workforce truly represents the citizens it serves, and unlocking the potential of every member of staff.

Cabinet Office *People Week* last October saw the launch of a new diversity framework and plan, which sets out practical steps for achieving a more inclusive culture within the Department. The week helped bring these issues alive through a series of workshops, with unconscious bias, dyslexia and deaf awareness proving especially popular.

The diversity plan has set into motion a number of innovative programmes, one being the private and public sector partnership programme designed to boost the confidence and career prospects of women managers. The Department has also improved accountability by assigning a Board level champion to each of the Cabinet Office

diversity networks to help mainstream its work within the Department. The Cabinet Office Black and Asian Network (COBAN), Rainbow (for gay and lesbian staff), the Women's Network, the Carers' Network and Disability in the Cabinet Office (DisCO) all have their own champions, who report back to the Board on progress every six months.

The plan also details other initiatives for getting senior managers involved in diversity issues, including Trading Perspectives. This is a reverse mentoring project which enables staff from groups under-represented at senior level to mentor a Senior Civil Servant. Each party gains unique insights into what makes the other tick: Senior Civil Servants get a stronger grasp of diversity issues, while staff from under-represented groups see at first hand the challenges senior staff have to grapple with.

The Cabinet Office is leading on a range of measures across government including:

- increasing the numbers of women, ethnic minority staff and disabled people in the Senior Civil Service via the 10-Point Diversity Plan, and through innovative development and mentoring programmes;
- encouraging applications from diverse groups to the Civil Service Fast Stream: initiatives include outreach and work experience programmes, and an improved recruitment and assessment process; and
- building greater awareness about the honours system among under-represented groups and encouraging nominations from them.

Visit www.civilservice.gov.uk for more on the 10-Point Diversity Plan.



Right: Cabinet Office Diversity Workshop

Taking a greener approach

Climate change is the biggest environmental challenge facing the world today, and UK citizens have been working to tackle its effects – from recycling waste to cycling to work. As part of the drive for a greener approach across government, Gus O'Donnell announced a new centre of excellence in March 2008 to help departments achieve ambitious targets for reducing carbon emissions and waste.

The new Centre of Expertise for Sustainable Procurement is a direct response to the Sustainable Development Commission's latest report on how the Government is meeting its own targets for tackling climate change. The report found improvements in the Government's overall performance, including a 4% fall in carbon emissions across the estate by the end of 2006/7. But the Commission has called on government to lead by example on sustainability. The new centre will continue to respond to the increasing targets that government has set itself.

The Cabinet Office is also coordinating targeted 'eco' measures across government. These range from phasing out bottled water in meetings to requiring almost all new vehicles used by Ministers and Permanent Secretaries to have carbon emissions below 130g/km.

Improving sustainability across its own estate is also a priority for the Cabinet Office. A recent audit singled out the Department's Environmental Management System (EMS) as an exemplar, saying it was one of the most effective within government and that the

Cabinet Office was well-placed to mentor similar schemes.

Over the past year, the Cabinet Office has implemented a series of small but significant initiatives as part of a broader strategy to improve its own sustainability. These include:

- becoming a binless office, with recycling points replacing personal bins;
- installing water flow restrictors to taps;
- installing water volume reducers in toilet cisterns;
- abolishing bottled water orders for hospitality bookings;
- removing water coolers wherever practical;
- installing Passive Infra-red (PIRs) lighting controls; and
- launching software which enables PCs to be switched off at the end of the working day.

"Encouraging people to take personal responsibility for their actions is key if we are to make a real difference," says Nigel Hutcheon, Sustainable Development Policy Adviser. "We recently set up a network of Green Coordinators to help the Cabinet Office achieve its environmental goals by championing green issues within our management units and teams.

"We're keen to work in partnership with other government departments to promote greener initiatives. Last December we helped colleagues from the Department for Environment, Food and Rural Affairs to organise a 'green fair' for civil servants."

In addition, bio-degradable food containers will shortly be provided in all restaurants on the Cabinet Office estate. Of all food supplied, 57% is UK produced and 71% is farm assured; 67% of all tea and coffee supplied is FairTrade.

Projected Cabinet Office savings

Water saving measures under Project Hydro – 11,858,000 litres of water per annum: 574,000 from flow restrictors in hand basins; 284,000 from volume reducers in cisterns; and 11,000,000 from waterless urinals

Bottled water and water coolers – £35,000 per annum

Passive infra-red (PIR) lighting controls – 40 tonnes of carbon and £17,000 per annum

PC Switch-off scheme – 500 tonnes of carbon and £88,000 per annum

Public sector *Flex* – 327 tonnes of carbon per year and nearly £50,000



Cabinet Office 2007–2008 Sustainability Expenditure

Key Indicators	Direct Company Impacts	
Climate waste and resource indicators	Financial performance 2007–08	Targets and narrative
Emissions		Reverse the current upward trend in carbon emissions by April 2007
• CO ₂ equivalent emissions	3,743,322kg CO ₂	Reduce carbon emissions by 12.5% by 2010-11, relative to 1999/2000 levels. Reduce carbon emissions by 30% by 2020, relative to 1999/2000 levels.
Waste		
• Sustainability	£20,116.00	Reduce their waste arisings by 5% by 2010, relative to 2004/2005 levels.
• Total disposal cost	£138,598.94	Reduce their waste arisings by 25% by 2010, relative to 2004/2005 levels.
Finite resource usage		
• Water		
– Operating expenditure	£65,865.00	Reduce water consumption by 25% on the office and non-office estate by 2020, relative to 2004/2005 levels.
– Sustainability expenditure	£544.00	Reduce water consumption to an average of 3m ³ per person/year for all new office builds or major office refurbishments.
• Energy consumption		
– Operating expenditure	£1,402,338.00	Departments to increase their energy efficiency per m ² by 15% by 2010, relative to 1999/2000 levels.
– Sustainability expenditure	£29,164.00	Departments to increase their energy efficiency per m ² by 30% by 2020, relative to 1999/2000 levels.



In sickness and in health

Estimates suggest that staff ill-health costs UK employers some £13.4 billion per year, mostly from absences and reduced productivity. It is also widely acknowledged that healthy, motivated staff perform better and can directly increase an organisation's productivity. By ensuring that the Cabinet Office is a place where people want to work, the Department is well-placed to gauge the knock-on effect in terms of public delivery.

The Department has put in place a number of health and well-being measures over the last few months, including:

- the introduction of a range of flexible working patterns to promote a better work-life balance;
- improvements to the Well Being Centre – an on-site staff gym offering health and fitness services;
- a confidential employee assistance programme which enables all staff to talk to a trained adviser about anything that concerns them – from work issues to financial problems;
- options for healthy eating in staff restaurants and extended coffee shop opening hours;
- managed return to work programmes following long-term sick absence;
- a workstation e-learning module and bespoke ergonomic equipment to reduce any discomfort experienced by staff at their workstation;
- more informal meeting space;
- an advance for staff wishing to purchase a bicycle;
- multi-faith and reflection rooms; and
- improved aftercare for any staff suffering workplace injuries.

Developing our people

Working from the centre of government, the Cabinet Office drives forward a range of initiatives that cut across departmental boundaries.

At its all-staff conference in July 2007, the Cabinet Office launched an ambitious People Strategy. This provides a framework for how the Department will lead, manage and develop its people and deliver its priorities over the next three years. Underpinning it was a People Plan, setting out specific actions to deliver the strategy.

The People Plan has led to:

- a new Diversity Action Plan;
- a new learning and development offer;
- a more systematic approach to talent review and succession planning;
- a new approach to performance management and reward;
- a brokerage service supporting staff moves;
- an improved staff induction process; and
- a new workforce planning tool.

To promote the new strategy and bring together its people, the Cabinet Office held its first ever People Week in October 2007. The week gave staff the unique opportunity to participate together in a range of events, from career workshops to coffee with Board members. About a third of Cabinet Office staff took part.

The week was structured around the five key values launched at the July staff conference – partnership, empowerment, cohesion, diversity and innovation – with each day themed on a different value. There were over 80 individual events to bring the values to life; one example of partnership in action was COBR, the Cabinet Office Briefing Room, which coordinates quick responses across government to deal with national emergency. The event was led by John Toker, Director of Communications for Counter Terrorism – who left the audience in no doubt that there was never a dull moment in a COBR day. Diversity was also high on the agenda.

Looking ahead, key priorities in the People Strategy are leadership development, improving management capability, introducing a new approach to reward and moving to a shared services platform for HR and finance services.



Above: People Week

How we've changed

During the course of the year the Capability Review Team reported back on our improved collaborative relationships with No.10, better communication within the Cabinet Office and increased Board visibility – but what more should we now be doing?



It's been a year of widespread changes in the Cabinet Office, something which is not lost on Change Director Sarah Cox. "The first big change was adjusting to a new Prime Minister with new priorities. But at a departmental level I've seen a lot of evidence of collaborative working, such as on the Security Review led by Robert Hannigan. I've also been pleased to see the Department establish new ways of working on issues such as crime, climate change and health with colleagues from across government in our matrix teams."

A key development over the last year has been a sense of improved engagement with staff by senior management. Highlights included the Angels and Dragons business development scheme and an all-staff conference featuring the first ever Cabinet Office Awards and 'marketplace', where units as diverse as Finance & Estate Management and the Office of the Third Sector had the opportunity to share information and ideas.

The challenges we faced

As a government Department, the Capability Review asked us a series of challenging questions:

- Do we have the right strategic leadership?
- Do we know how well we are performing?
- Have we got the right tools to make sure we continue to perform effectively?
- Do staff have the appropriate skills to meet current and future challenges?
- Are staff engaging effectively with their key stakeholders, partners and the public?

The reviewers also said we had lots to be proud of, while our people survey (developed for the first time with Towers Perrin ISR and based on employee engagement principles) along with feedback from key stakeholders, pointed to the need to raise our game in four areas:

- defining more clearly how the Cabinet Office enables the business of government;
- strengthening the capacity to lead transformation across the Civil Service;



- making a high-level vision come alive for every individual and unit; and
- creating coherent systems so that the Cabinet Office can deliver.

Progress so far

A 12-month assessment of action to tackle the areas highlighted previously reported encouraging progress. The review team recognised:

- the setting up of matrix teams – five working groups run by the Cabinet Office to address key priorities across government on cross-cutting issues – comprising civil servants from a number of departments:
 - Crime, Home Office, Ministry of Justice and Attorney General's Office;
 - Climate Change and Energy;
 - Department of Business Enterprise, Innovation and Regulatory Reform;
 - Communities and Local Government; and
 - Health.
- improved collaboration with the Treasury, including joint Board meetings and the publication of a joint 'Compact' agreement on how the centre will work with other government departments;
- clarifying the roles, responsibilities and remit of the Civil Service Steering Board (CSSB) and the Permanent Secretaries Management Group (PSMG) to help meet Civil Service wide objectives; and

Above: Peter Hatchard, Civil Service Capability Group, and David Lambert, Economic and Domestic Secretariat, attend a matrix team meeting

Opposite page: Sarah Cox Director, Cabinet Office Change team

- significant improvements in Cabinet Office Human Resources such as the new learning and development offering, diversity framework and objective setting, and a well received People Week.

So what's next?

We have refocused and prioritised our change programme to focus on:

- better management of the Department, including:
 - improved clarity on the governance structure and accountability arrangements;
 - more effective business planning;
 - risk management;
 - workforce planning;
 - a more diverse Department – which will now be tracked by measures written into the corporate objectives of senior managers.

- making better use of our estate to improve our effectiveness as an organisation;
- developing more efficient and coherent systems like the implementation of IT innovations such as Flex across the Department and a new shared services model in partnership with the Department for Work and Pensions for Finance and HR transactions; and
- transforming the Civil Service by developing a clear vision for the future.

“The drive for change has come from the Cabinet Office Board, particularly the time it spent prioritising the change programme. By concentrating on doing a few things well we have seen real progress in the last year. It is not until you pause and look back at where we were in April 2007 that you really see how far we have come,” says Alexis Cleveland, Director General, Transformational Government and Head, Cabinet Office Management.



Above: 22 Whitehall

Connecting better with our audience

CabCam

Video

Mentoring Partnerships

Title: Mentoring Partnerships
by robthom, 14:30:18
Unit: Cross-Unit
Category: Learning
Tags: Mentoring, Public Services

Display all Board/EM
Display all Business

Latest video

01:32 00:40

Description: A short film to highlight the benefits of the new Mentoring Partnerships scheme
Views: 758

Thanks to technological advances, more and more people use their freedom of choice to decide how to interact with the media.

While that makes it more challenging for government communicators, they are approaching this with greater insight and fresh thinking to help connect with audiences, change behaviours and improve the quality of public services for every citizen.

Strategic communication in government has been helped greatly by the development of the Engage programme. The core of Engage is based on gaining deep insights into what motivates people and helps to identify what might change their behaviour. The Engage framework helps government communicators apply a range of strategic communication techniques and tools, such as detailed segmentation and targeting. This helps them focus on developing identified audience insights so that they can seek more effective ways of communicating with citizens.

Engage principles have been used for a number of departmental and cross-departmental communication projects, and a recent 2008 Government Communicators Network (GCN) tracking survey shows continued success in embedding Engage across government. Respondents have shown an 89% awareness in the programme over the last 12 months, with unprompted awareness rising from 43% to 61%. 73 per cent of those surveyed have some knowledge of Engage, while individual adoption of Engage principles increased from 42% to 57%. The research shows a clear pattern of increasing awareness,

- Engage came into being two years ago following the Independent Review into Government Communications – The Phillis Review.
- This report highlighted the need to raise professional standards, improve coordination across government and integrate communication with policy development.
- The Phillis Review stated that government communication should be more two-way.
- It called for, 'genuine engagement with the public as part of policy formation and delivery'.



which is improving knowledge and changing behaviour in line with the programme's aims.

Success has been achieved through a targeted use of GCN channels, including the upgraded website, knowledge seminars, live events, development courses and inter-departmental activity, put in place following last year's survey results. The challenge for the year ahead is to maintain the momentum, by bringing Engage to particular GCN groups, such as press officers and internal communications specialists, as well as building a greater understanding of strategic communications skills among the policy-making community. To help achieve this we are developing new channels and products targeted at these more difficult to reach groups.

Improved internal communications

The progress that Cabinet Office has made since the Capability Review has been underpinned by the work of the Internal Communication team. Social media tools have been introduced on CabWeb such as CabCam – a film channel – and COMment which gives all members of staff an opportunity to contribute their views and ideas; while the Intranet Benchmarking Forum recently rated CabWeb among their top five member sites. The team has helped the Board increase its visibility, through events, seminars and film. *Inside*, the award winning staff e-newsletter has scored highly in respect of its authenticity and coverage of issues of interest to employees – winning another two publishing awards. A series of lunchtime seminars offer staff a range of interesting topics for discussion and involvement. Success has been built on a mixture of innovation through film and social

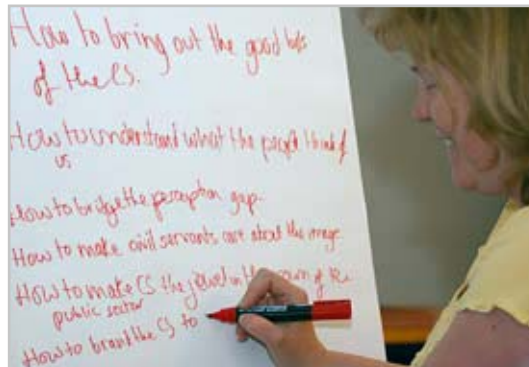


media alongside effective team working across groups with HR, the Change Team and Finance. During the last 12 months there has been a concerted effort to draw out the voices of the internal audience, with staff more likely to ask challenging questions, often expecting answers and feedback via new channels.

Innovative People Survey

November 2007 saw the Cabinet Office introduce a new approach to its annual staff survey based on measuring levels of employee engagement. The new survey was designed as a pathfinder for an improved approach that will be rolled out across the Civil Service.

Over three quarters of Cabinet Office people completed the online survey, which covered a broad range of issues about working in the Department – from management to reward. The results highlighted an increasing sense of pride in being part of the Cabinet Office,



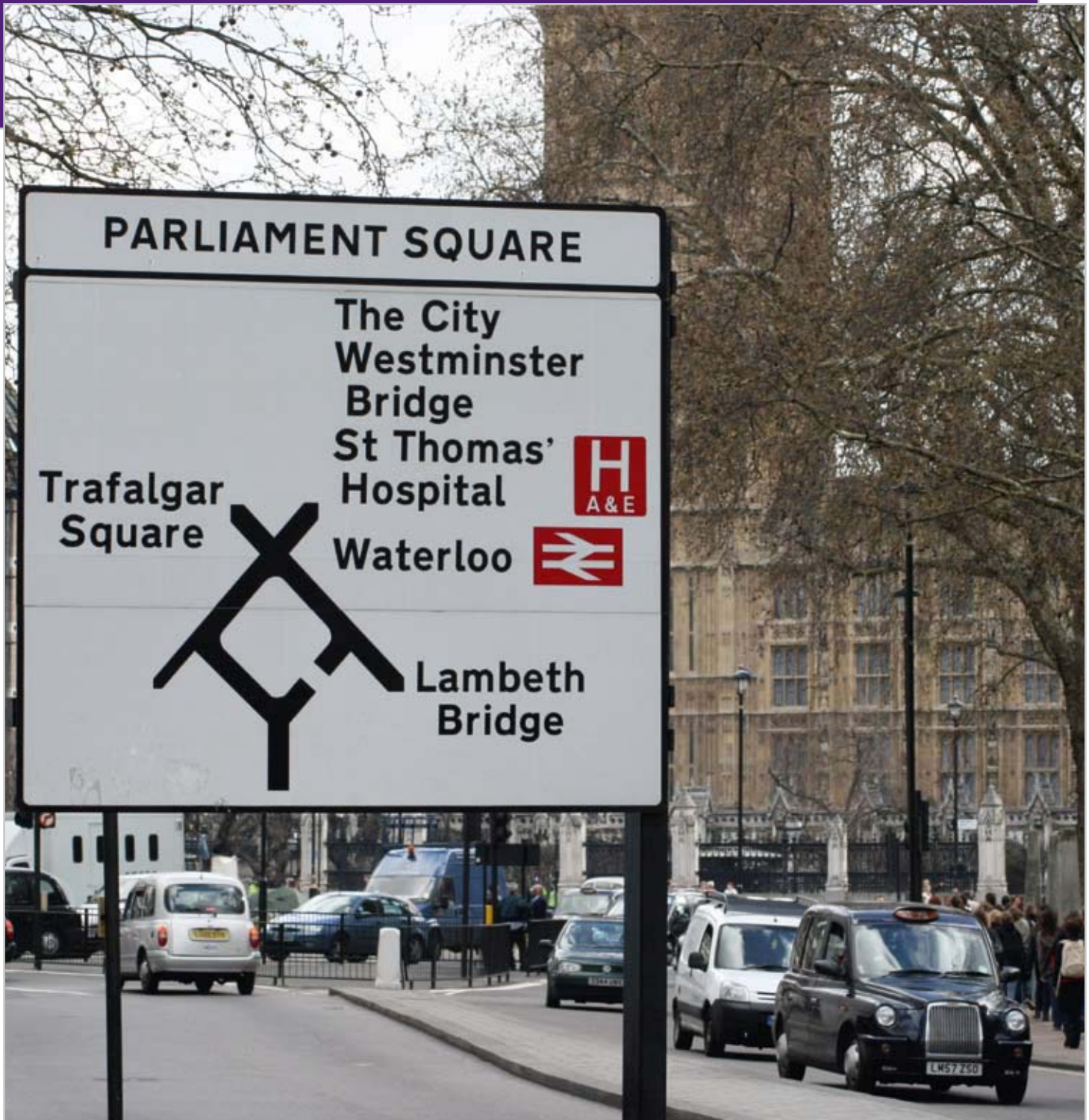
with 72% of respondents saying they would recommend the Department as a place to work. The new approach has enabled the Department to identify what motivates and engages its staff. This means that the follow-up action planned by managers is targeted on the areas that will make a genuine difference to staff motivation and performance.

Opposite page:
Lunchtime seminar on innovation with Phillip Tovey

Left: Contributing ideas at a lunchtime seminar

Ministers and Board members

The Cabinet Office Annual Report and Accounts 2007–08 incorporates machinery of government changes and working groups such as the Prime Minister’s Office within its departmental boundary.



Ministerial responsibilities and ministerial changes

On 1 April 2007:

Following the machinery of government change, effective 1 April 2007, which brought the Lord President of the Council and Leader of the House of Lords, the Leader and Deputy Leader of the House of Commons, and the Offices of the Government Whips in the House of Commons and the House of Lords from the Privy Council Office into the Cabinet Office, the following Ministers became part of the Cabinet Office Ministerial team:

The Rt Hon Baroness Amos of Brondesbury as Lord President of the Privy Council and Leader of the House of Lords.

The Rt Hon Jack Straw MP as Lord Privy Seal and Leader of the House of Commons.

Paddy Tipping MP as Parliamentary Secretary and Deputy Leader of the House of Commons.

During the financial year 2007-08, the following changes to the Cabinet Office's Ministerial team occurred.

On 28 June 2007:

The Rt Hon Ed Miliband MP was appointed as Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster.

The Rt Hon Tessa Jowell MP was appointed as Minister for the Olympics and Minister for London.

Phil Hope MP was appointed as Parliamentary Secretary and Minister for the Third Sector.

Gillian Merron MP was appointed as Parliamentary Secretary and Minister for the East Midlands.

The Rt Hon Baroness Ashton of Upholland was appointed as Lord President of the Privy Council and Leader of the House of Lords.

The Rt Hon Harriet Harman QC MP was appointed Lord Privy Seal, Leader of the House of Commons, and Minister for Women and Equality.

Helen Goodman MP was appointed as Parliamentary Secretary and Deputy Leader of the House of Commons.

The Rt Hon Hilary Armstrong MP, Pat McFadden MP, the Rt Hon Hazel Blears MP, the Rt Hon Baroness Amos of Brondesbury, the Rt Hon Jack Straw MP and Paddy Tipping MP all left the Department.

On 23 January 2008:

Tom Watson MP was appointed as Parliamentary Secretary.

Phil Hope MP was appointed as Minister for the East Midlands in addition to maintaining his roles as Parliamentary Secretary and Minister for the Third Sector.

Gillian Merron MP left the Department.

Machinery of government changes

During the financial year 2007-08, the following changes took place within the departmental boundary.

Transfers into the Cabinet Office

Privy Council Office

On 1 April 2007, the transfer of the Lord President of the Council and Leader of the House of Lords, the Leader and Deputy Leader of the House of Commons, and the Offices of the Government Whips in the House of Commons and the House of Lords from the Privy Council Office to the Cabinet Office was announced.

Transfers out of the Cabinet Office

Better Regulation Executive

On 28 June 2007, the transfer of the Better Regulation Executive and the Local Better Regulation Office to the new Department for Business, Enterprise and Regulatory Reform was announced.

Prime Minister's Delivery Unit

On 28 June 2007, the transfer of the Prime Minister's Delivery Unit to HM Treasury was announced. The Prime Minister's Delivery Unit works in partnership with the Treasury, No.10, other parts of the Cabinet Office and stakeholder departments, to assess delivery

and provide performance management for key delivery areas, and had a shared responsibility with the Treasury for the joint Public Service Agreement (PSA) target.

Other movements

Directgov

On 1 April 2007, responsibility for Directgov, the Government's primary digital service for citizens, transferred from the Cabinet Office to the Central Office of Information.

Deputy Prime Minister's Office

On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office.

Commission for the Compact Limited

In addition, changes also occurred outside of the departmental boundary including a newly operational Executive Non-Departmental Public Body, the Commission for the Compact Limited, which is not consolidated within the resource accounts.

Further details of transfers and other movements can be found within the section Cabinet Office Finances, Financial Review 2007-08 and at Notes 35 and 37 to the Resource Accounts.

Ministers

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

The Rt Hon Hilary ARMSTRONG MP	Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster <i>Until 28 June 2007</i>
The Rt Hon Ed MILIBAND MP	Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster <i>From 29 June 2007</i>
	Parliamentary Secretary and Minister for The Third Sector <i>Until 28 June 2007</i>
The Rt Hon Tessa JOWELL MP	Minister for the Olympics and Minister for London <i>From 29 June 2007</i>
Phil HOPE MP	Parliamentary Secretary and Minister for the Third Sector <i>From 29 June 2007</i>
	Parliamentary Secretary and Minister for the Third Sector and Minister for the East Midlands <i>From 24 January 2008</i>
Gillian MERRON MP	Parliamentary Secretary and Minister for the East Midlands <i>From 29 June 2007 until 23 January 2008</i>
Pat McFADDEN MP	Parliamentary Secretary <i>Until 28 June 2007</i>
Tom WATSON MP	Parliamentary Secretary <i>From 24 January 2008</i>
The Rt Hon Hazel BLEARS MP	Minister without Portfolio – not remunerated <i>Until 28 June 2007</i>
The Rt Hon Baroness AMOS of BRONDESBURY	Lord President of the Privy Council and Leader of the House of Lords <i>Until 28 June 2007</i>
The Rt Hon Baroness ASHTON of UPHOLLAND	Lord President of the Privy Council and Leader of the House of Lords <i>From 29 June 2007</i>
The Rt Hon Jack STRAW MP	Lord Privy Seal, and Leader of the House of Commons <i>Until 28 June 2007</i>
The Rt Hon Harriet HARMAN QC MP	Lord Privy Seal, Leader of the House of Commons and Minister for Women and Equality <i>From 29 June 2007</i>
Paddy TIPPING MP	Parliamentary Secretary and Deputy Leader of the House of Commons – not remunerated <i>Until 28 June 2007</i>
Helen GOODMAN MP	Parliamentary Secretary and Deputy Leader of the House of Commons – not remunerated <i>From 29 June 2007</i>

Ministers' remuneration is disclosed within the audited Remuneration Report included in the section Resource Accounts 2007–08.

Cabinet Secretary

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

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

Cabinet Office Board

The terms of reference for the Board were:

- Taking account of the goals set by the Civil Service Steering Board (CSSB) to ensure that the Cabinet Office plays an effective role as part of the centre of government.
- To set, in consultation with Ministers, the strategy for the Cabinet Office, and to drive its delivery.
- In consultation with Ministers and others, to set judicious objectives and targets for the Department and to ensure that they are met by necessitating effective monitoring systems and instructing interventions where they are required.
- To set, on advice from the management group, and in consultation with Ministers, the resources to be allocated to each Cabinet Office group.
- To take a strategic – and proactive – overview of the Cabinet Office change programme, and to be ultimately accountable for the delivery of the Capability Review Implementation Plan.
- To lead talent management within the Department.
- To lead risk management within the Department.
- To agree, on advice from the management group, the management policies for the Cabinet Office, including a clear People Strategy.

Members of the Board have been appointed by Gus O'Donnell and are collectively responsible for providing corporate leadership to the organisation.

Meet the Board

The members of the Board during the year were:

Chair



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

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

Prior to that, he was Permanent Secretary to HM Treasury (2002–2005). Before that he had been Managing Director, Macroeconomic Policy and International Finance since 1999. From 1998–9 he was Director of Macroeconomic Policy and Prospects, and from 1997–98 was the UK's Executive Director to the IMF and World Bank.

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

Executive Membership



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

From 14 January 2008

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

Alex moved back to the Cabinet Office in 2000 as the Government's first "e-envoy" before taking time off to live

and work in Australia again. He was appointed Permanent Secretary at the Department for Constitutional Affairs in 2004, and subsequently at the Ministry of Justice following its creation in 2007. In 2008 he was appointed Chairman of the Joint Intelligence Committee, responsible for producing coordinated intelligence assessments for Ministers across a wide range of defence, foreign policy and security issues.



Paul BRITTON CB
Director General, Domestic Policy Group
and Head of the Economic and Domestic
Secretariat

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

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



Alexis CLEVELAND
Director General, Transformational
Government and Head of Cabinet Office
Management

From 3 September 2007

After a short academic career, Alexis Cleveland joined the Department of Health and Social Security as an Assistant Statistician. In her early career she worked on policy development, finance, planning, and data management. In 1989 she moved to the Information Technology Services Agency where she ran large scale IT development programmes and managed live service delivery. Frustrated by the lack of business and technology integration she took the opportunity to move to the Benefits Agency in 1993 as CIO and Director of Operations (South of England). In 2000 she became Chief Executive of the Benefits Agency and managed its restructure into five separate businesses. Alexis became the first Chief Executive of The Pension Service on its launch in April 2002.

In November 2005, Alexis agreed to become the Customer Group Director for Older People as part of

the Transformational Government strategy. In this role, she is involved in looking at ways of increasing customer focus across service providers and at ways of improving integrated delivery.

In July 2007, Alexis moved to Cabinet Office as Director General for Transformational Government and Head of Cabinet Office Management.



Jon CUNLIFFE
Prime Minister's Adviser on International
Economic Affairs and Europe

From 3 September 2007

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

Kim DARROCH CMG
Permanent Secretary, European Secretariat
Until 28 June 2007



Jeremy HEYWOOD
Head of Domestic Policy and Strategy

*From 3 September 2007
until 23 January 2008*

Permanent Secretary, No.10
From 24 January 2008

Jeremy Heywood is now Permanent Secretary to No.10, after returning to the Civil Service in July 2007 to be the Prime Minister's Senior Adviser on Domestic Policy and Strategy. He spent four years as a Managing Director and co-head of the UK Investment Banking Division at Morgan Stanley. Before joining Morgan Stanley, Jeremy occupied a range of Senior Civil Service roles, most recently as Principal Private Secretary to the Prime Minister (1999–2003). Prior to that, he had a variety of senior roles at HM Treasury including, Head of Securities and Markets Policy and Head of Corporate and Management Change, where he led the department's Fundamental Expenditure Review in the mid 1990s. He also served as

Principal Private Secretary to Chancellors Norman Lamont and Kenneth Clarke. This new role sees him assume overall responsibility for domestic policy and strategy including the domestic Cabinet Secretariat, strategy, social exclusion and other key areas of domestic policy.



Howell JAMES CBE
Permanent Secretary for Government Communications

From July 2004 until 13 June 2008

Howell James started his working life in the media as head of promotions at Capital Radio. He was Head of Publicity at the launch of TVam, Britain's first commercial breakfast television channel.

