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**Cabinet Office**

**Annual Report and Accounts**

**2010-11**

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**2010-11**  
(For the year ended 31 March 2011)

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## INTRODUCTION

### **Foreword by the Rt Hon. Francis Maude MP, Minister for the Cabinet Office**

Within any great organisation is a strong and vibrant centre and at the heart of the UK Civil Service – often described as the best in the world – is the Cabinet Office.

At the core of government, the Cabinet Office is leading the way in ensuring that the Civil Service continues to be the very best by creating a modern organisation for the modern world. This includes supporting the Prime Minister and Deputy Prime Minister on key policy areas and the operation of government; leading on behalf of the Civil Service on union engagement; constitutional reform; setting up the National Security Council to create stronger leadership on security issues; and creating the Efficiency and Reform Group to be the new corporate centre and to build the Big Society.

From the moment I returned to Government, I witnessed the professionalism and dedication that runs through the Cabinet Office as it supported the creation of the first coalition government since 1945 and the transition to a new administration. The Prime Minister has publicly praised the calm, practical support that officials in the Cabinet Office provided to parties immediately after the election. The ability of the Cabinet Office to respond quickly to events was also demonstrated by the immediate establishment of a new office to support the Deputy Prime Minister and the subsequent transfer of staff from the Ministry of Justice to support his work on political and constitutional reform.

Since then the Cabinet Office has been the driving force in the building of a new government in a much broader sense.

The Cabinet Office has seen significant organisational change in the creation of a new corporate centre for government in the Efficiency and Reform Group. Facing the biggest budget deficit in post-war history, a new approach was needed to look across departmental boundaries to tackle waste and to reform the way in which public services are delivered. Working closely with the Treasury, the Cabinet Office has focused on opportunities to help departments to save money while protecting front-line services. In the nine months to the end of March 2011, the Department squeezed overhead costs to save over £3 billion, with savings made through stopping discretionary spending, renegotiating contracts with our major suppliers, scrutinising ICT projects and a freeze on recruitment to non-front-line Civil Service posts.

The Cabinet Office has demonstrated global leadership in bringing transparency to the workings of government, and opening data to allow citizens and businesses to unlock its value in new and innovative ways. This year the number of datasets available has doubled to over 6,000. And, for the first time, Senior Civil Service salaries and full organograms are now available in a single place, and in a consistent format.

The Cabinet Office is also supporting the Government in the delivery of fundamental political and constitutional reform. We established a cross-party group to develop the first ever full draft Bill on House of Lords reform, and delivered an Act to allow the first national referendum on the electoral system.

The work of the Department goes far beyond Whitehall and Parliament. The Department is helping to devolve control of public services to people and their communities, and to build the Big Society. The Cabinet Office is leading a movement across the public services to take power away from bureaucrats and give it to the people on the ground, through giving public sector workers all over the country the right to challenge the services they run and form employee-led mutuals. The Cabinet Office is creating the first Whitehall mutual joint venture for pension administration. More broadly, we have launched pilots for the National Citizenship Service, set up the Big Society Bank and published a White Paper on giving, making it easier for people to give time and money to good causes.

The list of achievements so far is long, and yet they are only the beginning of an ambitious agenda. I expect us to achieve even more in the coming year, including releasing hundreds more datasets, The publication of the Open Public Services White Paper – which will give people more choice over the public services they use, legislating to deliver further political reform and helping departments to save more money – to name but a few.

The success of what the Cabinet Office does is due in large part not just to the passion and hard work of our people, but also because what the Cabinet Office does matters to them. The work they do is crucial, and they know it – to the rest of Whitehall, to the taxpayer and to public service users up and down the country. With continued energy and drive, I know that the Cabinet Office will continue to make a lasting and far-reaching impact on an ambitious and exciting agenda.



**The Rt Hon. Francis Maude MP**

**Overview by Sir Gus O'Donnell GCB, Cabinet Secretary, Head of the Home Civil Service and Permanent Secretary of the Cabinet Office**

As this report demonstrates, 2010/11 was a challenging year for the Cabinet Office but also a year of considerable achievement.

The General Election posed a new set of challenges for the Cabinet Office, which took on the leading role in planning and preparing for every possible outcome. Staff in the Cabinet Office had to plan for a range of election outcomes, including those taking us into uncharted territory. Clear guidance on dealing with hung parliaments and extensive scenario planning enabled us to effectively support politicians from all sides throughout the process. I am particularly proud of how the Cabinet Office provided guidance and assistance to other central government departments on supporting a smooth transition to the new administration.

We have continued to work alongside our colleagues in HM Treasury to support the evolution and development of the Coalition Government, while also performing our core roles of providing a strategic centre, leadership and oversight of the rest of government; while delivering specific priorities for the Prime Minister, the Deputy Prime Minister and Cabinet Office ministers in the current policy context.

During 2010/11, the Cabinet Office played a key role in supporting the Government's programme for political and constitutional reform. The programme is wide-ranging and a great deal of work is already under way. Legislation was introduced to establish a fixed-term Parliament and this has almost completed its parliamentary passage. The Parliamentary Voting System and Constituencies Bill provided for a referendum on the Alternative Vote system which was held on 5 May 2011, and a review of constituency boundaries reducing the number of MPs to 600, which is now under way. A significant programme to implement individual voter registration is now operational.

At the Prime Minister's request, we set up the National Security Council, which met on the first day of the Coalition Government with the aim of ensuring strong cross-government leadership and coordination on all security issues. It has provided an effective response to a range of challenges, including events in the Middle East, terrorist threats to the United Kingdom and building up national resilience. In October 2010, the Council led on the collective development of the National Security Strategy and the Strategic Defence and Security Review. The National Security Strategy will help us to identify possible future developments and risks and to prepare for them. The Council has also overseen the UK's response to events in Libya and efforts to implement UN Security Council Resolution 1974 in relation to Afghanistan.

The Government has made a clear commitment to increase the effectiveness and efficiency of central government and to reduce the budget deficit. The Cabinet Office created the Efficiency and Reform Group to give a strong central push to achieve these savings and improvements. This has already



started to change the way in which departments procure services and goods by maximising purchasing power, centralising procurement and driving value for money in support functions.

We will continue to work closely with our partners across government and – with the voluntary and community sector, academia and the private sector – to ensure that we listen to their views and shape our policies accordingly.

‘The significant changes we have experienced in the last year have caused us to revisit our longer-term vision for the Cabinet Office. Through collaboration with staff across the Department, we have identified the values and behaviours we want to adopt in future and the improvements required to our corporate systems and processes. These are being taken forward through our ‘Better Cabinet Office’ programme. Our new Cabinet Office vision and Values was launched on 20 June 2011 (in the following financial year).’

I would like to thank all Cabinet Office staff for their contributions, commitment and record of achievement over the past year.

A handwritten signature in black ink that reads "Gus O'Donnell". The signature is written in a cursive, flowing style.

**Sir Gus O'Donnell GCB**

## **THE CABINET OFFICE**

The Cabinet Office has two core roles. Its first core role is to support the Prime Minister, the Deputy Prime Minister and Cabinet Office ministers in organising and coordinating government business. This includes the structuring of government departments and agencies, allocation of ministerial responsibilities, development of policy and the legislative programme in Parliament.

The Department also supports the Prime Minister, the Deputy Prime Minister and the Cabinet in a number of key policy areas, including efficiency and reform, the Big Society, political and constitutional reform, and social mobility.

The second role is to act alongside HM Treasury as the strategic centre of government, providing leadership to and oversight of the rest of government. The Department:

- coordinates policy and delivery across government, facilitating agreement across departments
- supports capability-building across government and challenges departments to achieve more.

### **Supporting the Prime Minister, the Deputy Prime Minister and the Cabinet**

A number of teams within the Cabinet Office are responsible for supporting the Prime Minister, the Deputy Prime Minister and the Cabinet. Their responsibilities are described below.

#### **The Prime Minister's Office and the Deputy Prime Minister's Office**

The main responsibilities of the Prime Minister's Office and the Deputy Prime Minister's Office are:

- to provide the Prime Minister and the Deputy Prime Minister with first-class support, enabling them to establish and deliver the Government's overall strategy and policy priorities
- to support the Prime Minister, the Deputy Prime Minister and the Cabinet in communicating the Government's policies to Parliament, the public and international audiences.

#### **Economic and Domestic Affairs Secretariat**

The Economic and Domestic Affairs Secretariat provides policy advice and briefing on economic and domestic policies, working across government to secure collective agreement, coordinating the Government's legislative programme and advising on changes to the machinery of government.

#### **European and Global Issues Secretariat**

The European and Global Issues Secretariat helps to agree the Government's international economic and European policy (including the G20/G8, international trade and development issues) and provides advice on these matters to the Prime Minister, the Deputy Prime Minister and the Cabinet Office Minister for Government Policy.

### **Office of the Parliamentary Counsel and Parliamentary Business Managers**

The Office of the Parliamentary Counsel and Parliamentary Business Managers leads in developing the highest standards of integrity, constitutional regularity, effectiveness, clarity and consistency across government in the preparation of government legislation, and the handling of other parliamentary business. This includes ensuring that the Business Managers, Government Whips and Special Advisers attached to the Business Managers are kept fully informed about the requirements of the codes of conduct and other rules of propriety, and are assisted in complying with them.

### **Honours and Appointments Secretariat**

This team supports the Prime Minister in administering the honours system, leads on honours and medals policy and advises on church appointments which are in the gift of the Crown or the Lord Chancellor.

### **Private offices**

The private offices provide support to Cabinet Office ministers and the Cabinet Secretary, ensuring that they deliver their departmental and parliamentary responsibilities. This involves:

- ensuring that policy and delivery decisions requiring ministerial intervention supports the Department's business objectives
- building and maintaining effective working relationships with stakeholders and ensuring that ministers are fully engaged
- advising on propriety and ethics issues.

### **National security**

The National Security group ensures that the Prime Minister and other senior ministers are well served on cross-government intelligence, security and resilience issues.

### **Directorate of Security and Intelligence**

The Directorate of Security and Intelligence covers the following areas:

- The **Single Intelligence Account (SIA) Finance, Strategy and Planning Team** supports the National Security Adviser in his role as principal accounting officer for the SIA and ensures that the intelligence and security agencies deliver the required capabilities and provide value for money.
- The **Intelligence Policy Team** coordinates and in some cases leads on major intelligence policy of strategic importance across the UK intelligence community. Areas it covers include legal, ethical, public and parliamentary scrutiny, information sharing and international engagement.
- The **Government Security Secretariat** coordinates all aspects of protective security policy across government departments, associated bodies and international organisations. This work includes the Security Vetting Appeals Panel and leak investigations.

- The **Intelligence Secretariat and Protective Security**, this group coordinates protective and physical security policies.

### **Counter-terrorism and Crisis Management**

This team delivers the National Security Strategy, provides support to No. 10 and the National Security Council on security issues (including counter-terrorism and nuclear security policy) and coordinates central government crisis management.

### **Joint Intelligence Organisation**

The Joint Intelligence Organisation leads on intelligence assessment and is responsible for developing the UK intelligence community's analytical capability, supporting the work of the Joint Intelligence Committee and National Security Council.

### **The Office of Cyber Security and Information Assurance (OCSIA)**

This unit supports the Minister for the Cabinet Office and the National Security Council in identifying and coordinating activity across the UK to make cyberspace more secure. OCSIA also manages the delivery of the £650 million National Cyber Security Programme, overseeing resource allocation to government departments and providing benefits analysis.

Alongside the Cyber Security Operations Centre, OCSIA works with lead government departments and agencies such as the Home Office, the Ministry of Defence, Government Communications Headquarters (GCHQ), the National Technical Authority for Information Assurance (Communications-Electronics Security Group (CESG)), the Centre for the Protection of National Infrastructure (CPNI) and the Department for Business, Innovation and Skills (BIS) in driving forward the UK Government's cyber security programme.

### **Foreign and Defence Secretariat**

The Foreign and Defence Secretariat supports the Prime Minister in delivering the Cabinet Office's wider remit on international issues, helping the Cabinet to coordinate and improve the delivery of foreign and defence policy.

### **Civil Contingencies Secretariat**

The Civil Contingencies Secretariat (CCS) works in partnership with government departments, the devolved administrations and key stakeholders to enhance the UK's ability to prepare for, respond to and recover from civil emergencies. Published work by the CCS in this financial year included statutory and non-statutory guidance (*Emergency Preparedness*) on the 2004 Civil Contingencies Act and the 2010 National Risk Register of Civil Emergencies. The CCS's work includes emergency preparedness, response and recovery, business continuity, infrastructure resilience, community resilience, national recovery guidance and communications resilience. The CCS also conducted a number of public consultations in 2010/11 on enhancements to the Act and on community resilience.

**Cabinet Office Timeline of Key Events, April 2010 – March 2011**

April	May	June	July	August	September	October	November	December	January	February	March
Scenario planning for different possible electoral outcomes	General Election Support for Coalition formation negotiations	Start of the review to reform the Civil Service Compensation Scheme	Creation of the Efficiency and Reform Group As part of the transparency agenda, began publishing details of senior civil servants paid more than £150,000	Alan Milburn appointed as the Government's Independent Reviewer on Social Mobility	Publication of all new central government tender documents above £10,000 on a single website Roll-out plan for National Citizen Service developed	Senior Civil Service salaries and full organograms published across government Reforms of non-departmental public bodies announced Announced the Spending Review settlement and published the National Security Strategy and Defence and Security Review	Digital engagement review carried out and report published Legislation to abolish /change the status of relevant public bodies introduced 12 National Citizen Service pilots launched	Three Non-Executive Board Members appointed and first meeting of the new Cabinet Office Board £100 million transition fund for voluntary and community sector organisations launched Publication of draft Cabinet Manual	Established taskforce to investigate bureaucratic burdens on the voluntary and community sector	Launched pilot 'public reading stage' using the Protection of Freedoms Bill First tranche of ICT projects and programme review completed, with 12 closures and 34 reshapes The Parliamentary Voting System and Constituencies Act given Royal Assent, on 16 February 2011	Review of government advertising published Parliamentary Boundary review process began Libya crisis team set up to coordinate UK response to situation, enforcement of UNSCR 1973 and NATO mission.

## GOVERNANCE REFORM

The Cabinet Office is implementing the Government's governance reform policy, as set out in the *Ministerial Code* and *Cabinet Office Structural Reform Plan*. This policy provides that political and official leaders of government departments are brought together on departments' main Boards, which will be chaired by Secretaries of State. These Boards bring challenge to departments through their inclusion of Non-Executives, who can draw on experience of managing complex organisations in the commercial private sector.

The Cabinet Office has supported departments in the recruitment of 50 Non-Executives and has published the *Enhanced Departmental Boards: Protocol*. Lord Browne, the Government Lead Non-Executive and Cabinet Office Lead Non-Executive, chairs a network of Lead Non-Executives in order to leverage their expertise across government. This network supports the sharing of learning and best practice and coordinates the Non-Executives' contribution to cross-cutting activity. This is building the collective capability of Non-Executives, both in terms of good governance in their departments and in adding value across government.

Across Whitehall, 15 Boards are now up and running and the benefits of these are already being recognised across government.

'The new Board provides an opportunity for my ministerial team, Non-Executives and lead officials to get together to discuss the key issues facing the Department and to make sure we are on track to deliver the commitments set out in our Business Plan. We really saw the benefit of the new Board last autumn when we oversaw the Department's negotiations in the Spending Review and made sure we were in a position to deliver the changes signed up to in the *Programme for Government*. I am confident that the Board will help the Department deliver the challenging reform agenda it has set.'

**Kenneth Clarke, Lord Chancellor and Secretary of State for Justice**

## A YEAR IN THE CABINET OFFICE

### **Non-Executive Board Members' assessment of our performance, 2010/11**

Since we were appointed as Non-Executive Board Members in December 2010, it has become clear to us that the Cabinet Office has delivered a huge amount in response to the priorities set by the new administration. We would like to begin by congratulating the Department for all its hard work in improving further the Cabinet Office vision, performance and corporate governance.

The change in the Board structure has helped to give the Board a fresh perspective and a new impetus. We on the Board have worked together to further clarify the role and vision of the Cabinet Office and to establish a new set of strategic objectives which sets out clearly what the Department should achieve by 2015. Work has already begun on developing a new risk framework, which will assess and monitor our strategic risks against the planned objectives.

We have also refreshed the way in which the Department reports on performance in order to ensure that the management information is more meaningful and better tailored to the Board and the Department as a whole, thus helping to improve the governance of the Department. These reports now incorporate stewardship data (including progress made in reducing headcount in order to meet workforce projections), progress against milestones and business impact.

The establishment of the cross-departmental Non-Executive Board Members' Network by Lord Browne provides members with a valuable forum and the opportunity to share ideas and identify and address common areas of challenge across all departments.

We acknowledge that there is more to be done on risk and performance, but we recognise the improvements that have been achieved so far, and overall we are encouraged by the progress we are making. At this time it is more important than ever that we continue to strengthen our collective strategic and operational leadership and further develop the arrangements for risk management in order to ensure that the Department continues to deliver effectively across the board, from policy-making right through operational delivery to performance management.

**Rona Fairhead (Non-Executive Board Member and Chair of Audit and Risk Committee)**

**Dame Barbara Stocking (Non-Executive Board Member)**

**Ian Davies (Non-Executive Board Member)**

## OUR PERFORMANCE 2010/11

In line with the Government's commitment in 2010/11, the Cabinet Office produced, and worked according to, a challenging *Structural Reform Plan* (a copy of the full Business Plan can be found at [www.cabinetoffice.gov.uk/resource-library/cabinet-office-business-plan](http://www.cabinetoffice.gov.uk/resource-library/cabinet-office-business-plan)), which sought to enable changes across government and the wider political and constitutional system, as well as build a Big Society across Britain.

In summary, the Cabinet Office achieved 73% of the plan's activities on time – some other tasks were completed shortly after the target date. Some of the Department's actions involved working across Whitehall to implement processes for departments to follow in order to improve transparency and efficiency, which meant that implementation was out of the direct control of the Cabinet Office.

Further details of the Cabinet Office's performance against its *Structural Reform Plan* can be found at [www.number10.gov.uk/other/2010/07/structural-reform-plans-53023](http://www.number10.gov.uk/other/2010/07/structural-reform-plans-53023)

### Summary of progress on actions against the *Structural Reform Plan*, 2010/11

Priority	No. of actions	No. met on time	No. missed by <1 month	No. missed by <2 months	No. missed by <3 months
Drive efficiency and effectiveness in government	43	29	6	4	3
Increase transparency in the public sector	10	8	1		1
Reform our political and constitutional system	5	4		1	
Build the Big Society	12	10	2		
Promote social mobility	4	3	1		

### Input and impact indicators

The Cabinet Office will begin reporting on these from July 2011.



### **Building a new government – and a Big Society**

With a new government in place – and the first coalition since 1945 – much was demanded of the Cabinet Office teams and people in 2010/11. As well as managing the transition to a new administration, the Department began wide-ranging reforms across government, continued the move towards transparent use of public data and led the way towards a more proactive society that will do more for itself, relying less on the Government's help.

### **Managing the transition and supporting the Coalition Government**

In the run-up to the May 2010 General Election, there was increasing speculation about the prospect of a hung parliament and uncertainty about what this would mean for the process of government transition, in particular for the Civil Service. It was therefore important that the Cabinet Office led the way in preparing for all the possible scenarios. This included working with other departments in order to ensure that they were well prepared for a possible transition and work at the centre of government in order to manage the transition itself.

In February 2010, the Cabinet Secretary published a draft chapter from the planned *Cabinet Manual* on elections and government formation. This was the subject of a short inquiry by the House of Commons Justice Committee and provided useful guidance for the public, media and those involved. Following the General Election, and with the approval of the then Prime Minister Gordon Brown, the Cabinet Office provided support to parties engaged in discussions on the formation of a government. This involved logistical support, provision of factual information and advice on constitutional process and was subject to strict rules and the requirements of the Civil Service Code. After the formation of the new government, the Cabinet Office supported the development of the Coalition Government's *Programme for Government*, which set out the actions the Government intends to take during its five-year term.

### **Reforming the political and constitutional system**

As set out in the *Programme for Government*, the Government is committed to fundamental political and constitutional reform. In the first year of the Coalition Government's ambitious programme, significant progress has been made.

#### **Achievements against the *Structural Reform Plan***

- Introduced legislation to set the date of the next General Election as 7 May 2015
- Identified and implemented first tranche of measures for cutting the 'perks and bureaucracy' of Parliament
- Published the Senior Salaries Review Body's report on MPs' pensions
- Introduced legislation to enable a referendum on the Alternative Vote on 5 May 2011
- Introduced pilots for new 'public reading stage' for bills
- Presented proposals to the House of Commons in order to ensure that any petition which secures 100,000 signatures within a given year will be eligible for formal debate in Parliament, and that the petition with the most signatures will be tabled as a bill

- Delivered the Parliamentary Voting System and Constituencies Act 2011, which allowed
- voters to express their views on the electoral system for the first time in a national referendum, provided for a reduced number of MPs from 650 to 600 and set up a process to redraw more equal parliamentary constituencies
- Started a major programme to deliver individual electoral registration, which will modernise the system, tackle electoral fraud and improve completeness of the Electoral Register
- Created a cross-party group in June 2010 to develop the first ever full draft bill on House of Lords reform, which is now being given pre-legislative scrutiny by a Joint Committee of both Houses of Parliament
- Introduced a Fixed-term Parliaments Bill in July 2010 which provides for the next election to be held on 7 May 2015 and for fixed five-year parliaments thereafter.

### **Driving efficiency and reform across government**

The Cabinet Office has brought together expertise from across government in order to form a strong corporate centre with HM Treasury, which has a role similar to that of the corporate headquarters of a large conglomerate. This approach has enabled the centre to look across departmental boundaries in order to tackle waste, improve efficiency and reform the way services are delivered. By creating a smaller, more focused centre of government, the Cabinet Office has been able to focus on cross-cutting opportunities so as to help departments save money while protecting front-line services, and build the foundations for lasting reforms in the way public services are delivered. This has already led to significant success, with savings across departments of over £3 billion in 2010/11, and a number of reforms are under way.

### **Achievements against the *Structural Reform Plan***

- Established the Efficiency and Reform Group as the central authority for the Government's major projects
- Renegotiated contracts with major suppliers, halting or curtailing major projects and reducing spending on advertising and marketing
- Reviewed existing IT projects; encouraging more transactions between citizens and government to happen online
- Reduced the size of the Civil Service estate and froze recruitment to non-essential back office Civil Service posts, reducing the size of the Civil Service by 17,000 between June 2010 and the end of the last financial year
- Imposed a moratorium on central government advertising
- Reviewed over 900 public bodies across government, leading to proposals to abolish, merge or reform over half of them
- Reduced discretionary spending including spend on consultants and the use of agency staff
- Achieved better deals for government by buying certain goods and services, such as travel and energy, centrally to secure the best price and simply by buying less

- The mutuals taskforce set up by the Cabinet Office encouraged public sector staff to form their own employee-led organisations, launched 21 mutual pathfinders across the public sector and designed a support programme that will provide a £10 million package of support for fledgling mutuals.
- Work has also begun on preparing the first Whitehall mutual, bringing together employees, government and the private sector in order to deliver improved pension administration services for the Civil Service. The Cabinet Office has also brought together experienced practitioners to help to identify and support the creation of future mutuals.

#### **Case study: Supplier renegotiations**

The Commercial Portfolio Team was created within the Cabinet Office in order to renegotiate contracts with the Crown's most strategically important suppliers. This was the first time the Government had carried out centralised supplier management in this way. A programme of negotiations led by the Minister for the Cabinet Office and commercial directors delivered over £800 million in savings by the end of the financial year.

Following on from this programme, the Government has expanded centralised supplier management by appointing a number of Crown Commercial Representatives – mainly drawn from departments' existing commercial directors – in order to manage relationships with key suppliers on behalf of the Crown. These representatives are continuing to drive savings and efficiency across government.

#### **Increasing transparency in the public sector**

In January 2010, the Cabinet Office created the website [data.gov.uk](http://data.gov.uk), which contains a broad range of information about all areas of public sector activity. During 2010/11, the number of datasets available through the service doubled to over 6,000, with around 100,000 visitors each month. For example, people can now see local crime data, weekly population levels in each prison and spending on, for example, the government car service and council road repairs.

### Achievements against the *Structural Reform Plan*

- Published details of senior civil servants (including those in public bodies) with salaries of more than £150,000
- All departments and government agencies are now required to publish the names, grades, job titles and pay of their staff, as well as charts showing their organisational structure
- Published all new central government tender documents above £10,000 on a single website, free of charge, called Contracts Finder ([www.contractsfinder.businesslink.gov.uk](http://www.contractsfinder.businesslink.gov.uk)), allowing people to find out what the Government is buying and enabling more providers, including small and medium-sized enterprises (SMEs), to bid for work
- Worked in partnership with HM Treasury to require full online disclosure of all central government spending over £25,000
- Worked with the Department of Energy and Climate Change to introduce transparency in energy use in government headquarter buildings
- Worked with the Transparency Board to set requirements for departments to publish data in an open and standardised format, so that it can be used easily and with minimal cost to third parties.

Work has also begun with BIS on creating a Public Data Corporation. This will establish a common data policy, licensing approach, pricing structure and regulatory regime for data held by government.

### Case study: Traffic Injury Map

Traffic Injury Map ([www.road-injuries.info](http://www.road-injuries.info)) is an online mapping service that enables users to look at key road traffic injury locations in their neighbourhood (between 2007 and 2009). The distribution of road traffic injuries around a specific location can be visualised, making people more aware of areas in their community where they need to take extra care.

### Building the Big Society

Over the past year, in partnership with a range of outside organisations, the Cabinet Office has set out, in a paper called *Growing the Social Investment Market: A vision and strategy*, the Government's ambitions for a thriving social investment market. The Department also developed plans in the Giving White Paper to make it easier and more attractive for people to give time and money to good causes. The recently published *Open Public Services White Paper* set out the Government's ambitions for modernising public services by giving people greater choice, decentralising power, opening up provision to a range of new providers and ensuring fair access.

### Achievements against the *Structural Reform Plan*

- Made available a £100 million transition fund to voluntary and community organisations, charities and social enterprises in England in order to help them to manage the transition to a tighter funding environment and take advantage of opportunities presented by the Big Society
- Undertook a competitive tendering process to provide 10,000 places for 16-year-olds to take part in the National Citizen Service programme in summer 2011
- Worked with departments in order to develop and publish proposals for supporting civil servants in becoming more involved in social action
- Worked with the Department for Culture, Media and Sport and HM Treasury to publish a Green Paper on giving so as to incentivise more social investment, philanthropy and giving, incorporating insights from behavioural science
- Appointed a national partner to train community organisers and develop their core syllabus. Over the next six months, the first of 5,000 community organisers will receive training and support in order to help to engage people with their communities
- Set up a Big Society Bank in order to help social enterprises, charities and voluntary organisations to access more resources. The first round of proposals made by independent advisers Sir Ronald Cohen and Nick O'Donohoe has been endorsed by ministers.

### Case study: The Big Society Awards – Wotton under Edge Swimming Pool Club

The Big Society Awards have been created to recognise individuals, groups or organisations that are demonstrating Big Society principles in their work or activities. The Cabinet Office, working closely with the Prime Minister's team, has been involved in selecting the winners.

A recent winner is Wotton under Edge Swimming Pool Club, a group of swimming enthusiasts and local supporters of the pool. Many have given their time and expertise for many years in a number of ways, including maintenance, lifeguarding and working on large projects for developing the pool, such as its retractable 'greenhouse' roof.

When it looked as though the pool might have to close, the Wotton under Edge Swimming Pool Club proved its dedication to the pool and the community by working with the local council to look at options to secure its future. With the support of the Club, the local council held a rare parish poll, allowing everyone in the town a say on whether they wanted to pay a slightly higher council tax in order to allow local people to take over the running of the pool themselves.

The referendum was passed by over 90%. Club members worked hard with the council to form Wotton under Edge Swimming Pool Ltd, which has taken on the running of the pool and its future development.

### **Strengthening the performance of the Civil Service**

The Cabinet Office has worked with Secretaries of State and officials across 16 ministerial departments in order to establish Enhanced Departmental Boards, which will provide the collective strategic and operational leadership of each department. Fifty Non-Executives have been appointed to sit on the Boards, and a Board Protocol setting out the role and function of Boards has been published. Work is continuing on supporting the Boards and agree a framework for reviewing their effectiveness.

#### **Achievements against the *Structural Reform Plan***

- Published new protocols for departmental Boards
- Supported departments in recruiting and appointing departmental Lead Non-Executive Board Members
- Reformed the Civil Service Compensation Scheme, with appropriate consultation
- Put in place new arrangements for Civil Service Learning
- Reviewed the Principal Civil Service Pension Scheme (PCSPS), which covers more than 200 employers and has 1.5 million members. This led to new governance arrangements, which were highlighted in the final report of the Independent Public Service Pensions Commission chaired by Lord Hutton and were suggested as a model of best practice for other public service pension providers
- Updated the Capability Review process and worked with departments on publishing Capability Action Plans that assesses their strengths and weaknesses and sets out the steps they will take to improve.
- The Cabinet Office has also been developing a programme of reforms to Civil Service performance management arrangements, in order to strengthen accountability and improve financial and people management. The Department has also worked closely with the national trade unions on a wide range of HR issues.

**Case study: Next Generation HR**

Next Generation HR aims to improve the quality and professionalism of HR services in government, while reducing their cost by half and increasing the HR-to-staff ratio to 1:100 (all sectors upper quartile). The project, overseen by the Cabinet Office, will realise savings of around £300 million per annum and will see a headcount reduction of 4,500 people by April 2013.

To date, the programme has:

- created shared expert services and begun the downsizing of departmental HR
- rolled out a common recruitment IT system to 40% of the Civil Service (in 2010/11), with plans well advanced for another 20% in the first half of 2011/12
- created a single learning portal, allowing all civil servants to access new and more cost-effective training according to a common curriculum
- introduced new procurement controls on learning and development
- strengthened the management of Civil Service HR by appointing the first Head of Government HR Operations
- created an HR graduate recruitment scheme to strengthen the future government HR team.

**Promoting social mobility**

The Government is committed to improving social mobility. No one should be prevented from fulfilling their potential by the circumstances of their birth. Improving social mobility is the principal goal of the Government's social policy. This is a long-term objective that requires action across government and from many others in society, including businesses, universities and individuals. Policies such as the Pupil Premium and expanding childcare provision for the most disadvantaged are key elements of this approach.

**Achievements against the *Structural Reform Plan***

- Established a Ministerial Group chaired by the Deputy Prime Minister in order to drive forward action on social mobility across government
- Appointed Alan Milburn as the Government's Independent Reviewer on Social Mobility to hold the Government to account on progress in promoting social mobility
- Developed a comprehensive cross-government strategy on social mobility published on 5 April 2011, setting out a range of policies and actions across the whole life cycle, from early intervention during the foundation years, through school age, the transition from education to work and during adulthood.
- Launched a pilot Whitehall internship scheme which offers opportunities in every central government department to talented individuals from under-represented backgrounds.

### **Case study: Whitehall Internship Scheme**

Three complementary programmes have been designed as part of the new Whitehall Internship Scheme. They will provide meaningful professional experiences that will help people to develop transferable skills which can be harnessed in future life and employment. There will be a transparent process for all placements in order to ensure fair access, creating a more accountable Civil Service and producing a level playing field. The three programmes will run:

- at **undergraduate/graduate** level, building on the existing Fast Stream internship structure to attract talented individuals from under-represented groups. The six to nine-week summer programme will help to develop skills and career prospects and provide understanding of the wide-ranging opportunities that the Fast Stream graduate programme and the Civil Service can offer
- at **college** level, providing placements in order to help people from under-represented backgrounds increase their professional experience and workplace skills. This scheme will involve a two-week internship within a Whitehall department, including meeting senior figures, an opening and closing reception, and two weeks' work experience
- at **secondary school** level, running day-long programmes that aim to broaden horizons and tackle the poverty of aspiration that holds back too many young people from under-represented backgrounds. The programme will involve talks by ministers and senior civil servants, tours round departments and a visit to Civil Service Live.

The college and secondary school level internship schemes will be piloted during summer 2011.

### **Reducing carbon emissions across government**

The Prime Minister announced on 14 May 2010 that this would be the 'greenest government ever' and that, as part of this, central government would reduce its carbon emissions by 10% within 12 months. The Cabinet Office coordinated the effort across departments to meet this target, and the final result was an almost 14% reduction. Over the 12 months to 13 May 2011, the Government reduced carbon emissions from its office estate by 105,000 tonnes on the previous year. The saving amounts to a reduction of nearly 238 million kilowatt hours in energy consumption, and we estimate that this will reduce the Government's energy bills by £13 million during that period.



## REPORTING ON BETTER REGULATION

The Cabinet Office sits at the centre of government, with an overarching purpose of making government work better; consequently, it produces very little regulation of its own.

The Better Regulation Executive, located in BIS, leads better regulation work across government and also plays a lead role in driving through a programme of activities that simplify and reduce regulation. Information about reducing regulation can be found on the BIS website at [www.bis.gov.uk/policies/better-regulation/better-regulation-executive/reducing-regulation-made-simple](http://www.bis.gov.uk/policies/better-regulation/better-regulation-executive/reducing-regulation-made-simple)

Like all government departments, the Cabinet Office has a Board Level Champion, whose role is to embed this new approach to regulation across the Department, and a Better Regulation Unit that provides advice and guidance on the regulatory framework, impact assessments, consultations and coordination of the *Statement of New Regulation*.

### **Reducing the regulatory burden on business and civil society organisations**

The Cabinet Office is working with other government departments in order to reduce the volume and cost to the economy of regulation – in particular, the regulatory burden on business and civil society organisations. The goal, where possible, is to remove or simplify existing regulations, reduce the volume of new regulation by introducing regulation only as a last resort, improve the quality of new regulation and move to less onerous and less bureaucratic enforcement regimes.

### **Statement of new regulation: One-in, One-out rule**

The One-in, One-out (OIOO) rule was launched on 1 September 2010. All measures implemented from the beginning of the 2010 Parliament are subject to the OIOO rule. The scope of OIOO includes any new primary or secondary UK legislation that imposes an equivalent annual net cost on business or civil society organisations. For any net cost imposed on business ('ins'), existing regulations with an equivalent value must be identified and recast or repealed ('outs').

The *One-in, One-out: Statement of New Regulation* is published on the BIS website at [www.bis.gov.uk/assets/biscore/better-regulation/docs/o/11-p96a-one-in-one-out-new-regulation.pdf](http://www.bis.gov.uk/assets/biscore/better-regulation/docs/o/11-p96a-one-in-one-out-new-regulation.pdf).

The Cabinet Office was responsible for two 'ins' and no 'outs' during 2010/11; these were published in the Statement.

- Charities Act 2006 – Exempt Charities: To appoint a principal regulator for academies, sixth-form colleges, and foundation and voluntary schools; to re-confer exempt charity status on sixth-form colleges and voluntary and foundation schools to avoid their having to register with the Charity Commission and becoming subject to dual regulation.
- Charities Act 2006 – Charitable Incorporated Organisation (CIO): To create the CIO. This is the first incorporated legal structure designed specifically with the needs of charities in mind. These regulations were scheduled to come into force in spring 2011 at zero cost to business and civil societies. Both regulations will not now come into force until autumn 2011.

### **Review of regulatory stock**

The online forum Your Freedom was launched on 7 July 2010; this gave the public an opportunity to suggest laws and regulations affecting individuals and businesses that could be scrapped.

In addition, Graham McBain, a lawyer, wrote to the Cabinet Office and the Lord Chief Justice and outlined a list of obsolete laws for repeal. Work began in autumn 2010 to review the 193 suggestions received by Your Freedom, along with the 89 repeal proposals from Mr McBain.

### **The role of the Regulatory Policy Committee**

The role of the Regulatory Policy Committee (RPC) is to comment on the analysis and evidence of impact assessments submitted by departments and validate the figures. The Cabinet Office submitted one impact assessment to the RPC during 2010/11. This was the final impact assessment for the Public Bodies Bill (enabling the Government to amend, abolish or transfer the functions of certain public bodies through secondary legislation), which was deemed to be fit for purpose.

### **Consultations**

Ongoing dialogue between the Cabinet Office and stakeholders is an essential part of the policy-making process. When developing a new policy or considering a change to existing policies, processes or practices, Cabinet Office policy-makers often conduct both formal and informal consultation exercises.

During 2010/11, the Cabinet Office carried out nine consultations:

- Civil Contingencies Act Enhancement Programme: Phase 2 – *Consultation on revised chapters of Emergency Preparedness* – Civil Contingencies Secretariat
- *Giving Green Paper* – Office for Civil Society
- *Taking Account of the Uniplex Case (C-406/08, Judgement on 28 January 2010)* – Office of Government Commerce
- *Supporting a Stronger Civil Society* – Office for Civil Society
- *Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery* – Office for Civil Society
- *The Role of Local Resilience Forums: A reference document* – Civil Contingencies Secretariat
- *Draft National Strategic Framework on Community Resilience* – Civil Contingencies Secretariat
- *Making it easier for charities to sell and make other disposals of land: Consultation on extending the definition of “qualified surveyor” in section 36(4) of the Charities Act 1993* – Office of the Third Sector (now the Office for Civil Society)
- *Cabinet Office Business Plan* – consultation on the transparency section of the Business Plan – Finance and Estates.

## OTHER REPORTING REQUIREMENTS

### Transparency

In line with the Government's commitment to help achieve greater transparency in its procurement activities, the Cabinet Office publishes online its tenders and contracts over the value of £10,000. By 31 March 2011, 86% of tenders issued and 100% of contracts awarded had been published on the Contracts Finder database.

The Cabinet Office also publishes monthly data on its expenditure over £25,000. This information can be found at [www.cabinetoffice.gov.uk/resource-library/cabinet-office-spend-data](http://www.cabinetoffice.gov.uk/resource-library/cabinet-office-spend-data)

### Sustainable development

The Cabinet Office is working to embed sustainability at the heart of its operational and business activities. The past 12 months have seen completion of a number of key projects and the Department has significantly improved its performance against its sustainability targets. Bringing about substantial reductions in its carbon footprint remains a Cabinet Office priority. In the last financial year, the Department has:

- reduced its carbon emissions by more than 14% within the year, meeting the Prime Minister's challenging carbon reduction target announced in May 2010
- published real-time energy data for its HQ buildings at 70 Whitehall and 10 Downing Street online on the Carbon Culture web pages<sup>1</sup>
- continued to improve its waste profile, driving down the total waste arising and increasing the proportion recycled. Much of this has been achieved by improving segregation of waste streams and recovery of recyclable materials at the waste handling plant. In the last year, the Department has also introduced food waste collections which have had a further positive impact on performance
- substantially reduced its water consumption over recent years through a number of initiatives, including fitting waterless urinals, installing flow restrictors and passive infra-red sensors to taps, and introducing rainwater harvesting.

#### Cabinet Office Central London estate energy profile, 2010/11

Spend (£)	Consumption (KWh)	Carbon emissions (Tonnes)
1,561,127	13,050,513	5,641

#### Cabinet Office Central London estate waste profile, 2010/11

Waste (tonnes)	1,188.17
Total recycled (tonnes)	1,044.08

<sup>1</sup> 70 Whitehall energy data: [www.carbonculture.net/orgs/cabinet-office/70-whitehall/](http://www.carbonculture.net/orgs/cabinet-office/70-whitehall/); 10 Downing Street energy data: [www.carbonculture.net/orgs/number10/10-downing-street/](http://www.carbonculture.net/orgs/number10/10-downing-street/)

**Cabinet Office Central London estate water profile, 2010/11**

<b>Total water consumption (m<sup>3</sup>)</b>	23,026
<b>Total water expenditure (£)</b>	31,344

**Complaints to the Parliamentary Ombudsman**

The Cabinet Office has not received any complaints from the Parliamentary Ombudsman's Office.

### **Performance in responding to correspondence from the public**

The Cabinet Office is different from other government departments in that it does not provide front-line services to the public. It therefore does not receive a large amount of public correspondence. Instead, it receives extensive ministerial correspondence.

All government departments put together data on correspondence between Members of Parliament and ministers by calendar year and this is published as a Written Ministerial Statement by the Minister for the Cabinet Office. The detailed information can be found at

[www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110328/wmstext/110328m0001.htm#1103283000002](http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110328/wmstext/110328m0001.htm#1103283000002)

The data relating directly to the Cabinet Office for March 2010 to March 2011 is as follows:

Target set for reply (working days):	15
Number of letters received:	3,048
Percentage replied to within target:	58%

Performance was affected by a 111% rise in correspondence following the creation of the new Government and machinery of government changes. Measures have been put in place to improve performance in 2011.

### **Freedom of information requests**

The information for freedom of information requests within 2010 is published in quarterly figures within the 'Freedom of Information' section on the Ministry of Justice's website at [www.justice.gov.uk/publications/statistics-and-data/foi/implementation.htm](http://www.justice.gov.uk/publications/statistics-and-data/foi/implementation.htm)

From 1 January to 31 March 2011, the Cabinet Office received 395 requests (including requests to the Prime Minister's Office).

### **Monitoring spend on consultancy and temporary staff**

Measures to control spending were introduced as a result of the freeze on consultancy and interim managers and other temporary staff announced by the Chancellor of the Exchequer in May 2010. These measures had a significant impact on the Cabinet Office's use of external resources, even though the Department gained extra business functions from other departments following the formation of the Coalition Government.

Expenditure by Cabinet Office on consultancy in 2010/11 reduced by over 50% compared with 2009/10 and expenditure on temporary staff reduced by some 40%.<sup>1</sup>

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<sup>1</sup> Based on re-stated spend for 2009/10.

## Recruitment practice

All recruitment within the Cabinet Office is carried out in accordance with relevant employment legislation and within the framework laid down by the Civil Service Order in Council 1995 and the Recruitment Principles issued under it by the Civil Service Commission.

For the period 1 April 2009 to 31 March 2010, the total number of vacancies was 187. This reduced to 153 vacancies in 2010/11, including an overall reduction in external recruitment campaigns as a result of the freeze on recruitment from outside the Civil Service.

Number of vacancies	Senior civil servant or equivalent		Non-senior civil servant		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
<b>Internal</b>	21	15	103	134	124	149
<b>External</b>	2	4	61	0	63	4
<b>Total</b>	23	19	164	134	187	153

In addition, the Cabinet Office continues to support efforts to enhance the employability of young people through the Apprenticeships programme and intern opportunities. In 2010/11, four Apprenticeship offers were accepted and three apprentices joined the Department. In addition, seven opportunities for undergraduate and graduate internships were filled as exceptions to the freeze on recruitment from outside the Civil Service.

## Public appointments and reappointments

As at 31 March 2011, the Cabinet Office sponsored 13 non-departmental public bodies (NDPBs) 3 executive NDPBS and 10 advisory NDPBs.

Between 1 April 2009 and 31 March 2010, there were 20 appointments, of which 17 were new appointments and three were reappointments. The largest number of appointments made was seven in the Advisory Committee on Business Appointments and five in the Senior Salaries Review Body. The only reappointments<sup>1</sup> made through this period were in the Senior Salaries Review Body, where three were made.

For 2010/11, there was only one new appointment in the House of Lords Appointments Commission. There were 13 re-appointments – eight in the Civil Service Appeal Board, four in the Committee on Standards in Public Life and one in the Security Vetting Appeals Panel.

<sup>1</sup> Reappointments can only take place if the Board member has performed satisfactorily during their current term of appointment and performance appraisals are conducted to establish that this is the case.

