

Privy Council Office

Resource Accounts 2005-06

(For the year ended 31 March 2006)

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Annual Report 2005-2006

The Privy Council Office is an autonomous Government Department whose ministerial head is the Lord President of the Council and whose Permanent Head is the Clerk of the Privy Council.

Aims and Objectives

The aim of the Privy Council Office is to support The Queen in Council, the Lord President, and the Judicial Committee of the Privy Council; and to provide administrative support to the Offices of the Leader of the House of Commons, and the Offices of the Commons and Lords' Chief Whips, enabling them to fulfil their constitutional and statutory roles effectively. The PCO's objectives are:

- To ensure the orderly conduct of Privy Council business;
- To support the proper discharge of judicial responsibilities;
- To support the Lord President of the Council and Leader of the House of Lords in both her roles.
- To provide administrative support for the Office of the Leader of the House of Commons, his Deputy and to the Chief Whips' Offices of the House of Commons and House of Lords.

Principal activities

The Privy Council Office's primary function is to act as the Secretariat to the Privy Council. Through the Lord President's Private Office, it also supports her in her wider ministerial responsibilities. This includes the Lord President's role as Leader of the House of Lords and as Government spokesperson on International Development.

The Judicial Committee of the Privy Council is the final court of appeal for the Channel Islands and the Isle of Man, the United Kingdom overseas territories and those independent Commonwealth countries that have retained this avenue of appeal. It also adjudicates on 'devolution issues' that is, questions as to the powers and functions of the devolved executive and legislative authorities in Scotland, Northern Ireland, and Wales; and hears appeals against pastoral schemes made by the Church Commissioners.

The Privy Council Office supports the Office of the Leader and Deputy Leader of the House of Commons in its responsibility for the modernisation programme for the House of Commons, management of House of Commons business, and the planning and management of the Government's legislative programme. The PCO also supports the Commons Chief Whips Office in its objective to provide support to the Government Chief Whip, to enable her to fulfil her role of timetabling and securing the passage of Bills through the House of Commons and successfully completing the Government's legislative programme; and the Office of the Lords Chief Whip in its objective to support the Government Whips and Government business in the House of Lords.

Departmental boundary

There are no other bodies within the PCO Departmental boundary, and no public sector bodies outside the boundary for which the Department has lead policy responsibility.

Management Commentary

The Privy Council Office has no programme spending and delivers no services directly to the public. Its main functions are to support the Lord President and to provide an internal Government secretariat charged with securing collective agreement on policy issues that fall to "the Privy Council" rather than to "the Secretary of State". The constitutional framework within which it works, though susceptible to change over time, is unlikely to alter significantly in the short term. Its purpose and function has been reinforced by devolution, since it alone, in liaison with the devolved administrations, can deal with certain prerogative matters relating to devolved functions. External factors are the main drivers of operational developments for the Department.

The Department received a Spring Supplementary Estimate of £2,477,000 resource and £54,000 capital, not involving a claim on the Reserve. The Supplementary Estimate was required to take up end-year flexibility (£230,000 resource, £34,000 Capital), to take up the 'Departmental Unallocated Provision' (£150,000 resource) and to give effect to the Machinery of Government transfer from the Cabinet Office to PCO of the Chief Whips of the House of Commons and House of Lords (£2,097,000 resource and £20,000 capital).

The net Resource Departmental Expenditure Limit was £6,709,000. Final outturn for 2005-06 was £6,507,000, a difference of £202,000. The variance was owing to uncertainty around the Machinery of Government changes which meant that the PCO had to budget on a worse case scenario basis, as it had no reliable financial data until after the year end.

Two-thirds of the Department's expenditure is devoted to salary and accommodation costs. HM Treasury has agreed that, given the size of the Department, and the lack of any programme budget, there is no need to set a formal efficiency target. Despite the financial limitations, however, the Department constantly seeks to improve its efficiency and effectiveness wherever possible. The biggest efficiency driver on the Department is our 2004 Spending Review settlement. As agreed with Ministers and HMT, the Department receives no increase on its 2005/06 baseline (agreed in SR2002), in 06/07 and 07/08. The Gershon Review targets Government Departments to deliver efficiencies of 2.5% per annum over the next three years. The Department expects to exceed this target.

The Department continues to draw on external consultants to meet specialist needs in areas such as accountancy, website management, management consultancy and staff development.

The Judicial Committee of the Privy Council ceased to have jurisdiction to hear new appeals from New Zealand on 1st January 2004. Under the transitional provisions the Judicial Committee are still hearing appeals. It was anticipated that the hearing of appeals from New Zealand would cease at the end of 2005; however, 3 new appeals were entered between 1 January 2006 and 15th May 2006. At the current rate it is expected that the Judicial Committee will not cease to hear appeals from New Zealand until at least the end of 2007.

There was another small decrease in the number of appeals entered from 2003 – 2004 due to the abolition of medical appeals to the Judicial Committee, however; the number of appeals entered in 2005 was the same as 2004 (71). The majority of Commonwealth work came from the Caribbean, namely the Bahamas and Jamaica. The number of appeals entered has remained steady despite the abolition of appeals to the Judicial Committee from New Zealand.

Negotiations continued during the year with the Department of Constitutional Affairs regarding housing the Judicial Committee in the same building as the proposed Supreme Court, although this has now been postponed to 2009.