In 1984 he became Special Adviser to Lord Young in the Cabinet Office, and moved with him to the Department of Employment and Trade and Industry.

In 1987 he joined the Board of Management of the BBC as Director of Corporate Affairs.

He joined Cable & Wireless as Director of Corporate and Government Affairs in 1992 where he was responsible for Cable & Wireless's press, public and government relations in the UK, North America and Hong Kong.

Howell became Prime Minister John Major's Political Secretary in 1994. He was a Founding Partner of Brown Lloyd James, a corporate PR company. He was awarded the CBE in August 1997. He joined the Cabinet Office as Permanent Secretary for Government Communications in July 2004.



Roger MARSH
Director General, Strategic Finance and Operations

Roger Marsh is currently on secondment from PricewaterhouseCoopers as the Director General of Strategic Finance and Operations at the Cabinet Office.

He was sponsored in his Metallurgy degree at Leeds University by the former British Steel Corporation and joined Price Waterhouse in 1976. Following qualification as a chartered accountant he moved into corporate recovery work where he has built his professional career. He was admitted to partnership of Price Waterhouse in 1988 and is a senior partner within the firm. During the

merger of Price Waterhouse and Coopers and Lybrand he had the responsibility of melding the two distinct cultures of business recovery in the North and Scotland together which was done successfully. He has extensive experience of carrying out strategic and financial business reviews for both the commercial and public sectors, other advisory and executory appointments. This includes being the first person to run commercially a power station in insolvency and solving the financial problems of Bradford Cathedral through a voluntary arrangement. He is acknowledged as particularly experienced (and sensitive) in undertaking complex reviews for lenders and other stakeholders in troubled situations.

Sir Richard MOTTRAM GCB
Permanent Secretary, Intelligence, Security and Resilience

Until 15 November 2007



Gill RIDER
Director General, Civil Service Capability Group

Gill is Head of the Civil Service Capability Group; she deals with the people, capability and leadership side of the Civil Service. She is responsible for the Capability Reviews, which is the "management tool" for ensuring the Civil Service has the right capabilities to deliver government's future requirements. As part of her role, Gill sits on a number of the Civil Service Governance Groups, including the Civil Service Steering Board. Gill is also Head of Profession for Civil Service HR, and chairs the HR Leaders Council and is a member of the Senior Leadership Committee.

Gill has been in her current role since May 2006. Previously, she spent her career in Accenture spanning 27 years, running various parts of the worldwide business. Her penultimate role was as Operating Head for the energy, utilities, natural resources and chemical business in 37 countries. In 2002 she was appointed Global Chief Leadership Officer – concentrating on Accenture's organisation, change, HR and leadership development. She was a member of Accenture's global Executive Committee since 1999 and appointed an Executive Officer in 2002

Oliver ROBBINS
Principal Private Secretary to the Prime Minister

Until 2 September 2007

William SARGENT
Executive Chair, Better Regulation Executive

Until 28 June 2007

Tom SCHOLAR
No.10 Chief of Staff and Principal Private Secretary to
the Prime Minister

From 3 September 2007 until 23 January 2008

Sir Nigel SHEINWALD KCMG
Permanent Secretary, Defence and Overseas Secretariat

Until 28 June 2007

Ian WATMORE
Permanent Secretary, Delivery and Transformation

Until 28 June 2007

In attendance:

David BENNETT
Prime Minister's Head of Policy and Strategy

Until 27 June 2007

The changes in membership of the Cabinet Office Board in June reflect the machinery of government changes following the change of Prime Minister and new structures and appointments within the Cabinet Office designed to strengthen policy, strategy and coordination at the centre of government.

Independent Non-Executive Membership

The independent Non-Executive members of the Board are responsible for ensuring that the executive members are supported and constructively challenged in their role. The non-executives are accountable to the Chair.



Ruth CARNALL CBE

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



Karen JORDAN
B Soc Sc FCMA

Independent Non-Executive Chair,
Cabinet Office Audit and Risk
Committee

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

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

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



Baroness PRASHAR CBE

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

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

Cabinet Office Audit and Risk Committee

The Cabinet Office has an Audit and Risk Committee which supports the Accounting Officer by monitoring the adequacy of risk management, control and governance arrangements. The membership of the Committee, which meets at least three times a year, comprises five independent non-executive members: Karen Jordan who chairs the Committee, Kenneth Ludlam, David Blackwood (appointment commenced 28 September 2007), Rosemary Peters-Gallagher (appointment commenced 28 September 2007) and Stephen Wilson (appointment commenced 28 November 2007). Polly Williams left the committee on 9 August 2007 upon expiry of her contract.

Public Interest

The Cabinet Office maintains a Register of Interests with details of company directorships and other significant interests held by Board members. Copies of the register are available on request.

Senior management remuneration is disclosed within the audited Remuneration Report included in the section Resource Accounts 2007-08.

Executive Management Group

During the financial year, the Executive Management Group was an executive decision making sub-group of the Cabinet Office Board with responsibility for day-to-day management of the Department.

The Group supported the Board in the strategic direction and performance management of the Department, with a particular focus on Finance, HR, Infrastructure and other operations related matters.

The Group reviewed management information on a monthly basis, making decisions on Cabinet Office-wide issues. The membership had delegated responsibility to act on behalf of the board members they represent, with one representative from each Cabinet Office group attending.

The Group was chaired during the year by Ian Watmore until 28 June 2007, Roger Marsh from 29 June 2007 to 4 September 2007 and Alexis Cleveland from 5 September 2007.

In May 2008, the Cabinet Office Board agreed to introduce new governance arrangements. Under these arrangements, the Board will continue to shape and communicate the strategies and priorities for the Cabinet Office, to drive delivery of the Department's Strategic Objectives and its change programme; and to build effective partnerships for a strong centre of government. The Board will be supported by a number of Committees; the Senior Talent and Pay Committee, the Audit and Risk Committee, an Operating Committee, a People and Pay Committee and a Finance and Investment Committee, that replace the Executive Management Group.

Comprehensive Spending Review 2007



Cabinet Office – Comprehensive Spending Review 2007

This year’s Annual Report (see page 77) gives details of the outcomes of the three Public Service Agreement (PSA) targets announced during the Spending Review of SR 2004, against which the Department’s performance was measured during the SR 2004 period.

The Comprehensive Spending Review (CSR) 2007 announced a new set of PSAs which articulate the priority outcomes for the CSR period. This section describes the areas in which the Cabinet Office leads delivery and also describes its Departmental Strategic Objectives (DSOs), also announced during the CSR, against which the Department will also be measured; plus details of the relationship between the two.

Background

Since their introduction in the 1998 Comprehensive Spending Review (CSR), Public Service Agreements (PSAs) have played a vital role in galvanising public service delivery and driving major improvements in outcomes. Building on this success, over the past two years the Government has been working with frontline professionals, the public and external experts to renew the performance management framework for the next decade.

The culmination of this work was the announcement in the Comprehensive Spending Review 2007 (CSR 2007) in October 2007 of 30 new PSAs. These set out the Government’s highest priority outcomes for the CSR 2007 period, 2008/09 to 2010/11

Each PSA is underpinned by a single Delivery Agreement, shared across all contributing departments, and developed in consultation with delivery partners and frontline workers.

They also describe the small basket of national outcome-focused performance indicators that will be used to measure progress towards each PSA. A subset of indicators also have specific national targets or minimum standards attached. Details are set out in the relevant Delivery Agreement. All other national indicators are expected to improve against baseline trends over the course of the spending period.

A government-wide commitment to build services around the needs of citizens and businesses will be integral to the achievement of each PSA. Also published in the CSR was a Service Transformation Agreement (STA), which underpins delivery of the new PSA framework, setting out the Government’s vision for building services around the citizen and specific actions for each department in taking forward this challenging agenda.

The 30 PSA Delivery Agreements and the Service Transformation Agreement are all available on the Treasury website at www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm

Cabinet Office CSR 2007 – Public Service Agreements & Service Transformation Agreement

CSR 2007 announced that the Cabinet Office would lead on delivery of one PSA and the Service Transformation Agreement (STA). Further information on PSA, Socially Excluded Adults, can be found on Page 37 and the STA on Page 33. Further, Cabinet Office will contribute directly to delivery of three other PSAs.

The table below details the 30 PSA announced in CSR 2007 and the STA. Highlighted text in red and blue are those areas which the Cabinet Office lead, or are delivery partners and against which its performance will be measured.

Sustainable growth and prosperity				
1. Raise the productivity of the UK economy	2. Improve the skills of the population, on the way to ensuring a world-class skills base by 2020	3. Ensure controlled, fair migration that protects the public and contributes to economic growth	4. Promote world class science and innovation in the UK	5. Deliver reliable and efficient transport networks that support economic growth
Fairness and opportunity for all				
6. Deliver the conditions for business success in the UK	7. Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	8. Maximise employment opportunity for all	9. Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020	10. Raise the educational achievement of all children and young people
11. Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers	12. Improve the health and wellbeing of children and young people	13. Improve children and young people's safety	14. Increase the number of children and young people on the path to success	15. Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief
Stronger communities and a better quality of life				
16. Increase the proportion of socially excluded adults in settled accommodation and employment, education or training	17. Tackle poverty and promote greater independence and wellbeing in later life	18. Promote better health and wellbeing for all	19. Ensure better care for all	20. Increase long term housing supply and affordability
21. Build more cohesive, empowered and active communities	22. Deliver a successful Olympic and Paralympic Games with a sustainable legacy and get more children and young people taking part in high quality PE and sport	23. Make communities safer	24. Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public	25. Reduce the harm caused by Alcohol and Drugs
A more secure, fair and environmentally sustainable world				
26. Reduce the risk to the UK and its interests overseas from international terrorism	27. Lead the global effort to avoid dangerous climate change	28. Secure a healthy natural environment for today and the future	29. Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals	30. Reduce the impact of conflict through enhanced UK and international efforts

SERVICE TRANSFORMATION AGREEMENT (underpins the PSAs)

Key

Public Service Agreements groups:

- Sustainable growth and prosperity (PSAs 1-7)
- Fairness and opportunity for all (PSAs 8-17)
- Stronger communities and a better quality of life (PSAs 18-26)
- A more secure, fair and environmentally sustainable world (PSAs 27-30)

Cabinet Office involvement:

- Red: Cabinet Office leading on delivery
- Blue: Cabinet Office delivery partner
- Black: Other Public Service Agreements – CO underpin successful delivery

Cabinet Office CSR 2007: Departmental Strategic Objectives (DSOs) 2008–2011

The Cabinet Office has a single overarching aim, namely, Making Government Work Better. Announced in the Comprehensive Spending Review, October 2007, the department set itself six Department Strategic Objectives (DSOs) which underpin the delivery of this aim.

In CSR, all the main Government departments set themselves varying numbers of DSOs which are intended to cover the wider span of departmental activities, including

business as usual, while at the same time underpin delivery of Government's highest priorities as set out in the 30 PSAs.

The Cabinet Office's six DSOs and their linkage to PSAs are described in the table below.

Each DSO has key performance indicators that we will use to assess their delivery and where applicable, their contribution to the Government's Public Service Agreements.

Cabinet Office Departmental Strategic Objectives (DSOs) – Linkages to PSAs and Key Performance Indicators

DSO Description	PSA Linkage	Key Performance Indicators (KPI)	Measure that will assess delivery of KPI
DSO 1 – Build an effective UK intelligence community in support of UK national interests; and the capabilities to deal with disruptive challenges to the UK	Delivery partner for PSA 26: Reduce the risk to the UK and its interests overseas from international terrorism Delivery partner for PSA 30: Reduce the impact of conflict through enhanced UK and international efforts	Key Performance Indicators are classified	
DSO 2 – Support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy making.	Not linked to any one PSA, but will underpin successful delivery of all	Domestic, foreign, defence and security policy decisions are facilitated and supported by timely, well-informed and objective advice	Stakeholder survey of Ministers and Departments on the coherence, quality and timeliness of advice and support provided to the Prime Minister, Cabinet and Cabinet Committees
DSO 3a – Improve outcomes for the most excluded people in society	Cabinet Office leading delivery of PSA16: Increase the proportion of socially excluded adults in settled accommodation and employment, education or training	Ensure public services support the most disadvantaged people in society into settled accommodation and employment, education or training This DSO supports delivery of the Government's PSA 16 – Increase the proportion of socially excluded adults in settled accommodation and employment, education or training. The Cabinet Office leads on delivery of this PSA	Measures in the Local Authority National Indicator set that will assess delivery of this PSA are: Settled Accommodation Increase the proportion of offenders under probation supervision living in settled and suitable accommodation at the end of their order or licence; Increase the proportion of former care leavers aged 19, who had left care aged 16 or over, who are in suitable accommodation; Increase the proportion of adults receiving secondary mental health services in settled accommodation; Increase the proportion of adults with learning disabilities in settled accommodation

DSO Description	PSA Linkage	Key Performance Indicators (KPI)	Measure that will assess delivery of KPI
DSO 3a – Improve outcomes for the most excluded people in society (continued)			<p>Employment, education or training</p> <p>Increase the proportion of offenders under probation supervision in employment at the end of their licence;</p> <p>Increase the proportion of former care leavers aged 19, who had left care aged 16 or over, who are in employment, education or training;</p> <p>Increase the proportion of adults receiving secondary mental health services in employment;</p> <p>Increase the proportion of adults with learning disabilities in employment</p>
DSO 3b – Enable a thriving third sector	Delivery partner for PSA 21: Build more cohesive, empowered and active communities	<p>Increase participation in formal volunteering;</p> <p>Build sustainable third sector organisations;</p> <p>Establish a better local environment for a thriving third sector</p>	<p>Increase the participation of people who engage in formal volunteering on a regular basis;</p> <p>Increase the number of full-time equivalent staff employed within the third sector;</p> <p>Increase the percentage of Government funding to third sector organisations which is secured for three years or more;</p> <p>Survey of third sector organisations in each upper tier local authority on the quality of the local environment for a thriving third sector</p> <p>The first two measures contribute to delivery of the Government's PSA 21 - Build more cohesive, empowered and active communities.</p> <p>A better local environment for a thriving third sector is also directly measured by National Indicator 7 in the local government performance framework.</p>

DSO Description	PSA Linkage	Key Performance Indicators (KPI)	Measure that will assess delivery of KPI
DSO 4 – Transform public services so that they better meet the individual needs of the citizen and business	Leading on delivery of the Service Transformation Agreement (STA)	<p>Deliver public services more efficiently and effectively by reducing the ‘avoidable’ (defined as duplicate, made in error or nugatory) contact by citizens and businesses which would not have been necessary had things been done right first time;</p> <p>Deliver better and more navigable online government services by progressively moving them to two key websites – Directgov (for citizens) and Businesslink.gov (for businesses)</p> <p>This DSO supports delivery of the Government’s Transformational Government Strategy and Service Transformation Agreement. The Cabinet Office, with HMT, leads on delivery of this Agreement</p>	<p>Achieve a 50 per cent reduction in avoidable contact by 31 March 2011;</p> <p>Migrate more than 95 per cent of the total identified websites to Directgov and Businesslink.gov by 31 March 2011</p>
DSO 5 – Build the capacity and capability of the Civil Service to deliver the Government’s objectives	Not linked to any one PSA, but will underpin successful delivery of all	A highly capable Civil Service, with effective leaders and people able to deliver the Government’s business priorities and excellent public services	<p>Increase the capability of departments as measured by: Capability Review re-review scores; and the proportion who respond positively to key organisational effectiveness questions in staff surveys, or where available, the department’s engagement index</p> <p>Increase the effectiveness of leaders and people as measured by:</p> <p>the proportion who respond positively to key leadership questions in staff surveys, or where available, the department’s engagement index; and the leadership element scores in the Capability Review re-reviews</p> <p>Increase the ability of the Civil Service to deliver the Government’s priorities and excellent public services, as measured by:</p> <p>achievement of the Government’s key priority outcomes, as set out in Public Service Agreements; public confidence in public services (determined by the Ipsos Mori Delivery Index); and international ratings of Government effectiveness</p>

INTRODUCTION Pages 4-11	THE STORY OF OUR YEAR Pages 12-59	MINISTERS AND BOARD MEMBERS Pages 60-67	COMPREHENSIVE SPENDING REVIEW 2007 Pages 68-75	PERFORMANCE REPORT Pages 76-91	CABINET OFFICE FINANCES Pages 92-113	RESOURCE ACCOUNTS 2007-08 Pages 114-163	PUBLIC APPOINTMENTS Pages 164-169
----------------------------	--------------------------------------	--	---	-----------------------------------	---	--	--------------------------------------

DSO Description	PSA Linkage	Key Performance Indicators (KPI)	Measure that will assess delivery of KPI
DSO 6 – Promote the highest standards of propriety, integrity and governance in public life	Not linked to any one PSA, but will underpin successful delivery of all	Promote standards that ensure good governance, including adherence to the Ministerial and Civil Service Codes	<p>Publication of Codes of Conduct (Ministerial Code, Code of Conduct for Special Advisers, Civil Service Code) and the annual list of Ministers interests, travel and gifts</p> <p>Ensure public servants are aware of and abide by the standards of propriety</p>

Cabinet Office CSR 2007: Value for Money (VfM) Plans

Along with the rest of the Public Sector, the Cabinet Office needs to develop its services and processes in the light of the changing challenges it faces. There is an imperative to provide the right services and functions needed for the modern world in the most cost-efficient manner possible. The Department's Value for Money (VfM) plan forms a major part of this effort. It is important to note that the main driver is not the simple cutting of costs but the provision of an improved, more efficient, public service.

The Cabinet Office has carefully considered every area of its activity as part of this exercise. No function or unit has been exempt from the effort to seek improvements to the services provided and increased efficiency in their delivery. As a result of this the Department has set itself a very challenging target in the 2008/2009 financial year. This is with the intention of freeing up as much resource as early as possible for redeployment within the Department onto other functions and services.

It is important to understand that all of the VfM savings are based on comparison with a counter-factual. This means that the savings quoted are the difference between what the expected spend would be without any action by the department and the expected spend following the planned reforms and changes. Throughout the planning the assumption used was that without any action being taken spending on the areas concerned would increase by the rate of inflation. An inflationary figure of 2.7% per year has been used, which is in line with the HM Treasury Deflator published on their website. For each initiative the baseline used has been the projected spend in the 2007/2008 financial year. On this basis, the Cabinet Office is seeking to deliver net cash-releasing savings of around £35 million per year by 2010-11.

Performance Report



Progress against Spending Review 2004 Public Service Agreement (PSA) Targets

Introduction

Public Service Agreement set out each government department's aim, objectives and key outcome-based targets. They form an integral part of departments' spending plans set out in Spending Reviews, which are the means by which government makes decisions about the allocation of public funds over a three year period.

The outcome of the 2004 Spending Review (SR 2004) was announced in July 2004. SR 2004 established the funding available to the Cabinet Office for the period 2005-06 to 2007-08 and set the targets to be achieved. The Cabinet Office were responsible for delivery of three targets, which would drive progress towards achieving key goals in the areas of public service delivery, Civil Service capacity (incorporating leadership, skills and diversity) and the third sector. HM Treasury is jointly responsible for delivery of the first target.

The last assessment of performance against the four SR 2004 targets was made in the Cabinet Office Autumn Performance Report 2007 (Cm 7254), published in December 2007, and can be found at: http://www.cabinetoffice.gov.uk/upload/assets/www.cabinetoffice.gov.uk/publications/reports/psa/autumn_delivery/apr2007.pdf

During the SR 2004 period, the Cabinet Office aimed to make government work better by concentrating on three core functions:

- **Support the Prime Minister – to define and deliver the Government's objectives.**
- **Support the Cabinet – to drive the coherence, quality and delivery of policy and operations across departments.**
- **Strengthening the Civil Service – to ensure that the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives.**

Target 1: Improve public services by working with departments to help them meet their PSA targets, consistently with the fiscal rules. This is a joint target with HM Treasury.

Target 2: By April 2008, work with departments to build the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity.

On diversity meeting the specific targets of:

- 37% women in the Senior Civil Service (SCS);
- 30% women in top management posts;
- 4% ethnic minority staff in the SCS;
- 3.2% disabled staff in the SCS; and

in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population.

Target 4: Increase voluntary and community engagement

Element 1: Increase voluntary and community engagement, especially amongst those at risk of social exclusion.

Element 2: Increase the capacity and contribution of the voluntary and community sector to deliver more public services

Note: **PSA Target 3** "By April 2008 ensure departments deliver better regulation and tackle unnecessary bureaucracy, in both public and private sectors." With the establishment of the Department for Business, Enterprise and Regulatory Reform (BERR) and the transfer of the Better Regulation Executive (BRE) to BERR in June 2007, PSA Target 3 transferred to that department from the Cabinet Office. BERR are now responsible for reporting progress against this target.

Progress against SR 2004 PSA targets

Target 1	Improve public services by working with departments to help them meet their PSA targets, consistently within the fiscal rules. This is a joint target with HM Treasury.
Progress	Slippage (SR 2002 & SR 2004 targets)
Commentary	<p>The Cabinet Office and the Prime Minister's Delivery Unit (PMDU) continue to assess progress and support the delivery of all departments' PSA targets, though responsibility for delivering the targets rests with the relevant departmental Secretaries of State, as set out in the "Who's responsible" section of each PSA.</p> <p>SR2004 target</p> <p>Approximately 80 per cent of SR2004 targets were given overall summary assessments on progress by departments in their 2007 Autumn Performance Reports (APRs). Of those approximately 60 per cent were reported as being met, ahead or on course. Slippage was reported for approximately 40 per cent of targets. While very good progress has been made working with departments in helping them achieve their targets, in order for the Cabinet Office to meet its PSA target, a full 100 per cent of SR2004 PSA targets need to be met or partly met. It is an exceptionally ambitious target, so it is not surprising that there is some slippage in meeting it.</p> <p>Although the SR2004 period ended in March 2008, data for monitoring this target was taken from departments' 2007 APRs. Progress can vary up to the point that a final assessment for all targets is made. A final assessment for this target will be provided once ninety per cent of all SR2004 PSA targets have been finally assessed.</p> <p>SR2002 target</p> <p>Approximately 90 per cent of SR2002 targets were given overall summary assessments on progress by departments in their 2007 APRs. Of those, over three quarters were reported as being met, on course or partly met. Although the SR2002 period ended in March 2006, data for the full period are not yet available as some targets have a longer horizon than the SR2002 period. A final assessment for this target will be provided once ninety per cent of all SR2002 PSA targets have been finally assessed.</p> <p>Quality of Data Systems</p> <p>The data systems underpinning PSA targets are validated by the National Audit Office (NAO).</p> <p>A report on the data systems for 2005-08 PSA targets for six departments was published by the NAO in December 2006. The report concluded that nearly three quarters of the data systems developed by these departments provided a broadly appropriate basis for measuring progress against their PSA targets. The Cabinet Office remains committed to ensuring that the data used in monitoring and reporting on PSA targets are relevant and reliable. The Cabinet Office is considering how the issues raised in the report can be taken forward in the context of the new performance management framework announced in the 2007 Comprehensive Spending Review.</p>

<p>Target 2</p>	<p>By April 2008, work with departments to build the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity.</p> <p>On diversity meeting the specific targets of:</p> <ul style="list-style-type: none"> • 37% women in the Senior Civil Service (SCS); • 30% women in top management posts; • 4% ethnic minority staff in the SCS; • 3.2% disabled staff in the SCS; and • in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population.
<p>Progress</p>	<p>Significant progress has been made on leadership and skills. Whilst there has been a lot of progress towards meeting diversity targets, at present these have only been partially met. As a result, overall, PSA Target 2 is assessed as partly met.</p>
<p>Commentary</p>	<p>Leadership Capability</p> <p>The first round of Capability Reviews of all central government departments was completed in December 2007. The reviews use a common framework to assess top management team capabilities. They are managed by the Civil Service Capability Group (CSCG, formerly the Corporate Development Group and the Capability Review Team). CSCG works with departments to help provide targeted support to make improvements required. The Cabinet Secretary chairs six monthly stocktakes that hold departments to account for taking effective action that is improving their capability to deliver. Independent assurance of departments' progress is carried out to inform those stocktakes.</p> <p>An independent evaluation of the programme and the early impact was carried out by the Sunningdale Institute and published in the Autumn¹. They found "the programme has given departments a jolt and forced the issue of improvement up the agenda... the reviews are also starting to impact on a number of substantive issues within departments". A survey of senior civil servants² carried out as part of the evaluation found there was considerable impact on leadership capability, internal strategy, and external engagement:</p> <ul style="list-style-type: none"> • 64 per cent felt their review had been very or quite effective in strengthening strategic and leadership capabilities • 74 per cent felt their review had been very or quite effective in ensuring the department is effectively engaging with stakeholders, partners and the public • 63 per cent felt their review had been very or quite effective in ensuring the department knows how well it is performing • 54 per cent felt their review had been very or quite effective in developing skills to meet current and future challenges. <p>Progress and impact is reviewed every six months by the Cabinet Secretary through formal stocktakes. The collective challenges and progress were analysed in the report 'Capability Reviews: Progress and Next Steps', published in December 2007. That Report records leadership as one of the areas in which departments have made the most progress. The Cabinet Office has led a number of key developments that are helping departments improve their leadership capability. Specific achievements this year include:</p>

¹ Take -off or Tail-off? An evaluation of the Capability Reviews programme. Sunningdale Institute November 2007

² Source: Opinion Leader Research, Report to the Cabinet Office on Capability Reviews: Research with Senior Civil Servants 2007

Progress against SR 2004 PSA targets (continued)

<p>Commentary (continued)</p>	<p>Leadership Capability (continued)</p> <ul style="list-style-type: none">• a new single leadership framework for the SCS has been developed and implemented as part of the Professional Skills for Government programme and fully integrated into the performance management system. This year for the first time all senior civil servants will be assessed on their leadership capability;• the development of the Top 200 Civil Servants (permanent secretary and directors general) as a community, which has been a key success in increasing the commitment to a more collaborative and engaged form of leadership. The Top 200 now meet regularly to address key issues of importance to the Civil Service;• a stronger emphasis on talent management and succession planning in departments and at the centre, with departments reporting regularly to the Senior Leadership Committee and being challenged on their plans;• a new 'base camp' induction event for all new Senior Civil Servants, to build awareness and understanding of their corporate responsibilities; and• the continuing success of the High Potential Development Scheme, a development programme designed for staff with the potential to tackle the most challenging jobs in Whitehall. <p>The leadership measures that have been used to track progress over the PSA period are at Annex 1.</p> <p>Skills</p> <p>The Capability Review programme has also underlined the importance of skills more generally. Work in this area is being led by Government Skills, the Sector Skills Council (SSC) for Central Government. The Prime Minister announced that it Government Skills would transfer to the Department for Innovation, Universities and Skills from April 2008. This has put it in a better position to drive forward the Skills Strategy for Government by creating a strong alignment with the Ministerial and official team charged with skills policy across all sectors in England. It will also continue to work closely with the Devolved Administrations.</p> <p>In 2007, the Government announced its plan for implementing Lord Leitch's recommendations on skills. Government Skills' work supports this agenda:</p> <ul style="list-style-type: none">– In April 2007 main departments¹ signed the Skills Pledge. This is a commitment to support employees by offering time-off and training to gain a first qualification at NVQ Level 2 (5 GCSEs at A*-C or equivalent).– In 2007 Government Skills completed surveys of employers, employees and training providers. Drawing on the results of these surveys, individual departments' skills strategies and the results of Capability Reviews, it developed a new overarching Skills Strategy for Government. This was endorsed by Permanent Secretaries in January and charts a course for common action to address priority skills needs over the next three years. <p>The Skills Strategy builds on and extends the successful Professional Skills for Government programme (PSG) which has been the main vehicle during the SR2004 period for delivering improvements in skills. (More information about the programme, including the skills themselves, is at: http://psg.civilservice.gov.uk/.) It sets out a number of specific actions including expanding the number of apprenticeships; strengthening the role of professions in setting professional, transferable skills standards (linked to relevant qualifications where appropriate); encouraging joint commissioning of learning and development provision, improving quality and reducing skills gaps, as well as saving money; and ensuring we work more effectively with the Higher and Further Education sectors, giving Government's potential future workforce a headstart in the skills its business needs.</p> <p>Diversity</p> <p>The diversity targets were set at a challenging level to accelerate progress towards a more visible and diverse Senior Civil Service. There is a varied picture of achievement across departments and further progress is needed to fully achieve the targets.</p>
--	---

¹ Not including the Devolved Administrations and the Northern Ireland Office

Commentary (continued)

Diversity (continued)

Over the past year there have been slight increases in representation of both black and minority ethnic and disabled staff in the SCS, although no further increase in female representation (Annex 3).

All targets and statistics for the SR 2004 targets use figures from the SCS database to ensure consistency of measurement across the four targets. Ethnicity and disability percentages are based on those senior civil servants whose ethnicity/disability is known. The proportion of staff at SCS level who have declared their ethnicity at October 2007 is up to 87.7%, from 83.4% in October 2003. The proportion of staff who have declared their disability status at October 2007 is up to 88.3%, from 70.7% in October 2004.

There has been continued monitoring of the 10-point plan on delivering a diverse Civil Service, launched in November 2005. The plan introduced strengthened targeted action and accountability in departments for delivering improved diversity, with a particular focus on the SCS, although some actions have taken place in support of all Civil Service levels. Action under the plan has included:

- **recruitment and selection:** the launch and distribution of a good practice guide for departments on recruitment and selection to the Senior Civil Service.
- **developing the talent pool:** the new positive action corporate diversity development scheme, Leaders UnLtd, which was launched in December 2006, has just recruited its third cohort of participants. Already, three participants have achieved promotion to the SCS. The Minority Ethnic Talent Association has set up a Permanent Secretary and Director General mentoring scheme for black and minority ethnic staff;
- **continued accountability:** the diversity element of the Cabinet Secretary's performance review discussions with permanent secretaries have been strengthened with the introduction of a diversity dashboard; and
- **celebrating and sharing good practice:** The Cabinet Office and Home Office co-hosted a visit from Jesse Jackson organised by the Civil Service Race Equality Network to commemorate the bi-centenary of the abolition of slavery.

