



# Annual Report and Accounts

For the year ended 31 March 2010

Capacity Builders  
(UK) Limited

Company No. 05708912





Capacity Builders  
(UK) Limited

Company No. 05708912

# Annual Report and Accounts

For the year ended 31 March 2010

Presented to Parliament pursuant to Section 6(2)(b)  
of the Government Resources and Accounts Act 2000  
(Audit of Non-profit-making Companies) Order 2010

Ordered by the House of Commons to be printed on 15 July 2010

© Capacity Builders (UK) Limited Copyright 2010

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Capacity Builders (UK) Ltd copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

ISBN: 9780102966695

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2371195 07/10

Printed on paper containing 75% recycled fibre content minimum.

---

# Contents

---

	Introduction from the Chair and Chief Executive	03
01	Capacitybuilders' work	04
	1.1 About Capacitybuilders	04
	1.2 Summary of progress during 2009-2010	04
	1.3 Financial summary	09
02	Board members and governance	10
	2.1 Board members	10
	2.2 Governance, Board structure and membership	10
	2.3 Executive directors	11
03	Directors' report	12
	3.1 History and background	12
	3.2 Principal activity	12
	3.3 Business review	12
	3.4 Freedom of information	21
	3.5 Health and safety	21
	3.6 Equality	21
	3.7 Environmental sustainability	22
04	Governance reports, financial statements and notes	23
	4.1 Statement of Directors' and Accounting Officer's responsibilities	23
	4.2 Remuneration report	24
	4.3 Statement on internal control	26
	4.4 The Certificate and Report of the Comptroller and Auditor General	29
	4.5 Net income and expenditure account for the year ended 31 March 2010	30
	4.6 Statement of financial position as at 31 March 2010	31
	4.7 Statement of cash flows for the year ended 31 March 2010	32
	4.8 Statement of changes in reserves for the year ended 31 March 2010	34
	4.9 Notes to the accounts for the year ended 31 March 2010	35

---

We believe that to achieve a strong civil society, charities, voluntary groups and social enterprises must be able to access the support and advice they need to develop and grow.

---

# Introduction from the Chair and Chief Executive

Capacitybuilders is the government agency responsible for improving the quality of support and advice available to frontline charities, voluntary organisations and social enterprises in England.

Over the last year, Capacitybuilders has provided more funding than ever to help charities, voluntary organisations and social enterprises get the support and advice they need to develop, grow and make a real difference to the communities in which they work.

We have explored new ways of funding, including offering vouchers to enable smaller organisations to access expert advice and support to help them respond to tougher economic times. We are also boosting the skills of those working with volunteers through training bursaries and targeted support for volunteer managers in communities where unemployment is highest.

At the same time, we have worked hard to improve our own operational performance, reducing bureaucracy and increasing efficiency, responding to the challenges set by last year's Public Accounts Committee report. Most importantly, this has been reflected in the experiences of our grant holders. Our recent independent stakeholder survey showed very high levels of satisfaction with our performance. We aim to sustain this and do even better over the coming year.

This report sets out what we have delivered over the past twelve months. It brings to life some of the excellent work delivered by our grant holders and demonstrates the impact of this work in communities across England. Over the next year we look forward to working with new Ministers and existing delivery partners to help charities, voluntary organisations and social enterprises contribute effectively to the delivery of public services and collectively support the ambitions underpinning the government's vision for a Big Society.

**Stephen Dunmore**  
Chair

**Matt Leach**  
Chief Executive

---

# 01: Capacitybuilders' work

Capacitybuilders works in partnership with the providers of advice and support to ensure that their work is efficient, sustainable, inclusive and responsive to the needs of local communities.

## 1.1 About Capacitybuilders

During 2009-10, Capacitybuilders and its programmes were primarily funded by the former Office of the Third Sector in the Cabinet Office.

Through its funding programmes, research into good practice and partnerships, Capacitybuilders aims to improve the quality and accessibility of advice and support services, to help charities, voluntary groups and social enterprises maximise the strength of the communities in which they work.

Capacitybuilders delivers in three main ways:

- funding better advice and support services for charities, voluntary groups and social enterprises
- sharing learning, expertise and best practice; and
- promoting partnership and collaboration.

## 1.2 Summary of progress during 2009-10

During 2009-10 Capacitybuilders managed funds of over £35m, targeted at improving the support and advice available to charities, voluntary groups and social enterprises working across England.

### **Better support for civil society**

Capacitybuilders' funding programmes helped to support a wide range of activity, including:

- more effective local support and advice services
- direct funding through bursaries so that smaller charities and voluntary groups were able to benefit from targeted support, advice and training
- funding to improve resource centres supporting small groups working in local communities.

---

### **Highlights**

- Over 800 frontline organisations have benefited from expert support exploring how collaboration and merger might help them deal with the impact of tougher economic times.
  - 109 grants to improve local resource centres, providing better premises and support for neighbourhood and community groups.
  - Funding of over £2m in social enterprise support, meeting gaps in provision and benefiting over 5,000 social enterprises.
-

---

## A range of new programmes

Capacitybuilders' funding programmes help to ensure that charities, voluntary groups and social enterprises are able to access better quality support and advice as they develop, grow and respond to new challenges.

During the last year Capacitybuilders launched a range of new programmes aimed at targeting the right support where it was needed:

- £7m Modernisation Fund provided support to over 800 charities and voluntary groups to help them respond to the tougher economic climate.
- small neighbourhood and community-based groups across England are already benefiting from new or refurbished facilities and the development of shared services as a result of funding of over £3m in 109 capital grants to improve local resource centres.
- during 2009-10 and 2010-11 Capacitybuilders is providing funding of over £1.4m in 24 local outreach projects to support people managing volunteers in areas of the country most affected by increases in unemployment. This is being complemented by some 600 bursary awards to support accredited training for Volunteer Managers during 2010-11.

---

## Highlights

Capacitybuilders' stakeholder survey, carried out in February 2010, was overwhelmingly positive on all key performance areas:

- Performance in most areas of programme management being rated by 85-90% of grant holders as 'good'.
- 57% of responders reported having seen an improvement in Capacitybuilders' performance over the last 12 months.

---

## Responding to tougher economic times

Capacitybuilders regular surveys of local organisations showed that nearly 80% of support providers saw an increase in demand for their services from frontline groups in the last year. At the same time increasing numbers of support providers were facing real financial pressure on their own income.

---

## Case Study – Collaborating to deliver community services

Riverside Community Health Project in Tyne Bridge used its £10,000 Modernisation Fund grant to help it merge with its local community centre, creating a more effective organisation able to deliver a range of services for the whole community. The organisation used its grant to address the changes needed in its newly merged management committee, as well as looking at issues such as building maintenance, for which it had not been responsible before. The grant has also been used to update the organisation's IT facilities, so the Health Project and the community centre can operate a shared diary system and manage bookings more effectively.

**'Without the grant, we would have muddled through the merger but we wouldn't have been able to support the management committee properly.'**

Anne Bonner, Manager of the Riverside Community Health Project

---

## Case Study – Colebridge community bus

The Colebridge Trust in Solihull has used its £29,500 Capital Grant from Capacitybuilders to purchase and equip a former mobile library as a community bus. It has been refurbished to provide a range of facilities – a mobile office, a consultation room, an exhibition space and even a corporate hospitality venue for local voluntary and community organisations. Solihull includes a variety of rural and urban areas and the bus makes it possible to take services directly to communities across the region. During National Volunteers' Week the bus visited town centres and public leisure areas, promoting volunteer vacancies available in the area; 120 people gave firm volunteering commitments.

**'Without the grant from Capacitybuilders, it would have been difficult to find the money for such a modern vehicle, one that we could equip in such a way that it would become self-sustaining, paying for its successor as well as covering its day-to-day running costs.'**

Charles Rapson, Operations Manager, Solihull-SUSTAiN



# 01: Capacitybuilders' work

---

Capacitybuilders was able to adapt its programmes in response to these new pressures and challenges. Local delivery partners also responded, with over 80% of consortia of local support providers refocusing their work plans to ensure they were prepared to meet changing needs of frontline groups.

## Sharing learning and expertise

During 2009-10 Capacitybuilders worked to improve the ease with which organisations providing support and advice to civil society groups could access and share high quality information and resources to strengthen the services they provide.

This included:

- funding training for local support providers to improve their skills and knowledge in key areas such as marketing and communication, collaboration, leadership and governance, ICT, performance management, HR and employment practice
- producing Improving Support – a magazine, e-bulletin and website providing information, toolkits, best practice and other resources aimed at support providers.

## Evaluating impact

Capacitybuilders is committed to learning from its programmes and evaluating the impact of the varied portfolio of grants.

During 2009-10 Capacitybuilders managed a research and evaluation programme to ensure that its work and that of delivery partners is informed by the latest thinking and that its programmes offer demonstrable value for money.

## Research

The independent evaluation of the first four years of investment in local support services under the ChangeUp programme was published in January 2010. The report highlighted the extent to which investment has supported more joined up services and better joint working among local providers of advice and support. A copy of the evaluation is available at [www.capacitybuilders.org.uk/research/evaluation-changeup](http://www.capacitybuilders.org.uk/research/evaluation-changeup)

During 2009-10 Capacitybuilders commissioned research into a wide range of issues affecting the sector including:

- alternative approaches to capacity building in the public and private sectors here and overseas
- good practice in running community resource centres
- measuring the impact of the economic downturn
- different models of support.

Capacitybuilders hosted an international event in partnership with the Association of Chief Executives of Voluntary Organisations (ACEVO), Euclid Network, the Association of Charitable Foundations (ACF) and the National Council for Voluntary Organisations (NCVO) to consider a report on emerging practices in supporting civil society organisations abroad. Featuring speakers from the Netherlands, Australia, the USA and Cyprus, the event generated significant interest from both policy makers and practitioners. Following the event, an international network has been established to support the sharing of best practice, knowledge and research into support for civil society organisations. A copy of the report is available at [www.capacitybuilders.org.uk/research/learning-international-practices](http://www.capacitybuilders.org.uk/research/learning-international-practices).

During 2009-10 Capacitybuilders worked on a number of other civil society focused programmes run by government, for example, acting as a 'critical friend' to the Department for Environment, Food and Rural Affairs' Rural Community Action Network Investment Programme. Capacitybuilders also commissioned an evaluation on their behalf which has highlighted the positive value of this funding of support for rural communities.

---

## Highlights

- The independent evaluation report of the ChangeUp programme reported significant local progress.
  - A programme of research exploring a range of approaches to supporting civil society organisations.
  - A major international seminar on emerging practice abroad in support of civil society organisations.
-

---

### **Promoting partnerships and collaboration**

Capacitybuilders works to promote partnership and collaboration between organisations providing support to charities, voluntary groups and social enterprises. It helps to ensure that the support they offer is efficient, sustainable, joined up and responsive to their needs.

Across England, Capacitybuilders supports a network of local consortia – partnerships bringing together key organisations that provide support and advice within local areas. Collectively, local support providers are able to use these partnerships to collaborate, map local needs and plan how to meet them, and engage with partners including local government. This network also provides an efficient and flexible means of delivering new grant programmes, playing a critical role in the delivery of the Modernisation Fund and Volunteer Management Programmes. Capacitybuilders monitors the health of these partnerships annually, with year-on-year performance and improvement mapped across a series of indicators.

Nationally, Capacitybuilders seeks to maintain strong relationships with key organisations representing civil society and to work more closely with the Office of Civil Society and departments across government.