## Update on Public Accounts Committee recommendations

<b>TWELFTH REPORT: Central government's use of consultants and interims</b>	
<b>Public Accounts Committee (PAC) Conclusion 1: The Cabinet Office should require all departments to record their spending on consultants and interims on a consistent basis and routinely measure the benefits delivered against the objectives set, so that a government-wide view of the value provided by consultants and interims can be established.</b>	<p>1.1 The Cabinet Office has introduced a range of spending controls to include new guidance, as follows:</p> <ul style="list-style-type: none"> <li>a) Consultancy spend of £20,000 or over must have departmental approval.</li> <li>b) All new and existing contracts of £20,000 and above must be submitted for approval every three months from the date of contract commencement.</li> <li>c) Any requests to sign new contracts or prolong existing contracts to last longer than nine months must be submitted for approval by the Chief Secretary and the Minister for the Cabinet Office.</li> <li>d) Departments must publish on Contracts Finder a statement of the value to be delivered from all approved contracts of £25,000 and above.</li> </ul> <p>1.2 Although improved, gaining consistently accurate departmental data still proves challenging. Work is under way to further enhance the spending reports submitted from departments in order to make the collection and validation process more efficient and accurate.</p> <p>1.3 Work has progressed in developing and implementing a new procurement model for acquiring these services which will see:</p> <ul style="list-style-type: none"> <li>a) all requirements below £100,000 procured via the open market using the government e-marketplace</li> <li>b) all other spend being procured, on behalf of departments, via the government procurement delivery centre which will utilise a new single framework contract for central government – replacing the existing myriad of various different consultancy contracts.</li> </ul> <p>1.4 For genuinely unique requirements that represent particularly high risk for departments, they will be able to apply to the Cabinet Office for approval not to use either of these channels in order to undertake procurement direct.</p> <p>1.5 The Cabinet Office is working with departments to build and implement a consistent way of measuring the performance of consultants which will enable comparison of suppliers' performance and, through publication of these performance levels, encourage continuous improvement and enhanced value for money.</p>
<b>PAC Conclusion 2: There are legitimate reasons for differences between departments but they and the Cabinet Office both need a better understanding of what level of use is justified by the nature of the department's business, the degree of change underway and the department's progress in developing the in-house skills it needs. The Cabinet Office should require each Department to prepare an annual assessment of need to support its proposed consultancy budget and should evaluate spending against this</b>	<p>2.1 The measures already described within the response to Conclusion 1 are designed to ensure that departments do not have a high dependency on consultants and that other options, particularly the use of civil servants, are explored before consultants are engaged.</p> <p>2.2 It is good practice for departments to consider their future consultancy needs as part of their annual business planning process and the Cabinet Office will be recommending this approach to departments as part of the 2011/12 controls and delegated authority process. The Government believes that it is for departments to centrally evaluate spending against plans.</p> <p>2.3 These measures, when coupled with greater centralisation of the procurement of consultants, will ensure better transparency of how the Government uses consultants, including the associated cost and the types of consultancy work that has taken place over the course of each financial year. This information will inform how the Government should further grow in-house skills to reduce reliance on consultants.</p>



plan at year end.	
<b>PAC Conclusion 3: The Cabinet Office anticipates resurgence in consultancy spending as new policies are developed and implemented. The Cabinet Office should require each department to report what consultancy spending has been cut in 2010-11 and why, so that it understands the impact of recent reductions.</b>	<p>3.1 The measures already in place, in particular the implementation of Departmental Approval Boards consisting of commercial, HR and finance representatives, ensure that consultancy expenditure is kept under the necessary level of control, that spend is in balance with business need and that we use consultants only in cases of operational necessity.</p> <p>3.2 This, combined with the move to a centralised approach to the procurement of consultants, will ensure continued control on demand and drive greater value for money through better procurement. The Government's aim is to always consider using civil servants before resorting to external resources, and measures now in place support this aim.</p>
<b>PAC Conclusion 4: The Cabinet Office should meet the commitment it gave us to establish clear categories of consultancy spending by the start of the next financial year and should also require arms length bodies to report their spending against these categories from 2011/12.</b>	<p>4.1 The measures introduced in May 2010, revised and enhanced in March 2011, require Permanent Secretaries to approve requests before arm's-length bodies (ALBs) can engage consultants for spend over £20,000 or where the contract is expected to last longer than nine months.</p> <p>4.2 Furthermore, since May, all departments have been required to report their consultancy spend to the Cabinet Office on a monthly basis, including that of their ALBs.</p> <p>4.3 This Government has, therefore, set the standards that it expects ALBs to follow; it has communicated these standards and will hold departments to account for providing data on ALB spend.</p>
<b>PAC Conclusion 5: The Cabinet Office and departments should increase the emphasis they place on programme and project management and IT roles, both to grow these skills within government and to retain skilled staff. They should also collect better data on the experience of staff in key roles, such as the Senior Responsible Owners of major projects, to identify gaps and deploy the best people where they are most needed.</b>	<p>5.1 Progress has been made in strengthening the leadership of the Government's major projects and programmes under the leadership of the Cabinet Office, which is simultaneously improving the skills and capability of Senior Responsible Owners (SROs). During summer 2010, the Efficiency and Reform Group (ERG) reviewed 31 major projects which has resulted in recommendations on the rescoping and restructuring of projects. The Major Projects Authority (MPA), which was established in November 2010 and started work in April 2011, will result in a sea-change in the way in which projects are managed and will significantly strengthen and improve government's capacity and capability to manage what is a highly complex project portfolio.</p> <p>5.2 The Cabinet Office is already developing the skills of civil servants, including the capability of SROs, and is doing this through its programmes to fast-stream ICT and procurement professionals. It is the view of the MPA that the level of authority and performance of the SRO role should be elevated further up the Department and supported by Accounting Officers within their overall business responsibilities; this issue will be addressed as part of the engagement with departments to establish oversight and management of the Government's Major Projects Portfolio.</p>
<b>PAC Conclusion 6: In making decisions about where savings should be made, each department should prepare a robust analysis of the skills it needs to develop through training and should take into account the cost of acquiring those skills from elsewhere. Short-term financial cuts which</b>	<p>6.1 The Government is taking action to improve the efficiency and effectiveness of learning and development through establishing a consolidated approach to the provision of all generic training that removes duplication and increases quality. It is committed to ensuring that the Civil Service continues to develop skills in-house and that these skills are focused directly on business priorities.</p> <p>6.2 A 'Common Curriculum' for all civil servants has been established and the large number of separate and inconsistent learning products currently offered or procured by departments will be replaced by a single portfolio of</p>



<p><b>lead to longer term additional expenditure does not constitute value for money.</b></p>	<p>training, leading to significant improvements in approach and better value for money through more effective, larger scale procurement. Further, there will be a decisive shift to the use of blended learning, combining both work-based and e-based solutions, and a reduction in costly face-to-face classroom-based provision.</p> <p>6.3 Line managers will also play a greater role in identifying requirements and coaching and supporting staff to develop skills. Heads of Profession will retain responsibility for setting the skills requirements for their own professions, and departments will retain responsibility for business-specific training and will be supported by the new arrangements.</p>
<p><b>PAC Conclusion 7: A better balance needs to be found between ‘time and materials’ based contracts and those based on a fixed price or incentive. The Cabinet Office should encourage departments to increase the proportion of contracts they let on a fixed price or incentive basis, recognising that to use such contracts effectively, departments must first improve their ability to define clearly the output required.</b></p>	<p>7.1 Time and materials continues to be the most common method of payment for consultancy in both the public and private sectors. Some departments have been more sophisticated than the private sector when it comes to buying consultancy.</p> <p>7.2 The Government is centralising the procurement of consultancy, which will provide greater transparency in the requisition of consultancy, both above and below the EU threshold.</p> <p>7.3 As part of the enhancement of the spending data collection from departments, the Government will be gaining data on the type of commercial model used, which will enable better understanding of when and where best to apply alternative models by highlighting instances of best practice.</p> <p>7.4 The new single framework contract for central government will contain within it a clear mechanism to better enable the use of alternative commercial models in accordance with what the consultant is expected to deliver; whether an outcome-based or ‘risk and reward’ contract is most appropriate, these will be applied.</p>
<p><b>PAC Conclusion 8: The Cabinet Office should consider how they could help departments share relevant information about the performance of suppliers to allow others to learn from their experience, so that Departments become more intelligent buyers and poor suppliers are not offered repeat business.</b></p>	<p>8.1 Significant progress has been made since May 2010, in terms of both the data available on consultancy spend across government and the increased knowledge of the supplier base, evidenced through the Supplier Renegotiation Programme. This programme of work has progressed quickly and is expected to deliver £800 million in savings across a number of categories of spend.</p> <p>8.2 Work on centralised procurement will ensure that there is a consistency of rates reflecting the scale of activity that is carried out with the Crown as a whole.</p> <p>8.3 Work is planned for later this year to build and implement a performance measurement system that will enable comparison of performance so that: a) suppliers are motivated to improve performance; and b) departments become more informed buyers and can determine appropriate management strategies that will enable improved performance and enhanced value for money.</p> <p>8.4 The requirement for departments to publish on Contracts Finder a statement of the value to be delivered from all approved contracts of £20,000 and above will hold both buyer and supplier accountable for the return on investment of the spend committed.</p>

<b>SIXTEENTH REPORT: Government on the Internet: Progress in delivering information and services online</b>	
<p><b>PAC Conclusion 1: To prevent a recurrence of the proliferation of government websites, no new ones should be established without the agreement of the Government's Chief Information Officer in the Cabinet Office.</b></p>	<p>1.1 Good progress is being made. By the end of March 2011, the Department Website Reviews collated by the Central Office of Information (COI) had identified a total of 2,059 central government websites and 1,496 of them (73%) had been closed.</p> <p>1.2 A tight grip has been maintained on new central government .gov.uk websites and newly formed non-departmental public bodies have used either their sponsoring department's website or <a href="http://www.independent.gov.uk">www.independent.gov.uk</a>. Those that have been approved comprise a single machinery of government change (<a href="http://education.gov.uk">education.gov.uk</a>), a change of name (for the Children's Commissioner) and a temporary development site (<a href="http://alpha.gov.uk">alpha.gov.uk</a>). It is policy that all government websites use the domain .gov.uk (except for the permitted .mod.uk, .police.uk and .nhs.uk) and websites are being moved onto this domain as appropriate.</p> <p>1.3 Ongoing control of website proliferation will continue, as part of the wider digital strategy across government, managed by the Government Digital Service, which has responsibility for approving digital activity across central government.</p>
<p><b>PAC Conclusion 2: The Chief Information Officer (CIO) Council should agree a methodology for identifying the costs of websites, to be applied by all departments and agencies by the end of the next financial year. An analysis of these costings should be included in the Delivery and Transformation Group's Transformational Government annual report.</b></p>	<p>2.1 The cross-government development of standards for measuring costs, quality and usage was published in March 2009 following approval by ministers:</p> <ul style="list-style-type: none"> <li>○ <i>Measuring website costs</i> (TG128) can be found on the COI website at <a href="http://www.coi.gov.uk/guidance.php?page=223">www.coi.gov.uk/guidance.php?page=223</a>.</li> <li>○ <i>Measuring website usage</i> (TG116) is at <a href="http://www.coi.gov.uk/guidance.php?page=229">www.coi.gov.uk/guidance.php?page=229</a></li> <li>○ <i>Measuring website quality</i> (TG126) is at <a href="http://www.coi.gov.uk/guidance.php?page=138">www.coi.gov.uk/guidance.php?page=138</a></li> </ul>
<p><b>PAC Conclusion 3: The Central Office for Information, together with the Cabinet Office, should develop a methodology and single set of measures for analysing user data such as that used by Transport for London to make improvements in its services. The agreed methodology and the measures should be applied by all departments by the end of 2008–09.</b></p>	<p>3.1 The not-for-profit industry body, ABC, was appointed to audit usage of central government websites. This achieved an approximate 50% saving to departments and 116 sites are registered for audit. The first Annual Report on websites was published in June 2010 and can be found at <a href="http://www.coi.gov.uk/websitemetrics2009-10">www.coi.gov.uk/websitemetrics2009-10</a></p>
<p><b>PAC Conclusion 4: The Cabinet Office and the Central Office for Information should establish and agree with the CIO Council a single set of quality standards for government websites, which should be implemented by all departments. These should include the performance of</b></p>	<p>4.1 Improvement of quality is not only a matter of standards and guidance, but also practical support and education. An online interactive toolkit to help public sector web staff to improve their skills was developed. Based on a Usability Review commissioned by the Power of Information Task Force, the toolkit addresses the top ten issues found to be problematical to users. It can be found at <a href="http://www.coi.gov.uk/usability">www.coi.gov.uk/usability</a></p> <p>4.2 Taken together with the work on costs, this provides a coherent and</p>

**internal search engines and facilities that allow the public to provide feedback on public services.**

consistent set of requirements, guidance and a toolkit which enable departments to improve the quality of government websites. It also delivers public accountability for the cost and effectiveness of government's web estate.

- 4.3 User behaviour in regard to searching has changed since the Public Accounts Committee report was published and responding to this is more important than simply introducing new technology. People now increasingly use the major web search engines to identify the information and location of the services they seek. For example, use of search and click-through from the home page of Directgov is tiny compared with accessing relevant Directgov content directly from web search engines. Secondly, people are alerted to relevant content through online social networks and then follow links sent to them.
- 4.4 A strategy has been developed for improving search that includes the following:
- a. Ensuring that people can find government website content through web search engines by enabling web search engines to access and index content from government websites. The requirement for this is laid out in the web standard *Exposing your website to search engines* (TG122). This can be found at [www.coi.gov.uk/guidance.php?page=246](http://www.coi.gov.uk/guidance.php?page=246)
  - b. Improving the helpfulness of the information through audience-friendly text and information when it is displayed in web search engine results. The requirements for this are described in a new web standard on search engine optimisation, *Search engine optimisation* (TG123) [www.coi.gov.uk/guidance.php?page=331](http://www.coi.gov.uk/guidance.php?page=331). Reducing the number of websites has also helped people to recognise the relevant site quickly in search result lists and has saved them time.
  - c. Reviewing what people, businesses and patients seek and then ensuring that the public sector delivers content that is easy to find, access and understand so that content and services meet their needs. With the two previous actions implemented, the issue becomes less of one to do with the difficulty of finding and more one of ensuring that the content people seek is available and that they get all the content that is relevant to their enquiry. Directgov and [businesslink.gov.uk](http://businesslink.gov.uk) have led this work.
- 4.5 Good progress continues to be made on each of these actions. Government is also building expertise in helping people to find what they seek through both the web search engines and social networks.
- 4.6 In October 2010, Martha Lane Fox, the UK Digital Champion, completed a strategic review of Directgov – *Directgov 2010 and beyond: Revolution not evolution*. One of the recommendations from this report was to 'Make Directgov the government front end for all departments' transactional online services to citizens and businesses, with the teeth to mandate cross government solutions, set standards and force departments to improve citizens' experience of key transactions'.
- 4.7 Work is under way by the Government Digital Service, formed in April 2011, to ensure that all web and digital services from government meet high-quality user-centred standards, leading to successful take-up and completion of digital services across the public sector. This includes rating and leaving comments on every piece of content in [direct.gov.uk](http://direct.gov.uk).

	<p>These are collected and sent to teams across government departments for review.</p> <p>4.8 The Government Digital Service is also responsible for measuring and assuring quality of digital public services more widely, and will agree consistent management information on the quality of service delivery by channel, including cost to serve and user satisfaction, for government services in order to drive up the quality and take-up of digital public services.</p>
<p><b>PAC Conclusion 6: In moving services and information from departmental websites to Direct.gov.uk and businesslink.gov.uk and reorganising the material left on departmental sites, all government websites should meet the accepted industry standard of accessibility by 2011.</b></p>	<p>6.1 The standard for accessibility was published in June 2008. <i>Delivering inclusive websites</i> (TG102) can be found at <a href="http://www.coi.gov.uk/guidance.php?page=129">www.coi.gov.uk/guidance.php?page=129</a>; progress on implementation was published by June 2010.</p> <p>6.2 In the light of the updated W3C standard on accessibility, adopted by the European Commission, COI has issued further advice to the public sector allowing use of the updated standard. The guidance has been revised in collaboration with the Office for Disability Issues and is pending review.</p> <p>6.3 Key actions in this area were agreed and listed in the Government's <i>eAccessibility Action Plan</i>, and these are all currently on track: <a href="http://www.culture.gov.uk/images/publications/11-p110a-e-accessibility-action-plan-update-january-2011.pdf">www.culture.gov.uk/images/publications/11-p110a-e-accessibility-action-plan-update-january-2011.pdf</a></p> <p>6.4 The Government has made clear its commitment to delivering information and transactional services digitally by default, setting an expectation that services will be accessed through digital channels. To achieve this approach to service delivery digital services must be designed to meet user needs, particularly in relation to accessibility. In addition, appropriate assisted digital services will be developed for each service to ensure that no one is excluded from accessing digital services.</p>
<p><b>PAC Conclusion 7: The CIO Council should require all departments and agencies to develop channel strategies, which take into account the needs of those without internet access, by the end of the next financial year, and to update them every three years.</b></p>	<p>7.1 <i>The Guidance on Channel Strategies</i> was published on 3 September 2009 on the Cabinet Office website.</p> <p>7.2 In November 2010 the Minister for the Cabinet Office announced that government would become digital by default, making digital the preferred channel for delivery of government services and information. This offers the opportunity to rethink how services are delivered and to make them easier to use for citizens and efficient to deliver for government.</p> <p>7.3 In moving to digital by default, no one will be excluded from accessing services. The Government has a duty to provide for all and therefore a strategy for assisting those who might otherwise be excluded will be developed for each service.</p>

<p><b>EIGHTEENTH REPORT(2007-08 session): Improving corporate functions using shared services</b></p>	
<p><b>PAC Conclusion 1: Government lacks reliable information on the cost of corporate services. Departmental Management Boards should receive clear information on the cost and performance of their corporate services on a regular basis so that they can consider the contribution these</b></p>	<p>1.1 Data for spend by all departments and arm's-length bodies on finance, HR, IT, procurement and estates during 2008/09 was published online during 2009: <a href="http://www.hmg.gov.uk/media/52718/benchmarkingthebackoffice.pdf">www.hmg.gov.uk/media/52718/benchmarkingthebackoffice.pdf</a></p> <p>1.2 Building on this, data on these areas of spend plus communications, legal services and knowledge and information management for 2009/10 was published online in February 2011: <a href="http://data.gov.uk/dataset/oep-benchmarking-data-2009-10">http://data.gov.uk/dataset/oep-benchmarking-data-2009-10</a></p>

<p>services make to key business objectives and whether they are providing value for money.</p>	<p>1.3 In addition, in May 2011, all departments published a report of common areas of spend as part of their 2011 business plans. This included reporting of cost of people, estates, procurement, major projects, IT, operating costs, corporate services, fraud and error, spend with SMEs and grants to VCSs. <a href="http://www.number10.gov.uk/news/topstorynews/2011/05/department-business-plans-updated-63798">www.number10.gov.uk/news/topstorynews/2011/05/department-business-plans-updated-63798</a></p>
<p><b>PAC Conclusion 2: Inconsistency in the way corporate services are recorded prevents regular benchmarking to help secure improvements in value for money. The Cabinet Office should develop standard definitions for what constitutes corporate services and how their costs and activities should be reported. The Cabinet Office should undertake regular benchmarking exercises to identify scope for further efficiencies.</b></p>	<p>1.4 From summer 2011, all departments will be reporting their spend on HR, finance, procurement, legal services and communications on a quarterly basis through the departmental Quarterly Data Summaries. The publication of this data is increasingly enabling departments' and arm's-length bodies' leadership to assess their own spend on corporate services against those of others in government.</p> <p>1.5 The Cabinet Office is now pressing ahead with this agenda by improving the consistency and comparability of this data. A new set of definitions of common areas of spend is currently being tested with departments – including common definitions of spend on IT, HR, finance, procurement, legal services and communications. These common definitions will provide an agreed basis against which departments will, in future, publish their regular quarterly data updates.</p>
<p><b>PAC Conclusion 3: It is not clear how the £1.4 billion potential annual savings from shared services will be achieved. The Cabinet Office will find it difficult to drive improvements until it obtains clear information on the relative performance of departments' corporate services. Departments should publish an overview of their corporate services performance in their annual report, including an analysis of costs by corporate function, how shared services are being used to improve value for money, and performance against centrally agreed benchmarks.</b></p>	<p>1.6 Action one and two have been completed</p>
<p><b>PAC Conclusion 4: The Cabinet Office does not have sufficient grip on the cost of its activities to promote shared services. The team set up to encourage the use of shared services did not know how much money it had spent or how it was allocated across different activities. To improve performance and operational efficiency, the team should routinely record and analyse all its expenditure and assess the cost effectiveness of different interventions.</b></p>	<p>A small shared services team in the Cabinet Office is currently focused on the development of a cross-government shared services strategic operating model and plan – in response to our published business plan commitments.</p>
<p><b>PAC Conclusion 8: Further savings could be achieved through economies of scale if more small departments bought their corporate services from larger departments. Smaller departments should evaluate the</b></p>	



<p>benefits of buying corporate services from one of the two designated sellers – HM Revenue and Customs and the Department for Work and Pensions. To allow this to happen, these two departments must develop the capacity to provide shared services and market the benefits to smaller public sector bodies.</p>	
<p><b>PAC Conclusion 9: Whether or not they move to using shared services, public bodies will miss potential efficiency savings if they do not streamline their administrative processes. Even when shared services are not adopted, public bodies should be able to show that they have mapped all the key processes in their corporate functions and used the results as a basis for driving out waste.</b></p>	<p>The Cabinet Office is working closely with a number of cross-government programmes focused on driving streamlined, consistent administrative processes across government.</p> <p><b>Government Procurement:</b> Francis Maude recently announced the creation of Government Procurement, an integrated organisation that will reform procurement within central government. It will achieve this through centralising the procurement of common goods and services, while improving in technology, processes and government-wide procurement resources. The overall strategy is to better manage total procurement spend, in support of government’s cost reduction targets.</p> <p><b>The Finance Transformation Programme</b> is being led by the Economic Secretary to the Treasury and comprises a range of projects to strengthen financial discipline in government. These include projects to drive up the cost effectiveness of the finance function, such as improving and standardising financial processes, and implementing a common chart of accounts across departments. Other aspects include working with the Cabinet Office to migrate most finance operations to shared services, and supporting the Government’s transparency agenda by improving the quality and accessibility of finance and performance management information.</p> <p><b>The Next Generation HR Programme</b> was set up to simplify HR departments across the Civil Service and eradicate duplication wherever possible. The first Head of Government HR Operations was appointed in February 2011 with a remit to manage the performance – in terms of both effectiveness and efficiency – of the HR function across the Civil Service as a whole. Three expert HR service functions – Civil Service Employee Policy, Learning and Resourcing – were established on 4 April to provide services to all departments and their agencies. These functions are funded by departments making a contribution to their costs and are managed to set performance standards. They will enable substantial savings within departments by removing duplication, streamlining administrative processes and exploiting economies of scale.</p>

<p><b>TWENTY-EIGHTH REPORT: Accountability for public money</b></p>	
<p><b>Letter from Chair to Sir Nicholas Macpherson on draft Corporate Governance Code</b></p>	<p>HM Treasury and the Cabinet Office ensured that the Corporate Governance Code was consistent with PAC comments.</p>

**Thirty-seventh Report (2008-09 session)**

**Summary and progress update on the Government’s response to the Public Accounts Committee’s report  
*Building the capacity of the third sector***

The PAC reported on *Building the capacity of the third sector* in July 2009. This report recommended a number of changes to the ChangeUp and Futurebuilders programmes. Both programmes are now closed to applications, and the ChangeUp programme was fully complete by 31 March 2011. The response below sets out the current position and an overview of those bodies as of 31 March 2011.

Capacitybuilders was a non-departmental public body set up under the last administration to invest in support services for charities, social enterprises and voluntary groups. The Government decided to close Capacitybuilders as part of a wider review of public bodies which took effect from April 2011. Capacitybuilders’ core budget was £88.5 million from 2008 to 2011 to deliver the ChangeUp programme of investing in support services.

Capacitybuilders ceased trading on 31 March 2011. A small residual team has been in place since then to complete final accounts and strike the company from the Companies House register, in line with legal requirements. This team will cease to operate in July.

Futurebuilders was a £215 million fund investing directly in front-line third sector organisations that would otherwise not have had access to commercial sources of finance. It enabled them to build their capacity and bid for public service delivery contracts. Income from these contracts is then used to repay the investment. It is managed under contract by Social Investment Business. The Futurebuilders fund is now closed to applications.

For a full copy of the HM Treasury minute, see  
[www.officialdocuments.gov.uk/document/cm77/7717/7717.pdf](http://www.officialdocuments.gov.uk/document/cm77/7717/7717.pdf)

<b>THIRTY-SEVENTH REPORT: Building the capacity of the third sector</b>	
<p><b>PAC Conclusion 1: The design of the ChangeUp programme was complex and took longer than planned, leading to less time than intended for consortia and national hubs to spend the initial funding of £80 million. Effective consultation and good programme design are important foundations for successful programme delivery. But spending too much time on these elements and then squeezing delivery is counter-productive, leading to waste, poor value for money and adverse impacts on funded organisations. In the event of delays in implementing future programmes, the Cabinet Office should assess the risk to successful programme delivery before deciding whether to enforce or revise original timescales.</b></p>	<p>1.1 Complete. Following the transfer of responsibility for management of the programme to Capacitybuilders (a non-departmental public body) in 2006, funding levels for ChangeUp stabilised and all Capacitybuilders’ ChangeUp programmes were fully committed and closed by 31 March 2011.</p>

<p><b>PAC Conclusion 2: The period for which funding is given to organisations can affect the ability of those organisations to use it fruitfully. A review of the national hubs led to a prolonged period of uncertainty around their future and funding. Such uncertainty creates problems for funded organisations, diverting time and attention from their primary objectives into, for example, raising further funds in order to continue their work. While some progress has been made in providing longer-term funding for third sector organisations, the Cabinet Office and its associated bodies should further reduce uncertainty through greater clarity around terms and conditions of funding and investments where possible, and by more prompt and timely decision-making.</b></p>	<p>2.1 Building on the recommendations of the PAC, the Office for Civil Society (OCS) has sought to avoid uncertainty and allow maximum response times for new programmes. In response to the Supporting Civil Society consultation, OCS has worked quickly to develop the new Transforming Local Infrastructure programme, which will launch in July 2011. The funding was announced in the Giving White Paper in May, helping to address uncertainty and allowing infrastructure organisations to begin planning. OCS has agreed a clear delivery plan with the Big Lottery Fund (the delivery partner), including ensuring that there is sufficient time for applicants to form partnerships and prepare bids. Decisions on funding will be made and communicated as quickly as possible to avoid further uncertainty.</p>
<p><b>PAC Conclusion 3: The lack of a planned evaluation of ChangeUp is a major failing, and is particularly alarming given the inherent risks in the programme, its untested approach, complex delivery mechanism, and devolved decision-making arrangements. The Cabinet Office should ensure in the future that proper evaluation is built into the design of all its programmes. Such evaluations should include clarity around the baseline, objectives and outcomes of the programme, as well as how they will be achieved and measured, and a system of review which enables adjustments to be made and lessons disseminated. The costs of effective evaluation should be built into the programme budget from the outset.</b></p>	<p>3.1 Complete. The Third Sector Research Centre was commissioned to run an independent evaluation of ChangeUp from 2006 to 09. The report is at <a href="http://www.tsrc.ac.uk/LinkClick.aspx?fileticket=VpRdrp3v1ZI%3D&amp;tabid=640">www.tsrc.ac.uk/LinkClick.aspx?fileticket=VpRdrp3v1ZI%3D&amp;tabid=640</a></p>
<p><b>PAC Conclusion 4: It is unacceptable that these significant and costly programmes were established without setting any proper targets against which the performance could be measured. Both programmes were set up without performance targets that were sufficiently aligned to the programme objectives and outcomes. In respect of Futurebuilders, in particular, the lack of appropriate targets is likely to have contributed to the sluggish rate of drawdown of investments in the early years. Before approving all future programmes, the Cabinet Office should require managers to develop meaningful indicators and targets to drive performance and measure progress towards the intended outcomes.</b></p>	<p>4.1 All contracts and grant agreements specify the outcomes intended and are monitored on that basis. The Deputy Finance Director in the Cabinet Office signs new contracts on behalf of the Department. This ensures that contracts set out clearly the indicators and targets to ensure delivery and drive performance.</p>



<p><b>PAC Conclusion 5: Judging value for money is hampered by limited and uncertain financial information from the early days of the ChangeUp programme. Even with adequate evaluation, any judgement on the value for money of ChangeUp is undermined by the uncertainty surrounding the financial data about the programme. The Cabinet Office and Treasury should strengthen their guidance to departments on collecting adequate data on costs and benefits to enable effective evaluation, and on ensuring that accurate records are preserved in the event of machinery of government changes or the introduction of new financial systems.</b></p>	<p>5.1 Complete. The Department has reviewed and strengthened its guidance on machinery of government changes.</p>
<p><b>PAC Conclusion 6: Management of the ChangeUp programme has been undermined by problems since it started. Third sector bodies have complained of short timescales for applications, delays in receiving grant payments and pressure to spend money quickly. The processes that Capacitybuilders has in place still do not appear to be working adequately and satisfaction among funding recipients is low. Capacitybuilders should address these concerns as a matter of urgency by setting clear targets for the time allowed for applications, the timeliness of payments to fundees and the speed at which money has to be spent.</b></p>	<p>6.1 In response to this learning, and as set out above, the design of the forthcoming Transforming Local Infrastructure programme takes this into account, and steps have been taken to ensure that applicants are given sufficient notice. The Big Lottery Fund has been praised by the National Audit Office for its efficient grant-making and has high-quality and well tested systems and processes.</p>
<p><b>PAC Conclusion 7: The application process for a Futurebuilders investment was lengthy and costly for both the fund and applicants. On average the process took 127 days, whilst costs were estimated at 40% of Futurebuilders total fund management costs and up to £9 million for applicants in the three years to February 2007. The Committee has commented before on the importance of funders identifying the cost to themselves and to applicants of making grants. Such concerns are equally relevant to investment decision processes. Although Futurebuilders considers it has secured better performance under the second management contract, it should track the burden of the application processes on applicants on an ongoing basis.</b></p>	<p>7.1 Lessons have been learned from cost overruns in the past, and OCS has set tough targets to ensure that administration costs are kept as low as possible. For example, the Transforming Local Infrastructure programme will be delivered at a cost of no more than 3% of total programme budget. The Transition Fund, launched in 2010, is being delivered for 2.5%.</p>
<p><b>PAC Conclusion 8: Public money is invested and repaid by Futurebuilders, so the taxpayer will have a substantial and long-term financial interest in the</b></p>	<p>8.1 The Department is considering options for the longer-term management of the Futurebuilders' loan book.</p>

<p><b>Futurebuilders loan book. This interest will continue long after the active investment period ends in 2011 and, under certain broad assumptions, annual capital and interest payments in 2030 could be £8 million. The Government should set out a clear plan for the management of the asset. This plan should provide the Committee with assurance that action will be taken to protect its value and, as a minimum, should set out how the loan book will be managed beyond the current contract, its expected value, and the key financial risks and how they will be managed.</b></p>	
<p><b>PAC Conclusion 9: A key part of the ChangeUp vision is that the needs of frontline organisations will be met by services that are ‘sustainably funded’, but insufficient thought has been given to the long-term sustainability of improvements. Capacitybuilders currently intends to fund projects which consider sustainability, but should do more to identify examples of sustainable services, how these were achieved and support the spread of best practice. Best practice should include material on managing the impact of the recession.</b></p>	<p>9.1 Building on the learning from ChangeUp and other programmes, OCS’s new £30 million funding to transform local infrastructure is specifically designed to enable infrastructure organisations to transition to new ways of working in a very different funding environment. It will encourage mergers, collaboration, shared back offices and rethinking of business models.</p>
<p><b>PAC Conclusion 10: Both programmes were set up to provide additional capacity building support to the third sector, not replace existing provision. ChangeUp provides funding to help support providers improve the way that their services are planned, developed and co-ordinated. It was not intended to provide core funding for services. Futurebuilders is intended to invest only in third sector organisations that do not have access to commercial sources of finance and it is important that these funding streams do not displace what is available from other sources. The evaluations for both programmes should provide an independent and objective assessment of whether these programmes have in fact filled gaps that would not have been addressed by other funders.</b></p>	<p>10.1 Action: complete. The Futurebuilders evaluation, carried out by Sheffield Hallam University, concluded that the programme had filled a gap in the market that would not have been otherwise addressed by investors, and resulted in some organisations securing contracts that would not otherwise have done so. The ChangeUp evaluation concluded that, while it was difficult to isolate the impact of ChangeUp from other interventions in an area, there was no doubt that infrastructure had improved over the timeframe of the programme.</p>

# ACCOUNTS 2010-11

## INTRODUCTION BY SIR GUS O'DONNELL

I am pleased to present the Cabinet Office Accounts 2010-11 which have been authorised by me as Accounting Officer and audited and certified by the Comptroller and Auditor General. They include:

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

## BASIS OF ACCOUNTS

The Cabinet Office 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 GCB**

Accounting Officer  
Secretary of the Cabinet  
Head of the Home Civil Service  
13 July 2011

## MINISTERS AND CORPORATE GOVERNANCE

### INTRODUCTION

Ministers lead departments and are responsible for and accountable to Parliament for the actions and policies of their departments. Boards, within the strategic framework set by the Minister, support the head of the department by advising ministers and taking ownership of the department's performance. Ministers and Board members are broadly responsible for corporate governance that defines the rights and responsibilities among different stakeholders, determines rules and procedures for making decisions, and includes the process through which the department's objectives are set and monitored.

This section outlines the Ministers and Board members leading the Cabinet Office throughout the 2010-11 financial year and details its corporate governance arrangements.

### MINISTERIAL RESPONSIBILITIES AND MINISTERIAL CHANGES

During the financial year 2010-11, the following changes to the Cabinet Office's Ministerial team were announced.

#### **8 April 2010**

The prorogation announcement was made in the chamber of the House of Lords bringing the 2009-10 session of Parliament to an end.

#### **12 April 2010**

The 2005-2010 Parliament was formally dissolved from this date; Parliament ceased to exist.

#### **12 May 2010**

Following the general election on the 6 May 2010 the Ministerial team in place as at the end of the financial year 2009-10 stepped down as a result of the change of the administration. New ministerial appointments at the Cabinet Office were announced:

The Rt Hon. Nick Clegg MP was appointed as Deputy Prime Minister and Lord President of the Council (with special responsibility for political and constitutional reform). The Deputy Prime Minister is based in the Cabinet Office.

The Rt Hon. Francis Maude MP was appointed as Minister for the Cabinet Office and Paymaster General.

The Rt Hon. Oliver Letwin MP was appointed as Minister of State, Cabinet Office (providing policy advice to the Prime Minister in the Cabinet Office); subsequently known as Minister for Government Policy.

The following business manager appointments were announced:

The Rt Hon. Sir George Young Bt MP was appointed Leader of the House of Commons and Lord Privy Seal.

The Rt Hon. Patrick McCloughlin MP was appointed as Parliamentary Secretary to the Treasury and Chief Whip.

The Rt Hon. Lord Strathclyde was appointed Leader of the House of Lords and Chancellor of the Duchy of Lancaster.

### **18 May 2010**

Nick Hurd MP was appointed Parliamentary Secretary of State and Minister for Civil Society.

Mark Harper MP was appointed Parliamentary Secretary subsequently designated as Minister for Political and Constitutional Reform.

The new Parliament was summoned to meet, when the business was the election of the Speaker and the swearing-in of members.

### **19 May 2010**

The Rt Hon. Baroness Warsi was appointed Minister without Portfolio (Minister of State).

### **25 May 2010**

David Heath CBE MP was appointed as a Parliamentary Secretary, Deputy Leader of the House of Commons.

The State Opening of Parliament followed by the Queen's Speech.

## **MACHINERY OF GOVERNMENT TRANSFERS OF FUNCTION INTO THE CABINET OFFICE**

### **Office of Government Commerce and Buying Solutions**

The Prime Minister announced on 15 June 2010 that Ministerial responsibility for the Office of Government Commerce (OGC), an independent office of Her Majesty's Treasury, and its executive agency Buying Solutions (BS), would transfer from the Chancellor of the Exchequer to the Minister for the Cabinet Office and Paymaster General.

### **Constitutional and Political Reform**

On 2 June 2010 the Prime Minister announced that responsibility for political and constitutional reform would transfer to the Cabinet Office to support the Deputy Prime Minister. Consequently, the Elections and Democracy Division and Parliament and Constitution Division in the Ministry of Justice (MOJ) Constitution Directorate were transferred to the new Constitution Group in Cabinet Office.

### **Directgov**

On 20 July 2010 the Prime Minister announced that ministerial responsibility for Directgov would transfer from the Secretary of State for Work and Pensions to the Minister for the Cabinet Office and Paymaster General. Directgov has changed its name with effect from 1 April 2011 and is now known as the Government Digital Service. Throughout this set of accounts for the year ended 31 March 2011, it is referred to as Directgov.

The section Cabinet Office Finances – Management Commentary provides further detail on these transfers.

## MINISTERS

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

The Rt Hon. Baroness Royall of Blaisdon	Leader of the House of Lords and Chancellor of the Duchy of Lancaster <i>until 11 May 2010</i>
The Rt Hon. Tessa Jowell MP	Minister for the Cabinet Office and for the Olympics and for London and Paymaster General <i>until 11 May 2010</i>
Angela E. Smith MP	Minister of State for the Cabinet Office <i>until 11 May 2010</i>
Dawn Butler MP	Parliamentary Under Secretary of State, Minister for Young Citizens and Youth Engagement not remunerated <i>until 11 May 2010</i>
The Rt Hon. Harriet Harman QC MP	Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality <i>until 11 May 2010</i>
Barbara Keeley MP	Parliamentary Secretary to the Office of the Leader of the House of Commons <i>until 11 May 2010</i>
The Rt Hon. Nick Clegg MP	Deputy Prime Minister and Lord President of the Council with special responsibility for political and constitutional reform <i>from 12 May 2010</i>
The Rt Hon. Francis Maude MP	Minister for the Cabinet Office and Paymaster General <i>from 12 May 2010</i>
The Rt Hon. Oliver Letwin MP	Minister for Government Policy <i>from 12 May 2010</i>
Nick Hurd MP	Minister for Civil Society and Parliamentary Secretary of State <i>from 18 May 2010</i>
Mark Harper MP	Minister for Political and Constitutional Reform and Parliamentary Secretary <i>from 18 May 2010</i>

The Rt Hon. Lord Strathclyde	Leader of the House of Lords and Chancellor of the Duchy of Lancaster <i>from 12 May 2010</i>
The Rt Hon. Sir George Young Bt MP	Leader of the House of Commons, Lord Privy Seal <i>from 12 May 2010</i>
David Heath CBE MP	Parliamentary Secretary, Deputy Leader of the House of Commons not remunerated <i>from 25 May 2010</i>
The Rt Hon. Baroness Warsi	Minister without Portfolio (Minister of State) not remunerated <i>from 19 May 2010</i>

Ministers' remuneration is disclosed within the Remuneration Report.

## CABINET SECRETARY

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

Sir Gus O'Donnell GCB	Secretary of the Cabinet Head of the Home Civil Service and Principal Accounting Officer
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## CORPORATE GOVERNANCE

### CABINET OFFICE GOVERNANCE

In the first half of the year, the Board retained overall and strategic responsibility for the Cabinet Office and continued to delegate responsibility for a number of short- and medium-term management issues to the Operating Committee and the Finance and Investment Committee.

In June 2010 Minister for the Cabinet Office, Francis Maude, set in motion a change in how boards across government departments are run. On 16 December 2010 he announced the appointment of the first tranche of non-executive board members who will sit on these boards, including Cabinet Office.

The Government Lead Non-Executive Board Member, Lord Browne, worked with Secretaries of State on the appointments of Non-Executive Board Members (NEBMs) from across the public, not-for-profit and private sectors. The new non-executives represent some of the best leaders in their fields, experts in financial management and operational performance across a wide range of industries and organisations, who will ensure NEBMs act as a challenge to departments and to be able to deliver the Government's objectives.

The first Cabinet Office board meeting took place on 17 December 2010 where non-executive board members worked in partnership with ministers and civil servants to ensure that the department is run in the way it would be expected from a successful business, charity or public sector organisation. Part of this work will be to agree a three year rolling business plan.

The Cabinet Office Audit and Risk Committee supports the Cabinet Office Board and Principal Accounting Officer by providing an independent view of the department's risk control and corporate governance arrangements.

The sub-boards and committees - Executive Management Committee, the Nominations and Governance Committee, Approvals Board, Finance and Investment Committee, HR Advisory Panel, Engagement Group and Information Strategy Board – will free up the Board to concentrate on delivery of the department's strategic objectives within available resources.

An integrated secretariat co-ordinates, supports the work of the Board and all committees and provides the members with the information and analysis they require to carry out their duties effectively.

### CABINET OFFICE BOARD

The role of the Board is to provide the Cabinet Office with the strategic leadership needed to ensure that the Department delivers its objectives now and in the future. The Board forms the collective strategic and operational leadership of the department, bringing together its Ministerial and Civil Service leaders with senior non-executives from outside government. In particular, its responsibilities are:

- **Planning and Performance** – agreeing the Departmental Plan, especially the department's strategic aims and objectives and the allocation of human and financial resources to achieving them, and their public expression in the Business Plan; monitoring and steering performance against the Plan;

scrutinising the performance of sponsored bodies; and setting the Department's standards and values.

- **Strategy and Learning** – setting the vision / mission and ensuring all activities contribute towards it, either directly or through establishing a credible “licence to operate”; long-term capability and horizon scanning, ensuring that strategic decisions are based on a collective understanding of policy issues; using expertise and outside perspectives to hold the Department to account on its interaction with the “real world”.
- **Resources and Change** – signing off large projects or programmes, or scrutinising those above the department's financial delegation prior to submission to the Treasury; drawing on advice from the Audit and Risk Committee, ensuring sound financial management including the operation of delegations and internal controls; ensuring that organisational design supports the attainment of strategic objectives; evaluation of the Board and its members, and succession planning.
- **Capability** – ensuring the Department has the capability to deliver and to plan to meet current and future needs.
- **Risk** – drawing on advice from the Audit and Risk Committee, setting the Department's risk appetite and ensuring that effective and proportionate controls are in place to manage risk.

The Board is chaired by the Cabinet Office Minister, Francis Maude and meets six times a year. The meeting comprises a minimum of one Minister, one executive and one non-executive member of the Board to be deemed quorate. The terms of reference require that Board members' attendances are published in the Cabinet Office Annual Report and Accounts. Board meetings were attended by all members except for the following:

DATE OF BOARD MEETING	APOLOGIES
17 December 2010	Nick Hurd MP, Minister for Civil Society Rona Fairhead, Non-Executive Board Member
04 February 2011	Sue Gray, Propriety and Ethics Team
25 March 2011	Dame Barbara Stocking, Non-Executive Board Member

## CABINET OFFICE AUDIT AND RISK COMMITTEE

The Cabinet Office Audit and Risk Committee (COARC) supports the Cabinet Office Board and Principal Accounting Officer by providing an independent view of the department's risk control and corporate governance arrangements, and assessing the comprehensiveness, reliability and integrity of those assurances.

COARC's remit covers both the Cabinet Office and the Civil Superannuation Votes. Separate Accounts are published for each of these Votes, and each is audited separately, but both have the same Principal Accounting Officer.

COARC will advise the Board and Principal Accounting Officer on:

- Corporate governance processes inside the department, especially:
  - The identification of operational, financial and compliance risks.
  - The development and effective application of proportionate internal controls at each level to mitigate and manage those risks.
  - The development of the Statement on Internal Control.
- The accounting policies, the Accounts, and the Annual Report of the Cabinet Office, including the process for review of the Accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- The adequacy of management's response to issues identified by audit activity, including external audit's management letter.
- Assurances relating to the corporate governance requirements for the organisation.
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- The Audit and Risk Committee will also periodically review its own effectiveness and report the results of that review to the Cabinet Office Board.

At the beginning of the year, COARC comprised four independent non-executive members: Karen Jordan (Chair), David Blackwood, Rosemary Peters Gallagher and Stephen Wilson. Karen Jordan left on 31 July 2010. David Blackwood and Rosemary Peters Gallagher left on 27 September 2010. Stephen Wilson left on 27 November 2010.

COARC is now chaired by Rona Fairhead, Non-Executive Board Member. It is expected to meet four times a year. A minimum of two members of the Committee will be present for the meeting to be deemed quorate. COARC meetings will normally be attended by the Finance Director and Head of Corporate Risk and Assurance, the Head of Internal Audit and a representative of External Audit. The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Committee.

## **CABINET OFFICE OPERATING COMMITTEE**

The Operating Committee supported the Board's overall strategy by acting on its behalf on issues of delivery and change, including:

- Monitoring work to deliver the Cabinet Office structural reform plans;
- Taking responsibility for all Cabinet Office operational matters;
- Undertaking scrutiny of the Cabinet Office's performance in respect of operational and delivery issues;
- Taking responsibility for improving the way the Cabinet Office works;

- Overseeing the Gateway Review programme, ensuring that it covers key corporate initiatives and deliverables;
- Ensuring the Cabinet Office has effective and efficient systems and processes, including for:
  - business continuity
  - information systems and technology estates
  - sustainability
  - knowledge and information management
  - a healthy, safe and secure environment
  - data and information and other security; and
- Working closely with the Finance and Investment Committee and the Audit and Risk Committee to maximise the Cabinet Office's effectiveness and efficiency.

The Operating Committee was chaired by Alexis Cleveland, Director General, Corporate Services Group, who was also a member of the Board. The Committee met on a monthly basis until July 2010.

### **EXECUTIVE MANAGEMENT COMMITTEE**

The Executive Management Committee (EMC) is responsible for the executive management of the department within the strategic framework established by Ministers and the Cabinet Office Board. The EMC is responsible for supporting the Cabinet Office Board by considering detailed issues of the management of the department, including:

- Planning,
- Budgeting,
- Performance,
- People, and
- Corporate services.

The executive Management Committee is chaired by Sir Gus O'Donnell, Cabinet Secretary, Head of the Home Civil Service and Principal Accounting Officer for the Cabinet Office.

### **NOMINATIONS AND GOVERNANCE COMMITTEE**

The purpose of the Nominations and Governance Committee (NGC) is to review the quality of leadership of the department, evaluate the performance of the Board, and plan for succession as necessary. The Nominations and Governance Committee is responsible for:

- Evaluation of the Board and its senior members;
- Providing input to processes on the assessment of Directors General and above in the department;
- Reviewing and making recommendations on performance management assessment processes in the department; and
- Reviewing and making recommendations on succession planning processes in the department.

NGC is chaired by Lord Browne, Lead Non-Executive for the Cabinet Office.

## **APPROVALS BOARD**

The Approvals Board is a sub-committee of the Cabinet Office Board. The Approvals Board will oversee the achievement by the Cabinet Office of its contribution to the Government's objective of creating strong financial discipline at all levels of government and ensuring that public servants manage taxpayers' money wisely.

The Approvals Board will scrutinise proposals for the significant deployment of the human and financial resources of the department to ensure that:

- In an era of constrained resources, they are aligned with the highest priorities of the Government and of the department;
- They secure best value-for-money;
- Where relevant, they exploit the knowledge and skills available not only within the department but also across Whitehall, especially where drawing in wider experience would enable the better achievement of objectives at lower cost; and
- They draw on best practice in relevant fields.

To that end, the Approvals Board will scrutinise and approve against the tests set out above:

- All new items of proposed expenditure (resource, including administrative, programme and grant expenditure, and capital) of more than £100,000;
- Proposals for the filling of all vacancies and new posts, whether by redeployment within the department or by external recruitment;
- All proposals exceeding £20,000 in value (VAT inclusive where relevant) for the employment of external resources of whatever nature, including consultancy, fee-paid contracts, legal advice, specialist contractors, systems delivery (including ICT systems), and interim managers and agency staff;
- All projects subject to OGC Programme and Project Management (PPM) disciplines; and
- All new supply and service contracts with a lifetime value of greater than £1 million.

Very significant cases, or those raising issues of propriety and regularity, would go as now to Sir Gus O'Donnell as Cabinet Secretary, Head of Department and Accounting Officer in advance of consideration by the Approvals Board. The Cabinet Office Board will be invited to:

- Approve investments of £5 million or above; and
- Scrutinise and recommend to HM Treasury for approval investments above delegated thresholds.

The Approvals Board is chaired by the Minister for the Cabinet Office, Francis Maude.

## **FINANCE AND INVESTMENT COMMITTEE**

Cabinet Office Finance and Investment Committee support the Cabinet Office Board and the Executive Management Committee by acting on their behalf on all issues of business planning and performance management.

The Finance and Investment Committee is responsible for:

- Ensuring financial policies, systems and processes are transparent, effective, efficient and consistently applied;
- Measuring performance against the Departmental Plan, and considering corrective action;
- Ensuring effective financial and risk management arrangements and controls are in place across the Department;
- Undertaking monthly scrutiny of the Cabinet Office's general finances and financial management;
- As appropriate, undertaking scrutiny and making recommendations on major investments and major contract renewals/extensions; and
- Ensuring high quality business planning.

The Finance and Investment Committee is chaired by Bruce Mann, Finance Director, who is also a member of the Board. The Committee meets on a monthly basis.

### **THE HR ADVISORY PANEL**

The purpose of the HR Advisory Panel is to ensure that the implementation of the People Strategy is business-focused, enhances business performance and contributes to the development of staff. The HR Advisory Panel is responsible for:

- Advising the Executive Management Committee on the People Strategy and People Plan;
- Providing input on Unit people priorities, the impact of HR policies and how they can achieve maximum impact on business performance;
- Supporting HR in delivering the People Strategy across the Cabinet Office;

The HR Panel is chaired by Janette Durbin, Director of Human Resources.

### **ENGAGEMENT GROUP**

The purpose of the Engagement Group is to devise and implement a strategy for staff engagement that creates the right conditions for improved staff productivity and departmental performance.

The Engagement Group is responsible for:

- Developing understanding of research into engagement;
- Ensuring that the Department focuses its approach on the factors that make the most difference;
- Driving change focused on engagement in the Department; and
- Ensuring that action is taken at local level and sharing examples of best practice.

The Engagement Group is chaired by Chris Wormald, Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office.

## **INFORMATION STRATEGY BOARD**

The Information Strategy Board's role is primarily directive: to determine strategy for the management, use, security storage, transmission and technical delivery of corporate information across Cabinet Office and No.10. In making its decisions, it brings together the professionals delivering the services and senior customer representatives to ensure that regulatory, fiscal and technical constraints are balanced against the needs of users and the business.

The Information Strategy Board (ISB) is responsible for ensuring that the information requirements of the Cabinet Office (including the Prime Minister's Office) are met. The ISB reports to the Executive Management Committee.

The ISB takes a strategic overview of the way in which the department creates, receives, stores and uses information to ensure that all such activities:

- are essential to actively promote the business of the department; and
- are in accordance with the principles expressed in the "Government ICT Strategy".