The Privy Council Office continues to look at ways to improve and modernise its management practices and to increase the use of electronic systems to deliver its business. Developments have continued to the Department's internal financial control systems and the use of its computer based commercial accounting system to provide reliable management data. This has been used to provide improved budgeting and monitoring of expenditure since 2001/02.

The Department has no potential environmental or contingent liabilities.

Departmental Report

The Privy Council Office produced its annual Departmental Report which was published in April 2005. This sets out the aims and targets of the PCO and is available on our website www.privycouncil.gov.uk. Owing to the size and nature of the PCO, we are not required to produce a Spring Departmental Report or Autumn Performance Report.

Pension and Early Departure Costs

Details of Ministers and PCO employees' pension schemes are detailed in the Remuneration report, which forms part of this document.

Machinery of Government

There was a large (for PCO) Machinery of Government change during the financial year. In February 2006, the Offices of the Chief Whips of the House of Commons and House of Lords were transferred from the Cabinet Office together with 34 staff and £2,117,000 of budgetary cover. As a consequence, PCO objective 4 (to provide administrative support for the Office of the Leader of the House of Commons and his Deputy) was expanded to include the provision of administrative support to the Chief Whips' Offices of the House of Commons and House of Lords.

Events since the end of the financial year.

A Cabinet Reshuffle took place on Friday 5th May. Consequently there has been a change in two of the Ministers supported by PCO. Hilary Armstrong was replaced by the Rt. Hon. Jackie Smith MP as Commons' Chief Whip and Geoff Hoon was replaced as Leader of the House of Commons by the Rt. Hon Jack Straw MP. No other Ministerial changes or changes in resources were made.

Ministers

The Minister with responsibility for the Department during the year was the Lord President of the Council and Leader of the House of Lords, Baroness Amos.

The PCO also had administrative responsibility for the Rt Hon Peter Hain MP, Leader of the House of Commons and Philip Woolas MP, Deputy Leader of the House of Commons until the General Election in May 2005. Following the Election, the Rt Hon. Geoff Hoon took over as leader of the House of Commons and Nigel Griffiths as Deputy Leader. Although the PCO has administrative responsibility for the Offices of the Chief Whips of the House of Commons and House of Lords, the Whips, for historical reasons, remain on the payroll of HM-Treasury.

Permanent Head of Department and Senior Officials

The position of permanent head of the Department is held by Alex Galloway, Clerk of the Council. The following were the other senior officials during the year:

Graham Donald	Deputy Clerk and Director of Corporate Services (until January 2006)
John Watherston	Registrar of the Judicial Committee of the Privy Council (until June 2005)
Mary Macdonald	Registrar of the Judicial Committee of the Privy Council (from June 2005)
Glynne Jones	Principal Private Secretary, Leader of the House of Commons (until October 2005)
Stephen Hillcoat	Principal Private Secretary, Leader of the House of Commons (from October 2005)
Sue Ball	Principal Private Secretary to the Lord President and Leader of the House of Lords
Christine Cook	Director of Secretariat (from January 2006)
Ceri King	Director of Corporate Services (from January 2006)

And from February 2006, following the Machinery of Government changes;

Roy Stone	Principal Private Secretary to the Commons Chief Whip
Jake Vaughan	Principal Private Secretary to the Lords Chief Whip

Board of Management

The permanent head of the Department and all the senior officials form the Board of Management for the Privy Council Office, together with a non-executive Director, Lindsay Kennedy from BT Global Services. Given the size of the Department, no functions are delegated to sub-committees.

Audit & Risk Committee

The Audit & Risk Committee is chaired by the non-executive member of the Management Board and meets three times a year. The ARC has an additional non-executive member, who is a chartered accountant. Although not members of the Committee, the Accounting Officer, Director of Corporate Services, our Internal Auditors, and representatives of the National Audit Office attend each meeting.

Appointment of the Permanent Head of the Department and Senior Officials

The Permanent Head of the Department (Clerk of the Council) was appointed by Order in Council. The appointment is for an indefinite term under the terms of the Senior Civil Service Contract. The rules for termination are set out in Chapter 11 of the Civil Service Management Code. The Registrar of the Judicial Committee was appointed by Royal Warrant under the Judicial Committee Act 1833.

Ministers' and Senior Officials' Remuneration

Ministers' remuneration is set out in the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensions and Salaries Act 1991.

The pay of the Head of the Department was determined in accordance with a formula agreed by the Permanent Secretary of the Cabinet Office in 2003.

The pay of the Department's senior officials is determined by the Head of the Department in accordance with the rules set out in Chapter 7.1, Annex A, of the Civil Service Management Code.

Equal opportunities

The Privy Council Office operates an equal opportunities policy designed to ensure that everyone has the opportunity for employment and advancement on the basis of their ability, qualifications and suitability, regardless of gender, ethnic origin, disability, sexual orientation or age.

Payment of suppliers

The Privy Council Office policy is to pay suppliers within 30 days of receipt of goods or services, or a correctly documented invoice (whichever is received later), or according to contract where a different payment period is agreed. 99.7% of undisputed Privy Council bills were paid on time in the period 1 April 2005 to 31 March 2006, slightly down on the 100% record in the period 1 April 2004 to 31 March 2005.

Corporate Governance

Internal Audit undertook an audit of Corporate Governance arrangements within the PCO. Their findings indicated a number of areas of good operation of controls and gave full assurance on risk management practices. These are set out in the Statement on Internal Control.