Staff based in each region work with local support providers, civil society groups and some public sector bodies to ensure Capacitybuilders' programmes reflect local need and link with and complement the work of other partners.

---

### **Case Study – Encouraging engagement**

Age Concern County Durham has developed an innovative approach to helping older people engage with local decision-making. Its EngAge initiative, funded by the Improving Reach programme, works with older people, including hard-to-reach groups like carers, the visually impaired and people experiencing mental health issues. To address the lack of confidence many of the older people in these groups feel, Age Concern County Durham set up the Confident Consumer course which has now been delivered four times to a total of 25 students.

---

### **Case Study – New business tool to help voluntary and community organisations manage overheads**

With funding through Capacitybuilders' National Support workstream on Income Generation, the Association of Chief Executives of Voluntary Organisations (ACEVO) has launched a new business tool, Capacity Manager, to help civil society groups manage their spending on overheads more efficiently. The online tool can be used to examine all the main types of overhead costs, help judge the effectiveness of spending in different areas and assist managers to benchmark their spending against similar businesses.

---

### **Case Study – Collaboration provides economies of scale and better services for frontline organisations**

Serving adjacent unitary local authorities of Bournemouth and Poole, the two local support providers – Bournemouth and Poole CVS - were helped to develop joint working processes and procedures and launch three new services. The two organisations are now able to provide better support to local charities and voluntary groups. Increasing the economies of scale has enabled them to offer better and more cost effective advice to prospective volunteers, and improved their reputations and the long-term sustainability of local support for volunteers.

# 01: Capacitybuilders' work

---

## **Supporting the new Neighbourhood and Home Watch Network**

In 2009, the Home Office engaged Capacitybuilders to manage a £400,000 development grant for the Neighbourhood and Home Watch Network. To help establish the Network as an independent charity, Capacitybuilders provided a package of funding as well as:

- engaging with the National Council for Voluntary Organisations to help develop the Network's governance (including its mission, board, policies, planning and human resourcing)
- compiling examples of good practice amongst local groups, including work to increase the diversity of the movement
- arranging a series of peer visits between local groups, helping local members learn directly from each other
- holding five major events across the country to involve local members in the development of their network, and provide a chance to share good practice
- providing a grant to the Design Council to find ways of reaching out to the widest possible range of potential members.

By the end of March 2010 the Network had become a registered charity, finalised a five-year business plan and secured funding from the Home Office. The Network will carry on the work of sharing good practice between members and building relationships with other civil society organisations at a local and national level.

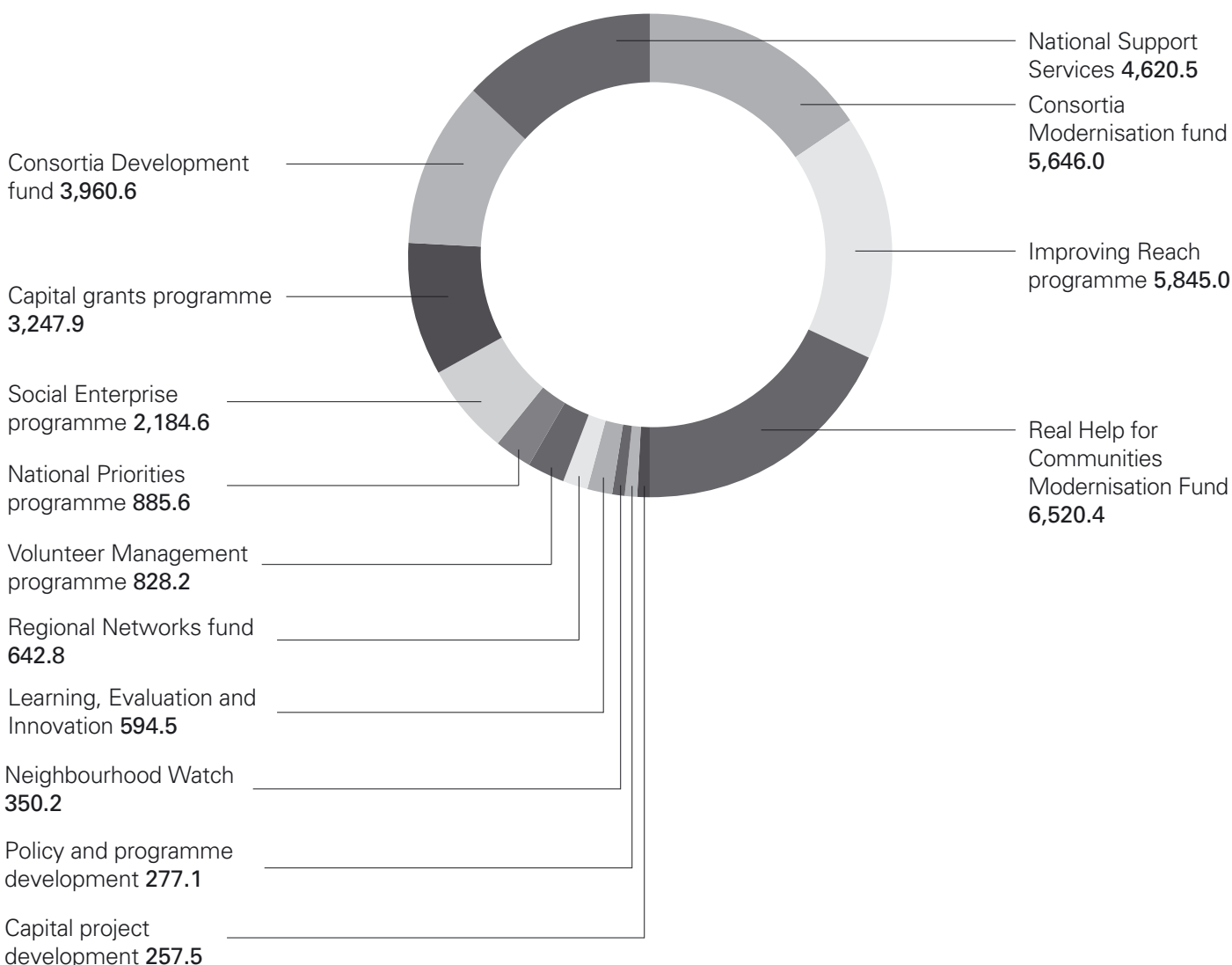
### 1.3 Financial summary

Highlights from the reported financial performance for the year and the financial position as at 31 March 2010 are shown below:

<b>Net Income and Expenditure</b>		
	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Income	457,514	61,555
Expenditure	(39,169,931)	(28,616,575)
Receipt of Grant in Aid	39,377,000	30,178,000
Surplus	664,583	1,622,980

<b>Financial Position</b>		
	At 31 March 2010 £	At 31 March 2009 £
Non-current assets	104,549	25,009
Current assets	2,250,701	2,335,160
Current liabilities	(964,697)	(1,372,073)
Assets less liabilities	1,390,553	988,096

### Capacitybuilders Programme Expenditure 2009-10 (£000s)



---

# 02:

## Board members and governance

Capacitybuilders is an executive non-departmental public body accountable to and receiving funding from its sponsoring department, the Cabinet Office.

### 2.1 Board members

**All directors served throughout the year, except where stated:**

Stephen Dunmore, Board member throughout the year, Chair<sup>†</sup> from 1 Nov 09

Chris Pond, Chair (resigned 31 Oct 09)

Caryl Agard

Margaret Bolton

Sir Rodney Brooke

Jon Fox\*

Anthony Freeling

Julia Kaufmann (resigned 18 Dec 09)

Matt Leach\*

Olu Olasode

Angela Sarkis

Janice Smith\* (resigned 17 Apr 09)

Sir Roger Singleton

Judith Wilson\* (appointed 20 Apr 09)

### 2.2 Governance, Board structure and membership

#### Governance

Capacitybuilders is an executive non-departmental public body accountable to and receiving funding from its sponsoring department, the Cabinet Office, and reporting during 2009-10 to the Minister for the Third Sector. Capacitybuilders is also a company limited by guarantee with the Minister for the Cabinet Office as its sole member.

During 2009-10 Capacitybuilders updated its Articles of Association and its Management Framework in conjunction with the former Office of the Third Sector.

#### Board structure and membership

The Board comprises the Chair, up to ten non-executive directors, and up to four executive directors including the Chief Executive.

The Chief Executive, who is also the Accounting Officer, is responsible for the day-to-day running of the organisation. Non-executive directors are appointed initially for a period of up to three years. The level of their remuneration is set by contract, with the approval of the Minister for the Cabinet Office. Meetings of the full Board are held at least four times a year.

<sup>†</sup> Interim appointment until Nov 2010

\* Executive Directors

Board members are subject to a Code of Practice which is consistent with Guidance on Codes of Practice for Board Members of Public Bodies published and revised from time to time by the Cabinet Office. The Board has appointed four sub-committees (committees) consisting of Board members and advised by the Chief Executive, directors, and senior officers. Each committee has agreed terms of reference and delegation from the Board in respect of its responsibilities. The minutes of each committee are reported formally in writing to the Board after each meeting. A summary of the committees and membership is provided below:

**Audit and Risk Committee** – Four meetings per year. **Members:** Olu Olasode (Chair), Sir Rodney Brooke, Anthony Freeling and Sir Roger Singleton. The Audit and Risk Committee supports the Board in its responsibilities for risk management, financial control, governance and associated assurance. In line with the HM Treasury Audit Committee Handbook, the Committee takes decisions and provides advice to the Board.

**Funding Policy and Programmes Committee** – Four to six meetings per year. **Members:** Angela Sarkis (Chair from December 2009), Caryl Agard, Margaret Bolton, Stephen Dunmore and Julia Kaufmann (Chair until December 2009). The Committee's main responsibility is to approve programme grants and to consider and advise the Board on matters of funding strategy and the management and evaluation of grants programmes.

**Remuneration Committee** – At least one meeting per year. **Members:** Margaret Bolton (Chair), Caryl Agard, Stephen Dunmore, Olu Olasode and Chris Pond (until October 2009). The Committee's main responsibilities are to agree the terms and conditions of employment of the Chief Executive; endorse the performance appraisals and pay increases for other executive directors; and decide on severance terms for the Chief Executive and other executive directors, subject to any necessary clearances by the Cabinet Office/HM Treasury.

**Resources Committee** – Three to four meetings per year. **Members:** Sir Roger Singleton (Chair), Sir Rodney Brooke, Anthony Freeling, Julia Kaufmann (until December 2009) and Angela Sarkis. The Committee's main responsibility is to oversee the management and use of resources, through review and approval of corporate and business plans and receipt of regular performance and management updates from officers.

## 2.3 Executive Directors

### Chief Executive

**Matt Leach** joined Capacitybuilders in December 2008 from the Housing Corporation where he was Director of Policy and Communication. Prior to this, Matt led the establishment of the London Thames Gateway Development Corporation, and has held a range of roles within central government, including senior posts in the Cabinet Office and the Office of the Deputy Prime Minister.

### Director of Strategy and Programmes

**Jon Fox** joined Capacitybuilders from BVSC, the Centre for Voluntary Action in Birmingham, where he was Director of Sector Development and Active Citizenship. Prior to this, Jon worked within the Home Office in the Active Communities Unit. Jon has over 10 years' experience at a national and regional level working with charities, voluntary organisations and social enterprises.