ISB is chaired by Alex Allan, Chairman of the Joint Intelligence Committee.



## MEET THE BOARD

The Members of the Board during the year before the Enhanced Departmental Board was shaped were:

### CHAIR

Sir Gus O'Donnell GCB	Cabinet Secretary, Head of the Home Civil Service and Principal Accounting Officer for the Cabinet Office
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### EXECUTIVE MEMBERSHIP

Alex Allan	Chairman of the Joint Intelligence Committee (JIC) and Professional Head of Intelligence Analysis
Alexis Cleveland	Director General, Corporate Services Group
Sir Jon Cunliffe CB	Head of the European and Global Issues Secretariat
Jeremy Heywood	Permanent Secretary, No.10
Bruce Mann	Finance Director
Gill Rider CB	Head of Civil Service Capability Group
Chris Wormald	Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office

### NON-EXECUTIVE MEMBERSHIP

Karen Jordan	Non-Executive Board Member and Non-Executive Chair, Audit and Risk Committee
Ruth Carnall CBE	Non-Executive Board Member

The members of the Enhanced Departmental Board were announced on 16 December 2010 and are set out below:

## MINISTERS

The Rt Hon. Francis Maude MP	Minister for the Cabinet Office and Paymaster General and Chair of the Board
Nick Hurd MP	Minister for Civil Society

## EXECUTIVE MEMBERSHIP

Sue Gray	Head of Propriety and Ethics Team and Director of Private Offices Group
Jeremy Heywood	Permanent Secretary, Prime Minister's Office
Bruce Mann	Finance Director, Board Secretary
Sir Gus O'Donnell GCB	Cabinet Secretary, Head of the Home Civil Service and Principal Accounting Officer for the Cabinet Office
Ian Watmore	Chief Operating Officer, Efficiency and Reform Group
Chris Wormald	Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office

## NON-EXECUTIVE MEMBERSHIP

Lord Browne of Madingley <sup>1</sup>	Lead Non-Executive Director for the Cabinet Office
Rona Fairhead	Non-Executive Board Member and Chair of Audit and Risk Committee
Ian Davis	Non-Executive Board Member and Member of Audit and Risk Committee
Dame Barbara Stocking DBE	Non-Executive Board Member and Member of Audit and Risk Committee

<sup>1</sup> Lord Browne of Madingley is also the Government Lead Non-Executive Director

## **INDEPENDENT NON-EXECUTIVE MEMBERSHIP**

The role of the Non-Executive Members of the Board is set out in the 'Enhanced Departmental Boards: Protocol' which is published on the Cabinet Office website.

The Non-Executive Members of the Board (NEBM) exercise their role through influence and advice, supporting as well as challenging the executive. They will advise on performance (including agreeing key performance indicators), operational issues (including the operational/delivery implications of policy proposals), and on the effective management of the Department. They also provide support, guidance and challenge on the progress and implementation of the business plan, and are involved in recruiting, appraising and ensuring appropriate succession planning of senior executives. They will form committees responsible for audit, risk and remuneration. To share best practice and to ensure that Departments learn from the successes and failures of comparable organizations, they will meet regularly with other non-executives across government. Departments will support this work by providing appropriate management information and direct access to officials outside Board meetings.

## **PUBLIC INTEREST**

The Cabinet Office maintains a Register of Board Members' Interests with details of company directorships and other significant interests held by Board members. Copies of the register are available on request. A copy will be laid in the House of Commons Library. Senior management remuneration is disclosed within the Remuneration Report.

Minister's declared interest can be found at the link:

<http://www.publications.parliament.uk/pa/cm/cmregmem/080205/080205.pdf>

## BIOGRAPHIES

### CHAIR



#### **The Rt Hon. Francis Maude MP**

##### **Minister for the Cabinet Office and Paymaster General**

Francis Maude is Member of Parliament for Horsham, West Sussex.

In Opposition, the Minister was Shadow Minister for the Cabinet Office and Shadow Chancellor of the Duchy of Lancaster (June 2007 to May 2010). He was Chairman of the Conservative Party (May 2005 to June 2007), Shadow Foreign Secretary (February 2000 to September 2001), Shadow Chancellor of the Exchequer (June 1998 - February 2000), Shadow Secretary of State for Culture, Media and Sport (June 1997 to June 1998).

As a member of the previous Conservative government, the Minister was Financial Secretary to the Treasury (1990-1992), Minister of State at the Foreign and Commonwealth Office (1989-1990), Minister for Corporate and Consumer Affairs at the Department of Trade and Industry (1987-1989), Government Whip (1985-1987) and Parliamentary Private Secretary to the then Minister for Employment, Peter Morrison.

He served as the MP for North Warwickshire (1983-1992) and was elected MP for Horsham in the 1997 General Election.

The Minister has also been Vice-Chairman of the All Party Parliamentary Group on AIDS and co-founded the Policy Exchange think tank in 2002.

He studied at the University of Cambridge and The College of Law, practising criminal law. This led him to an initial career at the criminal bar (1977-1985), followed by six years as a councillor for the City of Westminster. Other jobs taken outside politics include non-executive director of ASDA Group; director at Salomon Brothers; and Managing Director of Morgan Stanley & Co.



**Nick Hurd MP**

**Minister for Civil Society**

Nick Hurd is the Member of Parliament for Ruislip, Northwood and Pinner in Middlesex. The Minister was previously Shadow Minister for Charity, Social Enterprise and Volunteering (October 2008 - May 2010). He also served as an Opposition Whip and member of the Shadow teams for Justice, Communities and Local Government (2007-2008). The Minister previously served on the Environment Audit Committee. He was on the Board of the Conservative Party's Quality of Life Policy Commission, chairing the Climate Change group (2005-2007) and served on the Joint Parliamentary Committee that scrutinised the draft Climate Change Bill.

In 2006, Nick successfully took through Parliament a Private Members Bill, the Sustainable Communities Act, which was supported by over ninety national organisations. He was awarded the PRASEG Parliamentarian of the Year Award in 2007 in recognition of his work on the Act. He has also served on cross party enquiries into the adequacy of epilepsy services and the link between childhood leukaemia and high voltage power lines, several Bill Committees - including the Criminal Justice Bill, Housing and Regeneration Bill and NHS Redress Bill - and the All Party Parliamentary Groups for Small Business, Penal Reform and Brazil.

Before his career in politics he spent 18 years in business including five years representing a British bank in Brazil. The Minister is the fourth generation in his family to enter the House of Commons. He has been a Trustee of the Greenhouse Schools charity; and currently serves as a Governor of Coteford Junior School and as a Trustee of the Hillingdon Partnership Trust.



**Sir Gus O'Donnell GCB**

**Cabinet Secretary, Head of the Home Civil Service and Principal Accounting Officer for the Cabinet Office**

Sir Gus O'Donnell has been the Cabinet Secretary since 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 1998-99 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 Professional Head of Intelligence Analysis**

Alex Allan 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 co-ordinated intelligence assessments for Ministers across a wide range of defence, foreign policy and security issues.





**Alexis Cleveland**

**Director General, Corporate Services Group**

Alexis joined the Cabinet Office in 2007 as Director General for Transformational Government and became Director General for Corporate Services in April 2009. Prior to joining the Cabinet Office Alexis was Chief Executive of The Pension Service.

Alexis joined the Department of Health as a Statistician after a short academic career. She worked on health and social security policy before moving into ICT in 1989. She ran large scale application development programmes in the Information Technology Services Agency before moving 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 restructured it into five separate businesses. Alexis became the first Chief Executive of The Pension Service on its launch in April 2002. In November 2005 she also became the Customer Group Director for Older People as part of the Transformational Government strategy.



**Sir Jon Cunliffe CB**

**Head of the European and Global Issues Secretariat**

Prior to becoming the Prime Minister's Adviser on Europe and Global Issues, 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 for Transport. He leads on European Union business and the international dimensions of key issues such as trade, energy and climate change, as well as international development and is the Prime Minister's G8 and G20 Sherpa.

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**Sue Gray**

**Head of Propriety and Ethics and Director of Private Offices**

Sue joined the Cabinet Office in the late 1990s. Before joining the Cabinet Office, Sue worked in Transport, Health and DWP covering a range of roles which included both policy and front line delivery. She also took a 3 year career break to run a pub in Newry, Northern Ireland.



**Jeremy Heywood**

**Permanent Secretary, No.10**

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.



**Bruce Mann**

**Finance Director and Board Secretary**

Bruce joined the Ministry of Defence in 1979. After early work in policy roles (especially nuclear issues), the Falklands and Gulf conflicts, a secondment to the Cabinet Office and Private Secretary to the MoD's Permanent Secretary, he was appointed Director, Defence Policy in 1994, taking further forward the post-Cold War transition of defence policy and force structures. He then became Director, European Policy leading on NATO enlargement and developing work on EU defence policy and capabilities. After an assignment to the RAF component of the MoD's logistics organisation, with responsibilities for finance and other corporate services, he was seconded to NATO for the Kosovo conflict, before returning to MoD to carry out both financial management and planning roles as successively Director, Resources and Plans and then Director General Financial Management. He was seconded to the Cabinet Office again in February 2004 to act as Secretary to Lord Butler's Review of Intelligence on Weapons of Mass Destruction, before moving on to be Director of Civil Contingencies in the Cabinet Office, leading on work on the UK's preparedness for and response to major emergencies.

Bruce, who is a member of CIPFA, became the Cabinet Office's Finance Director in December 2009.



**Gill Rider CB**

**Head of 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 Cabinet Secretary's "performance management tool" for the Civil Service. As Head of Profession for Civil Service HR, through the HR Leaders' Council and other governance bodies, she is leading a challenging programme to improve the performance and professionalism of Civil Service HR. At the end of the year Gill will also take up the presidency of Chartered Institute of Personnel Development.

Gill has been in her current role since May 2006. Previously, she spent her career in Accenture spanning 27 years, working in various industries including health care and financial services. On becoming a partner in 1990, she subsequently ran 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. She made a significant change in career direction, when 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. Gill is a non executive director of De La Rue.



**Ian Watmore**

**Chief Operating Officer, Efficiency and Reform Group**

Ian Watmore is the Permanent Secretary in the Cabinet Office, operating as the Government's Chief Operating Officer, overseeing the Government's Efficiency and Reform agenda for Francis Maude, the Cabinet Office Minister, and Danny Alexander, Chief Secretary to the Treasury. He rejoined the Civil Service after a year as the Chief Executive of the Football Association where, in particular, he prioritised the grass roots of football development, championed the women's game, and created an internet FATV channel. He also steered the FA through severe financial problems resulting from the bankruptcy of Setanta and ring-fenced an appropriate budget for the 2018 bid.

Prior to this, he was the Permanent Secretary of the Department now known as Business Innovation and Skills, he was in Number 10 where he worked directly for Tony Blair as the head of the Prime Minister's Delivery Unit, and in the Cabinet Office as the Government's Chief Information Officer. He joined the Civil Service after a twenty four year business career in IT and consulting, culminating as Accenture's UK Managing Director from 2000 to 2004, and President of the Management Consultants Association in 2003. In 2005 he received the computing industry's award for his Outstanding Contribution to UK IT, and in 2009 received an honorary degree from the University of Westminster for public service management.

He was educated in mathematics and management studies at Trinity College, Cambridge.

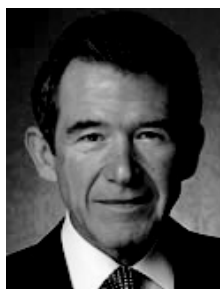


**Chris Wormald**

**Director General, Domestic Policy Group,  
Head of Economic and Domestic Secretariat and  
Head, Deputy Prime Minister's Office**

Chris Wormald joined the Cabinet Office in February 2009 and since July 2009 he has been Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office. His remit covers all aspects of Cabinet Office's interests in domestic and economic issues, responsibility for the domestic Cabinet Committee and collective decision making system and responsibility for the Strategy Unit. Before joining Cabinet Office, Chris was (since 2006) Director General for Local Government and Regeneration at the Department for Communities and Local Government. There he was responsible for all aspects of local government policy and finance, for local and regional economic development, for Departmental communications and for Ministerial support. Prior to 2006, Chris worked in a range of posts on education policy, including being Principal Private Secretary to successive Secretaries of State for Education (Estelle Morris and Charles Clarke) and then Director of Academies and Schools Capital.

## INDEPENDENT NON-EXECUTIVE MEMBERSHIP



### **Lord Browne of Madingley**

#### **Lead Non-Executive Director and Government Lead Non-Executive Board Member**

John Lord Browne of Madingley was born in 1948. He joined BP in 1966 as a university apprentice. He holds a degree in Physics from Cambridge University and a MS (Master of Science) Business from Stanford University, California. He is a Fellow of the Royal Society, the American Academy of Arts and Sciences and the Royal Academy of Engineering. He has numerous honorary degrees, fellowships and awards.

He joined the Board of BP in 1992 and became its Group Chief Executive in 1995 until 2007. He has been the Chairman of the Advisory Board of Apax Partners LLC (2006-7), non-executive director of Intel (1997-2006), DaimlerChrysler AG (1996-2001), Goldman Sachs (1997-2007) and SmithKline Beecham (1996-1999). He was voted Most Admired CEO by Management Today from 1999 -2002. He was knighted in 1998 and made a life peer in 2001.

He is presently a Managing Director of Riverstone Holdings LLC, a company which invests in renewable and conventional energy. He is Chairman of the Board of Trustees of Tate, President of the Royal Academy of Engineering, Chairman of the advisory Board of the Cambridge Judge Business School, and a member of a variety of advisory boards.





**Karen Jordan**

**B Soc Sc FCMA**

**Non-Executive Chair, Cabinet Office Audit and Risk Committee and  
Non-Executive Board Member**

Karen Jordan is an accountant by profession, a graduate in Public Policy-Making and Administration, a Fellow of the Chartered Institute of Management Accountants. She was until recently a member of the Government Internal Audit Standards Oversight Group.

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 technology enabled business transformation programmes, including support to the multi £billion UK gas networks restructuring strategy. As Head of UK Climate Change Strategy she implemented low carbon business plans including the introduction of carbon budgeting, prior to joining the Leadership Group of National Grid plc's UK energy infrastructure construction business.

She was a non-executive director on the Cabinet Office Board and Chair of the Audit and Risk Committee from August 2004 to 31 July 2010.



**Ruth Carnall CBE**

**Non-Executive Board Member**

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.



**Rona Fairhead**

**Non-Executive Board Member and  
Chair of Cabinet Office Audit and Risk Committee**

Rona has been Chairman and Chief Executive of the Financial Times Group since June 2006. She sits on the Pearson Board and is also a member of the Pearson Management Committee. In March 2008 Rona also became responsible for Pearson VUE, Pearson's vocational and professional certification business, and for building Pearson's involvement in professional/vocational education worldwide.

Rona joined Pearson plc in October 2001, became a Pearson director in 2002 and served as Pearson Group's CFO from June 2002.

Rona served as Chairman of Interactive Data Corporation's Board of Directors from September 2007 to July 2010.

Rona is a non-executive director of HSBC Holdings Plc and is a member of HSBC Group Risk and Group Audit Committees.

Before joining Pearson, Rona was Executive Vice President, Strategy and Group Financial Control and a member of the Executive Board at ICI plc, the international specialty chemicals and paints company. Prior to her six years at ICI, she was a senior executive in the aerospace industry, working for Bombardier/Shorts Aerospace and British Aerospace. In her early career she worked for Bain & Co and Morgan Stanley. Rona has a law degree from Cambridge University and an MBA from Harvard Business School.



**Ian Davis**

**Non-Executive Board member and  
Member of Cabinet Office Audit and Risk Committee**

Ian Davis is an independent non-executive director of BP plc, Johnson and Johnson Inc., and Teach for All. He is also a senior adviser to Apax Partners LLP.

He was a partner of McKinsey & Company for 31 years and served as Chairman and Worldwide Managing Director between 2003 and 2009.

He was educated at Charterhouse and Balliol College, Oxford.



**Dame Barbara Stocking DBE**

**Non-Executive Board Member and  
Member of Cabinet Office Audit and Risk Committee**

Dame Barbara Stocking joined Oxfam GB as Chief Executive in May 2001. Oxfam GB is a major international non-government organisation whose mission is “to work with others to overcome poverty and suffering”. Barbara has provided strong leadership within the organisation, including the Oxfam International confederation; and across the international development sector, during the last nine years.

Barbara is a member of the Steering Committee for Humanitarian Response (SCHR), an alliance for voluntary action of currently nine major international humanitarian organisations, and was Chair from 2008 – 2010. She was also a member of UN Inter Agency Standing Committee for Humanitarian Action (IASC) from 2006-2010.

Barbara is a member of the Food and Agriculture Organisation (FAO) High Level External Committee on Millennium Development Goals.

In 2007, Barbara was a member of the BBC’s impartiality panel on business coverage, led by Sir Alan Budd.

Previously a member of the top management team of the National Health Service, in her eight years with the NHS, Barbara worked as regional director and then as the founding Director of the NHS Modernisation Agency. Barbara has a Masters degree in physiology, and has broad experience of healthcare systems, policy and practice, including periods at the National Academy of Sciences in the USA and with the World Health Organisation in West Africa.

She was awarded a CBE for health services in 2000, and a Dame Commander of the British Empire (DBE) in the 2008 Queen’s Birthday Honours List.

## **CABINET OFFICE FINANCES – MANAGEMENT COMMENTARY**

### **OVERVIEW**

This section explains the framework for managing public money and reviews financial performance and includes the following content:

- Cabinet Office core business and in year machinery of government and other changes;
- Framework for managing public money explains the relationship between Estimates, accounts and budgets;
- Financial Review 2010-11 compares actuals in the accounts for 2010-11 against prior year 2009-10;
- Performance against Parliamentary Control Totals explains outturn against Estimate and outturn against budget for 2010-11;
- Public Expenditure Data 2005-06 to 2014-15 explains outturn data and spending plans; and
- Other Information sets out additional disclosures.

### **CABINET OFFICE CORE BUSINESS AND MACHINERY OF GOVERNMENT TRANSFERS OF FUNCTION**

The Cabinet Office's core business consists of three main areas of expenditure:

- supporting the Prime Minister and Deputy Prime Minister;
- supporting the Cabinet; and
- strengthening the Civil Service.

During the year the following machinery of government and other changes took place.

#### **Office of Government Commerce and Buying Solutions**

The Prime Minister announced on 15 June 2010 that ministerial responsibility for the Office of Government Commerce (OGC), an independent office of Her Majesty's Treasury (HMT), and its executive agency Buying Solutions (BS), would transfer from the Chancellor of the Exchequer to the Minister for the Cabinet Office and Paymaster General.

Bringing together the OGC and BS with other functions in Cabinet Office provides a strong remit to improve efficiency and effectiveness. This is a change to the Department traditional role as brokers across government but will enable the Cabinet Office to best act as a strong centre for reform. Following this change, the new Efficiency and Reform Group (ERG) has strategic and operational responsibility for OGC functions including procurement (centralised procurement, procurement policy, transparency, capability and skills) and projects (oversight, assurance, intervention, capability and skills). Buying Solutions, an executive agency and trading fund, provides a national procurement service to UK public sector.

These reforms are based on the understanding that by bringing the right set of cross government functions together, benefits can be achieved where there is better working between the centre of government (HMT and Cabinet Office) and Departments' common interests can be pursued and linked together, such as contract renegotiation involving IT and non-IT procurement and joint reviews of projects that combine IT and non-IT elements. Further, all aspects of central government reform can be reviewed and considered alongside one another, for example considering implications for the workforce and workforce development.

### **Constitutional and Political Reform**

On 2 June 2010 the Prime Minister announced that responsibility for political and constitutional reform would transfer to the Cabinet Office to support the Deputy Prime Minister. Consequently, the Elections and Democracy Division and Parliament and Constitution Division in the Ministry of Justice (MOJ) Constitution Directorate were transferred to the new Constitution Group in Cabinet Office. The Director and Director-General responsible for this area also transferred to provide the senior leadership of the new Constitution Group.

The Deputy Prime Minister also has policy responsibility for the Electoral Commission and the Independent Parliamentary Standards Authority (although those bodies are wholly independent of Government) and will be responsible for a range of other functions relating to elections, political parties and related matters and various constitutional matters, including sponsorship functions in relation to the Parliamentary Boundary Commissions for England and Wales.

The Government is committed to fundamental political reform, including a referendum on electoral reform which was held on 5 May 2011, much greater co-operation across party lines, and changes to our political system to make it far more transparent and accountable. The Deputy Prime Minister has special responsibility for this policy area and the changes will support him carrying out his Ministerial responsibilities.

The benefits of making the change are to enable the Deputy Prime Minister to take Ministerial responsibility for the constitutional and political reform programme and providing him and his Ministerial team with the civil service support needed in order to deliver this substantive and high-profile agenda, which includes a significant programme of legislation. These changes are also bringing together policy expertise in Whitehall across a range of constitutional issues, including the framework of electoral law, the conduct of elections constitutional settlement and devolution into the centre of Government.

### **Directgov**

On 20 July 2010 the Prime Minister announced that ministerial responsibility for Directgov would transfer from the Secretary of State for Work and Pensions to the Minister for the Cabinet Office and Paymaster General.

Directgov provides the primary channel for digital communication with citizens, and acts as a cross-government digital service for all departments. Its role is to join up government information and services to citizens in a way that meets their needs and drives efficiencies. It is also responsible for the convergence and

rationalisation of citizen-facing government websites. There is scope for it to play a more effective role in supporting departments in moving more public services online and in support of the transparency agenda by integrating their work with the digital teams already based in the Cabinet Office. This will enable an integrated digital team to be more effective in driving greater progress on digital public services, and should enable internal efficiencies by removing duplication between the teams.

The objectives of bringing Directgov to the centre of government are to accelerate web rationalisation, enable a step change in the way government delivers digital services and reduce costs.

The benefits of making the change were to ensure that Directgov is more effectively positioned to support the necessary cross government work based in the Cabinet Office for driving improved efficiency and moving government services online. Also to integrating Directgov with the digital teams already based in the Cabinet Office will enable internal efficiencies by removing duplication between the teams. The Government has announced a further drive to rationalise and close more websites, more rapidly. With Directgov positioned at the centre and with the authority of the Cabinet Office to drive this work, the expected savings from web rationalisation can then be achieved more quickly. In moving to the Cabinet Office, the Directgov funding was reduced by a third over the Spending Review period, together with the funding for the digital teams based in the Cabinet Office.

Directgov has changed its name with effect from 1 April 2011 and is now known as the Government Digital Service. Throughout this set of accounts for the year ended 31 March 2011, it is referred to as Directgov.

## **OTHER CHANGES**

### **Office for Civil Society**

The Office of the Third Sector has become the Office for Civil Society and supports the Minister for Civil Society who is based in the Cabinet Office.

### **Civil Service Commission**

Under the provisions of the Constitutional Reform and Governance Act, the Civil Service Commission was established as a body corporate (as an executive Non-departmental Public Body sponsored by the Cabinet Office) on 11 November 2010.

The Commission will be responsible for upholding the principle that selection to appointments in the civil service must be on merit on the basis of fair and open competition. The Commissioners publish a recruitment code, monitor departmental practice and chair competitions for most senior posts. They also advise departments on the promotion of the Civil Service code, which sets out the constitutional framework within which all civil servants work and the values they are expected to uphold, will hear and determine appeals raised by civil servants under the Civil Service Code; and may carry out additional functions in relation to the Civil Service if agreed by the Minister for the Civil Service and the Commission.



## MANAGING PUBLIC MONEY FRAMEWORK

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 accounts. 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)**

The Estimate 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 outturn against Estimate is reported in the Statement of Parliamentary Supply within the accounts. This is a statement which only applies to central government and has no equivalent statement in IFRS (International Financial Reporting Standards) based accounts.

### **Accounts (Accounting Boundary)**

The accounts are prepared annually and present the financial results of the Cabinet Office. They are prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FRM)* issued by HM Treasury. The accounting policies contained in the *FRM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity have been adapted for central government from their commercial equivalents. The accounting boundary includes the financial results for the Cabinet Office together with its Advisory Non-Departmental Public Bodies (ANDPBs). These are 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. The accounts only include the grant-in-aid paid to the eNDPBs sponsored by the Cabinet Office. The financial performance and assets and liabilities of the eNDPBs are not consolidated within these accounts.

Further detail regarding the departmental boundary can be found at Note 36 to the accounts.

## **Resource Budgeting (Budgeting Boundary)**

Resource budgeting involves using 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.

Cabinet Office spending is controlled through the use of Departmental Expenditure Limits (DEL). Within DEL limits resource spending and capital spending are controlled separately. The Cabinet Office manages its in-year spending on this basis. The Cabinet Office's DEL 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.

DEL is spending within the Department's direct control, and can therefore be planned over an extended period. This includes items 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 eNDPB which is funded through Supply Estimates as a grant in aid payment. Capital budget spending is controlled because net investment increases net borrowing and hence the level of debt.

The Department is expected to manage its resource and capital budgets within DEL and a breach will result in an offsetting reduction in DEL for the year, following the year of the breach and the Accounting Officer may be invited to appear before the Public Administration Select Committee to explain why the breach occurred.

AME budgets are usually demand-led and not easily controllable by departments and so are set at the beginning of each financial year by means of the Central Government Supply Estimates – Main Supply Estimates. These can be updated with any changes announced during the year in the Supplementary Estimates. The Estimates are subject to parliamentary approval. The Cabinet Office has no budget for capital AME.

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

## **Relationship between Estimates and Accounts**

The difference between the Cabinet Office's Estimate and accounts arises in instances where the Department is required to surrender income to the Consolidated Fund and in the case of election expenses.

Income surrenderable to the Consolidated Fund is included in the accounts but has not been appropriated in aid and, as such, has not been approved by Parliament for inclusion in the Department's Estimate. Note 6 to the accounts details income payable to the Consolidated Fund.

Election expenses are included in budgets and accounts but not in Estimates since they are classified as Consolidated Fund Standing Services which are funded directly from the Consolidated Fund at Treasury and therefore do not form part of Supply net cash requirement.

### **Relationship between Accounts and Budgets**

The Department's accounts differ from budgets in the following ways.

The accounts may include income payable to the Consolidated Fund that cannot be recorded against budgeted Departmental Expenditure Limits. Also, budgets remove voted grant-in-aid paid to executive Non-Departmental Public Bodies and replace it with their non-voted resource and capital consumption as reflected in their audited accounts. Capital grants, classified as resource in Estimates and accounts, are classified as capital in budgets to reflect the creation of assets in the wider economy.

Budgets include non-voted resource expenditure in relation to the salaries and pension costs of the UK Members of the European Parliament (MEPs). These are not included in Estimates since they are paid directly from the Consolidated Fund as a standing service and these are not included in accounts, since the Cabinet Office does not benefit directly from MEPs' services and may not choose to re-deploy the funds.

### **Reconciliation between Estimates, Accounts and Budget**

Reconciliations between Estimates, accounts and budgets for both resource and capital are set out at Figure 2 in the section Performance against Parliamentary Control Totals.

### **International Financial Reporting Standards (IFRS)**

With the introduction of International Financial Reporting Standards (IFRS) departmental budgets have diverged from the financial statements in respect of the treatment of service concession arrangements and, as a result, the budgetary framework remains consistent with the framework under which the Office for National Statistics prepares the National Accounts.

The Cabinet Office has a service concession arrangement upon which it is required to dual report for accounts and budgets. For accounts purposes, under IFRS, it is determined that the Department has control of the associated assets and these are held on the Statement of Financial Position. For budget purposes and for the purposes of the National Accounts, it is determined that the risks and rewards of the asset rest with the provider and therefore the assets are held off the Statement of Financial Position. Adjustments are made to net resource outturn and net voted capital to remove assets and related capital charges from budget outturn; see Figure 2.

### **Clear Line of Sight / Alignment Project**

HM Treasury has implemented the Alignment (or 'Clear Line of Sight') Project which seeks to simplify government's financial reporting to Parliament by better aligning the recording of government spending in departmental budgets, Estimates and accounts. Full details of the alignment reforms were set out in Cm 7567 published in March 2009.

Changes to the budgetary framework resulting from the Alignment Project have been implemented in 2010-11. The main change is that the separate near-cash and non-cash controls within resource budgets have been removed. Of those transactions previously recorded in non-cash budgets:

- cost of capital charge has been removed from budgets, Supply Estimates and accounts;
- provisions, revaluations, write-off of bad debt and exchange rate gains/losses have been moved from DEL budgets into AME; and
- depreciation, impairments and notional audit fees have remained in Resource DEL.

Impairments score against DEL in cases of loss or damage to assets resulting from normal business operations, abandonment of assets under construction or over-specification of assets. Impairments score against AME where assets have been revalued below their historical cost carrying amount.

AME expenditure is classified as programme and, consequently, those items of expenditure that score against AME (provisions, impairments and bad debt write offs) have likewise been classified as programme in the accounts and the prior year expenditure has been restated from administration to programme; see Notes 2 and 11 to the accounts.

These classification changes, which are reflected in all departmental Estimates, have the effect of reducing DEL budgets across departments in all years. However, the adjustments have no impact on the purchasing power of departments or the planned level of expenditure.

## FINANCIAL REVIEW 2010-11

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 as reflected in the primary financial statements which comprise:

- Statement of Parliamentary Supply;
- Statement of Comprehensive Net Expenditure;
- Statement of Financial Position;
- Statement of Cash Flows; and
- Statement of Changes in Taxpayers' Equity.

### 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. It also records the net cash requirement and a summary of income that may not be appropriated in aid of the Department's Estimate and which must be surrendered to the Consolidated Fund.

The net resource requirement limit is voted by Parliament and reflects the maximum amount of expenditure which may be financed from the Estimate.

The net cash requirement limit is voted by Parliament and reflects the maximum amount of cash that can be released from HM Treasury's Consolidated Fund (the Government's general bank account at the Bank of England) to a department in order that it may carry out its functions.

The Department's net resource outturn decreased by £49 million from £515.209 million in 2009-10 to £466.209 million in 2010-11. Explanations are set out below in the Statement of Comprehensive Net Expenditure variance analysis.

Net cash requirement decreased by £28.468 million from £464.682 million in 2009-10 to £436.214 million in 2010-11. This includes £23 million due to those departments, being HM Treasury, Department for Work and Pensions and Ministry of Justice, who transferred functions to the Cabinet Office during the year. The Cabinet Office is required to reimburse them for disbursements which they made up to the point of operational transfer when they effectively were acting as agent on behalf of the Cabinet Office.

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

The Statement of Comprehensive Net Expenditure 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, and components of other comprehensive income.

The differences between Comprehensive Net Expenditure (Accounts) and net resource outturn (Estimates) are explained in the section above *Managing Public Money Framework* and are reported at Note 4.1 to the Accounts.

The Department's Comprehensive Net Expenditure decreased by £38.402 million from £604.293 million in 2009-10 to £565.891 million in 2010-11. The main drivers of this variance are detailed below.

### Staff costs

Staff costs increased by £1.735 million from 2009-10 to 2010-2011. This was split between an increase in administration staff costs of £0.340 million and an increase in programme staff costs of £2.075 million. Explanations are detailed below in addition to the analysis set out at Note 9 to the Accounts.

When the Coalition government initiated the £6 billion efficiency savings measurement throughout government departments, the Cabinet Office introduced a Voluntary Exit Programme 2010-11.

The programme is one of a range of measures being implemented to achieve staff reductions, which also includes an external recruitment freeze, limiting the use of agency workers and, where possible, redeploying those staff without permanent roles into permanent positions when they become available.

All of these measures together are intended to reduce the need for compulsory redundancies in the Department over the Spending Review period. This exercise cost £11.006 million which contributed towards the increase and was offset by savings of £5.684 million on agency/temporary workers and of £1.744 million on seconded staff.

### Other administration costs

Other administration costs decreased by £8.223 million over the previous year which included a decrease of £1.657 million in non-cash items. Other decreases of £6.566 million were mainly due to rentals under operating leases, land and buildings and other costs. Explanations are detailed below in addition to the analysis set out at Note 10 to the Accounts.

There is an increase of £1.123 million in areas of rentals under operating leases for land and buildings costs for several reasons. A penalty payment was required on giving notice to take the lease break option on 9 Whitehall leading to subsequent running cost savings. The Constitution Group's arrival in the Department following the machinery of government (MOG) changes required the Cabinet Office to pay the Ministry of Justice for the cost

of the office space being used. In addition, Rosebery Court in Norwich also transferred to the Cabinet Office following the arrival of the Office of Government Commerce.

Other costs comprise IT, consultancy, supplies and services, other staff related costs and travel, subsistence and hospitality.

There is a decrease in IT costs of £2.738 million. During 2009-10 the Flex project was carried out which contributed to higher IT cost however, no major projects were carried out during 2010-11.

Consultancy costs decreased by £12.442 million. These costs were kept to a minimum in accordance with the coalition government's efficiency savings measurements.

There is an increase in supplies and services of £13.150 million. Much of this relates to the central management of Principal Civil Service Pension Scheme and reflects the implementation of new arrangements to strengthen the governance and management of Civil Service Pension delivery. The remaining £2.590 million relates to running costs of the department.

Other staff related costs were reduced by £2.115 million due to pension services being transferred to DWP as part of the Shared Services programme.

There has been a decrease of £4.408 million in travel, subsistence and hospitality. The costs are kept to a minimum to achieve savings to reach the coalition government's savings target.

The non-cash decrease of £1.657 million was mainly attributable to a decrease in the carrying value of IT software which resulted from the assets of the SCOPE programme being transferred to other government bodies in 2009-10.

### **Programme costs**

Programme costs year on year decreased by £35.036 million which included a decrease of £5.064 million of non-cash items. Other items include an increase in PFI service charge of £8.717 million, an increase in other near-cash items of £0.110 million and a major decrease of £38.799 million in grants. Explanations are detailed below in addition to the analysis set out at Notes 11 and 11.1 to the Accounts.

### **PFI Service Charge**

The provision for Information and Communications Technology (ICT) Services to the Cabinet Office includes certain infrastructure assets for use in delivering public services that fall within the scope of IFRIC 12 service concession arrangements. An increase in expenditure has arisen because of the increased number of staff in the department related to the machinery of government transfers, the additional costs for setting up costs of the new units in other buildings, and expenditure (previously prepaid), for use of assets provided on a non-exclusive basis, such as servers.

## **Other**

There has been an overall increase of £0.110 million in programme costs.

Consultancy costs decreased by £5.929 million due to part of the "Get Safe Online" under Cyber Security Information Assurance Programme which took place in 2009-10 and ceased in 2010-11.

There has been a year on year increase of £6.9 million in election expenses. In 2009-10 the European 2009 elections were budgeted at £95.3 million and in 2010-11 the UK Parliamentary elections for England and Wales were budgeted at £102.2 million.

A decrease of £2.2 million in grant fund management services reflects a reduction in the fees paid to Futurebuilders due to the Cabinet Office offsetting the fees payable to them against the returns of the fund in 2010-11.

## **Grants**

### ***Resource Grants***

A decrease of £11.869 million of resource grants is mainly due to Hardship Fund, National Citizen Service and Transition Fund.

The Hardship Fund was reduced by £16.925 million. The Hardship Fund was set up in 2009-10 to support organisations through the downturn for one year only as part of the previous Government's Real Help for Communities Action Plan hence, there were no costs in 2010-11.

The National Citizen Service and the Transition Fund were new programmes which started following the formation of the coalition government in May 2010. A sum of £2.562 million and a sum of £9.057 million were applied respectively through these programmes.

### ***Capital Grants***

There was an overall decrease of £18.573 million in capital grants.

There is a reduction of £5.089 million in monies given through Local Authorities and a reduction of £2.401 million through the Private Sector to the Community Assets programme. The Community Assets programme is a multi-year grant funding programme with 2010-11 being the last year for disbursements of grants. The reduced payments reflect the agreed profile for the programme with the projects within it coming to an end during 2010-11.

A reduction of £14.258 million paid to the Futurebuilders Fund in 2010-11 is due to the following reasons. In 2009-10 Modernisation Fund was part of the Previous Government's Real Help for Communities Action Plan for one year only, in addition to the Futurebuilders fund under the same contract. The plan ceased in 2010-11 which partially contributed to the reduction. Furthermore, the Futurebuilders programme is a multi-year grant funding programme with the agreed disbursements of the grants coming to an end in 2010-11.



There is an increase of £3.175 million to Grassroots Grants programme which is a match endowment fund. Increased payments in 2010-11 reflect a better performance of the participants raising funds from the private sector, which is then matched by the government.

### **Grants-in-aid**

There is an overall decrease of £8.357 million in Grants-in Aids including a decrease of £8.522 million which is associated with Capacity Builders (UK) Limited. In 2009-10 Capacitybuilders (UK) Limited delivered an additional fund, Modernisation Fund as a one year fund. Additionally in 2010-11 Capacitybuilders (UK) Limited was asked to make savings as part of the new coalition government's efficiency savings programme. In 2010-11 grant-in-aid of £0.409 million was given to the Civil Service Commission which was established on 11 November 2010.

### **Non-cash**

There is a decrease of £5.064 million in non-cash expenditure from 2009-10 to 2010-11 which is mainly attributable to high level of impairment in 2009-10, resulting from the ending of the Scope programme.

### **Income**

An overall decrease of £3.122 million in income comprises a decrease of £5.909 million in administration and an increase of £2.787 million in programme. Explanations are detailed below in addition to the analysis set out at Note 12 to the Accounts.

#### **Administration**

Overall administration income decreased over a number of income streams by £5.909 million from £56.638 million in 2009-10 to £50.729 million in 2010-11.

There is an increase of £7.293 million in the central management of Principal Civil Service Pension Scheme. The increase reflects new arrangements to strengthen the governance and management of the Civil Service Pension arrangements.

There is an increase of £1.399 million in Civil Service Pensions Transformation Project. Income received from the Principal Civil Service Pension Scheme (PCSPS) contributes towards the cost of the project. The Civil Service Pensions Transformation Project is developing a new business delivery model.

Income from the services of Office of the Parliamentary Counsel (OPC) reduced by £7.789 million due to the improvement in the recovery process to avoid high administrative cost to the Cabinet Office. In 2010-11 OPC invoiced other government departments, only for additional charges incurred to deliver the service whereas, in previous years the budget element owed to other government departments was also included in the income.

There was a reduction of £2.897 million in income from Emergency Planning College (EPC) events. In April 2010 EPC entered into a management partnership with the service providers Serco. From this point all responsibility for running the EPC business, including estate matters, provision of utilities, delivery of training

services etc., became the responsibility of Serco and all course fees are now paid to Serco. The contract includes a carefully negotiated profit/loss share system under which the EPC is entitled to a percentage share in any profits generated by Serco. The income during the financial year was for the courses delivered by the EPC between 1 April and 16 April 2010 prior to the contract sign up.

Departmental Capability Reviews were conducted by the Cabinet Office on behalf of several other government departments and the money was recouped. The reduction of £1.157 million in income is due to the fact that no reviews were conducted during the year.

### **Programme**

Programme income increased by £2.787 million and is largely attributable to the National Citizen Service and Income Payable to Consolidated Fund.

The National Citizen Service is a new programme of the Coalition Government. The Department for Communities and Local Government agreed to contribute £1.5 million towards this new programme.

Income payable to the Consolidated Fund has increased by £2.099 million. Executive non –departmental public bodies, Capacity Builders (UK) Limited and the Commission for the Compact Limited ceased to operate after 31 March 2011 and as at 31 March 2011 recorded net assets, mainly cash, which were owing to the Cabinet Office in the amounts of £2.192 million and £0.061 million respectively. The Cabinet Office has recorded these as amounts payable to HM Treasury's Consolidated Fund.

## **STATEMENT OF FINANCIAL POSITION**

The Statement of Financial Position recognises current and non-current assets and liabilities of the Department.

The Cabinet Office held net assets worth £152.275 million at 31 March 2011 (2009-10 Restated: £168.148 million) comprising:

- Non-current assets of £204.854 million (2009-10 Restated: £190.173 million);
- Current assets (excluding cash) of £97.034 million (2009-10 Restated: £27.647million);
- Cash held of £34.022 million (2009-10 Restated: £29.219 million);
- Current liabilities of £177.395 million (2009-10 Restated: £70.644 million);and
- Provisions of £6.240 million (2009-10 Restated: £8.247 million).

The Department's net assets decreased by £15.873 million as set out below.

### **Non-current assets**

An overall increase of £14.681 million in non-current assets comprises an increase of £17.358 million in Property, Plant and Equipment, a decrease of £0.883 million in Intangible Assets, a decrease of £0.128 million in Other Financial Assets and a decrease of £1.666 million in Other Non-Current Assets.

### **Property, Plant and Equipment and Intangible Assets**

An increase of £17.358 million in Property, Plant and Equipment was due to the following reasons. Capital additions for the year amounted to £12.805 million and related predominantly to the 70 Whitehall modernisation programme. Further, a total revaluation of £13.207 million was recorded. The increase in valuation of land and buildings and dwellings resulted from a 7 percent increase in the index applied to Whitehall properties. The increase in valuation of art and antiques arose from professional valuations of items by Townley Valuation Services Limited. Depreciation charges amounted to £8.510 million during the year 2010-11 which is a similar level to the prior year.

### **Other financial assets**

During 2010-11 financial assets have decreased by £0.128 million primarily due to an impairment of the interest-free loans made to Bridges Social Entrepreneurs Fund LP which invests in social enterprises. The reason for the impairment is that some of the loans drawn down from the Cabinet Office have been used to pay the Cabinet Office's share of the Fund's expenses (primarily the Priority Profit Share to the General Partner), and there has also been a provision made against the value of one of the portfolio companies named 'Call Britannia'.

### **Other non-current assets**

The decrease of £1.666 million represents the non-current part of PFI prepayments, milestone payments under a service concession arrangement to provide infrastructure assets for use in delivering public services. The decrease reflects the utilisation of the prepayments for the use of assets provided on a non-exclusive basis, such as servers.

Further details on non-current assets can be found at Notes 14, 15, 17 and 21 to the Accounts.

### **Current Assets**

#### **Trade receivables and other assets**

An upward movement of £69.147 million in Trade receivables and other assets is mainly attributable to advances to Returning Officers - Elections and prepayments and accrued income.

A sum of £48.527 million represents advances of £42.104 million outstanding from Acting Returning Officers in respect of the UK Parliamentary elections held on 6 May 2010, advances of £0.195 million in respect of UK Parliamentary by-elections and advances of £6.228 million outstanding from Regional and Local Returning Officers in respect of the 2009 European Parliamentary elections. A nil balance was reported in the exporting department's book at 31 March 2010.

An increase of £21.076 million on prepayments and accrued income is predominantly due to invoices being raised later in the year in respect of Civil Service Pensions.

Further details on Trade receivables and other assets movements can be found at Note 21 to the Accounts.

### **Cash and cash equivalents**

The cash balance of £34.022 million comprises an element remaining from Supply of £6.179 million and an element relating to Consolidated Fund Extra Receipts (CFERs) of £0.265 million and an element relating to Consolidated Fund Standing Services (CFSS) of £27.578 million.

The cash balance of £27.578 million at 31 March 2011 represents £19.612 million in respect of the UK Parliamentary elections held on May 6 2010, £0.065 million in respect of UK Parliamentary by-elections and £7.901 million in respect of the 2009 European Parliamentary elections. Of the £7.901 million, an amount of £5.547 million represents an under-spend on the 2009 European Parliamentary elections and has been classified as a non voted receipt surrenderable to the Consolidated Fund.

The cash balance held by the Department increased year on year by £4.803 million. That element remaining from Supply has decreased year on year by £9.086 million due to the fact that the Department gets advance notification on a regular basis from the shared services of the amount of BACS payments before they are released. As a result Cabinet Office has control over cash management and kept the bank balance to a minimum. The element of non supply relating to CFSS has increased year on year by £13.889 million due to the UK Parliamentary elections.

Further details on cash and cash equivalents can be found at Note 22 to the Accounts.

### **Current liabilities**

#### **Trade payables and other liabilities**

Trade payables and other liabilities increased by £106.751 million.

The supply creditor of £6.179 million is a factor of the closing cash balance which has decreased since 2009-10; see above explanation under cash and cash equivalents. The year on year increase in trade payables and other liabilities excluding supply creditors amounts to £115.965 million. This is mainly attributable to the following.

An increase in year end accruals and deferred income of £14.694 million is mainly attributable to Civil Service Pensions and Pensions Administration Change Programme expenses which were accrued later in the year. A sum of £11.006 million is accrued for Cabinet Office Voluntary Exit Programme termination benefits.

The Cabinet Office owes the sum of £23.130 million to exporting departments upon machinery of government transfers of function into the Cabinet Office in order to reimburse them for making disbursements acting as agent on behalf of the Cabinet Office during the financial year.

There has been an increase of £56.623 million in accruals relating to election expenses as a result of the UK Parliamentary elections. The balance of £68.182 million at 31 March 2011 comprises £59.340 million in respect of the UK Parliamentary elections, £0.260 million in respect of UK Parliamentary by-elections and £8.582 million in respect of the 2009 European Parliamentary elections. An amount of £5.547 million represents an under-spend on the 2009 European Parliamentary elections and has been classified as a non voted receipt surrenderable to the Consolidated Fund.

Further details on Trade payables and other liabilities movements can be found at Note 24 to the Accounts.

## **Non-current liabilities**

### **Provisions**

The balance of provisions decreased by £2.007 million from 2009-10 to 2010-11.

The early departures provision provides for the additional cost of benefits beyond the normal Principal Civil Service Pensions Scheme (PCSPS) when employees retire early. The balance of this provision decreased by £1.465 million since utilisation was much greater than the amount provided in year.

A specific dilapidation provision is made where the Department is required to bring a property into a good state of repair at the end of a lease. A provision is made for the estimated costs of these repairs based on a rate per square metre which is updated each year on advice from a facilities management company. A provision is also written back when not required. There were no provisions made for dilapidations during 2010-11 as it was already fully provided. The balance of this provision decreased by £0.542 million for the following reasons. During the year provisions of £0.333 million were written back in respect of 10 Great George Street £0.099 million, Stockley House £0.124 million and Belgrave Road £0.110 million. Provisions of £0.209 million were utilised in respect of 10 Great George Street £0.096 million and Stockley House £0.113 million.

Further details on provisions can be found at Note 25 to the Accounts.

## **STATEMENT OF CASH FLOWS**

The Statement of Cash Flows 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 net cash requirement is set out at Note 5 to the Accounts and at Figure 1 in the section Performance against Parliamentary Control Totals.

## **STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

The Statement of Changes in Taxpayers' Equity records the change in equity between the beginning and end of the reporting period which reflects the increase or decrease in the department's net assets during the period.

The change in equity represents the comprehensive net expenditure for the year and notional charge of auditors' remuneration, Parliamentary funding and payable and receivable adjustments for Supply and consolidated fund extra receipts (CFERs) and non voted receipts payable to the Consolidated Fund and any assets and liabilities introduced or removed from the books.

This statement reflects the unrealised element of revaluations on property, plant and equipment, intangible and donated assets. These gains have not been reflected in the Net Operating Cost and instead reflect movements within the Statement of Financial Position. As reserves are realised on asset disposal, a relevant portion of the reserve is transferred to the General Fund.

## PERFORMANCE AGAINST PARLIAMENTARY CONTROL TOTALS

### OUTTURN AGAINST ESTIMATE

Authority was sought in the Spring Supplementary Supply Estimate (HC 790) for provision for a net resource requirement of £483.332 million, a net voted capital requirement of £13.164 million and a net cash requirement of £486.924 million. Outturn against Estimate is set out at Figure 1 below. Year on year variances are explained in the previous section, Financial Review 2010-11 Statement of Comprehensive Net Expenditure.