A Civil Service diversity strategy to succeed the diversity 10 point plan and drive action over the next three years will be published during 2008. A formal evaluation of the 10-Point Plan will take place in 2008, this will inform the action departments take to implement the next diversity strategy.

Annexes

Annex 1

Over the course of the CSR04 period a number of workforce methods for measuring improvements in leadership have been used. The current figures are:

- Turnover in the SCS during 2006-07 was 10.3%, down from 11.7% in 2005-06 but showing an increase from levels in 2004-05 and 2003-04 of 9.8% and 8.8% respectively.
- The median length of time in completed post at April 2007 was 2.9 years, up slightly from 2.7 years at April 2006 and 2.6 years in 2005. There is an expectation of a four-year norm for SCS postings.
- In 2006-07, out of 607 competitions, 229 (38%) were open competitions.
- In the year to April 2007 there were 522 new entrants into the SCS. Of these, 196 (38%) were new external entrants
- Consistent with recent years, at April 2007, around 60% of members of the SCS were recorded as having had experience of working outside the Civil Service of more than 12 months (up from 40% in April 2004).
- The expected impact of action to ensure more active career management is an increase in the proportion of the SCS working a flexible pattern (part time/job share). As at April 2007, 5.2% of SCS staff worked a flexible pattern compared with 5.0% in 2006 and up from 4.5% as at April 2003.

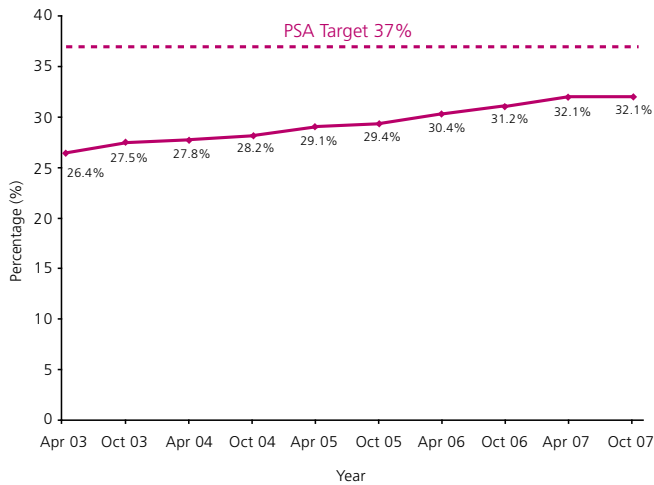
Progress against SR 2004 PSA targets (continued)

Commentary (continued)	Annex 2			
	Senior Civil Service: percentage with professional qualifications and a recorded profession			
	Date	Professional Qualifications*	Recorded professions*	
			Recorded profession	Profession not recorded or not known
	April 2004	36%	36%	64%
	April 2005	40%	60%	40%
April 2006	43%	75%	25%	
April 2007	42%	74%	26%	

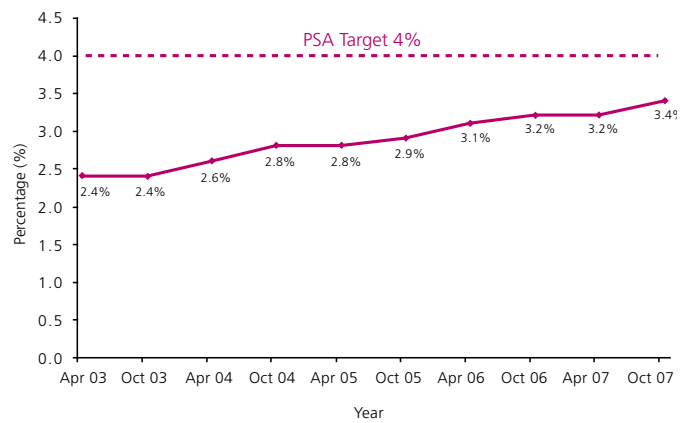
*No assumptions are made about the professional qualifications or professions of staff for whom no relevant data are available.

Annex 3: Progress across Government against the diversity elements of PSA Target 2

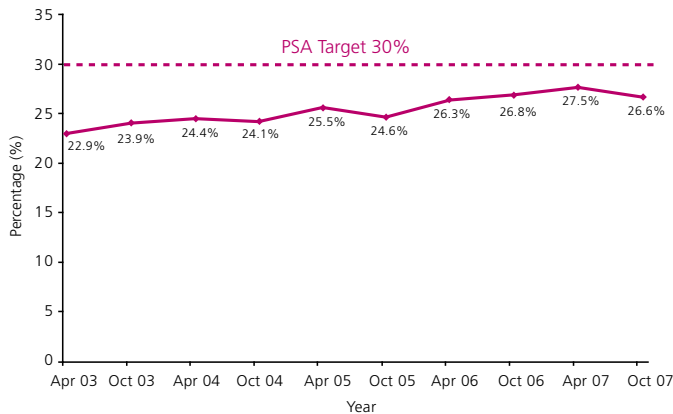
Women in the SCS



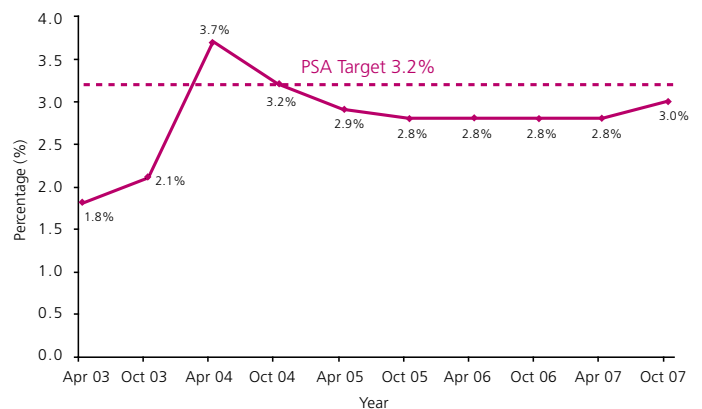
Black and minority ethnic staff in the SCS



Women in top management posts



Disabled people in the SCS



Annex 4: Cabinet Office

The table below shows progress of the Cabinet Office against the diversity targets

Minister/Official	Percentage as at 31/3/08	PSA Targets (1/4/08)
Women in SCS	38.9%	37.0%
Black and minority ethnic staff in SCS	4.9%	4.0%
Women in top management posts	30.8%	30.0%
Disabled staff in SCS	3.1%	3.2%

Target 4	Increase Voluntary and Community Engagement Element 1: Increase voluntary and community engagement, especially amongst those at risk of social exclusion.
Progress	Not met.
Commentary	<p>This target specifically covers people at risk of social exclusion which are defined as those belonging to Black and Minority Ethnic (BME) groups, people with no qualifications, and people with a disability or limiting long-term illness. It includes both formal volunteering (giving unpaid help to groups, clubs or organisations) and informal volunteering (giving unpaid help to an individual who is not a member of the family). Data from the 2007 Citizenship Survey shows that the proportion of those at risk of social exclusion volunteering at least once a month is 41%. This proportion is the same as in 2001 which means the target has not been met.</p> <p>However, volunteering levels overall remain high with 73% of all adults having volunteered in the last twelve months and 48% having volunteered at least once a month. The proportion of people formally volunteering has risen from 39% in 2001 to 43% in 2007.</p> <p>Four programmes contribute to the delivery of this PSA target:</p> <ul style="list-style-type: none"> • Volunteering for All and Goldstar, worth £8m between 2006-07 and 2007-08, are both aimed at encouraging and strengthening access to volunteering for those at risk of social exclusion. Both have been extended for a further year in 2008-09, giving the organisations involved the ability to focus on delivering their programmes rather than seeking continuation funding. Activity in both of these programmes is focused on four regions – North East, North West, Yorkshire and the Humber and London. The 2007 Citizenship Survey shows significant increases in the level of volunteering in two of these regions – North East and Yorkshire and the Humber. • The national youth volunteering charity v continues to focus on creating opportunities for young people to volunteer, and over the SR04 period created 210,000 opportunities for young people to do so. • Through Dare to Care, a programme delivered in partnership with CSV, 38,000 new volunteers have been recruited to address issues of child poverty. <p>In addition to these four specific programmes, the Government has also invested in long term strategic funding for volunteering umbrella organisations to provide advice and training on volunteering for other organisations and to develop good practice. In 2007-08 over £4.5m was invested in these organisations.</p> <p>Looking forward to the next CSR period the Government is investing more than ever before in volunteering, with £137m committed to volunteering programmes. As part of this the Government is committed to creating a new generation of volunteers, investing more than £117m over the next three years in youth volunteering, through the national youth volunteering charity v.</p>

Progress against SR 2004 PSA targets (continued)

<p>Commentary (continued)</p>	<p>The Government is seeking to open up opportunities to volunteer within the public sector. A cross Government group has been created to promote volunteering for and by civil servants and the Cabinet Office is tendering for a partner organisation to take forward a staff volunteering strategy. In addition, Baroness Neuberger, the Government Champion for Volunteering, has recently conducted a review of volunteering in health and social care. This was published in March and sets out how Government could increase opportunities to volunteer in this sector.</p> <p>In response to the final report of the Independent Commission on the Future of Volunteering, the Government will invest £4m in developing new programmes to train volunteers and volunteer managers, and a further £2m to create a new access to volunteering fund for disabled people. The Government is also taking action to reduce the barriers to volunteering by removing unnecessary and disproportionate obstacles. In June 2008 we published guidance on Criminal Record checks to help organisations know when and when not to carry out checks and we will be publishing guidance to reduce barriers to people on benefits volunteering.</p> <p>In addition to these programmes, regular volunteering is one of only 198 indicators in the new Local Government Performance Framework, on which all top-tier local authorities will be assessed. Forty three local areas have chosen this indicator as part of their Local Area Agreement.</p>
<p>Target 4</p>	<p>Element 2: Increase the capacity and contribution of the voluntary and community sector to deliver more public services.</p>
<p>Progress</p>	<p>Too early to tell (see revised technical note)</p>
<p>Commentary</p>	<p>This element is currently measured by an index combining the number of employees, the number of volunteers and the amount of statutory funding the sector receives, using data from the State of the Sector Panel survey. The baseline is 2002/03 when the index was set at 100. The most recent data for 2005/06 shows that this index is now at 105.</p> <p>However, there have been concerns over the quality of the data from the State of the Sector Panel survey, which has meant that reporting progress to date has been difficult. As a result, with support from Treasury and the National Audit Office, we will be implementing a new measurement mechanism that encapsulates all of the same elements as the existing method, but which gives us greater confidence that what we are measuring is accurate. Work on this is ongoing and further details are contained in the Technical Note.</p> <p>The Office of the Third Sector is continuing to invest in Futurebuilders and has recently successfully re-tendered the management of the £215m programme. The programme provides grants and loans to develop the capacity of third sector organisations who want to get involved in delivering public services. A key change for the recently re-tendered stage is that now third sector organisations working in any service area are eligible to apply for finance, which will significantly increase the reach of the programme in supporting third sector organisations to deliver public services.</p> <p>In addition, the Government is continuing to drive forward actions to deliver <i>Partnership in Public Services: an action plan for third sector involvement</i>. Key achievements are:</p> <ul style="list-style-type: none"> • the Innovation Exchange is now up and running, focussing initially on independent living and excluded young people, which will support third sector organisations in bringing forward innovative responses to public sector delivery. • the National Programme for Third Sector Commissioning is continuing to influence a range of relevant organisations, and will support better commissioning from the sector. • the launch of a project on social clauses with a workshop being run with pilot sites, to enable the full benefits of third sector provision to be reflected in work commissioned by government.

<p>Commentary (continued)</p>	<ul style="list-style-type: none"> • developing a guide on consortia-building in order to support third sector organisations involved in sub-contracting. <p>The Office of the Third Sector has also ensured that the third sector is deeply embedded throughout the PSA set for the 2007 CSR years. The third sector is a key delivery partner in 27 of the 30 PSAs reflecting the growing recognition of its importance in delivering public services and its ability to do so.</p>
<p>Revised Technical Note for PSA 4 Element 2</p>	<p>In their validation exercise of PSA measurement mechanisms, the National Audit Office raised questions over the State of the Sector Panel survey, which is used to capture progress on this element. In their view the data system ‘needs strengthening’. In addition, the quality of the data from the survey has been adversely affected by the continuing attrition of original panel members, and would not be able to deliver the minimum number needed for robust reporting for the end of the PSA period. This fatally undermines the suitability of the Panel to measure progress across the time period as a whole. We will no longer be using the State of the Sector Panel as the basis of our assessment of progress on this element – the last year of the survey was for the financial year 2005/6. Instead we are moving to new data systems.</p> <p>We will continue to measure all three components of the index – the number of employees, the number of volunteers and the amount of statutory funding the sector receives – but using alternative, existing data sets for each of the components of the index, all of which will have greater robustness than the State of the Sector Panel, and all of which are methodologically consistent throughout the PSA period. There are a number of technical issues arising from the use of multiple datasets when creating an index, which we are working to address, and it is too early to say whether the new mechanisms will replicate the progress towards the target reflected in the old State of the Sector data.</p>

Efficiency Programme

The Spending Review 2004, incorporating the outcomes of the Gershon and Lyons reviews resulted in the following targets for Cabinet Office:

- save £25m in annual efficiencies by end 2007/08 (3% per annum)
- a headcount reduction of 150 posts by 31 March 2008.
- relocation of 250 posts outside London and the south east by 2010/11

Following various Machinery of Government (MoG) changes since 2004; revised Cabinet Office Gershon and Lyons targets were as follows:

- £22.5m in annual efficiencies by end 2007/08 (£2.5m of the target transferred to National School of Government (NSG))
- headcount reduction of 100 posts by 31 March 2008 (50 post reductions transferred to National School of Government (NSG))
- relocation of 225 posts outside London and south east by 2010/11 (25 of the target transferred to BERR)

The table below sets out the level of efficiency gains that the Cabinet Office anticipated securing from each area by March 2008. The planned gains from work streams were not targets in themselves, but would contribute to the overall target. Cabinet Office reported that it had achieved its efficiency savings target of £22.5 million at 31 March 2008. The status of the savings are final and are all cashable. Contributing to these efficiency savings were higher than expected procurement and headcount efficiency savings, estate rationalisation; improved management and control of consultancy expenditure and a number of centrally identified pressures which did not materialise before the end of the financial year.

Efficiency gains by area

Area	Anticipated £m	Actual £m March 2008
Corporate Services	4.3	5.5
Improved Procurement	14.5	16.2
Building a leaner and more efficient Centre of Government	3.1	7.6
Estate Consolidation	0.6	3.5
Total	22.5	32.8

Relocation. To date, 41 posts had been relocated.

Following the transfer of the Better Regulation Executive (BRE) to BERR, our target for relocations has been reduced by 25 and that for BERR increased by 25.

A recent joint review with Office of Government Commerce (OGC) of our ability to meet our relocation target concluded that, due to changes in structure and function of Cabinet Office since the Lyons Report was published in 2004, opportunities for further sensible relocations were limited. The review recognised Cabinet Office had made serious efforts to achieve its target, but that changing circumstances meant that Cabinet Office, in its current configuration, would be unable to meet the target. Rather than change the target it was agreed that the target would remain and that Cabinet Office would investigate the relocation opportunities for any units created within the department or transferred in from elsewhere.

Reduction of Civil Service posts. Between 2004 and 2008 Cabinet Office reduced posts through a number of projects, particularly building a leaner and more efficient centre of government. This work was part of the Cabinet Secretary's aim to make the Cabinet Office more strategic and better focused on its core objectives. Cabinet Office achieved an overall headcount reduction of 140 at the end of the Gershon reporting period. This was 40 more than the revised target of 100.

Public Administration Select Committee and Public Accounts Committee

Although the Public Administration Select Committee (PASC) is not a departmental Committee, it does scrutinise the work of the Cabinet Office, as the government department with particular responsibility for Civil Service issues.

During the last 12 months, ministers and officials from the department have appeared before PASC on a number of occasions to provide evidence on inquiries undertaken by the Committee:

Minister/Official	Date	Subject/Inquiry
Pat McFadden and Ian Watmore	10 May 2007	Public Services: Putting People First?
Sir Gus O'Donnell	15 November 2007	The work of the Cabinet Office
Ed Miliband and Phil Hope	20 November 2007	Third Sector Commissioning
Ed Miliband and Sir Gus O'Donnell	29 April 2008	Draft Constitutional Renewal Bill

In addition to these hearings, PASC also undertakes extensive scrutiny of Cabinet Office accounts, expenditure and performance in relation to its targets, through correspondence.

The Propriety and Ethics team in the Cabinet Office acts as the liaison point, and coordinates with others in the department, on work involving the Committee.

Public Accounts Committee

The main work of the Public Accounts Committee is the examination of the Reports made by the Comptroller and Auditor General (C&AG) on his value for money (VFM) studies of the economy, efficiency and effectiveness with which Government Departments and other bodies have used their resources to further their objectives.

During the last 12 months, officials from the department have appeared before PAC on a number of occasions to provide evidence on inquiries undertaken by the Committee:

Official	Date	Subject/Inquiry
Alexis Cleveland (CO), John Suffolk (CO) and Alan Bishop (COI)	28 November 2007	Government on the Internet: Progress in delivering information and services online
Alexis Cleveland (CO)	12 December 2007	Improving corporate functions using shared services

Cabinet Office Groups contributing towards the Department's SR 2004 objectives

The Cabinet Office has one core aim: **'Making government work better'** which is currently supported by the four objectives outlined below (SR 2004 period). Each group within the Department contributes to one or more of these objectives. The table sets out, by group,

the number of staff working towards each of the Department's objectives.

The numbers below represent the proportion of each group's work on the objectives described in full-time equivalent (FTE) members of staff. The numbers do not necessarily represent in every case individual members of staff.

Objectives in full

Number	Description	Total FTE Staff
Objective 1	Supporting the Prime Minister – to define and deliver the Government's objectives	317
Objective 2	Supporting the Cabinet – to drive the coherence, quality and delivery of policy and operations across departments	567
Objective 3	Strengthening the Civil Service – to ensure that the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives	285
Objective 4	Support Cabinet Office business	153
Total		1322

Relationship between management groups and objectives with staff numbers

Group	Objective	Total FTE Staff
Business Support Group	Supporting the Prime Minister	0
	Supporting the Cabinet	105
	Strengthening the Civil Service	22
	Support Cabinet Office business	111
Civil Service Capability Group	Supporting the Prime Minister	0
	Supporting the Cabinet	0
	Strengthening the Civil Service	175
	Support Cabinet Office business	36
Communications and Information Group	Supporting the Prime Minister	27
	Supporting the Cabinet	12
	Strengthening the Civil Service	30
	Support Cabinet Office business	0
Domestic Policy & Strategy Group	Supporting the Prime Minister	20
	Supporting the Cabinet	144
	Strengthening the Civil Service	16
	Support Cabinet Office business	0

Group	Objective	Total FTE Staff
European Secretariat	Supporting the Prime Minister	16
	Supporting the Cabinet	13
	Strengthening the Civil Service	3
	Support Cabinet Office business	0
Intelligence, Security & Resilience Group	Supporting the Prime Minister	35
	Supporting the Cabinet	190
	Strengthening the Civil Service	7
	Support Cabinet Office business	0
Overseas & Defence Secretariat	Supporting the Prime Minister	24
	Supporting the Cabinet	24
	Strengthening the Civil Service	0
	Support Cabinet Office business	0
Parliamentary Counsel Office	Supporting the Prime Minister	0
	Supporting the Cabinet	73
	Strengthening the Civil Service	0
	Support Cabinet Office business	0
Prime Minister's Office	Supporting the Prime Minister	169
	Supporting the Cabinet	0
	Strengthening the Civil Service	0
	Support Cabinet Office business	0
Transformational Government	Supporting the Prime Minister	26
	Supporting the Cabinet	6
	Strengthening the Civil Service	32
	Support Cabinet Office business	6
Total		1322

1. Data used in this table is based on the average of quarterly data throughout the financial year. Note 9 to the Accounts shows additional headcount information.

INTRODUCTION Pages 4-11
THE STORY OF OUR YEAR Pages 12-59
MINISTERS AND BOARD MEMBERS Pages 60-67
COMPREHENSIVE SPENDING REVIEW 2007 Pages 68-75
PERFORMANCE REPORT Pages 76-91
CABINET OFFICE FINANCES Pages 92-113
RESOURCE ACCOUNTS 2007-08 Pages 114-163
PUBLIC APPOINTMENTS Pages 164-169

Better Regulation

Cabinet Office does not legislate in high volumes and as such produces very little regulation of its own. Key functions of the Cabinet Office are to co-ordinate and promote good policy-making across government.

Since the publication of last year's Cabinet Office Departmental Report, the Better Regulation Executive (BRE), which leads better regulation work across government, has moved from the Cabinet Office to the Department of Business, Enterprise and Regulatory Reform (BERR). Details of the BRE's leadership role in the drive for better regulation during 2007/08 can be found in that department's annual report.

Simplification and Administrative Burden reductions

Cabinet Office is not a significant regulator itself but does have units and agencies which contribute to regulation. As with all government departments, the Cabinet published its second simplification plan in December 2007 which will continue to be reviewed and updated every year.

The administrative burden imposed by all departments was measured in a systemic exercise. The total administrative burden imposed by the Cabinet Office was measured at £15.4 million from two main areas, the Third Sector and Security, Intelligence and Resilience. It includes all those administrative burdens which are attributable to Cabinet Office legislation, less 'business as usual' costs.

All departments have individual targets for reducing their administrative burden by May 2010 (five years after the baseline for the measurement exercise). The Cabinet Office has accepted a target of 35 per cent. Measures identified amount to £5 million of savings which will benefit business, frontline public services and the Third Sector. This is a reduction of 32 per cent. We aim to identify additional savings in plans during 2008.

The most significant administrative burden reduction measures are:

- Public charitable collections – when charities wish to carry out street collections or house-to-house collections they face onerous and inconsistent requirements to register their intentions with local authorities and report on the outcome. The existing legislation regulating public charitable collections dates from 1916 and 1939. The Charities Act 2006 will overhaul the system, replacing it with a simpler process of central registration and exempting many local, short-term collections. Charities will find it simpler to arrange public collections, so a greater proportion of money given by the public to charities will go to good causes rather than pay for administration, with benefits worth at least £2.6 million to the Third Sector. The aim is for the implementation of a new licensing regime to begin in 2009/10.
- Charities (Qualified Surveyors' Reports) Regulations 1992 – when charities wish to sell or lease land held by or in trust for them they currently face inflexible requirements to take professional survey advice, regardless of the scale of the transaction. New regulations will be brought in which are more proportionate to different types and sizes of land and property transactions. Scoping work has identified that changing the existing regulations may not be sufficient to deliver a proportionate system of regulation and that changes to section 36 of the Charities Act 1993 may be needed. If that is the case then consideration will be given to the possibility of a Legislative Reform Order. The Office of the Third Sector aims to consult on proposals in 2008 with changes coming into effect in 2009. The expected saving for charities is £2.4m per annum by 2009/10.

For further information on Cabinet Office administrative burden reduction and simplification plans, please see Cabinet Office Simplification Plan which was published in December 2007 and can be found at:

www.cabinetoffice.gov.uk/reports/simplification.aspx

The Cabinet Office has conducted eight formal public consultations since January 2007:

- *the final Legislative and Regulatory Reform Bill,*
- *reforms to improve impact assessments,*
- *the Third Sector Review jointly undertaken with HM Treasury.*
- *Audit, accounting and Reporting changes for charities – joint consultation with the Charity Commission*
- *Risk capital investment fund for social enterprise*
- *Take-up of Gift Aid tax relief – joint consultation with HM Treasury*
- *Proposals for Community Assets*
- *Financial Thresholds in the Charities Acts – Proposals for Change – joint consultation with the Charity Commission*

All consultations lasted at least 12 weeks.

The Cabinet Office European Secretariat works with the Better Regulation Executive in BERR and across Whitehall to ensure that departments are aware of the European Commission's work streams and better regulation priorities. The Cabinet Office and BERR have successfully influenced the European Commission's approach to administrative burden reduction and simplification, as well as the European Council which in March 2007 agreed a target to reduce administrative burdens at EU level and Member State level by 25%; to be achieved by 2012.

The Office of the Third Sector works closely with the Better Regulation Executive and across Government to tackle regulation that has a disproportionate effect on third sector organisations.

The Cabinet Office has not implemented any European legislation in the period covered by this report and there are no forthcoming Cabinet Office regulations that impact on business. Therefore no Common Commencement Date Statement was made.

Cabinet Office Finances



Overview

Parliament gives statutory authority for the use of resources and funds through the Supply Estimates in order that the Cabinet Office may meet its expenditure and, in turn, the Department is accountable to Parliament for the use of those resources and funds as reported in its annual Resource Accounts.

This section sets out Public Expenditure Data from 2002-03 to 2010-11 and a detailed Financial Review for 2007-08 and explains the framework for managing public money. It has been audited for consistency with the financial statements. A commentary is provided on how the Department manages its resources and Cabinet Office core business is highlighted in the following section.

Cabinet Office Core Business

The Cabinet Office's core business is relatively simple to understand. It consists of three main areas of expenditure:

- Supporting the Prime Minister;
- Supporting the Cabinet; and
- Strengthening the Civil Service.

Figure 1 below details both the projected spending amounts for these core areas over the Comprehensive Spending Review (CSR) period, 2008-09 to 2010-11, based on current business planning assumptions, and the actual administration spend for the preceding years.

Overall, Figure 1 shows that administration costs have been more or less constant over the years. With the requirement to deliver objectives within an administration budget that falls by 5 per cent in real terms annually in each of the years 2008-09, 2009-10 and 2010-11, as set out in the Cabinet Office's 2007 CSR settlement, this will see spending on core administration costs very much declining.

Further, to release resources required to meet the challenges ahead, the Cabinet Office has committed to an ambitious value for money delivery programme of 3 per cent net cashable value for money gains each year. To release resources to support new investment, the Cabinet Office has also agreed to a target of £13 million for asset disposals over the next three years.

Figure 1: Cabinet Office Core Business Costs

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Total Administration Costs	161,386	155,893	154,603	156,469	140,005	144,638	136,706	129,871	123,377

Figure 1: the projected spending for the core Cabinet Office up to and including 2010-11, the final year of the 2007 Comprehensive Spending Review (CSR) Period.

Figure 1 above is therefore a simple analysis of the Cabinet Office's core activities over time. The public spending tables which follow on pages 98 to 102 (Tables 1-5) are more complex. This is due to a number of factors. The tables include spending on a number of functions and bodies outside the three core activities mentioned above. As in the past, some functions (for example, better regulation) have

come under the Cabinet Office for a brief period of time. Moreover, as with other departments, the Cabinet Office sponsors a number of arms-length bodies. There are also complexities around some of the accounting rules. These variations are explained in the accompanying notes to the sections on Public Expenditure Data 2002-03 to 2010-11 and Financial Review 2007-08.

Managing Public Money Framework

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

Resource Estimate (Estimates Boundary)

This is a statement presented by HM Treasury to the House of Commons in which the Cabinet Office seeks approval for its estimated spending for the coming financial year. The Estimate summarises both the resources and the cash required for the year and the Cabinet Office actual outturns against these Estimates are reported in the Statement of Parliamentary Supply of the Resource Accounts. This is a statement which only applies to central government and has no equivalent statement in UK GAAP (Generally Accepted Accounting Practice) based accounts.

Resource Accounts (Accounting Boundary)

These are prepared annually and present the financial results of the Cabinet Office. These accounts are prepared on the basis of UK GAAP and the *Government Financial Reporting Manual (FRM)*. The Operating Cost Statement, Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement have been adapted for central government from their commercial equivalents. The accounting boundary includes the financial results for the Cabinet Office plus its Non-Departmental Public Bodies.

Entities within the departmental boundary are Advisory Non-Departmental Public Bodies (ANDPBs), bodies which the Cabinet Office sponsors and which have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements can be separate.

Entities outside the departmental boundary are Executive Non-Departmental Public Bodies (eNDPBs). eNDPBs can be established in statute. They carry out administrative, regulatory and commercial functions; they employ their own staff, are allocated their own budgets, are self accounting and produce their own accounts. Entities outside the departmental boundary are not consolidated for accounting purposes but are consolidated for budgeting purposes.

Further detail regarding the departmental boundary can be found at Note 35 to the Accounts.

The resource accounts only include the Grant in Aid paid to the Executive Non-Departmental Public Bodies (eNDPBs) sponsored by the Cabinet Office. The financial performance and assets and liabilities of the eNDPBs are not consolidated within these accounts. For further detail see Resource Accounts 2007-08.

Resource Budgeting (Budgeting Boundary)

Resource budgeting involves using resource accounting information as the basis for planning and controlling public expenditure. It introduces new concepts such as capital consumption and requires the Cabinet Office to match costs to the period in which the economic activity takes place. Parliament controls Cabinet Office spending through the use of Departmental Expenditure Limits (DEL) and they control capital spending separately from resource spending. This is the basis on which Parliament controls (and the Cabinet Office manages) spending in-year, and includes the full resource and capital DEL spending of the eNDPBs as opposed to the Grant in Aid provided by the Cabinet Office to finance the activities of eNDPBs. See Public Expenditure Data 2002-03 to 2010-11.

Relationship between Estimates and Accounts

The difference between the Cabinet Office's Estimate and Accounts is where the Department is required to surrender income to the Consolidated Fund. This is income that has not been appropriated in aid and as such has not been approved by Parliament for inclusion in the Department's Estimate, but is included in the Accounts. Note 5 to the Accounts details income payable to the Consolidated Fund.

Relationship between Accounts and Budgets

The Department's Accounts then differ from Budget by the inclusion of income payable to the Consolidated Fund that cannot be recorded against DEL, the removal of voted grant-in-aid paid to Capacity Builders (UK) Limited and Commission for the Compact Limited (eNDPBs) to be replaced by their non-voted resource and capital consumption as reflected in their audited accounts, the adjustment of capital grants classed as resource in Estimates and Accounts but as capital in budgets to reflect the creation of assets in the wider economy, and finally the inclusion of non-voted resource expenditure in relation to the salaries and pensions of UK Members of the European Parliament (MEPs) which are paid directly from the Consolidated Fund as a standing service.

Financial Review 2007-08 presents a reconciliation between Estimates, Accounts and Budgets for both resource and capital at Figure 2.