### Director of Finance, Planning and Corporate Services

**Judith Wilson** joined Capacitybuilders from the Learning and Skills Council (LSC) where she held the post of Director of Provider Financial Assessment. Judith trained as a Chartered Accountant before moving to a large further education (FE) college to set up financial systems and procedures to support FE incorporation. In 1995 she joined the Further Education Funding Council which merged into the LSC in 2001, holding a range of senior finance roles including three years as Head of Finance, External Funds and Council Development at The Black Country LSC.

---

# 03: Directors' Report

## 3.1 History and background

Capacity Builders (UK) Limited (Capacitybuilders) was incorporated on 14 February 2006 as a company limited by guarantee. It is also an executive non-departmental public body, which during 2009-10 was sponsored by the Cabinet Office and reported to the Minister for the Third Sector. The Minister for the Cabinet Office is the sole member of the company. The company commenced business on 3 April 2006. The names of the persons who served as directors during the year 2009-10 are set out in section 2.1.

## 3.2 Principal activity

Capacitybuilders' principal activity is to provide government grant funding to improve the quality of advice and support available to frontline charities, voluntary groups and social enterprises.

## 3.3 Business review

### Strategic priorities

Capacitybuilders set the following strategic priorities for 2009-10:

- **Access to support:** Throughout the country, frontline third sector organisations have access to high quality support and advice.
- **Strengthening support:** Those supporting frontline third sector organisations have access to the advice, tools and resources they need to inform their work.
- **Responding to recession:** Work with delivery partners to contribute effectively to meeting third sector organisations' needs arising out of the recession.
- **Promoting diversity:** Capacitybuilders' programmes reflect the needs of the diverse communities it serves.
- **Evidence-based working:** Capacitybuilders' investment and that of government is informed by high quality data and analysis.
- **Effective delivery:** Capacitybuilders manages public funds effectively, works closely with partners and ensures a high standard of customer service.



## Performance against key performance indicators

Capacitybuilders' business plan for 2009-10 was approved by the Minister and included the targets set out in the tables below.

### Business Plan Targets 2009-10

Target	Status	Progress
<p><b>Objective 01</b> Throughout the country, frontline third sector organisations have access to high quality support and advice.</p>		
<p>All consortia meet 'fit for purpose' criteria during 2009-10 and meet agreed standards, in particular in relation to:</p> <ul style="list-style-type: none"> <li>• awareness of local third sector needs</li> <li>• effective engagement</li> <li>• inclusiveness of approach</li> <li>• effective delivery.</li> </ul>	<b>Substantial progress achieved</b>	<p>On the basis of Capacitybuilders' end of year monitoring of consortium performance completed by 31 May 2010 (80% of returns), no consortium performed below expectations on more than one performance criterion during 2009-10. At least 98% of consortia performed well or adequately on each criterion.</p>
<p>60% of consortia to demonstrate performance improvement compared to the 2008-09 assessment exercise.</p>	<b>Achieved</b>	<p>Monitoring returns show overall improvement for 75% of consortia against the range of fit for purpose indicators.</p>
<p>Fifteen capital investment grants totalling over £3m to be agreed by February 2010 to deliver significant improvement in the quality and accessibility of local third sector resource centres (with at least £1.5m of awards agreed by October).</p>	<b>Outcome achieved</b>	<p>Additional allocation of capital programme funds allowed over 100 capital awards to be made in 2009-10 totalling over £3m. However, delays in completing assessments of larger awards limited total awards before end of October to £441,000.</p>
<p>Work plans for Regional Third Sector Networks funded by Capacitybuilders to March 2011 to be agreed by September 2009. Work plans to focus on ways to achieve a positive influence on regional policy for the third sector. 75% of work plans to be agreed by July 2009.</p>	<b>Achieved</b>	<p>76% of awards were agreed on 25 June 2009, based on submitted work plans. Two further awards were agreed in December 2009. An alternative approach was taken with 3 organisations requiring more intensive support before grants could be awarded; two of these were awarded grants following the completion of that support work.</p>
<p>At least 25 awards to be made to local partners to improve support for managers of volunteers by October 2009. Following consideration of applications with the Office of the Third Sector to ensure best value from public funding, the total was reduced to 24.</p>	<b>Achieved</b>	<p>Awards were made in October 2009.</p>

## Objective 02 Those supporting frontline third sector organisations have access to the advice, tools and resources they need to inform their work.

<p>'Soft launch' of new <a href="http://www.improvingsupport.org.uk">www.improvingsupport.org.uk</a> website by June 2009, with a full launch in Autumn 2009. To achieve;</p> <ul style="list-style-type: none"> <li>• 1,500 unique visitors per month</li> <li>• 600 registered members</li> <li>• 1,500 resources held in the tools and resources library by the end of December 2009.</li> </ul>	<b>Achieved</b>	<p>Soft launch took place in June 2009. Full launch September 2009. Visitor numbers measured in March 2010 indicated that target numbers were met:</p> <ul style="list-style-type: none"> <li>• average unique visitors 1,605</li> <li>• registered members 1,068</li> <li>• resources at year end 1,489.</li> </ul>
<p>1,500 registered subscribers to IS e-bulletin by year end</p>	<b>Achieved</b>	<p>3,000 registered subscribers by year end.</p>
<p>Successful procurement of production contract for Improving Support magazine, with issue 2 published by end 2009 and third issue on track for Summer 2010. Customer research providing clear positive feedback on initial edition of magazine, with over 75% of readers considering it a 'worthwhile' resource and of 'high quality'.</p>	<b>Achieved</b>	<p>Contract successfully procured via tender. Issue 2 published January 2010. Issue 3 published Summer 2010. Over 85% described the initial edition as a 'high quality' product, while over 90% of respondents described it as 'informative', 'useful', and a 'worthwhile read'. 95% felt the magazine was 'relevant'.</p>



# 03: Directors' Report

Business Plan Targets 2009-10		
Target	Status	Progress
Survey of support providers accessing national resources by February 2009-10: indicative target of 75% of those accessing resources rating them as good or above; where rating does not meet this target, improvement plan agreed with the relevant National Support Service/National Priorities Programme (NSS/NPP) lead body by the end of 2009-10 as a precondition of 2010-11 funding.	Achieved	Satisfaction survey undertaken in February 2010 by external provider which focused on a random sample of activities within each of nine work streams. All work streams surveyed were within the 'good' category. Overall target exceeded with 76% satisfaction.
Agreement with NSS/NPP partners on a target to reach certain groups of beneficiaries for 2010-11.	Achieved	All NSS/NPP partners have signed off work plans for 2010-11 including planned numbers of beneficiaries across a range of activities.

## Objective 03 Work with delivery partners to contribute effectively to meeting third sector organisations' needs arising out of the recession.

All National Support Services work plans for 2009-10 and 2010-11 to reflect the need to deliver support relevant to the changing needs of the third sector arising from the recession.	Achieved	All NSS/NPP partners have signed off work plans for both years including more emphasis on work relevant to the support the sector needs during the recession. Some undertook additional activities in 2009 specifically relating to the effects of the economic downturn.
Six-monthly survey of local support providers to be launched in May 2009, with at least two further waves of information gathering in 2009-10, supported by effective dissemination of survey results.	Achieved	Survey 1 – May 2009 Survey 2 – October 2009 Survey 3 – April 2010 Survey results have been widely disseminated via a range of methods including Improving Support website, press releases and presentations.
85% of local consortia to have reprioritised resources during 2009-10 to improve support available to frontline organisations arising from the economic downturn.	Achieved*	87% of consortia accepted additional funding in 2008-9 which was conditional on adapting 2009-10 work plans to take account of the recession. * Achieved, based on consortia performance returns for 2009-10 received to date.
Modernisation Fund to be successfully launched by 1 June 2009.	Achieved	Programme launched on 1 June 2009.
Decisions on applications to be made within 6 weeks, with all Phase 1 bursaries used by the end of September 2009.	Achieved	All awards were made within six weeks* of applications being received. Awards on Phase 1 were made during June and July 2009. Most bursaries were delivered during September. However, bursaries' validity was extended to December to maximise the benefit available to receiving organisations. * Note this figure excludes Modernisation Fund online bursaries where the decision on eligibility and award was made instantly upon application.
Online diagnostics to be available from May 2009 to help third sector organisations identify where they need to take action to ensure they are able to meet the challenges of the recession.	Achieved	Diagnostic developed in partnership with Cass Centre for Charity Effectiveness was made available on 8 May 2009.
Modernisation Fund Phase 2 grants application window to be open by October, providing larger bursaries of up to £10,000, with all funds successfully disbursed by year end 2009-10.	Achieved	Programme was open ahead of schedule in September. All 546 grants were made by the end of the year.

## Business Plan Targets 2009-10

Target	Status	Progress
Initial 'delivery evaluation' to be carried out by end of 2009-10 and indicate that at least 75% of organisations benefiting from the programme rate it as 'straightforward to apply for'; 70% report they have made progress in achieving greater organisational resilience as a result of the programme.	Achieved	92% of Modernisation fund bursary holders rated ease of application as good or very good in stakeholder survey carried out in January 2010. Impact evaluation reporting in March 2011 includes resilience indicators; however interim indications are that the programme has had significant positive effect. Delivery evaluation by Grant Thornton published January 2010.

## Objective 04 Capacitybuilders' programmes reflect the needs of the diverse communities it serves.

The 73 Improving Reach projects will be shown to have had a positive impact in terms of improving the support available for organisations working with marginalised communities; evidenced through outcome-based monitoring and by clear feedback from the evaluation of ChangeUp.	Achieved	Analysis of 2009-10 monitoring shows good progress by projects against programme outcomes.
45 projects funded through the Social Enterprise programme to deliver effective support to over 5,000 social enterprise organisations.	Achieved	Monitoring returns for 2009-10 confirm this target has been exceeded with more than 10,000 organisations reached.
National evaluation exercise will have provided clear feedback on the impact of the Improving Reach programme, increasing Capacitybuilders' understanding of the distinctive needs of excluded groups and their ability to access and benefit from mainstream support.	Not achieved - alternative approach in progress	The national evaluation exercise did not address the impact of the Improving Reach programme (as it only examined ChangeUp 2004-08). However, during 2009-10, Capacitybuilders separately commissioned work to look into different models of support for diverse groups, which was published in July 2009. Further research into the impact of Improving Reach is planned for 2010-11 as part of the broader evaluation framework being developed by Capacitybuilders.
The new Campaigning Research programme will support 30 campaigns by organisations working in and with marginalised communities, alongside agreed support packages.	N/A	This programme was closed following a Ministerial decision to reallocate funding in November 2009.
New Single Equality Scheme to be published by October 2009 and all staff to be trained on its contents by December 2009.	Achieved	The scheme was initially published in July 2009. Following consultation the final scheme was published in December 2009 on Capacitybuilders' website. Staff were trained during the consultation exercise.
Staff survey to be commissioned by February 2010, which will demonstrate that: <ul style="list-style-type: none"> <li>80% of staff understand Capacitybuilders' approach to equality and diversity</li> <li>65% of staff consider Capacitybuilders values diversity</li> <li>there is no evidence of bullying or harassment within the organisation.</li> </ul>	Substantial progress achieved	93% of staff understand Capacitybuilders' approach to equality and diversity; 87% agree Capacitybuilders values diversity.  65% agreed or strongly agreed with the statement that there is no bullying or harassment within the organisation. 13% disagreed. No evidence has come to light of specific instances of bullying or harassment during follow-up discussions with staff in response to the survey.