#### Net Resource Outturn

Actual net resource requirement for this period was £466.209 million, a saving of £17.123 million against Estimate of £483.332 million. Savings are mainly attributable to under-spends on ring-fenced depreciation. Note 3 to the Accounts provides a breakdown of net resource outturn and variances are explained in Figure 2 below which contains a reconciliation between the Department's Estimate, Accounts and Budget.

#### Net Voted Capital

Actual Net Voted Capital for the period was £13.045 million, a small saving of £0.119 million against an Estimate of £13.164 million.

#### Adjustments

Accruals adjustments comprise non-cash items listed at Notes 10 and 11 to the Accounts which largely represent capital charges in respect of property and also changes in working capital and in the use of provision as set out at Note 5 to the Accounts.

#### Net Cash Requirement

The Cabinet Office required cash amounting to £436.214 million to finance its activities; £50.710 million less than the sum approved by Parliament. The under-spend was mainly attributable to increases in creditors being an increase in accruals of £14.7 million, an accrual for termination benefits of £11 million and a creditor to exporting departments relating to machinery of government transfers of £23 million. See Note 5 to the Accounts.

**FIGURE 1****Outturn against Estimate and reconciliation of net resource outturn to net cash requirement**

	2010-11 Outturn	Estimate	Variance	Variance	2009-10 Outturn Restated
	£000	£000	Saving/ (excess) £000	Saving/ (excess) %	£000
<b>Net Resource Outturn</b>	466,209	483,332	17,123	3.5%	515,209
<b>Net Voted Capital</b>	13,045	13,164	119	0.9%	10,500
<b>Total</b>	<b>479,254</b>	<b>496,496</b>	<b>17,242</b>	<b>3.5%</b>	<b>525,709</b>
<b>Accruals adjustments</b>	(43,040)	(9,572)	33,468	349.6%	(61,027)
<b>Net Cash Requirement</b>	<b>436,214</b>	<b>486,924</b>	<b>50,710</b>	<b>10.4%</b>	<b>464,682</b>

**OUTTURN AGAINST BUDGET**

HM Treasury have introduced data quality measures with a measure of data accuracy as a simple proxy for sound in-year control and a “traffic light” system as a method to indicate results. Treasury consider a 2% variance acceptable with status “green”, a 5% variance has “amber” status and a variance of greater than 5% has “red” status. Treasury’s intention is that a Department may improve against its own results and against standard indicators.

Cabinet Office reports savings of 0.2% against resource DEL excluding Consolidated Fund Standing Services, ring-fenced depreciation and notional audit fee and a 4.7% saving against overall resource DEL and savings of 0.2% against capital DEL.

A commentary on outturn against budget which is set out at Figure 2 below is analysed between administration and programme and further analysed by Consolidated Fund Standing Services, ring-fenced depreciation, other notional costs and other expenditure. Additional commentary is provided for non-voted expenditure. Year on year variances are explained in the previous section Financial Review 2010-11, Statement of Comprehensive Net Expenditure and Statement of Financial Position.

**Resource Departmental Expenditure Limit (RDEL) – see Figure 2 (a)**

The Cabinet Office’s resource budget for 2010-11 was £517.610 million, and actual outturn was £493.497 million, a saving of £24.113 million (4.7%) against the Resource Departmental Expenditure Limit (RDEL) in the Estimate approved by Parliament.

**Resource DEL underspend in total £24.113 million**

The overall resource DEL underspend comprises an underspend in other costs RDEL of £0.835 million (0.2%), an underspend of £4.444 million (66.9%) for the Salaries and Pensions of the Members of the European Parliament (MEPs), an underspend on ring-fenced depreciation of £18.877 million (68.33%) and an overspend



in notional audit fee in RDEL of £0.043 million (15.5%). The overall resource DEL saving consists of a saving on administration expenditure of £22.006 million and a saving on programme expenditure of £2.107 million.

**Other resource underspend £0.835 million and £4.444 million**

The Cabinet Office's other resource underspend comprises savings of £0.835 million relating to core Cabinet Office activities and £4.444 million relating to the salaries and pensions of the UK Members of the European Parliament.

***Core Cabinet Office activities***

The overall saving of £0.835 million includes £0.874 million saving generated by executive non-departmental public bodies and an overspend on the service concession of £2.089 million.

Savings have been achieved by the introduction of tighter controls on most components on administration expenditure, including staffing levels, the employment of consultants, marketing and advertising, and ICT programmes.

***Service Concession (administration)***

The overspend of £2.089 million is due to the increased number of staff in the department related to the machinery of government transfers and the additional costs for setting up the new units in other buildings.

***eNDPB Resource Consumption (non-voted programme) £0.874 million***

There was a small underspend of £0.797 million for Capacity Builders (UK) Limited and this was mainly due to grant holders reporting underspends and a number of planned programme activities did not take place following the Government's review of arm's length bodies and due to changing priorities, government's spending controls and impending organisation closure. The administration budget was underspent primarily because of the introduction of spending controls, and the impending closure; but closure costs reduced the under-spend. There was a £0.052 million overspend by the Commission for the Compact Limited.

The Civil Service Commission ended the financial year with a variance from the budget of £0.129 million. This is because in May 2010 the government implemented a freeze on recruitment from outside the Civil Service other than frontline posts and business critical posts with Secretary of State approval, and this reduced the number of the most senior appointments for Commissioners to directly regulate. In addition, there was a reduction in cost of the interim First Civil Service Commissioner, during January, February, March and April, as a result of his dual appointment as Commissioner for Public Appointments.

***Virement from other administration to other programme***

The overall saving of £0.835 million includes an overspend of £1.787 million against programme and an underspend of £2.622 million against administration budgets. A virement was required from administration to programme in the amount of £1.730 million. HM Treasury has approved this virement request subsequent to the financial year-end.

***Salaries and pensions of the UK Members of the European Parliament (MEPs)***

The underspend of £4.444 million is due to a number of MEPs not being re-elected, and from May 2009 all new MEPs (and those who chose to move) are paid by the European Parliament rather than by national governments.

Only 6 MEPs were paid from July 2009, as opposed to 78 previously; this is due to the 6 MEPs not opting out under new legislation to be paid by the European Union and remained being paid from the Consolidated Fund. During 2010-11 there were no leavers and no severance payments. The figure for salaries in 2009-10 included severance payments made during that period. The lump sum pension payment was approximately £0.430 million less in 2010-11 due to a fewer number of MEPs retiring.

The Cabinet Office does not benefit from the services of the UK Members of the European Parliament and may not re-deploy un-spent funds. Salaries and pensions are paid from the Consolidated Fund Standing Services and the under-spend belongs to Treasury's Consolidated Fund. Therefore, although this is a charge against the Cabinet Office's non-voted resource DEL, it does not form part of the Estimate nor the Accounts.

***Ring-fenced depreciation underspend £18.877 million***

The ring-fenced depreciation in administration and programme is £18.877 million less than originally planned. The original depreciation budget was set during the CSR 2007 and included depreciation costs for the SCOPE programme. The SCOPE programme ceased in 2009 and the assets were impaired in 2009-10 and the programme's assets were transferred to other government bodies; as a result depreciation cover was not needed for the programme in 2010-11.

***Adjustments to RDEL- Depreciation on property, plant and equipment £0.904 million***

The following item is excluded from RDEL in the reconciliation between accounts, Estimates and budgets. The element of depreciation relating to infrastructure assets determined as part of the service concession has been removed from budget, since the service concession assets are excluded from the Statement of Financial Position for budget purposes.

***Virement from administration to programme***

The budget for ring-fenced depreciation was held in administration and a virement was required from administration to programme to cover the depreciation in the amount of £0.550 million accounted for as programme. HM Treasury has approved this virement request subsequent to the financial year-end.

***Notional audit fee overspend £0.043 million***

This notional audit fee to the National Audit Office was increased to incorporate the fee for auditing the 2010-11 Statement of Accounts for Returning Officers' Expenses for England and Wales in respect of the UK Parliamentary Elections 2010.

### **Resource Annually Managed Expenditure (RAME) – see Figure 2(a)**

An HM Treasury budgetary control on the resources, AME spending forms part of Total Managed Expenditure (TME) and includes that expenditure which is generally less predictable and controllable than expenditure in DEL. Under the new HM Treasury rules all provisions in budget terms will be classified as Annually Managed Expenditure as well as impairments caused by write downs to open market value, catastrophe and unforeseen obsolescence. The Cabinet Office has made provision to cover the costs of early departures, specific property dilapidations and doubtful debts and has impaired some capital assets.

#### ***Resource AME underspend in total £0.928 million***

The RAME actual outturn of £0.067 million against a budget of £0.995 million comprises an underspend of £1.090 million relating to early departures, an underspend of £0.322 million relating to dilapidations and an overspend of £0.529 million relating to doubtful debt provisions. See Notes 21 and 25 to the Accounts.

#### ***Early departures***

New provisions were under budget by £0.248 million and cash utilisation was greater than expected by £0.842 million. New provisions had been budgeted for staff of the Office of Government Commerce (OGC) but in the event there were no new OGC entrants during 2010-11. Cash utilisation for OGC early departures exceeded budget.

#### ***Dilapidations***

During the financial year, the Cabinet Office disposed of certain leasehold properties in London: one floor at 10 Great George Street on lease expiry, the final remaining floor in Stockley House and the final remaining pocket of space at a building on Belgrave Road. Provisions in the amount of £0.333 million were no longer required and were written back in respect of 10 Great George Street, Stockley House and Belgrave Road and provisions in the amount of £0.208 million were utilised in respect of 10 Great George Street and Stockley House.

At the time of the Spring Supplementary Estimate it had been anticipated that an increase in provision would be required for remaining leasehold properties which would offset the write back in provision of £0.333 million but by 31 March 2011 it transpired that additional provision was unnecessary. Cash utilisation was £0.011 million less than planned.

#### ***Doubtful Debts***

Provisions for doubtful debts have been made against bodies external to government. See Note 21 to the Accounts.

### **Capital Departmental Expenditure Limit (CDEL) – see Figure 2(b)**

The Cabinet Office's capital budget for 2010-11 was £86.732 million and actual outturn amounted to £86.571 million, a saving of £0.161 million (0.2%) against the Capital Departmental Expenditure Limit (CDEL) in the Estimate approved by Parliament.

**Capital DEL underspend in total £0.161 million**

This overall underspend comprises: an underspend of £0.119 million on capital assets and an underspend of £0.042 million on capital grants.

**Total capital assets underspend £0.119 million**

An underspend of £0.119 million comprises £0.281 million overspend on non current assets, an underspend of £0.404 million on loans and sales proceeds were £0.004 million less than expected.

**Voted Non Current Assets underspends**

The overspend on non current assets for property, plant and equipment of £0.281 million largely relates to essential building refurbishment scheduled for 2011-12 which was brought forward into 2010-11; see Note 14 to the Accounts.

A small overspend of £0.017 million for intangible assets is largely relating to the purchase and development of IT software; see Note 15 to the Accounts. Sales proceeds were within budget with a negligible shortfall of £0.004 million.

**Voted loans underspend £0.404 million**

A loan of £0.244 million compared to the Estimate of £0.648 million was made to Bridges Social Entrepreneurs Fund LP, matched by private sector finance. The fund aims to improve access to risk capital for new and growing social enterprises to scale their delivery of high social impacts. The underspend represents the fund making fewer investments than forecast and the fact that a sum of money was returned to Cabinet Office on the last day of the financial year due to the ratio by which Cabinet Office contributions to the fund being calculated as more investors came to the fund. See Note 17 to the Accounts.

**Non-Voted Non Current Assets £NIL**

Commission for the Compact Limited's expenditure on non current assets was in line with their forecast.

**Total capital grants under-spend £0.042 million****Voted Capital Grants**

An underspend of £0.039 million is tiny compared to the overall capital grants budget of over £71 million and is due to carefully managed and well forecasted capital grants budget. The underspend relates to the Community Assets Fund not requiring £0.039 million. See Note 11 to the Accounts.

**Non-Voted Capital Grants**

Overall, Capacity Builders (UK) Limited reported a net underspend of £0.003 million against a reported total capital budget in the Spring Supplementary Estimate of £2.083 million. The figures reflect a strong, carefully managed performance for the year, with the overall variance falling well within the business plan target (agreed with the Office for Civil Society) to spend within 5% of delegated funds.

FIGURE 2

## Reconciliation between Estimates, Accounts and Budgets

## 2(a) Resource

	Notes to Accounts	Outturn £000	Budget £000	Variance Saving/ (excess) £000	Variance Saving/ (excess) %	2009-10 Outturn restated £000
<b>Net resource outturn (Estimates)</b>	4.1	466,209	483,332	17,123	3.5	515,209
Add consolidated fund extra receipts	7	(2,518)	-	2,518	100	(402)
<b>Add Non voted Expenditure</b>						
Non Supply Expenditure for Consolidated Fund Standing Services (CCFSS) – Elections	11	102,200	102,200	-	-	95,300
Remove cost of capital	2	-	-	-	-	(5,814)
<b>Net operating cost (Accounts)</b>	4.1	565,891	585,532	19,641	3.4	604,293
Add back cost of capital	2	-	-	-	-	5,814
Remove consolidated fund extra receipts		2,295	-	(2,295)	(100)	18
Remove:						
Capital Grants	11	(71,435)	(71,474)	(39)	(0.1)	(90,008)
Gains and losses from sales of capital assets		-	-	-	-	(478)
Depreciation on Property, Plant and Equipment on dual reporting PFI Assets		(904)	-	904	100	(251)
<b>Remove voted Grant-in-Aid to executive NDPBs</b>	11					
Capacity Builders (UK) Limited		(30,855)	(30,855)	-	-	(39,377)
Commission for the Compact Limited		(1,600)	(1,600)	-	-	(1,992)
Civil Service Commission		(409)	(538)	(129)	(24.0)	-
Remove voted Service Concession (programme)	3	(12,930)	(9,200)	3,730	40.5	(4,213)
<b>Add non-voted eNDPB resource consumption</b>						
Capacity Builders (UK) Limited		27,975	28,772	797	2.8	35,507
Commission for the Compact Limited		1,641	1,589	(52)	(3.3)	2,035
Civil Service Commission		409	538	129	24.0	-
<b>Add non-voted expenditure</b>						
Service Concession (administration)		11,289	9,200	(2,089)	(22.7)	4,213
Salaries and pension costs of UK Members of the European Parliament (MEPs)		2,197	6,641	4,444	66.9	4,723
<b>Grand Total Resource Budget (Budgets)</b>		493,564	518,605	25,041	4.8	520,284

## 2(a) Resource (continued)

	Notes to Accounts	Outturn	Budget	Variance Saving/ (excess)	Variance Saving/ (excess)	2009-10 Outturn restated
		£000	£000	£000	%	£000
<b>Clear Line of Sight Adjustments</b>						
Remove cost of capital		-	-	-	-	(5,814)
Reclassify to Annually Managed Expenditure (AME)		(67)	(995)	(928)	(93.3)	(5,781)
Classification change:						
Losses from sale of capital assets remain in RDEL		-	-	-	-	477
<b>Grand Total Resource Budget (Budget) DEL</b>		<b>493,497</b>	<b>517,610</b>	<b>24,113</b>	<b>4.7</b>	<b>509,166</b>
<i>of which:</i>						
<b>Departmental Expenditure Limit (DEL)</b>		<b>493,497</b>	<b>517,610</b>	<b>24,113</b>	<b>4.7</b>	<b>509,166</b>
<b>Annually Managed Expenditure (AME)</b>		<b>67</b>	<b>995</b>	<b>928</b>	<b>93.3</b>	<b>5,781</b>
<b>Resource DEL</b>						
Other costs	8	380,031	380,866	835	0.2	398,678
Consolidated Fund Standing Services– Election costs	11	102,200	102,200	-	-	95,300
Consolidated Fund Standing Services – MEPs	8	2,197	6,641	4,444	66.9	4,723
Ring-fenced depreciation	8	9,652	27,625	17,973	65.1	10,454
Depreciation on dual reporting PFI assets	8	(904)	-	904	100.0	(251)
Notional audit fee	8, 10	321	278	(43)	(15.5)	262
<b>Total</b>		<b>493,497</b>	<b>517,610</b>	<b>24,113</b>	<b>4.7</b>	<b>509,166</b>
<i>of which :</i>						
<b>Programme</b>						
Other costs		186,239	184,452	(1,787)	(1.0)	210,842
Consolidated Fund Standing Services– Election costs	11	102,200	102,200	-	-	95,300
Consolidated Fund Standing Services – MEPs		2,197	6,641	4,444	66.9	4,723
Ring fenced depreciation		550	-	(550)	(100.0)	4
Depreciation on dual reporting PFI assets		-	-	-	-	-
<b>Total</b>		<b>291,186</b>	<b>293,293</b>	<b>2,107</b>	<b>0.7</b>	<b>310,869</b>

## 2(a) Resource (continued)

	Notes to Accounts	Outturn £000	Budget £000	Variance Saving/ (excess) £000	Variance Saving/ (excess) %	2009-10 Outturn restated £000
<b>Administration</b>						
Other costs		193,792	196,414	2,622	1.3	187,835
Ring fenced depreciation		9,102	27,625	18,523	67.0	10,450
Depreciation on dual reporting PFI assets		(904)	-	904	100.0	(251)
Notional audit fee		321	278	(43)	(15.5)	262
<b>Total</b>	4.2	<b>202,311</b>	<b>224,317</b>	<b>22,006</b>	<b>9.8</b>	<b>198,296</b>
<b>Resource AME</b>						
New provisions	11	757	1,339	582	43.4	1,063
Impairments – capital assets	11	543	607	64	10.6	6,846
Impairments – loans	11	352	332	(20)	(6.0)	-
Provisions and write off for bad debts	11	958	429	(529)	(123.3)	65
<b>Subtotal</b>	3	<b>2,610</b>	<b>2,707</b>	<b>97</b>	<b>3.6</b>	<b>7,974</b>
Utilisation / Release of existing provisions	25	(2,543)	(1,712)	831	48.5	(2,193)
<b>Total</b>		<b>67</b>	<b>995</b>	<b>928</b>	<b>93.3</b>	<b>5,781</b>

## FIGURE 2

## Reconciliation between Estimates, Accounts and Budgets

## 2(b) Capital

	Notes to Accounts	Outturn	Budget	Variance Saving/ (excess)	Variance Saving/ (excess)	2009-10 Outturn Restated
		£000	£000	£000	%	£000
<b>Non-Current Assets</b>						
Property, Plant and Equipment	14	12,805	12,541	(264)	(2.1)	15,085
Intangible assets	15	17	-	(17)	(100.0)	2,596
<b>Subtotal</b>		<b>12,822</b>	<b>12,541</b>	<b>(281)</b>	<b>(2.2)</b>	<b>17,681</b>
Remove:						
Sales proceeds on capital asset disposals		(1)	(5)	(4)	(80.0)	(5,479)
Property, Plant and Equipment		-	-	-	-	(594)
<b>Subtotal</b>		<b>12,821</b>	<b>12,536</b>	<b>(285)</b>	<b>(2.3)</b>	<b>11,608</b>
Loans	17	244	648	404	62.3	662
Loan repayments	17	(20)	(20)	-	-	(20)
<b>Net voted capital (Estimates)</b>		<b>13,045</b>	<b>13,164</b>	<b>119</b>	<b>0.9</b>	<b>12,250</b>
<b>eNDPB non-voted capital consumption</b>						
Commission for the Compact Limited		11	11	-	-	13
Capacity Builders (UK) Limited		-	-	-	-	122
<b>Total capital assets (Budgets)</b>		<b>13,056</b>	<b>13,175</b>	<b>119</b>	<b>0.9</b>	<b>12,385</b>
<b>Capital Grants</b>	11	71,435	71,474	39	0.1	90,008
<b>eNDPB non-voted capital grant consumption</b>						
Capacity Builders (UK) Limited		2,080	2,083	3	0.1	3,248
<b>Total capital grants (Budgets)</b>		<b>73,515</b>	<b>73,557</b>	<b>42</b>	<b>0.1</b>	<b>93,256</b>
<b>Grand Total Capital Budget (Budgets)</b>		<b>86,571</b>	<b>86,732</b>	<b>161</b>	<b>0.2</b>	<b>105,641</b>
<b>Classification change</b>						
Profit/(Losses) from sale of capital assets remain in RDEL		-	-	-	-	(477)
<b>Capital budget (Budgets)</b>		<b>86,571</b>	<b>86,732</b>	<b>161</b>	<b>0.2</b>	<b>105,164</b>
<i>Of which:</i>						
<b>Departmental Expenditure Limit (DEL)</b>		<b>86,571</b>	<b>86,732</b>	<b>161</b>	<b>0.2</b>	<b>105,164</b>
<b>Annually Managed Expenditure (AME)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **PUBLIC EXPENDITURE DATA 2005-06 to 2014-15**

### **INTRODUCTION**

The aim of the published expenditure data tables is to present spending plans and comparable outturn data and to provide an explanation of the Cabinet Office's budgetary spending. These 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 by means of Spending Reviews (SR) and the most recent is the Spending Review 2010 (SR2010) covering financial years 2011-12, 2012-13, 2013-14 and 2014-15. The SR2010 is the starting point for departments to plan their expenditure over a four year period and, once agreed by HM Treasury, it cannot be changed, apart from in year transfers such as agreed machinery of government transfers of function and budgetary cover transfers from one part of the public sector to another and other HM Treasury agreed funding.

DEL is spending within the Department's direct control, and which can therefore be planned over an extended period. This includes administration payments, payments to third parties such as grants to the private sector and to Local Authorities. It also includes expenditure incurred by its executive Non-Departmental Public Bodies (eNDPBs) which is funded through Supply Estimates as a grant-in-aid payment. The Department is expected to manage its resource and capital budgets within DEL and a breach is likely to result in an offsetting reduction in DEL for the year following the year of the breach.

#### **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 by means of the Central Government Supply Estimates–Main Supply Estimates. These can then be updated with any changes announced during the year in the Supplementary Estimates and all are subject to parliamentary approval.

#### **Public Expenditure Data Tables**

Tables 1 to 5 provide information on the Cabinet Office. Tables 6 to 8 provide information on the Security and Intelligence Agencies; these tables are included since the information is not published elsewhere. All tables provide financial data covering financial years from 2005-06 including the 2010 Spending Review period up to 2014-15, except for Table 3 which covers financial years 2006-07 to 2014-15. Funding has been agreed by HM Treasury in the Estimates covering all financial years up to 2011-12. In 2010-11 various machinery of government changes took place. They include transfers of Office of Government Commerce from HM Treasury, Directgov from the Department for Work and Pensions and Constitution and Reform Group from the Ministry of Justice. The prior year tables have been adjusted accordingly, except for Table 3. Outturn data for 2010-11 has been taken from the Provisional Expenditure Outturn White Paper (PEOWP) and is not the final outturn as reported in the previous section on Performance against Parliamentary Control Totals. A reconciliation between estimated and final outturn is set out at the end of this section.

## COMMENTARY ON PUBLIC EXPENDITURE DATA TABLES

### **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).

### **Resource DEL (RDEL)**

The 2010 Spending Review Settlement provides for a real reduction in non ring-fenced RDEL of 35 per cent on the Cabinet Office 2010-11 baseline after excluding all changes in departmental responsibilities. The main features in variations in budget between the years are:

#### **Pay**

The decrease on prior year is explained in the previous section on Performance against Parliamentary Control Totals. There is a decrease in future years pay costs in response to the Government's deficit reduction plans. Outturn for 2010-11 may be reconciled to staff costs at Note 9 to the Accounts by excluding agency/temporary staff costs at Note 9 and by adding the salaries and pensions of the UK Members of the European Parliament as reported in the previous section Performance against Parliamentary Control Totals.

#### **Net current procurement**

In 2009-10, 2010-11 and 2014-15 there is an increase in procurement expenditure due to election expenses. In 2009-10 the 2009 European Parliamentary elections were budgeted at £95.3 million and in 2010-11 the UK Parliamentary elections for England and Wales were budgeted at £102.2 million. Provision is set aside for elections to the European Parliament in 2014-15. Outturn for 2010-11 cross references to Notes 10 and 11 to the Accounts. SR2010 settlement includes funding for the Boundary Review and in 2014-15 funding for the introduction of Individual Electoral Registration.

Future years procurement expenditure will decrease as processes are established to drive efficiency and reform. These will include some to secure the benefits of the government's scale by moving towards greater standardisation, aggregation and better demand management, for example through committing volume spend and committing to buy from Efficiency and Reform Group sourced contacts on certain commodities.

#### **Current grants and subsidies to the private sector and abroad**

Commencing 2007-08 there is an increase in grant programmes delivered by the Office for Civil Society. Key programmes include Capacitybuilders, Futurebuilders, v, Strategic Partners Programme, Community Assets Fund and Grassroots Grants. During 2009-10 the Hardship Fund was set up to support organisations through the downturn for one year only as part of the previous government's Real Help for Communities Action plan.

During 2010-11 the Coalition Government funded the National Citizen Service and the Transition Fund. Current grants included major grant programmes for v Matched Funding of £42.5 million, Grassroots Grants

and Targeted Support of £27.887 million and £9.057 million for the Transition Fund. Outturn for 2010-11 cross references to Note 11 to the Accounts.

Capacity Builders (UK) Limited and the Commission for the Compact, eNDPB bodies, disbanded after 31 March 2011; see Note 37 to the Accounts.

SR2010 settlement includes funding for the voluntary sector. The Office for Civil Society is charged with implementing the Government's commitment to the Big Society and the settlement provides for the Community First Fund, support for volunteering, capacity building, community organisers and support for mutuals. A Transition Fund has been made available during 2010-11 and 2011-12 only to support the voluntary and community sector during austere times. Provision has been made in 2011-12 and 2012-13 for the pilot phase of the National Citizen Service.

### **Current grants to local government**

Commencing 2006-07 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. 2010-11 is the final year in which the Cabinet Office made payments. The responsibility for the London Fire and Emergency Planning Authority has been transferred to the Department for Communities and Local Government during the 2010 Spending Review. Outturn for 2010-11 cross references to Note 11 to the Accounts.

### **Depreciation**

During 2007-08 a decrease in depreciation was caused by Transformational Government assets reaching the end of their useful life and a decrease in impairment. At 31 March 2009 £24.388 million assets under construction relating to the SCOPE programme were written out of the books and reported as a loss and £1.511 million impairment was recognised following the property recession. Depreciation in 2011-12 anticipates the write-off of assets in leasehold properties which the Cabinet Office plans to vacate during 2011-12. Depreciation for future years arises on owned buildings and IT. Outturn for 2010-11 cross references to Notes 10 and 11 of the Accounts.

### **Resource AME (RAME)**

Resource AME comprises the take up of new provisions and the release of provisions at the point of cash utilisation for both dilapidations on leasehold properties and staff early departures and also the impairment against property assets.

### **Take up of provisions**

There is no budget for new provisions during the SR2010 years. Future year early departures are as yet unknown and early exits in 2010-11 have been treated as accruals rather than provisions and have scored against RDEL. Dilapidations have been fully provided.

### **Release of provisions**

The SR2010 settlement allowed for a release of provisions of £3.4 million in 2011-12 on the assumption that the Cabinet Office would exit its remaining leasehold properties during 2011-12 and on the assumption early departures cash utilisation would cease by 31 March 2012. These assumptions will be revised in future years in response to operational decisions.

### **Depreciation**

The depreciation budget represents impairments against owned properties on the Whitehall estate due to expected falls in market value. In 2009-10 impairment was particularly high due to the impairments of assets relating to the SCOPE IT programme. The value of impairments will be revised each year in the light of more up-to-date information.

### **Capital DEL (CDEL)**

The 2010 Spending Review Settlement provides for a real reduction of 28 per cent on the Department's 2010-11 baseline. The Public Expenditure Committee agreed the following should be funded within this capital settlement: Cabinet Office Estate Rationalisation, Constitutional Reform – Individual Electoral Registration, Community First, Risk Capital Fund and Grassroots Grants. The main features in variations in budget between the years are:

### **Net capital procurement**

Commencing 2008-09 there is a large decrease in net capital procurement expenditure on capital assets. In previous years there had been large investments in capital IT programmes. In 2010-11 capital expenditure was very largely focused on upgrading the Department's core freehold estate, estate rationalisation programme and crisis management facilities.

SR2010 provided for the Constitutional Reform Group to spend on a computer system which will allow Electoral Officers to compare their registers against other public databases to identify people missing from the register or entries that are inaccurate or fraudulent. These data matching pilots start in November 2011 with 22 Local Authorities. There will be expenditure to make changes to the current electoral management system software used by the electoral registration officers and the ongoing licensing and maintenance of these systems. Also the implementation of Individual Electoral Registration will incur the capital infrastructure cost of IT national identity authentication.

Over the current spending review period, capital expenditure will also be focused on upgrading the Department's core freehold estate and crisis management facilities. Capital asset expenditure is reported at Notes 14 and 15 to the Accounts.

### **Capital grants to the private sector and abroad**

Capital grants to the private sector have steadily increased until 2010-11. Expenditure from 2006-07 to 2010-11 represents capital grants to Futurebuilders England Limited to deliver the Futurebuilders programme. The

decrease in 2010-11 compared to 2009-10 is largely due to reductions in amounts paid to Local Authorities and through the Private Sector to the Community Assets programme. During 2010 the capital grant expenditure included the Futurebuilders programme, Grassroots Grants, Risk Capital Fund. The Futurebuilders programme came to an end on 31 March 2011. The outturn for 2010-11 cross references to Note 11 to the Accounts.

SR2010 allows the continuation of capital grants which is ring-fenced expenditure run by Office for Civil Society. These include grants to Community First Fund-endowment match, Risk Capital Fund and Grassroots Grants.

### **Net lending to private sector**

The net lending to private sector represents a constant level of loan repayments received from the London Hostels Association. Commencing 2009-10 the Office for Civil Society made loans to Bridges Social Entrepreneurs Fund; see Note 26 to the Accounts. Spending Review 2010 allows for Office for Civil Society to make further loans to Bridges Social Entrepreneurs Fund and repayment of their loan by the London Hostels Association.

### **Capital support for local government**

Commencing 2008-09 capital support was offered to Local Authorities in respect of the Community Assets sponsored by the Office for Civil Society. A description of capital grant programmes may be found at Note 11 to the Accounts.

### **Table 2 - Public Spending Control**

Table 2 is intended to supplement Table 1 and reports budget for 2010-11 instead of estimated outturn. This information is also presented in Figure 2 in the previous section 'Performance against Parliamentary Control Totals' where the related commentary details the reasons for the variances between actual outturn and budget.

### **Table 3 – Capital Employed for the Cabinet Office**

This table shows the capital employed by the Department in the format of the Statement of Financial Position. It provides a high level analysis of the value of the various categories of non current and current assets and liabilities and provisions. Outturn is as reported in the Cabinet Office Annual Report and Accounts for all years to 2010-11 (in other words, prior years have not been restated) and projections are reported for 2011-12 to 2014-15. The main features in variations between the years are:

### **Total capital employed**

An overall increase in capital employed between 2010-11 and 2014-15 is primarily due to a projected increase in capital additions in respect of Constitutional Reform - Individual Electoral Registration and projected reductions in current liabilities in respect of election expenditure as detailed below.

## **Non current assets**

### *Property, plant and equipment and Intangible assets*

Annual capital additions to the estate will be offset by roughly equal amounts of annual depreciation charges. In 2012-13 and 2013-14 IT assets will increase as a result of expenditure on data matching schemes and on electoral management system software in preparation for implementing Individual Electoral Registration; see Notes 14 and 15 to the Accounts.

### *Other financial assets*

In 2011-12 and 2012-13 it is expected that additional loans will be made to Bridges Social Entrepreneurs Fund LP; see Note 17 to the Accounts.

## **Current assets**

### *Trade and other receivables*

In 2011-12 it is expected that trade and other receivables will decrease as advances to Acting Returning Officers in respect of the 2009 European Parliamentary elections and the 2010 UK Parliamentary elections are settled; see Note 21 to the Accounts.

### *Cash and cash equivalents*

In 2011-12 it is expected that the cash balance will reduce significantly as claims are settled to Acting Returning Officers in respect of the 2010 UK Parliamentary elections and under-spends on the 2009 European Parliamentary elections are repaid to the Consolidated Fund at Treasury; see Note 22 to the Accounts.

## **Current liabilities**

### *Trade and other payables*

In 2011-12 it is anticipated that the balance will reduce significantly as settlements are made in respect of creditors to exporting departments following 2010-11 machinery of government transfers of function, in respect of accruals for termination benefits and 2010 UK Parliamentary elections and in respect of the repayment to the Consolidated Fund at Treasury of under-spends arising on the 2009 European Parliamentary elections; see Note 24 to the Accounts.

## **Provisions**

Provisions have been established for early departure costs and specific dilapidations on leased properties. In future years, existing provisions will be utilised and the analysis of the expected timing of cash flows is set out at Note 25 to the Accounts.

**Table 4 – Administration budget**

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 2010 Spending Review Settlement provides for a real reduction of 33 per cent in the administration budget excluding depreciation over the four years on the 2010-11 baseline. The main features in variations in budget between the years are:

The increase in 2010-11 outturn administration costs compared to 2009-10 is largely due to bigger than anticipated expenditure on the service concession arrangement caused by an increase in the number of staff in the department resulting from recent machinery of government transfers. Outturn for 2010-11 cross references to Note 4.2 to the Accounts.

SR2010 classified Directgov costs out of administration budgets and into programme budgets and further financial transfers covering the transfer of responsibility for constitutional and electoral reform from the Ministry of Justice will be processed in 2011-12.

**Tables 5a and 5b – Staff numbers****Table 5a**

This table shows the actual number of staff as at 31 March in each year up to 2010-11 and projected staffing in the department up to 2014-15. Staff are categorised as permanent, casual and special adviser.

The decrease in staff numbers between 2006-07 and 2007-08 includes machinery of government changes announced during 2007-08. In accordance with current Civil Service statistics methodology, figures for 2008-09 onwards include special advisers. The increase in staff numbers between 2009-10 and 2010-11 includes machinery of government changes announced in May and June 2010.

Projected staff numbers for 2011-12 to 2014-15 are based on current business planning assumptions to meet the departmental target on reducing administrative costs over the current spending review period.

Note 9 to the Accounts shows additional headcount information expressed as the average number of whole-time equivalent persons employed.

**Table 5b**

This table shows Senior Civil Servant (SCS) staff numbers for the Cabinet Office by Pay Band as at 31 March. These figures include 47 staff from the Office of the Parliamentary Counsel.



**Tables 6 to 8 - Security and Intelligence Agencies**

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 May 2010, the National Security Advisor has been the Principal Accounting Officer (PAO) for the SIA, when he took the function over from the Cabinet Secretary. The PAO delegated authority to spend to the three Agency Heads (who are themselves Accounting Officers) at levels agreed with the Treasury. The Security and Intelligence Agencies operate within a separate statutory framework.

**Table 6 - Total departmental spending for the Security and Intelligence Agencies**

2010-11 spend was part of the SR07 settlement. The years from 2011-12 onwards are part of the SR2010 settlement.

**Table 7 - Administration budget for the Security and Intelligence Agencies**

Administration budgets are decreasing in line with SR2010 settlement.

**Table 8 - Staff Numbers for the Security and Intelligence Agencies**

This table shows staff numbers from 2006-07 to 2014-15 by function expressed in full-time equivalents.

**Reconciliation between estimated and final outturn**

The 2010-11 outturn in the Departmental data tables is provisional due to a requirement made by HM Treasury that outturn data produced in these tables must correspond to the Public Expenditure Outturn White Paper (PEOWP) which is published in advance of the laying before Parliament of the Cabinet Office Annual Report and Accounts. The table at Figure 3 below sets out a reconciliation between the provisional outturn in the public expenditure data tables to the final outturn reported in the Accounts and at Figure 2 in the previous section 'Performance against Parliamentary Control Totals'. The reasons for the changes are as follows:

**RDEL**

The change in RDEL is as a result of adjustments to expenditure on Civil Services Pensions.

**RAME**

The change in RAME is as a result of the creation of a new provision for doubtful debts against bodies external to government amounting to £0.384 million.

**CDEL**

There has been no change between estimated and final outturn.



**FIGURE 3****Reconciliation between estimated and final outturn**

	<b>£000</b>
	<b>RDEL 2010-11</b>
<b>Provisional outturn per PEOWP</b>	494,332
<i>Change: reduction</i>	(835)
<b>Final Outturn per Accounts</b> <i>see Figure 2(a)</i>	<b>493,497</b>

	<b>RAME 2010-11</b>
<b>Provisional outturn per PEOWP</b>	(317)
<i>Change: increase</i>	384
<b>Final Outturn per Accounts</b> <i>See Figure 2(a)</i>	<b>67</b>

	<b>CDEL 2010-11</b>
<b>Provisional outturn per PEOWP</b>	86,571
<i>Change</i>	-
<b>Final Outturn per Accounts</b> <i>see Figure 2(b)</i>	<b>86,571</b>

**Table 1 Cabinet Office total departmental spending**

	<b>£000</b>									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<b>Resource DEL</b>										
Section A: Cabinet Office	231,577	211,502	222,581	245,386	185,561	194,250	213,750	198,318	165,270	149,808
Section B: Office for Civil Society	95,970	57,176	86,265	114,811	136,022	120,572	179,369	130,405	66,485	63,660
Section C: Committee on Standards in Public Life - ANDPB	478	579	603	608	677	508	643	517	473	482
Section D: Independent Offices - Commissioner for Public Appointments	433	498	566	615	562	545	520	503	513	523
Section E: Independent Offices - Advisory Committee on Business Appts - ANDPB	148	165	159	172	200	226	200	193	197	201
Section F: Independent Offices - House of Lords Appts Commission - ANDPB	135	170	165	181	233	159	161	155	158	161
Section K: Members of the European Parliament (MEP)	6,197	6,018	6,308	6,391	4,723	2,197	2,848	3,143	3,475	3,820
Section G: Executive NDPBs (net)	-	33,859	37,060	28,808	37,648	29,966	1,121	1,083	1,105	1,127
Section H: Cabinet Office Utilisation of Provisions	1,217	756	-	4,260	2,432	2,543	3,400	-	-	-
Section I: Constitution Group	8,204	8,615	9,047	9,499	9,499	6,414	13,948	2,791	2,279	835
Section J: Directgov	-	-	-	28,536	27,046	22,169	19,617	21,000	19,000	17,000
Section : Independent Offices - Civil Service Commissioners	1,123	1,099	1,233	1,172	948	688	-	-	-	-

**Table 1 Cabinet Office total departmental spending (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Support to Las	1,373	380	620	606	606	606	-	-	-	-
Cabinet Office Service Concession - DEL	-	-	-	-	4,213	11,289	-	-	-	-
General Election Funding	71,000	-	9,621	550	95,300	102,200	-	-	-	205,000
<b>Total Resource DEL</b>	<b>417,855</b>	<b>320,817</b>	<b>374,228</b>	<b>441,595</b>	<b>505,670</b>	<b>494,332</b>	<b>435,577</b>	<b>358,108</b>	<b>258,955</b>	<b>442,617</b>
<i>Of which:</i>										
Pay	132,124	122,305	127,206	126,601	132,975	130,798	126,847	116,546	106,603	96,484
Net current procurement <sup>1</sup>	148,832	92,325	120,241	135,861	199,659	215,299	111,223	90,778	67,096	265,159
Current grants and subsidiaries to the private sector and abroad	94,566	87,867	122,105	136,470	154,100	136,453	181,155	132,413	68,830	66,518
Current grants to local government	1,373	525	1,744	1,677	1,915	610	-	-	-	-
Depreciation <sup>2</sup>	28,708	25,478	9,451	35,516	10,514	9,652	17,000	19,000	17,000	15,000
Other	12,252	-7,683	-6,519	5,470	6,507	1,520	-648	-629	-574	-544
<b>Resource AME</b>										
Section L: Provisions and Impairments under CLoS	1,625	1,228	-2,039	-1,152	6,049	-317	-2,056	4,900	4,866	4,942
<b>Total Resource AME</b>	<b>1,625</b>	<b>1,228</b>	<b>-2,039</b>	<b>-1,152</b>	<b>6,049</b>	<b>-317</b>	<b>-2,056</b>	<b>4,900</b>	<b>4,866</b>	<b>4,942</b>
<i>Of which:</i>										
Pay	-	-	-	-	-	-	-	-	-	-
Net current procurement <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Current grants and subsidiaries to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-
Net public service pensions <sup>3</sup>	-	-	-	-	-	-	-	-	-	-
Take up of provisions	1,928	3,204	568	1,600	1,635	757	-	-	-	-
Release of provisions	-322	-1,958	-2,720	-3,875	-2,432	-2,543	-3,400	-	-	-
Depreciation <sup>2</sup>	-	-	-	-	6,845	895	1,344	4,900	4,866	4,942
Other	19	-18	113	1,123	1	574	-	-	-	-
<b>Total Resource Budget</b>	<b>419,480</b>	<b>322,045</b>	<b>372,189</b>	<b>440,443</b>	<b>511,719</b>	<b>494,015</b>	<b>433,521</b>	<b>363,008</b>	<b>263,821</b>	<b>447,559</b>

**Table 1 Cabinet Office total departmental spending (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<i>Of which:</i>										
Depreciation <sup>2</sup>	28,708	25,478	9,451	35,516	17,359	10,547	18,344	23,900	21,866	19,942
<b>Capital DEL</b>										
Section A: Cabinet Office	17,680	21,647	18,750	-30	9,852	11,505	7,372	8,750	8,262	10,500
Section B: Office for Civil Society	14,242	8,384	16,813	29,030	90,670	71,679	13,000	16,000	15,238	10,000
Section J: Directgov	-	-	-	-	-	1,295	1,528	-	-	-
Section G: Executive NDPBs (net)	-	89	150	1,578	3,383	2,092	-	-	-	-
Section I: Constitution Group	-	-	-	-	-	-	-	3,000	11,000	-
<b>Total Capital DEL</b>	<b>31,922</b>	<b>30,120</b>	<b>35,713</b>	<b>30,578</b>	<b>103,905</b>	<b>86,571</b>	<b>21,900</b>	<b>27,750</b>	<b>34,500</b>	<b>20,500</b>
<i>Of which:</i>										
Net capital procurement <sup>4</sup>	17,805	21,758	18,922	10,638	10,007	12,831	8,920	11,770	19,282	10,520
Capital grants to the private sector and abroad	14,242	8,384	16,813	22,871	76,065	61,414	15,000	15,000	15,000	10,000
Capital support for local government	-	10,554	5,268	13,293	12,191	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-125	-10,576	-5,290	-16,224	5,642	12,326	-2,020	980	218	-20
<b>Capital AME</b>										
<b>Total Capital AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>										
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Budget</b>	<b>31,922</b>	<b>30,120</b>	<b>35,713</b>	<b>30,578</b>	<b>103,905</b>	<b>86,571</b>	<b>21,900</b>	<b>27,750</b>	<b>34,500</b>	<b>20,500</b>

**Table 1 Cabinet Office total departmental spending (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<b>Total departmental spending<sup>5</sup></b>	<b>422,694</b>	<b>326,687</b>	<b>398,451</b>	<b>435,505</b>	<b>598,265</b>	<b>570,039</b>	<b>437,077</b>	<b>366,858</b>	<b>276,455</b>	<b>448,117</b>
<i>of which:</i>										
Total DEL	449,777	350,937	409,941	472,173	609,575	580,903	457,477	385,858	293,455	463,117
Total AME	1,625	1,228	-2,039	-1,152	6,049	-317	-2,056	4,900	4,866	4,942

<sup>1</sup> Net of income from sales of goods and services

<sup>2</sup> Includes impairments

<sup>3</sup> Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

<sup>4</sup> Expenditure on tangible and intangible fixed assets net of sales

<sup>5</sup> 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

<b>Current spending</b>	-	-	-	-	-	-	-	-	-	-
<i>of which:</i>										
financed by grants from budgets above	374,427	301,471	369,614	398,938	487,212	482,550				
<b>Capital spending</b>	-	-	-	-	-	-	-	-	-	-
<i>of which:</i>										
financed by grants from budgets above	32,047	30,142	35,735	33,509	91,072	79,245				

**Table 2 Cabinet Office Public Spending Control**

	<b>£000</b>									
	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Outturn</b>	<b>Budget</b>	<b>Plans</b>	<b>Plans</b>	<b>Plans</b>	<b>Plans</b>
<b>Resource DEL</b>										
Section A: Cabinet Office	231,577	211,502	222,581	245,386	185,561	214,077	213,750	198,318	165,270	149,808
Section B: Office for Civil Society	95,970	57,176	86,265	114,811	136,022	120,626	179,369	130,405	66,485	63,660
Section C: Committee on Standards in Public Life - ANDPB	478	579	603	608	677	700	643	517	473	482
Section D: Independent Offices - Commissioner for Public Appointments	433	498	566	615	562	575	520	503	513	523
Section E: Independent Offices - Advisory Committee on Business Appts - ANDPB	148	165	159	172	200	241	200	193	197	201
Section F: Independent Offices - House of Lords Appts Commission - ANDPB	135	170	165	181	233	218	161	155	158	161
Section K: Members of the European Parliament (MEP)	6,197	6,018	6,308	6,391	4,723	6,641	2,848	3,143	3,475	3,820
Section G: Executive NDPBs (net)	-	33,859	37,060	28,808	37,648	30,899	1,121	1,083	1,105	1,127
Section H: Cabinet Office Utilisation of Provisions	1,217	756	-	4,260	2,432	1,712	3,400	-	-	-
Section I: Constitution Group	8,204	8,615	9,047	9,499	9,499	8,342	13,948	2,791	2,279	835
Section J: Directgov	-	-	-	28,536	27,046	20,955	19,617	21,000	19,000	17,000

Table 2 Cabinet Office Public Spending Control (continued)

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Budget	Plans	Plans	Plans	Plans
Section : Independent Offices - Civil Service Commissioners	1,123	1,099	1,233	1,172	948	618	-	-	-	-
Support to Las	1,373	380	620	606	606	606	-	-	-	-
Cabinet Office Service Concession - DEL	-	-	-	-	4,213	9,200	-	-	-	-
General Election Funding	71,000	-	9,621	550	95,300	102,200	-	-	-	205,000
<b>Total Resource DEL</b>	<b>417,855</b>	<b>320,817</b>	<b>374,228</b>	<b>441,595</b>	<b>505,670</b>	<b>517,610</b>	<b>435,577</b>	<b>358,108</b>	<b>258,955</b>	<b>442,617</b>
<i>Of which:</i>										
Pay	132,124	122,305	127,206	126,601	132,975	130,798	126,847	116,546	106,603	96,484
Net current procurement <sup>1</sup>	148,832	92,325	120,241	135,861	199,659	214,609	111,223	90,778	67,096	265,159
Current grants and subsidies to the private sector and abroad	94,566	87,867	122,105	136,470	154,100	143,972	181,155	132,413	68,830	66,518
Current grants to local government	1,373	525	1,744	1,677	1,915	606	-	-	-	-
Depreciation <sup>2</sup>	28,708	25,478	9,451	35,516	10,514	27,625	17,000	19,000	17,000	15,000
Other	12,252	-7,683	-6,519	5,470	6,507	-	-648	-629	-574	-544
<b>Resource AME</b>										
Section L: Provisions and Impairments under CLoS	1,625	1,228	-2,039	-1,152	6,049	995	-2,056	4,900	4,866	4,942
<b>Total Resource AME</b>	<b>1,625</b>	<b>1,228</b>	<b>-2,039</b>	<b>-1,152</b>	<b>6,049</b>	<b>995</b>	<b>-2,056</b>	<b>4,900</b>	<b>4,866</b>	<b>4,942</b>