The PCO complies with the key aspects of the Code of Good Practice on Corporate Governance in Central Government Departments.

The Companies Act

As far as I am aware, there is no relevant audit information of which the PCO's auditors are unaware, and I have taken appropriate steps to satisfy myself that any relevant audit information has been identified and that information passed on to the PCO's auditors.

Remuneration Report

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 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 has 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;
- 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.

Below SCS level, the Privy Council Office has a Pay Committee, based on the arrangements used by the Cabinet Office (on which PCO pay, terms and conditions are based). The Committee meets to agree tranche and bonus recommendations and ensure decisions are 'equality proofed'.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

Remuneration

	2005-06 Salary £	2005-06 Benefits in kind	2004-05 Salary £
Ministers			
Rt. Hon. Baroness Amos of Brondesbury <i>Lord President & Leader of the House of Lords</i>	101,668	–	98,899
Rt. Hon. Peter Hain <i>Leader of the House of Commons</i> (until 6th May 2005)	6,242	–	72,862
Rt. Hon. Geoff Hoon <i>Leader of the House of Commons</i> (from 7th May 2005)	68,660	130,323	N/A
Phil Woolas <i>Parliamentary Secretary</i> (to 9th May 2005)	2,458	–	28,688
Nigel Griffiths <i>Parliamentary Secretary</i> (from 10th May 2005)	–	–	–

Geoff Hoon occupied a flat in London at a cost to the PCO of £130,323 in 2005-06. No benefits in kind were received by Ministers during 2004-05.

	2005-06 Salary £'000	2004-05 Salary £'000
Officials		
Alex Galloway <i>Clerk of the Council</i>	75-80	75-80
Graham Donald <i>Deputy Clerk of the Council</i> (to 24th February 2006)	65-70	65-70
John Watherston <i>Registrar of the Judicial Committee</i> (to 14th June 2005)	10-15	75-80
Mary Macdonald <i>Registrar of the Judicial Committee</i> (From 1st June 2005)	50-55	N/A
Roy Stone <i>Principal Private Secretary to the Chief Whip (Commons)</i>	70-75	N/A
Glynne Jones <i>Principal Private Secretary to Leader of the House of Commons</i> (Until 10th October 2005)	30-35	55-60
Stephen Hillcoat <i>Principal Private Secretary to Leader of the House of Commons</i> (From 19th September 2005)	25-30	N/A
Jake Vaughan <i>Principal Private Secretary to the Chief Whip (Lords)</i>	55-60	N/A
Sue Ball <i>Principal Private Secretary to Lord President & Leader of the House of Lords</i>	45-50	45-50
Christine Cook <i>Director of Secretariat</i> (from 1st January 2006)	10-15	N/A
Ceri King <i>Director of Corporate Services</i> (from 1st January 2006)	10-15	N/A
Lindsay Kennedy <i>Non-executive director</i>	0-5	0-5

Jake Vaughan is seconded to the PCO from the House of Lords and his salary costs are paid to the House of Lords, via invoice arrangements. No benefits in kind were received by senior officials in 2005-06 or 2004-05.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP £59,095 (2004-05 £57,485) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer. No benefits in kind were received by Ministers or senior officials during 2004-05.

Pension Benefits

	Real increase in pension at age 65	Total accrued pension at age 60 at 31/3/06 and related lump sum	CETV at 31/3/06	CETV at 31/3/05	Real increase in CETV
	£000	£000	£000	£000	£000
Ministerial pensions					
Rt. Hon. Baroness Amos of Brondesbury <i>Leader of the House of Lords</i>	0-2.5	10-15	140	109	15
Rt. Hon. Peter Hain <i>Leader of the House of Commons</i> (until 6th May 2005)	0-2.5	5-10	98	97	1
Rt Hon. Geoff Hoon <i>Leader of the House of Commons</i> (from 9th May 2005)	0-2.5	10-15	119	N/A	7
Phil Woolas <i>Parliamentary Secretary</i> (until 9th May 2005)	0-2.5	0-5	22	22	0.5
Nigel Griffiths <i>Parliamentary Secretary</i> (from 10th May 2005)	N/A	N/A	N/A	N/A	N/A

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. (The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other members of the PCPF, can opt to increase their accrual rate from 5 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.)

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 on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the Minister (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.

	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 2006 and related lump sum	CETV at 31 March 2006	CETV at 31 March 2005	Real increase in CETV
	£000	£000	£000	£000	£000
Senior Management					
Alex Galloway <i>Clerk of the Council</i>	0-2.5 plus 2.5-5 lump sum	30-35 plus lump sum of 90-95	638	487	27
Graham Donald <i>Deputy Clerk of the Council*</i>	0-2.5 plus 2.5-5 lump sum	25-30 plus lump sum of 80-85	586	475	23
John Watherston <i>Registrar of the Judicial Committee</i>	0-2.5 plus 2.5-5 lump sum	40-45 plus lump sum of 120-125	966	874	14
Mary Macdonald <i>Registrar of the Judicial Committee</i>	0-2.5	10- 15	211	144	22
Roy Stone <i>PPS to the Chief Whip (Commons)</i>	0-2.5 plus 0-2.5 lump sum	20-25 plus lump sum of 70-75	371	289	7
Glynne Jones <i>PPS to Leader of the House of Commons</i>	0-2.5 plus 2.5-5 lump sum	10-15 plus lump sum of 35-40	166	113	13
Stephen Hillcoat <i>PPS to Leader of the House of Commons</i>	0-2.5 plus 5-7.5 lump sum	10-15 plus lump sum of 30-35	146	90	24
Jake Vaughan <i>PPS to the Chief Whip (Lords)</i>	0-2.5 plus 2.5-5 lump sum	5-10 plus lump sum of 20-25	74	60	12
Sue Ball <i>PPS to Lord President & Leader of the House of Lords</i>	0-2.5 plus 0-2.5 lump sum	20-25 plus lump sum of 65-70	471	370	14
Christine Cook <i>Director of Secretariat</i>	0-2.5	0-5	40	29	2
Ceri King <i>Director of Corporate Services</i>	0-2.5 plus 0-2.5 lump sum	10-15 plus lump sum of 40-45	200	147	8