Public Expenditure Data 2002-03 to 2010-11

(including Public Expenditure Tables 1–9)

Introduction

The aim of these published tables is to present spending plans and comparable outturn data and to provide an explanation of the Cabinet Office's budgetary spending.

The tables analyse spending in terms of the main spending control aggregates: the Departmental Expenditure Limit (DEL), showing resource DEL (RDEL) and capital DEL (CDEL) consumption and departmental Annually Managed Expenditure (AME).

Departmental Expenditure Limit

DEL budgets are negotiated with HM Treasury via Spending Reviews (SR) for three years and the most recent is the Comprehensive Spending Review (CSR) 2007 covering financial years 2008-09, 2009-10 and 2010-11. The CSR is the starting point for departments to plan their expenditure over a three year period and once agreed by HM Treasury it cannot be changed, apart from in year transfers such as Machinery of Government transfers of function from one part of the public sector to another.

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

The Department is expected to manage its resource and capital budgets within the DEL and a breach is likely to result in a reduction in DEL of the following year.

Annually Managed Expenditure

AME budgets are usually demand led and not easily controllable by departments and so are set at the beginning of each financial year via the Central Government Supply Estimates – Main Supply Estimates. These can then be updated with any changes announced during the year in the Winter and Spring Supplementary Estimates and all are subject to parliamentary approval.

The Cabinet Office itself does not have AME expenditure but included in the figures are AME Budget and Outturn for Civil Superannuation (Civil Service Pensions). The Civil Superannuation (Civil Service Pensions) figures are included in Tables 1 and 2 only. Civil Service Pensions' Annual Report and Accounts provide details of their expenditure.

Public Expenditure Tables

All tables provide financial data covering financial years from 2002-03 including the Comprehensive Spending Review period up to 2010-11.

Tables 1–6 provide information on the Cabinet Office. Tables 7–9 provide information on the Security and Intelligence Agencies; these tables are included since the information is not published elsewhere.

Cabinet Office outturn is reported from 2002-03 to 2007-08 and plans are reported from 2008-09 to 2010-11. Funding has been agreed by HM Treasury in the Estimates covering all financial years up to 2008-09. In 2007-08 various Machinery of Government changes took place. They include transfers of the Better Regulation Executive to the Department for Business, Enterprise and Regulatory Reform (DBERR) and the Prime Minister's Delivery Unit (PMDU) to HM Treasury (HMT) and a transfer into the Cabinet Office of the Whips Offices from the Privy Council Office (PCO). All tables reflect these changes.

Cabinet Office budgetary spend for 2007-08 is reconciled to Estimates and Accounts in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Controls totals.

Commentary

A commentary on Tables 1–6 is set out as follows:-

Table 1 – Total Departmental Spending

Total Departmental spending is the sum of total resource and capital expenditure less depreciation (to avoid double counting). Both resource and capital budgets are split into Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

Table 2 – Resource Budget DEL and AME

This table provides a breakdown of Near Cash within Resource Budget DEL by pay, procurement, current grants to the private sector and current grants to local authorities and separately reports depreciation.

Near Cash within Resource Budget DEL is a control total aggregate close to the measure of current spending that impacts on the current balance used to assess a fiscal rule known as the Golden Rule. It excludes non-cash items such as depreciation and cost of capital charges and movements in provisions. The Golden Rule requires that over the economic cycle the Government will borrow only to invest and not to fund current spending.

Non-Cash within Resource Budget DEL includes depreciation which measures the amount of consumption of fixed assets and cost of capital which reflects the cost to government of financing investment.

Resource DEL (RDEL) – Cabinet Office

The main features in variations between the years are:

Pay

2007-08 outturn may be reconciled to staff costs at Note 9 to the Resource Accounts by excluding from Note 9

Agency/temporary staff costs and by adding the salaries and pensions of the UK Members of the European Parliament.

Procurement

Commencing 2006-07 there is an increase in procurement expenditure due to BBC monitoring. Following Sir Quentin Thomas' review of the BBC Monitoring financial regime, it was agreed that, from 1 April 2006, the Cabinet Office should become the lead stakeholder and hold the previously disaggregated stakeholder funding.

The increase in expenditure in 2007-08 reflects the design and development of the SCOPE programme; see Note 11 to the Resource Accounts.

Current grants and subsidies to the private sector and abroad

Commencing 2005-06 there is an increase in grant programmes delivered by the Office of the Third Sector. Key programmes include Capacitybuilders, Futurebuilders, v, Strategic Partners Programme, Grassroot Grants and Community Assets Fund. 2007-08 outturn cross references to Resource Accounts Note 11.

Current grants to local authorities

Commencing 2005-06 there is a decrease in Civil Defence Grants to Local Authorities; these were transferred to the Wales Office and Department for Communities and Local Government. The remaining grant is made to the London Fire and Emergency Planning Authority. 2007-08 outturn cross references to Resource Accounts Note 2.

Depreciation

During 2006-07 and 2007-08 a decrease in depreciation was caused by Transformational Government assets reaching the end of their life. 2007-08 outturn cross references to Resource Accounts Notes 10 and 11. Planned depreciation increases in 2008-09 to 2010-11 reflecting assets under construction being brought into service.

Consultancy

Expenditure on consultancy is disclosed at Notes 10 and 11 to the Resource Accounts.

Commencing 2008-09 there is a decrease in spending plans compared to the budgets for 2006-07 and 2007-08. The decrease is not apparent from these tables due to lower than expected spend in 2006-07 and in 2007-08.

A comparison between 2007-08 outturn against Estimate and budget is set out in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

Table 3 – Capital Budget DEL and AME

This table provides details of the capital expenditure plans in the same format as Table 2. It shows in detail capital expenditure on fixed assets, capital grants to the private sector, net lending to private sector, capital support to public corporations and capital support to local authorities.

Capital budget spending is controlled because net investment increases net borrowing and hence the level of debt. The sustainable investment fiscal rule requires that net debt remains at or below sustainable levels over the economic cycle.

Capital DEL (CDEL) – Cabinet Office

The main features in variations between the years are:

Capital expenditure on fixed assets net of sales

Commencing 2008-09 there is a decrease in capital expenditure on fixed assets. In previous years, large investments in capital IT programmes took place but these have now peaked. In contrast, future plans represent expenditure on upgrading the Department's freehold Whitehall buildings and expenditure on security and information and communication infrastructure including an electronic records management system and on upgrading its crisis management facilities.

Capital grants to the private sector and abroad

Commencing 2004-05 capital grants to the private sector have been steadily increasing. Expenditure from 2004-05 to 2007-08 represents capital grants to Futurebuilders England Ltd to deliver the Futurebuilders programme. 2007-08 outturn cross references to Resource Accounts Note 11.

Commencing 2008-09 to 2010-11 the capital grant expenditure will include the on-going Futurebuilders programme and additionally the newly established programmes for Grassroots Grants and Community Assets Fund.

Net lending to private sector

The net lending to private sector represents a constant level of loan repayments received from London Hostels Association and the Civil Service Sports Council. 2007-08 outturn cross references to Resource Accounts Note 16.

Capital support to local authorities

During 2006-07 and 2007-08 capital support was offered to Local Authorities in respect of the Government Security Zone project.

A description of these programmes may be found at Note 11 to the Resource Accounts except for the Grassroots Grants and the Community Assets Fund. Grassroots Grants will provide much needed access to small grants for local community groups. This programme is in partnership with the Community Development Foundation. The Community Assets Fund will empower communities by encouraging the transfer of under-used Local Authority assets to local organisations. The fund provides grants for the refurbishment of Local Authority buildings to ensure that high quality spaces and facilities are transferred to Third Sector ownership. The fund will be delivered by the Big Lottery Fund.

Public Expenditure Data 2002-03 to 2010-11

(including Public Expenditure Tables 1–9) (continued)

Table 3 – Capital Budget DEL and AME (continued)

A comparison between 2007-08 outturn against Estimate and budget is set out in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

Table 4 – Capital Employed for the Cabinet Office

This table shows the capital employed by the Department in a balance sheet format. It provides high level analysis of the value of the various categories of fixed assets, debtors and creditors, and also the extent of provisions made. Outturn is as reported in the Cabinet Office Annual Report and Accounts for all years to 2007-08 and balance sheet projections are reported for 2008-09 to 2010-11.

The main features in variations between the years are:

Total capital employed

An overall 22% decrease between 2006-07 and 2007-08 is largely due to the increase in fixed assets.

Fixed assets

The fixed asset base is set to increase from 2007-08 to 2008-09 by 3% due to increased expenditure on IT projects. The actual increase in fixed assets expenditure from 2006-07 to 2007-08 by 8% is due to an increase in expenditure/valuations on the Whitehall estate and in IT.

Net current assets and liabilities

Net current assets at 31 March 2007 moved to net current liabilities at 31 March 2008 due to a reduction in the cash held in a commercial bank account for the Futurebuilders Fund under the terms of a tri-partite agreement between the Cabinet Office, Futurebuilders England Ltd and the Charity Bank Ltd, and the requirement to recognise a creditor to the Consolidated Fund in respect of the Funds that were transferred from this commercial bank into the Cabinet Office's Office of HM Paymaster General Account at the end of 2007-08, immediately prior to expiry of this agreement.

Provisions

Provisions are set to decrease by 18% from 2007-08 to 2008-09 due to a reclassification of free rent provision to accruals, general use of provisions and the write back of provisions no longer needed for dilapidations.

Table 5 – Administration Costs

This table represents in more detail information concerning the administration costs of running the department. These costs are part of the Department's resource DEL budgets. The table gives an analysis for past and current year expenditure showing pay costs and other costs outside the pay bill.

Administration budgets help drive economy and efficiency and are controlled to ensure that as much money as practicable is available for front line services and programmes.

The main features in variations between the years are:

2008-09 plans show an overall apparent increase compared to the outturn in 2007-08. This does not represent any substantive increase in administration expenditure. Historically the majority of the budget has been classed as administration expenditure which includes all non cash but the Cabinet Office now has a number of projects which are classified as non-grant programme expenditure. The department will continue over the coming CSR07 period to reclassify expenditure currently classed as administration to programme once the actual position becomes clear during each financial year. 2007-08 outturn cross references to Resource Accounts Note 3(b).

Table 6 – Staff Numbers

This table analyses the actual and projected staffing in the department and splits them into permanent and temporary staff.

To ensure consistent comparisons can be made with figures published in Civil Service Statistics and by the Office for National Statistics (ONS) across the Efficiency Review Period (2003-04 to 2007-08) the staff numbers for 2003-04 and 2004-05 are the same year-end staff in post figures published by Civil Service Statistics.

From 2004-05, in accordance with current Civil Service Statistics and ONS methodology, the figures for casuals include those individuals on Fixed Term Agreements.

Staff numbers for the National School of Government (NSG) are included within Cabinet Office numbers up to 2005-06, whereafter, NSG transferred out of Cabinet Office to become a non-ministerial department.

The figure for 2007-08 is the actual number of staff as at 31 March 2008. Resource Accounts Note 9 and staff numbers Table in the Performance Report show additional headcount information.

The figures in Table 6 include Cabinet Office Civil Service workforce reductions agreed in Spending Review 2004 as the Cabinet Office's contribution to the Efficiency Review. The decrease in staff numbers between 2006-07 to 2007-08 also includes the Machinery of Government Changes announced during 2007-08. Projected increase in staff numbers from 2008-09 are business planning assumptions.

Tables 7 – 9 The Single Intelligence Account

The Single Intelligence Account (SIA) comprises the budgets of the three Security and Intelligence Agencies – the Security Service, the Secret Intelligence Service and the Government Communications Headquarters. Since Autumn 2007, the Cabinet Secretary has been the Principal Accounting Officer (PAO) for the SIA. The PAO delegates authority to spend to the three Agency Heads (who are themselves Accounting Officers) at levels agreed with the Treasury.

Cabinet Office

Table 1: Total Departmental Spending

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
Resource budget									
Resource DEL									
Cabinet Office	271,303	285,728	292,308	312,255	297,038	335,875	345,804	345,270	343,837
Total resource budget DEL	271,303	285,728	292,308	312,255	297,038	335,875	345,804	345,270	343,837
<i>of which: Near-cash</i>	226,434	233,518	235,420	267,007	263,743	316,947	299,842	298,355	296,969
Resource AME									
Cabinet Office	-	450	-	-	-	-	-	-	-
Civil Superannuation (Civil Service Pensions)	4,577,214	5,014,217	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
Total resource budget AME	4,577,214	5,014,667	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
<i>of which: Near-cash</i>	-1,370,270	1,078,235	1,040,935	33,342	535,836	726,831	1,135,000	1,446,500	1,631,000
Total resource budget	4,848,517	5,300,395	5,670,724	6,037,145	6,340,305	7,909,400	7,549,804	7,916,770	8,226,837
<i>of which: depreciation</i>	29,617	40,194	48,623	37,817	24,844	9,444	35,962	36,915	37,868
Capital budget									
Capital DEL									
Cabinet Office	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
Total capital budget DEL	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
Capital AME									
Total capital budget AME	-	-	-	-	-	-	-	-	-
Total capital budget	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
Total departmental spending†									
Cabinet Office	299,777	303,803	267,136	305,482	306,722	361,063	359,433	358,826	357,356
Civil Superannuation (Civil Service Pensions)	4,577,214	5,014,217	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
Total departmental spending†	4,876,991	5,318,020	5,645,552	6,030,372	6,349,989	7,934,588	7,563,433	7,930,326	8,240,356
<i>of which:</i>									
Total DEL	299,777	303,353	267,136	305,482	306,722	361,063	359,433	358,826	357,356
Total AME	4,577,214	5,014,667	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000

† Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Spending by local authorities on functions relevant to the department

Current spending†† 28,845 29,857 36,079 49,083 54,473 67,807

of which:

financed by grants from budgets above

18,634 18,901 19,915 1,373 380 621

Capital spending

of which:

financed by grants from budgets above†††

- - - - 10,554 5,268

†† These figures reflect current spending by local authorities on Emergency Planning. HM Treasury have allocated these to the Cabinet Office, since Emergency Planning is most closely associated with the functions of the Cabinet Office.

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

Cabinet Office (continued)

Table 2: Resource budget DEL and AME

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource DEL									
Cabinet Office	271,303	285,728	292,308	312,255	297,038	335,875	345,804	345,270	343,837
<i>of which:</i>									
Cabinet Office	271,303	285,728	292,308	312,255	297,038	335,875	345,804	345,270	343,837
Total resource budget DEL	271,303	285,728	292,308	312,255	297,038	335,875	345,804	345,270	343,837
<i>of which:</i>									
Near-cash	226,434	233,518	235,420	267,007	263,743	316,947	299,842	298,355	296,969
<i>of which:†</i>									
Pay	88,822	88,761	90,972	108,327	84,775	90,526			
Procurement	83,366	88,252	78,505	63,847	92,244	105,853	98,145	95,601	95,425
Current grants and subsidies to the private sector and abroad	35,612	37,604	46,578	94,566	87,867	122,721	105,874	108,184	110,723
Current grants to local authorities	18,634	18,901	19,915	1,373	380	621	606	606	606
Depreciation	29,617	40,194	48,623	37,817	24,844	9,444	35,962	36,915	37,868
Resource AME									
Cabinet Office	-	450	-	-	-	-	-	-	-
<i>of which:</i>									
Cabinet Office	-	450	-	-	-	-	-	-	-
Civil Superannuation (Civil Service Pensions)	4,577,214	5,014,217	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
<i>of which:</i>									
Civil Superannuation (Civil Service Pensions)	4,577,214	5,014,217	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
Total resource budget AME	4,577,214	5,014,667	5,378,416	5,724,890	6,043,267	7,573,525	7,204,000	7,571,500	7,883,000
<i>of which:</i>									
Near-cash	-1,370,270	1,078,235	1,040,935	33,342	535,836	726,831	1,135,000	1,446,500	1,631,000
<i>of which:†</i>									
Pay	47,000	35,500	23,000	12,500	4,500	-	-	-	-
Procurement	-	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-
Current grants to local authorities	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Total resource budget	4,848,517	5,300,395	5,670,724	6,037,145	6,340,305	7,909,400	7,549,804	7,916,770	8,226,837

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but aren't included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

Table 3: Capital Budget DEL and AME

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	£'000 2010-11 Plans
Capital DEL									
Cabinet Office	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
<i>of which:</i>									
Cabinet Office	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
Total capital budget DEL	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
<i>of which:</i>									
Capital expenditure on fixed assets net of sales†	51,218	54,115	17,659	16,823	24,693	19,284	8,501	8,270	8,044
Capital grants to the private sector and abroad	4,659	2,488	5,814	14,242	8,384	16,813	41,111	42,222	43,364
Net lending to private sector	-193	-31	-22	-21	-22	-22	-21	-21	-21
Capital support to public corporations	2,407	1,247	-	-	-	-	-	-	-
Capital support to local authorities††	-	-	-	-	10,554	5,268	-	-	-
Capital AME									
Total capital budget AME	-	-	-	-	-	-	-	-	-
Total capital budget	58,091	57,819	23,451	31,044	34,528	34,632	49,591	50,471	51,387
<i>Of which:</i>									
Capital expenditure on fixed assets net of sales†	51,218	54,115	17,659	16,823	24,693	19,284	8,501	8,270	8,044
Less depreciation†††	29,617	40,194	48,623	37,817	24,844	9,444	35,962	36,915	37,868
Net capital expenditure on tangible fixed assets	21,601	13,921	-30,964	-20,994	-151	9,840	-27,461	-28,645	-29,824

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

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

††† Included in Resource Budget.

Cabinet Office (continued)

Table 4: Capital employed for the Cabinet Office

Table 4 shows a breakdown of capital employed from 2002-03 to 2010-11.

Outturn figures are as reported in the audited Cabinet Office Annual Report and Resource Accounts published for that year.

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
£'000									
Assets and liabilities on the balance sheet at end of year:									
Assets									
Fixed assets									
<i>of which:</i>									
Tangible assets									
Land and Buildings	156,221	130,126	146,273	162,998	159,070	170,331	169,697	168,551	167,369
Dwellings	905	15,836	16,013	12,382	13,444	13,898	13,728	13,555	13,380
Transformational Govt Projects	62,015	63,602	37,116	16,931	1,055	68	5,223	4,260	8,370
Information Technology	6,432	7,242	6,486	5,514	8,554	6,644	28,105	38,868	36,190
Plant and Machinery	4,760	6,253	4,945	4,087	3,819	3,530	3,054	2,531	2,029
Furniture and Fittings	3,397	2,742	2,205	1,724	1,099	663	310	111	50
Art and Antiques	7,696	7,746	8,297	10,196	10,177	10,239	10,239	10,239	10,239
Assets under construction (AUC)	1,322	16,609	14,287	13,688	26,087	33,797	21,736	11,736	11,736
AUC – Transformational Government	1,659	5,195	3	328	4,303	5,831	–	–	–
Intangible assets	2,397	2,073	772	220	77	29	8	–	–
Investments	510	479	457	436	414	392	374	354	334
Total fixed assets	247,314	257,903	236,854	228,504	228,099	245,422	252,474	250,205	249,697
Debtors (amounts falling due after more than one year)	8,354	7,717	8,047	–	–	–	–	–	–
Current Assets	48,049	53,936	49,880	34,145	122,906	96,208	33,600	33,600	33,600
Liabilities									
Creditors (amounts falling due within one year)	–45,129	–56,751	–59,793	–63,349	–64,256	–119,785	–65,000	–65,000	–65,000
Creditors (amounts falling due after more than one year)	–64	–38	–	–3,497	–	–	–	–	–
Provision for liabilities and charges	–5,257	–7,589	–7,321	–7,053	–5,594	–3,189	–2,600	–2,500	–2,200
Capital employed within the Cabinet Office	253,267	255,178	227,667	188,750	281,155	218,656	218,474	216,305	216,097

Table 5: Administration Costs

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	£'000 2010-11 Plans
Administration Expenditure									
Paybill	82,879	81,465	82,698	95,260	77,565	81,551			
Other	102,027	98,799	104,842	117,858	97,218	96,616			
Total administration expenditure	184,906	180,264	187,540	213,118	174,783	178,167	246,882	244,717	239,316
Administration income	-23,520	-24,371	-32,937	-56,649	-34,778	-33,529	-32,000	-35,173	-35,173
Total administration budget	161,386	155,893	154,603	156,469	140,005	144,638	214,882	209,544	204,143
Analysis by activity									
Cabinet Office	161,386	155,893	154,603	156,469	140,005	144,638	214,882	209,544	204,143
Total administration budget	161,386	155,893	154,603	156,469	140,005	144,638	214,882	209,544	204,143

Table 6A: Staff Numbers for the Cabinet Office

Table 6A shows staff numbers from 2002-03 to 2010-11 by function expressed in full-time equivalents.

	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Plans	2009-10 Plans	2010-11 Plans
Cabinet Office									
CS FTEs	1,994	1,790	1,795	1,735	1,455	1,271	1,312	1,312	1,312
Casuals (incl. short-term/fix term appointments)	74	50	145	95	24	12	-	-	-
Total Cabinet Office	2,068	1,840	1,940	1,830	1,479	1,283	1,312	1,312	1,312

Table 6B: Senior Civil Servant (SCS) Staff Numbers for the Cabinet Office

Grade	Pay Band	Full-time equivalents (FTEs)
Permanent Secretary	£139,740 – £273,250	6
SCS 3	£99,960 – £205,000	25
SCS 2	£81,600 – £160,000	33
SCS 1	£56,100 – £116,000	135
Total		199*

* Total includes 49 from the Office of the Parliamentary Counsel.

Security and Intelligence Agencies

Table 7: Total Departmental Spending*

	2002-03	2003-04	2004-05	2005-06	2006-07**	2007-08** Estimated	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans
£'000									
Resource budget									
Resource DEL									
Security and Intelligence Agencies	794,336	999,908	1,126,394	1,251,088	1,395,389	1,435,010	1,722,500	1,870,500	2,056,500
Total resource budget DEL	794,336	999,908	1,126,394	1,251,088	1,395,389	1,435,010	1,722,500	1,870,500	2,056,500
<i>of which: Near-cash</i>	763,108	818,920	962,091	1,056,767	1,192,568	1,195,075	1,400,540	1,523,361	1,697,095
Resource AME									
Security and Intelligence Agencies	–	–	–	–	–	42,962	6,500	6,500	6,500
Total resource budget AME	–	–	–	–	–	42,962	6,500	6,500	6,500
<i>of which: Near-cash</i>									
Total resource budget	794,336	999,908	1,126,394	1,251,088	1,395,389	1,477,972	1,729,000	1,877,000	2,063,000
<i>of which: depreciation</i>	361	150,979	111,078	134,894	130,509	212,806	266,057	286,840	301,741
Capital budget									
Capital DEL									
Security and Intelligence Agencies	121,826	509,807	150,604	204,789	248,393	316,377	309,685	338,000	301,000
Total capital budget DEL	121,826	509,807	150,604	204,789	248,393	316,377	309,685	338,000	301,000
Capital AME									
Total capital budget AME	–	–	–	–	–	–	–	–	–
Total capital budget	121,826	509,807	150,604	204,789	248,393	316,377	309,685	338,000	301,000
Total departmental spending†									
Security and Intelligence Agencies	915,801	1,358,736	1,165,920	1,320,983	1,513,273	1,581,543	1,772,628	1,928,160	2,062,259
Total departmental spending†	915,801	1,358,736	1,165,920	1,320,983	1,513,273	1,581,543	1,772,628	1,928,160	2,062,259
<i>of which:</i>									
Total DEL	915,801	1,358,736	1,165,920	1,320,983	1,513,273	1,581,543	1,772,628	1,928,160	2,062,259
Total AME	–	–	–	–	–	–	–	–	–

† Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Spending by local authorities on functions relevant to the department

Current spending	–	–	–	–	–	–	–	–	–
<i>of which:</i>									
financed by grants from budgets above	–	–	–	–	–	–	–	–	–
Capital spending	–	–	–	–	–	–	–	–	–
<i>of which:</i>									
financed by grants from budgets above††	–	–	–	–	–	–	–	–	–

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

* The figures shown here are consistent with those published in the SIA Financial Statements

** The increase in total departmental spending in 2006-07 and 2007-08 arises from spending on the expansion and capabilities of the Security and Intelligence Agencies

The Cabinet Secretary, Sir Gus O'Donnell, is the Principal Accounting Officer (PAO) for the Single Intelligence Account (SIA), which finances the Security and Intelligence Agencies. The Security and Intelligence Agencies operate within a separate statutory framework. The status of the Security and Intelligence Agencies is covered in the *Governance of Britain – Constitutional Renewal* Government Policy Proposals (Cm 7342-1, March 2008).

Table 8: Administration Costs for the Security and Intelligence Agencies*

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans	Plans	Plans
Administration Expenditure									
Paybill	54,536	53,918	54,166	58,709	53,912	52,593			
Other	36,169	39,030	36,370	34,958	39,757	42,679			
Total administration expenditure	90,705	92,948	90,536	93,667	93,669	95,272	92,157	90,733	89,307
Administration income	-3,505	-6,047	-3,836	-6,767	-5,768	-6,071	-5,157	-5,733	-6,307
Total administration budget	87,200	86,901	86,700	86,900	87,901	89,201	87,000	85,000	83,000
Analysis by activity									
Security and Intelligence Agencies	87,200	86,901	86,700	86,900	87,901	89,201	87,000	85,000	83,000
Total administration budget	87,200	86,901	86,700	86,900	87,901	89,201	87,000	85,000	83,000

* The SIA has restated its administration figures for prior years to reflect figures consistent with those across the CSR07 period.

Table 9: Staff numbers for the Security and Intelligence Agencies

Table 9 shows staff numbers from 2002-03 to 2010-11 by function, expressed in full-time

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Actual	Actual	Actual	Actual	Actual	Estimated	Plans	Plans	Plans
Security and Intelligence Services									
CS FTEs	8,525	8,967	9,316	9,726	10,247	10,886	11,970	12,412	12,800
Casuals	15	17	18	19	21	29	26	27	29
Total	8,540	8,984	9,334	9,745	10,268	10,915	11,996	12,439	12,829

Financial Review 2007-08

Introduction

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

The Primary Statements in the Resource Accounts

The primary statements in the Resource Accounts comprise: the Statement of Parliamentary Supply; the Operating Cost Statement; the Statement of Recognised Gains and Losses; the Balance Sheet; the Cash Flow Statement; and the Statement of Operating Costs by Departmental Aim and Objectives.

Statement of Parliamentary Supply

This is the accountability statement for parliamentary reporting purposes. It records the net resource outturn compared to Estimate and only includes expenditure and income (Appropriations in Aid) allowable against the Estimate.

The Department's net resource outturn increased from £309.251 million in 2006-07 to £341.819 million in 2007-08. For explanations see the operating cost variance analysis below.

Operating Cost Statement

The Operating Cost Statement is similar to an income and expenditure statement and includes all operating income and expenditure relating to the Department on an accruals accounting basis, including items which sit outside of the Estimate. The differences between net operating cost (Accounts) and net resource outturn (Estimates) are detailed above.

The Department's net operating costs increased from £304.028 million in 2006-07 to £341.185 million in 2007-08. Detailed below are the main drivers of this variance.

Staff costs

Staff costs increased by £2.472 million largely due to annual salary and associated social security and pensions cost increases. See Note 9 to the Accounts.

Other Administration costs

Other administration costs increased by £1.625 million, due to an increase in other expenditure of £5.876 million attributable to increased IT and supplies and services costs, off-set by a decrease in lease costs of £3.228 million largely due to a reduction in occupied buildings, and a decrease in non-cash costs of £1.023 million driven by

decreased depreciation and the impairment of assets due to indexation. See Note 10 to the Accounts.

Programme costs

Programme costs year on year increase of £26.374 million is due to an increase in grant related expenditure of £26.227 million, and an increase of £14.913 million across other programme areas and off-set by a decrease in non-cash costs of £14.766 million. See Note 11 to the Accounts. Explanations for year on year increases and decreases in expenditure are set out below.

Programme Grants

The £26.227 million increase in programme grant expenditure is largely attributable to Office of the Third Sector programmes, including a £21.532 million increase in grants paid to v following the scaling up of activity since the first formal year of activity in 2006-07, a £7.687 million increase in the grant paid to Futurebuilders England Limited reflecting the trend of increased activity year on year since the start of the Futurebuilders Programme in 2004-05, a £1.130 million grant-in-aid payment to the Commission for the Compact Limited (eNDPB) for whom 2007-08 is the first operational year, and a number of other changes totalling £5.683 million reflecting small increases in funding across programmes and the introduction of new programme areas in 2007-08. A proportion of these increases have been off-set by decreases in expenditure on certain programmes, in particular a reduction in the grant-in-aid paid to Capacity Builders (UK) Limited of £4.498 million reflecting the use of 2006-07 resource DEL underspend in 2007-08.

The other major year on year decreases in grant programmes are largely attributable to a decrease of £5.307 million on grants paid out in respect of the Government Security Zone due to programme delivery rescheduling.

Programme other non-cash costs

The £14.766 million decrease in non-cash expenditure is attributable to a decrease in depreciation due to a significant number of Transformational Government assets reaching the end of their economic life, and earlier impairments of Transformational Government assets in 2006-07 and reduced cost of capital charges mainly due to a lower than anticipated cost of capital charge incurred on the Futurebuilders Trust Account in 2007-08 (see Note 19 to the Accounts).

Programme other near-cash costs

The £14.913 million increase is primarily attributable to the main tranche of development work on Phase 2 of the SCOPE Programme offset by decreases across other programme areas such as decreases in the Resilient Telecommunications Programme due to a prolonged contract letting procedure, Directgov, reflecting the sliding scale annual contribution from the Department, and e-Delivery reflecting transition costs incurred in 2006-07. See Note 11 to the Accounts for further detail.

Income

The net increase in operating costs is also partially due to a reduction in income received by the Department of £6.686 million compared to 2006-07. This is largely attributable to the collection of income in 2006-07 which was payable to the Consolidated Fund due to unexpected returns of unspent grants by recipients and the reduction in interest income from the Futurebuilders Trust Account, reflecting the reducing cash balance during the year as grants were paid.