**Table 2 Cabinet Office Public Spending Control (continued)**

£000

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Budget	Plans	Plans	Plans	Plans
<i>Of which:</i>										
Pay	-	-	-	-	-	-	-	-	-	-
Net current procurement <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-
Net public service pensions <sup>3</sup>	-	-	-	-	-	-	-	-	-	-
Take up of provisions	1,928	3,204	568	1,600	1,635	1,768	-	-	-	-
Release of provisions	-322	-1,958	-2,720	-3,875	-2,432	-1,712	-3,400	-	-	-
Depreciation <sup>2</sup>	-	-	-	-	6,845	939	1,344	4,900	4,866	4,942
Other	19	-18	113	1,123	1		-	-	-	-
<b>Total Resource Budget</b>	<b>419,480</b>	<b>322,045</b>	<b>372,189</b>	<b>440,443</b>	<b>511,719</b>	<b>518,605</b>	<b>433,521</b>	<b>363,008</b>	<b>263,821</b>	<b>447,559</b>
<i>Of which:</i>										
Depreciation <sup>2</sup>	28,708	25,478	9,451	35,516	17,359	28,564	18,344	23,900	21,866	19,942
<b>Capital DEL</b>										
Section A: Cabinet Office	17,680	21,647	18,750	-30	9,852	10,301	7,372	8,750	8,262	10,500
Section B: Office for Civil Society	14,242	8,384	16,813	29,030	90,670	72,122	13,000	16,000	15,238	10,000
Section J: Directgov	-	-	-	-	-	2,215	1,528	-	-	-
Section G: Executive NDPBs (net)	-	89	150	1,578	3,383	2,094	-	-	-	-
Section I: Constitution Group	-	-	-	-	-	-	-	3,000	11,000	-
<b>Total Capital DEL</b>	<b>31,922</b>	<b>30,120</b>	<b>35,713</b>	<b>30,578</b>	<b>103,905</b>	<b>86,732</b>	<b>21,900</b>	<b>27,750</b>	<b>34,500</b>	<b>20,500</b>



**Table 2 Cabinet Office Public Spending Control (continued)**

£000

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Budget	Plans	Plans	Plans	Plans
<i>Of which:</i>										
Net capital procurement <sup>4</sup>	17,805	21,758	18,922	10,638	10,007	13,175	8,920	11,770	19,282	10,520
Capital grants to the private sector and abroad	14,242	8,384	16,813	22,871	76,065	73,557	15,000	15,000	15,000	10,000
Capital support for local government	-	10,554	5,268	13,293	12,191	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-125	-10,576	-5,290	-16,224	5,642	-	-2,020	980	218	-20
<b>Capital AME</b>										
<b>Total Capital AME</b>	-	-	-	-	-	-	-	-	-	-
<i>Of which:</i>										
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Budget</b>	<b>31,922</b>	<b>30,120</b>	<b>35,713</b>	<b>30,578</b>	<b>103,905</b>	<b>86,732</b>	<b>21,900</b>	<b>27,750</b>	<b>34,500</b>	<b>20,500</b>

**Table 2 Cabinet Office Public Spending Control (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Budget	Plans	Plans	Plans	Plans
<b>Total departmental spending<sup>5</sup></b>	<b>422,694</b>	<b>326,687</b>	<b>398,451</b>	<b>435,505</b>	<b>598,265</b>	<b>576,773</b>	<b>437,077</b>	<b>366,858</b>	<b>276,455</b>	<b>448,117</b>
<i>of which:</i>										
Total DEL	449,777	350,937	409,941	472,173	609,575	517,610	457,477	385,858	293,455	463,117
Total AME	1,625	1,228	-2,039	-1,152	6,049	995	-2,056	4,900	4,866	4,942

<sup>1</sup> Net of income from sales of goods and services

<sup>2</sup> Includes impairments

<sup>3</sup> Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

<sup>4</sup> Expenditure on tangible and intangible fixed assets net of sales

<sup>5</sup> 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

<b>Current spending</b>	-	-	-	-	-	-	-	-	-	-
<i>of which:</i>										
financed by grants from budgets above	374,427	301,471	369,614	398,938	487,212	-	-	-	-	-
<b>Capital spending</b>	-	-	-	-	-	-	-	-	-	-
<i>of which:</i>										
financed by grants from budgets above	32,047	30,142	35,735	33,509	91,072	-	-	-	-	-

**Table 3 Cabinet Office Capital Employed**

	£000								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
<b>Assets and liabilities on the Statement of Financial Position at year end:</b>									
<b><u>Assets</u></b>									
<b>Non-current assets</b>									
<b>Property, plant and equipment</b>									
<i>of which:</i>									
Land and Buildings	159,070	156,843	138,981	136,182	147,661	154,600	158,550	163,067	168,462
Dwellings	13,444	13,898	27,019	23,905	24,708	23,858	23,034	22,234	21,434
Transformational Govt Projects	1,055	-	-	-	-	-	-	-	-
Information Technology	8,554	4,789	10,075	4,410	4,655	2,521	2,391	8,706	4,306
Plant and Machinery	3,819	3,530	2,988	2,078	1,718	945	170	20	1
Furniture and Fittings	1,099	663	328	176	316	188	63	3	1
Art and Antiques	10,177	10,239	10,289	10,252	12,232	12,231	12,231	12,231	12,231
Assets under construction (AUC)	26,087	30,620	3,756	4,545	8,093	5,000	5,000	4,000	4,000
AUC - Transformational Government	4,303	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>227,608</b>	<b>220,582</b>	<b>193,436</b>	<b>181,547</b>	<b>199,381</b>	<b>199,344</b>	<b>201,439</b>	<b>210,261</b>	<b>210,435</b>
Intangible assets	77	6,572	4,128	1,851	3,832	3,343	2,863	2,638	2,413
Other financial assets	414	392	364	1,006	1,228	2,208	3,188	3,406	3,386
Other non-current assets	-	-	-	2,077	411	-	-	-	-
<b>Current assets</b>	<b>122,906</b>	<b>97,612</b>	<b>33,907</b>	<b>40,402</b>	<b>131,056</b>	<b>53,245</b>	<b>53,246</b>	<b>53,246</b>	<b>53,246</b>
<b><u>Liabilities</u></b>									
<b>Current liabilities</b>									
Trade and other payables	(64,256)	(115,874)	(58,302)	(52,003)	(177,395)	(67,266)	(67,266)	(67,266)	(67,266)
<b>Non-current liabilities</b>									
Provisions	(5,594)	(3,189)	(4,072)	(3,941)	(6,240)	(4,596)	(3,551)	(2,506)	(1,536)
Other payables	-	-	(630)	-	-	-	-	-	-
<b>Total Capital Employed</b>	<b>281,155</b>	<b>206,095</b>	<b>168,831</b>	<b>170,940</b>	<b>152,275</b>	<b>186,278</b>	<b>189,919</b>	<b>199,779</b>	<b>200,678</b>

Table 3 shows a breakdown of capital employed from 2006-07 to 2014-15.

Outturn figures are as reported in the audited published Cabinet Office Accounts.

The year 2006-07 is reported on a UK GAAP basis.

The years 2007-08 and 2008-09 are restated on an IFRS basis.

Outturn for 2009-10 is as reported in the 2009-10 published accounts.

**Table 4 Administration Budget for the Cabinet Office**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section A: Cabinet Office	177,531	157,940	150,327	167,340	146,512	157,638	168,862	167,397	154,536	142,613
Section B: Office for Civil Society	4,260	4,099	4,875	4,909	4,821	3,275	4,032	3,810	3,473	2,960
Section C: Committee on Standards in Public Life - ANDPB	478	579	603	608	677	508	643	517	473	482
Section D: Independent Offices - Commissioner for Public Appointments	433	498	566	615	562	545	520	503	513	523
Section E: Independent Offices - Advisory Committee on Business Appts - ANDPB	148	165	159	172	200	226	200	193	197	201
Section F: Independent Offices - House of Lords Appts Commission - ANDPB	135	170	165	181	233	159	161	155	158	161
Section G: Executive NDPBs (net)	-	-	-	-	-	-	1,121	1,083	1,105	1,127
Section H: Cabinet Office Utilisation of Provisions	1,217	756	-	4,260	2,432	2,543	3,400	-	-	-
Section I: Constitution Group	4,865	5,109	5,365	5,633	5,633	4,163	4,688	-	-	-
Section : Independent Offices - Civil Service Commissioners	1,123	1,099	1,233	1,172	948	688	-	-	-	-
Cabinet Office Service Concession - DEL	-	-	-	-	4,213	11,289	-	-	-	-
Section J: Directgov	-	-	-	28,536	27,046	22,169	-	-	-	-
<b>Total administration budget</b>	<b>190,190</b>	<b>170,415</b>	<b>163,293</b>	<b>213,426</b>	<b>193,277</b>	<b>203,203</b>	<b>183,627</b>	<b>173,658</b>	<b>160,455</b>	<b>148,067</b>

**Table 4 Administration Budget for the Cabinet Office (continued)**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<i>Of which:</i>										
Paybill	121,176	114,041	110,306	118,502	126,502	127,226	110,981	101,517	92,374	83,042
Expenditure	153,812	131,376	124,968	174,801	153,724	126,578	136,890	113,785	122,225	119,169
Income	-91,658	-75,002	-72,442	-80,998	-86,949	-50,601	-64,244	-41,644	-54,144	-54,144

**Table 5a Staff numbers for the Cabinet Office**

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Actual	Actual	Actual	Actual	Actual	Plans	Plans	Plans	Plans
CS FTEs	1,735	1,455	1,271	1,279	1,242	1,531	1,477	1,410	1,352	1,274
Casuals (incl. short-term/fix term appointments)	95	24	12	26	103	75	-	-	-	-
Special Advisers	-	-	-	38	34	35	35	35	35	35
<b>Total Cabinet Office</b>	<b>1,830</b>	<b>1,479</b>	<b>1,283</b>	<b>1,343</b>	<b>1,379</b>	<b>1,641</b>	<b>1,512</b>	<b>1,445</b>	<b>1,387</b>	<b>1,309</b>

Figures from 2005-06 to 2009-10 do not include Machinery of Government transfers into Cabinet Office that took place during 2010-11.

**Table 5b Staff numbers for the Cabinet Office**

Grade	Pay Band	Full-time equivalents (FTEs)
Permanent Secretary	£141,800 - £277,300	8
SCS 3	£101,500 - £208,100	18
SCS 2	£82,900 - £162,500	48
SCS 1	£58,200 - £117,800	136
<b>Total*</b>		<b>210</b>

\*Total includes 47 in the Office of the Parliamentary Counsel

**Table 6 Security and Intelligence Agencies total departmental spending**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<b>Resource DEL</b>										
Section A: Security and Intelligence Agencies	1,227,519	1,347,624	1,381,250	1,581,694	1,745,557	1,835,426	2,033,020	2,087,700	2,145,600	2,200,600
<b>Total Resource DEL</b>	<b>1,227,519</b>	<b>1,347,624</b>	<b>1,381,250</b>	<b>1,581,694</b>	<b>1,745,557</b>	<b>1,835,426</b>	<b>2,033,020</b>	<b>2,087,700</b>	<b>2,145,600</b>	<b>2,200,600</b>
<i>Of which:</i>										
Pay	431,613	479,283	549,714	612,992	665,672	686,398	659,050	672,400	666,100	665,300
Net current procurement <sup>1</sup>	625,154	713,284	690,557	745,296	766,695	795,959	964,714	1,002,400	1,034,200	1,041,500
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-
Depreciation <sup>2</sup>	170,372	144,644	138,825	222,809	286,532	318,363	375,000	412,900	445,300	493,800
Other	380	10,413	2,154	597	26,658	34,706	34,256	-	-	-
<b>Resource AME</b>										
Section B: Spending in Annually Managed Expenditure	-	-	54,031	16,885	37,315	107,491	5,330	6,500	6,500	6,500
<b>Total Resource AME</b>			<b>54,031</b>	<b>16,885</b>	<b>37,315</b>	<b>107,491</b>	<b>5,330</b>	<b>6,500</b>	<b>6,500</b>	<b>6,500</b>
<i>Of which:</i>										
Pay	-	-	-	-	-	-	-	-	-	-
Net current procurement <sup>1</sup>	-	-	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	-	-	-	-	-
Net public service pensions <sup>3</sup>	-	-	-	-	-	-	-	-	-	-
Take up of provisions	-	-	2,741	11,641	18,307	44,098	-2,070	-	-	-
Release of provisions	-	-	-	-	-	-	-	-	-	-
Depreciation <sup>2</sup>	-	-	51,290	12,003	17,040	62,676	7,400	6,500	6,500	6,500
Other	-	-	-	-6,759	1,968	717	-	-	-	-
<b>Total Resource Budget</b>	<b>1,227,519</b>	<b>1,347,624</b>	<b>1,435,281</b>	<b>1,598,579</b>	<b>1,782,872</b>	<b>1,942,917</b>	<b>2,038,350</b>	<b>2,094,200</b>	<b>2,152,100</b>	<b>2,207,100</b>

**Table 6 Security and Intelligence Agencies total departmental spending (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<i>Of which:</i>										
Depreciation <sup>2</sup>	170,372	144,644	190,115	234,812	303,572	381,039	382,400	419,400	451,800	500,300
<b>Capital DEL</b>										
<b>Total Capital DEL</b>	<b>204,026</b>	<b>211,700</b>	<b>325,646</b>	<b>355,020</b>	<b>349,868</b>	<b>346,633</b>	<b>378,345</b>	<b>351,250</b>	<b>352,000</b>	<b>335,500</b>
<i>Of which:</i>										
Net capital procurement <sup>4</sup>	204,026	211,700	284,682	355,020	349,868	346,633	378,345	334,000	334,500	318,000
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	17,250	17,500	17,500
Capital support for local government	-	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-	-	40,964	-	-	-	-	-	-	-
<b>Capital AME</b>										
<b>Total Capital AME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>										
Capital grants to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Net lending to the private sector and abroad	-	-	-	-	-	-	-	-	-	-
Capital support for public corporations	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Budget</b>	<b>204,026</b>	<b>211,700</b>	<b>325,646</b>	<b>355,020</b>	<b>349,868</b>	<b>346,633</b>	<b>378,345</b>	<b>351,250</b>	<b>352,000</b>	<b>335,500</b>
<b>Total departmental spending<sup>5</sup></b>	<b>1,261,173</b>	<b>1,414,680</b>	<b>1,570,812</b>	<b>1,718,787</b>	<b>1,829,168</b>	<b>1,908,511</b>	<b>2,034,295</b>	<b>2,026,050</b>	<b>2,052,300</b>	<b>2,042,300</b>



**Table 6 Security and Intelligence Agencies total departmental spending (continued)**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
<i>of which:</i>										
Total DEL	1,431,545	1,559,324	1,706,896	1,936,714	2,095,425	2,182,059	2,411,365	2,438,950	2,497,600	2,536,100
Total AME	-	-	54,031	16,885	37,315	107,491	5,330	6,500	6,500	6,500
<sup>1</sup> Net of income from sales of goods and services										
<sup>2</sup> Includes impairments										
<sup>3</sup> Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items										
<sup>4</sup> Expenditure on tangible and intangible fixed assets net of sales										
<b>Spending by local authorities on functions relevant to the department</b>										
	-	-	-	-	-	-	-	-	-	-
<b>Current spending</b>										
<i>of which:</i>										
financed by grants from budgets above	1,056,886	1,202,716	1,242,156	1,358,603	1,432,319	1,482,353				
<b>Capital spending</b>										
<i>of which:</i>										
financed by grants from budgets above	204,026	211,700	284,682	355,020	349,868	346,633				

**Table 7 Administration Budget for the Security and Intelligence Agencies**

	£000									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section A: Security and Intelligence Agencies	82,317	81,369	73,909	81,174	79,538	74,034	81,900	73,800	62,000	60,500
<b>Total administration budget</b>	<b>82,317</b>	<b>81,369</b>	<b>73,909</b>	<b>81,174</b>	<b>79,538</b>	<b>74,034</b>	<b>81,900</b>	<b>73,800</b>	<b>62,000</b>	<b>60,500</b>
<i>Of which:</i>										
Paybill	58,709	53,912	93,046	54,485	57,960	58,144	59,703	52,400	46,100	45,300
Expenditure	30,375	33,225	39,365	33,377	34,473	29,634	36,947	34,400	28,900	28,200
Income	-6,767	-5,768	-58,502	-6,688	-12,895	-13,744	-14,750	-13,000	-13,000	-13,000

**Table 8 Staff Numbers for the Security and Intelligence Agencies**

	<b>£000</b>								
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Plans</b>	<b>Plans</b>	<b>Plans</b>	<b>Plans</b>
CS FTEs	11,305	11,814	12,838	12,698	12,049	12,510	12,608	12,585	12,509
Casuals (incl. short-term/fix term appointments)	21	23	20	2	-	-	-	-	-
<b>Total</b>	<b>11,326</b>	<b>11,837</b>	<b>12,858</b>	<b>12,700</b>	<b>12,049</b>	<b>12,510</b>	<b>12,608</b>	<b>12,585</b>	<b>12,509</b>

## **OTHER INFORMATION**

### **SUSTAINABLE DEVELOPMENT**

The Cabinet Office strives to embed sustainable development into all of its operations and activities. The Department is working to reduce its energy consumption and associated carbon emissions and costs as well as mitigating its wider environmental impacts with the aim of becoming an exemplar in this field. In the last 12 months the Cabinet Office has been awarded the Carbon Trust Standard in recognition of its excellent energy management practices. Its environmental management system was recertified to ISO14001, the international standard for environmental management. The Cabinet Office also published real-time energy data on the departmental website to enable greater transparency of its energy management practices. The energy reduction projects implemented during this time are beginning to yield savings, helping the Cabinet Office towards its carbon reduction targets such as the coalition agreement's 10% reduction commitment.

### **ESTATE MANAGEMENT STRATEGY**

The Cabinet Office owns seven freehold properties in London: the inter-connected 70 Whitehall and 10-12 Downing Street, the inter-connected Admiralty Arch, 22-26 Whitehall, Admiralty House and 36 Whitehall. 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 the site on which the Hannington Radio Mast sits. Both of these were inherited from the Home Office on earlier machinery of government changes.

The Cabinet Office takes a pro-active approach to the management of its estate in order to provide the necessary accommodation to meet current and future business needs. The strategy is to consolidate into the inter-connected 70 Whitehall and 10-12 Downing Street (including by investing in these where possible to increase their capacity and provide modernised more flexible accommodation) and co-locating with HM Treasury at 1 Horse Guards Road. Leasehold properties will be disposed of and the Cabinet Office will work with the Government Property Unit to achieve the re-use of the non-core freehold buildings that will no longer be required by the Cabinet Office.

### **PENSIONS**

Present and past employees of the Cabinet Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The scheme allows everyone to make pension provision for retirement if they wish. Membership is not compulsory and neither is it automatic in all cases. The options available to staff depend on the date the member of staff joined the Civil Service and their employment status. 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 1.22 to the Accounts. Details of senior management pension entitlements are set out in the Remuneration Report.

## **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 through the Diversity Strategy and Action Plan. The Senior Civil Service (SCS) Diversity Team is the driving force in implementing the Action Plan and promoting diversity across the department.

The Cabinet Office aims to be an organisation where everyone is:

- treated with fairness and respect;
- able to contribute and develop; and
- confident about how to ensure that the work they do supports equality of outcomes for everyone in society.

The Cabinet Office's people management policies and practices reflect the Cabinet Office and Civil Service Management Codes. They build on the legal obligations under national and European law.

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.

The Cabinet Office diversity networks are represented by senior Diversity Champions to ensure the department's aims on diversity are understood at every level and are acted upon and delivered.

The Cabinet Office currently has 52.1 per cent women, 13.6 per cent ethnic minorities and 5.7 per cent disabled staff (2009-10: 52.3 per cent, 12.2 per cent, 4.7 per cent respectively). These figures do not include Constitution Group, Office of the Government Commerce and Directgov.

## **EMPLOYEE CONSULTATION**

The Cabinet Office recognises the importance of sustaining good employee relations to achieve its objectives and consultation with employees and their representatives is central to that work.

Regular communication and consultation take place with staff through a variety of channels, including intranet, staff bulletins and team briefings. More formal consultation exercises also take place with staff and Unions on matters such as organisational change and changes to staff terms and conditions.

The Department formally recognises the FDA, the Public and Commercial Services Union and Prospect Unions. It has a partnership agreement with the trade unions and senior managers meet regularly to discuss a shared agenda. There are also regular meetings to negotiate pay awards and other informal meetings to discuss trade union concerns both at corporate and local levels.

There are diversity networks which represent particular groups of employees, including women, Black and Minority Ethnic staff, people with disabilities, staff with dyslexia, lesbian, gay, bisexual or transgender employees and carers. The Department actively supports and consults these networks on particular diversity and equality-related issues.

The Cabinet Office runs an annual people survey which captures employees' views on a number of issues. The results of the Survey are used to measure levels of engagement at local and corporate levels.

## **POLICY ON SOCIAL AND COMMUNITY ISSUES**

Internally as part of its corporate social responsibility agenda, the Cabinet Office actively promotes the awareness of social and community issues and is committed to promoting inclusion and equality through its human resource and other policies. A major contributor to this is the encouragement of volunteering, whether individual or in groups, and includes providing special leave entitlements for this purpose. Regular meetings and events are held internally and also involve voluntary sector organisations to raise awareness of issues where people can help. Information is made easily available through the internal website.

Health and well-being is also taken seriously at the centre of government with such facilities as a fitness centre and opportunities to attend seminars on nutrition and stress being available.

Externally, the Cabinet Office includes the Office for Civil Society (OCS) which works across government to translate the Big Society agenda into practical policies, provides support to voluntary and community sector organisations and is responsible for delivering a number of key Big Society programmes. Many programmes within OCS play a hugely important role in encouraging social action and empowering communities.

The OCS is leading on work to change the civil service into a 'civic service'. This project aims to provide civil servants with opportunities to use their skills to support civil society organisations and to utilise social action as a means of learning and professional development for civil servants.

## **SICKNESS AND ABSENCE**

As at 31 March 2011, the Cabinet Office sickness absence currently stands at an average of 3.4 working days per employee, including staff transferred in as a result of Machinery of Government changes during 2011. The rate is 0.2 days less than for the same period last year. The Cabinet Office continues to remain one of the lowest rates across Government departments and is an average of 5.1 working days less than the average cross departmental figure.

The Cabinet Office has met its commitment to reduce absence by 10 per cent by January 2011 and this was achieved as a result of the approach taken in the Health and Wellbeing Strategy. The Cabinet Office Health and Wellbeing Strategy includes:

- promoting wellness through seminars and an intranet wellness website;
- building awareness of disability and mental illness through seminars and publications; and

- providing support for managers dealing with longer term sick absence.

A programme of development and awareness sessions includes Stress Awareness for all staff and Managing Team Health for managers. Quarterly headline figures together with analysis are available on the Cabinet Office website at: <http://www.cabinetoffice.gov.uk/resource-library/cabinet-office-absence-data>

## POLICY ON PAYMENT OF SUPPLIERS

Terms of contract are usually payment within 30 days of receipt of a valid invoice. During the year the Department paid 99.8 per cent of invoices within 30 days (2009-10: 99.5 per cent).

On 8 October 2008 the then Prime Minister committed Government organisations to speeding up the payments process, paying suppliers wherever possible within 10 days. This commitment is a target rather than a change to standard terms and conditions and is not contractual. During the year the Cabinet Office paid 95.8 per cent of invoices within 10 days (2009-10: 95.3 per cent).

On 1 May 2010 the then Prime Minister further committed Government organisations to speed up the payments process paying suppliers wherever possible within 5 days. This is a target rather than a change to the standard terms and conditions and is not contractual. During the year the Cabinet Office paid 76.3 per cent of invoices within 5 days.

The amount owed to trade creditors at the year end, compared with the amount invoiced by suppliers during the year, expressed as number of days, was 10 days (2009-10 Restated: 5 days). The Department has not paid any interest charges levied on late payment of invoices for the year ended 31 March 2011 (2009-10: £Nil).

## REPORTING OF PERSONAL DATA RELATED INCIDENTS

Summary of Protected Personal Data related incidents formally reported to the Information Commissioner's Office in 2010-11.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
				During 2010 to 2011 there were no personal data related incidents which required reporting to the Information Commissioner's Office.
<b>Further action on information risk</b>	Please see the section entitled Statement on Internal Control for more information.			

## **EVENTS AFTER THE REPORTING PERIOD**

The following events occurred between 31 March 2011 and 15 July 2011, the point at which these accounts were authorised for issue by the Accounting Officer.

### **CLOSURE OF EXECUTIVE NON-DEPARTMENTAL PUBLIC BODIES**

#### **Capacity Builders (UK) Limited**

Capacity Builders was an Executive Non-Departmental Public Body funded by Grant-in-Aid and sponsored by the Office for Civil Society within the Cabinet Office, helping civil society organisations work more effectively in delivering high quality, collaborative and sustainable sector support services and representation.

As a result of the review of public bodies, announced by the Minister for the Cabinet Office on 14 October 2010, Capacity Builders (UK) Limited closed down at the end of 31 March 2011. On 1 April 2011 its assets and liabilities were novated to the Cabinet Office. Any future programmes will be taken forward via other bodies.

#### **Commission for the Compact Limited**

The Commission for the Compact was an Executive Non-Departmental Public Body and Company Limited by Guarantee funded by Grant-in-Aid from the Cabinet Office. It was established as an independent body sponsored by the Office for Civil Society, but working closely with Compact Voice. It was not established in statute. The aim of the Commissioner is to promote good practice in partnership working between government and voluntary and community sector through the Commission for the Compact overseeing its operation.

As a result of the review of public bodies announced by the Minister for the Cabinet Office on 14 October 2010, the Commission for the Compact was closed down at the end of 31 March 2011. On 1 April 2011 its assets and liabilities were novated to the Cabinet Office. The Office for Civil Society promotes the Compact within government and Compact Voice promotes it to the voluntary and community sector. With the closing of the Commission for the Compact, this promotional role will now rest solely on the two organisations.

### **MACHINERY OF GOVERNMENT CHANGES**

#### **National School of Government**

On Wednesday 16 March 2011, the Government published a written ministerial statement in response to the House of Commons Public Administration Select Committee report 'Smaller Government – Shrinking the Quango State', released last December. The updated list of public bodies included in the statement confirmed the National School of Government's transfer to a government department. Consequently the National School returned to the Cabinet Office from 1 April 2011 and ceased to be a separate non-ministerial department. It



joined the Efficiency and Reform Group under Rod Clarke's continuing leadership reporting to Ian Watmore in Civil Service terms, and Francis Maude, Minister for the Cabinet Office as their Minister.

### **Central Office of Information**

On 23 June 2011 the Minister for the Cabinet Office announced a range of reforms to the organisation of government communication which will lead to the closure of the Central Office of Information (COI), a non-Ministerial department.

This announcement is the formal government response to the 'Review of Government Direct Communication and the Role of COI' which was published in March 2011 and which will lead to changes designed to further improve the effectiveness and efficiency of government communications.

## 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, 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, net operating cost, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards 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

### 1. Scope of responsibility

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 associated governance committees, along with 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 the 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 Arms Length Bodies: OGC Buying Solutions; Civil Service Commission; Boundary Commissions for England and Wales; Capacity Builders (UK) Limited and Commission for the Compact Limited. My relationship with these Accounting Officers is set out in a Governance Management and Accountability Protocol.

### 2. 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 Cabinet Office for the year ended 31 March 2011 and up to the date of approval of the Accounts. It accords with HM Treasury guidance.

### 3. Capacity to handle risk

Major changes to the department's governance arrangements were introduced in December 2010. The new arrangements are summarised in the section of these Accounts entitled "Ministers and Corporate Governance".

Before December, the Cabinet Office Board met regularly and maintained overall strategic responsibilities for the department. It was supported in its responsibilities for strategic and corporate risks by two sub-committees: the Operating Committee and the Finance and Investment Committee. Whilst the former met for the last time in July 2010, the latter continued to meet regularly throughout the year, as did the reconstituted Cabinet Office Board. In addition an 'Approvals Board' was established in June 2010 and met weekly to

ensure that financial discipline was enforced and that the department remained on target to meet its financial savings.

The Cabinet Office Audit & Risk Committee (COARC) continued to provide the Cabinet Office Management Board with an independent opinion on audit, risk and assurance.

Whilst not a formal part of our governance arrangements, the **Senior Leaders Group** met regularly during the year, ensuring cohesion across the department, particularly during the transition to the new arrangements.

Staff continue to be encouraged to identify and take opportunities to manage risks effectively. Good risk management is listed as an effective behaviour in the competence frameworks for all levels of staff. Resources available to staff include: attendance on training courses; guidance on managing risk via the intranet and; access to expertise in the Internal Audit Service and in Finance and Estates (Corporate Services Group).

#### **4. The risk and control framework**

The department manages risk for financial, strategic and compliance controls through its governance arrangements. The Cabinet Office's responsibilities changed after May 2010 as a result of Machinery of Government changes and the Spending Review settlement. The department has new responsibilities including sustaining a coalition Government, a wide range of new programmes such as the Big Society and the National Citizen Service and the constitutional and political reform programme.

The department has continued to maintain and make use of the risk and control framework that existed prior to the General Election, but this has had to be re-defined to reflect today's Cabinet Office, and the significant changes to the risks we face. The Finance Director therefore initiated a review, supervised by the Cabinet Office's Audit and Risk Committee (COARC), of the processes for identifying, managing and reporting strategic and operational risk, and to ensure consistency in approach across the department. At the end of 2010/11 this review was continuing

As from December 2010, the Finance and Investment Committee was responsible for managing financial risks which they scrutinised on a monthly basis. Operational and strategic risks were refreshed during the latter part of the year, through the work on developing the departmental plan, and through regular Finance and Scrutiny meetings held by the Finance Director with Group Heads. During the transition period whilst the new governance structure was being constituted, the Senior Management Team for the Corporate Services Group maintained oversight of the department's key operational risks.

All Business Groups share some common risks and also have those which are specific to their roles/responsibilities. For example the Constitution Group manages political, financial and operational risk in respect of the political and electoral reform programme. Units ensure that such risks and their impact are considered as part of policy choices and advice. All Groups are responsible for managing such risks and are

required to maintain risk registers and for ensuring that their business plans and all projects, programmes or activities which deliver departmental strategic or corporate objectives, include the review of associated risks and any mitigating actions are implemented.

### **Internal Audit**

COARC scrutinises and challenges management of risks to provide independent assurance to the Board and to myself as Accounting Officer. Internal Audit Service (IAS) carry out an annual programme of audit reviews to provide assurance on the effectiveness and adequacy of our control framework and risk management arrangements.

### **Risk management in the DWP**

The department continues to receive its finance, procurement and human resources transactional processes from the Department for Work & Pensions (DWP), under a shared services arrangement. I receive an annual Letter of Assurance from DWP confirming that risk management is reviewed regularly and that appropriate controls are applied to ensure the integrity of Cabinet Office data which DWP are processing on behalf of the Cabinet Office.

DWP's Internal Audit Work Programme for Shared Services comprised 23 reviews covering: Strategy, Governance, Financial, Legal and Crime, Change, Customer service & Operational, Information, Communication and People and is designed to provide sufficient coverage for Shared Services to provide an assured service to clients.

The Risk and Assurance Division (RAD) Director's annual assurance opinion for 2010/11 was reasonable, though with the caveat concerning the monitoring of user/privileged user access controls. This issue is being actively addressed and should be strengthened by improvements to the Audit Trail and Analysis System (ATAS) planned for 2012.

### **Machinery of Government changes**

Following the General Election, various Machinery of Government changes came into effect over the course of 2010/11.

In line with standard procedures for those functions transferring to the Cabinet Office, until Parliament had passed the 2010/11 Winter Supplementary Estimate and the funding transfers had been completed, the parent departments were responsible for ensuring regularity, propriety and value for money in respect of the resources used to support the activities which were being transferred. It was agreed that the parent departments would provide assurance to me, as Accounting Officer for the Cabinet Office, in relation to those functions.

Once the Estimate was passed and the relevant resources were transferred, I assumed full Accounting Officer responsibilities, with those departments concerned being responsible, at the point of handover, for providing the Cabinet Office with the appropriate assurances to allow me to discharge the normal range of Accounting Officer responsibilities for the full year. Such assurances were provided and have been reviewed by IAS.

Part of the Machinery of Government changes included responsibility for the cost of funding the functioning of Electoral Offices, including the remuneration of Returning Officers and staff etc. Many claims had not been received within the statutory deadline of the 6<sup>th</sup> of May 2011 and a major exercise was undertaken to ensure that all accounts had been received and that any resultant adjustments to allow for payment/receipt of amounts owed/outstanding were made before the closure of the department's 2010/11 Accounts. This was achieved with all outstanding claims being received by June 14th.

From 1 February 2011, MyCSP – which is responsible for processing the Civil Service Pension Scheme – transferred into the Cabinet Office from DWP. From that date, MyCSP reported to the ERG Chief Operating Officer. This ensured that the Cabinet Office had closer oversight of the project to mutualise MyCSP.

### **Corporate Governance**

A new process has been introduced to provide assurance from Heads of Groups on compliance with their corporate management responsibilities. This has resulted in significantly fuller returns focussed on relevant risk areas. See also section 5 below.

### **Arms Length Bodies**

I take assurance from the Statement on Internal Control produced by the department's Arms Length Bodies. All are subject to the department's normal financial and auditing procedures and practices and scrutiny from IAS and no issues of concern have been noted. Capacity Builders and the Commission for the Compact both ceased to operate as from the 31<sup>st</sup> of March 2011.

Capacity Builders: Capacity Builders set up a Closure Programme Committee to manage its closure. IAS attended some of those meetings and reviewed various papers provided at those meetings such as risk registers and progress updates. They concluded that Capacity Builders managed the closure process adequately with close liaison with the Cabinet Office as the sponsoring department.

Commission for the Compact: The Commission for the Compact liaised with its own staff and the Cabinet Office as the sponsoring Department during closure. IAS was not aware of any material risk management control and governance issues regarding the closure.

### **Fraud**

The Cabinet Office's fraud policy, available to all staff via the intranet, requires staff at all times to act honestly, with integrity and to safeguard the public resources for which they are responsible. The Cabinet

Office views fraud and negligence very seriously and will take appropriate disciplinary and legal action against anyone found guilty of either. Cases of suspected or actual fraud are reported to COARC.

The Cabinet Office fully supports the initiative to create an intra-governmental fraud information and intelligence capability. A Senior Civil Servant has been appointed as Counter Fraud Champion along with 2 Alert System Co-ordinators and a departmental wide network of contacts to allow for the quick and comprehensive identification/ dissemination of appropriate information.

## **5. 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 me 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, taking into account comments etc made by the external auditors in their management letter and other reports.

### **Internal Audit work**

IAS works in accordance with Government Internal Audit Standards. Their work is informed by its analysis of the risks to which the Department is exposed and the annual audit plan has been based on that analysis. The plans are discussed and endorsed by COARC. The Head of Internal Audit (HIA) annually provides me with an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The HIA's opinion for 2010/11 is that a substantial assurance can be placed on the Department's arrangements for governance and control; and partial assurance on arrangements for risk management.

Work undertaken by the IAS identified issues with the Corporate Governance assurance process which was found to be too mechanistic and failed to engage senior management in a detailed assessment of the risks which they face in delivering their corporate management responsibilities. Following a detailed review, a new process was introduced in January 2011 which reflects those concerns and has also simplified the amount and detail of information which Group Heads are asked to provide as well as seeking evidence from them to support their statements. Where available, separate and independent information is used to assess and if necessary challenge the assurances given by Group Heads.

Other work undertaken by the IAS has covered the Machinery of Government change process, where it was considered that the process had been well planned and delivered effectively, with enhancements proposed for future processes focusing on earlier nomination of functional contacts, including benefits tracking and greater clarity on communication responsibilities.

### **Election Planning and the formation of the Coalition**

The forward planning work which started in November 2009 established a solid grounding for the election project work that commenced following the announcement of the General Election. Coordination of election work across government was led by the Strategy Unit working with other departments to produce a detailed list of actions and issues that could be used as the template for all election planning work. Key risks for all possible election outcomes were identified and mitigation plans proposed. Reputational and corporate risks were recorded and regularly reported on to the Board and Governance Committees in place at the time.

Work which began prior to the election period gathered pace as the possibility of a hung parliament looked more likely. Supported by Alex Allan, I have set in place preparations for this potential outcome across government. One of the key successes was the re-writing and strengthening of chapter 6 of the Civil Service Code that then ensured that all civil servants had access to comprehensive information on processes and conduct if a hung parliament became a reality. Despite the unprecedented outcome of the election, the Cabinet Office was able to provide the additional support required without any detriment to its core functions or reputation.

### **Information Risk, Information Handling and Protective Security**

The Cabinet Office holds personal data primarily relating: to its own employees; members of the Principal Civil Service Pensions Scheme; those who have been nominated and recommended for honours, gallantry awards, appointments etc; and applicants to the Civil Service Fast Stream competition and Civil Service Internships. The department has continued to work hard with its delivery partners and third party providers to obtain assurances over the management of the personal data held on its behalf.

The department assessed its compliance against the mandatory requirements contained in the Security Policy Framework. This included an in-depth review by the department's IAS of the department's policies and working practices and included a self assessment exercise against the Information Assurance Maturity Model with IAS providing independent challenge. This exercise identified a small number of issues where some further work would be beneficial, and this will be undertaken during 2011/12, but no significant control weaknesses or areas of work requiring urgent/immediate attention were identified.

During 2010/11 the department updated its Information Assurance policies and procedures including testing its arrangements for handling data losses. In addition:

- We continue to require all staff to undertake annually the Level 1 data handling e-learning package hosted by the National School of Government. Those who handle significant amounts of personal data are also required to annually undertake the Level 2 training package;
- The security of the data held on our corporate IT network (Flex) continues to be maintained in line with its "Confidential" accreditation. Non Corporate IT systems comply with the required service-wide security requirements;



- Restrictions remain on the movement/transmission of data. Both VCD and DVD are set for mandatory encryption where required and any non-encrypted laptops or drives containing personal data must not be taken outside of secure office premises; and
- Departmental data copying continues to be audited by an automated software product.

The Department continues to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Following the departure of the Department's Senior Information Risk Owner (SIRO) in January 2011, the role was undertaken by the Departmental Security Officer (DSO). A replacement SIRO has been appointed.

### **Business Continuity and Disaster Recovery**

Elements of the department's Plan were used successfully to aid our response to instances that threatened the efficient operation of the department. Individual Units and our core contracted service providers have produced, or updated, their own Plans and an annual on-going updating and testing programme was commenced. Extended guidance was issued to members of our Incident Management Team and a test exercise held.

The department acknowledges 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. Work will continue during 2011/12 to further develop and improve our arrangements for risk management.



**Sir Gus O'Donnell GCB**

Accounting Officer

Secretary of the Cabinet and

Head of the Home Civil Service

13 July 2011

## REMUNERATION REPORT

### REMUNERATION OF MINISTERS AND 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 performance management system for senior civil servants is common across all government departments. Pay awards are made in two parts: non-consolidated variable payments, which are used to reward members of staff who demonstrate exceptional performance, and base pay progression, to reward growth in competence. In 2010-11 there was no general base pay progression for Senior Civil Servants.

The size of awards is based on recommendations from the Review Body on Senior Salaries and in 2010-11 non-consolidated awards paid to the senior civil servants disclosed in this report ranged from £5,000 to £13,000. The Government announced in May (after the implementation of the 2010 Senior Civil Service pay award) that future non-consolidated awards will be restricted to the top 25% of Senior Civil Servants.

The Government also announced in May 2010 a two year pay freeze for public sector workers earning over £21,000. As such civil servants will enter a two year pay freeze from 1 April 2011 and exit it April 2013.

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](http://www.ome.uk.com)

### **Service Contracts**

The Constitutional Reform and Governance Act 2010 require Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. 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. Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### **Audited Information**

The following tables detailing Ministers' and Senior Management's salary and pension entitlements have been audited.

## **REMUNERATION (INCLUDING SALARY) AND PENSION ENTITLEMENTS**

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members and Permanent Secretaries) of the department.

## REMUNERATION (SALARY AND BENEFITS IN KIND)

### MINISTERS

MINISTERS	2010-11		2009-10	
	Salary	Benefits in kind	Salary	Benefits in kind
	£	(to nearest £100)	£	(to nearest £100)
The Rt Hon. Baroness Royall of Blaisdon Leader of the House of Lords and Chancellor of the Duchy of Lancaster <i>until 11 May 2010</i>	16,330 <sup>1</sup> (Includes Lord Ministers' Night Allowance £4,322)	–	144,636	–
The Rt Hon. Tessa Jowell MP Minister for the Cabinet Office and for the Olympics and for London and Paymaster General <i>until 11 May 2010</i>	28,436 <sup>2</sup> (includes £19,589 severance pay)	–	71,546	–
Angela E. Smith MP Minister of State for the Cabinet Office <i>until 11 May 2010</i>	14,751 <sup>3</sup> (includes £10,162 severance pay)	–	33,081	–
The Rt Hon. Harriet Harman QC MP Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality <i>until 11 May 2010</i>	8,847 <sup>4</sup>	–	78,356	–
Barbara Keeley MP Parliamentary Secretary to the Office of the Leader of the House of Commons <i>until 11 May 2010</i>	11,196 <sup>5</sup> (includes £7,713 severance pay)	–	25,023	–
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council with special responsibility for political and constitutional reform <i>from 12 May 2010</i>	61,056 <sup>6</sup>	–	–	–
The Rt Hon. Francis Maude MP Minister for the Cabinet Office and Paymaster General <i>from 12 May 2010</i>	29,597 <sup>7</sup>	–	–	–
The Rt Hon. Oliver Letwin MP Minister for Government Policy <i>from 12 May 2010</i>	29,187 <sup>8</sup>	–	–	–
Nick Hurd MP Minister for Civil Society and Parliamentary Secretary of State <i>from 18 May 2010</i>	20,894 <sup>9</sup>	–	–	–
Mark Harper MP Minister for Political and Constitutional Reform and Parliamentary Secretary <i>from 18 May 2010</i>	20,894 <sup>10</sup>	–	–	–

MINISTERS	2010-11		2009-10	
	Salary	Benefits in kind	Salary	Benefits in kind
	£	(to nearest £100)	£	(to nearest £100)
The Rt Hon. Lord Strathclyde Leader of the House of Lords and Chancellor of the Duchy of Lancaster from 12 May 2010	114,257 <sup>11</sup> (Includes Lord Ministers' Night Allowance £24,627)	–	–	–
The Rt Hon. Sir George Young Bt MP Leader of the House of Commons, Lord Privy Seal from 12 May 2010	29,187 <sup>12</sup>	–	–	–

<sup>1</sup> Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £144,636 including Lord Ministers' Night subsistence allowance of £38,280

<sup>2</sup> Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £78,356

<sup>3</sup> Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £40,646

<sup>4</sup> Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £78,356

<sup>5</sup> Figure quoted is for the period 1 April 2010 to 11 May 2010. The full year equivalent is £30,851

<sup>6</sup> Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £68,827

<sup>7</sup> Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £33,002

<sup>8</sup> Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £33,002

<sup>9</sup> Figure quoted is for the period 18 May 2010 to 31 March 2011. The full year equivalent is £23,697

<sup>10</sup> Figure quoted is for the period 18 May 2010 to 31 March 2011. The full year equivalent is £23,697

<sup>11</sup> Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £137,404 including Lord Ministers' Night subsistence allowance of £36,366

<sup>12</sup> Figure quoted is for the period 12 May 2010 to 31 March 2011. The full year equivalent is £33,002

Disclosures above represent the salary paid in respect of their role as minister of the Cabinet Office.

## DISCLOSURE OF SALARY, PENSION AND COMPENSATION INFORMATION

## SENIOR MANAGEMENT

Senior Management	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind	Salary	Bonus Payments	Benefits in kind
	£000	£000	to nearest £100	£000	£000	to nearest £100
Sir Gus O'Donnell GCB Cabinet Secretary and Head of the Home Civil Service and Principal Accounting Officer	235-240	–	17,200	235-240	–	16,000
Alex Allan Chairman of the Joint Intelligence Committee (JIC) and Professional Head of Intelligence Analysis	160-165	–	100	160-165	–	–
Alexis Cleveland Director General, Corporate Services Group  <i>until 15 December 2010</i>	120-125 <sup>1</sup>	–	600	150-155	–	3,000
Sir Jon Cunliffe CB Head of the European and Global Issues Secretariat	155-160	–	29,200	155-160	–	35,900
Sue Gray Head of Propriety and Ethics team and Director of Private Office Group  <i>from 16 December 2010</i>	25-30 <sup>2</sup>	–	300	–	–	–
Jeremy Heywood Permanent Secretary, No.10	150-155	–	19,400	150-155	–	19,600 <sup>8</sup> Restated
Sir Stephen Laws KCB, QC First Parliamentary Counsel	225-230	–	100	225-230	–	–
Bruce Mann Finance Director, Board Secretary	105-110	10-15	–	45-50 <sup>6</sup>	–	–
Sir Peter Ricketts DCMG Head of National Security Affairs Secretariat  <i>from 12 May 2010</i>	160-165 <sup>3</sup>	–	19,200	–	–	–
Gill Rider CB Head of Civil Service Capability Group  <i>until 15 December 2010</i>	125-130 <sup>4</sup>	5-10	–	180-185	10-15	–

Senior Management	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind	Salary	Bonus Payments	Benefits in kind
	£000	£000	to nearest £100	£000	£000	to nearest £100
Matt Tee Permanent Secretary for Government Communications	160-165	–	–	160-165	–	2,500
Chris Wormald Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office	120-125	10-15	–	80-85 <sup>7</sup>	10-15	–
Ian Watmore Chief Operating Officer, Efficiency and Reform Group  <i>from 1 September 2010</i>	80-85 <sup>5</sup>	–	–	–	–	–

<sup>1</sup> Figure quoted is for the period from 1 April 2010 to 15 December 2010. The full year equivalent is £152,276. In addition, 2010-11 salary includes arrears from 23 July 2007.

<sup>2</sup> Figure quoted is for the period from 16 December 2010 to 31 March 2011. The full year equivalent is £86,605

<sup>3</sup> Figure quoted is for the period from 12 May 2010 to 31 March 2011. The full year equivalent is £183,000

<sup>4</sup> Figure quoted is for the period from 1 April 2010 to 15 December 2010. The full year equivalent is £182,964

<sup>5</sup> Figure quoted is for the period from 1 September 2010 to 31 March 2011. The full year equivalent is £142,500

<sup>6</sup> Figure quoted is for the period from 1 November 2009 to 31 March 2010. The full year equivalent is £108,493

<sup>7</sup> Figure quoted is for the period from 1 August 2009 to 31 March 2010. The full year equivalent is £123,536

<sup>8</sup> Benefits in kind for 2009-10 restated to reflect information relating to that period made available during 2010-11

Disclosures above represent the salary paid in respect of their role as a Board Member or as a Permanent Secretary, and may not be the same as the periods employed by the Department.