Graham Donald left the PCO in February 2006 on compulsory retirement terms. Payment was £124,497 lump sum and annual pension provision of £31,561.

No employer contributions were made to a partnership pension account in respect of senior management.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant 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 and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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 selection of approved products. 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).

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Jake Vaughan is a member of the House of Lord Staff Pension Scheme (HOLSPS), which is operated "by analogy" with the PCSPS. Further information on the HOLSPS can be found in the resource accounts of the House of Lords.

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

Auditors

The Comptroller and Auditor General is the auditor for the Department's accounts. The notional cost of the Audit service provided was £34,000 and no other audit services were provided during the year.

Signed:

Alex Galloway

Clerk of the Council

22 June 2006

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

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

HM Treasury has appointed the Permanent Head of Department as Accounting Officer of the Department, with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the *Financial Reporting Manual* prepared by HM Treasury, and in particular to:

- observe 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 *Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Privy Council Office 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 Government Accounting.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims, and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 PCO for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

I am fully committed to embedding risk management throughout the PCO so that we meet the requirements embodied in HMT's Code of Good Practice for Corporate Governance. I receive advice on the handling of risk from the PCO Management Board and the Audit and Risk Committee (ARC). The Management Board, which I chair, meets on average ten times a year. It comprises the head of each Management Unit within the PCO and a non-executive member. The Board reviews the Department's management accounts and corporate projects at each meeting and regularly reviews unit performance. The Board also agrees the Departmental Plan, which is published annually.

The ARC is chaired by the non-executive member of the Management Board and meets three times a year. The purpose of these meetings is to review reports from the Internal Auditor and the NAO and to review the PCO's risk matrix. The ARC has an additional non-executive member, who is a chartered accountant. Although not members of the Committee I, as Accounting Officer, the Director of Corporate Services, our Internal Auditors, and representatives of the National Audit Office attend each meeting. Heads of Management Units are continually encouraged to develop the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

The risk control framework

The main elements of the Department's control framework include:

- A clearly defined 'Statement of Accounting Officer's Responsibilities' (which forms part of these Resource Accounts).
- A Management Board with clear terms of reference and defined membership (including a non-executive member), which meets regularly to consider all aspects of the PCO's business strategy, internal policies and direction.
- An Audit and Risk Committee chaired by the non-executive director of the Management Board.

The Management Board has developed the PCO risk matrix by looking at corporate level risk to delivery of objectives. All Management Units have conducted an assessment to identify additional risks in their work area to formalise and, if necessary, establish plans to mitigate and deal with risk. The ARC agreed the PCO risk management strategy in 2003 and this is reviewed annually by the Management Board. The risk matrix is reviewed at every ARC meeting.

During the year we have continued to develop our internal control procedures. An Internal Audit of Corporate Governance identified good operation of the following controls –

- The Management Board has clear terms of reference and includes a non-executive director. The terms of reference were revised following the recent machinery of government changes;
- An Audit and Risk Committee has been established and its function reviewed against the HMT Model and NAO checklist;
- A Risk Management Policy has been produced and framework established. Staff from across the PCO have participated in risk workshops;
- A risk matrix has been produced and is reviewed at each meeting of the Audit and Risk Committee;
- A non-executive member of the Audit & Risk Committee, with financial expertise, who receives monthly management accounts;
- A framework has been established to support staff and promote equality, diversity, provide information, training and to encourage a corporate identity;
- A security policy and procedures have been established;
- A programme of health and safety risk assessments has been established and taken place together with training on health and safety awareness; and
- A business continuity plan has been produced and although not yet tested has been talked through with the Cabinet Office Business Continuity Manager.

The Privy Council Office has received full assurance from Internal Audit for management of risk and substantial assurance for governance and control issues.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Privy Council Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Audit and Risk Committee.

The Management Board, the Audit and Risk Committee (ARC) and the Internal Auditor all participate in the review of the effectiveness of the system of internal control. The ARC reviews all reports from internal and external auditors, which include management responses and agreed remedial action, and receives a written report on the progress of implementing the agreed remedies. The head of internal audit gave an annual assurance on the effectiveness of the systems of internal control. He is satisfied that the overall control environment and structures are basically sound and is of the opinion that proper and adequate risk management, control and governance processes have been largely established within Privy Council Office. However, there remains scope for improvement, particularly in relation to the Judicial Committee where the head of internal audit can only give limited assurance. Risk management techniques have been generally applied consistently and appropriately across PCO activities. Pressure on resources will rightly lead to questions being raised about accepted practices and it is important when making changes that the risks are identified and accepted. Implementation of recommendations from Internal Audit reports is reviewed at each Audit and Risk Committee meeting.