Statement of Recognised Gains and Losses

This statement reflects the unrealised element of revaluations to fixed assets and investments. These gains have not been reflected in the Operating Cost Statement, they reflect movements within the balance sheet.

The decrease in gains from £16.607 million in 2006-07 to £7.643 million in 2007-08 is largely attributable to the revaluation of property following professional valuations reflecting the forecast slowdown in capital value increases during 2007-08. See Note 14 to the Accounts.

Balance Sheet

The Balance Sheet recognises the assets and liabilities of the Department at the balance sheet date.

The Cabinet Office held net assets worth £218.656 million at 31 March 2008 (2006-07 Restated: £281.257 million) comprising fixed assets of £245.422 million (2006-07 Restated: £228.161 million), cash held of £74.008 million (2006-07: £104.444 million), net liabilities of £97.585 million (2006-07 Restated: £45.754 million) and provisions of £3.189 million (2006-07 Restated: £5.594 million).

The Department's net assets decreased by £62.601 million, from £281.257 million at 31 March 2007 to £218.656 million at 31 March 2008, as set out below.

Fixed assets

Fixed assets increased by £17.261 million, reflecting additions to tangible fixed assets of £19.150 million and other fixed asset negative movements of £1.889 million largely reflective of depreciation.

In respect of additions, £10.007 million relates to investments in IT projects relating to 'SCOPE' (£6.506 million), other Intelligence, Security and Resilience Group (£0.451 million), Transformational Government (£1.528 million), Civil Service Pensions (£0.865 million), Electronic Records Management (£0.514 million) and other minor areas (£0.143 million). £8.688 million relates to land and buildings work across the Cabinet Office estate; 10-12 Downing Street (£4.657 million), 70 Whitehall (£2.001 million), Admiralty Arch (£1.202 million) and the Emergency

Planning College (£0.828 million). £0.455 million relates to minor spend across plant and machinery, and furniture and fittings.

Cash

Cash held by the Department decreased by £30.436 million. See Cash Flow Statement.

Net liabilities

Net liabilities increased by £51.831 million from £45.754 million in 2006-07 to £97.585 million at 31 March 2008. This is largely attributable to a one-off creditor of £77.235 million to the Consolidated Fund due to the requirement to pay to the Consolidated Fund, the funds transferred from the Futurebuilders Trust Account into the Cabinet Office's Office of HM Paymaster General Account. This has been partially off-set by a decrease in other creditors, mainly driven by a reduction in accruals and deferred income largely due to improved financial management reducing delays in suppliers issuing invoices, the expiry of a finance lease and not having a creditor in respect of machinery of government transfer of functions. See Notes 19 and 20a to the Accounts.

Provisions

Provisions decreased by £2.405 million from £5.594 million in 2006-07 to £3.189 million at 31 March 2008. This occurred due to the reclassification of a free rent provision to accrued expenditure, the reclassification of a staff transfer provision to creditors and general use of the Department's provisions during the year. See Note 21 to the Accounts.

Cash Flow Statement

The Cash Flow Statement shows the increases or decreases in the amounts of cash and how this has been absorbed by the Department during the year on its operating activities and capital expenditure. The movement in cash in the period is reconciled to the net cash requirement in note 24(e) to the Accounts. Net cash requirement is set out at Figure 1 below.

Statement of Operating Costs by Departmental Aim and Objectives

The Statement of Operating Costs by Departmental Aim and Objectives shows how resources, as set out in the Operating Cost Statement, have been deployed to each of the Department's Objectives.

The increase in the Department's net operating costs is detailed above and the allocation of resources across objectives has remained broadly constant year on year.

Financial Review 2007-08

(continued)

Performance against Parliamentary Control totals

Outturn against Estimate – See Figure 1

Authority was sought in the Spring Supplementary Supply Estimate (HC 366) for a net resource requirement of £388.998 million, a net voted capital requirement of £43.214 million and a net cash requirement of £374.161 million.

Net Cash Requirement

The Cabinet Office required cash amounting to £339.973 million to finance its activities; £34.188 million less than the sum approved by Parliament, owing to underspends generated in the programmes described above, excluding non-cash movements.

Net Resource Outturn

Actual net resource requirement for this period was £341.819 million, a saving of £47.179 million against

Figure 1 – Resource to net cash requirement

	£'000 Outturn	£'000 Estimate	£'000 Variance: under/(over)	% Variance: under/(over)
Net resource outturn	341,819	388,998	47,179	12
Net voted capital	19,112	43,214	24,102	56
	360,931	432,212	71,281	16
Non-cash adjustments	1,091	(26,851)	(27,942)	(104)
Movement on Futurebuilders Fund	(22,049)	(31,200)	(9,151)	(29)
Net cash requirement	339,973	374,161	34,188	9

Outturn against Budget – See Figure 2

Resource Departmental Expenditure Limit (RDEL) – see figure 2a

Post publication of the Cabinet Office Spring Supplementary Estimate, it was determined that the Department, along with the Department for Communities and Local Government, was required to make a budgetary cover transfer to the Deputy Prime Minister's Office. Figure 2a shows the Cabinet Office share of this transfer (£0.267 million) which results in a reduction of the published Resource DEL (RDEL) figure of £357.570 million, down to a revised £357.303 million. Outturn against this was £335.875 million, a saving of £21.695 million against the RDEL approved by Parliament and a saving of £21.428 million against the revised RDEL.

Estimate of £388.998 million. Note 2 to the Accounts provides a breakdown of net resource outturn, and variances are explained in Figure 2 in budget terms, where a reconciliation is set out between the Department's Estimate, Accounts and Budget. A saving against Estimate of £47.179 million net resource is explained above.

Net Voted Capital

A saving against Estimate of £24.102 million net voted capital is explained at Figure 2b.

Non-cash adjustments and movement on Futurebuilders Fund

These savings have been offset by a variance in non-cash adjustments of £27.942 million (see Note 4 to the Accounts) and a reduction in expenditure on the Futurebuilders Programme funded from the Futurebuilders Trust Account at the Co-operative Bank; See Note 19 to the Accounts.

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

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

Non-cash costs are those where there is no cash transaction but which are included in the Resource Accounts to establish the true cost of all resources used, and near-cash costs reflect resource expenditure that has

a related cash implication, even though the timing of the cash payment may be slightly different, for example due to payments made in arrears.

£21.783 million administration budget underspend

£5.860 million non-cash underspend

The Cabinet Office's non-cash administration budget underspend of £5.860 million relates primarily to lower than anticipated cost of capital and depreciation charges. The main reasons were: a change in the treatment of certain expenditure originally forecast as capital but subsequently accounted for as resource expenditure and slippage in some capital projects.

£15.923 million near-cash underspend

The Cabinet Office's near-cash administration budget underspend was £15.923 million. A number of factors contributed to this, including: higher than expected procurement and headcount efficiency savings; estate rationalisation; improved management and control of consultancy expenditure; demand on departmental resources from global events being less than anticipated; a number of centrally identified pressures which did not materialise before the end of the financial year. In addition, a number of small underspends arose in individual business costs across the Department.

£0.355 million programme budget overspend

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

£5.063 million voted non-cash underspend

The Cabinet Office's programme budget non-cash underspend of £5.063 million is largely attributable to an underspend of £3.263 million which relates to a lower than anticipated cost of capital charge incurred on the Futurebuilders Trust Account (see Note 19 to the Accounts). This arose due to the closure of this account post publication of the final forecast expenditure in the Spring Supplementary Estimate. The remaining underspend of £1.8 million relates to lower than anticipated cost of capital and depreciation charges on the Department's 'SCOPE' and Transformational Government projects.

£5.418 million voted and non-voted near-cash overspend

The Cabinet Office's total voted and non-voted near-cash programme budget overspend amounted to £5.418 million. The Cabinet Office's programme budget voted near-cash overspend of £6.715 million is largely attributable to the reclassification of expenditure on the SCOPE programme.

Non-voted programme budget expenditure is expenditure not voted by Parliament through the Supply Estimates process. The Department's NDPBs are financed with grant in aid voted through the Supply Estimate and reflected

in Estimates and Accounts. In Budget terms, grant in aid is removed and resource consumption of NDPBs is consolidated with the core Department.

Non-voted near-cash programme budget returned an underspend of £1.297 million. There was a £0.331 million underspend by the Commission for the Compact, attributable to the rescheduling of policy project work, slower than anticipated delivery of work in relation to Human Resource policies, and the later than anticipated recruitment of the Chief Executive. In addition, Capacity Builders (UK) Limited recorded a £0.164 million underspend, in recognition of grants repayable where recipients were unable to spend the full grant issued in year. Upon receipt the repayment will be payable to the Consolidated Fund at HM Treasury. A further non-voted programme budget expenditure underspend of £0.802 million is attributable to the salaries and pensions of UK MEPs.

Capital Departmental Expenditure Limit (CDEL) – see figure 2b

The Cabinet Office's capital budget for 2007-08 was £85.041 million, and actual outturn was £34.632 million, a saving of £50.409 million against the Capital Departmental Expenditure Limit (CDEL) approved by Parliament. The expenditure limit consists of two main elements; fixed assets and capital grants.

£24.127 million fixed assets underspend

The underspend relating to fixed assets amounted to £24.127 million due to the reclassification of the SCOPE programme.

In also includes the Commission for the Compact Limited's CDEL overspend of £0.02 million due to their procurement of a Customer Relationship Management tool and Knowledge Database originally categorised as RDEL but subsequently, on auditor advice re-categorised as CDEL, and an underspend of £0.045 million by Capacity Builders (UK) Limited attributable to purchases of fixed assets being lower than anticipated.

£26.282 million capital grants underspend

The underspend relating to capital grants amounted to £26.282 million. £3.095 million of this relates to an underspend in respect of the Government Security Zone due to a slower than anticipated delivery rate. £23.187 million is attributable to the Office of the Third Sector and is broken down to represent an underspend of £7.187 million in respect of the Futurebuilders' Programme, arising due to delays in third sector organisation grant recipients being able to meet important conditions before funds can be disbursed, and a £16 million underspend due to the rescheduling of a number of new projects reflecting new government priorities, to future financial years.

Financial Review 2007-08 (continued)

Figure 2 – Reconciliations between Estimates, Accounts and Budgets

a. Resource	£'000 Outturn	£'000 Budget	£'000 Variance: under/(over)	% Variance: under/(over)
Net resource outturn (Estimates) – see Note 3(a) to Accounts	341,819	388,998	47,179	12
Remove consolidated fund extra receipts	(634)	(293)	341	116
Net operating cost (Accounts) – see Note 3(a) to Accounts	341,185	388,705	47,520	12
Add back consolidated fund extra receipts	335	293	(42)	(14)
Remove capital grants	(15,370)	(41,652)	(26,282)	63
Non-Departmental Public Body (NDPB)				
Remove grant-in-aid (Voted) – see Note 13 to Accounts	(33,930)	(34,728)	(798)	2
Add NDPB resource consumption (Non-voted)				
Capacity Builders (UK) Limited	36,429	36,593	164	1
Commission for the Compact Limited	918	1,249	331	27
Non-voted expenditure				
Salaries and pensions of UK MEPs	6,308	7,110	802	11
Resource budget (Budgets) – Spring Supplementary Estimate	335,875	357,570	21,695	6
Budgetary cover transfer to Deputy Prime Minister's Office	–	(267)	(267)	(100)
Resource budget (Budgets) – amended	335,875	357,303	21,428	6
<i>of which:</i>				
Departmental Expenditure Limit (DEL)	335,875	357,303	21,428	6
Annually Managed Expenditure (AME)	–	–	–	–
Resource DEL:				
Non-cash – see Note 4 to Accounts	18,928	29,851	10,923	37
Near-cash – see Table 1	316,947	327,452	10,505	3
Total	335,875	357,303	21,428	6
Programme:				
Grants	123,742	128,612	4,870	4
Other	67,495	62,270	(5,225)	(8)
Total	191,237	190,882	(355)	–
Administration – See Note 3(b) to Accounts	144,638	166,421	21,783	13
Programme:				
Non-cash – see Note 11 to Accounts	5,437	10,500	5,063	48
Near-cash	185,800	180,382	(5,418)	(3)
Total	191,237	190,882	(355)	–
Administration:				
Non-cash – see Note 10 to Accounts	13,491	19,351	5,860	30
Near-cash	131,147	147,070	15,923	11
Total	144,638	166,421	21,783	13

Figure 2 – Reconciliations between Estimates, Accounts and Budgets (continued)

b. Capital	£'000	£'000	£'000	%
	Outturn	Budget	Variance: under/(over)	Variance: under/(over)
Fixed asset additions				
Tangible – see Note 14 to Accounts	19,150	43,118	23,968	56
Intangible – see Note 15 to Accounts	(14)	120	134	112
	19,136	43,238	24,102	56
Less:				
Loan repayments – see Note 16 to Accounts	(22)	(21)	1	5
Sales proceeds on fixed asset disposals – see Note 24(c)	(2)	(3)	(1)	33
Net voted capital outturn (Estimates/Accounts)	19,112	43,214	24,102	56
Add NDPB capital consumption (non-voted)				
Capacity Builders (UK) Limited	55	100	45	45
Commission for the Compact Limited	95	75	(20)	(27)
Sub total: Fixed Assets	19,262	43,389	24,127	56
Capital Grants	15,370	41,652	26,282	63
Capital budget (Budgets)	34,632	85,041	50,409	59
<i>of which:</i>				
Departmental Expenditure Limit (DEL)	34,632	85,041	50,409	59
Annually Managed Expenditure (AME)	–	–	–	–

Other information

Machinery of government changes

During the financial year 2007-08, the following changes took place within the departmental boundary.

Transfers into the Cabinet Office

Privy Council Office

On 1 April 2007, the transfer of the Lord President of the Council and Leader of the House of Lords, the Leader and Deputy Leader of the House of Commons, and the Offices of the Government Whips in the House of Commons and the House of Lords from the Privy Council Office to the Cabinet Office was announced.

Transfers out of the Cabinet Office

Better Regulation Executive

On 28 June 2007, the transfer of the Better Regulation Executive (BRE) and the Local Better Regulation Office (LBRO) to the new Department for Business, Enterprise and Regulatory Reform (DBERR) was announced.

Prime Minister's Delivery Unit

On 28 June 2007, the transfer of the Prime Minister's Delivery Unit (PMDU) to HM Treasury was announced.

Other movements

Directgov

On 1 April 2007, responsibility for Directgov, the Government's primary digital service for citizens, transferred from the Cabinet Office to the Central Office of Information.

Deputy Prime Minister's Office

On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office.

Commission for the Compact Limited

In addition, changes also occurred outside of the departmental boundary including a newly operational Executive Non-Departmental Public Body (eNDPB), the Commission for the Compact Limited, which is not consolidated within these resource accounts.

Financial Review 2007-08

(continued)

Environmental Sustainability Report

The Cabinet Office is committed to embedding sustainable environmental development issues in all its activities.

The Cabinet Office's Sustainable Development Action Plan has been created to demonstrate how the Department will continue to support, contribute to and deliver the commitments and objectives within the UK sustainable development strategy, *Securing the Future*, that apply to the Cabinet Office. The Action Plan builds on past successes, and highlights what the Department will do to improve its performance.

In seeking to minimise and continuously reduce negative environmental impacts of its day-to-day estate management and operational activities, the Cabinet Office has implemented an ongoing system of environmental management and improvement. This enables the Department to measure and monitor its impacts, commit to improvements within set timeframes and report publicly on progress. The Department's Environmental Management System is certified to ISO14001 environmental standards.

The Cabinet Office's Environmental Policy (www.cabinetoffice.gov.uk/reports/environment/) contains details of how the Department minimises any adverse effects of its activities, and progress towards meeting cross departmental and local targets will be published annually.

The Cabinet Office is equally committed to achieving the targets for sustainable operations on the Government estate launched by the Prime Minister in June 2006.

Estate Management Strategy

The Cabinet Office owns eight freehold properties in London: the inter connected 70 Whitehall and 10-12 Downing Street; the inter-connected Admiralty Arch, 22-26 Whitehall and Admiralty House; and two buildings currently occupied by the Parliamentary Counsel Office – 36 Whitehall and 53 Parliament Street. In addition the Cabinet Office is responsible for the freehold of the Civil Service Club building in Great Scotland Yard.

Outside London the Cabinet Office owns the freehold of the Emergency Planning College at Easingwold, Yorkshire and of Hannington Radio Mast. Both of these were inherited from the Home Office on earlier machinery of government changes.

The Cabinet Office takes a proactive approach to the management of its estate in order to provide the necessary accommodation to meet current and future business needs. As part of this approach, any surplus land and buildings identified will be disposed of, either to other public bodies or through the open market, as appropriate. The Cabinet Office is currently in the process of disposing of 53 Parliament Street, which is, as a result, being held on the balance sheet at open market value.

There is little scope to dispose of the freeholds of 70 Whitehall and Downing Street, Admiralty Arch, 22-26 Whitehall and Admiralty House. These are core, historic (and listed) freeholds properties on the Whitehall corridor that are expected to be used by the Cabinet Office for the foreseeable future.

In December 2007, the Cabinet Office Asset Management Strategy was published (www.cabinetoffice.gov.uk/reports/asset_management.aspx). As well as the estate management plans detailed above, this document describes how and why the Department plans to manage all of its capital asset base.

Pensions

Present and past employees of the Cabinet Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of the scheme is reported in a separate PCSPS financial statement. The accounting policy adopted for pension costs is set out at Note 1.13 to the Accounts. Details of senior staff pension entitlements are set out in the Remuneration Report, within the section Resource Accounts 2007-08.

Diversity and Inclusion Policy

The Cabinet Office is committed to improving the diversity of its workforce and to ensuring equal opportunities for all, irrespective of age, disability, ethnicity, gender, gender identity, religion or belief, sexual orientation, working pattern or trade union membership. It is striving towards a culture of respect and value that harnesses differences and allows everyone to make a full and valued contribution.

However, diversity for the Cabinet Office covers more than just those elements covered by legislation and enshrines the true diversity of thought, skills, background and experience. It does not tolerate any form of unfair discriminatory behaviour, harassment, bullying or victimisation and will do all it can to ensure that all such allegations are dealt with sensitively and fairly.

Employee Consultation

The Cabinet Office recognises the importance of good employee relations to the achievement of its objectives and consultation with employees and their representatives is key to this.

Regular communication and consultation takes place with staff through a variety of media including intranet, weekly staff newsletter and team briefing meetings. Larger consultation exercises also take place on important developments. In addition, the Cabinet Office runs an annual People Survey and monthly pulse surveys to gather staff views on a number of issues. The Department has a partnership agreement with the trade unions. In addition, senior managers meet with the trade union representatives under the Departmental Whitley Council arrangements, and also meet informally to discuss trades union concerns.

There are diversity networks which represent particular groups of staff including women, staff with disabilities, ethnic minority staff, lesbian, gay and bisexual staff and carers. The Department actively supports and consults these networks on particular diversity and equality-related issues.

The average number of whole-time equivalent disabled persons employed during the year was 50 (2006-07: 49).

Policy on Payment of Suppliers

The Cabinet Office is committed to the Better Payment Practice Code on prompt payment and aims to pay all undisputed invoices within the terms of the contract, usually 30 days of receipt of a valid invoice. During the year the Department paid 96% of invoices within 30 days (2006-07: 96%). The Department paid £408.70 (2006-07: £198.20) interest charges levied on late payment of invoices for the year ended 31 March 2008.

Events after the Balance Sheet Date

The following post balance sheet events occurred between 31 March 2008 and 11 July 2008, the point at which these accounts were authorised for issue by the Accounting Officer. See Note 36 to the Resource Accounts.

UK Statistics Authority

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the Statistics

and Registration Service Act 2007. Overall ministerial responsibility has moved from HM Treasury to the Cabinet Office. As part of this change in ministerial responsibility, three posts have transferred from HM Treasury to the Cabinet Office. Transfer arrangements are currently in progress.

Government Skills

Government Skills became part of the Department for Innovation, Universities and Skills (DIUS) on 1 April 2008. The transfer from the Cabinet Office aims to create a stronger alignment with the team of ministers and officials charged with economy-wide skills policy for England, putting Government Skills in a better position to drive forward the Skills Strategy. Government Skills continues to work closely with the Cabinet Office. Transfer arrangements are currently in progress.

e-Delivery Team

On 1 April 2008, the e-Delivery Team (eDT), transferred to the Department for Work and Pensions from the Cabinet Office Transformational Government Unit. eDT runs the Government Gateway, the online service which allows individuals, businesses and other organisations to interact securely with Government. The Government Gateway currently offers over 153 online services on behalf of 79 public sector organisations. It has been identified by the Government's Chief Information Officer (CIO) Council as a champion asset for public sector employee, business, and citizen services. Finance and personnel arrangements are currently being finalised.

Deputy Prime Minister's Office

On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office. On 1 April 2008 the Deputy Prime Minister's Office's closing debtors and creditors were novated to the Cabinet Office.

Assets under Construction

Assets under construction include £27.77 million which relate to the delivery of the SCOPE Programme. The SCOPE Programme is to be brought into use in two phases. Phase 1 was brought into use in 2007-08 and Phase 2 is under development.

Financial Review 2007-08

(continued)

Reporting of personal data related incidents

SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2007-08				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
n/a	There are no incidents to report	n/a	n/a	n/a
Further action on information risk	<p>The Department will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.</p> <p>The Cabinet Office has reviewed its internal security policies and procedures including those which specifically deal with the secure handling of information and protected personal data. The Cabinet Office has ensured that these policies are compliant with the mandatory minimum standards of protection, specifically regarding limiting the use of removable media to the minimum necessary for business operation and providing encryption on any necessary non-encrypted media devices. Planned steps for the coming year include: A programme of encryption of all non-encrypted standalone PCs and laptops used within the Cabinet Office will be completed by the end of July 2008.</p> <p>Heads of business units in the Department have been asked to ensure and confirm that all their staff are aware of the existing policies and procedures which have been included in the Department's own security manual.</p> <p>Cabinet Office departmental data copying continues to be audited by an automated software product. The Cabinet Office continues to monitor that its procedures and systems remain compliant with the Manual of Protective Security and any other centrally provided advice. An additional exercise will be undertaken immediately to ensure that the Cabinet Office's procedures, particularly concerning the distribution of hard copy classified material, and the disposal of classified waste, continue to be fully effective.</p>			

INTRODUCTION Pages 4-11
THE STORY OF OUR YEAR Pages 12-59
MINISTERS AND BOARD MEMBERS Pages 60-67
COMPREHENSIVE SPENDING REVIEW 2007 Pages 68-75
PERFORMANCE REPORT Pages 76-91
CABINET OFFICE FINANCES Pages 92-113
RESOURCE ACCOUNTS 2007-08 Pages 114-163
PUBLIC APPOINTMENTS Pages 164-169

Resource Accounts 2007–08



Introduction by Sir Gus O'Donnell

I take pleasure in presenting to you the Resource Accounts 2007-08 which have been authorised by me as Accounting Officer and audited and certified by the Comptroller and Auditor General.

They include:

- Statement of Accounting Officer's Responsibilities which sets out my responsibilities for preparing the Annual Report and Accounts and for ensuring the regularity of financial transactions;
- Statement on Internal Control which is compliant with HM Treasury guidance;
- audited Remuneration Report which details the salary and pension entitlements of Ministers and senior management;
- Certificate and Report of the Comptroller and Auditor General to the House of Commons; and
- audited Financial Statements.

Basis of Accounts

The Cabinet Office Resource Accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with generic Accounts Directions issued to departments by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

Auditors

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 10 to the Accounts.

Statement on the Disclosure of Relevant Audit Information

I hereby confirm that so far as I am aware, there is no relevant audit information of which the Cabinet Office's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the Cabinet Office's auditors are aware of that information.

Sir Gus O'Donnell KCB

Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service
10 July 2008

Statement of Accounting Officer's Responsibilities

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

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

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Cabinet Office.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Cabinet Office's assets, are set out in *Managing Public Money*, published by HM Treasury.

Statement on Internal Control

Scope of responsibility and accountability arrangements

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts. It accords with HM Treasury guidance.

Governance, strategy and planning

The Cabinet Office continues to change to meet the challenge of ensuring that it is fully focused on delivery of its core activities and objectives.

During the year, the Executive Management Group (EMG) acted as an executive decision making sub-group of the Cabinet Office Board with responsibility for day to day management of the Department. EMG supported the Board in the strategic direction and performance management of the Department, with a particular focus

on Finance, HR, Infrastructure and other operations related matters. EMG reviewed management information on a monthly basis and made decisions on Cabinet Office-wide issues. The membership had delegated responsibility to act on behalf of the Board members they represent, with representation from each Cabinet Office Group attending. EMG was chaired during the year by Ian Watmore until 28 June 2007, Roger Marsh from 29 June 2007 to 4 September 2007 and from 5 September 2007 by Alexis Cleveland, Director General, Transformational Government and Cabinet Office Management. For 2008-09 EMG has been replaced by a number of new governance committees.

Work streams are managed by ten Groups. Each Group is headed by a Board member. Financial reporting, risk reporting, Corporate Governance and assurance statements are reported on at Group level.

Leadership

The management Board provides strategic leadership for the Cabinet Office. It is chaired by me and comprises the heads of each Group, and three non-executive directors. The Board regularly discusses all major areas of risk affecting the Cabinet Office. It has recently reviewed and refreshed its corporate risk profile and portfolio to more accurately reflect the changed objectives and developing strategy for the Cabinet Office.

During this process, the Board identified seven Corporate Risks; each with an allocated Board level owner. These are:

- Service transformation – Failure to deliver transformation of the Civil Service;
- Reputation – Lack of confidence in Cabinet Office;
- Resilience – Emergencies & Disasters; failure to identify and manage strategic events;
- Capability – Failing to manage, monitor or implement the Capability Review work streams and properly embed the findings; staff and systems;
- Business Planning – Matching resources to priorities;
- Information management strategy – Loss of reputation as a result of failure to manage data security; and
- Civil Service Pensions – Failure to create, maintain and operate adequate Civil Service Pension Scheme policy and procedures.

The Cabinet Office Audit and Risk Committee (COARC) is a sub committee of the Board. Whilst the Board is responsible for the overall oversight and approach to risk management, the role of COARC is to advise me on the adequacy of risk management, control and governance. COARC does not have operational control of risk; operational control and ownership of risk is the

responsibility of the Cabinet Office Board. COARC's formal terms of reference are "to give advice to the Accounting Officer on the adequacy of audit, risk management, control arrangements and corporate governance across the Cabinet Office". The Committee is comprised of five non executive directors one of which, the Chair, is also a member of the Board. Representatives of management and the Department's internal audit and external auditors also attend the Committee. COARC formally reports annually to me as the Accounting Officer with an independent opinion on risk management process.

Risk strategy and policies

The Cabinet Office risk management strategy:

- is endorsed by the Accounting Officer, Board, EMG and COARC;
- defines the structures and responsibilities for the management and ownership of risk;
- indicates the way in which risk issues are to be identified, assessed, responded to, reduced, owned, recorded, monitored and reviewed;
- ensures common understanding of terminology used in relation to risk issues;
- defines the structures for gaining assurance about the management of risk; and
- each work stream within the Groups are required to hold Risk Registers which are reviewed regularly.

People

Staff are encouraged to identify and take opportunities to manage risks well. Good risk management appears as an effective behaviour in the competence frameworks for both Senior Civil Service (SCS) and non-SCS staff.

Resources available to staff include guidance on managing risk via the intranet and access to expertise in the Internal Audit Service and in Financial and Estate Management.

Health and Safety

The Cabinet Office accepts its responsibilities under the provisions of the *Health and Safety at Work Act 1974* and all other associated legislation. The Cabinet Office undertakes, so far as is reasonably practicable, to meet all its legal obligations regarding health, safety and welfare to its staff and others that may be affected.

Fraud

The Cabinet Office's fraud policy is available to all staff on the Cabinet Office intranet, CabWeb. This policy has been updated during the year in line with recommendations from the Internal Audit Service.

The policy requires all staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. The Cabinet Office views both fraud and negligence very seriously and will take appropriate disciplinary and legal action against anyone found guilty of it. The central finance team carried out a fraud risk assessment during the year; such assessments are subject to review by the Internal Audit Service. The team regularly re-examines all aspects of the fraud policy in accordance with recommendations that result from the reviews. Planned improvements to the fraud policy include a fraud awareness tool for staff, currently being developed for the intranet site, and a revision of "whistle blowing" procedures.

Processes

The risk management process specifically covers:

- general principles to policy making, project management, delivery planning and working in partnership with other organisations;
- criteria for evaluating the magnitude of risks, both in terms of likelihood and impact of maturity;
- criteria for determining risk ownership, including considering the impact and effectiveness of the measures introduced to control risk; and
- other factors to be considered in the assessment of risks including the potential impact on finances, stakeholders, reputation and strategy.

The Board, EMG, COARC, and Internal Audit Service have agreed to arrangements for the regular review of risk management.

Controls

The Department has the following internal control systems in place:

- an annual Business Plan endorsed by the Board and reviewed by them during the year, together with annual budgets, headcount controls and other efficiency targets;
- risks to objectives and targets are identified by each Group as part of the annual business planning process;
- a framework document setting out delegated authorities and the publication of an annual report;
- mandatory annual stewardship reports on corporate governance from all Groups;
- delegation letters issued to Group heads, with supporting advice on roles and responsibilities and guidance available on the intranet;

Statement on Internal Control (continued)

- month-end financial reconciliation and reporting procedures are routinely embedded, supported by a well-structured purchase order control system. No purchase order can be raised within the department without proper authorisation from an officer with the appropriate delegated authority, and robust system security means that the risk of any falsified transaction taking place is extremely low; and
- the Department continuously monitors use of the purchase order system to reinforce adherence to procurement legislation and sound practice.

Purchasing

The level of purchase orders raised retrospectively to the commencement of supply has decreased but it is still too high. Whilst this did not impact on the completeness of year-end reporting of creditors, the Cabinet Office will continue to take action, including restructuring of functions and targeted training, to reduce the level of retrospective orders.

Business continuity planning

Effective business continuity planning allows us to survive and recover from realised risks and to minimise the impact on our finances, stakeholders and reputation. Our key planning assumptions are derived from the Civil Contingencies Secretariat's *National Resilience Planning Assumptions*. In summary, these are a sliding scale of loss of accommodation and assets, loss of services (IT and telephones), loss or shortage of staff.