# 03: Directors' Report

## Business Plan Targets 2009-10

Target	Status	Progress
<b>Objective 05</b> Capacitybuilders' investment and that of government is informed by high quality data and analysis.		
Independently chaired panel to be established to advise on evaluation and ensure high quality research, analysis and presentation. The first meeting to be held in May 2009.	Achieved	Independent Evaluation Advisory Panel established, chaired by Danielle Walker-Palmour, with first meeting held on 8 May 2009.
Evaluation Advisory Panel to approve first summary evaluation report for publication; initial report of the independent evaluation to have been produced and disseminated by mid-Autumn 2009.	Achieved	Final draft of ChangeUp Evaluation Report was considered by the Evaluation Advisory Panel in October 2009. Final report on ChangeUp 2004-08 was published in January 2010, with the report and executive summary on IS website.
At least 5 further research finding reports to be published by Autumn 2009, supported by a programme of at least 10 learning events involving grant-holders and national stakeholders.	Achieved	14 learning events held and 7 research reports published during year: <ul style="list-style-type: none"> <li>• an approach to evaluating capacity building</li> <li>• an approach to mapping support services</li> <li>• third sector experiences of the recession</li> <li>• quantitative data sources on the effects of the recession</li> <li>• benefits of different models of one-to-one support</li> <li>• learning from the public and private sectors</li> <li>• sustainability for support services.</li> </ul>
Successful launch of National Knowledge Management Programme in partnership with Social Enterprise Coalition and regional networks by January 2010.	Achieved	Social Enterprise Knowledge Exchange set up in September 2009. Site launched February 2010. <a href="http://www.socialenterprise.org.uk/pages/km-programme.html">www.socialenterprise.org.uk/pages/km-programme.html</a> .

## Objective 06

Capacitybuilders manages public funds effectively, works closely with partners and ensures a high standard of customer service.

Current controls framework to be reviewed during 2009-10 in light of new systems and processes, leading to significant reductions in bureaucracy, whilst maintaining the effective management of public funds.	Achieved	Grants management and payments processes reviewed; streamlined process agreed.
New grants management system to improve Capacitybuilders' business performance to be specified, procured and roll-out commenced by end 2009.	Achieved	New grants management system was procured and implemented by December 2009. All applications and monitoring returns are currently being made via a web portal.
Time taken for decisions on grant applications to average less than 6 weeks from the deadline for applications during 2009-10.	Achieved	Average time taken to assess applications for 2009-10 was 4.7 weeks. Decisions were made on 86% of applications within 6 weeks.
Automatic payment of quarterly grant to be introduced in quarter 1 2009-10 for all 'green' risk rated delivery partners.	Achieved	Automatic payment introduced from quarter 1, with continuing improvement across year in speed and timeliness of payment.
New outsourced HR service to be procured and implemented by Summer 2009.	Achieved	New HR service procured and implemented from August 2009.

## Business Plan Targets 2009-10

Target	Status	Progress
<p>Capacitybuilders' staff survey achieves the following:</p> <ul style="list-style-type: none"> <li>• 80% 'proud to work for Capacitybuilders'</li> <li>• 80% consider Capacitybuilders a 'supportive workplace'</li> <li>• 60% feel they have the tools to do their job well</li> </ul> <p>Internal action plan to be developed in relation to the key messages highlighted in the survey.</p>	<p><b>Achieved</b></p>	<p>95.7% 'proud to work for Capacitybuilders'.            89.1% consider Capacitybuilders a supportive employer.            91.3% feel they have the tools and equipment they need to do their job effectively.</p> <p>Action plan developed to build on key strengths and address some minor areas for improvement.</p>
<p>Stakeholder survey to be commissioned in early 2010 with net positive response to question 'Has Capacitybuilders improved its performance over the last 12 months?'</p> <p>Internal action plan to be developed in relation to the key messages highlighted in the survey.</p>	<p><b>Achieved</b></p>	<p>57% of all stakeholders confirmed they have seen an improvement in Capacitybuilders' performance over the past 12 months.</p> <p>Internal action plan developed to address:</p> <ul style="list-style-type: none"> <li>• communication of the results</li> <li>• a review of key messages</li> <li>• Capacitybuilders' commitment to continue to develop and promote the sharing of best practice.</li> </ul>

# 03: Directors' Report

## Key Performance Indicators set by the Office of the Third Sector

Key Performance Indicator	Status	Progress
Survey of support providers accessing national resources to be completed by February 2010: target of 75% of those accessing resources rating them as good or above. Where rating does not meet this target, improvement plan to be agreed with the relevant NSS/NPP lead body by the end of 2009-10 as a precondition of 2010-11 funding.*	Achieved	Satisfaction survey undertaken in February by an external provider which focused on a random sample of activities within each of 9 work streams. All work streams surveyed fell within 'good' category'. Overall target was exceeded with 76% satisfaction. No remedial work required.
60% of consortia to demonstrate performance improvement compared to 2008-09 assessment exercise.*	Substantial progress achieved	71 comparable monitoring returns show improvement in 75% of consortia against the range of fit for purpose indicators (10% of consortia at standstill).
85% of local consortia to have reprioritised resources during 2009-10 to improve support available to frontline organisations arising from the economic downturn.*	Achieved♦	87% of consortia accepted additional funding in 2008-09 which was conditional on adapting 2009-10 work plans to take account of the recession. ♦ Achieved, based on consortia performance returns for 2009-10 received to date.
Time taken for decisions on grant applications to average less than 6 weeks from the close of the deadline for applications during 2009-10.*	Achieved	Average time taken to assess applications for 2009-10 was 4.7 weeks. Decisions were made on 86% of applications within 6 weeks.†
Programme timetables to be set out at the start of programmes. 80% of published milestones to be met.	Achieved	Announced timetables have been met. Four new programmes were launched in 2009-10 and 90% of programme timetable milestones were met.
Stakeholder survey to be commissioned in early 2010 with net positive response to question 'has Capacitybuilders improved its performance over the last 12 months?' Internal action plan to be developed in relation to the key messages highlighted in the survey.	Achieved	57% of all stakeholders confirmed they have seen an improvement in Capacitybuilders' performance over the past 12 months. Internal action plan developed to address: <ul style="list-style-type: none"> <li>• communication of the results</li> <li>• a review of key messages</li> <li>• Capacitybuilders' commitment to continue to develop and promote the sharing of best practice.</li> </ul>
Capacitybuilders to spend within its Delegated Authority, with an underspend of no more than 5% of budget.	Achieved	Capacitybuilders reported an under spend of less than 2% of budget.

\*These KPIs are also Capacitybuilders' business plan targets

† Note this figure excludes Modernisation Fund online bursaries where the decision on eligibility and award was made instantly upon application.

## **Business development**

During 2009-10 Capacitybuilders comprehensively reviewed and improved the administration of its grant programmes, responding to recommendations from the National Audit Office and the Public Accounts Committee.

The improvements have delivered immediate benefits for grant holders, speeding up decision-making and reducing bureaucracy. An independent stakeholder survey carried out in January 2010 showed 57% of respondents considered that Capacitybuilders had improved its performance during 2009-10. All key aspects of grant programme management were rated as good or very good by 85% or more of respondents. Overall, grant holders rated Capacitybuilders' grant programme administration as significantly better than most of the other bodies from which they received funding.

Stakeholder survey results are available at [www.capacitybuilders.org.uk](http://www.capacitybuilders.org.uk)

Improvements included the introduction of new online administration of grant awards, improving accessibility, reducing paperwork for applicants, and increasing the speed of decisions to award funds.

In addition, during 2009-10, Capacitybuilders conducted a full review of the policies, procedures and other documents that support the business, updating these and developing new ones where necessary, including:

- adopting a new ICT strategy
- developing new guidance on risk management
- updating HR policies in line with legislation and good practice, and
- refreshing standard operating procedure manuals.

Capacitybuilders continuously seeks to develop its people and practices to support the organisation. As part of this commitment to staff development, Capacitybuilders adopted a new Employee Development Policy which sets out the organisation's commitment to encouraging lifelong learning. It recognises the need to keep pace with the challenges ahead by ensuring employees remain up to date with technological, best practice, legislative and procedural changes.

Capacitybuilders' staff survey carried out in February 2010 showed that:

- 100% of staff understand Capacitybuilders' purpose
- 100% of staff understand Capacitybuilders' business objectives
- 100% of staff understand how their work contributes to the achievement of the business objectives
- 95% of staff understand who Capacitybuilders' customers are
- 95% of staff are proud to work for Capacitybuilders
- 89% of staff believe Capacitybuilders is a supportive employer.

## **Financial performance**

Capacitybuilders is reporting a surplus for the year of £664,583 after taking into account grant in aid received. At 31 March 2010 Capacitybuilders had net assets of £1,390,553 with 18 cash days in hand (2008-09; net assets £988,096, with 27 cash days in hand).

In 2009-10 all funding commitments were fulfilled by 31 March. A number of grant recipient organisations have subsequently confirmed to Capacitybuilders that they have not completed activity in relation to their allocated funding for 2009-10. This activity is valued at £262,126 and has been shown in debtors. This amount, together with an amount of £3,461 which relates to a 2008-09 under spend, is also shown as a creditor and will be returned to HM Treasury via the Cabinet Office. The unspent amounts which relate to 2009-10 have been credited against programme expenditure.

# 03: Directors' Report

Under the terms of Parliamentary Supply, Capacitybuilders was given a budget of £39,377,000 grant in aid of which it was intended £35,997,000 would be spent for resource purposes and £3,380,000 on capital programmes and assets. This amount was fully drawn down and the outturn was as shown in the table below.

As an executive non-departmental public body Capacitybuilders is audited by the Comptroller and Auditor General. The remuneration of the external auditor is £32,000 of which £29,000 (2008-09: £28,875) related to the provision of the statutory audit of the 2009-10 accounts and £3,000 (2008-09: £2,875) to audit work relating to the implementation of International Financial Reporting Standards. No remuneration for non-audit work was paid to the external auditor for either 2009-10 or 2008-09.

No charitable donations were made during the year.

## Principal risks

Capacitybuilders is currently funded until 31 March 2011. Future programmes and operations will be dependent on the outcome of the forthcoming government review of spending priorities.

## Basis of preparation of the accounts

The accounts for the year ended 31 March 2010 are set out on pages 30 to 49. The notes on pages 35 to 49 form part of these accounts. The accounts were prepared on a going concern basis, notwithstanding that Capacitybuilders' funding has yet to be confirmed beyond 31 March 2011.

Capacitybuilders is required to produce accounts which conform to the accounting principles and disclosure requirements of Government Financial Reporting Manual 2009-10 (FReM) in accordance

with Section 7(2) of the Government Resources and Accounts Act 2000. The FReM for 2009-10 requires organisations to prepare accounts which comply with International Financial Reporting Standards (IFRS), as far as they apply to government bodies, for the first time. Comparative figures and disclosures have been restated based on IFRS where applicable. As a company limited by guarantee, Capacitybuilders is also required to comply with the Companies Act. Capacitybuilders uses format 1 of the Companies Act.

## Pension liabilities

Capacitybuilders operates a Group Personal Pension Plan which is a defined contribution money purchase scheme. At 31 March 2010 the only liability was in respect of March pension contributions which were paid to the pension provider in April.

## Board members' interests

Board members disclose any company directorships and other significant interests which may conflict with their management responsibilities in the Register of Interests. This is available on request for public inspection at the registered office.