## **SALARY**

'Salary' includes gross salary; 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 report is based on accrued 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 (£65,738 from 1 April 2010) 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 Department and treated by the HM Revenue and Customs as a taxable emolument; those for senior officials primarily relate to the private use of official cars and additionally home to work transport, dress hire and purchase of newspapers in the circumstances permitted by the Civil Service Management Code.

## **BONUSES**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses reported in the accounts are those paid in year relating to prior year's performance. Bonuses are not accrued or provided for at 31 March since the appraisal process is not complete until summer. This is consistent with accounting treatment in previous financial years. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09. The Permanent Secretaries' bonus allocation for the performance year 2009-10 and paid in 2010-11, was donated to the Civil Service Benevolent Fund.

## **COMPENSATION FOR LOSS OF OFFICE**

Alexis Cleveland left under Voluntary Exit terms on 31 January 2011. She received a compensation payment of £262,185



## **FEES PAID TO NON-EXECUTIVE BOARD MEMBERS**

Non-Executive Board Members (NEBM) have been offered a fee of £15,000 a year in line with the Bank of England Non-Executive Directors of Court. The role of Lead NEBM and the role of chair of the audit committee will each attract an additional £5,000 a year. Individuals may waive all or part of their fee. The estimated annual time commitment is likely to be around 12-15 days including a strategy away day. Board members may claim their fees as and when preferred. Claimed fees are included within wages and salaries costs at Note 9 to the Accounts.

Lord Browne of Madingley was appointed on the 30 June 2010 as a lead non-executive board member of the Cabinet Office and Government Lead Non-Executive Director and has agreed that he will not be paid a fee in respect of this appointment.

Ian Davis and Dame Barbara Stocking DBE were appointed on 16 December 2010 as non-executive board members and members of the Audit and Risk Committee. They are each entitled to receive a fee of £15,000 per annum. Ian has waived his entire fee. Barbara will be donating her fee to her chosen charity Oxfam GB.

Rona Fairhead was appointed on 16 December 2010 as non-executive board member and Chair of the Audit and Risk Committee. She is entitled to receive a fee of £20,000 per annum. Rona has waived her entire fee.

## **FEES PAID TO NON-EXECUTIVE MEMBERS**

Karen Jordan, a non-executive Chair of the Audit and Risk Committee and non-executive board member was entitled to receive a fee of £14,000 per annum. Her contract expired on 31 July 2010.

David Blackwood and Rosemary Peters Gallagher, non-executive members of the Audit and Risk Committee, were entitled to receive a fee of £4,000 per annum. Their contracts expired on 27 September 2010.

Stephen Wilson, also a non-executive member of the Audit and Risk Committee, was entitled to receive a fee of £4,000 per annum. His contract expired on 27 November 2010.

Ruth Carnall CBE, a non-executive board member, was entitled to receive £4,000 per annum. Her contract expired on 31 July 2010.

The Board members claimed their fees as and when preferred, hence the total fees paid during the financial year may include arrears of fees earned in prior years. Claimed fees are included within wages and salaries costs at Note 9 to the Accounts.

		2010-11	2009-10
Non-Executive Board Members	Fee Entitlement	Fees Paid	Fees Paid
Lord Browne of Madingley Lead Non-Executive Board Member and Government Lead Non-Executive Director  <i>from 30 June 2010</i>	£20,000	Waived	-
Ian Davis Non-Executive Board Member and Member of Audit and Risk Committee  <i>from 16 December 2010</i>	£15,000	Waived	-
Rona Fairhead Non-Executive Board Member and Chair of the Audit and Risk Committee  <i>from 16 December 2010</i>	£20,000	Waived	-
Dame Barbara Stocking DBE Non-Executive Member and Member of Audit and Risk Committee  <i>from 16 December 2010</i>	£15,000	-	-

		2010-11	2009-10
Non-Executive Members	Fee Entitlement	Fees Paid	Fees Paid
Ruth Carnall CBE Non-Executive Board Member  <i>until 31 July 2010</i>	£4,000	£6,000 <sup>1</sup>	-
Karen Jordan Non-Executive Chair, Audit and Risk Committee and Non- Executive Board Member  <i>until 31 July 2010</i>	£14,000	£7,000	£14,000
David Blackwood Non-Executive Member, Audit and Risk Committee  <i>until 27 September 2010</i>	£4,000	£3,000	£9,000
Rosemary Peters Gallagher Non-Executive Member, Audit and Risk Committee  <i>until 27 September 2010</i>	£4,000	£2,000	£4,000
Stephen Wilson Non-Executive Member, Audit and Risk Committee  <i>until 27 November 2010</i>	£4,000	£3,000	£5,000

<sup>1</sup> Ruth Carnall claimed her fees as and when she preferred, hence the total fees paid during the financial year include arrears of fees earned in prior years

## PENSION BENEFITS - MINISTERS

Ministers	Accrued pension at age 65 as at 31/03/2011	Real increase in pension at age 65	CETV at 31/03/2011 <sup>2</sup>	CETV at 31/03/2010 <sup>1</sup>	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon. Baroness Royall of Blaisdon Leader of the House of Lords and Chancellor of the Duchy of Lancaster  <i>until 11 May 2010</i>	10-15	0-2.5	138	135	2
The Rt Hon. Tessa Jowell MP Minister for the Cabinet Office and for the Olympics and Paymaster General and Minister for London  <i>until 11 May 2010</i>	15-20	0-2.5	331	326	5
Angela Smith MP Minister of State for the Cabinet Office  <i>until 11 May 2010</i>	5-10	0-2.5	63	60	3
The Rt Hon. Harriet Harman QC MP Leader of the House of Commons and Lord Privy Seal and Minister for Women and Equality  <i>until 11 May 2010</i>	15-20	0-2.5	362	358	3
Barbara Keeley MP Parliamentary Secretary to the Office of the Leader of the House of Commons  <i>until 11 May 2010</i>	0-5	0-2.5	11	9	1
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council with special responsibility for political and Constitutional reform  <i>from 12 May 2010</i>	0-5	0-2.5	9	-	5
The Rt Hon. Francis Maude MP Minister for the Cabinet Office and Paymaster General  <i>from 12 May 2010</i>	0-5	0-2.5	84	68	7
The Rt Hon. Oliver Letwin MP Minister for Government Policy  <i>from 12 May 2010</i>	-	-	-	-	-
Nick Hurd MP Minister for Civil Society and Parliamentary Secretary of State  <i>from 18 May 2010</i>	0-5	0-2.5	7	-	4

Ministers	Accrued pension at age 65 as at 31/03/2011	Real increase in pension at age 65	CETV at 31/03/2011 <sup>2</sup>	CETV at 31/03/2010 <sup>1</sup>	Real increase in CETV
	£000	£000	£000	£000	£000
Mark Harper MP Minister for Political and Constitutional Reform and Parliamentary Secretary <i>from 18 May 2010</i>	0-5	0-2.5	5	-	2
The Rt Hon. Lord Strathclyde Leader of the House of Lords and Chancellor of the Duchy of Lancaster <i>from 12 May 2010</i>	35-40	0-2.5	596	543	-1
The Rt Hon. Sir George Young Bt MP Leader of the House of Commons, Lord Privy Seal <i>from 12 May 2010</i>	10-15	0-2.5	250	239	5

<sup>1</sup>The Opening CETV value shown in this year's report differs from the value shown as the closing CETV value in the last year's report. This is due to the factors that are used in the CETV calculation were revised during the year to account for the change from the use of Retail Prices Index (RPI) to Consumer Prices Index (CPI) to calculate future pensions increase. The start date for calculations is 31 March 2010 unless the Minister was appointed to the Department during the year.

<sup>2</sup>The end date for calculations is 31 March 2011 unless the Minister left the Department during the year

## 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 member contribution. An additional 1/60<sup>th</sup> accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60<sup>th</sup> accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% 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 28.7% 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. 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 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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **THE REAL INCREASE IN THE VALUE OF THE CETV**

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

## DISCLOSURE OF SALARY, PENSION AND COMPENSATION INFORMATION

## SENIOR MANAGEMENT

Senior Management	Accrued pension at pension age as at 31/3/2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2011	CETV at 31/03/2010 <sup>1</sup>	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Gus O'Donnell GCB Cabinet Secretary and Head of the Home Civil Service and Principal Accounting Officer	105-110 plus 315-320 lump sum	–	2,340	2,179	–	–
Alex Allan Chairman of the Joint Intelligence Committee (JIC) and Professional Head of Intelligence Analysis	60-65 plus 190-195 lump sum	0-2.5 plus 0-2.5 lump sum	1,491	1,418	–	–
Alexis Cleveland Director General, Corporate Services Group <i>until 15 December 2010</i>	60-65 plus 190-195 lump sum	0-2.5 plus 5-7.5 lump sum	1,314	1,246	–	–
Sir Jon Cunliffe CB Head of the European and Global Issues Secretariat	60-65 plus 180-185 lump sum	0-2.5 plus 0-2.5 lump sum	1,285	1,193	1	–
Sue Gray Head of Propriety and Ethics Team and Director of Private Offices Group <i>from 16 December 2010</i>	40-45 plus 120-125 lump sum	–	739	729	–	–
Jeremy Heywood Permanent Secretary, No.10	40-45 plus 130-135 lump sum	0-2.5 plus 2.5-5.0 lump sum	704	629	4	–
Sir Stephen Laws KCB, QC First Parliamentary Counsel	100-105 plus 305-310 lump sum	–	2,352	2,302	–	–
Bruce Mann Finance Director, Board Secretary	40-45 plus 125-130 lump sum	0-2.5 plus 0-2.5 lump sum	826	759	–	–
Sir Peter Ricketts DCMG Head of National Security Affairs Secretariat <i>from 12 May 2010</i>	85-90 plus 255-260 lump sum	2.5-5.0 plus 7.5-10.0 lump sum	1,904	1,720	68	–

Senior Management	Accrued pension at pension age as at 31/3/2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/2011 <sup>2</sup>	CETV at 31/03/2010 <sup>1</sup>	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Gill Rider <sup>3</sup> CB Head of Civil Service Capability Group <i>until 15 December 2010</i>	–	–	–	–	–	–
Matt Tee Permanent Secretary for Government Communications	5-10	2.5-5.0	79	42	29	–
Chris Wormald Director General, Domestic Policy Group, Head of Economic and Domestic Secretariat and Head, Deputy Prime Minister's Office	35-40	0-2.5	386	347	5	–
Ian Watmore Chief Operating Officer, Efficiency and Reform Group <i>from 1 September 2010</i>	0-5 plus Preserved award 5-10	0-2.5	18 plus Preserved award 148	– Preserved award 146	15	–

<sup>1</sup> The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

<sup>2</sup> The end date for calculations is 31 March 2011 unless the member left the Department during the year

<sup>3</sup> Gill Rider does not receive any pension entitlements

## CIVIL SERVICE PENSIONS

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out 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% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% 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 link: <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>



## **CASH EQUIVALENT TRANSFER VALUES**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **REAL INCREASE IN CETV**

This reflects the increase in CETV that is 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.



**Sir Gus O'Donnell GCB**

Accounting Officer

Secretary of the Cabinet and

Head of the Home Civil Service

13 July 2011

## **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 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cashflows, Statement of Changes in Taxpayer's Equity 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**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

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

### **Opinion on Regularity**

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

### **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Ministers and Corporate Governance and Management Commentary sections in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

### **Amyas C E Morse**

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

15 July 2011

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2010-11

		2010-11						2009-10	
		£000						Restated <sup>1</sup>	
		Estimate			Outturn			Outturn	
Request for Resources	Note	Gross Expenditure	A in A <sup>2</sup>	Net Total	Gross Expenditure	A in A <sup>1</sup>	Net Total	Net Total outturn compared with Estimate: saving / (excess)	Net Total
1*	3	558,448	(75,116)	483,332	522,521	(56,312)	466,209	17,123	515,209
<b>Total Resources</b>	<b>4.1</b>	<b>558,448</b>	<b>(75,116)</b>	<b>483,332</b>	<b>522,521</b>	<b>(56,312)</b>	<b>466,209</b>	<b>17,123</b>	<b>515,209</b>
<b>Non-Operating Cost</b>									
<b>A in A<sup>1</sup></b>				<b>25</b>			<b>22</b>	<b>3</b>	<b>5,499</b>

<sup>1</sup> See Note 2

<sup>2</sup> A in A represents Appropriations in Aid

Request for Resources 1\*: Supporting the Prime Minister's Office closely in ensuring the delivery of Government objectives

### Net cash requirement 2010-11

		2010-11			2009-10
		£000			£000
	Note	Estimate		Outturn	Outturn
					Net Total outturn compared with Estimate: saving / (excess)
<b>Net Cash Requirement</b>	<b>5</b>	<b>486,924</b>		<b>436,214</b>	<b>50,710</b>
					<b>464,682</b>

### 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).

		Forecast 2010-11		Outturn 2010-11	
		£000		£000	
	Note	Income	<i>Receipts</i>	Income	<i>Receipts</i>
<b>Total</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>2,518</b>	<b>521</b>

Explanations of variances between Estimate and outturn are given in Note 3 and in the section Cabinet Office Finances, Financial Review 2010-11, Performance against Parliamentary Control totals.

Notes 1 to 37 form part of these accounts

## Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

		2010-11		2009-10
			£000	Restated <sup>1</sup>
	Note	Staff Costs	Other Costs	£000
			Income	
<b>Administration costs</b>				
Staff costs	9	127,360		127,700
Other administration costs	10		112,723	120,946
Operating income	12		(50,729)	(56,638)
<b>Programme costs</b>				
Staff costs	9	3,571		1,496
Programme costs	11		379,685	414,721
Income	12		(6,719)	(3,932)
<b>Totals</b>		<b>130,931</b>	<b>492,408</b>	<b>604,293</b>
<b>Net Operating Cost for the year ended 31 March 2011</b>	4.1,13		<b>565,891</b>	<b>604,293</b>
<b>Other Comprehensive Expenditure</b>				
Net (gain) / loss on revaluation of Property, Plant and Equipment	14		(13,207)	6,675
Receipt of donated assets	14		(399)	(58)
<b>Total Other Comprehensive Expenditure/(Income)</b>			<b>(13,606)</b>	<b>6,617</b>
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2011</b>			<b>552,285</b>	<b>610,910</b>

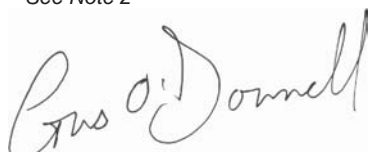
<sup>1</sup> See Note 2

## Statement of Financial Position

as at 31 March 2011

		As at 31 March 2011 £000	As at 31 March 2010 Restated <sup>1</sup> £000	As at 1 April 2009 Restated <sup>1</sup> £000
	<b>Note</b>			
<b>Non-current assets</b>				
Property, plant and equipment	14	199,383	182,025	194,167
Intangible assets	15	3,832	4,715	5,449
Other financial assets	17	1,228	1,356	714
Other non-current assets	21	411	2,077	-
<b>Total non-current assets</b>		<b>204,854</b>	<b>190,173</b>	<b>200,330</b>
<b>Current assets</b>				
Assets classified as held for sale	19	-	-	5,740
Inventories	20	701	461	493
Trade and other receivables	21	96,333	27,186	21,643
Cash and cash equivalents	22	34,022	29,219	10,782
<b>Total current assets</b>		<b>131,056</b>	<b>56,866</b>	<b>38,658</b>
<b>Total assets</b>		<b>335,910</b>	<b>247,039</b>	<b>238,988</b>
<b>Current liabilities</b>				
Trade and other payables	24	(177,395)	(70,644)	(66,894)
<b>Total current liabilities</b>		<b>(177,395)</b>	<b>(70,644)</b>	<b>(66,894)</b>
<b>Non-current assets less net current liabilities</b>		<b>158,515</b>	<b>176,395</b>	<b>172,094</b>
<b>Non-current liabilities</b>				
Provisions	25	(6,240)	(8,247)	(9,376)
Other payables	24	-	-	(630)
<b>Total non-current liabilities</b>		<b>(6,240)</b>	<b>(8,247)</b>	<b>(10,006)</b>
<b>Assets less liabilities</b>		<b>152,275</b>	<b>168,148</b>	<b>162,088</b>
<b>Taxpayers' equity</b>				
General fund		99,422	127,311	114,054
Revaluation reserve		48,550	37,090	44,012
Donated asset reserve		4,303	3,747	4,022
<b>Total taxpayers' equity</b>		<b>152,275</b>	<b>168,148</b>	<b>162,088</b>

<sup>1</sup> See Note 2



**Sir Gus O'Donnell GCB**  
Accounting Officer  
Secretary of the Cabinet and  
Head of the Home Civil Service  
13 July 2011

Notes 1 to 37 form part of these accounts

## Statement of Cash Flows

for the year ended 31 March 2011

		2010-11 £000	2009-10 Restated <sup>1</sup> £000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net operating cost	4.1	(565,891)	(604,293)
Adjustments for non-cash transactions	10,11	12,290	19,011
(Increase)/Decrease in inventories	20	(240)	32
Increase in trade and other receivables	21	(67,481)	(7,620)
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Amounts relating to prepayment for service concession		-	(1,717)
Movement in amounts relating to provision for doubtful debt		(945)	(65)
Amounts relating to bad debt write off		(13)	(1)
Increase in trade and other payables	24	106,751	3,120
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Amounts due to the Consolidated Fund for Supply		9,214	(7,393)
Amounts due to the Consolidated Fund for extra receipts		(2,115)	465
Amounts relating to novated liabilities		-	3
Movement in amounts relating to imputed finance lease	29.1	-	1,717
Movement in capital accruals relating to investing activities		1,210	665
Amounts due to the Consolidated Fund for non voted receipts	24	(5,547)	-
Amounts relating to the Consolidated Fund Standing Services - Elections		5,793	11,559
Use of provisions	25	(2,764)	(2,193)
<b>Net cash outflow from operating activities</b>		<b>(509,738)</b>	<b>(586,710)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(12,805)	(15,085)
Purchase of intangible assets	15	(17)	(2,596)
Purchase of other financial assets	17	(244)	(662)
Net movement in trade payables - capital accruals		(1,211)	(665)
Proceeds of disposal of property, plant and equipment		1	5,479
Repayments from other bodies	17	20	20
<b>Net cash outflow from investing activities</b>		<b>(14,256)</b>	<b>(13,509)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		427,000	472,075
From the Consolidated Fund (Supply) in respect of machinery of government transfer of function		-	50,019
From the Consolidated Fund (non-Supply) – current year		102,200	95,300
From the Consolidated Fund (non-Supply) – prior year		-	2,130
<b>Net financing</b>		<b>529,200</b>	<b>619,524</b>

## Statement of Cash Flows (continued)

for the year ended 31 March 2011

		2010-11 £000	2009-10 Restated <sup>1</sup> £000
	<b>Note</b>		
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>5,206</b>	<b>19,305</b>
Payments of amounts due to the Consolidated Fund	24	(403)	(868)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>22</b>	<b>4,803</b>	<b>18,437</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22</b>	<b>29,219</b>	<b>10,782</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>22</b>	<b>34,022</b>	<b>29,219</b>

<sup>1</sup> See Note 2

Notes 1 to 37 form part of these accounts



## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
	Note	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>		<b>120,797</b>	<b>44,012</b>	<b>4,022</b>	<b>168,831</b>
Assets and liabilities introduced on machinery of government transfer of function		(6,743)	-	-	(6,743)
<b>Restated balance at 1 April 2009</b>		<b>114,054</b>	<b>44,012</b>	<b>4,022</b>	<b>162,088</b>
Net Parliamentary Funding – drawn down	23	472,075	-	-	472,075
Net Parliamentary Funding – deemed	24	8,000	-	-	8,000
Consolidated Fund Standing Services – non supply	11	95,300	-	-	95,300
Supply payable adjustment	24	(15,393)	-	-	(15,393)
CFERS payable to the Consolidated Fund	24	(403)	-	-	(403)
Comprehensive Net Expenditure for the year	4.1	(604,293)	-	-	(604,293)
<b>Notional Adjustments</b>					
Notional charges – auditors' remuneration	10	262	-	-	262
<b>Movement in Reserves</b>					
Machinery of government transfer of function		63,706	-	-	63,706
Novation (Deputy Prime Minister's Office) <sup>1</sup>		3	-	-	3
Net loss on revaluation of property, plant and equipment	14.2	-	(6,558)	(117)	(6,675)
Receipt of donated assets	14.2	-	-	58	58
Recognised in Statement of Comprehensive Net Expenditure	10	-	-	(157)	(157)
Transfers between reserves		423	(364)	(59)	-
Transfer of non-current assets to other government departments	14.2, 15.2	(6,423)	-	-	(6,423)
<b>Restated balance at 31 March 2010</b>		<b>127,311</b>	<b>37,090</b>	<b>3,747</b>	<b>168,148</b>
Net Parliamentary Funding – drawn down	23	427,000	-	-	427,000
Net Parliamentary Funding – deemed	24	15,393	-	-	15,393
Consolidated Fund Standing Services - Non Supply	11	102,200	-	-	102,200
Supply payable adjustment	24	(6,179)	-	-	(6,179)
CFERS payable to the Consolidated Fund	24	(2,518)	-	-	(2,518)
Non-voted receipt surrenderable to the Consolidated Fund - Elections	24	(5,547)	-	-	(5,547)
Comprehensive Net Expenditure for the year	4.1	(565,891)	-	-	(565,891)
<b>Notional Adjustments</b>					
Notional charges – auditors' remuneration	10	321	-	-	321

## Statement of Changes in Taxpayers' Equity (continued)

for the year ended 31 March 2011

		General Fund	Revaluation Reserve	Donated Asset Reserve	Total Reserves
	Note	£000	£000	£000	£000
<b>Movement in Reserves</b>					
Net gain on revaluation of property, plant and equipment	14.1	-	13,001	206	13,207
Receipt of donated assets	14.1	-	-	399	399
Amounts relating to Consolidated Fund Standing Services - Elections		5,793	-	-	5,793
Recognised in Statement of Comprehensive Net Expenditure	10	-	-	(51)	(51)
Transfers between reserves		1,539	(1,541)	2	-
<b>Balance at 31 March 2011</b>		<b>99,422</b>	<b>48,550</b>	<b>4,303</b>	<b>152,275</b>

<sup>1</sup> On 28 June 2007, the Deputy Prime Minister's Office disbanded and transferred its residual responsibilities to the Cabinet Office and on 1 April 2008 the Deputy Prime Minister's Office's closing debtors and creditors were novated to the Cabinet Office. In light of better information, some elements of the closing debtors and creditors balances were written out of the books during 2009-10.

Notes 1 to 37 form part of these accounts

## Notes to the Accounts for the year ended 31 March 2011

### 1. Statement of accounting policies

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

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. 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 financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories at their value to the business by reference to their current costs.

#### 1.2 Restated amounts

Machinery of Government changes which involve the transfer of functions or responsibilities between two or more government departments are 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 or responsibilities are written in or out of the accounts from the start of the financial year. Prior-year comparatives are restated, with corresponding adjustments being made to the general fund. By so doing, it appears that the Department always existed in its present form. This enables the user of the accounts to make useful comparisons between the data from the prior year to the current year. Further details can be found at Note 2.

#### 1.3 Prior period adjustments

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the removal of the cost of capital charge were not included in Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that the PPA numbers could have been misleading. The impact of these accounting policy changes on Supply

outturn in respect of 2009-10 is shown below. PPAs arising from an error in previous recording or any other change in accounting policy were included in the Estimates in line with conventional arrangements.

The removal of cost of capital has the following effect on Resource Outturn in 2009-10. The Statement of Parliamentary Supply and related notes have not been restated to this effect.

	Note	2009-10 £000
Net Resource Outturn (Statement of Parliamentary Supply) per Accounts 2009-10		455,454
Add restatement for machinery of government transfers of function		59,755
Net Resource Outturn (Statement of Parliamentary Supply) per Restated Accounts 2009-10	3	515,209
Remove cost of capital charge	2	(5,814)
Adjusted Net Resource Outturn		509,395

#### 1.4 Judgements and key sources of estimation uncertainty

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

Information about the assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are disclosed.

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

##### *Service concession arrangements*

The Department is party to a Public Finance Initiative (PFI). The classification of such arrangements as service concession arrangements requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure.

*Determining whether an arrangement contains a lease*

The Department is involved in long-term arrangements which may contain a lease. The classification of such arrangements as containing a lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset.

*Operating lease commitments*

The Department is the lessor and lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and, accordingly, whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

*Impairment of assets*

The Department assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. From 2010-11 impairments that are due to a clear consumption of economic benefit are recognised in the Statement of Comprehensive Net Expenditure rather than set against an available revaluation reserve. This change aligns the treatment of impairments in accounts with the treatment in departmental budgets and Estimates.

*Development costs*

Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed.

## **1.5 Property, plant and equipment**

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation, except for art and antiques and properties surplus to requirement.

Cost comprises the amount of cash paid to acquire the asset and includes any costs directly attributable to making the asset capable of operating as intended. Notional costs for cost of capital charge associated with the item of property, plant or equipment are no longer included in accounts from 2010-11 and any associated cost of capital in 2009-10 was not capitalised. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Fair value of properties is based on professional valuations every five years and in the intervening years by the use of published indices appropriate to the type of property. Land and buildings are restated to fair value every five years using professional valuations prepared in accordance with the RICS Valuation Standards, 6th Edition. Fair values are determined on the basis of market value but on the assumption that the properties are sold as

part of the continuing enterprise in occupation. For 'in use' non-specialised property assets, fair value has been interpreted as market value for existing use.

Properties surplus to requirement are valued on the basis of open market value less any directly attributable selling costs where material.

Other operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

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.

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

## **1.6 Depreciation on property, plant and equipment**

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively.

Asset lives are normally in the following ranges:

Freehold buildings including dwellings	25 to 55 years
Leasehold building improvements	over the remaining term of the lease
Plant and equipment	3 to 10 years
Furniture and fittings	7 years
IT hardware and office equipment	3 to 5 years
Vehicles	3 to 5 years

Assets in the course of construction are not depreciated until the assets are available for use. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives, nor on non-current assets held for sale. Assets continue to depreciate until they are derecognised, even if during that period they are idle.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

### **1.7 Donated assets**

Donated assets are capitalised at their fair value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Statement of Comprehensive Net Expenditure, except for gifts described below.

Gifts of ornaments and jewellery received by past and present Prime Ministers and their spouses are treated as donated assets within Art and Antiques and capitalised at their fair 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 indefinite.

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 14.

### **1.8 Assets classified as held for sale**

Assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For an asset to be classified as held for sale it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets; its sale must be highly probable; and it must genuinely be expected to be sold, not abandoned. Items of property, plant and equipment that are classified as held for sale are written down to fair value less costs to sell (if lower than its carrying value), and are not depreciated further.

### **1.9 Intangible assets**

Intangible assets are defined as identifiable non-monetary assets without physical substance. Software that is embedded in computer-controlled equipment that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets is £5,000. Following initial recognition, where an active market exists, intangible assets are

carried at fair value at the Statement of Financial Position date. Where no active market exists, the Department uses published indices to assess the depreciated replacement cost.

The useful lives of intangible assets are assessed to be either finite or indefinite. All intangible assets are currently assessed to have a finite life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Assets in the course of construction are not depreciated until the assets are brought into use.

#### *Software licences*

Externally-acquired computer software licences are amortised over the shorter of the term of the licence and the useful economic life of three to five years. As reliable evidence of market value could not be obtained, these have not been re-valued.

#### *Research and development*

Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Department can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of development expenditure as an asset, where an active market exists, the asset is subsequently measured at fair value. Where no active market exists, the asset is carried at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value.

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

### **1.10 Leases**

Assets held under finance leases, which transfer to the Department substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the Statement of Comprehensive Net Expenditure so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.



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

### **1.11 Service concession arrangements**

The Department accounts for Public Finance Initiative (PFI) transactions on a control approach based on IFRIC 12 *Service Concession Arrangements*. The Department is considered to control the infrastructure in a public-to-private service concession arrangement if:

- The Department controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- The Department controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, the Department assesses such arrangements under IFRIC 4 *Determining whether an Arrangement contains a Lease*. Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach set out above at Note 1.10 Leases.

Where it is determined that arrangements are in scope of IFRIC 12, the Department recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as under IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement; or where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

Where practicable, in determining the interest expense on the capital element of the contract obligation, the Department uses the rate implicit in the contract. Where it is not practicable to determine this rate, the Department uses its cost of capital rate (including inflation). The rate is not changed unless the infrastructure element or the whole contract is renegotiated.

The Department recognises a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the Statement of Comprehensive Net Expenditure.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (Note 1.5 above) and intangible assets (Note 1.9 above). Liabilities are measured using the appropriate discount rate.

## 1.12 Financial assets

Financial assets are recognised when the Department becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets as appropriate. The Department determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are recognised initially, they are measured at fair value, except for loans, Public Dividend Capital (PDC) and other interests in public bodies outside the departmental boundary which are reported at historical cost less any impairment.

Fair value is determined as the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Department considers whether a contract contains an embedded derivative when the entity first becomes party to it. Embedded derivatives are separated from the host contract if the contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract.

The subsequent measurement of financial assets depends on their classification. The following classifications are currently applicable:

### *Investments in other bodies*

Loans, Public Dividend Capital (PDC) and other interests in public bodies outside the departmental boundary are shown at historical cost, less any impairment.

In the past, the Cabinet Office has issued loans to the London Hostels Association which are now in repayment.

Loans issued by the Cabinet Office to the Bridges Social Entrepreneurs' Fund LP are recognised at the point of the disbursement under the terms set out in the Limited Partnership Agreement. Bridges Social Entrepreneurs' Fund LP is an entity which lies outside the departmental boundary and consequently the loans are reported at historical cost less any impairment. The impairment is assessed as the difference between the cost of the loan issued and the Department's share of the net asset value as reported in the Bridges Social Entrepreneurs' Fund LP accounts. The net asset value equals the sum of the investment value at cost in the initial year and marketable value in subsequent years, adjusted for other net assets.

The Cabinet Office has Public Dividend Capital held within Buying Solutions. The Cabinet Office assesses at 31 March whether there is objective evidence that this asset is impaired in terms of whether there has been a decline in value below its cost. Dividends are recognised in the Statement of Comprehensive Net Expenditure when the Department's right to receive payment is established.

#### *Loans and receivables*

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Department will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

#### **1.13 Inventories**

Inventories of insignia are valued at the lower of replacement cost and net realisable value.

#### **1.14 Cash and cash equivalents**

Cash in the Statement of Financial Position comprises cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

#### **1.15 Financial liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

#### *Other financial liabilities*

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

#### **1.16 Provisions**

A provision is recognised when the Department has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent). Provisions for early departure costs are discounted at the pensions rate (currently 2.9 per cent real). Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

### **1.17 Contingent liabilities and contingent assets**

In addition to contingent assets and liabilities disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, 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 IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

The Department discloses a contingent asset where it is probable there will be an inflow of economic benefits from an event whose outcome is uncertain. An estimate of the financial effect is indicated where possible.

### **1.18 Income**

#### *Operating Income*

Operating income is income which relates directly to the operating activities of the Department. It is stated net of VAT. Operating income 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 against resource spending and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income.

#### *Non-operating income*

Non-operating income may be appropriated in aid of the Estimate to finance-related capital spending or due to the Consolidated Fund and relates to the sale of capital assets and repayment of loan principal.

#### *Consolidated fund extra receipts (CFERS)*

Consolidated Fund Extra Receipts are accounted for on an accruals basis. CFERS include non-Supply windfall income received and income receivable being the net assets belonging to executive non-departmental public bodies at the point of their closure.

### **1.19 Administration and programme expenditure**

The Statement of Comprehensive Net Expenditure 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 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.

From 2010-11 programme costs also include those items of expenditure which are classified as Resource Annually Managed Expenditure (RAME) in budgets, such as impairments, provisions and bad debts; see Note 2.

## **1.20 Employee benefits**

### *Short term benefits*

Where an employee has rendered service to the Department during the financial year, the Department recognises the undiscounted amount of short term employee benefits expected to be paid in exchange for that service as an expense. Performance bonuses are not accrued at 31 March since the appraisal process which determines performance pay is only finalised after the accounts have been prepared.

### *Termination benefits*

The Department accrues for termination benefits at the point at which the employee has accepted the offer made by the Department. Termination benefits include lump sum payments and payments in lieu of notice.

## **1.21 Foreign currency translation**

Transactions which are denominated in a foreign currency 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 Statement of Financial Position date are translated at the rates ruling at that date. These translation differences are dealt with in the Statement of Comprehensive Net Expenditure.

## **1.22 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 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.

### **1.23 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 executive Non-Departmental Public Bodies to finance their operating expenditure, are recognised in the Statement of Comprehensive Net Expenditure in the period in respect of which they are paid.

### **1.24 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.

### **1.25 Operating segments**

The Department has applied IFRS 8 *Operating Segments* in full from 2010-11. Operating segments are based on the main areas of business activity and align with performance reporting and are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Accounting Officer and the Board.

### **1.26 Impact of accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been published that the Department will be required to apply on or after 1 April 2011 or later periods, following EU-adoption and as applied by the FReM. The Department provides disclosure that it has not yet applied any new accounting standard in issue but not yet effective.

### **IFRS 9 'Financial Instruments' (effective 1 January 2013)**

IFRS 9 represents the first phase of the IASB's project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. It sets out the classification and measurement criteria for financial assets and financial liabilities and requires all financial assets, including assets currently classified under IAS 39 as available-for-sale, to be measured at fair value through the Statement of Comprehensive Net Expenditure unless the assets can be classified as held at amortised cost. Qualifying equity investments held at fair value may have their fair value changes taken through other comprehensive expenditure by election. The department is currently assessing the impact of the standard.

Those standards, interpretations and amendments which are not currently expected to have a significant impact on the group's financial statements, are as follows:

**Improvements to IFRSs 2010 (effective 1 January 2011)**

This is the third set of amendments published under the IASB's annual improvements process and incorporates minor amendments to seven standards and interpretations.

**Amendments to IAS 24 'Related Party Disclosures' (effective 1 January 2011)**

These amendments clarify the definition of a related party and simplify the disclosure requirements for related parties that are controlled, jointly controlled or significantly influenced by a government.

**Amendments to IFRS 7 'Financial Instruments: Disclosures' (effective 1 July 2011)**

These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

**IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 January 2011)**

The Interpretation provides guidance on accounting when an entity renegotiates the terms of a financial liability with its creditor resulting in the liability being extinguished through issuing its own equity instruments to the creditor.

**IFRIC 14 'Prepayments of a Minimum Funding Requirement' (effective 1 January 2011)**

The amendment allows, in certain circumstances, an entity to treat the prepayment of future contributions to a pension scheme where there is a minimum funding requirement as an asset.

## 2. Restatement of prior year comparatives

Prior year comparatives have been restated for machinery of government transfers of function into the Cabinet Office, a change in accounting policy and a change in budget classification.

### **Machinery of government transfers of function**

#### **Directgov**

On 20 July 2010, the Prime Minister announced that Directgov would move to the Cabinet Office from the Department for Work and Pensions. Directgov moved into the Government Communications team which is part of the new Efficiency and Reform Group, which is essential in order to deliver greater efficiency, effectiveness and professionalism across the government. Directgov, as a digital service, has a key role to play in this efficiency drive, joining up government information and services to citizens in a way that meets their needs. The net operating costs increased by **£27.812 million** and the general fund increased by **£0.621 million** as at 31 March 2010. The headcount increased by **153**. The general fund decreased by **£3.378 million** as at 1 April 2009.

#### **Political and Constitutional Reform**

On 27 May 2010, the Prime Minister agreed the transfer of responsibility for key aspects of the work on the Programme for Government from the Secretary of State for Justice to the Deputy Prime Minister, Nick Clegg MP. This implemented the previously announced decision that the Deputy Prime Minister would be in charge of political and constitutional reform. The Deputy Prime Minister has policy responsibility for the Electoral Commission, the Boundary Commissions for England and Wales and Independent Parliamentary Standards Authority. The net operating costs increased by **£104.795 million** and the general fund increased by **£1.476 million** as at 31 March 2010. The headcount increased by **65**. The general fund increased by **£2.129 million** as at 1 April 2009.

#### **Office of Government Commerce and its executive agency, Buying Solutions**

On 15 June 2010, the Prime Minister agreed the transfer of responsibility for the Office of Government Commerce (OGC), an independent office of HM Treasury and its Executive Agency, Buying Solutions from the Chancellor of the Exchequer to the Minister for the Cabinet Office. The organisations became part of the Cabinet Office's Efficiency and Reform Group. Property functions in the Office of Government Commerce and the Shareholder Executive combined into a single unit responsible for property efficiency based in the Shareholder Executive within the Department for Business, Innovation and Skills. It reports to Cabinet Office and Treasury Ministers and comes under the Efficiency and Reform Group which was announced by the Chancellor, Chief Secretary to the Treasury and the Minister for the Cabinet Office on Monday 24 May 2010. The Efficiency and Reform Group is led at an official level by a new Chief Operating Officer (COO). The Efficiency and Reform Group helps Cabinet Office and HM Treasury to work in a partnership programme of reform across the Civil Service. The net operating costs increased by **£22.449 million** and the general fund decreased by **£4.889 million** as at 31 March 2010. The headcount increased by **267**. The general fund decreased by **£5.494 million** as at 1 April 2009.



### **Accounting policy change**

The cost of capital charge of **£5.814 million** has been removed; see Note 1.3.

### **Budget classification change**

In 2010-11 provisions, impairments and bad debts were classified as Resource Annually Managed Expenditure (RAME) for budget purposes and RAME is automatically classified as programme spend. To align budgets and accounts, those items of expenditure which now score against RAME of **£8.760 million** have been re-classified from administration at Note 10 to programme spend at Note 11 in restated amounts.

The following table summarises the impact on restated amounts at 31 March 2010 and at 1 April 2009.

## 2. Restatement of prior year comparatives (continued)

	2009-10 Published Accounts £000	Machinery of Government Transfers			Budget and Accounting Policy Change £000	2009-10 Restated £000
		Direct Gov £000	Political and Constitutional Reform £000	Office of Government Commerce £000		
<b>Statement of Comprehensive Net Expenditure</b>						
<b>Expenditure</b>						
Staff costs	92,256	14,215	4,638	18,087	-	129,196
Administration costs	103,686	14,467	3,425	13,846	(14,478) <sup>1</sup>	120,946
Programme costs excluding staff costs, grants and election expenses	51,810	-	913	1,789	8,664 <sup>2</sup>	63,176
Programme election expenses	-	-	95,300	-	-	95,300
Programme grants	255,726	-	519	-	-	256,245
<b>Total expenditure</b>	<b>503,478</b>	<b>28,682</b>	<b>104,795</b>	<b>33,722</b>	<b>(5,814)</b>	<b>664,863</b>
<b>Income</b>						
Administration	(46,600)	(870)	-	(9,168)	-	(56,638)
Programme	(1,827)	-	-	(2,105)	-	(3,932)
<b>Total income</b>	<b>(48,427)</b>	<b>(870)</b>	<b>-</b>	<b>(11,273)</b>	<b>-</b>	<b>(60,570)</b>
<b>Total Net Operating Cost</b>	<b>455,051</b>	<b>27,812</b>	<b>104,795</b>	<b>22,449</b>	<b>(5,814)</b>	<b>604,293</b>
<b>Statement of Financial Position as at 31 March 2010</b>						
<b>Total net assets/(liabilities)</b>						
Property, plant and equipment	181,548	-	-	477	-	182,025
Intangible assets	1,851	2,864	-	-	-	4,715
Other financial assets	1,006	-	-	350	-	1,356
Other non-current assets	2,077	-	-	-	-	2,077
Inventories	461	-	-	-	-	461
Trade and other receivables	24,411	266	244	2,265	-	27,186
Cash and cash equivalents	15,530	-	13,689	-	-	29,219
Trade and other payables	(52,003)	(2,509)	(12,236)	(3,896)	-	(70,644)
Provisions	(3,941)	-	(221)	(4,085)	-	(8,247)
	<b>170,940</b>	<b>621</b>	<b>1,476</b>	<b>(4,889)</b>	<b>-</b>	<b>168,148</b>
<b>Taxpayers' equity</b>						
General fund	130,103	621	1,476	(4,889)	-	127,311
Revaluation reserve	37,090	-	-	-	-	37,090
Donated asset reserve	3,747	-	-	-	-	3,747
	<b>170,940</b>	<b>621</b>	<b>1,476</b>	<b>(4,889)</b>	<b>-</b>	<b>168,148</b>
<b>Average number of persons employed:</b>						
Permanently employed staff	1,337	81	58	267	-	1,743
Others <sup>3</sup>	98	72	7	-	-	177
Ministers	6	-	-	-	-	6
Special advisers	35	-	-	-	-	35
<b>Total</b>	<b>1,476</b>	<b>153</b>	<b>65</b>	<b>267</b>	<b>-</b>	<b>1,961</b>

<sup>1</sup> Budget change (£8,760) and accounting policy change (£5,718)

<sup>2</sup> Budget change £8,760 and accounting policy change (£96)

<sup>3</sup> 'Others' category represents agency/temporary staff

## 2. Restatement of prior year comparatives (continued)

	2009-10 Published Accounts  £000	Machinery of Government Transfers			Budget and Accounting Policy Change  £000	2009-10 Restated  £000
		Direct Gov  £000	Political and Constitutional Reform  £000	Office of Government Commerce  £000		
<b>Statement of Cash Flows</b>						
<b>Cash flows from operating activities</b>						
Net operating cost	(455,051)	(27,812)	(104,795)	(22,449)	5,814	<b>(604,293)</b>
Adjustments for non-cash transactions	23,377	801	-	647	(5,814)	<b>19,011</b>
Decrease in inventories	32	-	-	-	-	<b>32</b>
Increase in trade and other receivables	(7,466)	(150)	(334)	330	-	<b>(7,620)</b>
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>						
Amounts relating to prepayment for service concession	(1,717)	-	-	-	-	<b>(1,717)</b>
Movement in amounts relating to provision for doubtful debt	(69)	-	-	4	-	<b>(65)</b>
Amounts relating to bad debt write off	(1)	-	-	-	-	<b>(1)</b>
Increase in trade and other payables	(6,929)	(2,305)	17,024	(4,670)	-	<b>3,120</b>
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>						
Amounts due to the Consolidated Fund for Supply	(7,393)	-	-	-	-	<b>(7,393)</b>
Amounts due to the Consolidated Fund for extra receipts	465	-	-	-	-	<b>465</b>
Amounts relating to novated liabilities	3	-	-	-	-	<b>3</b>
Movement in amounts relating to imputed finance lease	1,717	-	-	-	-	<b>1,717</b>
Movement in capital accruals relating to investing activities	665	-	-	-	-	<b>665</b>
Amounts relating to the Consolidated Fund Standing Services - Elections	-	-	11,559	-	-	<b>11,559</b>
Use of provisions	(797)	-	221	(1,617)	-	<b>(2,193)</b>
<b>Net cash outflow from operating activities</b>	<b>(453,164)</b>	<b>(29,466)</b>	<b>(76,325)</b>	<b>(27,755)</b>	-	<b>(586,710)</b>

## 2. Restatement of prior year comparatives (continued)

	2009-10 Published Accounts	Machinery of Government Transfers Political and Constitutional Reform			Office of Government Commerce	Budget and Accounting Policy Change	2009-10 Restated
	£000	Direct Gov £000	£000	£000	£000	£000	£000
<b>Statement of Cash Flows (continued)</b>							
<b>Cash flows from investing activities</b>							
Purchase of property, plant and equipment	(15,085)	-	-	-	-	-	(15,085)
Purchase of intangible assets	(252)	(2,344)	-	-	-	-	(2,596)
Purchase of other financial assets	(662)	-	-	-	-	-	(662)
Net movement in trade payables - capital accruals	(665)	-	-	-	-	-	(665)
Proceeds of disposal of property, plant and equipment	5,479	-	-	-	-	-	5,479
Repayments from other bodies	20	-	-	-	-	-	20
<b>Net cash outflow from investing activities</b>	<b>(11,165)</b>	<b>(2,344)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,509)</b>
<b>Cash flows from financing activities</b>							
From the Consolidated Fund (Supply) – current year	472,075	-	-	-	-	-	472,075
From the Consolidated Fund (Supply) in respect of machinery of government transfer of function	-	31,810	(9,546)	27,755	-	-	50,019
From the Consolidated Fund (non-Supply) – current year	-	-	95,300	-	-	-	95,300
From the Consolidated Fund (non-Supply) – prior year	-	-	2,130	-	-	-	2,130
<b>Net financing</b>	<b>472,075</b>	<b>31,810</b>	<b>87,884</b>	<b>27,755</b>	<b>-</b>	<b>-</b>	<b>619,524</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>							
	<b>7,746</b>	<b>-</b>	<b>11,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,305</b>
Payments of amounts due to the Consolidated Fund	(868)	-	-	-	-	-	(868)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>	<b>6,878</b>	<b>-</b>	<b>11,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,437</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,652</b>	<b>-</b>	<b>2,130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,782</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>15,530</b>	<b>-</b>	<b>13,689</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,219</b>

## 2. Restatement of prior year comparatives (continued)

	Published Accounts at 31 March 2009	Machinery of Government Transfers			Budget and Accounting Policy Change	Restated at 1 April 2009
	£000	Direct Gov £000	Political and Constitutional Reform £000	Office of Government Commerce £000	£000	£000
<b>Statement of Financial Position as at 1 April 2009</b>						
<b>Total net assets/(liabilities)</b>						
Property, plant and equipment	193,436	-	-	731	-	194,167
Intangible assets	4,128	1,321	-	-	-	5,449
Other financial assets	364	-	-	350	-	714
Assets classified as held for sale	5,740	-	-	-	-	5,740
Inventories	493	-	-	-	-	493
Trade and other receivables	19,022	115	25	2,481	-	21,643
Cash and cash equivalents	8,652	-	2,130	-	-	10,782
Trade and other payables	(58,302)	(4,814)	(26)	(3,752)	-	(66,894)
Provisions	(4,072)	-	-	(5,304)	-	(9,376)
Other payables	(630)	-	-	-	-	(630)
	<b>168,831</b>	<b>(3,378)</b>	<b>2,129</b>	<b>(5,494)</b>	-	<b>162,088</b>
<b>Taxpayers' equity</b>						
General fund	120,797	(3,378)	2,129	(5,494)	-	114,054
Revaluation reserve	44,012	-	-	-	-	44,012
Donated asset reserve	4,022	-	-	-	-	4,022
	<b>168,831</b>	<b>(3,378)</b>	<b>2,129</b>	<b>(5,494)</b>	-	<b>162,088</b>

### 3. Analysis of net resource outturn by section

							2010-11	2009-10		
							£000	Restated <sup>1</sup>		
							Outturn	Estimate	Prior-year outturn	
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total compared with Estimate		
<b>Request for resources 1:</b>										
<b>Spending in Departmental Expenditure Limits (DEL)</b>										
<b>Central Government Spending</b>										
Cabinet Office	182,848	37,440	2,759	223,047	(42,573)	180,474	195,734	15,260	175,757	
Directgov	22,871	-	-	22,871	(702)	22,169	20,955	(1,214)	27,811	
Office of Government Commerce	25,376	-	-	25,376	(11,417)	13,959	18,343	4,384	22,449	
Constitution Group	4,191	2,251	-	6,442	(27)	6,415	8,342	1,927	7,083	
Office for Civil Society	3,350	8,380	181,217	192,947	(1,593)	191,354	191,445	91	223,703	
Social Exclusion Task Force	653	-	-	653	-	653	655	2	1,431	
Committee on Standards in Public Life - Advisory NDPB	509	-	-	509	-	509	700	191	676	
Independent Offices:										
Civil Service Commissioners	707	-	-	707	-	707	618	(89)	1,122	
Commissioner for Public Appointments	552	-	-	552	-	552	575	23	577	
Advisory Committee on Business Appointments - Advisory NDPB	237	-	-	237	-	237	241	4	220	
House of Lords Appointments Commission - Advisory NDPB	170	-	-	170	-	170	218	48	218	
<b>Support for Local Authorities</b>										
London Fire and Emergency Planning Authority	-	-	606	606	-	606	606	-	606	
<b>Non-Budget</b>										
Executive NDPBs:										
Capacity Builders (UK) Limited	-	-	30,855	30,855	-	30,855	30,855	-	39,377	
Commission for the Compact Limited	-	-	1,600	1,600	-	1,600	1,600	-	1,992	
Civil Service Commission	-	-	409	409	-	409	538	129	-	

### 3. Analysis of net resource outturn by section (continued)

							2010-11 £000	2009-10 Restated <sup>1</sup> £000	
							Outturn	Estimate	
							Net Total	Net Total	Prior-year
							A in A	Estimate	outturn
							Net Total	Estimate	
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Estimate	Prior-year outturn
Cabinet Office Service Concession	-	12,930	-	12,930	-	12,930	9,200	(3,730)	4,213
<b>Spending in Annually Managed Expenditure (AME)</b>									
<b>Central Government Spending</b>									
Provisions, impairment, bad debt	-	2,610	-	2,610	-	2,610	2,707	97	7,974
<b>Resource Outturn</b>	<b>241,464</b>	<b>63,611</b>	<b>217,446</b>	<b>522,521</b>	<b>(56,312)</b>	<b>466,209</b>	<b>483,332</b>	<b>17,123</b>	<b>515,209</b>

<sup>1</sup> See Note 2

#### Request for resources 1 – Supporting the Prime Minister’s Office closely in ensuring the delivery of Government objectives

The Cabinet Office’s under-spend of **£17.123 million** is predominantly attributable to lower than budgeted non-cash capital charges of depreciation.