We align our planning activities with the British Standard for Business Continuity Management (BS25999). We aim to protect our ability to conduct business through the use of effective continuity strategies and responses. We are currently reviewing and refreshing our continuity priorities and the people and resources that we need to carry them out at both the centre of government and individual business levels.

Responsibility for developing continuity strategies and responses is delegated to individual Groups – the point where the impact is felt – under the guidance and with the support of Financial and Estate Management.

Following the refresh of the continuity priorities we will be reviewing the central response to be more robust and effective to our current needs. This is led by Financial and Estate Management who co-ordinate recovery activities with local business continuity managers. Lessons learned from internal and cross-government exercises and from real incidents, inform our risk management and continuity strategies.

Information Handling

A recent review of information handling procedures in the Cabinet Office has assessed that, generally, the department, its associated bodies and service providers, operate suitable and appropriate procedures for protecting and sharing data.

The security of the data held on our corporate IT network (CabNet) continues to be maintained in line with its "Confidential" accreditation. The principal threats to the integrity of the department's data have been assessed as being from data copied from the network onto removable media and inappropriate transmission via email. Accordingly restrictions have been imposed on the copying of data; for example all data exported onto memory sticks must be encrypted and the export of data onto CDs, DVDs and floppy disks has been stopped until further software enhancements are available later this year to enforce encryption on these media. A ban has also been imposed on any non-encrypted laptops or drives containing personal data being taken outside of secure office premises. Cabinet Office departmental data copying continues to be audited by an automated software product.

In addition all Groups have reviewed their arrangements for data handling and have confirmed that any non corporate IT systems they run comply with the required service wide security requirements.

The Department has a Senior Information Risk Owner (SIRO), whose role is to 'own' the Department's information risk policy and assessment and by so doing to ensure that it is embedded into the culture and work of the department.

An internal review will be undertaken during 2008 to ensure that the Department's procedures, particularly concerning the distribution of hard copy classified material and the disposal of classified waste continues to be fully effective.

The design of the new "Flex" service (to replace CabNet in mid 2008) will provide improved control and auditing of data transmitted by email through data classification labelling and release control.

Futurebuilders

During the year, The Charity Bank Limited was the Accountable Body for the Futurebuilders Fund and provided assurance to Government on the stewardship of the Fund, which was held in a Trust Account until drawn down by Futurebuilders England Limited (FBE). No money was paid out of the Trust account until an appropriate draw-down request had been made by FBE, copied to the Cabinet Office and approved by The Charity Bank Limited.

The Chief Executive of The Charity Bank Limited had the role of Accountable Officer. The duties of the role included alerting the Minister of any concerns about the behaviour of FBE, including but not limited to actions which were not in accordance with the terms of the agreement. This included a specific reporting protocol where the Accountable Officer believed that any sums expended or to be expended by FBE had been or may not have been used for the purposes of the agreement.

The contractual arrangements between the Cabinet Office and FBE provided for regular monitoring, including quarterly commitment forecasts to be approved by the Minister.

I take assurance from the Annual Report and Accounts and annual letter of assurance from The Charity Bank Limited.

Internal Audit

The Department has an Internal Audit Service (IAS), which carries out its work in accordance with Government Internal Audit Standards. The work of IAS has been informed by its analysis of the risks to which the Department is exposed and the annual audit plan has been based on this analysis. Although not a fully risk-based approach, the plans are discussed and endorsed by the Department's Audit and Risk Committee (COARC) and approved by me.

Each year the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Department. This report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's risk, control and governance arrangements.

The Internal Audit annual report for 2007-08 has commented that partial assurance could be placed on the Department's arrangements for governance, risk management and control.

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 COARC which advises on the adequacy of internal and external audit arrangements, the implications of assurances provided in respect of risk and control in the organisation; and provides a forum for dealing with business risk management and control matters. Internal auditors and the executive managers within the Department have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I am advised on the effectiveness of the system of internal control by COARC, and any areas in which significant risks are identified, are acted upon as a priority.

The individual statements of assurance from Group heads has provided reasonable assurance that the systems of internal control are sound and operating effectively.

I take assurance from the Statement on Internal Control produced by the Commission for the Compact Limited and published with their Annual Report and Accounts. The assurance process for the Commission for the Compact continues to develop and we are looking to demonstrate this assurance as we go forward.

I note the Statement on Internal Control produced by Capacity Builders (UK) Limited and published with their Annual Report and Accounts. The statement describes the challenges faced by the organisation during the year and significant improvements seen in the second half of the year. The statement discloses control and monitoring weaknesses over grant expenditure which resulted in payments to incorrect recipients totalling £433,558. All monies have been recovered by Capacity Builders (UK) Limited. Accordingly, until this expenditure had been recovered, it had not been applied to purposes intended by Parliament and had not been in conformity with the authorities which governed it. Independent auditors have qualified their opinion on regularity in respect of this specific expenditure which had not been applied to the purposes intended by Parliament and which was not in conformity with the authorities which govern it. Internal Audit Service have given limited assurance on the effectiveness and efficiency of Capacitybuilders' risk management, control and governance arrangements over the course of the financial year. Capacitybuilders' Board commissioned an in-depth "Fit for Purpose Review" of all procedures and controls within the organisation resulting in a "Fit for Purpose Plan". Additionally, a full Non-Departmental Public Bodies' review was commissioned by the Office of the Third Sector as part of the normal schedule of reviews by sponsor Departments and Stephen Dunmore was appointed as independent reviewer. Improvements which have been actioned have resulted in a significantly improved control environment which continues to improve as Capacitybuilders moves towards completion of the "Fit for Purpose Plan" / Dunmore Review in September 2008.

The Cabinet Office recognises that effective risk management must be a vital tool in helping us to ensure that our resources are targeted correctly and focusing the Department on delivering its objectives and efficiencies. There is a continuing challenge for the Department to take forward and improve the way in which risk is managed.

Statement on Internal Control (continued)

The refreshed Corporate Risks are now the subject of further work to ensure that they are fully embedded in the risk management process in the Cabinet Office and mitigation strategies developed. This will ensure that risk management plays a high profile within the Department.

Work is progressing on the development of a "Dashboard" reporting tool which will be used to present to the Board financial, HR, performance targets and risk information. Group level operational risks and the Corporate Risk reporting will be an element of the system. This is to ensure analysis of risk and standardised recording and reporting are introduced throughout the department, further embedding risk management.

In May 2008, the Cabinet Office Board agreed to introduce new governance arrangements. Under these arrangements, the Board will continue to shape and communicate the strategies and priorities for the Cabinet Office, to drive delivery of the Department's Strategic Objectives and its change programme; and to build effective partnerships for a strong centre of government. The Board will be supported by a number of Committees; the Senior Talent and Pay Committee, the Audit and Risk Committee, an Operating Committee, a People and Pay Committee and a Finance and Investment Committee that replaced the Executive Management Group.

Members of the Financial and Estate Management have continued to play an active role in the Treasury-led Risk Improvement Managers' Network.

Sir Gus O'Donnell KCB

Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service
10 July 2008

Remuneration Report

Remuneration of Ministers and the Cabinet Office Senior Management

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The pay and performance management systems are similar and common across all government departments. Pay awards are in two parts: base pay progression (performance based on a relative assessment three tranche approach against individual objectives and Cabinet Office key competencies) and non-consolidated bonuses to reward high performance. The size of awards are based on recommendations from the Review Body on Senior Salaries and in 2007-08 bonuses paid to the senior civil servants disclosed in this report ranged from £7,500 to £18,000.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

David Bennett was a Special Adviser. His employment terminated on 27 June 2007 under the terms of his contract whereby his role as a Special Adviser came to an end upon the change of Prime Minister.

Roger Marsh joined the Department on secondment from PricewaterhouseCoopers LLP. This secondment runs until 21 January 2009.

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

Salary and pension entitlements

The following sections, which are subject to audit, provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

Remuneration: Ministers

	Salary £'000	2007-08 Benefits in kind (to nearest £100)	Salary £'000	2006-07 Benefits in kind (to nearest £100)
The Rt Hon Hilary Armstrong MP ¹ (until 28 June 2007)	19,860 (76,904 full year equivalent)	–	62,418 (75,651 full year equivalent)	–
The Rt Hon Ed Miliband MP ²	65,895 (76,904 full year equivalent)	–	26,478 (29,786 full year equivalent)	–
The Rt Hon Tessa Jowell MP (from 29 June 2007)	30,369 (39,893 full year equivalent)	–	–	–
Phil Hope MP (from 29 June 2007)	22,710 (30,280 full year equivalent)	–	–	–
Tom Watson MP (from 24 January 2008)	5,047 (30,280 full year equivalent)	–	–	–
Gillian Merron MP (from 29 June 2007 until 23 January 2008)	17,663 (30,280 full year equivalent)	–	–	–
Pat McFadden MP (until 28 June 2007)	7,958 (30,280 full year equivalent)	–	26,478 (29,786 full year equivalent)	–
The Rt Hon Baroness Amos of Brondesbury ^{3,4} (until 28 June 2007)	25,517 (104,386 full year equivalent)	–	103,108	–
The Rt Hon Baroness Ashton of Upholland (from 29 June 2007)	78,475 (104,386 full year equivalent)	–	–	–
The Rt Hon Jack Straw MP ⁴ (until 28 June 2007)	19,226 (76,904 full year equivalent)	–	69,659 (75,651 full year equivalent)	–
The Rt Hon Harriet Harman QC MP ⁵ (from 29 June 2007)	57,884 (76,904 full year equivalent)	–	–	–

¹ The Rt Hon Hilary Armstrong MP received compensation under the Ministerial and other Pensions and Salaries Act 1991 upon leaving office.

² The Rt Hon Ed Miliband MP was appointed Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office on 29 June 2007 from the role of Parliamentary Secretary and Minister for The Third Sector.

³ The Rt Hon Baroness Amos of Brondesbury received compensation under the Ministerial and other Pensions and Salaries Act 1991 upon leaving office.

⁴ Transferred to Cabinet Office as part of the machinery of government transfer of Privy Council Office functions to the Cabinet Office.

⁵ The Department for Communities and Local Government (DCLG) made a contribution to the Rt Hon Harriet Harman QC MP's salary in respect of her time spent working on DCLG related areas.

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

Remuneration: Senior Management

	2007-08		2006-07 Restated	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Sir Gus O'Donnell KCB	250-255	35,000	230-235	34,600
Alex Allan (from 14 January 2008)	30-35 (155-160 full year equivalent)	–	–	–
David Bennett ¹ (until 27 June 2007)	40-45 (155-160 full year equivalent)	–	155-160	–
Paul Britton CB	145-150	–	140-145	–
Alexis Cleveland (from 3 September 2007)	80-85 (135-140 full year equivalent)	–	–	–
Jon Cunliffe (from 3 September 2007)	95-100 (145-150 full year equivalent)	–	–	–
Kim Darroch CMG (until 28 June 2007)	45-50 (135-140 full year equivalent)	5,900	145-150	22,100
Jeremy Heywood ² (from 3 September 2007)	80-85 (140-145 full year equivalent)	14,000 (16,900 total benefit)	–	–
Howell James CBE	155-160	13,300	150-155	18,100
Stephen Laws CB	225-230	–	140-145 (210-215 full year equivalent)	–
Roger Marsh ³	160-165	–	30-35 (160-165 full year equivalent)	–
Sir Richard Mottram GCB (until 15 November 2007)	145-150 (225-230 full year equivalent)	12,300	225-230	19,100
Gill Rider	190-195	–	155-160 (170-175 full year equivalent)	–
Oliver Robbins (until 2 September 2007)	40-45 (100-105 full year equivalent)	–	55-60 (95-100 full year equivalent)	–
William Sargent ⁴ (until 28 June 2007)	35-40 (70-75 full year equivalent)	–	80-85	–
Tom Scholar (from 3 September 2007 until 23 January 2008)	50-55 (125-130 full year equivalent)	–	–	–
Sir Nigel Sheinwald KCMG (until 28 June 2007)	60-65 (180-185 full year equivalent)	–	165-170	–
Ian Watmore (until 28 June 2007)	45-50 (185-190 full year equivalent)	–	195-200	–

¹ David Bennett was a Special Adviser. His employment terminated on 27 June 2007 under the terms of his contract whereby his role as a Special Adviser came to an end upon the change of Prime Minister. Under the terms of the contract, David Bennett received a compensation payment of £53,040.

² Jeremy Heywood received benefits in kind totalling £16,000 during the year, £14,000 whilst a Board member.

³ Roger Marsh is on secondment from PricewaterhouseCoopers LLP until 21 January 2009. Under the arrangement, the Cabinet Office contributes an annual payment of £162,150 (inclusive of VAT) to PricewaterhouseCoopers LLP.

⁴ William Sargent transferred out of the Cabinet Office as part of the machinery of government transfer of the Better Regulation Executive to the Department for Business, Enterprise and Regulatory Reform. The Cabinet Office recovered the costs incurred in respect of William Sargent's remuneration as part of this transfer.

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

Fees paid to Non-Executive Members

Karen Jordan is non-executive chair of the Cabinet Office Audit and Risk Committee and an independent non-executive member of the Cabinet Office Board. Kenneth Ludlam, David Blackwood, Rosemary Peters-Gallagher and Stephen Wilson are non-executive members of the Audit and Risk Committee. Polly Williams, an independent non-executive member, left the committee on 9 August 2007 upon expiry of her contract.

The Chair was entitled to receive fees of £14,000 per annum, and the non-executive members are each entitled to receive fees of £4,000 per annum. Baroness Prashar and Ruth Carnall, who are both independent non-executive members of the Cabinet Office Board, are each entitled to receive fees of £4,000 per annum.

Claimed fees are included within agency/temporary costs at Note 9 to the Accounts.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private

office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Her Majesty's Revenue and Customs as a taxable emolument; those for senior officials relate to the private use of official cars in the circumstances permitted by the Civil Service Management Code.

Pension Benefits: Ministers

	Real increase in pension at age 65 £'000	Total accrued pension at age 65 at 31 March 2008 or End Date £'000	CETV at 31 March 2008 or End Date £'000	CETV at 31 March 2007 or Start Date £'000	Real increase in CETV £'000
The Rt Hon Hilary Armstrong MP (until 28 June 2007)	0-2.5	15-20	234	225	4
The Rt Hon Ed Miliband MP	0-2.5	0-5	13	5	3
The Rt Hon Tessa Jowell MP (from 29 June 2007)	0-2.5	10-15	160	143	4
Phil Hope MP (from 29 June 2007)	0-2.5	0-5	23	17	3
Tom Watson MP (from 24 January 2008)	0-2.5	0-5	18	17	1
Gillian Merron MP (from 29 June 2007 until 23 January 2008)	0-2.5	0-5	28	24	2
Pat McFadden MP (until 28 June 2007)	0-2.5	0-5	6	5	1
The Rt Hon Baroness Amos of Brondesbury ¹ (until 28 June 2007)	0-2.5	15-20	179	172	3
The Rt Hon Baroness Ashton of Upholland (from 29 June 2007)	0-2.5	10-15	123	104	7
The Rt Hon Jack Straw MP ¹ (until 28 June 2007)	0-2.5	15-20	294	285	4
The Rt Hon Harriet Harman QC MP (from 29 June 2007)	0-2.5	10-15	136	121	6

¹ Transferred to Cabinet Office as part of the machinery of government transfer of Privy Council Office functions to the Cabinet Office.

Ministerial pensions

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6 per cent of their ministerial salary if they have opted for the 1/50th accrual rate or 10 per cent of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8 per cent of the ministerial salary.

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Pension Benefits: Senior Management

	Real increase in pension and related lump sum at age 60 £'000	Accrued pension at age 60 at 31 March 2008 or End Date and related lump sum £'000	CETV at 31 March 2008 or End Date £'000	CETV at 31 March 2007 or Start Date £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Sir Gus O'Donnell KCB	2.5-5 plus 7.5-10 lump sum	90-95 plus 275-280 lump sum	2,052	1,745	57	–
Alex Allan (from 14 January 2008)	0-2.5 plus 0-2.5 lump sum	45-50 plus 140-145 lump sum	1,128	1,043	12	–
David Bennett ¹ (until 27 June 2007)	–	–	–	–	–	–
Paul Britton CB	2.5-5 plus 7.5-10 lump sum	65-70 plus 205-210 lump sum	1,676	1,420	66	–
Alexis Cleveland (from 3 September 2007)	0-2.5 plus 2.5-5 lump sum	50-55 plus 155-160 lump sum	1,134	956	33	–
Jon Cunliffe (from 3 September 2007)	2.5-5 plus 10-12.5 lump sum	50-55 plus 150-155 lump sum	1,088	856	71	–
Kim Darroch CMG (until 28 June 2007)	0-2.5 plus 0-2.5 lump sum	50-55 plus 155-160 lump sum	943	986	–	–
Jeremy Heywood (from 3 September 2007)	2.5-5 plus 10-12.5 lump sum	30-35 plus 100-105 lump sum	586	401	60	–
Howell James CBE	0-2.5	5-10	171	112	39	–
Stephen Laws CB	2.5-5 plus 7.5-10 lump sum	90-95 plus 270-275 lump sum	2,193	1,873	74	–
Roger Marsh ²	–	–	–	–	–	–
Sir Richard Mottram GCB (until 15 November 2007)	0-2.5 plus 2.5-5 lump sum	110-115 plus 330-335 lump sum	2,695	2,658	37	–
Gill Rider ³	–	–	–	–	–	–
Oliver Robbins (until 2 September 2007)	2.5-5 plus 10-12.5 lump sum	10-15 plus 40-45 lump sum	162	99	41	–
William Sargent ⁴ (until 28 June 2007)	0-2.5	0-5	23	22	4	–
Tom Scholar (from 3 September 2007 until 23 January 2008)	2.5-5 plus 10-12.5 lump sum	20-25 plus 70-75 lump sum	335	245	46	–
Sir Nigel Sheinwald KCMG (until 28 June 2007)	0-2.5 plus 0-2.5 lump sum	55-60 plus 175-180 lump sum	1,112	1,153	2	–
Ian Watmore (until 28 June 2007)	0-2.5	5-10	106	66	26	–

¹ David Bennett left the pension scheme.

² Roger Marsh is on secondment and is not in a Cabinet Office pension scheme.

³ Gill Rider opted out of the pension scheme.

⁴ William Sargent transferred out of the Cabinet Office as part of the machinery of government transfer of the Better Regulation Executive to the Department for Business, Enterprise and Regulatory Reform. The Cabinet Office recovered the costs incurred in respect of William Sargent's remuneration as part of this transfer.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (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. Classic plus 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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for 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 and ill health retirement).

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

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the 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.

Real increase in CETV

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

Lifetime Allowance Tax

Figures disclosed 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 drawn.

Sir Gus O'Donnell KCB

Accounting Officer
Secretary of the Cabinet and
Head of the Home Civil Service

10 July 2008

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Cabinet Office for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer'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 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the management commentary and the Financial Review, included 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 Department 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 Department'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 Department'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 certificate 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 opinions

I conducted my audit in accordance with 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 judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows 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 HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the management commentary and the Financial Review included within the Annual Report, is consistent with the financial statements.

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.

T J Burr

Comptroller and Auditor General
 National Audit Office
 151 Buckingham Palace Road
 Victoria
 London SW1W 9SS

11 July 2008

INTRODUCTION Pages 4-11	THE STORY OF OUR YEAR Pages 12-59	MINISTERS & BOARD MEMBERS Pages 60-67	COMPREHENSIVE SPENDING REVIEW 2007 Pages 68-75	PERFORMANCE REPORT Pages 76-91	CABINET OFFICE FINANCES Pages 92-113	RESOURCE ACCOUNTS 2007-08 Pages 114-163	PUBLIC APPOINTMENTS Pages 164-169
----------------------------	---	---	--	--------------------------------------	--	---	---

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

		2007-08 £'000			2006-07 Restated £'000				
		Estimate			Outturn				Outturn
								Net Total outturn compared with Estimate: saving/ (excess)	Net Total
Request for Resources	Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total		
1*	2	493,633	(104,635)	388,998	431,567	(89,748)	341,819	47,179	309,251
Total Resources		493,633	(104,635)	388,998	431,567	(89,748)	341,819	47,179	309,251
Non-Operating Cost A in A	24(c)			24			24	-	22

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

Net cash requirement 2007-08

		2007-08 £'000			2006-07 £'000	
		Note	Estimate	Outturn	Net Total outturn compared with Estimate: saving/ (excess)	Outturn
Net Cash Requirement	4		374,161	339,973	34,188	283,077

Summary of income payable to the Consolidated Fund

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

		Note	Forecast 2007-08 £'000	Outturn 2007-08 £'000		
			Income	Receipts	Income	Receipts
Total	5		293	293	77,869	78,077

Explanations of variances between Estimate and outturn are given in Note 2 and may also be found in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

The notes on pages 134 to 163 form part of these accounts.

Operating Cost Statement

for the period ended 31 March 2008

	Note	2007-08 £'000	2006-07 Restated £'000	
		Staff Costs	Other Costs	Income
Administration Costs				
Staff costs	9	81,551		79,543
Other administration costs	10		94,263	92,638
Operating income	12			(31,177)
Programme Costs				
Staff costs	9	5,618		5,154
Programme costs	11		247,778	221,404
Income	12			(56,848)
Totals		87,169	342,041	(88,025)
Net Operating Cost	3, 13			341,185
				304,028

Statement of Recognised Gains and Losses

for the period ended 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
Net gain/(loss) on revaluation of tangible fixed assets	14, 23(a), 23(b)	7,586	16,600
Net gain/(loss) on revaluation of intangible fixed assets		–	–
Net gain/(loss) on revaluation of investments		–	–
Receipt of donated assets	14, 23(b)	57	7
Recognised gains for the financial year		7,643	16,607

The notes on pages 134 to 163 form part of these accounts.

Balance Sheet

as at 31 March 2008

	Note	2007-08 £'000	2006-07 Restated £'000
Fixed assets			
Tangible assets	14	245,001	227,670
Intangible assets	15	29	77
Investments	16	392	414
Current assets			
Stocks	17	523	610
Debtors	18	21,677	17,702
Cash at bank and in hand	19	74,008	104,444
		96,208	122,756
Creditors (amounts falling due within one year)	20	(119,785)	(64,066)
Net current assets		(23,577)	58,690
Total assets less current liabilities		221,845	286,851
Provisions for liabilities and charges	21	(3,189)	(5,594)
		218,656	281,257
Taxpayers' equity			
General fund	22	157,850	226,557
Revaluation reserve	23(a)	55,917	50,053
Donated asset reserve	23(b)	4,889	4,647
		218,656	281,257

Sir Gus O'Donnell KCB

Accounting Officer
Secretary of the Cabinet and Head of the Home Civil Service

10 July 2008

The notes on pages 134 to 163 form part of these accounts.

Cash Flow Statement

for the year ended 31 March 2008

	Note	2007-08 £'000	2006-07 Restated £'000
Net cash outflow from operating activities	24(a)	(341,388)	(264,773)
Capital expenditure and financial investment	24(b)	(16,295)	(24,845)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		–	–
Payments of amounts due to the Consolidated Fund		(5,256)	(21)
Financing	24(d)	332,503	273,755
Decrease in cash in the period	24(e)	(30,436)	(15,884)

Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

	2007-08 £'000			2006-07 Restated £'000		
	Gross	Income	Net	Gross	Income	Net
Aim:						
Objective 1	72,711	(13,994)	58,717	79,738	(15,168)	64,570
Objective 2	263,349	(48,514)	214,835	227,399	(53,571)	173,828
Objective 3	93,150	(25,517)	67,633	91,602	(25,972)	65,630
Net operating costs	429,210	(88,025)	341,185	398,739	(94,711)	304,028

The Cabinet Office has one core aim: '**Making government work better**' which was supported during the year by the objectives outlined below:

Objective 1 – **Supporting the Prime Minister** – to define and deliver the Government's objectives

Objective 2 – **Supporting the Cabinet** – to drive the coherence, quality and delivery of policy and operations across departments

Objective 3 – **Strengthening the Civil Service** – to ensure the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives

See Note 25.

The notes on pages 134 to 163 form part of these accounts.

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

1.2 Restated amounts

Machinery of government transfers have been accounted for as a business combination using merger accounting principles in accordance with the *FReM*. Accordingly, the results and cash flows relating to the in year transferred functions have been written in or out of the accounts from the start of the financial year. Prior year comparatives have been restated, with corresponding adjustments being made to the general fund. Further details are at Note 37.

1.3 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount, except for non-operational heritage assets and properties surplus to requirement (see below). Expenditure on tangible fixed assets of over £5,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. The replacement cost for freehold land and buildings is existing use value plus the addition of notional directly attributable acquisition costs.

All tangible fixed assets, except art and antiques, are subject to annual indexation using published indices. Land and buildings are restated to current value using professional valuations (using the RICS Appraisal and Valuation Model) in accordance with FRS 15 every five years.

Properties surplus to requirement are valued on the basis of open market value less any directly attributable selling costs where material.

Art and antiques, including some heritage assets, have been inherited by the Department since its earliest existence and are held mainly in Number 10 Downing Street and 70 Whitehall. They are subject to professional valuation on the basis of insurance value or mid-auction estimate every five years with the revaluation being taken into the revaluation reserve. They are not depreciated or indexed.

Transformational Government assets represent the investment in Information and Communication Technology systems, namely the Government Gateway. Expenditure covers the software, hardware and development costs of the infrastructure. The assets created are owned by the whole of government. Their value is disclosed on the Cabinet Office balance sheet because Transformational Government manages and is responsible for their development and operation. The initial investment was from the HM Treasury Capital Modernisation Fund. The ongoing resource and operation costs are recovered from wider government. These assets are valued at cost as a proxy for replacement cost and are subject to annual impairment review.

1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are not depreciated until the asset is brought into use. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives. Asset lives are normally in the following ranges:

Freehold Buildings including Dwellings	25 to 60 years
Leasehold Buildings and Improvements	over the remaining term of the lease
Plant and Machinery	3 to 10 years
Furniture and Fittings	7 years
Information Technology and Office Equipment	3 to 5 years
Motor Vehicles	3 to 5 years

1.5 Donated assets

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

Gifts of ornaments and jewellery received by past and present Prime Ministers and their spouses are treated as donated tangible fixed assets within Art and Antiques and capitalised at their current value on receipt with this value being taken to the donated asset reserve. They are subject to professional valuation every five years with the revaluation being taken to the donated asset reserve. They are not depreciated, since by their nature, their useful economic life is unknown.

The Civil Service Club is recognised as a donated asset and its value credited to the donated asset reserve. Members of the Civil Service and the Foreign Service contributed to the wedding present for Her Majesty The Queen and part of the sum subscribed was, by her wish, applied to some object of general benefit to the Civil and Foreign Services and consequently the Civil Service Club was purchased – see Note 23(b).

1.6 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. As a reliable evidence of market value could not be obtained, these have not been re-valued. Software licences are amortised over periods ranging from 3 to 5 years, being the useful economic life.

1.7 Investments

Financial interests in bodies which are outside the departmental boundary are treated as fixed asset investments since they are held for the long term. These comprise loans issued by the Cabinet Office to the Civil Service Sports Council and the London Hostels Association and are shown at historical cost.

1.8 Stocks

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

1.9 Income

Operating income relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full-cost basis to external customers as well as public re-payment work and includes income appropriated in aid of the Estimate and income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income. Operating income is stated net of VAT. Non-operating income includes

interest arising on cash balances held for the purpose of the Futurebuilders programme. This comprises an interest bearing current account and high interest Treasury deposits. See Notes 12 and 19.

1.10 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the *Consolidated budgeting guidance* issued by HM Treasury.

Administration costs and operating income reflect the costs of running the department. Income is analysed between that which is allowed to be offset against gross administration costs in determining the outturn against the gross administration budget, and that operating income which is not.

Programme costs and operating income include payments of grants and grant-in-aid and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.11 Capital charge

A non-cash charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury of 3.5 per cent (2006-07: 3.5 per cent) on the average carrying amount of all assets less liabilities, except for the following where the charge is nil; donated assets, cash balances held with the Office of the Paymaster General, debtors due for surrender to the Consolidated Fund on collection and those amounts due to and from the Consolidated Fund.

1.12 Foreign exchange

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

1.13 Pensions

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the

1. Statement of accounting policies (continued)

period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.14 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants

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

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury of 2.2 per cent (2006-07: 2.2 per cent).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.18 Value Added Tax

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

2. Analysis of net resource outturn by section

	2007-08						2006-07		
	£'000						Restated		£'000
	Outturn						Estimate		
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	Prior-year outturn
Request for resources 1:									
Central Government Spending:									
Cabinet Office	170,490	103,806	4,290	278,586	(84,127)	194,459	205,493	11,034	188,374
Office of the Third Sector	3,325	6,188	99,297	108,810	(5,545)	103,265	130,829	27,564	69,143
Social Exclusion Task Force	1,626	–	–	1,626	(76)	1,550	1,707	157	970
Committee on Standards in Public Life – Advisory NDPB	603	–	–	603	–	603	640	37	579
Independent Offices:									
Civil Service Commissioners	1,233	–	–	1,233	–	1,233	1,198	(35)	1,099
Commissioner for Public Appointments	566	–	–	566	–	566	682	116	498
Advisory Committee on Business Appointments – Advisory NDPB	159	–	–	159	–	159	203	44	165
House of Lords Appointments Commission – Advisory NDPB	165	–	–	165	–	165	188	23	170
Support for Local Authorities:									
London Fire and Emergency Planning Authority	–	–	621	621	–	621	606	(15)	606
Emergency Planning Grants	–	–	–	–	–	–	–	–	(226)
Government Security Zone	–	–	5,268	5,268	–	5,268	12,724	7,456	10,575
Non-Budget:									
Executive NDPB:									
Capacity Builders (UK) Limited	–	–	32,800	32,800	–	32,800	33,404	604	37,298
Commission for the Compact Limited	–	–	1,130	1,130	–	1,130	1,324	194	–
Resource Outturn	178,167	109,994	143,406	431,567	(89,748)	341,819	388,998	47,179	309,251

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

Cabinet Office underspend is attributable to non-cash underspends driven by lower than anticipated cost of capital and depreciation charges and also to near-cash underspends against the Administration Budget; see Note 3(b).