## Staff absence due to sickness

Staff absence due to sickness during the year represented a loss of 2.3% of the available working days. Reasons for absence have primarily been common health issues.

## Personal data incidents

There were no incidents relating to personal data during the year.

## Outturn, inclusive of non-current asset additions and cost of capital

Funds	Budget £	Outturn £	Variance £	Variance %
Resource	35,997,000	35,506,176	490,824	1.36
Capital	3,380,000	3,370,237	9,763	0.29
	<b>39,377,000</b>	<b>38,876,413</b>	<b>500,587</b>	<b>1.27</b>

The above figures reflect a strong, carefully managed performance for the year. Over 50% of the resource under spend (£262,126) relates to funds not utilised by grant recipient organisations at 31 March 2010.



### 3.4 Freedom of information

Capacitybuilders is a public body subject to a right of access under the Freedom of Information Act 2000 to all recorded documentation held, regardless of how the information is recorded. In accordance with the Act, Capacitybuilders proactively publishes information, and will be continuing this work, building on its Freedom of Information Policy and publication scheme. During 2009-10, 25 formal requests for information under the Act were received and responses have been given within statutory deadlines.

### 3.5 Health and safety

Capacitybuilders has appropriate policies and procedures to safeguard employees and meet legislative requirements. In March 2010 Capacitybuilders appointed a health and safety provider to assist in continuing to reflect good practice. The Health and Safety Committee includes representatives from across the organisation and meets regularly to provide leadership and a continuous focus on health and safety at Capacitybuilders.

### 3.6 Equality

Against the legislative backdrop and a track record of promoting equality, recognising diversity and challenging discrimination through various funding programmes, Capacitybuilders developed a Single Equality Scheme and action plan. Published in December 2009 this states Capacitybuilders' approach and commitment to equality and diversity. The Single Equality Scheme covers all of Capacitybuilders' work and encompasses each of the seven major equality strands. A copy of the scheme is available at [www.capacitybuilders.org.uk/policies](http://www.capacitybuilders.org.uk/policies)

The scheme focuses on three key strategic areas. These represent the areas in which Capacitybuilders can have the greatest impact on reducing inequality and promoting equality and diversity:

- people
- business
- governance.

Capacitybuilders is committed to managing its business fairly and with proper respect for issues of equality and diversity. Its progress on this is monitored by regular meetings of its Equality Working Group which is chaired by a member of the Board and includes representatives from across the organisation.

In March 2010 a staff survey reported that;

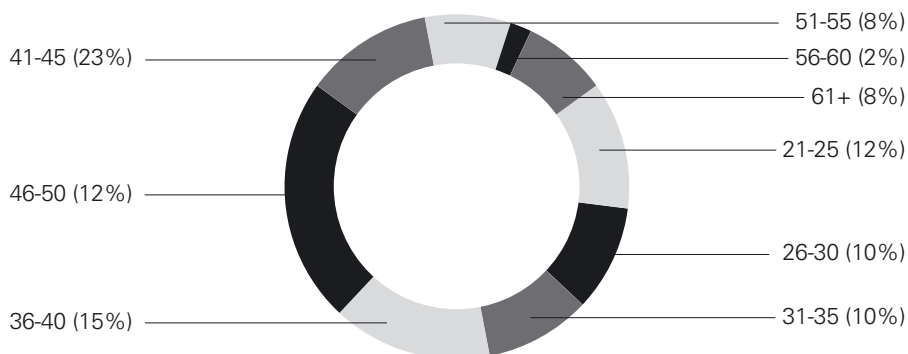
- 93% of staff felt Capacitybuilders was a positive and equitable working environment
- 93% of staff understood the organisation's approach to diversity
- 91% felt that the organisation valued diversity.



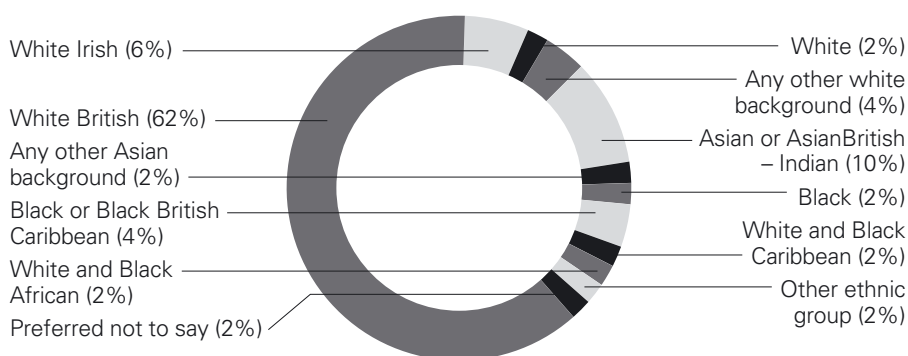
# 03: Directors' Report

Capacitybuilders' employee breakdown across the seven major diversity strands is as follows:

## Age (years)



## Ethnicity



## Disability

Disability	%
Yes	4%
No	94%
Preferred not to say	2%

## Gender

Gender	%
Male	39%
Female	59%
Preferred not to say	2%

## Gender the same as assigned at birth

Gender the same as assigned at birth	%
Yes	98%
No	2%

## Sexual Orientation

Sexual Orientation	%
Heterosexual or Straight	80%
Gay or Lesbian	6%
Preferred not to say	14%

## Religion & Belief

Religion & Belief	%
Buddhist	4%
Christian	39%
Sikh	10%
None	31%
Hindu	2%
Preferred not to say	14%

### 3.7 Environmental sustainability

Capacitybuilders has an Environmental Sustainability Policy which includes:

- reducing waste wherever possible and recycling significant amounts of waste through a local charity
- a travel and subsistence policy which encourages travelling by public transport
- adopting sustainable measures within Capacitybuilders' ICT strategy, in line with government good practice.

**Stephen Dunmore**  
Chair

**Matt Leach**  
Chief Executive

24 June 2010

---

# 04:

# Governance reports, financial statements and notes

## 4.1 Statement of Directors' and Accounting Officer's responsibilities

The Minister for the Cabinet Office has directed Capacity Builders (UK) Limited (Capacitybuilders) to prepare for each financial year a statement of accounts in the form of the Companies Act format 1 which must conform to the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) in accordance with section 7(2) of the Government Resources and Accounts Act 2000. Company law also requires the directors to prepare financial statements for each financial year. The directors and the Accounting Officer are responsible for preparing the financial statements in accordance with applicable law and regulations. Under that law and Treasury guidance the directors have prepared financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and International Financial Reporting Standards as interpreted by the FReM.

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

The financial statements are required by law, the Accounts Direction and the FReM to give a true and fair view of the state of affairs and of the surplus or deficit of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether the guidance in the FReM and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# 04: Governance reports, financial statements and notes

---

The directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Accounts Direction. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as the directors and the Accounting Officer are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors and Accounting Officer have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 4.2 Remuneration report

The Remuneration Committee meets at least once a year. The work of the Committee encompasses making recommendations to the Board and Cabinet Office on the terms of service and remuneration of the Chief Executive and other directors. During 2009-10 the Committee was chaired by Margaret Bolton and the other members were Caryl Agard, Stephen Dunmore, Olu Olasode and Chris Pond (until October 2009).

The Chief Executive is appointed by the Chair with the approval of the Minister for the Cabinet Office. The other non-executive Board members are appointed by the Minister. Directors served throughout the year unless otherwise stated.

All pension arrangements relate to defined contribution pension schemes. All Board members were eligible to join the Group Stakeholder Pension up to 31 August 2008, a defined contribution pension scheme.

From 1 September 2008 only the executive directors and Chair were eligible to continue in the Group Stakeholder Pension and then to transfer to the Group Personal Pension, also a defined contribution pension scheme. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the arrangements.

## Board Member emoluments (all served throughout the year except where stated)\*

Directors	2009-10 Salary band £000	2009-10 Pension Contribution (to nearest £100)	2008-09 Salary band £000	2008-09 Pension Contribution (to nearest £100)
Stephen Dunmore, Chair (Non-Executive Director throughout the year, Chair from 1 November 2009)	5-10	300	0-5	–
Chris Pond, Chair (until 31 October 2009)	10-15	1,600	15-20	2,800
Matt Leach, Chief Executive	100-105	13,400	30-35	3,300
Caryl Agard, Non-Executive Director	5-10	–	5-10	600
Margaret Bolton, Non Executive Director	5-10	–	10-15	600
Sir Rodney Brooke, Non Executive Director	0-5	–	0-5	–
Jon Fox, Director of Strategy and Programmes	75-80	10,300	60-65	7,900
Anthony Freeling, Non Executive Director	5-10	–	0-5	–
Julia Kaufmann, Non Executive Director (resigned 18 December 2009)	0-5	–	5-10	–
Olu Olasode, Non Executive Director	5-10	–	0-5	–
Angela Sarkis, Non Executive Director	5-10	–	0-5	–
Sir Roger Singleton, Non Executive Director	5-10	–	5-10	–
Janice Smith, Interim Director of Finance and Resources (until 17 April 2009)	25-30	–	115-120	–
Judith Wilson, Director of Finance, Planning and Corporate Services (from 20 April 2009)	75-80	7,000	–	–
Celia Adams, Interim Director of Finance, Planning and Corporate Services (until 17 April 2008)	–	–	45-50	–
David Harborne, Non Executive Director (until 30 September 2008)	–	–	5-10	–
Catherine Johnstone, Acting Chief Executive to December 2008, (Adviser until 28 February 2009)	–	–	75-80	11,700
Margaret Talbot, Non Executive Director (until 20 September 2008)	–	–	5-10	600

Directors (other than those stated to be interim above) are appointed on a permanent basis.  
No awards have been made to former Directors in 2009-10.

**Stephen Dunmore**  
Chair

**Matt Leach**  
Chief Executive and Accounting Officer

24 June 2010

\* Information in the Remuneration Report which is marked with an asterisk is subject to audit under the terms of the Government Financial Reporting Manual for 2009-10.

# 04: Governance reports, financial statements and notes

## 4.3 Statement on internal control

### Scope of responsibility

As Chief Executive and Accounting Officer of Capacitybuilders, I have responsibility for maintaining a sound system of internal control that supports the achievement of agreed policies, aims and objectives, as set by the Minister for the Cabinet Office, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Articles of Association, the Management Framework, and the letter of delegation. An ongoing dialogue is maintained at both ministerial and officer level with the sponsoring department.

### 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 Capacitybuilders' 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 Capacitybuilders throughout the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control has been significantly enhanced through the introduction in November 2009 of a new grant management system and through the upgrade of the finance system. These developments have facilitated the streamlining of grant and financial management processes, whilst increasing their inherent security, replacing previous resource-intensive manual and detection-based controls.

### Capacity to handle risk

Capacitybuilders has operated in accordance with its Risk Management Framework which was approved by its Board in November 2008. The organisation has further developed its risk management capability in line with the framework:

- involving all levels of staff and Board in the creation and regular review of the corporate risk register, which is broadly consistent with the Treasury's Orange Book model
- all committee and Board papers include a mandatory section on risk management which ensures risks are highlighted and considered at an early stage and management of risk is used effectively to inform decisions on financial and business planning and to assist in achieving objectives and targets
- the latest draft of the risk register, including an overview of headline risks, is considered regularly by the organisation's Senior Management Team and brought to each meeting of Audit and Risk Committee. Significant risks are regularly reported to the Board as part of their overall scrutiny of business performance.