Other under-spends are due to the introduction of tighter controls on most components on administration expenditure, including staffing levels, the employment of consultants, marketing and advertising, and ICT programmes.

The overspend on the Service Concession is due to higher costs related to the Fujitsu contract as a consequence of higher staffing levels due to the Machinery of Government transfers in year, and the overspend on Directgov is due to reclassification of expenditure as Resource, which had originally been budgeted for within Capital.

Detailed explanations of the variances are given in the section Cabinet Office Finances.

## 4. Reconciliation of outturn to net operating cost and against Administration Budget

### 4.1 Reconciliation of net resource outturn to net operating cost

	Note	2010-11			2009-10
		Outturn	Supply Estimate	Outturn compared with Estimate	Restated <sup>1</sup>
		£000			£000
Net Resource Outturn	3	466,209	483,332	17,123	515,209
Non-supply income (CFERs)	6	(2,518)	-	2,518	(402)
Non Supply Expenditure – CFSS Elections	11	102,200	102,200	-	95,300
Accounting policy change – remove cost of capital	1.3	-	-	-	(5,814)
<b>Net Operating Cost</b>		<b>565,891</b>	<b>585,532</b>	<b>19,641</b>	<b>604,293</b>

<sup>1</sup> See Note 2

### 4.2 Outturn against final Administration Budget

	Note	2010-11		2009-10
		Budget	Outturn	Restated <sup>1</sup>
		£000		£000
Gross Administration Budget – see Total Admin	3	280,673	241,464	251,208
Income allowable against the Administration Budget		(67,268)	(52,081)	(58,590)
Service Concession – Admin within Budget		9,200	11,289	4,213
Remove depreciation on dual reported PFI assets		-	(904)	(251)
Remove losses on sale of capital assets		-	-	(477)
Non Voted Use of Provision	25	1,712	2,543	2,193
<b>Net outturn against final Administration Budget</b>		<b>224,317</b>	<b>202,311</b>	<b>198,296</b>

<sup>1</sup> See Note 2

The Cabinet Office's administration budget under-spend is predominantly attributable to non-cash capital charges of depreciation. Further under-spends within administration spend are offset against a corresponding reduction in administration income. The remaining administration under-spend is offset by an overspend on programme budget.

Detailed explanations of the variances are given in the section Cabinet Office Finances.



## 5. Reconciliation of net resource outturn to cash requirement

		2010-11			2009-10
		£000	£000	£000	Restated <sup>1</sup>
		Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
Resource Outturn	4.1	483,332	466,209	17,123	515,209
Amounts relating to machinery of government transfer of function		-	-	-	(59,756)
Capital					
Acquisition of property, plant and equipment	14	12,541	12,805	(264)	15,085
Amounts relating to machinery of government transfer of function		-	-	-	(2,344)
Acquisition of intangible assets	15	-	17	(17)	2,596
Investments	17	648	244	404	662
Non-operating A in A					
Proceeds of asset disposals		(5)	(1)	(4)	(5,479)
Loan repayment	17	(20)	(20)	-	(20)
Accruals adjustments					
Non-cash items	10,11	(30,181)	(12,290)	(17,891)	(19,011)
Cost of capital	2	-	-	-	(5,814)
Adjustment to non-cash		-	69	(69)	(172)
Changes in working capital other than cash	5.1	18,897	(33,583)	52,480	20,680
Changes in non current payables		-	-	-	630
Use of provision	25	1,712	2,764	(1,052)	2,193
Amounts relating to machinery of government transfer of function		-	-	-	223
<b>Net cash requirement</b>		<b>486,924</b>	<b>436,214</b>	<b>50,710</b>	<b>464,682</b>

<sup>1</sup> See Note 2

Net Cash Requirement is under-spent against Estimate by **£50.710 million** due to changes in working capital being more than expected. This was primarily due to an increase in accruals of £14.7 million, an accrual for termination benefits of £11 million and a creditor to exporting departments relating to machinery of government transfers of £23 million.

Detailed explanations of the variances between Estimate and outturn are given in the section Cabinet Office Finances.

## 5.1 Changes in working capital other than cash within the reconciliation of resources to cash requirement at Note 5

		2010-11 £000	2009-10 Restated <sup>1</sup> £000
	<b>Note</b>		
(Increase)/Decrease in inventories	20	(240)	32
Increase in trade and other receivables	21	(69,147)	(5,543)
(Increase)/Decrease in non current assets	21	1,666	(2,077)
<i>less movements in debtors relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Movement in amounts receivable due to the Consolidated Fund when received		1,987	49
Amounts relating to machinery of government transfer of function		(2,518)	150
Amounts relating to Consolidated Fund Standing Services - Elections		48,527	-
Amounts relating to prepayment for service concession		-	(1,717)
Movement in amounts relating to provision for doubtful debt		(945)	(65)
Amounts relating to bad debt write off		(13)	(1)
Increase in trade payables and other liabilities	24	106,751	3,750
<i>less movements in creditors relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Amounts due to the Consolidated Fund for Supply		9,214	(7,393)
Amounts due to the Consolidated Fund for extra receipts		(2,115)	465
Movements in amounts relating to imputed finance lease	29.1	-	1,717
Amounts relating to novated assets		-	3
Amounts relating to machinery of government transfer of function		2,586	1,509
Amounts relating to Consolidated Fund Standing Services - Elections		(56,623)	(11,559)
Amounts due to the Consolidated Fund for non-voted receipts		(5,547)	-
<b>Changes in working capital other than cash</b>	<b>5</b>	<b>33,583</b>	<b>(20,680)</b>

<sup>1</sup> See Note 2

## 6. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2010-11		Outturn 2010-11	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	265	521
		-	-	<b>265</b>	<b>521</b>
Non-operating income and receipts – excess A in A		-	-	-	-
Other non-operating income and receipts not classified as A in A		-	-	2,253	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	<b>7</b>	-	-	<b>2,518</b>	<b>521</b>

## 7. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating and non-operating income payable to the Consolidated Fund

	Note	2010-11 £000	2009-10 Restated <sup>1</sup> £000
Operating income	12	57,448	60,570
Netted off in Statement of Comprehensive Net Expenditure			
Seconded staff	9	1,382	1,951
Gross income		58,830	62,521
Income authorised to be appropriated-in-aid	3	(56,312)	(62,119)
<b>Operating and non-operating income payable to the Consolidated Fund</b>	<b>6</b>	<b>2,518</b>	<b>402</b>

<sup>1</sup> See Note 2

## 8. Segmental Analysis

Segment	Gross Expenditure	Income	Net Expenditure	Estimate	2010-11 Variance Saving/ (Excess)	Gross Expenditure	Income	2009-10 Restated Net Expenditure	2010-11 Outturn compared with 2009-10 Outturn Saving/ (Excess)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Support to the Cabinet, Prime Minister and Deputy Prime Minister	61,245	(5,515)	55,730	58,635	2,905	64,493	(13,839)	50,654	(5,076)
Political and Constitutional Reform	8,029	(107)	7,922	9,132	1,210	8,179	(113)	8,066	144
National Security	67,016	(2,718)	64,298	61,154	(3,144)	71,922	(5,444)	66,478	2,180
Efficiency and Reform	293,781	(46,205)	247,576	247,308	(268)	308,758	(39,642)	269,116	21,540
Independent Business Units	6,495	(1,990)	4,505	4,637	132	5,879	(1,515)	4,364	(141)
	<b>436,566</b>	<b>(56,535)</b>	<b>380,031</b>	<b>380,866</b>	<b>835</b>	<b>459,231</b>	<b>(60,553)</b>	<b>398,678</b>	<b>18,647</b>
Consolidated Fund Standing Services (CFSS)	104,397	-	104,397	108,841	4,444	100,023	-	100,023	(4,374)
	<b>540,963</b>	<b>(56,535)</b>	<b>484,428</b>	<b>489,707</b>	<b>5,279</b>	<b>559,254</b>	<b>(60,553)</b>	<b>498,701</b>	<b>14,273</b>
Ring fenced depreciation and audit fee	9,069	-	9,069	27,903	18,834	10,465	-	10,465	1,396
<b>Total Resource DEL (RDEL)</b>	<b>550,032</b>	<b>(56,535)</b>	<b>493,497</b>	<b>517,610</b>	<b>24,113</b>	<b>569,719</b>	<b>(60,553)</b>	<b>509,166</b>	<b>15,669</b>

The segmental analysis has been prepared to align with the reporting of the Cabinet Office's structure, where units within the Department have been organised into pillars, which are represented by the segments shown above. Financial information is reported through a regular Performance Report, which adopts the segmental analysis shown above. The Performance Report is reviewed by the Cabinet Office Board, chaired by the Minister for the Cabinet Office, and also the Executive Management Committee (EMC), chaired by the Accounting Officer.

The 2009-10 figures have been fully restated to take account of changes within the Department during the year, related to the Machinery of Government transfers. The 2010-11 headcount figures for Cabinet Office have been apportioned across operating segments at Note 9 - Staff numbers and related costs.

The segmental analysis total net expenditure reconciles to the figures reported for Net Operating Cost at Figure 2(a) in the section Cabinet Office Finances - Performance against Parliamentary Control Totals. Explanations on variance may also be found in the section Cabinet Office Finances - Financial Review 2010-11, Statement of Comprehensive Net Expenditure. Income is presented on a budget basis in contrast to the accounts basis at Note 12 and Estimate basis at Note 3; a reconciliation is set out at Figure 2(a). An explanation of each segment is shown below.

### **Segment 1 - Support to the Cabinet, Prime Minister and Deputy Prime Minister**

Segment 1 provides support to the Cabinet, to drive the coherence, quality and delivery of policy and operations across departments, and provides support to the Prime Minister and Deputy Prime Minister, to define and deliver the government's objectives, implement political and constitutional reform, and drive forward from the centre particular cross-departmental priority issues.

### **Segment 2 - Political and Constitutional Reform**

Segment 2 covers the work of Political and Constitutional Reform, which provides support to the Deputy Prime Minister and Minister for Political and Constitutional Reform in delivering the wide-ranging political and constitutional reform agenda set out in the coalition's Programme for Government. Political and Constitutional Reform delivers day-to-day policy and operational work on issues relating to the constitutional structure of the UK and electoral law, policy and conduct and also includes the Office of the Privy Council, and supports ministerial sponsorship of the Independent Parliamentary Standards Authority (IPSA) and the Boundary Commissions for England and Wales.

### **Segment 3 - National Security**

Segment 3 covers the work of the National Security Secretariat (NSS), responsible for defence and foreign affairs as well as intelligence, security and resilience issues. NSS advises the Prime Minister and Ministers on the Government's response to cross-cutting strategic issues relating to intelligence and leads on intelligence assessment and priorities through the central intelligence machinery. It coordinates the Government's response to civil emergencies, terrorist incidents and international crises. It is also responsible for the Single Intelligence Account, which funds the work of the UK intelligence agencies. It works in partnership with all government units with a security or intelligence remit as well as the security and intelligence agencies.

### **Segment 4 - Efficiency and Reform**

Segment 4 covers the work carried out by the newly formed Efficiency and Reform Group (ERG). ERG was created in early 2010-11, and has brought together a range of functions previously scattered between departments (some functions were transferred to the Cabinet Office through a number of Machinery of Government changes in year), to lead and drive substantial changes and reforms in Civil Service HR, ICT, commercial and procurement, estates and other support functions.

### **Segment 5 - Independent Business Units**

Segment 5 covers the Independent Business Units which are hosted by the Cabinet Office. The Cabinet Office is often tasked to lead with inquiries, reports, and other areas of work which require independence, but which work across a number of Departments. The work covered by this segment includes the Iraq Inquiry, Detainee Inquiry, Independent Offices, Committee for Standards in Public Life and the Intelligence and Security Committee.

### **Consolidated Fund Standing Services**

Consolidated Fund Standing Services include election expenses set out at Note 11 to the accounts and the salaries and pension costs of UK Members of the European Parliament (MEPS) set out at Figure 2(a) in the section Cabinet Office Finances – Performance against Parliamentary Control Totals.

## 9. Staff numbers and related costs

Staff costs comprise:

	2010-11 £000				2009-10 Restated <sup>1</sup> £000	
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
Wages and salaries	84,246	82,055	-	222	1,969	85,555
Social security costs	7,627	7,393	-	17	217	7,791
Other pension costs	16,146	15,896	-	-	250	16,516
Agency/temporary	8,630	-	8,630	-	-	14,314
Termination benefits	11,006	11,006	-	-	-	-
<b>Sub total</b>	<b>127,655</b>	<b>116,350</b>	<b>8,630</b>	<b>239</b>	<b>2,436</b>	<b>124,176</b>
Inward secondments	4,658	4,658	-	-	-	6,971
<b>Total</b>	<b>132,313</b>	<b>121,008</b>	<b>8,630</b>	<b>239</b>	<b>2,436</b>	<b>131,147</b>
Less:						
Recoveries in respect of outward secondments	(1,382)	(1,382)	-	-	-	(1,951)
<b>Total net costs<sup>2</sup></b>	<b>130,931</b>	<b>119,626</b>	<b>8,630</b>	<b>239</b>	<b>2,436</b>	<b>129,196</b>

<sup>1</sup>See Note 2

<sup>2</sup>Of the total, £Nil has been charged to capital (2009-10: £Nil)

During the year, costs of **£16,145,669** were incurred in respect of pensions (2009-10 Restated: **£16,516,199**).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Cabinet Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2010-11, employers' contributions of **£15,750,815** were payable to the PCSPS (2009-10 Restated: **£15,823,882**) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of **£134,236** (2009-10: **£141,981**) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of **£10,243** (2009-10: **£10,713**), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death-in-service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the Statement of Financial Position date were £15,576 (2009-10: £11,336). Contributions prepaid at that date were £Nil (2009-10: £Nil). Special advisers' pension costs incurred during the year were **£250,375** (2009-10: **£539,623**). During the year two individuals (2009-10: one individual) retired early on ill-health grounds; the total additional annual pension granted to them amounted to £4,250 (2009-10: £Nil).

## 9. Staff numbers and related costs (continued)

### Average number of persons employed

The average number of whole-time equivalent persons employed, including agency/temporary staff, during the year was as follows:

Operating Segments	2010-11 Number				
	Total	Permanently employed staff <sup>1</sup>	Others <sup>2</sup>	Ministers	Special Advisers
Support to Cabinet, Prime Minister and Deputy Prime Minister	560	525	5	4	26
National Security	317	314	2	1	–
Political and Constitutional Reform	86	82	3	1	–
Efficiency and Reform	878	836	41	1	–
<b>Total</b>	<b>1,841<sup>3</sup></b>	<b>1,757</b>	<b>51</b>	<b>7</b>	<b>26</b>
<b>Total 2009-10 Restated<sup>5</sup></b>	<b>1,961<sup>4</sup></b>	<b>1,743</b>	<b>177</b>	<b>6</b>	<b>35</b>

<sup>1</sup> Permanent staff headcount as at 31 March 2011 is further analysed at Table 5 in the Section Cabinet Office Finances – Public Expenditure Data where headcount is presented as actual headcount at 31 March

<sup>2</sup> 'Others' category represents agency/temporary staff

<sup>3</sup> No staff were engaged on capital projects

<sup>4</sup> It is not practicable to restate by segment

<sup>5</sup> See Note 2

## 9.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit package	2010-11			2009-10 Restated
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	–	15	15	–
£10,000 - £25,000	–	51	51	–
£25,000 - £50,000	–	49	49	–
£50,000 - £100,000	–	56	56	–
£100,000- £150,000	–	24	24	–
£150,000- £200,000	–	3	3	–
£200,000- £250,000	–	1	1	–
£250,000- £300,000	–	2	2	–
<b>Total number of exit packages</b>	–	<b>201</b>	<b>201</b>	–
<b>Total resource cost</b>	–	<b>£11,096,662</b>	<b>£11,096,662</b>	–

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year in which the departure was agreed as binding. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The termination benefits of **£11,006,146** are accrued and cash payments of **£90,516** relating to termination benefits are included in wages and salaries. The combined total cost of **£11,096,662** is included in the exit package table.

In addition, accounting provision has been made for some cases of early departures in the amount of **£1.030 million** (2009-10: **£0.757 million**); a table of disclosures is included at Note 25.



## 10. Other administration costs

	Note	2010-11 £000	2009-10 Restated <sup>1</sup> £000
<b>Rentals under operating leases</b>			
Hire of plant and machines <sup>2</sup>		(161)	212
Land and buildings		<u>5,998</u>	<u>4,502</u>
<b>Total rentals under operating leases</b>		<b>5,837</b>	<b>4,714</b>
<b>Other</b>			
Accommodation and utilities		31,367	30,503
IT costs		16,260	18,998
Consultancy		7,025	19,467
Supplies and services		27,027	13,877
Other staff-related costs		9,321	11,436
Travel, subsistence and hospitality		<u>6,511</u>	<u>10,919</u>
<b>Total other</b>		<b>97,511</b>	<b>105,200</b>
<b>Non-cash items</b>			
Depreciation	14	8,205	8,318
Release of donated asset reserve		(51)	(49)
Amortisation	15	900	2,132
Gain/Loss on disposal of property, plant and equipment		-	369
Loss on disposal of donated assets		-	108
Release from donated asset reserve		-	(108)
Auditors' remuneration and expenses <sup>3</sup>		<u>321</u>	<u>262</u>
<b>Total non-cash items</b>		<b>9,375</b>	<b>11,032</b>
<b>Total</b>		<b>112,723</b>	<b>120,946</b>

<sup>1</sup> See Note 2

<sup>2</sup> The credit in 2010-11 represents the reversal of an accrual established in 2009-10

<sup>3</sup> During the year the department did not purchase any non-audit services from its auditors, the National Audit Office (2009-10 : £Nil)

## 11. Programme costs

		2010-11 £000	2009-10 Restated <sup>1</sup> £000
	<b>Note</b>		
<b>PFI service charges</b>	3	<b>12,930</b>	<b>4,213</b>
<b>Other</b>			
Consultancy		2,107	8,036
Election Expenditure (CFSS) <sup>2</sup>		102,200	95,300
Grant fund management services		5,726	7,926
IT costs		1,237	618
Other staff-related costs		1,154	1,647
Supplies and services		26,181	24,999
Telecommunications		6,345	6,710
Lord Lieutenants' Expenses		1,303	847
Travel, subsistence and hospitality		141	201
<b>Total other</b>		<b>146,394</b>	<b>146,284</b>
<b>Resource Grants to Local Authorities</b>			
Civil Defence Grant		606	606
Invest to Save Bid Projects		-	927
Getting There First		-	240
SMEs in the Community		-	50
Young Foundation		-	606
Other		8	-
<b>Resource Grants to Private Sector</b>			
Futurebuilders		-	1,426
v		42,500	44,235
Strategic Programme		5,588	5,739
Participation		3,357	3,021
Grassroots Grants and Targeted Support Fund		27,887	28,574
Social Enterprise		239	948
Public Service Delivery		250	743
Compact		308	304
Hardship Fund		-	16,925
Local Response Capability		10	-
National Citizen Service (NCS)		2,562	-
Transition Fund		9,057	-
Other		339	795
<b>Resource Grants to NDPBs</b>			
Participation		250	-
<b>Resource Grants to Central Government Bodies</b>			
Participation		1,500	1,000
Social Enterprise		1,950	1,975
Public Service Delivery		-	100
Charity Act Implementation		232	223
Office for Civil Society general research programme		2,219	2,305
Skills Strategy Development		250	250
Other		11	-
<b>Capital Grants to Local Authorities</b>			
Community Assets		7,102	12,191
<b>Capital Grants to Private Sector</b>			
Futurebuilders		36,125	50,383
Community Assets		1,468	3,869
Grassroots Grants and Targeted Support Fund		21,740	18,565
<b>Capital Grants to NDPBs and other Central Government Bodies</b>			
Participation		5,000	5,000
<b>Grants-in-Aid to Civil Service Welfare Bodies</b>		1,960	2,097
<b>Grants-in-Aid to Private Sector</b>			
v		4,750	4,500
Youth Volunteering		1,060	1,060
Participation		5,482	5,407
Chequers Trust		772	812

## 11. Programme costs (continued)

		2010-11 £000	2009-10 Restated <sup>1</sup> £000
<b>Grants-in-Aid to Executive Non-Departmental Public Bodies</b>			
		30,855	39,377
		1,600	1,992
		409	-
<b>Total resource and capital grants</b>	3	<b>217,446</b>	<b>256,245</b>
<b>Sub-total</b>		<b>376,770</b>	<b>406,742</b>
<b>Non-cash items</b>			
Depreciation	14	305	4
Impairment- PPE	14	543	10,040
Impairment - Intangible assets	15	-	253
Impairment write back - Intangible assets	15	-	(3,447)
Impairment - loan	17	352	-
Provision provided for in year	25	708	925
Unwinding of discount on provisions	25	49	139
Bad debt write off		14	-
Provision for doubtful debt	21	944	65
<b>Total non-cash items</b>		<b>2,915</b>	<b>7,979</b>
<b>Total</b>		<b>379,685</b>	<b>414,721</b>

<sup>1</sup>See Note 2

<sup>2</sup>Election Expenditure is funded from the Consolidated Fund as a Standing Service (CFSS)

## 11.1 Programme costs analysed by programme

	Note	2010-11 £000	2009-10 Restated £000
<b>PFI service charges</b>	3	<b>12,930</b>	<b>4,213</b>
<b>National Security Secretariat</b>			
SCOPE Programme residual costs		151	1
Government Security Zone		1,010	965
Information Assurance Technical Programme		1,723	1,726
Electronic Communications Assurance Programme		-	860
Resilient Telecommunications		4,072	3,472
BBC Monitoring		25,624	24,610
Gold Standard		95	133
Emergency Planning College		(20)	673
Civil Contingencies Secretariat: London Fire and Emergency Planning Authority		606	606
Local Response Capability Resource Grants		10	-
Research and Doctrine		64	171
Cyber Security		29	64
Olympic Resilience		84	-
<b>Total National Security Secretariat</b>		<b>33,448</b>	<b>33,281</b>
<b>Office of the Government CIO &amp; SIRO</b>			
Common Good Information Assurance Research		93	5,004
Government Cloud		(70)	330
Public Service Network		1,044	306
<b>Total Office of the Government CIO &amp; SIRO</b>		<b>1,067</b>	<b>5,640</b>
<b>Domestic Policy Group</b>			
Getting There First Resource Grants		-	240
SMEs in the Community Resource Grants		-	50
Young Foundation Resource Grants		-	92
Other Resource Grants		8	-
<b>Total Domestic Policy Group</b>		<b>8</b>	<b>382</b>
<b>Constitution Group</b>			
Election Expenses		102,200	95,300
Lord Lieutenants' Expenses		1,303	847
Boundary Commissions' Expenditure		238	65
Resource Grants		-	519
Other		121	-
<b>Total Constitution Group</b>		<b>103,862</b>	<b>96,731</b>
<b>Office for Civil Society</b>			
Capacitybuilders: Grant-in-Aid		30,855	39,377
Futurebuilders: Resource Grants		-	1,426
Capital Grants		36,125	50,383
Other expenditure		3,162	5,101
<b>v:</b> Resource Grants		42,500	44,235
Grant-in-Aid		4,750	4,500
Youth Volunteering: Grant-in-Aid		1,060	1,060
Strategic Programme: Resource Grants		5,588	5,739
Participation: Resource Grants		5,107	4,021
Capital Grants		5,000	5,000
Grant-in-Aid		5,482	5,407
Other expenditure		498	563

## 11.1 Programme costs analysed by programme (continued)

		2010-11 £000	2009-10 Restated £000
Community Assets:			
Capital Grants		8,570	16,060
Other expenditure		413	439
Grassroots Grants and Targeted Support Fund:			
Resource Grants		27,887	28,574
Capital Grants		21,740	18,565
Other expenditure		838	1,221
Social Enterprise:			
Resource Grants		2,189	2,924
Other expenditure		111	284
Risk Capital Fund for Social Enterprise:			
Other expenditure		15	57
Public Service Delivery:			
Resource Grants		250	843
Other expenditure		807	929
Compact:			
Resource Grants		308	304
Grant-in-Aid		1,600	1,992
Other expenditure		-	(1)
Invest to Save Bid Projects:			
Resource Grants		-	927
Charity Act Implementation:			
Resource Grants		232	223
Other expenditure		31	188
Hardship Fund:			
Resource Grants		-	16,920
Other expenditure		-	737
National Citizen Service (NCS)			
Resource Grants		2,562	-
Other expenditure		3	-
Transition Fund			
Resource Grants		9,057	-
Other expenditure		942	-
Office for Civil Society general research programme		2,219	2,305
Skills Strategy Development			
Resource Grants		250	250
Other:			
Resource Grants		341	795
Other expenditure		1,163	481
<b>Total Office for Civil Society</b>		<b>221,655</b>	<b>261,829</b>
<b>Civil Service Commission</b>			
Grant-in-Aid		409	-
<b>Total Civil Service Commission</b>		<b>409</b>	<b>-</b>
<b>Other</b>			
Resource Grants		10	-
Grant-in-Aid		2,731	2,909
Other expenditure		650	1,757
<b>Total Other</b>		<b>3,391</b>	<b>4,666</b>
<b>Sub total</b>		<b>376,770</b>	<b>406,742</b>
<b>Non-cash items</b>			
Depreciation	14	305	4
Impairment- PPE	14	543	10,040
Impairment – Intangible assets	15	-	253
Impairment write back – Intangible assets	15	-	(3,447)
Impairment - loan	17	352	-
Provision provided for in year	25	708	925
Unwinding of discount on provisions	25	49	139
Bad debt write off		14	-
Provision for doubtful debt	21	944	65
<b>Total non-cash items</b>		<b>2,915</b>	<b>7,979</b>
<b>Total</b>		<b>379,685</b>	<b>414,721</b>

## Notes

### National Security Secretariat

**SCOPE Programme** – IT system similar to COIN worked between the Intelligence Agencies. Scope 2 was abandoned in 2008-09.

**Government Security Zone** – A programme to deliver improved protective security measures in the Whitehall area.

**Information Assurance Technical Programme** - The IATP is a Ministry of Defence (MOD)/Communications-Electronics Security Group (CESG) portfolio programme to develop a range of information assurance capabilities to support cross-departmental requirements.

**Electronic Communications Assurance Programme** - UK secure communications.

**Resilient 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.

**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.

Serco was appointed in April 2010 by the Cabinet Office to manage and operate the **Emergency Planning College (EPC)**, under a contract over 15 years. Serco will have responsibility for all services at the EPC, including training delivery and support, sales and marketing, finance, estate management, information and communications technology, and security.

**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.

**Research and Doctrine** – A programme of independent research for the Civil Contingencies Secretariat.

**Cyber Security** – Protecting cyber space and enhancing cyber security in the UK.

Civil Contingencies Secretariat (CCS) has been commissioned and funded by Olympic Security Directorate, Home Office to deliver the **Olympic Resilience** Project. The project will ensure that multi-agency plans and capabilities are in place so that the consequences of key risks to the safety and security of the Games can be managed. Delivery of the project requires CCS to work collaboratively with Local Resilience Forums (LRFs) to determine the resilience requirement, put additional plans and capabilities in place and validate and assure these. This builds on existing practices and will create a strong legacy for the future.

### Office of the Government Chief Information Officer (CIO) and Senior Information Risk Owner (SIRO)

**Common Good Information Assurance Research** – Core funding for Information Assurance Research at Communications-Electronics Security Group (CESG), the National Technical Authority for Information Assurance (part of Government Communications Headquarters (GCHQ)).

The **Government Cloud (G-Cloud)** programme encompasses the G-Cloud, Application Store for Government (ASG) and Data Centre Consolidation strategy strands. The G-Cloud Programme will transform the way ICT is delivered across the Public Sector, through introducing shared, re-usable ICT services that will be used by multiple public sector organisations, giving rise to financial savings, environmental benefits and enabling the faster and more effective delivery of enhanced services to citizens and employees. The programme receives support from numerous other major government departments both through funding and through voluntary manpower.

The aim of the **Public Sector Network (PSN)** programme is to create a network of networks providing secure fixed and mobile communications operating to common standards. The PSN objective is for the whole Public Sector (e.g. the Government Secure Intranet and Managed Telephony System central and local government) to transition from current environments (e.g. the Government Secure Intranet and Managed Telephony System) and be fully operational on PSN services by 2020. The Public Sector Network strategy will generate a single telecommunications service supporting email, telephony and other services (e.g. video conferencing) along with a supporting network. It will take the procurement of network services into the 21st century, by creating a centrally managed standard design to save time and money and enable the easier, yet more secure, sharing of services and information.

### Domestic Policy Group

The Innovators Council provided grant funding for each of the following projects in financial year 2009-10.

#### Getting There First

Total: £240,000 (£120,000 for each authority)

To test at Southwark and Barking & Dagenham the importance of flexibility in supporting different segments of the population through and out of the Global recession, as well as the potential for public services to be much more creative in how they think about supporting individuals and communities.

#### SMEs in the Community

Total: £50,000 (£50,000 for the University of Hertfordshire)

To explore how the use of predictive scoring and modelled data can inform the direction of enterprise support for economically and socially excluded groups. The study will look at the local community and its business base to identify those in greatest need (e.g. the 500 most deprived families in Hertfordshire). The University will establish an Enterprise Academy to offer a route to economic activity by providing options for further learning, jobs and voluntary activity that leads to employment.

**Young Foundation**

Total: £92,000 comprising £75,000 (£25,000 for each authority) and £17,000 has been provided separately to South Tyneside for them to tender a full evaluation of the work undertaken by the three authorities.

To test a number of innovative ways to develop very local partnerships between services and communities in Essex, South Tyneside and Barnsley around five emerging themes: local innovation brokers; community dividends; maximising the use of public assets; new local and national performance measures; and improved local partnerships. Full details of the projects can be found at [www.hmg.gov.uk/innovation](http://www.hmg.gov.uk/innovation)

**Constitution Group**

Constitution Group has 5 separate areas of spend which are classed as Programme spend: Electoral Registration Transformation Programme, Lord Lieutenants' Expenses, Boundary Commissions for England and Wales and Election Expenses.

**Electoral Registration Transformation Programme**

The Electoral Registration Transformation Programme (ERTP) supports the implementation of Individual Electoral Registration (IER), to tackle electoral fraud and improve electoral registration. This is a key part of the political reform package in the Coalition Agreement. Cabinet Office Ministers have approved a timetable for implementation in 2014. The programme will run for the duration of the Spending Review period (to 2014/15).

**Lord Lieutenants' Expenses**

The Parliament and Constitution Division is responsible for making certain expenses payments to Her Majesty's Lord-Lieutenants.

**Boundary Commissions for England and Wales**

The Boundary Commissions for England and Wales are currently carrying out reviews of the boundaries of Parliamentary constituencies in their respective areas. The reviews are being conducted in accordance with the Parliamentary Voting System and Constituencies Act 2011 which provides for a reduction in the number of constituencies and for more equal sized constituencies. The Boundary Commissions are working to a deadline of October 2013 for the current reviews to be completed. Thereafter, a general review must be conducted every 5 years by each Boundary Commission.

**Election Expenses**

These expenses relate to the conduct of the poll in England and Wales for the 2010 UK Parliamentary General Election held on 5 May 2010 and by-elections financed from the Consolidated Fund as standing services that do not require annual approval from Parliament. They include the expenses of Returning Officers at the 2010 general election and purchases of equipment in relation to the conduct of the poll and delivery of elections addresses at public expense. This expenditure will be reported upon in full in the Returning Officers' Expenses, England & Wales, Statement of Accounts 2010-11.

**Office for Civil Society**

**Capacitybuilders** - To help civil society 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. Capacity Builders (UK) Limited closed on 31 March 2011.

**Futurebuilders** provides investment via grants and loans for civil society organisations delivering public services. Futurebuilders is managed under an agreement between the Minister for the Cabinet Office and Futurebuilders England Fund Management Limited which is under the ownership of the Adventure Capital Fund (ACF). ACF was accountable to the Minister for the propriety and efficiency of the Fund.

**v** - Project funded by the Office for Civil Society aimed at encouraging volunteering and increasing the number of opportunities for young volunteers. **v** are an independent charity established by the then government on 8th May 2006. Under a tri-partite agreement between Her Majesty's Treasury, Cabinet Office and **v**, the Treasury has match funded money **v** raises from the private sector on a pound-for-pound basis.

**Youth Volunteering** - To provide support for volunteering opportunities for young people.

**Strategic Programme** - Grants to civil society 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.

**Community Assets** - Grants for refurbishment of local authority buildings, to ensure that high-quality spaces and facilities are transferred to community ownership.

**Grassroots Grants and the Targeted Support Fund** - Grants to support the activities of small and local community groups. The Targeted Support Fund only ran during 2009-10.

**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.

**Risk Capital Fund for Social Enterprise** – Risk capital investments in social enterprises through the Office for Civil Society partnership with Bridges Ventures Limited.

**Public Service Delivery** - Enabling better service delivery by civil society organisations 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 has been largely delivered through an eNDPB, Commission for the Compact Limited which closed on 31 March 2011.

**Invest to Save Bid (ISB) Projects** - A joint Treasury/Cabinet Office initiative with an aim to create sustainable improvements in the capacity of civil society organisations to deliver public services in a more joined up manner. The programme ended in 2009-10.

**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.

**Hardship Fund** – 2009-10 funding for civil society organisations that are suffering financial hardship that is impacting on their ability to deliver services in health and social care, housing support, education and training, and advice, information and guidance.

**National Citizen Service** - brings 16 year olds from different backgrounds together in a residential and home-based programme of activity and is delivered through a series of grant agreements with delivery partners. NCS is a key part of the Big Society agenda and is designed to promote a more cohesive, responsible and engaged society.

**Transition Fund** - A transition fund was announced as part of the Spending Review and will provide £100 million funding to voluntary and community organisations, charities and social enterprises in England. This gives them the breathing space they need to enable them to manage the transition to a tighter funding environment, and to take advantage of future opportunities presented by the Big Society.

**Office for Civil Society** - general research programme, including funding for external Research Centres such as the Third Sector Research Centre.

Payment to support **Skills-Third Sector** – an organisation established to support the voluntary, community and social enterprise sector to have the right people with the right skills to deliver their ambitions.

## Civil Service Commission

The primary functions of the **Civil Service Commission** are to ensure that selection to Civil Service appointments is on merit and on the basis of fair and open competition; and to hear and determine appeals raised by civil servants under the Civil Service Code. The Office of the Civil Service Commission was an independent office within the Cabinet Office until 11 November 2011, when the Civil Service Commission became an executive non-departmental public body, sponsored by the Cabinet Office. It comprises the Civil Service Commissioners and staff, and is independent of Government and of the Civil Service. The activities of the Commission are funded by grant-in-aid from the Cabinet Office.



## 12. Income

	2010-11 £000	2009-10 Restated <sup>1</sup> £000
<b>Administration</b>		
<b>Civil Service Pensions</b>		
Central management of Principal Civil Service Pension Scheme	17,155	9,862
Civil Service Pensions Transformation Project	7,217	5,818
<b>Office of Government Commerce</b>		
Products, Programme and Project Management Assurance	8,627	8,634
<b>Office of Parliamentary Counsel</b>		
Services of the Office of the Parliamentary Counsel	4,026	11,815
<b>Other</b>		
Rental income on freehold properties	594	1,524
Emergency Planning College events	136	3,033
Departmental Capability Reviews	-	1,157
Fast Stream	2,192	2,220
Government Gateway Strategic Support Programme	2,360	2,860
Employee Engagement Programme	1,310	1,615
Iraq Inquiry	1,469	1,450
Various cost recoveries	5,614	6,637
<b>Income payable to the Consolidated Fund</b>	<u>29</u>	<u>13</u>
<b>Total Administration Income</b>	<b>50,729</b>	<b>56,638</b>
<b>Programme</b>		
<b>National Security Secretariat</b>		
SCOPE Programme	-	45
Government Security Zone	163	153
Gold Standard	16	35
<b>Office for Civil Society</b>		
National Citizen Service	1,500	-
Interest income on loan	6	-
Public Service Delivery	-	500
<b>Office of the Government CIO &amp; SIRO</b>		
Government Cloud	100	372
Public Service Network	173	330
<b>Office of Government Commerce</b>		
Dividends	2,092	2,106
<b>Other</b>		
Various cost recoveries	181	2
<b>Income payable to the Consolidated Fund</b>	<u>2,488</u>	<u>389</u>
<b>Total Programme Income</b>	<b>6,719</b>	<b>3,932</b>
<b>Total</b>	<b>57,448</b>	<b>60,570</b>

<sup>1</sup>See Note 2

### Notes on sources of income and cost sharing arrangements

Before 1 April 2010 the Cabinet Office acted as manager of the **Principal Civil Service Pension Scheme (PCSPS)** and was responsible for meeting the central costs of administration and governance. These costs included the provision of pensions administration software to Authorised Pension Administration Centres and the management of pension records and payments. These costs were met by an element of the accruing superannuation liability charge, paid by employers, being appropriated in aid by the Cabinet Office. Separately, employers participating in the PCSPS arrangements met the costs of administration for their active employees by paying their APAC.

From 1 April 2010 the public sector Authorised Pension Administration Centres were consolidated to form MyCSP. The Cabinet Office is responsible for scheme governance and MyCSP is responsible for all pensions administration. The sums previously paid by employers to public sector Authorised Pension Administration Centres are now paid to MyCSP. Cabinet Office is responsible for meeting central costs including the element of MyCSP costs not covered by the sums paid by employers. These costs are met by an element of the accruing superannuation liability charge, paid by employers, being appropriated in aid by the Cabinet Office.

Under **The Civil Service Pensions Transformation Project**, MyCSP is working to implement an improved and more cost effective pensions delivery structure.

### Products, Programme and Project Management Assurance

The Cabinet Office receives income from the sales of **product** publications and from fees for accreditation and examination of practitioners. The products, e.g. PRINCE2, have been developed to support best practice in key areas of project and programme management. The

income comes from public and private sector organisations in the UK and overseas. The Cabinet Office undertakes reviews of major **projects and programmes** in government departments. These include Gateway TM Reviews, Assurance of Action Plans and Starting Gate. In general, the work is undertaken by civil servants but where consultants are required e.g. because civil servants are unavailable, Cabinet Office recover the cost of consultancy from departments.

**The Office of the Parliamentary Counsel (OPC)** drafts Government Bills for introduction into Parliament, advises on related Parliamentary procedure and drafts or vets subordinate legislation which amends or has a significant impact on primary legislation. They also advise the Government on certain constitutional matters (e.g. Ministerial appointments, elections, Parliamentary and the Royal prerogative). The Cabinet Office provides the funding for approximately 60% of the costs of the OPC, with the balance coming from Departments who use the OPC's services. The contributions from Departments are based on their usage of the OPC's services over the previous 4 year period.

Serco was appointed in April 2010 by the Cabinet Office to manage and operate the **Emergency Planning College (EPC)**, under a contract over 15 years. Serco will have responsibility for all services at the EPC, including training delivery and support, sales and marketing, finance, estate management, information and communications technology, and security.

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. Cabinet Office did not undertake any capability reviews during 2010-11.

The Fast Stream is an accelerated development graduate entry programme to the civil service with the objective of being a feeder route to the senior civil service. The Cabinet Office leads on the policy and designs, develops and runs a number of Fast Stream schemes each year including the Graduate Fast Stream Scheme, the Analytical Fast Stream Scheme, the Technology in Business Fast Stream Scheme, the HR Fast Stream Scheme, the European Fast Stream Scheme, the Northern Ireland Fast Stream Scheme and the In-Service Fast Stream Scheme. All government departments participate in the schemes and they contribute towards the costs incurred by the Cabinet Office for attraction, recruitment and assignment.

The e-Delivery Team (eDT), part of Transformational Government (TGov) put in place a regime where the Department for Work and Pensions (DWP), HM Revenue and Customs and Communities and Local Government departments have signed a concordat to share a cost of £90 million for **Government Gateway Strategic Support Programme (GGSSP)** from 1 April 2006 to 31 March 2011. This was originally funded by the Cabinet Office and the cost would be recouped from the stakeholders. eDT, moved from TGov to DWP on 1 April 2008 under a Machinery of Government transfer and the funds are now to be recouped from DWP in respect of Cabinet Office's funding of GGSSP assets for current infrastructure and prior investments.

The **Employee Engagement Programme** includes the Civil Service People Survey which is an annual survey of staff perceptions across the Civil Service and provides key people metrics to help drive business improvement. The survey is provided by an external contractor, the cost of this plus the cost of the programme team based in the Cabinet Office is fully recharged to the participating Departments and Agencies.

The Department for International Development (DFID), Ministry of Defence (MOD) and Foreign & Commonwealth Office (FCO) contributed toward the costs of the **Iraq Inquiry** in 2010-11 and 2009-10.

#### National Security Secretariat

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.

#### Office for Civil Society

**National Citizen Service (NCS)** brings 16 year olds from different backgrounds together in a residential and home-based programme of activity and is delivered through a series of grant agreements with delivery partners. NCS is a key part of the Big Society agenda and is designed to promote a more cohesive, responsible and engaged society. Department for Communities and Local Government have contributed to the start up of the pilot phase of the programme in 2010-11.

#### Office of Government Commerce

The Cabinet Office received **dividends** for its holding in the Buying Solutions Trading Fund; see Note 17.