Detailed explanations of the variances are given in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

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

3(a) Reconciliation of net resource outturn to net operating cost

	Note	2007-08 £'000	2006-07 Restated £'000
		Outturn	Outturn
		Supply Estimate	Outturn compared with Estimate
Net Resource Outturn	2	341,819	47,179
Non-supply Income (CFERs)	5	(634)	341
Net Operating Cost		341,185	47,520
		388,705	309,251
			(5,223)
			304,028

3(b) Outturn against final Administration Budget

	2007-08 £'000	2006-07 Restated £'000
	Budget	Outturn
	Outturn	Outturn
Gross Administration Budget – see Note 2 total Admin	201,614	178,167
Income allowable against the Administration Budget	(34,926)	(33,529)
Net outturn against final Administration Budget – Spring Supplementary Estimate	166,688	144,638
Budgetary Cover transfer to Deputy Prime Minister's Office	(267)	–
Net outturn against Administration Budget – amended	166,421	144,638
		139,917

The Cabinet Office's administration budget underspend is due to lower than anticipated cost of capital and depreciation charges, higher than expected efficiency savings, lower than anticipated demand on departmental resources from global events and a number of centrally

identified pressures not materialising before the end of the financial year.

Detailed explanations of the variances are given in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

4. Reconciliation of resources to cash requirement

	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	2	388,998	341,819	47,179
Capital:				
Acquisition of fixed assets	24(c)	43,238	19,136	24,102
Investments		–	–	–
Non-operating A in A:				
Proceeds of fixed asset disposals	24(c)	(3)	(2)	(1)
Loan repayment	24(c)	(21)	(22)	1
Accruals adjustments:				
Non-cash items	24(a)(i)	(29,851)	(18,925)	(10,926)
Changes in working capital other than cash	24(a)(ii)	3,000	19,234	(16,234)
Changes in creditors falling due after more than one year	20	–	–	–
Use of provision	21	–	782	(782)
Excess cash receipts surrenderable to the Consolidated Fund	5	–	–	–
Funding source: commercial bank account for the Futurebuilders' Fund	19	(31,200)	(22,049)	(9,151)
Net cash requirement		374,161	339,973	34,188

Funds totalling £77.235 million were transferred from a commercial bank account to the Cabinet Office's Office of HM Paymaster General account in March 2008, as described at Note 19. The £77.235 million is to be returned to the Consolidated Fund as a Consolidated Fund Extra Receipt in 2007-08 as described at Note 5 below. £3.747 million was used to meet the Department's net cash

requirement outturn resulting in a Consolidated Fund debtor for the same amount – see Note 18(a).

Detailed explanations of the variances between Estimate and outturn are given in the section Cabinet Office Finances, Financial Review 2007-08, Performance against Parliamentary Control totals.

5. Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2007-08 £'000		Outturn 2007-08 £'000	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A		–	–	–	–
Other operating income and receipts not classified as A in A		293	293	634	842
	12	293	293	634	842
Non-operating income and receipts – excess A in A	7	–	–	–	–
Other non-operating income and receipts not classified as A in A	8	–	–	–	–
Other amounts collectable on behalf of the Consolidated Fund		–	–	77,235	77,235
Excess cash surrenderable to the Consolidated Fund	4	–	–	–	–
Total income payable to the Consolidated Fund	22	293	293	77,869	78,077

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

	Note	2007-08 £'000	2006-07 Restated £'000
Operating income	12	88,025	94,711
Netted off in Operating Cost:			
Seconded staff	9	2,357	2,001
Gross income		90,382	96,712
Income authorised to be appropriated-in-aid	2	(89,748)	(91,489)
Operating income payable to the Consolidated Fund	5	634	5,223

7. Non-operating income – Excess A in A

	2007-08 £'000	2006-07 £'000
Principal repayments of voted loans	–	–
Proceeds on disposal of fixed assets	–	33
Other	–	–
Non-operating Income – excess A in A	–	33

Average number of persons employed

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

	2007-08					2006-07 Restated
	Number					Number
Objective	Total	Permanent staff ¹	Others ²	Ministers	Special advisers	Total
1	399	359	12	2	26	446
2	670	640	26	3	1	680
3	345	323	20	2	–	377
Total	1,414	1,322	58	7	27	1,503

¹ Permanent staff headcount data is further analysed in the Performance Report section and at Table 6 in the section Cabinet Office Finances.

² 'Others' category represents agency/temporary staff. Headcount in 2007-08 was 58 (2006-07 Restated: 87).

10. Other Administration Costs

	Note	2007-08 £'000	2006-07 Restated £'000
Rentals under operating leases			
Hire of plant and machines		6,362	7,952
Land and buildings		4,710	6,348
Non-cash items			
Depreciation	14	7,008	8,862
Release of donated asset reserve	23(b)	(35)	(47)
Amortisation	15	34	80
Impairment of fixed assets	14	–	682
(Profit)/Loss on disposal of fixed assets		15	(6)
(Profit)/Loss on disposal of donated assets		–	11
Release from donated asset reserve	23(b)	–	(11)
Cost of capital charges	22	5,702	4,893
Auditors' remuneration and expenses ¹	22	218	232
Provisions provided for in year	21	481	(270)
Unwinding of discount on provisions	21	–	86
Bad debt write off		4	1
Provision for doubtful debt		64	1
Total non-cash items		13,491	14,514
Other expenditure²		69,700	63,824
Total		94,263	92,638

¹ No payments were made to the auditors in respect of non-audit services.

² Other expenditure comprises:

	2007-08 £'000	2006-07 Restated £'000
Accommodation and utilities	26,880	24,728
IT costs	8,968	7,376
Consultancy	9,507	9,056
Supplies and services	6,258	4,726
Other staff related costs	10,136	10,096
Travel, subsistence and hospitality	7,951	7,842
Other expenditure	69,700	63,824

11. Programme Costs

	Note	2007-08 £'000	2006-07 Restated £'000
Rentals under operating leases			
Land and buildings		22	–
Interest charges			
		115	85
Non-cash items			
Depreciation	14	2,156	9,916
Amortisation	15	–	114
Impairment of fixed assets	14, 15	281	5,243
Loss on disposal of fixed assets		–	59
Cost of capital charges	22	2,952	4,868
Provision for doubtful debt		45	–
Total non-cash items		5,434	20,200
Other expenditure¹		242,207	201,119
Total		247,778	221,404

¹ Other expenditure comprises:

	Note	2007-08 £'000	2006-07 Restated £'000
Resource Grants to Local Authorities:			
Public Service Delivery		–	145
Invest to Save Bid Projects		629	–
Civil Defence Grant		615	380
Social Enterprise		495	–
Resource Grants to Private Sector:			
Futurebuilders		7,408	8,150
v Strategic Programme and Project		39,146	18,143
v Match Funding		8,029	7,500
Strategic Programme		6,184	8,118
Participation		8,218	7,709
Social Enterprise		327	117
Public Service Delivery		1,058	326
Compact		204	220
Charity Act Implementation		46	–
Other		4,465	326
Resource Grants to Central Government Bodies:			
Public Service Delivery		–	10
Charity Act Implementation		270	–
Capital Grants to Local Authorities:			
Government Security Zone		5,268	10,575
Capital Grants to Private Sector:			
Futurebuilders		16,813	8,384
Grants-in-Aid to Civil Service Welfare Bodies			
		2,097	2,097
Grants-in-Aid to Private Sector:			
Youth Volunteering		1,015	–
Strategic Programme		1,000	2,333
Participation		5,289	4,398
Chequers Trust		900	950
Grants-in-Aid to Executive Non-Departmental Public Bodies:			
Capacitybuilders		32,800	37,298
Compact		1,130	–
	2	143,406	117,179
Accommodation and utilities		20,603	19,062
IT costs		36,508	22,759
Consultancy		9,588	12,361
Supplies and services		30,732	28,972
Other staff related costs		284	196
Travel, subsistence and hospitality		1,086	590
Other expenditure		242,207	201,119

11. Programme Costs (continued)

¹ Other expenditure analysed by programme:

	2007-08 £'000	2006-07 Restated £'000
Intelligence, Security and Resilience Group		
SCOPE Programme	22,942	6,370
Government Security Zone:		
Capital Grants	5,268	10,575
Other expenditure	106	2,022
Information Assurance Technical Programme	22,507	20,751
Electronic Communications Assurance Programme	1,224	1,156
Resilient Telecommunications	549	2,671
BBC Monitoring	24,600	25,044
IT Safe	(77)	329
Gold Standard	1,606	–
Civil Contingencies Secretariat:		
Civil Defence Grant	615	380
Other expenditure	–	4
Emergency Planning College	567	484
Transformational Government		
Directgov	970	2,500
e-Delivery	18,543	20,021
Other	–	35
Office of the Third Sector		
Capacitybuilders:		
Grant-in-Aid	32,800	37,298
Other expenditure	28	2
Futurebuilders:		
Resource Grants	7,408	8,150
Capital Grants	16,813	8,384
Other expenditure	820	133
v:		
Resource Grants	47,175	25,643
Youth Volunteering:		
Grant-in-Aid	1,015	–
Strategic Programme:		
Resource Grants	6,184	8,118
Grant-in-Aid	1,000	2,333
Other expenditure	47	67
Participation:		
Resource Grants	8,218	7,709
Grant-in-Aid	5,289	4,398
Other expenditure	1,800	541
Social Enterprise:		
Resource Grants	822	117
Other expenditure	238	610
Public Service Delivery:		
Resource Grants	1,058	481
Other expenditure	540	83
Compact:		
Resource Grants	204	220
Grant-in-Aid	1,130	–
Other expenditure	218	226

	2007-08 £'000	2006-07 Restated £'000
Invest to Save Bid Projects:		
Resource Grants	629	–
Charity Act Implementation:		
Resource Grants	316	–
Other expenditure	207	–
Other:		
Resource Grants	3,166	326
Other expenditure	365	629
Other Resource Grants	1,299	–
Other Grant-in-Aid	2,997	3,047
Other expenditure	1,001	262
Other expenditure	242,207	201,119

Notes

Intelligence, Security and Resilience Group

SCOPE Programme – An IT-enabled Business Change programme working with ten partners across government. The Programme aims to extend the benefits of communication and collaborative working afforded by current information technology to producers and consumers of intelligence products. The increase in expenditure in 2007-08 reflects design and development of the SCOPE Programme.

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

Information Assurance Technical Programme delivers Information Assurance Solutions to government and the wider public sector.

Electronic Communications Assurance Programme – UK secure communications.

Resilience Telecommunications – A programme to provide resilient communications to Public Authorities.

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

IT Safe provides home users and small businesses with warnings and news about computer security problems.

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

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

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

Transformational Government

Directgov is the citizen focused digital channel for government, offering a high quality experience for customers by delivering information and services all in one place.

e-Delivery, through The Government Gateway enables secure online transactions and authenticates all citizen and business users of the 153 public services provided.

Office of the Third Sector

Capacitybuilders – To help third sector organisations work more effectively in delivering high quality, collaborative and sustainable sector support services and representation. This programme is delivered through an executive non-departmental public body (eNDPB), Capacity Builders (UK) Limited. Capacitybuilder's Annual Report and Accounts 2007-08 received a qualified opinion of regularity from their independent auditors; see Note 35 and Statement on Internal Control to these Accounts.

Futurebuilders provides new investment via grants and loans for third sector organisations delivering public services. During 2007-08, this was provided under a tri-partite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. The Charity Bank Limited was responsible for the stewardship and Futurebuilders England Limited for the management and operation of the fund and each were accountable to the Minister for the propriety and efficiency of the Fund.

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

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

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

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

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

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

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

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

12. Income

	2007-08	2006-07
	£'000	Restated £'000
Administration		
Central management of Principal Civil Service Pension Scheme	9,934	8,889
Services of Office of the Parliamentary Counsel	11,973	11,860
Rental income on freehold properties	1,546	3,240
Emergency Planning College events	2,721	2,597
Departmental Capability Reviews	1,205	2,170
Government Skills	1,576	963
Various cost recoveries	2,221	2,545
Income payable to the Consolidated Fund	1	4
	31,177	32,268
Programme		
Intelligence, Security and Resilience Group		
SCOPE Programme	8,842	7,706
Government Security Zone	10,062	10,699
Information Assurance Technical Programme	8,523	10,139
IT Safe	–	226
Gold Standard	61	–
Transformational Government		
e-Delivery	21,932	22,537
Other	–	(29)
Office of the Third Sector		
Futurebuilders interest income	5,080	5,993
Other	465	2
Various cost recoveries	1,250	(49)
Income payable to the Consolidated Fund	633	5,219
	56,848	62,443
Total	88,025	94,711

Notes on sources of income and cost sharing arrangements

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

The Office of the Parliamentary Counsel (OPC) is funded by fourteen government departments for its work in the drafting and procedural handling of Government Bills. The first Parliamentary Counsel gives legal advice on certain constitutional matters to the Prime Minister and the Cabinet Office including Machinery of Government, Elections, the Monarchy and the appointment of Ministers.

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

The Departmental Capability Reviews programme is part of the wider Civil Service reform agenda. The Programme is funded by the government departments that have been reviewed in 2006-07 and 2007-08.

Government Skills is a Sector Skills Council (SSC), for central government which receives the majority of its funding from the Sector Skills Development Agency (SSDA), an NDPB of DIUS. Government Skills uses this funding to conduct its business activity, which includes the development and implementation of the Government Skills Strategy.

The costs of the **SCOPE Programme** are shared by the ten government departments and agencies that will benefit from the programme's delivery.

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

The Information Assurance Technical Programme is a cross government programme funded by six government departments and agencies.

e-Delivery has put in place a regime where departments share all of the costs of the Government Gateway Strategic Support (GGSS) programme from 1 April 2006 until 31 March 2011. Three departments (Department for Work and Pensions, HM Revenue and Customs and Communities and Local Government) have signed Concordats to share the cost base of £90 million.

13. Analysis of net operating cost by spending body

	2007-08 £'000	2006-07 Restated £'000
	Estimate	Outturn
Spending body:		Outturn
Core Department	214,051	197,779
Capacity Builders (UK) Limited (eNDPB)	33,404	32,800
Commission for the Compact Limited (eNDPB)	1,324	1,130
Total grants to local authorities	13,330	7,007
Total grants to other bodies	126,889	102,469
Net Resource Requirement/Net Operating Cost	388,998	341,185

14. Tangible fixed assets

	Land & Buildings excluding Dwellings £'000	Dwellings £'000	Trans-formational Government Projects £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Payments on Account & Art & Antiques £'000	Construction £'000	AUC T-Gov't Projects £'000	Total £'000
Cost or valuation										
At 1 April 2007 ¹	171,832	13,760	38,451	18,455	8,164	4,064	10,182	26,087	4,303	295,298
Additions	2,580	–	–	704	434	21	–	13,883	1,528	19,150
Donations	–	–	–	–	–	–	57	–	–	57
Disposals ²	(249)	–	(38,170)	(6,601)	(1,235)	(610)	–	–	–	(46,865)
Reclassifications	5,352	–	(12)	833	–	–	–	(6,173)	–	–
Impairment ³	–	–	–	(397)	–	–	–	–	–	(397)
Revaluations ³	7,348	640	–	(308)	(13)	55	–	–	–	7,722
At 31 March 2008	186,863	14,400	269	12,686	7,350	3,530	10,239	33,797	5,831	274,965
Depreciation										
At 1 April 2007 ¹	12,762	316	37,396	9,857	4,328	2,969	–	–	–	67,628
Charged in year	3,786	169	982	3,031	731	465	–	–	–	9,164
Disposals ²	(232)	–	(38,170)	(6,601)	(1,235)	(610)	–	–	–	(46,848)
Reclassifications	–	–	(7)	6	1	–	–	–	–	–
Impairment ³	–	–	–	(116)	–	–	–	–	–	(116)
Revaluations ³	216	17	–	(135)	(5)	43	–	–	–	136
At 31 March 2008	16,532	502	201	6,042	3,820	2,867	–	–	–	29,964
Net book value at 31 March 2008	170,331	13,898	68	6,644	3,530	663	10,239	33,797	5,831	245,001
Net book value at 31 March 2007 Restated	159,070	13,444	1,055	8,598	3,836	1,095	10,182	26,087	4,303	227,670
Asset financing:										
Owned	170,331	13,898	68	6,644	3,530	663	10,239	33,797	5,831	245,001
Net book value at 31 March 2008	170,331	13,898	68	6,644	3,530	663	10,239	33,797	5,831	245,001

¹ Restated opening balances.

² Disposals include leasehold improvements on expiry of the lease of 2 Little Smith Street, the early surrendering of the lease of 7 St James' Street and in addition assets written out of the accounts; their values are fully written down and they are no longer in use.

³ Impairment and revaluations arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure the asset base is correctly valued.

14. Tangible fixed assets (continued)

Notes

Valuation

Land and Buildings and Dwellings

Cushman & Wakefield Healey & Baker, independent chartered surveyors, valued London properties on the basis of existing use value as follows: 22-26 Whitehall £38 million, Admiralty Arch £23.5 million, Admiralty House £9 million, 36 Whitehall £6.6 million, the Civil Service Club £2.8 million, Hannington Radio Mast, Hampshire £0.825 million as at 31 March 2004 and 10-12 Downing Street £17.14 million and 70 Whitehall £21.7 million as at 31 March 2006. Due to the unusual nature of the size, location and property categories, valuations of 10-12 Downing Street and Admiralty Arch are subject to valuation uncertainty.

Strutt & Parker, independent chartered surveyors, valued 53 Parliament Street as at 31 March 2008 on the basis of open market value, since the property became surplus to requirement. The valuation was £5.74 million.

Donaldsons, independent chartered surveyors, valued the Emergency Planning College estate, The Hawkhill, Easingwold, near York as at 31 March 2007 on the basis of existing use value. The valuation was £7.25 million.

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

Notional directly attributable acquisition costs, representing legal fees and stamp duty, are added onto existing use values to arrive at replacement cost for land, buildings and dwellings. The surveyors determine notional costs to be 5.75% of existing use values.

Art and Antiques

Sotheby's valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall Estate in Summer 2005 on the basis of insurance value being the likely cost of replacing the items.

Andrew Hartley Fine Arts valued art and antiques, including antique and other furniture, silver, plate and objects situated at The Hawkhill, Easingwold, near York on 15 April 2005 at an average of the lower and higher figures of a presale auction estimate. The valuation was £15,112.

Included within Art and Antiques are gifts to past and present Prime Ministers. These were valued by J. M. McCarthy Limited, jewellers and silversmiths in June 2005 on the basis of best estimate of the price at auction.

All Other

All other tangible non-heritage fixed assets are re-valued annually using indices provided by HM Treasury. Intangible assets are recorded at purchase cost and are not re-valued since an appropriate index is not available.

Donated assets

Land and Buildings

The Civil Service Club has been recognised as a donated asset and its value credited to the donated asset reserve with effect from 31 March 2004. Members of the Civil Service and the Foreign Service contributed to the wedding present for Her Majesty The Queen and part of the sum subscribed was, by her wish, applied to some object of general benefit to the Civil and Foreign Services and consequently the Civil Service Club was purchased – see Note 23(b).

Art and Antiques

Gifts to past and present Prime Ministers are treated as donated assets within Art and Antiques and their value credited to the donated asset reserve – see Note 23(b).

Assets under construction

Included within assets under construction of £39.63 million (2006-07: £30.39 million) are assets relating to the following:

£27.77 million (2006-07: £21.27 million) spent on the SCOPE programme, scheduled to be brought into use in 2 phases: Phase 1 during 2007-08 and Phase 2 during 2008-09. The SCOPE programme is described at Note 11 and at Note 36;

£2.95 million (2006-07: £2.09 million) spent on refurbishments to Whitehall properties which has yet to be completed;

£0.17 million (2006-07: £0.27 million) spent on developments at the Emergency Planning College facilities based in York; and

£8.74 million (2006-07: £6.76 million) spent on IT hardware and software developments which have yet to be completed.

Plant and machinery

Included within Plant and Machinery are motor vehicles with a net book value of £0.01 million (2006-07: £0.01 million).

15. Intangible fixed assets

Intangible fixed assets comprise purchased software licences.

	Transformational Government £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2007	985	4,005	4,990
Additions	–	–	–
Accrual reversal	–	(14)	(14)
Donations	–	–	–
Disposals ¹	(985)	(3,026)	(4,011)
Impairment	–	–	–
Revaluation	–	–	–
At 31 March 2008	–	965	965
Amortisation			
At 1 April 2007	985	3,928	4,913
Charged in year	–	34	34
Disposals ¹	(985)	(3,026)	(4,011)
Impairment	–	–	–
Revaluation	–	–	–
At 31 March 2008	–	936	936
Net book value at 31 March 2008	–	29	29
Net book value at 31 March 2007	–	77	77

¹ Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.

16. Investments

	Civil Service Sports Council Loan £'000	London Hostels Association Loan £'000	Total £'000
Balance at 1 April 2007	10	404	414
Additions	–	–	–
Disposals	–	–	–
Loan repayments	(2)	(20)	(22)
Revaluations	–	–	–
Loans repayable within 12 months transferred to debtors	–	–	–
Balance at 31 March 2008	8	384	392

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

	Civil Service Sports Council Loan £'000	London Hostels Association Loan £'000	Total
Net assets at 31 March 2008	–	–	–
Turnover	–	–	–
Surplus for the year (before financing)	–	–	–

17. Stocks

	2007-08 £'000	2006-07 £'000
Stocks of insignia	523	610
	523	610

18. Debtors

18(a) Analysis by type

	2007-08 £'000	2006-07 Restated £'000
Amounts falling due within one year:		
VAT	2,196	2,771
Trade debtors	5,909	8,588
Deposits and advances	490	528
Other debtors	134	380
Prepayments and accrued income	9,201	5,430
Amounts due from the Consolidated Fund in respect of Supply	3,747	–
Early retirement pre-funding	–	5
	21,677	17,702

Included within Other debtors is £113,927 (2006-07: £321,808) that will be due to the Consolidated Fund once the debts are collected.

18(b) Intra-Government Balances

	2007-08 £'000	2006-07 Restated £'000
Amounts falling due within one year:		
Balances with other central government bodies	12,662	7,463
Balances with local authorities	4,996	2,422
Balances with NHS Trusts	33	–
Balances with public corporations and trading funds	63	2,592
<i>Subtotal:</i> intra-government balances	17,754	12,477
Balances with bodies external to government	3,923	5,225
Total debtors at 31 March	21,677	17,702

19. Cash at bank and in hand

	2007-08 £'000	2006-07 £'000
Balance at 1 April	104,444	120,328
Net change in cash balances	(30,436)	(15,884)
Balance at 31 March	74,008	104,444

The following balances at 31 March were held at:

Office of HM Paymaster General	73,803	4,966
Commercial banks and cash in hand	205	194
Commercial bank – Futurebuilders Fund	–	99,284
Balance at 31 March	74,008	104,444

During the year the Charity Bank Limited maintained and managed a dedicated interest bearing bank account at the Co-operative Bank to hold the Fund – ‘Futurebuilders Trust Account’. Futurebuilders was managed under a tri-partite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. This agreement expired on 31 March 2008.

The Charity Bank Limited did not assume any risks associated with the Futurebuilders Trust Account nor did it participate in any associated benefits. It has been paid an annual management fee for participating in the

management of Futurebuilders Fund which it discloses in its Annual Report and Accounts (registered company number 4330018; registered charity number 1091648; www.charitybank.org).

In March 2008, the cash balance of £77.235 million held on the Futurebuilders Trust Account was transferred to the Cabinet Office’s Office of HM Paymaster General bank account, and the Trust Account closed, prior to the expiry of the tri-partite agreement.

See Notes 4, 28 and 30.

20. Creditors

20(a) Analysis by type

	2007-08 £'000	2006-07 Restated £'000
Amounts falling due within one year:		
Other taxation and social security	1,891	2,027
Trade creditors	362	1,505
Other creditors	1,217	1,347
Machinery of government transfer of function	–	1,198
Accruals and deferred income	38,446	49,010
Current part of finance leases	–	3,497
Amounts issued from the Consolidated Fund for Supply but not spent at year end	–	226
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	77,755	4,934
Receivable	114	322
	119,785	64,066

20. Creditors (continued)

20(b) Intra-Government Balances

	2007-08	2006-07
	£'000	Restated £'000
Amounts falling due within one year:		
Balances with other central government bodies	90,826	22,524
Balances with local authorities	219	142
Balances with NHS Trusts	13	1
Balances with public corporations and trading funds	1,656	6,488
<i>Subtotal: intra-government balances</i>	92,714	29,155
Balances with bodies external to government	27,071	34,911
Total creditors at 31 March	119,785	64,066

21. Provisions for liabilities and charges

	Early Departure Costs £'000	Specific Dilapidations £'000	Free Rent £'000	Other £'000	Total £'000
Balance at 1 April 2007	1,530	1,960	1,495	609	5,594
Reclassification of provisions	–	–	(1,495)	(609)	(2,104)
Provided in the year	667	217	–	–	884
Provisions not required written back	–	(403)	–	–	(403)
Provisions utilised in the year	(782)	–	–	–	(782)
Unwinding of discount	–	–	–	–	–
Balance at 31 March 2008	1,415	1,774	–	–	3,189

21.1 Early departure costs

The Department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 2.2 per cent in real terms. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2015.

21.2 Specific dilapidations

The Department leases a number of properties which it is required to bring into a good state of repair at the end of the lease. A provision is made for the estimated costs of these repairs and spread over the term of the lease or break clause if earlier. The expiry dates of these leases range from March 2010 to February 2027. It is anticipated that most of the expenditure will take place at the end of the lease.

A provision is written-back when there is evidence that it is no longer required. During the year provisions were written back in respect of a lease that was surrendered early whose owner did not require the Cabinet Office to put the building back into its original state of repair and in respect of an expired lease whose owner also did not require any changes to the building.

21.3 Free rent

The Department holds a number of leases which included a free rent period. The rent reduction given through the rent free period is spread over the term of the lease or break clause if earlier. These leases have expiry dates ranging from March 2010 to February 2027. The free rent provision has been reclassified to accrued expenditure to more accurately reflect its nature.

21.4 Other

The provision established to meet the likely obligations arising on staff transfers between the Cabinet Office and other government departments relating to periods prior to 2003 has been reclassified to creditors.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	2007-08 £'000	2006-07 Restated £'000
Balance at 1 April (Restated)	226,557	249,251
Net Parliamentary Funding:		
Drawn Down	336,000	275,750
Deemed	226	7,553
Year end adjustment:		
Supply Debtor/(Creditor) – current year	3,747	(226)
Excess non-operating A in A	–	(33)
Net assets/(liabilities) introduced:		
Machinery of government transfer of function	–	102
Other	–	(8)
Net Transfer from Operating Activities:		
Net Operating Cost	(341,185)	(304,028)
Machinery of government transfer of function	–	(6,565)
CFERS repayable to Consolidated Fund	(77,869)	(5,223)
Non-Cash Charges:		
Cost of capital	8,654	9,761
Machinery of government transfer of function	–	40
Auditors' remuneration	218	232
Machinery of government transfer of function	–	(25)
Transfer from Revaluation Reserve	1,492	(40)
Transfer from Donated Asset Reserve	10	16
Balance at 31 March	157,850	226,557

23. Reserves

23(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2007-08 £'000	2006-07 £'000
Balance at 1 April	50,053	33,965
Arising on revaluation during the year (net):		
Statement of Recognised Gains and Losses	7,356	16,048
Transferred to general fund in respect of realised element of revaluation reserve	(1,492)	40
Balance at 31 March	55,917	50,053

23. Reserves (continued)

23(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the Department.