### In addition:

- arrangements have been put in place to ensure that an assessment of risk is carried out at least annually in respect of each of Capacitybuilders' grant recipients, enabling proportionate levels of supervision to be put in place to ensure that public money is properly administered and protected, whilst minimising bureaucratic burdens on the majority of those we fund
- effective systems of project and contract management are maintained
- internal management and financial controls are maintained to ensure that public funds made available to Capacitybuilders are used for the purpose intended by Parliament, and such monies, together with Capacitybuilders' assets, equipment and staff, are used economically, efficiently and effectively, and fraud and theft prevented.

The Audit and Risk Committee considers and advises the Board on the strategic processes and policies for risk management, internal control, and governance and gives detailed consideration to the risk register. Having a separate committee responsible for the overall management of the risk agenda has the effect of focusing attention and the appropriate resources to the effective management of risk.

As Chief Executive I discharge my responsibilities in relation to risk management by:

- providing leadership and direction over the risk management process
- regularly reviewing the risk register and identifying headline risks and intended mitigating measures
- ensuring that the effectiveness of the system of internal control is regularly reviewed and tested.

Capacitybuilders seeks to minimise risk and to ensure value for money in developing and managing its programmes; it is recognised that some programmes carry greater inherent risk than others.

The main change in the risk environment for 2009-10 relates to decreased risks around operational performance, as a result of the improvements in systems and processes outlined above. Looking forward, the risk environment may be significantly affected by decisions arising from the review of spending priorities following the conclusion of the current 2008-11 spending period.

### **The risk and control framework**

Capacitybuilders has in place a number of structures and processes that are designed to identify, evaluate and manage the risks to the achievement of objectives. The principal risks relate to ensuring successful delivery of intended outcomes funded by its investment of grant.

Risk is monitored based on the inherent and residual risk assessments within Capacitybuilders' risk profile document, with (for 2009-10) risks ranked high, medium or low for both impact and likelihood, producing a combined risk score. As part of its regular overview of corporate performance, the Board considers in particular the management of all risks scoring High/High, High/Medium and Medium/High, including controls and intended mitigating actions. All risks on the corporate risk profile have a designated owner who is a member of the senior management team and a designated responsible manager.

Risks are reviewed and reported regularly through the maintenance of a rolling risk register document which is reviewed monthly by the senior management team, and at least quarterly

by the Audit and Risk Committee and Board as part of overall reporting on corporate performance. The Funding Policy and Programmes Committee and the Resources Committee consider risk arising within their own terms of reference.

During the year, Capacitybuilders managed and controlled information risk in accordance with its Information Security and ICT Usage Policy which was reviewed and updated to ensure the confidentiality and integrity of information held. This was balanced with Capacitybuilders' legal obligation of openness and the business need for readily available information. Capacitybuilders also maintained and further reviewed its policies on fraud, public interest disclosure, and responses to queries under the Freedom of Information Act, which have been introduced for 2009-10.

The risk and control framework has been strengthened during the year through the adoption of updated Articles of Association and a new Management Framework between Capacitybuilders and its sponsor department. The control environment has also benefited from having a permanent senior management team in place throughout the year, with a planned phasing out of the previous interim senior managers between February and May 2009.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the senior managers within Capacitybuilders, who are responsible for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports. The internal auditors have reported that the system of internal control was operating effectively during the year. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee (ARC) and a plan to address weaknesses and ensure continuous improvement of the systems and processes is in place.



# 04: Governance reports, financial statements and notes

Processes applied in maintaining and reviewing the effectiveness of the system of internal control during 2009-10 include:

- regular meetings of the ARC to consider risk and internal controls
- an Audit Review Group (audit clinic), chaired by me, meets regularly to review corporate risks, and ensure that agreed recommendations contained in audit reports are implemented on a timely basis
- the Chair of the ARC reporting to the Board on any issues arising, as necessary
- systematic reporting on corporate performance, including regular comprehensive reviews of performance against business plan objectives, financial performance, and risk, to the Board and senior management team
- ARC approval of an annual risk-based programme for internal audit in accordance with priorities. Reports are provided to each Committee meeting on progress and findings; and
- ARC consideration of the audited accounts and external audit management letter.

The organisation rose to the challenge of introducing four new programmes during the year, maintaining effective internal control whilst implementing new types of grants directed at front-line rather than third sector support organisations. These were the Real Help for Communities Modernisation Fund, the Volunteering Management Programme, a further round of smaller capital grants, and the Campaigning Research Programme. The subsequent cancellation of the Campaigning Research Programme was carefully handled in conjunction with the sponsoring department, based on legal advice, to ensure that public funds were safeguarded, and that those awarded grants under the programme were not financially disadvantaged.

Programme evaluation reports are commissioned for each grant programme. These reports cover the achievements of programme outcomes, lessons learned for grant holders and value for money. This information enables Capacitybuilders to ensure that good practice and any learning points are taken on board to support continuous improvement.

During 2009-10, I led the organisation in responding fully and promptly to the issues raised by the NAO in its report on capacity building in the third sector, which was published in January 2009. This report was considered at a Public Accounts Committee (PAC) hearing in April 2009, and a PAC report published in July 2009. The changes introduced resulted in improved controls over grant management, an improved risk management framework and strengthened organisational leadership. One key issue highlighted by the Public Accounts Committee was poor stakeholder perception. Significant effort has been focused to address this through improvements to delivery performance. The results of an independent stakeholder survey which reported in February 2010 confirmed that stakeholders' perceptions are now highly positive, with Capacitybuilders rated as best or near best in class across every aspect of its performance as a funder.

## Internal control

The internal audit programme for the year covered all core aspects of internal control, recognised the improved level of control over grant payments using the new system, and reported key controls over other financial processes to be working with no significant issues to be addressed. A number of minor recommendations either have been implemented or are being implemented to strengthen processes and controls further.

Overall, the organisation has strengthened its internal controls, management, key relationships, systems and processes during the year and this has been reflected in a significant improvement in delivery performance during 2009-10.

There are no significant control issues to report.

## Matt Leach

Accounting Officer and Chief Executive

24 June 2010

#### 4.4 The Certificate and Report of the Comptroller and Auditor General to the Member of Capacity Builders (UK) Limited

I certify that I have audited the financial statements of Capacity Builders (UK) Limited for the year ended 31 March 2010 under the Government Resources and Account Act 2000. These comprise the Net Income and Expenditure Account, and the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

##### **Respective responsibilities of the directors and auditor**

As explained more fully in the Statement of Directors' and Accounting Officer's Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Capacitybuilders' responsibility is to audit the financial statements in accordance with applicable law and 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 company's affairs as at 31 March 2010 and of its net expenditure for the year then ended
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union
- the financial statements have been prepared in accordance with the Companies Act 2006.

##### **Opinion on other matters**

In my opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **Matters for 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
- the financial statements are not in agreement with the accounting records or returns
- certain disclosures of directors' remuneration specified by law are not made
- I have not received all of the information and explanations I require for my audit
- 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

**29 June 2010**



# 04: Governance reports, financial statements and notes

## 4.5 Net income and expenditure account for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<b>Income</b>			
Release from donated assets reserve	16	–	30,305
Other grant income		457,514	31,250
<b>Total income</b>		<b>457,514</b>	<b>61,555</b>
<b>Expenditure</b>			
Administration costs:			
– Staff	4	(1,985,860)	(2,118,302)
– Other costs		(1,279,111)	(1,196,387)
– Depreciation, amortisation, impairment, & losses on disposal	5	(42,830)	(108,153)
Programme expenditure	3	(35,860,772)	(25,189,752)
<b>Total expenditure</b>		<b>(39,168,573)</b>	<b>(28,612,594)</b>
Net expenditure		(38,711,059)	(28,551,039)
Cost of capital		(41,626)	(12,458)
Interest payable	6	(1,358)	–
Tax charge	7	–	(3,981)
<b>Net expenditure after cost of capital, interest and tax</b>		<b>(38,754,043)</b>	<b>(28,567,478)</b>
Reversal of cost of capital		41,626	12,458
<b>Net expenditure for the year</b>		<b>(38,712,417)</b>	<b>(28,555,020)</b>
Receipt of Grant in Aid		39,377,000	30,178,000
<b>Surplus</b>		<b>664,583</b>	<b>1,622,980</b>

There is no material difference between the results as disclosed in the net income and expenditure account and the results on a modified historical cost basis.

All activities derive from continuing operations.

The Company has no other recognised gains or losses other than the surplus above and therefore no separate statement of total recognised gains and losses has been prepared.

The notes on pages 35 to 49 form part of these accounts.

## 4.6 Statement of financial position as at 31 March 2010

	Note	At 31 March 2010 £	At 31 March 2009 £	At 1 April 2008 £
<b>Non-current assets</b>				
Property, plant, and equipment	10	27,958	–	88,223
Intangible assets	11	76,591	25,009	44,940
<b>Total non-current assets</b>		<b>104,549</b>	<b>25,009</b>	<b>133,163</b>
<b>Current assets</b>				
Trade and other receivables	13	329,933	247,336	328,552
Cash and cash equivalents		1,920,768	2,087,824	–
<b>Total current assets</b>		<b>2,250,701</b>	<b>2,335,160</b>	<b>328,552</b>
<b>Total Assets</b>		<b>2,355,250</b>	<b>2,360,169</b>	<b>461,715</b>
<b>Current liabilities</b>				
Trade payables	14	(259,247)	(221,268)	(249,378)
Other liabilities	14	(705,450)	(1,150,805)	(466,406)
<b>Total current liabilities</b>		<b>(964,697)</b>	<b>(1,372,073)</b>	<b>(715,784)</b>
<b>Assets less liabilities</b>		<b>1,390,553</b>	<b>988,096</b>	<b>(254,069)</b>
<b>Reserves</b>				
Donated assets reserve	16	–	–	30,305
General reserve	17	1,390,553	988,096	(284,374)
		<b>1,390,553</b>	<b>988,096</b>	<b>(254,069)</b>

The financial statements of Capacity Builders (UK) Limited, company number 05708912, were approved by the Board of directors on 24 June 2010

The notes on pages 35 to 49 form part of these accounts.

Stephen Dunmore  
Chair

Matt Leach  
Chief Executive and Accounting Officer

# 04: Governance reports, financial statements and notes

## 4.7 Statement of cash flows for the year ended 31 March 2010

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<b>Cash flows from operating activities</b>		
Deficit before interest and tax from operating activities	(38,711,059)	(28,551,039)
Adjustments for:		
– amortisation of intangible assets	29,560	19,931
– depreciation of property, plant & equipment	13,270	88,222
– release from donated assets reserve	–	(30,305)
Reserve Movements:		
– grants not committed by third sector 31 March 2008	–	(189,498)
– grants not committed due to Cabinet Office	–	25,913
– grants not committed by third sector at year end	(262,126)	(195,092)
(Increase)/decrease in trade and other receivables	(82,598)	81,216
(Decrease)/increase in trade and other payables	(416,052)	693,568
<b>Cash outflow from operating activities</b>	<b>(39,429,005)</b>	<b>(28,057,084)</b>
Corporation tax paid	(3,981)	(18,685)
<b>Net cash outflow from operating activities</b>	<b>(39,432,986)</b>	<b>(28,075,769)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(17,022)	–
Acquisition of intangible assets	(81,142)	–
<b>Net cash outflow from investing activities</b>	<b>(98,164)</b>	<b>–</b>
<b>Cash flows from financing activities</b>		
Repayment of obligations under finance leases	(11,548)	–
Interest paid on finance leases	(1,358)	–
Receipt of Grant in Aid	39,377,000	30,178,000
<b>Net cash inflow from financing activities</b>	<b>39,364,094</b>	<b>30,178,000</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(167,056)</b>	<b>2,102,231</b>
<b>Net financing</b>		
Net (decrease)/increase in cash and cash equivalents	(167,056)	2,102,231
Net cash and cash equivalents at the beginning of the year	2,087,824	(14,407)
<b>Net cash and cash equivalents at the end of the year</b>	<b>1,920,768</b>	<b>2,087,824</b>

#### 4.7 Statement of cash flows for the year ended 31 March 2010 (Contd)

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<b>Net debt</b>		
Opening net debt	–	–
Increase in finance lease obligations	(12,658)	–
<b>Closing net debt</b>	<b>(12,658)</b>	<b>–</b>
<b>Net funds</b>	<b>1,908,110</b>	<b>2,087,824</b>

The notes on pages 35 to 49 form part of these accounts.