## 13. Analysis of net operating cost by spending body

	2010-11		2009-10
	Estimate	Outturn	Restated <sup>1</sup>
	£000	£000	£000
<b>Spending body:</b>			
Core Department	265,171	348,446	348,048
Capacity Builders (UK) Limited (eNDPB)	30,855	30,855	39,377
Commission for the Compact Limited (eNDPB)	1,600	1,600	1,992
Civil Service Commission (eNDPB)	538	408	-
Total grants to local authorities	606	7,716	14,620
Total grants to other bodies	184,562	176,866	200,256
<b>Net Resource Requirement/</b>			
<b>Net Operating Cost</b>	<b>483,332</b>	<b>565,891</b>	<b>604,293</b>

<sup>1</sup>See Note 2

## 14.1 Property, plant and equipment

	Land £000	Buildings £000	Dwellings £000	Information Technology £000	Plant & Machinery £000	Furniture & Fittings £000	Art & Antiques £000	Payments on Account & Assets under Construction £000	Total £000
<b>Cost or valuation</b>									
<b>At 1 April 2010<sup>1</sup></b>	<b>36,013</b>	<b>108,281</b>	<b>24,765</b>	<b>9,914</b>	<b>5,266</b>	<b>1,507</b>	<b>10,252</b>	<b>4,545</b>	<b>200,543</b>
Additions	-	2,116	-	2,361	42	11	-	8,275	12,805
Donations	-	-	-	-	-	-	399	-	399
Disposals <sup>2</sup>	-	-	-	(4,064)	(201)	(137)	-	-	(4,402)
Impairment <sup>3</sup>	-	(1,145)	-	(62)	(98)	-	-	-	(1,305)
Reclassifications	880	3,192	-	452	203	-	-	(4,727)	-
Revaluations <sup>3</sup>	2,648	7,838	1,787	-	-	3	1,581	-	13,857
<b>At 31 March 2011</b>	<b>39,541</b>	<b>120,282</b>	<b>26,552</b>	<b>8,601</b>	<b>5,212</b>	<b>1,384</b>	<b>12,232</b>	<b>8,093</b>	<b>221,897</b>
<b>Depreciation</b>									
<b>At 1 April 2010<sup>1</sup></b>	-	<b>8,113</b>	<b>860</b>	<b>5,505</b>	<b>2,961</b>	<b>1,079</b>	-	-	<b>18,518</b>
Charged in year	-	4,210	865	2,537	774	124	-	-	8,510
Disposals <sup>2</sup>	-	-	-	(4,064)	(201)	(137)	-	-	(4,402)
Impairment <sup>3</sup>	-	(762)	-	-	-	-	-	-	(762)
Reclassifications	-	(26)	-	-	26	-	-	-	-
Revaluations <sup>3</sup>	-	627	119	(32)	(66)	2	-	-	650
<b>At 31 March 2011</b>	-	<b>12,162</b>	<b>1,844</b>	<b>3,946</b>	<b>3,494</b>	<b>1,068</b>	-	-	<b>22,514</b>
<b>Net book value at 31 March 2011</b>	<b>39,541</b>	<b>108,120</b>	<b>24,708</b>	<b>4,655</b>	<b>1,718</b>	<b>316</b>	<b>12,232</b>	<b>8,093</b>	<b>199,383</b>
<b>Net book value at 31 March 2010 Restated</b>	<b>36,013</b>	<b>100,168</b>	<b>23,905</b>	<b>4,409</b>	<b>2,305</b>	<b>428</b>	<b>10,252</b>	<b>4,545</b>	<b>182,025</b>
<b>Asset financing:</b>									
Owned	39,541	108,120	24,708	4,099	1,718	316	12,232	8,093	198,827
On-Statement of Financial Position PFI contract	-	-	-	556	-	-	-	-	556
<b>Net book value at 31 March 2011</b>	<b>39,541</b>	<b>108,120</b>	<b>24,708</b>	<b>4,655</b>	<b>1,718</b>	<b>316</b>	<b>12,232</b>	<b>8,093</b>	<b>199,383</b>

<sup>1</sup> Restated opening balances

<sup>2</sup> Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use. Plant and machinery includes the disposal of a motor vehicle

<sup>3</sup> 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

## 14.2 Property, plant and equipment

	Land £000	Buildings £000	Dwellings £000	Information Technology £000	Plant & Machinery £000	Furniture & Fittings £000	Art & Antiques £000	Payments on Account & Assets under Construction £000	Total £000
<b>Cost or valuation</b>									
<b>At 1 April 2009<sup>1</sup></b>	<b>39,535</b>	<b>107,436</b>	<b>27,019</b>	<b>15,173</b>	<b>6,932</b>	<b>2,713</b>	<b>10,289</b>	<b>3,756</b>	<b>212,853</b>
Additions	-	4,282	-	1,275	(124)	55	-	9,597	15,085
Donations	-	-	-	-	-	-	58	-	58
Disposals <sup>2</sup>	-	(4,086)	-	(442)	(1,542)	(1,278)	(217)	-	(7,565)
Transfers out <sup>3</sup>	-	-	-	(3,363)	-	-	-	-	(3,363)
Impairment Programme <sup>5</sup>	(659)	(3,491)	(1,469)	(2,801)	-	-	-	-	(8,420)
Reclassifications	(952)	9,688	-	72	-	-	-	(8,808)	-
Revaluations <sup>4</sup>	(1,911)	(5,548)	(785)	-	-	17	122	-	(8,105)
<b>At 31 March 2010</b>	<b>36,013</b>	<b>108,281</b>	<b>24,765</b>	<b>9,914</b>	<b>5,266</b>	<b>1,507</b>	<b>10,252</b>	<b>4,545</b>	<b>200,543</b>
<b>Depreciation</b>									
<b>At 1 April 2009<sup>1</sup></b>	-	<b>7,816</b>	-	<b>5,098</b>	<b>3,694</b>	<b>2,078</b>	-	-	<b>18,686</b>
Charged in year	-	4,028	871	2,370	787	266	-	-	8,322
Disposals <sup>2</sup>	-	(4,086)	-	(442)	(1,542)	(1,278)	-	-	(7,348)
Transfers out	-	-	-	(1,332)	-	-	-	-	(1,332)
Impairment Programme <sup>5</sup>	-	1,787	-	(189)	22	-	-	-	1,620
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations <sup>4</sup>	-	(1,432)	(11)	-	-	13	-	-	(1,430)
<b>At 31 March 2010</b>	-	<b>8,113</b>	<b>860</b>	<b>5,505</b>	<b>2,961</b>	<b>1,079</b>	-	-	<b>18,518</b>
<b>Net book value at 31 March 2010</b>	<b>36,013</b>	<b>100,168</b>	<b>23,905</b>	<b>4,409</b>	<b>2,305</b>	<b>428</b>	<b>10,252</b>	<b>4,545</b>	<b>182,025</b>
<b>Net book value at 1 April 2009 Restated</b>	<b>39,535</b>	<b>99,620</b>	<b>27,019</b>	<b>10,075</b>	<b>3,238</b>	<b>635</b>	<b>10,289</b>	<b>3,756</b>	<b>194,167</b>
<b>Asset financing:</b>									
Owned	36,013	100,168	23,905	3,151	2,305	428	10,252	4,545	180,767
On-Statement of Financial Position PFI contract	-	-	-	1,258	-	-	-	-	1,258
<b>Net book value at 31 March 2010</b>	<b>36,013</b>	<b>100,168</b>	<b>23,905</b>	<b>4,409</b>	<b>2,305</b>	<b>428</b>	<b>10,252</b>	<b>4,545</b>	<b>182,025<sup>6</sup></b>

<sup>1</sup> Restated opening balances

<sup>2</sup> Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use

<sup>3</sup> Delivery of the SCOPE programme ceased in 2008-09. The programme's assets were transferred to other government bodies

<sup>4</sup> 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

<sup>5</sup> Prior to transfer to other government bodies the Scope programme's property, plant and equipment assets were impaired to reflect a change in their fair value following an independent valuation

<sup>6</sup> See Note 2

## Notes

### VALUATION

#### Land and Buildings and Dwellings

The Valuation Office Agency has determined fair value on the basis of market value but on the assumption that the property is sold as part of the continuing enterprise in occupation. For 'in use' non-specialised property assets, fair value has been interpreted as market value for existing use.

The Valuation Office Agency (VOA), independent chartered surveyors and members of the Royal Institute of Chartered Surveyors (RICS), valued all properties on the basis of fair value as at 31 March 2009 except for the Emergency Planning College Estate which was valued at 30 June 2009. 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.

#### Art and Antiques

Townley Valuation Services Limited valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall Estate in January 2011 on the basis of insurance value being the likely cost of replacing the items.

Rosebery's Auctioneers & Valuers valued art and antiques, including antique and other furniture, silver, plate and objects situated at The Hawkhill, Easingwold, near York in February 2010 at an average of the lower and higher figures of a presale auction estimate.

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 March 2010 on the basis of best estimate of the price at auction.

#### All Other Tangible Non-Heritage Assets

All other tangible non-heritage fixed assets are re-valued annually using indices provided by HM Treasury.

### DONATED ASSETS

#### Land and Buildings £3.042 million (2009-10: £2.887 million)

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.

#### Art and Antiques £1.259 million (2009-10: £0.860 million)

Gifts to past and present Prime Ministers and items gifted to the Emergency Planning College, The Hawkhill, Easingwold near York are treated as donated assets within Art and Antiques and their value credited to the donated asset reserve.

### ASSETS UNDER CONSTRUCTION

#### Assets under construction of £8.093 million (2009-10: £4.545 million) include:

£7.866 million (2009-10: £3.826 million) spent on refurbishment to Whitehall properties which has yet to be completed; and £0.227 million (2008-09: £0.719 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 £10,750 (2009-10 restated: £5,416).

### LEASEHOLD IMPROVEMENTS

Included within Land and Buildings are improvements with a net book value of £1.995 million (2009-10: £2.625 million) relating to leasehold properties in London at 35 Great Smith Street, 67 Tufton Street and 9 Whitehall.

## 15.1 Intangible assets

Intangible assets comprise purchased software licences and software development expenditure.

	Purchased Software Licences	IT Software	Assets under Construction	Website	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation<sup>1</sup></b>					
<b>At 1 April 2010<sup>2</sup></b>	<b>736</b>	<b>5,009</b>	<b>21</b>	<b>3,027</b>	<b>8,793</b>
Additions	26	(54)	45	-	17
Disposals	(57)	(1,841)	-	-	(1,898)
<b>At 31 March 2011</b>	<b>705</b>	<b>3,114</b>	<b>66</b>	<b>3,027</b>	<b>6,912</b>
<b>Amortisation</b>					
<b>At 1 April 2010<sup>2</sup></b>	<b>479</b>	<b>2,742</b>	<b>-</b>	<b>857</b>	<b>4,078</b>
Charged in year	42	858	-	-	900
Disposals	(57)	(1,841)	-	-	(1,898)
<b>At 31 March 2011</b>	<b>464</b>	<b>1,759</b>	<b>-</b>	<b>857</b>	<b>3,080</b>
<b>Net book value at 31 March 2011</b>	<b>241</b>	<b>1,355</b>	<b>66</b>	<b>2,170</b>	<b>3,832</b>
<b>Net book value at 31 March 2010</b>					
<b>Restated</b>	<b>257</b>	<b>2,267</b>	<b>21</b>	<b>2,170</b>	<b>4,715</b>

<sup>1</sup> Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

<sup>2</sup> Restated opening balances

## 15.2 Intangible assets

	Purchased Software Licences	IT Software	Assets under Construction	Website	Total Restated <sup>1</sup>
	£000	£000	£000	£000	£000
<b>Cost or valuation<sup>2</sup></b>					
<b>At 1 April 2009<sup>3</sup></b>	<b>832</b>	<b>7,935</b>	<b>21</b>	<b>1,256</b>	<b>10,044</b>
Additions	172	653	-	1,771	2,596
Disposals <sup>4</sup>	(268)	-	-	-	(268)
Transfers out <sup>5</sup>	-	(6,616)	-	-	(6,616)
Impairment charge <sup>6</sup>	-	(404)	-	-	(404)
Impairment write back <sup>7</sup>	-	3,441	-	-	3,441
<b>At 31 March 2010</b>	<b>736</b>	<b>5,009</b>	<b>21</b>	<b>3,027</b>	<b>8,793</b>
<b>Amortisation</b>					
<b>At 1 April 2009<sup>3</sup></b>	<b>640</b>	<b>3,704</b>	<b>-</b>	<b>251</b>	<b>4,595</b>
Charged in year	107	1,419	-	606	2,132
Disposals <sup>4</sup>	(268)	-	-	-	(268)
Transfers out <sup>5</sup>	-	(2,224)	-	-	(2,224)
Impairment charge <sup>6</sup>	-	(151)	-	-	(151)
Impairment write back <sup>7</sup>	-	(6)	-	-	(6)
<b>At 31 March 2010</b>	<b>479</b>	<b>2,742</b>	<b>-</b>	<b>857</b>	<b>4,078</b>
<b>Net book value at 31 March 2010 Restated</b>	<b>257</b>	<b>2,267</b>	<b>21</b>	<b>2,170</b>	<b>4,715</b>
<b>Net book value at 1 April 2009 Restated</b>	<b>192</b>	<b>4,231</b>	<b>21</b>	<b>1,005</b>	<b>5,449</b>

<sup>1</sup> See Note 2

<sup>2</sup> Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

<sup>3</sup> Restated opening balances

<sup>4</sup> Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use

<sup>5</sup> Delivery of the SCOPE programme ceased in 2008-09. The programme's assets were transferred to other government bodies.

<sup>6</sup> 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

<sup>7</sup> Prior to transfer to other government bodies the Scope programme's assets were independently valued. As a result the prior year impairment loss was reversed to the extent that the original loss was recognised in the Statement of Comprehensive Net Expenditure.

## 16. Financial instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

The Department's investment in the Bridges Social Entrepreneurs Fund LP subjects the Department to minor credit and market risks. The Cabinet Office appointed Capital for Enterprise Limited (CfEL), an asset management business, to assist in the establishment of the Fund. The loans issued to the Bridges Social Entrepreneurs Fund LP are invested as part of an investment portfolio to deliver both financial returns and social

and environmental benefits. The disposal of an investment by the Fund may differ from its valuation and the difference could be significant. See Notes 17 and 26.

The Department holds public dividend capital in Buying Solutions. This financial asset is carried at historical cost less any impairment recognised. Extracts from the latest audited accounts are set out at Note 17. Information on Buying Solutions, a body outside the departmental boundary, is included at Note 36.

## 17. Other financial assets

The Department's investments represent loans to the London Hostels Association and the Bridges Social Entrepreneurs Fund LP which invests in social enterprises and public dividend capital held in Buying Solutions.

	Buying Solutions Public Dividend Capital	London Hostels Association Loan	Bridges Social Entrepreneurs Fund Loan	Total
	£000	£000	£000	£000
Restated balance at 1 April 2009	350	364 <sup>1</sup>	-	714
Additions	-	-	662	662
Impairment	-	-	-	-
Loan repayments	-	(20)	-	(20)
<b>Restated balance at 31 March 2010</b>	<b>350</b>	<b>344</b>	<b>662</b>	<b>1,356</b>
Additions	-	-	244	244
Impairment	-	-	(352)	(352)
Loan repayments	-	(20)	-	(20)
<b>Balance at 31 March 2011</b>	<b>350</b>	<b>324</b>	<b>554<sup>2</sup></b>	<b>1,228</b>

<sup>1</sup> The loan made to London Hostels Association is secured by a debenture dated 23 July 1986 and is interest free. It is repayable by instalments at the rate of £20,000 per annum in accordance with the agreement. Where any property is sold, the Cabinet Office may at its discretion, require a maximum of 25% of the net proceeds as an accelerated repayment of the loan.

<sup>2</sup> For information on loan commitments, see Notes 26 and 35.

The Department's share of the assets and results of the above bodies is as summarised below:

	London Hostels Association Loan	Bridges Social Entrepreneurs Fund Loan
	£000	£000
Net assets at 1 April 2009	-	-
Turnover	-	-
Surplus for the year (before financing)	-	-
Net assets at 31 March 2010	-	572 <sup>1</sup>
Turnover	-	-
Surplus for the year (before financing)	-	-
Net assets at 31 March 2011	-	554 <sup>2</sup>
Turnover	-	-
Surplus for the year (before financing)	-	-

<sup>1</sup> Net assets include £34,036 which was the subject of a drawdown request dated 24 March 2010 to settle management fees for the period 1 April 2010 to 30 June 2010. The amount of £34,036 is not included in the total additions figure of £661,895 as it was paid on 12 April 2010 under the terms of the Limited Partnership Agreement. The loan was not impaired in 2009-10 given that the Fund was newly established in August 2009.

<sup>2</sup> The department has a 33.27% share of the net assets.



## Buying Solutions

Buying Solutions, originally known as The Buying Agency, was set up in 1991 as a Trading Fund under the Government Trading Fund Act 1973. It provides procurement services to the other government bodies. The Cabinet Office owns 100 per cent of the issued Public Dividend Capital of Buying Solutions. In accordance with the FReM, the Cabinet Office's investment is shown at its historical cost. A dividend of **£2.092 million** (2009-10: **£2.106 million**) is payable for the year ended 31 March 2011; see Notes 12 and 36.

### Extracts from Buying Solution's Accounts for the year ended 31 March 2011

#### Extracts from the comprehensive statement of income

	2010-11	2009-10
	£000	£000
Turnover	76,279	104,430
Operating surplus/ (deficit)	6,190	(3,588)
Interest receivable	46	33
<b>Surplus/ (deficit) for the financial year</b>	<b>6,236</b>	<b>(3,555)</b>
Dividend payable to Cabinet Office	(2,092)	(2,106)
<b>Retained surplus/ (deficit) for the financial year</b>	<b>4,144</b>	<b>(5,661)</b>

#### Extracts from the statement of financial position

	2010-11	2009-10
	£000	£000
Non current assets	11,143	10,443
Current assets	32,878	33,236
Liabilities due within one year	(9,668)	(15,102)
Liabilities due after more than one year	(331)	(321)
<b>Net assets and shareholders' funds</b>	<b>34,022</b>	<b>28,256</b>

## 18. Impairments

		2010-11 £000	2009-10 Restated £000
	<b>Note</b>		
Charged to Statement of Comprehensive Net Expenditure			
Impairment - PPE	11	543	10,040
Impairment - intangible assets	11	-	253
Impairment - loans	11	352	-
Impairment write back	11	-	(3,447)
		<b>895</b>	<b>6,846</b>
Taken through revaluation reserve <sup>1</sup>		-	6,558
Taken through donated assets reserve		-	238
<b>Total</b>		<b>895</b>	<b>13,642</b>

<sup>1</sup> Impairments taken through reserves relate to a fall in property values

## 19. Assets classified as held for sale

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 1 April 2009 £000
Land and buildings	-	-	5,740
<b>Total carrying amount</b>	<b>-</b>	<b>-</b>	<b>5,740</b>

The asset comprised properties at 49, 50, 52 and 53 Parliament Street. The premises consisted of predominantly office accommodation on part of the ground and each of the four upper floors with two ground floor retail units and ancillary basement space.

Strutt & Parker, independent chartered surveyors, valued the property 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. The asset ceased to be depreciated from this date. The value was unchanged at 31 March 2009. The asset was initially expected to be sold during the financial year 2008-09. However, delays arose in finalising an agreed valuation for the transfer of the building within the public sector. A price was agreed in August 2009 and the sale was completed before 31 March 2010.

## 20. Inventories

	As at 31 March 2011 £000	As at 31 March 2010 £000	As at 1 April 2009 £000
Insignia	701	461	493
<b>Total</b>	<b>701</b>	<b>461</b>	<b>493</b>

## 21. Trade receivables and other assets

	As at 31 March 2011 £000	As at 31 March 2010 Restated <sup>1</sup> £000	As at 1 April 2009 Restated <sup>1</sup> £000
<b>Current</b>			
VAT	1,346	1,763	1,888
Trade receivables	12,605	14,599	6,725
Deposits and advances	532	556	509
Advances to Returning Officers - Elections	48,527	-	-
Other receivables	156	162	44
Other receivables – net assets as at 31 March 2011 due from eNDPBs	2,252	266	216
Prepayments and accrued income	29,276	8,200	6,854
Current part of PFI prepayment	1,639	1,640	5,407
	<b>96,333</b>	<b>27,186</b>	<b>21,643</b>
<b>Non-current</b>			
Deposits and advances	-	27	-
Non-current part of PFI prepayment	411	2,050	-
	<b>411</b>	<b>2,077</b>	<b>-</b>
<b>Total</b>	<b>96,744</b>	<b>29,263</b>	<b>21,643</b>

<sup>1</sup> See Note 2

Included within Other receivables is **£2,252,987** (2009-10: **£265,587**) which is due to the Consolidated Fund. In 2010-11 this represents mainly cash assets of executive non departmental public bodies which closed on 31 March 2011. An amount of £2,191,661 is due from Capacity Builders (UK) Limited and an amount of £61,326 is due from the Commission for the Compact Limited; see Notes 36 and 37. The current and non-current part of PFI prepayments of **£2.050 million** (2009-10: **£3.690 million**) represents milestone payments under a service concession arrangement to provide infrastructure assets for use in delivering public services; see Note 29.

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. Movements in the provision for impairment of receivables were as follows:

	2010-11 £000	2009-10 Restated £000
<b>At 1 April</b>	139	74
Charge for the year	944	65
Unused amounts reversed	-	-
<b>At 31 March</b>	<b>1,083</b>	<b>139</b>

The analysis of trade receivables that were past due but not impaired is as follows:

	2010-11 £000	2009-10 Restated £000
Neither past due nor impaired	8,340	11,132
Past due but not impaired		
< 30 days	2,490	1,206
30 – 60 days	278	353
60 – 90 days	64	315
90 – 120 days	132	365
> 120 days	2,384	1,367
<b>At 31 March</b>	<b>13,688</b>	<b>14,738</b>

## 21.1 Intra-government balances

	As at 31 March 2011 £000	As at 31 March 2010 Restated £000	As at 1 April 2009 Restated £000
<b>Current</b>			
Balances with other central government bodies	39,960	13,788	7,635
Balances with local authorities	377	75	3,150
Balances with NHS Bodies	34	13	51
Balances with public corporations and trading funds	517	1,279	55
<b>Subtotal: intra- government balances</b>	<b>40,888</b>	<b>15,155</b>	<b>10,891</b>
Balances with bodies external to government	55,445	12,031	10,752
<b>Total</b>	<b>96,333</b>	<b>27,186</b>	<b>21,643</b>

	As at 31 March 2011 £000	As at 31 March 2010 Restated £000	As at 1 April 2009 Restated £000
<b>Non-current</b>			
Balances with other central government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with NHS Bodies	-	-	-
Balances with public corporations and trading funds	-	-	-
<b>Subtotal: intra- government balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	411	2,077	-
<b>Total</b>	<b>411</b>	<b>2,077</b>	<b>-</b>

## 22. Cash and cash equivalents

	As at 31 March 2011 £000	As at 31 March 2010 Restated <sup>1</sup> £000	As at 1 April 2009 Restated <sup>1</sup> £000
Balance at 1 April	29,219	10,782	74,008
Net change in cash and cash equivalent balances	4,803	18,437	(63,226)
<b>Balance at 31 March</b>	<b>34,022</b>	<b>29,219</b>	<b>10,782</b>

The following balances at 31 March were held at:

Government Banking Service - Supply	6,279	15,229	8,295
Government Banking Service - non Supply	27,578	13,689	2,130
Commercial banks and cash in hand –Supply	165	301	357
<b>Balance at 31 March</b>	<b>34,022</b>	<b>29,219</b>	<b>10,782</b>

<sup>1</sup> See Note 2

The cash balance includes an amount of **£27,578,143** (2009-10 Restated: **£13,688,935**) in respect of the funding received from the Consolidated Fund to finance Returning Officers' Expenses in England and Wales. This balance is held with the Government Banking Service. It is owned by the Cabinet Office but managed by the Election Claims Unit in the Department for Communities and Local Government.

## 23. Reconciliation of Net Cash Requirement to increase/ (decrease) in cash

		2010-11 £000	2009-10 Restated £000	2008-09 Restated £000
Net cash requirement	<b>Note</b>			
	5	(436,214)	(464,682)	(370,281)
From the Consolidated Fund (Supply) – current year		427,000	472,075	378,281
From the Consolidated Fund (Supply) – prior year		-	-	3,747
Amounts due to the Consolidated Fund received in a prior year and paid over	24	(137)	(652)	(77,755)
Amounts due to the Consolidated Fund received and not paid over	24	265	137	652
Amounts relating to Consolidated Fund Standing Services - Elections	22	13,889	11,559	2,130
<b>Increase in cash</b>	<b>22</b>	<b>4,803</b>	<b>18,437</b>	<b>(63,226)</b>

## 24. Trade payables and other liabilities

	As at 31 March 2011 £000	As at 31 March 2010 Restated <sup>1</sup> £000	As at 1 April 2009 Restated <sup>1</sup> £000
<b>Current</b>			
Other taxation and social security	2,460	2,450	2,094
Trade payables	4,804	2,330	2,779
Other payables	1,915	1,551	1,210
Other payables in respect of machinery of government transfers of function	23,130	(2)	-
Accruals and deferred income	51,654	36,960	51,450
Accruals relating to Consolidated Fund Standing Services - Elections	68,182	11,559	-
Accruals – termination benefits	11,006	-	-
Current part of imputed finance lease element of on-Statement of Financial Position PFI contract	-	-	493
Amounts issued from the Consolidated Fund for supply but not spent at year end	6,179	15,393	8,000
Non voted receipt surrenderable to the Consolidated Fund - Elections	5,547	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
Received	265	137	652
Receivable	2,253	266	216
<b>Total</b>	<b>177,395</b>	<b>70,644</b>	<b>66,894</b>

<sup>1</sup> See Note 2

	As at 31 March 2011 £000	As at 31 March 2010 Restated £000	As at 1 April 2009 Restated £000
<b>Non-current</b>			
Imputed finance lease element of on-Statement of Financial Position PFI contract	-	-	630
<b>Total</b>	<b>-</b>	<b>-</b>	<b>630</b>

### 24.1 Intra-government balances

	As at 31 March 2011 £000	As at 31 March 2010 Restated £000	As at 1 April 2009 Restated £000
<b>Current</b>			
Balances with other central government bodies	63,512	26,847	28,946
Balances with local authorities	1,003	711	1,660
Balances with NHS Bodies	-	-	14
Balances with public corporations and trading funds	3,373	3,735	1,778
<b>Subtotal: intra- government balances</b>	<b>67,888</b>	<b>31,293</b>	<b>32,398</b>
Balances with bodies external to government	109,507	39,351	34,496
<b>Total</b>	<b>177,395</b>	<b>70,644</b>	<b>66,894</b>

	As at 31 March 2011 £000	As at 31 March 2010 Restated £000	As at 1 April 2009 Restated £000
<b>Non-current</b>			
Balances with other central government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with NHS Bodies	-	-	-
Balances with public corporations and trading funds	-	-	-
<b>Subtotal: intra- government balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	-	-	630
<b>Total</b>	<b>-</b>	<b>-</b>	<b>630</b>

## 25. Provisions for liabilities and charges

	<u>Early Departure Costs</u>	<u>Specific Dilapidations</u>	<u>Total</u>
	£000	£000	£000
<b>Restated balance at 1 April 2009</b>	<b>6,365</b>	<b>3,011</b>	<b>9,376</b>
Provided in the year	757	-	757
Provisions not required written back	-	-	-
Provisions other changes	168	-	168
Provisions utilised in the year	(2,193)	-	(2,193)
Unwinding of discount	139	-	139
<b>Restated balance at 31 March 2010<sup>1</sup></b>	<b>5,236</b>	<b>3,011</b>	<b>8,247</b>
Provided in the year	1,030	-	1,030
Provisions not required written back	-	(333)	(333)
Provisions other changes	11	-	11
Provisions utilised in the year in respect of Machinery of Government transfer of function creditor	(221)	-	(221)
Provisions utilised in the year	(2,334)	(209)	(2,543)
Unwinding of discount	49	-	49
<b>Balance at 31 March 2011</b>	<b>3,771</b>	<b>2,469</b>	<b>6,240</b>

<sup>1</sup> See Note 2

### Analysis of expected timing of discounted flows

	<u>Early Departure Costs</u>	<u>Specific Dilapidations</u>	<u>Total</u>
	£000	£000	£000
Not later than one year	1,237	407	1,644
Later than one year and not later than five years	2,321	739	3,060
Later than five years	213	1,323	1,536
<b>Balance at 31 March 2011</b>	<b>3,771</b>	<b>2,469</b>	<b>6,240</b>

## 25.1 Early departures

### Reporting of Civil Service and other compensation schemes – exit packages

Provided in the year	2010-11			2009-10 Restated
Cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	–	–	–	2
£10,000 - £25,000	1	2	3	2
£25,000 - £50,000	2	2	4	–
£50,000 - £100,000	5	1	6	1
£100,000- £150,000	–	2	2	–
£150,000- £200,000	–	–	–	1
£200,000- £250,000	–	1	1	1
<b>Total number of early departures cases</b>	<b>8</b>	<b>8</b>	<b>16</b>	<b>7</b>
<b>Total resource cost</b>	<b>£388,531</b>	<b>£641,469</b>	<b>£1,030,000</b>	<b>£491,201<sup>1</sup></b>

<sup>1</sup>The new provisions of £0.757 million for 2009-10 includes top ups to existing provisions of £0.266 million.

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 Treasury discount rate of 2.9 per cent (2009-10: 1.8 per cent) per cent in real terms. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2020-21. Those early exit packages whose costs have been accrued in year are disclosed at Note 9.1.

## 25.2 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 based on a rate per square metre which is updated each year on advice from a facilities management company. A provision is written-back when there is evidence that it is no longer required.

During the year provisions of **£333,419** were written back in respect of 10 Great George Street £99,439, Stockley House £123,880 and Belgrave Road £110,100. Provisions of **£208,561** were utilised in respect of 10 Great George Street £95,561 and Stockley House £113,000.

The expiry dates of these remaining leases range from April 2011 to February 2027. It is anticipated that most of the expenditure will take place at the end of the lease.



## 26. Loan commitments – Bridges Social Entrepreneurs Fund LP

The Cabinet Office has the following loan commitments to the Bridges Social Entrepreneurs Fund LP as at 31 March 2011:

	2010-11 £000	2009-10 £000
Total loan commitment	3,910	3,910
Less: Capital and loan drawn down	(906)	(662)
<b>Total undrawn commitment</b>	<b>3,004</b>	<b>3,248</b>

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement dated 21 August 2009 and is managed by Bridges Ventures Limited. The Fund invests in social enterprises that have the potential to generate scaleable and sustainable social impacts. The Fund currently has a committed capital of £11.75 million and has a life of 10 years (ending on 27 August 2019) unless terminated earlier in certain circumstances specified in the Limited Partnership Agreement.

The Department originally agreed to invest up to £5 million in the Bridges Social Entrepreneurs Fund LP, by match funding the investment that the Fund Manager secures from private investors. The Cabinet Office increased its commitment from £3,640,534 to £3,909,748 for the lifetime of the Fund, which in accordance with the terms set in the Limited Partnership Agreement denotes the Department's commitment as at 31 March 2010 to be **£3,909,748**, constituting a 33.27% share of the Fund. This commitment level has now been fixed.

The investment period for the remaining drawdown is currently estimated to end in 2014, but may be extended at the discretion of Bridges Ventures Limited subject to an Investors Ordinary Consent.

The investments in the Bridges Social Entrepreneurs Fund LP are valued by the Fund Manager using the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. See Notes 17 and 35.

For further information see [www.bridgesventures.com](http://www.bridgesventures.com)

## 27. 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. The majority of these relate to investment in the Cabinet Office estate.

	2010-11 £000	2009-10 £000
<b>Contracted capital commitments at 31 March for which no provision has been made and not otherwise included in these financial statements</b>		
Property, plant and equipment	3,077	1,395
Intangible assets	-	108
<b>Total</b>	<b>3,077</b>	<b>1,503</b>

## 28. Commitments under leases

### 28.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which payments will be made:

	2010-11 £000	2009-10 Restated £000
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>Land and Buildings</b>		
Not later than one year	4,484	5,113
Later than one year and not later than five years	17,935	17,470
Later than five years	27,714	30,873
	<b>50,133</b>	<b>53,456</b>
<b>Other</b>		
Not later than one year	-	150
Later than one year and not later than five years	-	94
Later than five years	-	-
	<b>-</b>	<b>244</b>
<b>Total</b>	<b>50,133</b>	<b>53,700</b>

Non-property operating leases were settled in full during the year.

### 28.2 Finance leases

There are no obligations under finance leases.

## 29. Commitments under PFI contracts

### 29.1 On-Statement of Financial Position

The provision of Information and Communications Technology (ICT) services to the Cabinet Office includes certain infrastructure assets for use in delivering public services that fall within the scope of IFRIC 12 service concession arrangements.

In June 2007 the Cabinet Office entered into a contract with Fujitsu Services Limited (FSL) for the provision of Information and Communications Technology (ICT) services over a 5 year term until June 2012. The services include the provision of IT equipment throughout the life of the contract. Those assets provided on an exclusive basis were recognised as property, plant and equipment at the time they were brought into use.

#### Current part of PFI prepayment

Milestone prepayments made to FSL related to delivery of new equipment and infrastructure for the services. Prepayments of £1.717 million were released to offset the finance lease liability in full. The value of the prepayments at 31 March 2011 was **£2.050 million** (2009-10: **£3.690 million**), of which current **£1.639 million** and non-current **£0.411 million**; see Note 21. These prepayments relate to those assets provided on a non-exclusive basis, such as servers, and they are recorded in the operating cost statement as services expenditure over the periods for which those assets are used.

#### Property, plant and equipment

The assets provided on an exclusive basis and in use at 31 March 2011 are recorded as property, plant and equipment. The net book value of those assets at 31 March 2011 was **£0.556 million** (2009-10: **£1.258 million**); see Note 14.

#### Obligations under imputed finance lease element of on-balance sheet PFI contract

There are no outstanding finance lease obligations relating to the acquisition of the assets recorded as property, plant and equipment, the full liability having been extinguished in 2009-10.

### 29.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

In respect of the Fujitsu ICT contract the total payments to which the Department is committed, analysed by the period during which the payments will be made are as follows:

	2010-11	2009-10
	£000	£000
Not later than one year	6,329	6,230
Later than one year and not later than five years	12,657	18,986
Later than five years	-	-
<b>Total</b>	<b>18,986</b>	<b>25,216</b>

### 30. Other financial commitments

The Department has entered into contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to information technology and estate management services. The total payments to which the Department is committed, analysed by the period during which the payments will be made are as follows:

	2010-11 £000	2009-10 Restated £000
Not later than one year	49,697	52,794
Later than one year and not later than five years	46,147	70,233
Later than five years	14,583	24,700
	<b>110,427</b>	<b>147,727</b>

### 31. Contingent liabilities and contingent assets

#### Futurebuilders Programme

	2010-11 £000	2009-10 £000
Loans and Guarantees offered		
Futurebuilders Fund	117,138	126,652
Modernisation Fund	7,358	7,413
	<u>124,496</u>	<u>134,065</u>
Less Loans and Guarantees drawn from funder		
Futurebuilders Fund	(115,133)	(84,434)
Modernisation Fund	(7,358)	(7,413)
Less utilisation of recycled funds		
Historical	(2,005)	-
	<u>(124,496)</u>	<u>(91,847)</u>
<b>Total loan commitments</b>	<b>-</b>	<b>42,218</b>
Grants offered		
Futurebuilders Fund	25,595	26,357
Modernisation Fund	1,097	1,092
	<u>26,692</u>	<u>27,449</u>
Less Grants drawn		
Futurebuilders Fund	(24,385)	(18,928)
Modernisation Fund	(1,097)	(1,092)
Less utilisation of recycled funds		
Historical	(53)	-
Current	(1,157)	(158)
	<u>(26,692)</u>	<u>(20,178)</u>
<b>Total grant commitments</b>	<b>-</b>	<b>7,271</b>
<b>Contingent Liability as at 31 March</b>		
<b>Grant Commitments</b>	<b>-</b>	<b>49,489</b>
<b>Contingent Asset as at 31 March</b>	<b>117,884</b>	<b>83,068</b>

The Futurebuilders Fund provides loan financing, often combined with grants and professional support, to civil society organisations in England that need investment to help them bid for, win and deliver public service contracts. This Fund is closed for new applications. The Modernisation Fund provided interest-free loans to help organisations be more resilient to the impact of the economic downturn. This Fund closed last financial year for new applications.

### **Contingent Liability**

The Cabinet office had a contingent liability which represented the amount of the fund not yet drawn from the Cabinet Office by Futurebuilders England Limited. The Cabinet Office has no contingent liability remaining as all funds were drawn down by 31 March 2011 (2009-10: **£49.489 million**).

### **Contingent Asset**

The Cabinet Office has a contingent asset of **£117.884 million** (2009-10: **£83.068 million**) in the Futurebuilders Restricted Fund as reported in the 2010-11 accounts of Futurebuilders England Limited (FBE). FBE's contract with the Cabinet Office to deliver and manage the investment portfolio of the Futurebuilders and Modernisation funds has been extended for a further two years and expires on 31 March 2013. At the end of the contract the funds will revert to the Cabinet office. The service agreement contains a novation clause which applies to the Futurebuilders Restricted Fund and which gives the Cabinet Office the entitlement to assign, novate or otherwise dispose of its rights and obligations under the agreement or novate the agreement itself to any other body.

Since its launch in 2004, Futurebuilders has provided loan and grant based finance to support charities, voluntary groups, social enterprises and other civil society organisations to develop their capacity to deliver better public services. The first phase 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 opened up the fund to bids from civil society organisations delivering any public service. This Fund closed for new applications in January 2010.

Futurebuilders has been managed since 1 April 2008 by the Adventure Capital Fund through a wholly owned subsidiary company, Futurebuilders England Fund Management Limited, which is the sole member of Futurebuilders England Limited. In September 2009 Futurebuilders England Fund Management Limited became known as The Social Investment Business. The original contract ran until 31 March 2011 with the option to extend for up to three years for the management of the loan book. This contract has now been extended for a further two years and runs until 31 March 2013.

Against the fund value, the Cabinet Office has made cumulative grant payments to Futurebuilders England Limited totalling £161.911 million (2009-10: cumulative £125.786 million) and cumulative service fees and related payments totalling £12.368 million (2009-10: £9.369 million).

The Modernisation Fund was a Third Sector Action Plan; 'Real Help for Communities: Volunteers, Charities and Social Enterprises' programme, which was announced in February 2009 for one year only under the same contract. The action plan was an immediate government response to the huge increase in demand that third sector organisations were facing as a result of the recession. The Modernisation Fund helped civil society organisations become more resilient to the impact of the economic downturn. It was focused on helping organisations providing services to those worst hit by the recession. During the financial year 2010, a fund of £8.505 million was fully paid to Futurebuilders England Limited and consequently, this did not give rise to a contingent liability at 31 March 2010. Part of the £8.505 million was issued as loans by Futurebuilders England Limited and is included in the contingent asset declared at the year-end.

Further information about Futurebuilders England Limited (Registered company number 05066676) can be found at: [www.futurebuilders-england.org.uk](http://www.futurebuilders-england.org.uk)

## **32. Other contingent assets and liabilities disclosed**

### **Contingent Asset**

The Department is pursuing a claim through legal processes where the outcome is uncertain. The claim is for recovery of monies expended in respect of one element of an information technology programme which has been terminated. The probable value of the contingent asset is in the range of £40-£50 million. The Cabinet Office has adopted a prudent accounting policy with regard to disputed assets. It does not consider it appropriate to make any provision in respect of any pending dispute resolution process. The full information usually required by IAS 37 is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the process.

### **Contingent Liability**

The Cabinet Office has been approached by the Trustees of the Labour Party Superannuation Society in relation to a section 75 debt under the UK Pensions Act 1995 (s75 debt). Legislation provides when an employer ceases to participate in a pension scheme it is liable for its share of the deficiency at that time. The employees who have participated in the pension scheme were special advisors from 1997 up to the last general election and the debt relates to those special advisors employed by the Cabinet Office who were members of the Pension Scheme. The scheme claims that following the departure of the last two special advisors who were members of the scheme just before the general election, that under s75 debt, 'the crown' as the former employer must make a payment to cover any shortfall in the funding for the benefits built up in the society for its former employees. The Society's actuary Hewitt Associates Limited has confirmed a funding shortfall does exist in the society. The probable value of this contingent liability is in the region of £0.5 million and £1 million.

There are no other material contingent liabilities or contingent assets for disclosure under IAS 37 at 31 March 2011.

### **33. Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes**

The Cabinet Office has given the following indemnities whose amounts are unquantifiable. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

#### **Acting Returning Officers - General Election 2010**

Cabinet Office has provided an indemnity to the Acting Returning Officers in respect of the 2010 Parliamentary General Election for any costs which fall outside of the scope of the insurance cover which they have arranged locally and where all other forms of recourse have been exhausted. It will be largely confined to covering "Acts of God" and unforeseen circumstances which are not included under the insurance policies which the Acting Returning Officers have in place. This indemnity will be limited to the extent that:

- it will not cover costs which arise in whole or part from any deliberate or wilful negligence by an Acting Returning Officer;
- it will not generally cover any excess costs which the Acting Returning Officer has negotiated on his/her insurance policy (although individual claims for excess costs will be judged on their merit); and
- it will not cover situations where the Acting Returning Officer's insurance policy offers an alternative means of cover.

The indemnity remained in place until 3rd July 2011, being 13 months after the latest possible date for the 2010 general election to have been called. The indemnity covers all claims made within that period, regardless of when they are finally settled (Minute laid on 22 March 2010).

#### **Regional and Local Returning Officers - European Parliamentary Elections June 2009**

The Cabinet Office has provided an indemnity to Regional and Local Returning Officers for the European Parliamentary Elections held in June 2009. The indemnity is for amounts not covered by commercial insurance policies. The indemnity provides unlimited cover for amounts excluded by the excess on insurance policies, damages or costs that exceed insurance limits and any reasonable expenses that fall outside of the scope of insurance policies. The indemnity is effective for the period of the insurance policies from 12 May 2009 to 11 July 2010 (Minute laid on 9 June 2009).

There are no other material contingent liabilities at 31 March 2011 for inclusion for parliamentary reporting and accountability purposes.

## 34. Losses and special payments

### 34.1 Losses statement

The Statement of Comprehensive Net Expenditure includes the following losses, including write-offs of unrecoverable debts and fruitless payments.

	Total number of cases	2010-11 £000	Total number of cases	2009-10 £000
<b>Total</b>	<b>8</b>	<b>117</b>	<b>8</b>	<b>5</b>

### 34.2 Special payments

	Total number of cases	2010-11 £000	Total number of cases	2009-10 Restated £000
<b>Total</b>	<b>11</b>	<b>20</b>	<b>23</b>	<b>45</b>

## 35. 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 2010-11 were v (an independent charity), Futurebuilders England Limited, Community Development Foundation, Capacity Builders (UK) Limited an executive non-departmental body and Big Lottery Fund. The Cabinet Office paid monies to the Community Development Foundation and The Big Lottery Fund, which act as agents of the Cabinet Office in running programmes on behalf of the Office of the Civil Society.

The main suppliers to the Cabinet Office were Department for Work and Pensions, Royal Mail, The British Broadcasting Corporation, Inland Revenue, Ecovert FM Limited, Fujitsu, Ministry of Defence and Department for Communities and Local Government. Following the 2010 UK Parliamentary general election on 6 May a sum of £102.2 million was allocated for the associated expenditure for the conduct of the poll in England and Wales. Out of this, £28.6 million was been paid to the Royal Mail and the remaining fund was set aside for the conduct of the poll by the acting returning officers.

The main customers of the Cabinet Office were Civil Service Pensions and Department for Work and Pensions.

The Cabinet Office is the sponsor of the non-departmental public bodies shown at Note 36 and of Buying Solutions, an Executive Agency of the Cabinet Office, Efficiency and Reform Group, with Trading Fund status. Buying Solutions generated income to cover their costs through a small supplier commission



operating at no cost to the taxpayer. The excess was paid to the Cabinet Office by way of dividends. These bodies are regarded as related parties with which the Department has had various transactions during the year.

The Cabinet Office makes loans and has loan commitments to the Bridges Social Entrepreneurs Fund LP which is managed by Bridges Ventures Limited. The Fund invests in social enterprises that have the potential to generate scaleable and sustainable social impacts. The net income of the Fund is distributed half yearly. Bridges Social Entrepreneurs Fund LP is outside the departmental boundary and is therefore not treated as an investment in associates. See Notes 17 and 26.

The ministerial titles and names of all ministers who had responsibilities for the department during the year are included in the Ministers and Corporate Governance section. No minister, board member, key manager or other related parties had undertaken any material transactions with the Cabinet Office.

## **36. Entities within the departmental boundary**

The departmental boundary in this context relates to the boundary of the Departmental Accounts.

### **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 Business Appointments
- Boundary Commission for England
- Boundary Commission for Wales
- Civil Service Appeal Board
- Committee on Standards in Public Life
- House of Lords Appointments Commission
- Main Honours Advisory Committee
- Security Commission (ceased with effect from 14 October 2010)
- Security Vetting Appeals Panel
- Senior Salaries Review Body
- Office for Civil Society Advisory body (previously known as Third Sector Advisory 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 3.

## **Entities outside the departmental boundary**

### **Executive Non-Departmental Public Bodies (eNDPBs)**

Entities outside the departmental boundary are not consolidated for accounting purposes but are consolidated for budgeting purposes. 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. eNDPBs of the Cabinet Office include:

#### **Capacity Builders (UK) Limited**

Capacitybuilders is an Executive Non-Departmental Public Body funded by Grant-in-Aid and sponsored by the Office for Civil Society within the Cabinet Office. Its purpose is to improve the quality of advice and support available to civil society organisations in England.

Capacitybuilders' vision is to help to create a more effective civil society by ensuring that all civil society organisations are able to access high quality support that meets their needs, when they need it. By improving the support available to civil society organisations, the sector will be strengthened, increasing its ability to create a better quality of life for individuals and communities. It seeks to achieve this by: investing in improvements in the quality of advice and support available to civil society organisations; supporting the provision of resources for support providers at a national level; working with local and regional consortia of support providers to ensure that they collaborate effectively in meeting the needs of civil society organisations; sharing knowledge, resources and best practice to improve the provision of support; ensuring support is inclusive and accessible to all communities; and influencing wider policy and practice relating to the provision of civil society support.

The legal form of Capacitybuilders is a Company Limited by Guarantee; it has not been established in statute. The Capacitybuilders Board comprises the Chair, seven non-executive members, the Chief Executive and the Director of Policy and Programmes.

The Annual Report and Accounts 2009-10 for Capacity Builders (UK) Limited were laid in the House of Commons under reference HC 37. Copies can be found at Companies House (registered company number 05708912). For further information see Notes 35 and 37 and [www.capacitybuilders.org.uk](http://www.capacitybuilders.org.uk)

#### **Commission for the Compact Limited**

The Commission is an Executive Non-Departmental Public Body and Company Limited by Guarantee funded by Grant-in-Aid from the Cabinet Office. It has been established as an independent body sponsored by the Office for Civil Society, but working closely with Compact Voice. It has not been established in statute. The current Commissioner for the Compact, Sir Herbert Massie CBE took up his post on 1 April 2008.

The Annual Report and Accounts 2009-10 for the Commission for the Compact Limited were laid in the House of Commons under reference HC 198. Copies can be found at Companies House (registered company number 5932855). For further information see Notes 35 and 37 and [www.thecompact.org.uk](http://www.thecompact.org.uk)

### **Civil Service Commission**

Under the provisions of the Constitutional Reform and Governance Act, the Civil Service Commission was established as a body corporate (as an executive Non-departmental Public Body sponsored by the Cabinet Office) on 11 November 2010. The Commission will be responsible for upholding the principle that selection to appointments in the Civil Service must be on merit on the basis of fair and open competition. The Commissioners publish a recruitment code, monitor departmental practice and chair competitions for most senior posts. They also advise departments on the promotion of the Civil Service code, which sets out the constitutional framework within which all civil servants work and the values they are expected to uphold, will hear and determine appeals raised by civil servants under the Civil Service Code; and may carry out additional functions in relation to the civil service if agreed by the Minister for the Civil Service and the Commission. For further information see [www.civilservicecommission.independent.gov.uk](http://www.civilservicecommission.independent.gov.uk)

### **Executive Agency - Buying Solutions**

Buying Solutions is a trading fund and an executive agency of OGC. Buying Solutions, along with OGC transferred from HM Treasury and joined the new Efficiency and Reform Group (ERG) within the Cabinet Office on 15 June 2010. The Chief Operating Officer (COO) of ERG appoints the Chief Executive. The Acting Chief Executive is David Shields who is also the Accounting Officer. The Cabinet Office Chief Procurement Officer (CPO) will be the Chair of Buying Solutions Board.

The relationship between Cabinet Office and Buying Solutions, much of which is conducted through ERG, will be laid out in an Agency framework document which will be subject to periodic review. Each year, the ERG COO sets key performance targets for Buying Solutions that are signed off by the Minister for the Cabinet Office.

The Cabinet Secretary is the Principal Accounting Officer but day to day running is delegated to the Acting Chief Executive. The management of Buying Solutions risks is the responsibility of the Accounting Officer and Cabinet Office's main input channel is through the CPO Chair of the Buying Solutions Board. For further information see Note 17 and [www.buyingsolutions.gov.uk](http://www.buyingsolutions.gov.uk)

### **Cabinet Office Public Bodies**

The Cabinet Office Public Bodies 2010 report may be found at [www.cabinetoffice.gov.uk/resource-library/public-bodies-report](http://www.cabinetoffice.gov.uk/resource-library/public-bodies-report)

## **37. Events after the reporting period**

The following events occurred between 31 March 2011 and 15 July 2011, the point at which these accounts were authorised for issue by the Accounting Officer.

### **Closure of Executive Non-departmental Public Bodies**

#### **Capacity Builders (UK) Limited**

As a result of the review of public bodies, announced by the Minister for the Cabinet Office on 14 October 2010, Capacity Builders (UK) Limited was closed down at the end of 31 March 2011. On 1 April 2011 its assets and liabilities were novated to the Cabinet Office. Any future programmes will be taken forward via other bodies.

#### **Commission for the Compact Limited**

As a result of the review of public bodies announced by the Minister for the Cabinet Office on 14 October 2010, the Commission for the Compact was closed down at the end of 31 March 2011. On 1 April 2011 its assets and liabilities were novated to the Cabinet Office. The Office for Civil Society now promotes the Compact within government and Compact Voice promotes it to the voluntary and community sector. With the closing of the Commission for the Compact, this promotional role will now rest solely on the two organisations.

### **Machinery of Government Changes**

#### **National School of Government**

On 1 April 2011 the National School of Government was brought into the Cabinet Office and ceased to be a separate non-Ministerial department.

#### **Central Office of Information**

On 23 June 2011 the Minister for the Cabinet Office announced a range of reforms to the organisation of government communication which will lead to the closure of the Central Office of Information, a non-Ministerial department.

Further details are provided in the section Cabinet Office Finances – Management Commentary.



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