Significant Internal Control Problems

I am pleased to report that no internal control problems of any significance were identified during the year.

Alex Galloway
22 June 2006

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 Privy Council Office for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 15 to 17 reflects the Department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the introductory sections of the Annual Report, the unaudited part of the Remuneration Report, and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material

misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- 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.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP
23 June 2006

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06 (£000s)

	Estimate			Outturn			2005-06	2004-05
	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net total outturn compared with Estimate saving/ (excess)	Net Total
Request for resources 1 Ensuring the orderly conduct of P.C.O business	6,749	(40)	6,709	6,547	(40)	6,507	202	5,584
Total resources	6,749	(40)	6,709	6,547	(40)	6,507	202	5,584
Non-operating cost A in A			-			-		-

Net cash requirement 2005-06 (£000s)

	Estimate		Outturn		2005-06	2004-05
	Estimate	Outturn	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)	Outturn
Net cash requirement	6,780	6,468	6,780	6,468	312	5,309

Summary of income payable to the Consolidated Fund (£000s)

(In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund)

	Note	Forecast 2005-06		Outturn 2005-06	
		Income	Receipts	Income	Receipts
Total	6	-	-	21	-

Explanation of the variance between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 25 to 37 form part of these accounts.

Operating Cost Statement for the year ended 31 March 2006 (£000s)

	Note	<u>2005-06</u>	<u>2004-05</u>
Administration costs:			
Staff costs	4	3,686	3,404
Other administration costs	5	2,861	2,284
Operating income	7	(61)	(104)
Net Operating Cost	2	<u>6,486</u>	<u>5,584</u>

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2006 (£000s)

	<u>2005-06</u>	<u>2004-05</u>
Net loss on revaluation of tangible fixed assets	-	-
Net gain on revaluation of tangible fixed assets	-	1,663
Receipt of donated asset	25	-
Recognised gains and losses for the financial year	<u>25</u>	<u>1,663</u>

The notes on pages 25 to 37 form part of these accounts.

Balance Sheet as at 31 March 2006 (£000s)

	Note	31 March 2006	31 March 2005
Fixed assets			
Tangible assets	8	4,451	4,284
Current assets			
Debtors	9	1,767	191
Cash at bank and in hand	10	99	16
		<u>1,866</u>	<u>207</u>
Creditors (amounts falling due within one year)	11	<u>(2,004)</u>	<u>(326)</u>
Net current (liabilities)		<u>(138)</u>	<u>(119)</u>
Total assets less current liabilities		4,313	4,165
Provisions for liabilities and charges	12	<u>(143)</u>	<u>(13)</u>
		<u>4,170</u>	<u>4,152</u>
Taxpayers' equity			
General fund	13	119	124
Revaluation reserve	14	5	7
Donated asset reserve	14	4,046	4,021
		<u>4,170</u>	<u>4,152</u>

Alex Galloway
Accounting Officer
22 June 2006

The notes on pages 25 to 37 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2006 (£000s)

	Note	2005-06	2004-05
Net cash outflow from operating activities	15a	(4,777)	(5,275)
Capital expenditure and financial investment	15b	(178)	(34)
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		–	–
Payments of amounts due to the Consolidated Fund	15d	(13)	(4)
Financing	15c	5,051	5,313
Increase/(decrease) in cash in the period		<u>83</u>	<u>–</u>

The notes on pages 25 to 37 form part of these accounts.

Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2006 (£000s)

AIM: To act as the secretariat to the Privy Council in its constitutional and statutory role and to support the President of the Council in her Privy Council and other responsibilities as efficiently and effectively as possible.

	2005-06			2004-05		
	Gross	Income	Net	Gross	Income	Net
Objective 1	1,182	–	1,182	692	–	692
Objective 2	1,036	(61)	975	989	(104)	885
Objective 3	747	–	747	806	–	806
Objective 4	3,582	–	3,582	3,201	–	3,201
Net operating costs	6,547	(61)	6,486	5,688	(104)	5,584

The Department's objectives were as follows:

- Objective 1 To ensure the orderly conduct of Privy Council business.
- Objective 2 To support the proper discharge of judicial responsibilities.
- Objective 3 To support the Lord President of the Council and Leader of the House of Lords in both her roles.
- Objective 4 To provide administrative support for the Office of the Leader of the House of Commons, his Deputy, and to the Chief Whips' Offices of the House of Commons and House of Lords.

See Note 16

The notes on pages 25 to 37 form part of these accounts.

Notes to the departmental resource accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2005-06 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Operating Costs by Departmental Aim and Objectives* and supporting note analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

Tangible assets are stated at the lower of replacement cost and recoverable amount. Expenditure on tangible fixed assets over £1,500 is capitalised. On initial recognition assets are measured at cost including any costs, such as installation, directly attributable to bringing them into working condition.

Furniture and fittings, information technology and plant and machinery are restated to current value each year, using appropriate indices from the historical table 4 of the ONS publication "Producer Price Indices" and the Retail Prices Index. Antique furniture and heritage silver are at market valuation, using external valuers. The valuation of antique furniture is reviewed every year by the external valuer, and the heritage silver is revalued every five years.

1.3 Depreciation

Furniture and fittings, information technology and plant and machinery are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

Asset lives are normally in the following ranges:

Furniture and fittings	3-10 years
Information technology	3-10 years
Plant and machinery	3-10 years

No depreciation is provided on antique furniture or heritage silver since they have unlimited or very long estimated useful lives. They are subject to an annual impairment review.