# 04: Governance reports, financial statements and notes

## 4.8 Statement of changes in reserves for the year ended 31 March 2010

	General Reserve £	Donated Asset Reserve £	Deferred Income £	Total £
<b>Balance at 31 March 2008</b>	<b>(379,065)</b>	<b>30,305</b>	<b>102,858</b>	<b>(245,902)</b>
Changes in accounting policy	–	–	–	–
Reclassification of deferred income	102,858	–	(102,858)	–
<b>Restated balance at 1 April 2008</b>	<b>(276,207)</b>	<b>30,305</b>	<b>–</b>	<b>(245,902)</b>
<b>Changes in reserves 2008-09</b>				
Net expenditure for the year	(28,477,171)	–	–	– (28,477,171)
Reserve movements	(358,677)	–	–	– (358,677)
Release of reserves to the net income and expenditure account	–	(30,305)	(77,849)	– (108,154)
Reclassification of deferred income	(77,849)	–	77,849	–
Non-cash charges – cost of capital (net)	–	–	–	–
<b>Total recognised income and expense 2008-09</b>	<b>(29,189,904)</b>	<b>–</b>	<b>–</b>	<b>– (29,189,904)</b>
Grant in Aid	30,178,000	–	–	– 30,178,000
<b>Balance at 31 March 2009</b>	<b>988,096</b>	<b>–</b>	<b>–</b>	<b>988,096</b>
<b>Changes in reserves 2009-10</b>				
Net expenditure for the year	(38,712,417)	–	–	– (38,712,417)
Reserve movements	(262,126)	–	–	– (262,126)
Non-cash charges – cost of capital (net)	–	–	–	–
<b>Total recognised income and expense for 2009-10</b>	<b>(37,986,447)</b>	<b>–</b>	<b>–</b>	<b>– (37,986,447)</b>
Grant in Aid	39,377,000	–	–	– 39,377,000
<b>Balance at 31 March 2010</b>	<b>1,390,553</b>	<b>–</b>	<b>–</b>	<b>1,390,553</b>

The notes on pages 35 to 49 form part of these accounts

## 4.9 Notes to the accounts for the year ended 31 March 2010

### 1. Statement of Accounting Policies

#### Basis of preparation

As an executive non departmental public body (NDPB), Capacitybuilders' financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is Capacitybuilders' sponsoring department. So far as appropriate they meet the requirements of the Companies Act 2006 and the 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 Capacitybuilders for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

#### Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate. The validity of this assumption is dependent upon the continuance of support from the Company's funder as an executive non-departmental public body, the Company's funder is its sponsoring department. If the Company were unable to continue to operate, adjustments would have to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities that might arise and to reclassify fixed assets as current assets. The existing funding arrangement with the Cabinet Office under the current 2008-2011 spending period ends on 31 March 2011. Funding beyond that period will be affected by decisions arising from the forthcoming government review of spending priorities. The government has given no indication of its intention to change the function of the company in any significant way.

#### Judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, 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 expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**Lease commitments:** the Company is the lessee of property, plant and equipment. The classification of such leases as operating or finance leases requires the Company 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.

#### 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.

#### 1.2 Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged.

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. Any cost of capital charge associated with the item of property, plant or machinery is not capitalised. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

# 04: Governance reports, financial statements and notes

Depreciation is calculated to write down the costs of the assets to their estimated residual value on a straight-line basis over their expected useful lives as follows:

- IT equipment – 3 years
- Furniture and fittings – 5 years.

## 1.3 Intangible assets

Intangible assets are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the net income and expenditure account in the year in which the expenditure is incurred.

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.

## 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.

## 1.4 Donated assets

Donated assets are capitalised at their fair value on receipt, and this value is credited to the donated assets 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 net income and expenditure account.

## 1.5 Impairment of assets

The Company 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.

When value in use calculations are undertaken, if the asset is not held for the purpose of generating cash flows, value in use is assumed to be equal to the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

## 1.6 Leases

Assets held under finance leases, which transfer to the Company 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 net income and expenditure account 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 net income and expenditure account on a straight line basis over the lease term.

The Company is the lessee of property and plant and equipment under operating and finance leases. The classification of such leases as operating or finance lease requires the Company 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.

## 1.7 Trade and other 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 Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

A financial asset is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

### **1.8 Cash and cash equivalents**

Cash in the statement of financial position comprises cash at bank and in hand. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

### **1.9 Trade and other payables**

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.

A financial liability is de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

### **1.10 Grant in Aid**

As the Company is an executive non-departmental public body, Grant in Aid is treated as financing from the sponsoring department. This is recognised as a credit into general reserves and is treated on a cash (rather than accruals) basis in accordance with guidance given in the FReM.

### **1.11 Programme expenditure**

Programme expenditure is recognised in the accounts when the grant is paid to programme providers and activities are undertaken by programme providers, expenditure is de-recognised in the accounts based on information supplied by programme providers in their annual expenditure summary return when monies are unspent. A debtor is recognised representing the unspent and uncommitted monies held by the programme providers at year end. These monies are repayable to Capacitybuilders. Capacitybuilders returns recovered monies to the Treasury via the Cabinet Office.

### **1.12 Capital charge**

A charge, reflecting the cost of capital utilised by the Company, 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 donated assets. As the executive non-departmental public body is also a company limited by guarantee, the cost of capital is then reversed out after the result for the period.

### **1.13 Pensions**

Company employees are eligible to join the Group Personal Pension Plan. This arrangement is defined contribution in nature. Contributions are charged in the net income and expenditure account as they become payable in accordance with the rules of the arrangement.

### **1.14 Value Added Tax**

Most of the activities of the Company 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 tax is recoverable, the amounts are stated net of VAT.

### **1.15 Disclosure of IFRSs in issue but not yet effective**

Capacitybuilders has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable. References to 'new IFRSs' include new interpretations and any new amendments to IFRSs and Interpretations. It has been determined the following new IFRSs are relevant to Capacitybuilders but will have no significant impact on the Company's financial statements.

#### **Amendments to IFRSs**

- IAS 24 Related Party Disclosures.

#### **Amendments to IFRSs resulting from Annual Improvements to IFRSs (May 2008 and April 2009)**

- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets.



# 04: Governance reports, financial statements and notes

---

## **1.16 Major changes to the Financial Reporting Manual (FReM) for 2010-11**

Capacitybuilders has reviewed the major FReM changes for 2010-11 and determined the following will have no significant impact on Capacitybuilders' financial statements:

- Chapter 6, Tangible non-current assets
- Chapter 8, Impairments
- Chapter 13, Accounting for consolidated fund revenue (not relevant to Capacitybuilders)
- Chapter 11, Income and Expenditure – the removal of the cost of capital from 2010-11 will not have any net impact on Capacitybuilders' financial statements.

## **1.17 Earlier application of IFRSs**

The FReM (paragraph 5.4.25 has been amended to require all reporting entities other than departments to apply IFRS 8 Operating Segments as revised in April 2009. The effective date of the revision to IFRS 8 is 1 January 2010, and this therefore constitutes early adoption.

## 2. First-time adoption of IFRS

This is the first year that the Company has presented their financial statements under IFRS, as adapted and interpreted for the public sector. The last financial statements for the year ended 31 March 2009 were prepared under UK generally accepted accounting practice (GAAP). The date of transition to IFRS was 1 April 2008.

	General Reserve £	Donated Asset Reserve £	Deferred Income £	Total £
<b>Balance at 31 March 2009 under UK GAAP</b>	<b>963,087</b>	<b>–</b>	<b>25,009</b>	<b>988,096</b>
Adjustments for:				
Reclassification of deferred income	25,009	–	(25,009)	–
IAS 16 – computer software reclassification	–	–	–	–
IAS 19 – holiday pay accrual	–	–	–	–
<b>Balance at 1 April 2009 under IFRS</b>	<b>988,096</b>	<b>–</b>	<b>–</b>	<b>988,096</b>
<b>Balance at 31 March 2010 under UK GAAP</b>	<b>1,286,004</b>		<b>104,549</b>	<b>1,390,553</b>
Adjustments for:				
Reclassification of deferred income	104,549	–	(104,549)	–
IAS 16 – computer software reclassification	–	–	–	–
IAS 19 – holiday pay accrual	–	–	–	–
<b>Balance at 1 April 2010 under IFRS</b>	<b>1,390,553</b>	<b>–</b>	<b>–</b>	<b>1,390,553</b>
				<b>Total</b>
				<b>£</b>
<b>Net expenditure for 2009-10 under UK GAAP</b>			<b>(38,712,417)</b>	
Adjustments:				<b>–</b>
<b>Net expenditure for 2009-10 under IFRS</b>			<b>(38,712,417)</b>	

### Impact of first time adoption

The transition to IFRS has no significant impact on the cash flow statement.

### IAS 16 – Computer software

Under UK GAAP, capitalised computer software is classified as a tangible fixed asset, whereas under IFRS computer software is classified as an intangible asset.

At the date of transition the reclassification from tangible fixed assets to intangible assets required is £44,940 net book value. At 31 March 2009 the balance sheet reclassification was £25,009 net book value. The 2008-09 income and expenditure account charge of £19,931 has been reclassified from depreciation to amortisation.

The accrual for holiday pay stood at £6,121 in the Company's UK GAAP and IFRS balance sheet (statement of financial position) at 31 March 2009 and this reflected the full liability at that date, therefore no adjustment is shown above. The corresponding accrual at 31 March 2010 stands at £25,819.

# 04: Governance reports, financial statements and notes

## 3. Income and expenditure analysis

Segmental analysis		
	Third sector support (Segment 1) £	Total £
<b>Year ended 31 March 2010</b>		
Gross expenditure	(39,169,931)	(39,169,931)
Income	39,834,514	39,834,514
Surplus	664,583	664,583
<b>Total assets</b>	<b>2,355,250</b>	<b>2,355,250</b>
<b>Year ended 31 March 2009</b>		
Gross expenditure	(28,586,270)	(28,586,270)
Income	30,209,250	30,209,250
Surplus	1,622,980	1,622,980
<b>Total assets</b>	<b>2,360,169</b>	<b>2,360,169</b>

## Programme expenditure by programme

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Consortia Development fund	3,960,561	5,079,258
Consortia Modernisation fund	5,646,013	4,422,783
Improving Reach programme	5,845,034	5,655,337
National Support Service	4,620,546	4,703,935
National Priorities programme	885,597	1,277,208
Social Enterprise programme	2,184,558	1,179,588
Learning, Evaluation and Innovation	594,528	764,213
Policy and programme development	277,113	494,712
Regional Networks fund	642,762	127,070
Real Help for Communities Modernisation Fund	6,520,356	–
Capital Grants programme	3,247,867	1,485,648
Capital project development	257,493	–
Volunteer Management programme	828,188	–
Neighbourhood Watch	350,156	–
	<b>35,860,772</b>	<b>25,189,752</b>

The Company certifies that the grants received from its sponsoring department and other government departments have been used for their approved purpose.