	2007-08 £'000	2006-07 £'000
Balance at 1 April	4,647	4,162
Additions during the year	57	7
Arising on revaluation during the year (net):		
Statement of Recognised Gains and Losses	230	552
Release to the Operating Cost Statement	(35)	(58)
Transferred to general fund in respect of realised element of donated asset reserve	(10)	(16)
Balance at 31 March	4,889	4,647

Included in Note 14 Tangible fixed assets are donated assets classified under the following headings:

	2007-08 £'000	2006-07 £'000
Land and Buildings – Civil Service Club	4,041	3,856
Art and Antiques – Gifts to Prime Ministers	848	791
	4,889	4,647

24. Notes to the Cash Flow Statement

24(a)(i) Reconciliation of operating cost to operating cash flows

	Note	2007-08 £'000	2006-07 Restated £'000
Net operating cost	13	(341,185)	(304,028)
Less machinery of government transfer of function passing through the General Fund	37	–	(6,565)
Adjustments for non-cash transactions	10, 11	18,925	34,714
Less machinery of government transfer of function passing through the General Fund		–	(27)
(Increase)/Decrease in Stocks	17	87	(4)
(Increase)/Decrease in Debtors	18	(3,975)	6,369
<i>Less movements in debtors relating to items not passing through the OCS</i>			
Amounts relating to the Consolidated Fund for Supply		3,747	–
Amounts relating to early departure pre-funding		(5)	(26)
Amounts relating to machinery of government transfer of function	37	–	(150)
Increase/(Decrease) in Creditors	20	55,719	1,625
<i>Less movements in creditors relating to items not passing through the OCS</i>			
Amounts due to the Consolidated Fund for Supply		226	7,327
Amounts due to the Consolidated Fund for extra receipts		(72,613)	(5,235)
Other		(108)	37
Movement in amounts relating to finance lease	27.2	3,497	1,995
Movement in capital accruals relating to investing activities	24(b)	(2,817)	207
Amounts relating to machinery of government transfer of function	37	–	190
Reclassification of provisions to creditors	21	(2,104)	–
Use of provisions	21	(782)	(1,202)
Net cash outflow from operating activities		(341,388)	(264,773)

24(a)(ii) Changes in working capital other than cash used in the reconciliation of resources to cash requirement at Note 4

	Note	2007-08 £'000	2006-07 Restated £'000
(Increase)/Decrease in Stocks	17	87	(4)
(Increase)/Decrease in Debtors	18	(3,975)	6,369
<i>Less movements in debtors relating to items not passing through the OCS</i>			
Amounts relating to the Consolidated Fund for Supply		3,747	–
Amounts relating to early departure pre-funding		(5)	(26)
Movement in amounts receivable due to the Consolidated Fund when received		(208)	322
Movement in amounts due to the Consolidated Fund due to machinery of government transfer of function		–	(2,187)
Amounts relating to machinery of government transfer of function	37	–	(150)
Increase/(Decrease) in Creditors (amounts falling due within one year)	20	55,719	5,122
<i>Less movements in creditors relating to items not passing through the OCS</i>			
Amounts due to the Consolidated Fund for Supply		226	7,327
Amounts due to the Consolidated Fund for extra receipts		(72,613)	(5,235)
Other		(108)	(31)
Amounts relating to machinery of government transfer of function	37	–	190
Reclassification of provisions to creditors	21	(2,104)	–
Changes in working capital other than cash	4	(19,234)	11,697

24(b) Analysis of capital expenditure and financial investment

	Note	2007-08 £'000	2006-07 Restated £'000
Tangible fixed asset additions	14	(19,150)	(24,622)
Intangible fixed asset additions	15	14	(71)
Net movement in creditors – capital accruals	24(c)	2,817	(207)
Proceeds of disposal of fixed assets	24(c)	2	33
Loans to other bodies	16, 24(c)	–	–
Repayments from other bodies	16, 24(c)	22	22
Net cash outflow from investing activities		(16,295)	(24,845)

24(c) Analysis of capital expenditure and financial investment by Request for Resources – see Note 4

	Capital expenditure £'000	Loans £'000	A in A £'000	Net total £'000
Request for resources 1:				
Purchase of fixed assets	16,319	–	–	16,319
Income from disposal of fixed assets	–	–	(2)	(2)
Income from loan repayments	–	–	(22)	(22)
Net movement in creditors – capital accruals	2,817	–	–	2,817
Total 2007-08	19,136	–	(24)	19,112
Total 2006-07 Restated	24,693	–	(55)	24,638

24. Notes to the Cash Flow Statement (continued)

24(d) Analysis of financing

	Note	2007-08 £'000	2006-07 £'000
From the Consolidated Fund (Supply) – current year	22	336,000	275,750
Capital element of payments in respect of finance leases	20(a)	(3,497)	(1,995)
Net financing		332,503	273,755

24(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2007-08 £'000	2006-07 £'000
Net cash requirement	4	(339,973)	(283,077)
From the Consolidated Fund (Supply) – current year	24(d)	336,000	275,750
Amounts due to the Consolidated Fund Supply – received in a prior year and paid over	20(a)	(4,934)	(21)
Amounts due to the Consolidated Fund received and not paid over	20(a)	77,755	4,934
Amount to offset reduction in Net Cash Requirement arising on machinery of government transfer of function	24(a)(ii)	–	2,187
Movement on Commercial bank - Futurebuilders' Fund	19	(99,284)	(15,657)
Decrease in cash		(30,436)	(15,884)

25. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Allocation of net costs to objectives

When net operating costs fall under a single objective, it is allocated wholly to that objective; net expenditure that serves more than one objective is allocated in accordance with estimates made by relevant managers within the

Department. Central expenditure not specific to individual objectives has been apportioned in proportion to directly allocated net operating costs.

25(a) Programme grants and other current expenditure net of income

	2007-08 £'000	2006-07 Restated £'000
Objective 1	9,914	14,209
Objective 2	155,926	118,765
Objective 3	30,708	31,141
Total	196,548	164,115

25(b) Capital employed by departmental aim and objectives at 31 March 2008

For the purposes of allocating the Cabinet Office's capital employed, capital employed directly relating to a specific activity of the Department has been allocated to the objectives supported by that activity. The remaining capital employed, which largely relates to office accommodation, has been allocated on a basis consistent with the split of

the Department's net operating costs once the effect of grants given by the Office of the Third sector has been removed. This then gives a fair basis on which to allocate to the three objective splits, reflecting the link between size of operations and the capital employed to manage them.

	2007-08 £'000	2006-07 Restated £'000
Objective 1	43,886	65,658
Objective 2	112,096	142,595
Objective 3	62,674	73,004
Total	218,656	281,257

26. Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of capital goods and services. These mainly relate to investment in the SCOPE programme, which is described at Note 11.

	2007-08 £'000	2006-07 Restated £'000
Contracted capital commitments at 31 March 2008 for which no provision has been made	835	10,730

27. Commitments under leases

27.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires:

	2007-08 £'000	2006-07 £'000
Obligations under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	–	774
Expiry after 1 year but not more than 5 years	1,472	1,617
Expiry thereafter	3,211	3,688
	4,683	6,079
Other:		
Expiry within 1 year	237	1,469
Expiry after 1 year but not more than 5 years	8,641	2,190
Expiry thereafter	–	–
	8,878	3,659

27.1 Finance leases

Obligations under finance leases are as follows:

	2007-08 £'000	2006-07 Restated £'000
Obligations under finance leases comprise:		
Rentals due within 1 year	–	3,612
Rentals due after 1 year but within 5 years	–	–
Rentals due thereafter	–	–
	–	3,612
Less interest element	–	(115)
	–	3,497

28. Grant commitments – Futurebuilders Programme

The Cabinet Office has the following grant commitments to Futurebuilders England Limited in respect of the Futurebuilders programme as at 31 March 2008:

	2007-08 £'000	2006-07 £'000
Loans offered	73,274	60,473
Less loans drawn	(29,304)	(12,317)
Total loan commitments	43,970	48,156
Grants offered	14,829	12,435
Less grants drawn	(9,425)	(5,331)
Total grant commitments	5,404	7,104
Less cash balance held by Futurebuilders England Limited	(3,747)	(3,241)
Grant commitments at 31 March	45,627	52,019

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

Until 31 March 2008, the Futurebuilders Fund was managed under a tri-partite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. From 1 April 2008 this will be managed under an agreement between the Minister for the Cabinet Office and the Adventure Capital Fund (ACF) who have assumed ownership of Futurebuilders England Limited from this date following a re-tender exercise.

Spending Review 2002 provided £125 million (then to the Home Office) to the Futurebuilders Fund. Apart from

£1 million which was reserved to undertake an evaluation of the programme, £124 million was transferred to the now closed Futurebuilders Trust Account during 2004-05 and 2005-06. In 2007-08 a further £25 million was made available.

The Cabinet Office has to date made grants totalling £54.999 million to Futurebuilders England Limited (£24.221 million in 2007-08, £16.534 million in 2006-07, £11.078 million in 2005-06 and £3.166 million in 2004-05 – see Note 11).

Futurebuilders England Limited's future commitments represent £49.374 million, of which £43.970 million are loans and the remaining £5.404 million are grants. Net of retained cash, Futurebuilders England Limited has recognised a claim on the Futurebuilders Fund of £45.627 million, which is reflected in the capital grant commitment made by the Cabinet Office (2006-07: £52.019 million). These commitments exist due to the delay between the actual amount drawn down to pay for investments and

the initial offer of an investment as approved by their Board. This delay can occur because there are important conditions that need to be met before funds can be distributed.

Further information about Futurebuilders England Limited (Registered company number 05066676) can be found at: www.futurebuilders-england.org.uk. See Notes 19 and 30.

29. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to IT and payroll services. The payments to which the Department is committed during 2007-08, analysed by the period during which the commitment expires are as follows:

	2007-08 £'000	2006-07 Restated £'000
Expiry within 1 year	35,999	10,703
Expiry within 2 to 5 years	18,885	38,809
Expiry thereafter	–	–
	54,884	49,512

30. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures.

The Cabinet Office is not exposed to the degree of financial risk faced by business entities, largely due to the non-trading nature of its activities and the way in which government departments are financed. Therefore, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department had very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Department in undertaking its activities.

Liquidity risk

The Cabinet Office's net resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure. The Cabinet Office is not therefore exposed to significant liquidity risks.

Interest rate risk

The Cabinet Office is not exposed to any interest rate risk.

Foreign currency risk

The Cabinet Office does not conduct any material business denominated in foreign currency and therefore undertakes no significant active management of currency risk.

Financial liabilities

The Cabinet Office's long term financial liabilities comprise provisions as set out in Note 21. A finance lease settlement occurred in June 2007. See Note 27.2.

Financial assets

The Cabinet Office's financial assets comprise its investments as set out in Note 16 and cash at bank and in hand as set out in Note 19.

Futurebuilders programme financial assets

Under the terms of an agreement which expired on 31 March 2008, funds were held on the Futurebuilders Trust Account at the Co-operative Bank. At the end of March 2008 these funds were transferred from the Co-operative Bank to the Cabinet Office's Office of HM Paymaster General bank account. As a result, the Department no longer holds an account at the Co-operative Bank. See Notes 19 and 28.

Fair values

All financial assets are carried at their fair value.

31. Contingent liabilities disclosed under FRS 12

There were no material contingent liabilities at 31 March 2008.

32. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

There were no other material contingent liabilities at 31 March 2008.

33. Losses and special payments

33(a) Losses Statement

	Total number of cases	2007-08 £'000	Total number of cases Restated	2006-07 Restated £'000
Total	74	122	19	11

33(b) Special Payments

	Total number of cases	2007-08 £'000	Total number of cases Restated	2006-07 Restated £'000
Total	29	31	17	51

34. Related-party transactions

The Cabinet Office undertakes the majority of its business with other government departments, public corporations and grant giving bodies. The main recipients of grants from the Cabinet Office in this category in 2007-08 were v (an independent charity), Capacity Builders (UK) Limited and Futurebuilders England Limited, and the main suppliers to the Cabinet Office were the British Broadcasting Corporation and the Communications Electronics Security Group. The main customers of the Cabinet Office in 2007-08 were Her Majesty's Revenue and Customs, the Ministry of Defence, the Department for Work and Pensions, the Foreign and Commonwealth Office, and the Department for Business, Enterprise and Regulatory Reform.

In addition, the Cabinet Office is the sponsor of the non-departmental public bodies shown at Note 35. These bodies are regarded as related parties with which the Department has had various transactions during the year.

During the year, no minister, board member, key manager or other related parties had undertaken any material transactions with the Cabinet Office. Although the Cabinet Office let a number of contracts with PricewaterhouseCoopers LLP (PwC) during the year, Roger Marsh (a senior partner on secondment from PwC) had no involvement with the letting of these contracts.

35. Entities within the departmental boundary

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

Entities within the departmental boundary

Advisory Non-Departmental Public Bodies (ANDPBs)

The Cabinet Office sponsors a number of bodies that have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements can be separate. These ANDPBs provide independent and expert advice to ministers on particular topics of interest. ANDPBs of the Cabinet Office include:

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

The report *Ethics and Standards: The Regulation of Conduct in Public Life, Government Response to the Committee's Fourth Report of Session 2006-07 First special Report of Session 2007-08 (HC88 published 21 November 2007)*, recommended that the Cabinet Office show separately in its Accounts and Estimates the cost of each independent Office and the Committee on Standards in Public Life. As a result, the cost of each office is clearly identified at Note 2.

Entities outside the departmental boundary

Executive Non-Departmental Public Bodies (eNDPBs)

eNDPBs can be established in statute. They carry out administrative, regulatory and commercial functions; they employ their own staff, are allocated their own budgets, are self accounting and produce their own accounts.

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

Capacity Builders (UK) Limited

Capacitybuilders was established in April 2006 with responsibility for managing the ChangeUp programme. ChangeUp is a government funding programme, developed with third sector organisations, to build capacity and infrastructure in their sector.

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

Their organisations key objectives are to improve the quality of infrastructure support for third sector organisations; encourage extra investment in infrastructure through demonstrating its benefits; ensure investment reaches diverse organisations; and develop knowledge of other funds available and influence the policy and practice of other funders.

The legal form of Capacitybuilders is a Company Limited by Guarantee; it has not been established in statute. Capacity Builders (UK) Limited is led by a board of ten directors. Six of the directors are ministerial appointments and are non-executive directors.

Capacitybuilder's Annual Report and Accounts 2007-08 received a qualified opinion of regularity from their independent auditors. This was in respect of grant payments totalling £433,558 made by Capacity Builders (UK) Limited during the year ended 31st March 2008 to incorrect recipients. These payments were as a result of control weaknesses over grant expenditure and monitoring of spend throughout the year. All monies have been recovered by Capacity Builders (UK) Limited. This information is also disclosed at Note 11 and in the Statement on Internal Control within the Cabinet Office Annual Report and Accounts.

Copies of the accounts for Capacity Builders (UK) Limited can be found at Companies House (registered company number 05708912).

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

Commission for the Compact Limited

The Commission was formally launched as an Executive Non-Departmental Public Body and Company Limited by Guarantee in April 2007. For most of 2007-08, the Commission was a dormant company but became financially independent in November 2007 and is funded by Grant-in-Aid from the Cabinet Office. It has been established as an independent body sponsored by the Office of the Third Sector, but working closely with Compact Voice. The new Commissioner for the Compact, Sir Herbert Massie CBE took up his post on 1 April 2008.

Copies of the accounts for Commission for the Compact Limited can be found at Companies House (registered company number 5932855).

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

36. Events after the balance sheet date

The following post balance sheet events occurred between 31 March 2008 and 11 July 2008, the point at which these accounts were authorised for issue by the Accounting Officer.

UK Statistics Authority

The UK Statistics Authority is an independent body operating at arm's length from government as a non-ministerial department, directly accountable to Parliament. It was established on 1 April 2008 by the Statistics and Registration Service Act 2007. Overall ministerial responsibility has moved from HM Treasury to the Cabinet Office. As part of this change in ministerial responsibility, three posts have transferred from HM Treasury to the Cabinet Office. Transfer arrangements are currently in progress.

Government Skills

Government Skills became part of the Department for Innovation, Universities and Skills (DIUS) on 1 April 2008. The transfer from the Cabinet Office aims to create a stronger alignment with the team of ministers and officials charged with economy-wide skills policy for England, putting Government Skills in a better position to drive forward the Skills Strategy. Government Skills continues to work closely with the Cabinet Office. Transfer arrangements are currently in progress.

e-Delivery Team

On 1 April 2008, the e-Delivery Team (eDT), transferred to the Department for Work and Pensions from the Cabinet Office Transformational Government Unit. eDT runs the Government Gateway, the online service which allows individuals, businesses and other organisations to interact securely with Government. The Government Gateway currently offers over 153 online services on behalf of 79 public sector organisations. It has been identified by the Government's Chief Information Officer (CIO) Council as a champion asset for public sector employee, business, and citizen services. Finance and personnel arrangements are currently being finalised.

Deputy Prime Minister's Office

On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office. On 1 April 2008 the Deputy Prime Minister's Office's closing debtors and creditors were novated to the Cabinet Office.

Assets under Construction

Assets under construction include £27.77 million which relate to the delivery of the SCOPE Programme. The SCOPE Programme is to be brought into use in two phases. Phase 1 was brought into use in 2007-08; Phase 2 is under development; see Note 14.

37. Corresponding Amounts

During the financial year 2007-08, the following changes took place:

Transfers into the Cabinet Office

Privy Council Office

On 1 April 2007, the Lord President of the Council and Leader of the House of Lords, the Leader and Deputy Leader of the House of Commons, and the Offices of the Government Whips in the House of Commons and the House of Lords, who are responsible for the effective delivery of the Government's Legislative programme in the Houses of Parliament were transferred from the Privy Council Office to the Cabinet Office. The net operating costs and the general fund have increased by £4.463 million and £0.018 million respectively. The headcount has increased by 65.

Transfers out of the Cabinet Office

Better Regulation Executive

On 28 June 2007, the transfer of the Better Regulation Executive (BRE) and the Local Better Regulation Office

(LBRO) to the new Department for Business, Enterprise and Regulatory Reform (DBERR) was announced. The net operating costs have decreased by £6.385 million and the general fund has increased by £0.128 million. The headcount has decreased by 92.

Prime Minister's Delivery Unit

On 28 June 2007, the transfer of the Prime Minister's Delivery Unit (PMDU) to HM Treasury was announced. The net operating costs and the general fund have decreased by £4.643 million and £0.044 million respectively. The headcount has decreased by 73.

Directgov

On 1 April 2007, responsibility for Directgov, the Government's primary digital service for citizens, transferred from the Cabinet Office to the Central Office of Information. There is a nil effect on the operating cost, general fund and headcount.

The table opposite summarises the impact of the transfers on corresponding amounts.

2006-07
Published
Resource
Accounts
£'000

Machinery of
government
transfers and
other movements
£'000

2006-07
Restated
£'000

Net Operating Cost

Expenditure

Staff costs	90,506	(5,809)	84,697
Administration costs	93,754	(1,116)	92,638
Programme costs excluding staff costs and grants	114,880	(10,655)	104,225
Programme grants	117,199	(20)	117,179
Total expenditure	416,339	(17,600)	398,739

Income

Administration	(32,622)	354	(32,268)
Programme	(73,124)	10,681	(62,443)
Total income	(105,746)	11,035	(94,711)

Total Net Operating Cost

310,593 **(6,565)** **304,028**

Balance Sheet

Tangible assets	227,608	62	227,670
Intangible assets	77	–	77
Investments	414	–	414
Stocks	610	–	610
Debtors	17,852	(150)	17,702
Cash at bank and in hand	104,444	–	104,444
Creditors	(64,256)	190	(64,066)
Provisions for liabilities and charges	(5,594)	–	(5,594)
	281,155	102	281,257

Taxpayers' equity

General fund	226,455	102	226,557
Revaluation reserve	50,053	–	50,053
Donated asset reserve	4,647	–	4,647
	281,155	102	281,257

Average number of persons employed

Permanent staff	1,480	(106)	1,374
Others ¹	91	(4)	87
Ministers	3	3	6
Special advisers	29	7	36
Total	1,603	(100)	1,503

¹ 'Others' category represents agency/temporary staff.

Public Appointments



Non-Departmental Public Bodies

This section covers the Non-Departmental Public Bodies sponsored by the Cabinet Office and a number of units and organisations that have links to the Cabinet Office, but whose work does not contribute directly to the achievement of the Department's objectives or whose funding arrangements are separate.

Civil Service Appeal Board

The Civil Service Appeal Board is an independent body sponsored by the Civil Service Capability Group (CSCG). It hears appeals from civil servants and staff bodies which offer analogous terms and conditions of service against;

- dismissal and early retirement
- the non-payment of compensation or the amount of compensation paid under the Civil Service Compensation Scheme to civil servants dismissed on inefficiency grounds;
- refusal to allow participation in political activities; and
- forfeiture of superannuation.

If the Board concludes that a department or Agency's decision has been unfair, it has the power, as appropriate, to:

- recommend reinstatement, reinstatement with a lesser penalty or re-engagement;
- order the payment of compensation in line with either Employment Tribunal guidelines (in dismissal appeals) or under the inefficiency terms of the Civil Service Compensation Scheme;
- recommend the granting of permission to take part in political activities; or
- order the payment of compensation.

The Civil Service Appeal Board is chaired by an external recruit supported by the Deputy Chairs, one appointed from the management side and the other from the trade union side. They are supported by 18 Board members, nine from the management side and nine from the trade union side. All appointments to the Board are made in line with the guidance on public appointments to advisory non-departmental public bodies issued by the Office of the Commissioner for Public Appointments.

You can access more information, including the Board's Annual Report, on the website at:
www.civilserviceappealboard.gov.uk

House of Lords Appointments Commission (HoLAC)

The House of Lords Appointments Commission is an advisory, non-departmental public body with two core functions: to recommend individuals for appointment as non-party political life peers; and, to vet most nominations for life peers, including those nominated by the UK political parties, to ensure the highest standards of propriety.

The Commission was established in May 2000 as part of the transitional arrangements for reform of the House of Lords.

The Commission comprises an externally recruited independent Chairman, two externally recruited independent Members, and representatives of the three major political parties. The Commission publishes an annual report on its activities. Members of the Commission are appointed by the Prime Minister. Further information about the members of the Commission and its work is set out on the Commission's website at: www.lordsappointments.gov.uk

Main Honours Advisory Committee

The Main Honours Advisory Committee is formed by the chairs of eight specialist committees which look at nominations for honours from members of the public, government departments and others. Other members of the committee are the Chief of Defence Staff, the Permanent Secretary, Foreign and Commonwealth Office and another Permanent Secretary. The Committee is chaired by the Cabinet Secretary and Head of the Home Civil Service.

The Committee, and the sub-committees, each normally meet twice a year to consider candidates for the New Year and Birthday Honours rounds. The Main Honours Advisory Committee was established as part of the programme of reform to the honours system set out in cm 6479: *Reform of the Honours System*, published in February 2005. The individual specialist committees comprise a non-Civil Service chair and a majority of non-Civil Service members, all selected after open advertisement. There are also permanent secretaries and other officials on the specialist committees, depending on the subject matter. Details of the composition on the committees can be found at: www.honours.gov.uk

Advisory Committee on Business Appointments (ACoBA)

The Advisory Committee on Business Appointments is an advisory non-departmental public body which provides advice to the Prime Minister or the Foreign Secretary on applications from the most senior Crown servants who wish to take up outside appointments within two years of leaving Crown service in accordance with the *Rules on the Acceptance of Outside Appointments by Crown Servants*.

The Committee also acts as a joint body providing advice directly to former Ministers of the UK Government, the Scottish Executive and the National Assembly for Wales about any appointments they wish to take up after leaving office.

The Committee publishes an annual report on its activities. Members of the Committee are appointed by the Prime Minister. Further information about the members of the Committee and its work is set out on the Committee's website at www.acoba.gov.uk/

The Committee also publishes information on its website about the advice it has given once an appointment is taken up or announced.

Commission for the Compact

The Commission for the Compact was set up as an independent public body (NDPB and company limited by guarantee) in order to promote and advance the implementation of the Compact and associated codes of practice and to bridge the gap between Government and the third sector to enable better partnership working. Its independence has been seen as the most vital asset and means of achieving its aims and objectives which are as follows:

- increase awareness and understanding of the Compact within public sector bodies and voluntary and community organisations;
- promote greater use of the Compact by those bodies and organisations;
- collect and publish evidence of the benefits of using the Compact;
- identify examples of good and bad practice in Compact working;
- ensure that the Compact keeps up to date with relevant changes in legislation and policy.

The Commission does not investigate individual breaches of the Compact or adjudicate on questions about the scope or application of the Compact.

The Commission was launched in April 2007 and reached financial independence in November 2007.

It is currently headed by Commissioner Sir Herbert Massie CBE and, in the process of being appointed, Chief Executive Officer Richard Corden. The Commission employs nine policy staff and is based in Birmingham.

Further information can be found on the Commission website www.thecompact.org.uk

Committee on Standards in Public Life (CSPL)

The Committee on Standards in Public Life is an advisory non-departmental public body. It is charged to examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations to any changes in present arrangements that might be required to ensure the highest standards of propriety in public life.

To fulfil this role and in addition to its formal inquiries, reports and research into public attitudes, the Committee devotes time throughout the year to discussing current issues and concerns relating to standards in public life. These considerations may, and sometimes do, result in full-scale inquiry. Even where no inquiry is conducted, these are regarded by the Committee as a useful check on current standards and the effectiveness, or otherwise, of the arrangements in place to ensure the highest standards of propriety in public life.

The Committee's consideration of these specific standards issues takes place within an overall appreciation of the level of trust in public institutions. The issues considered by the Committee come from a wide range of sources, including correspondence received, debates in parliament, and issues raised by the media. Not all these issues are about 'current concerns' with standards in public life. The Committee is equally interested to see and consider issues that demonstrate that arrangements already in place are working to ensure the highest standards of propriety in public life.

Sir Christopher Kelly was appointed Chair of the Committee on 1st January 2008, on a five year, non renewable term, taking over from Rita Donaghy CBE, who had been the Interim Chair since April 2007.

The Committee reports to the Prime Minister, who approves the appointment of the chair and members. You can find the Committee's consultation papers, reports and evidence submitted, and other publications on the website www.public-standards.gov.uk

Security Commission and Security Vetting Appeals Panel

The Security Commission and Security Vetting Appeals Panel are independent bodies sponsored by the Directorate, Security and Intelligence (Security Policy Division).

The Security Commission is available, at the request of the Prime Minister, to investigate and report on the circumstances in which a breach of security has occurred in the public service and to advise whether any change in security arrangements is necessary or desirable.

The current membership of the Commission is Sir Charles Mantell (Deputy Chairman), Sir John Foley, Sir Clive Whitmore and Sir John Goulden. There are currently three vacancies.

The Security Vetting Appeals Panel exists to provide an independent avenue of appeal for existing staff and contractors whose security clearance has been refused or withdrawn and to make recommendations to the appropriate head of department.

The current membership of the Panel is Dame Janet Smith (Chairman), Sir David Penry-Davey (Deputy Chairman), Sir Peter Woodhead, Sir John Bletloch, Dr George Gray and Mr Peter Jones.

Futurebuilders Advisory Panel

The Futurebuilders Advisory Panel was set up in 2005, originally by the Home Office, to provide independent advice to Ministers on how the Futurebuilders programme is progressing. This responsibility transferred to the Cabinet Office in summer 2006. During the year, the Advisory Panel acted as a 'critical friend' to the programme and provided a sounding board for Ministers.

The Futurebuilders Fund, a highly innovative demonstration programme, tested the theory that if third sector organisations can access investment finance at reasonable cost, they could then compete for, and win, public service delivery contracts and that public service delivery would improve as a result.

The emphasis was on a range of investments and loans rather than grants, so it was very important to ensure that we all learned as much as possible about how it works and how effective it was at helping the third sector to deliver more effective public services.

The Advisory Panel was chaired by Baroness Jill Pitkeathley and the other members were:

- Dr Mohammed Amran
- Mr Imtiaz Farookhi
- Ms Margaret Hyde
- Mr Bhupendra Mistry
- Ms Maureen Salmon
- Ms Anna Southall
- Mr Ted Unsworth
- Ms Sarah Wood

The Panel was appointed after public advertisement and was fortunate to attract people who had such wide ranging experience and knowledge across public, voluntary and private sectors. In addition, representatives from Departments with a policy responsibility for the public service delivery strands on which the Futurebuilders programme was focused, sat on the Advisory Panel as observers.

The Advisory Panel had been set up as a Non Departmental Public Body and its terms of reference were to:

- advise on progress, effectiveness and future developments relating to the fund
- scrutinise and evaluate the activities of the fund
- influence the development of the fund

The Advisory Panel worked in co-operation with the Futurebuilders Board and with its other evaluation programmes, while maintaining the independence which a 'critical friend' requires. During the year, members of the Advisory Panel undertook a number of activities including a programme of visits to third sector organisations that had experience in applying to the Futurebuilders Fund to increase their knowledge and received direct feedback from investees and potential investees.

The Futurebuilders Advisory Panel ceased to exist on 31 March 2008.

Capacity Builders

Capacitybuilders was established in April 2006 to manage and administer the ChangeUp programme. ChangeUp is a Government funding programme, developed with third sector organisations, to build capacity and infrastructure in their sector. It aims to transform front-line third sector organisations, so that local communities will be able to experience a real difference in the quality of their lives.

Capacitybuilders overall aim is to help create a more effective third sector so that third sector organisations are able to access high quality support that meets their needs, when they need it. Their key objectives are:

- improve the quality and effectiveness of support for third sector organisations
- demonstrate to key stakeholders the benefits of support services
- aim to ensure equal access for all third sector organisations to mainstream support services and target resources where necessary to address the needs of particular excluded groups
- influence funding policy and practice to ensure sustainable support to third sector organisations
- engage with the public sector

The legal form of Capacitybuilders is a Company Limited by Guarantee; it has not been established in statute. Capacity Builders is led by a board of ten directors. Six of the directors are ministerial appointments and non executive directors.

Other office holders

Civil Service Commissioners and Commissioner for Public Appointments

The Civil Service Commissioners and the Commissioner for Public Appointments are Independent Statutory Office holders supported by the Department. They are the Independent regulators in areas for which the Cabinet Office has Policy responsibility. The Civil Service Commissioners and the Commissioner for Public Appointments are all appointed through Prerogative powers by way of orders in council which are secondary legislation.

Civil Service Commissioners

The Civil Service Commissioners contribute to the development of an effective and impartial Civil Service and support its core values by giving an assurance that appointments are made on merit on the basis of fair and open competition and by promoting the Civil Service Code. There are fifteen Commissioners, including the First Civil Service Commissioner, Janet Paraskeva. The Commissioners are appointed directly by the Crown under Royal Prerogative, and are not civil servants. They are appointed following fair and open competition, and between them bring experience from a wide variety of backgrounds. They are independent from Ministers and Government Departments.

The Commissioners' activities include:

- Issuing a Recruitment Code which provides an effective and flexible approach to recruitment at all levels;
- Auditing compliance with the Recruitment Code and considering complaints in relation to the application of the Code;
- Chairing and overseeing the process of selection of senior civil servants;
- Promoting the core Civil Service values of integrity, honesty, objectivity and impartiality as set out in the Civil Service Code;
- Investigating appeals under the Civil Service Code, the Diplomatic Service Code of Ethics, and the Code of Conduct for Special Advisers.

The Commissioners report annually on their work to The Queen. The annual report, and further information on their role and work is available on the Commissioners' website at www.civilservicecommissioners.org/

The Government's draft Constitutional Renewal Bill, published on 25 March, includes provisions which will put the Commissioners on a statutory footing, and establish an independent Civil Service Commission.

Commissioner for Public Appointments

The Commissioner for Public Appointments is an independent statutory office-holder, established under Order in Council and appointed by The Queen. The role of the Commissioner is to regulate and report on around 10,000 Ministerial appointments to the boards of over 1,000 public bodies. The current Commissioner, Janet Gaymer CBE QC, took up office in January 2006.

The Commissioner produces a *Code of Practice* which Ministers and Government departments follow during the appointments process. The *Code* requires public appointments to be made on the basis of merit, following an open and transparent process. These processes must involve an Independent Assessor (and from October 2008 all such Independent Public Appointments Assessors must be accredited by the Commissioner). The Commissioner may also investigate complaints received about a selection process.

The Commissioner is required by Order in Council to audit appointment policies and practices, and also to publish an annual report. The Commissioner is also required to promote equal opportunities.

The Commissioner is supported by an independent office called the Office of the Commissioner for Public Appointments (OCPA). More information about the Commissioner may be found on the OCPA website www.ocpa.gov.uk/

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5773674 07/08

Printed on Paper containing 75% recycled fibre content minimum.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295666-5



9 780102 956665