1.4 Donated assets – heritage silver

The department has a collection of silver which was donated by Queen Anne and other donors. This was valued in May and August 2005 by Anderson Omell Associates, independent fine art valuers, on the basis of a mid auction estimate. The silver is revalued every five years.

The value of these donated assets was credited to the donated asset reserve and subsequent additions and revaluations are also taken to this reserve.

1.5 Operating income

Operating income principally comprises fees for work carried out by the Judicial Committee, which is deemed to be earned when the case is completed. The Judicial Fees are set by Statute SI 1879 of 2003, the Judicial Committee General Appellate Jurisdiction Rules (amendment) Order 2003, rather than being calculated following the principles of HM Treasury's *Fees and Charges Guide*. Income includes not only income appropriated-in-aid of the Estimate but also income payable to the Consolidated Fund, which in accordance with the *FReM* is treated as operating income.

1.6 Administration expenditure

Administration costs reflect the costs of running the department. These include both administrative costs and associated operating income. Income is analysed in the notes between that which, under the administration cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration budget, and that operating income which is not.

1.7 Capital charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- a donated assets, and cash balances with the OPG, where the charge is nil;
- b amounts owed by or to the Consolidated Fund, where the charge or credit is nil.

1.8 Foreign exchange

Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes which are described in Note 4. 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 Principal Civil Service Pension Schemes (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.

1.10 Early departure costs

The department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in terms of employees who retire early. The department provides in full for this cost when the early retirement programme has been announced and is binding on the department.

1.11 Leases

All leases are operating in nature, and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.12 Provisions

The department provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.13 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 input VAT is recoverable, the amounts are stated net of VAT.

1.14 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain 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 *Government Accounting*.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.15 Third party assets

The Judicial Committee of the Privy Council, where required, holds security costs lodged by the appellant. These are not recognised in the accounts since neither the department, nor government more generally, has a direct beneficial interest in them.

2 Reconciliation of outturn to net operating cost and against Administration Budget**2a Reconciliation of net resource outturn to net operating cost**

	Note	2005-06 £000	2004-05 £000
Net resource outturn		6,507	5,584
Non-supply income (CFERs)	6	(21)	–
Net operating cost		<u>6,486</u>	<u>5,584</u>

2b Outturn against final Administration Budget

	£000 Budget	2005-06 £000 Outturn	2004-05 £000 Outturn
Gross Administration Budget	6,749	6,547	5,688
Income allowable against the Administration Budget	(40)	(40)	(104)
Net outturn against the final Administration Budget	<u>6,709</u>	<u>6,507</u>	<u>5,584</u>

Outturn is below budget because there was uncertainty about the total probable spend following the Machinery of Government Transfer. Because no reliable financial data on costs before the transfer date was available until after the year end, the department obtained budget cover for the maximum likely cost.

3 Reconciliation of resources to cash requirement

	Note	2005-06 £000	2004-05 £000
Resource outturn		Estimate 6,709	Outturn 6,507
			Net total outturn compared with Estimate: saving/ (excess) 202
			Prior-year Outturn 5,584
Capital			
Acquisition of fixed assets	8	161	178
Investments		–	–
Non-operating A in A		–	–
Proceeds of fixed asset disposals		–	–
Accruals adjustments:			
Non-cash items		(90)	(340)
Changes in working capital other than cash		–	(18)
Changes in creditors falling due after more than one year		–	–
Use of provision	12	–	141
Net cash requirement		<u>6,780</u>	<u>6,468</u>
			<u>312</u>
			<u>5,309</u>

Explanation of cash variances

In addition to the saving as a result of the lower resource cost, further savings were made because the delay in receiving parliamentary approval for the cash relating to the Machinery of Government move meant that the cash was paid out by the Cabinet Office. Additional cash was needed for provisions.

4 Staff numbers and costs

Staff costs comprise:

	2005-06					2004-05
	Total	Permanently-employed staff	Judges and Agency Staff	Ministers	Special Advisers	Total
Wages and salaries	2,865	2,218	200	179	268	2,809
Social security costs	159	99	7	22	31	221
Other pension costs	499	456	–	–	43	301
Sub total	3,523	2,773	207	201	342	3,331
Inward secondments	163	163	–	–	–	97
Total	3,686	2,936	207	201	342	3,428
Less recoveries in respect of outward secondments	–	–	–	–	–	(24)
Total net costs	3,686	2,936	207	201	342	3,404

No employee costs have been capitalised.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Privy Council Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005–06, employers' contributions of £511,660 were payable to the PCSPS (2004–05 £277,785) at one of four rates in the range 12 to 18.5 per cent (2004–05: 12 to 18.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employee has opted to do so.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2005-06					2004-05
	Total	Permanently-employed staff	Judges and Agency Staff	Ministers	Special Advisers	Total
Objective 1	11	10	1	–	–	11.5
Objective 2	8.5	7.5	1	–	–	9
Objective 3	9	6	–	1	2	10
Objective 4	53.5	48.5	–	3	2	57.5
Total	82	72	2	4	4	88

5 Other administration costs

	2005-06		2004-05
	£000	£000	£000
Rentals under operating leases:			
Hire of plant and machinery		26	29
Other operating leases		698	516
Non-cash items:			
Depreciation of tangible fixed assets	33		27
Downwards revaluation of fixed assets	-		-
Cost of capital charge:			
Civil Estate	-		-
Other items	1		6
Auditor's remuneration and expenses:			
For audit work	34		34
For non-audit work	-		-
Provisions for early departure costs:			
Provided in year	271		-
Not required and written back	-		-
Unwinding of discount	-		2
Bad debts written off	1		1
		340	70
Other property costs		347	420
IT costs		432	306
Telecomms costs		52	55
Government car service costs		283	265
Other expenditure		683	623
		2,861	2,284

6 Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the department and is payable to the Consolidated Fund

	Forecast 2005-06		Outturn 2005-06	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess A in A	-	-	21	-
Non-operating income and receipts – excess A in A	-	-	-	-
Subtotal	-	-	21	-
Other operating income and receipts not classified as A in A	-	-	-	-
Other non-operating income and receipts not classified as A in A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-
	-	-	21	-

7 Income and appropriations in aid

	2005-06	2004-05
	£000	£000
Operating income – fees and charges for services provided by the Judicial Committee	61	104

8 Tangible fixed assets

	Furniture and fittings £000	Information technology £000	Plant and machinery £000	Antique furniture ^a £000	Heritage silver ^b £000	Total £000
Cost or valuation						
At 1 April 2005	122	30	66	96	4,021	4,335
Additions	110	59	9	–	25	203
Disposals	–	–	–	–	–	–
Revaluations	1	1	(3)	–	–	(1)
At 31 March 2006	233	90	72	96	4,046	4,537
Depreciation						
At 1 April 2005	30	6	15	–	–	51
Charged in year	18	8	7	–	–	33
Disposals	–	–	–	–	–	–
Revaluations	1	–	1	–	–	2
At 31 March 2006	49	14	23	–	–	86
Net book value						
At 31 March 2006	184	76	49	96	4,046	4,451
At 31 March 2005	92	24	51	96	4,021	4,284

Note

- ^a Antique furniture was valued on 25 March 2004 on the basis of market value by S & H Jewell Ltd, antique and reproduction furniture specialists. Dome Antiques (Exports) limited carried out an impairment review on 8 May 2006, which indicated that there had been no change to the value.
- ^b Heritage silver was valued in May and August 2005, as at 31 March 2005, by Anderson Omell Associates, independent fine art valuers, on the basis of mid-auction estimate. This is calculated as the average of the minimum and maximum amounts it would be likely to realise at auction.

9 Debtors**9a Analysis by type**

	31.3.06 £000	31.3.05 £000
Amounts falling due within one year:		
Trade debtors	31	31
VAT and other taxes	35	26
Other debtors	65	81
Prepayments and accrued income	124	53
Cash relating to Machinery of Government Transfer due from Consolidated Fund	1,512	–
	<u>1,767</u>	<u>191</u>

Included within trade debtors is £21,000 (2004-05 £NIL) that will be due to the Consolidated Fund once the debts are collected.

9b Intra-Government balances

	31.3.06 £000	31.3.05 £000
Amounts falling due within one year:		
Balances with other central government bodies	1,553	87
Balances with local authorities	7	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	16	18
Subtotal: intra-government balances	<u>1,576</u>	<u>105</u>
Balances with bodies external to government	191	86
Total debtors at 31 March	<u>1,767</u>	<u>191</u>

10 Cash at bank and in hand

	2005-06 £000	2004-05 £000
Balance at 1 April	16	16
Net change in cash balances	83	–
Balance at 31 March	<u>99</u>	<u>16</u>
The following balances at 31 March are held at:		
Office of HM Paymaster General	98	16
Commercial banks and cash in hand	1	–
Balance at 31 March	<u>99</u>	<u>16</u>

Cash deposits held by the Judicial Committee (note 22) have been excluded from the department's cash balances.

11 Creditors**11a Analysis by type**

	31.3.06 £000	31.3.05 £000
Amounts falling due within one year		
Taxation and social security	106	74
Trade creditors	–	95
Other creditors	44	–
Accruals and deferred income	220	140
Amounts issued from the Consolidated Fund for supply but not spent at year end	101	17
Amounts due to Cabinet Office for machinery of government change	1,512	–
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
received	–	–
receivable	21	–
	<u>2,004</u>	<u>326</u>

11b Intra-Government balances

	31.3.06 £000	31.3.05 £000
Amounts falling due within one year		
Balances with other central government bodies	1,802	202
Balances with local authorities	–	–
Balances with NHS Trusts	–	–
Balances with public corporations and trading funds	–	–
Subtotal: intra-government balances	<u>1,802</u>	<u>202</u>
Balances with bodies external to government	202	124
At 31 March 2006	<u>2,004</u>	<u>326</u>

12 Provisions for liabilities and charges

	Early departure costs £000
Balance at 1 April 2005	13
Provided in the year	271
Provisions not required written back	–
Provisions utilised in the year	(141)
Unwinding of discount	–
Balance at 31 March 2006	<u>143</u>

The department meets the additional costs of benefits beyond the normal 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 2.2 per cent in real terms.

The provision will be fully utilised by 31 March 2011.

13 General fund

The General Fund represents the total assets less liabilities of the department, to the extent that the total is not represented by other reserves and financing items.

	2005-06	2004-05
	£000	£000
Balance at 1 April	124	359
Net Parliamentary funding		
Drawn down	5,051	5,308
Deemed	6	18
Supply debtor for transferred function – Whips’ Offices	1,512	–
Year end adjustment		
Supply creditor – current year	(102)	(17)
Net transfer from Operating Activities		
Net operating cost	(6,486)	(5,584)
CFERs repayable to Consolidated Fund	(21)	–
Non-cash charges:		
Cost of capital	1	6
Auditors’ remuneration	34	34
	<u>35</u>	<u>40</u>
Balance at 31 March	<u>119</u>	<u>124</u>

14 Reserves**14a Revaluation reserve**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

	2005-06	2004-05
	£000	£000
Balance at 1 April	7	–
Arising on revaluation during the year (net)	(2)	7
Balance at 31 March	<u>5</u>	<u>7</u>

14b Donated asset reserve

The donated asset reserve reflects the value of the heritage silver assets donated to the department by Queen Anne and later donors.

	2005-06	2004-05
	£000	£000
Balance at 1 April	4,021	2,362
Additions during the year	25	–
Revaluations	–	1,659
Balance at 31 March	<u>4,046</u>	<u>4,021</u>

15 Notes to the Cash Flow Statement**15a Reconciliation of operating cost to operating cash flows**

	Note	2005-06 £000	2004-05 £000
Net operating cost		6,486	5,584
Adjustments for non-cash transactions	5	(340)	(70)
Increase/(decrease) in Debtors	9	1,576	(152)
Less movements in debtors relating to items not passing through the Operating Cost Statement		(1,513)	5
(Increase)/decrease in Creditors	11	(1,678)	(101)
Less movements in creditors relating to items not passing through the Operating Cost Statement		105	(4)
Use of provisions	12	141	13
Net cash outflow from operating activities		4,777	5,275

15b Analysis of capital expenditure and financial investment

	Note	2005-06 £000	2004-05
Tangible fixed asset additions	8	178	34
Proceeds from disposal of fixed assets		–	–
Net cash outflow from investing activities		178	34

15c Analysis of financing and reconciliation to the net cash requirement

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) - current year	13	5,051	5,308
From the Consolidated Fund (Supply) – prior year		–	–
Transfer from Cabinet Office in respect of transferred function		–	5
Net financing		5,051	5,313

15d Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2005-06 £000	2004-05 £000
Net cash requirement		6,468	5,309
From the Consolidated Fund (Supply) – current year	13	(5,051)	(5,308)
From the Consolidated Fund (Supply) – prior year		–	–
Amounts due to the Consolidated Fund – received in a prior year and paid over		13	4
Amounts due to the Consolidated Fund – received and not paid over		–	–
Due from Cabinet Office in respect of transferred function		(1,513)	–
Transfer from Cabinet Office in respect of transferred function		–	(5)
(Increase) in cash		(83)	–

16 Notes to the Statement of Operating Costs by Departmental Aim and Objectives

The Privy Council Office's capital is employed exclusively for administration purposes. Its distribution between objectives is therefore not markedly different from the proportion of the related gross administration cost. Administration costs have been attributed to objectives to reflect the actual costs incurred, and the relevant proportion of shared costs. Shared costs are apportioned between objectives on an appropriate basis, such as staff numbers or space occupied.

17 Capital commitments

	31.3.06 £000	31.3.05 £000
Contracted capital commitments at 31 March for which no provision has been made	31	–

18 Commitments under leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06 £000	2004-05 £000
Land and Buildings:		
Expiry within 1 year	–	201
Expiry after 1 year but not more than 5 years	–	–
	–	201
Plant and machinery:		
Expiry within one year	–	2
Expiry after 1 year but not more than 5 years	48	47
	48	49

The department has no finance leases.

19 Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Privy Council Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The department has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

19.1 Liquidity risk

The department's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Privy Council Office is not therefore exposed to significant liquidity risks.

19.2 Interest-rate risk

All of the department's financial assets and liabilities carry nil or fixed rates of interest, and the Privy Council Office is not therefore exposed to significant interest-rate risk.

20 Contingent liabilities

There were no contingent liabilities at 31 March 2006 or at 31 March 2005.

21 Related-party transactions

Privy Council Office has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Cabinet Office, OGC and the Government Car Service.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Privy Council Office during the year.

22 Third-party assets

The Judicial Committee of the Privy Council, where required, holds security costs lodged by the appellant. These are held in accordance with Statutory Instrument 'The Judicial Committee (General Appellate Jurisdiction) Rules Order 1982' made 24/11/82 and Statutory Instrument 'The Judicial Committee (Devolution Issues) Rules Order 1999' made 10/05/99. These deposits are not deemed departmental assets and are not included in the accounts.

The amounts held at the balance sheet date were:

	31 March 2005 £000	Gross inflows £000	Gross outflows £000	31 March 2006 £000
Monetary assets such as bank balances and monies held on deposit	30	200	(100)	130

23 Post balance sheet events

As a result of a Cabinet reshuffle on 5 May 2006, there was a change in two of the Ministers supported by the department. Hilary Armstrong was replaced by the Rt. Hon. Jackie Smith MP as Commons' Chief Whip and Geoff Hoon was replaced as Leader of the House of Commons by the Rt. Hon. Jack Straw MP. No other Ministerial changes or changes in resources were made.

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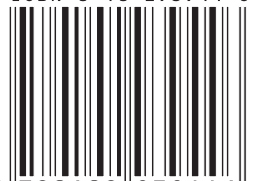
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