In order to gain assurance over the proper use of public funds by Programme Providers, the Company has established a programme of provider financial assurance checks. As set out in the Accounting Officer's Statement on Internal Control, the programme is co-ordinated by the programme and finance teams, who are responsible for the planning, coordinating and delivery of a programme of visits to secure this assurance.

# 04: Governance reports, financial statements and notes

## 4. Staff numbers and related costs

Information in respect of individual Board Members and senior managers' emoluments and their pension entitlements is provided in the Remuneration Report on pages 24 to 25.

The aggregate payroll costs for the Company were as follows:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Wages and salaries	1,654,434	1,806,317
Social security costs	153,618	137,598
Other pension costs	177,808	108,655
	<b>1,985,860</b>	<b>2,052,570</b>
Secondment costs	–	65,732
	<b>1,985,860</b>	<b>2,118,302</b>

## Directors' emoluments

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Emoluments	354,610	410,449
Contributions to money purchase pension schemes	32,676	27,573
	<b>387,286</b>	<b>438,022</b>

During the year directors were eligible to participate in defined contribution (money purchase) pension schemes as set out in the Remuneration Report. The highest paid director's emoluments were as follows:

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Salary	101,971	115,326
Pension contributions	13,446	–
	<b>115,417</b>	<b>115,326</b>

## Pension costs

Up to 31 December 2008, Company employees were eligible to join the Group Stakeholder Pension. This arrangement was a stakeholder pension with age-related employer contributions which ranged from 3% to 12.5% of pensionable pay. From 1 January 2009 new Company employees were eligible to join the Group Personal Pension Plan to which employer contributions were made at a standard rate of 6% of pensionable pay plus up to a further 3% to match employee contributions. Both pension schemes were defined contribution (money purchase) schemes. Employer's contributions of £177,808 were paid to pension providers during the year (2008-09: £108,655).

## Average number of persons employed

The monthly average number of whole-time equivalent employees during the period was as follows:	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Administration staff – on Company payroll	40	32
Administration staff – seconded from other organisations	–	1
	<b>40</b>	<b>33</b>

## 5. Non staff administration costs

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
Depreciation of property, plant and equipment	13,270	48,619
Impairment of property, plant and equipment	–	8,978
Loss on disposal of property, plant and equipment	–	30,625
Amortisation of intangible assets	29,560	19,931
Operating lease rentals: premises	77,018	76,256
Fees payable to external auditor for:		
– audit of annual accounts	29,000	28,875
– audit work relating to IFRS	3,000	2,875
Internal audit fees	23,747	19,646

## 6. Finance charges

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<b>Finance income</b>		
Bank interest receivable	–	18,958
<b>Finance charges</b>		
Finance lease interest	(1,358)	–
Bank interest repayable – to be netted off against future Grant in Aid	–	(18,958)
<b>Net finance charges</b>	<b>(1,358)</b>	<b>–</b>

Interest received is netted off against future Grant in Aid from the sponsoring department.

# 04: Governance reports, financial statements and notes

## 7. Tax charge

	Year ended 31 March 2010 £	Year ended 31 March 2009 £
<b>Current tax</b>		
UK corporation tax based on results for the year at 21% (2008-09: 21%)	–	3,981
Deficit on ordinary activities before taxation	(38,754,044)	(28,563,497)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2008-09: 21%)	(8,138,349)	(5,998,334)
Adjustment re funds not liable for corporation tax	8,138,349	6,002,315
	–	3,981

## 8. Commitments under operating leases

Total future minimum lease payments under non-cancellable operating leases are shown below for each of the following periods:

	2010 £	2009 £
<b>Buildings</b>		
Within one year	36,794	–
Later than one year and not later than five years	–	213,125

## 9. Commitments under finance leases

The net book amount of property, plant and equipment includes £13,155 in respect of equipment held under finance leases. Total liabilities and future minimum lease payments under non-cancellable finance leases are shown below for each of the following periods:

	2010 £	2009 £
<b>Liabilities</b>		
Within one year	14,301	–
Present value of lease obligations	13,801	–



## 10. Property, plant and equipment

	IT Equipment £	Furniture and fittings £	Total £
<b>Cost</b>			
At 1 April 2008	99,798	75,861	175,659
Disposals	–	(60,896)	(60,896)
Impairment	–	(14,965)	(14,965)
<b>At 31 March 2009</b>	<b>99,798</b>	<b>–</b>	<b>99,798</b>
<b>Depreciation</b>			
At 1 April 2008	66,351	21,085	87,436
Charge for the year	33,447	15,172	48,619
Eliminated on disposal	–	(27,279)	(27,279)
Impairment	–	(8,978)	(8,978)
<b>At 31 March 2009</b>	<b>99,798</b>	<b>–</b>	<b>99,798</b>
<b>Carrying amount at 31 March 2009</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Cost</b>			
At 1 April 2009	99,798	–	99,798
Additions	41,228	–	41,228
<b>At 31 March 2010</b>	<b>141,026</b>	<b>–</b>	<b>141,026</b>
<b>Depreciation</b>			
At 1 April 2009	99,798	–	99,798
Charge for the year	13,270	–	13,270
<b>At 31 March 2010</b>	<b>113,068</b>	<b>–</b>	<b>113,068</b>
<b>Carrying amount at 31 March 2010</b>	<b>27,958</b>	<b>–</b>	<b>27,958</b>

# 04: Governance reports, financial statements and notes

## 11. Intangible assets

	Software £	Total £
<b>Cost</b>		–
At 1 April 2008	59,796	59,796
Disposals	–	–
<b>At 31 March 2009</b>	<b>59,796</b>	<b>59,796</b>
<b>Amortisation</b>		
At 1 April 2008	14,856	14,856
Charge for the year	19,931	19,931
<b>At 31 March 2009</b>	<b>34,787</b>	<b>34,787</b>
<b>Carrying amount at 31 March 2009</b>	<b>25,009</b>	<b>25,009</b>
	Software £	Total £
<b>Cost</b>		–
At 1 April 2009	59,796	59,796
Additions	81,142	81,142
<b>At 31 March 2010</b>	<b>140,938</b>	<b>140,938</b>
<b>Amortisation</b>		
At 1 April 2009	34,787	34,787
Charge for the year	29,560	29,560
<b>At 31 March 2010</b>	<b>64,347</b>	<b>64,347</b>
<b>Carrying amount at 31 March 2010</b>	<b>76,591</b>	<b>76,591</b>

Intangible software assets are amortised over a period of three years.

## 12. Impairments

The total impairment charge of £nil (2008-09: £8,978 in respect of property, plant and equipment) has been charged to the net income and expenditure account.

### 13. Trade and other receivables

	2010 £	2009 £
Trade receivables	–	–
Other receivables:		
– Grants not committed at year end by third sector	262,126	195,092
– Other Government Bodies	20,173	68
– Other debtors	31,649	5,150
Accrued income – (2008-09: Defra)	–	7,813
Prepayments	15,985	39,213
	<b>329,933</b>	<b>247,336</b>

None of the above receivables was impaired. There were no receivables past due but not impaired. The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to financial performance is used.

### 14. Trade and other payables

	2010 £	2009 £
Other taxation and social security	(49,195)	(3,981)
Trade payables	(259,247)	(221,268)
Other Payables:		
– Interest repayable to be returned to Cabinet Office	–	(620)
– Grants not committed by third sector, to be returned to Cabinet Office	(268,006)	(215,748)
Finance lease creditor	(12,658)	–
Deferred Income	(22,308)	–
Accruals	(353,283)	(930,456)
	<b>(964,697)</b>	<b>(1,372,073)</b>

### 15. General reserve

	2010 £	2009 £
Opening balance	988,096	(276,207)
Reserve movements:		
– reclassification of deferred income	–	(77,849)
– grants not committed by third sector re prior year	–	(189,498)
– grants not committed due to Cabinet Office re prior year end	–	25,913
– grants not committed by third sector at year end	(262,126)	(195,092)
Grant in Aid revenue receipt	39,377,000	30,178,000
Deficit for the year	(38,712,417)	(28,477,171)
Closing balance	<b>1,390,553</b>	<b>988,096</b>

# 04: Governance reports, financial statements and notes

## 16. Donated assets reserve

	2010 £	2009 £
Opening balance	–	30,305
Depreciation movement	–	(30,305)
<b>Closing balance</b>	<b>–</b>	<b>–</b>

## 17. Reconciliation of movement in funds

	2010 £	2009 £
Opening balance of funds	988,096	(245,902)
Reserve movements:		
– grants not committed by third sector re prior year	–	(189,498)
– grants not committed due to Cabinet Office re prior year	–	25,913
– grants not committed by third sector at year end	(262,126)	(195,092)
Operating deficit (after interest and tax)	(38,712,417)	(28,555,020)
Grant in Aid revenue receipt	39,377,000	30,178,000
Donated asset reserve release	–	(30,305)
<b>Closing balance of funds</b>	<b>1,390,553</b>	<b>988,096</b>
<b>Represented by:</b>		
General reserve	1,390,553	988,096
	<b>1,390,553</b>	<b>988,096</b>

## 18. Financial instruments

Given the largely non-trading nature of its activities and the way government entities are financed, the Company 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 IFRS 7 mainly applies. The Company has very limited powers to borrow, invest surpluses, or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Company in undertaking its activities.

### Liquidity Risk

The Company's net revenue resource requirements are financed entirely by the Cabinet Office, as is its capital expenditure. It is not, therefore, exposed to significant liquidity risks, and the Company has no need to maintain commercial borrowing facilities.

### Interest rate risk

The Company has no material financial assets or financial liabilities carrying variable rates of interest and it is not therefore exposed to significant interest rate risk.

### Foreign currency risk

The Company does not conduct any business denominated in foreign currency and, therefore, is not exposed to any risk as a result of currency fluctuations.

### Credit risk

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

## 19. Capital commitments

Commitments for capital expenditure (authorised and contracted for) by the Company at the end of the year were £nil (2008-09: £nil).

## 20. Contingent liabilities

The Company had no material contingent liabilities as at 31 March 2010 or 31 March 2009.

## 21. Related party transactions

Capacitybuilders is an executive non-departmental public body sponsored by the Cabinet Office; the Cabinet Office is regarded as a related party. Transactions with the Cabinet Office related to Capacitybuilders' grant in aid. The majority of Capacitybuilders' business is undertaken with the third sector. Transactions were also entered into with the Commissioner for the Compact, another NDPB of the Cabinet Office, amounting to a debtor of £173 as at the year end (2008-09: £68).

The following related party transactions are declared in relation to Directors' activities:

- Funding allocations of £3,027,324 (2008-09: £2,602,145) were made to London Councils where Sir Rodney Brooke is Chair of the London Remuneration Panel.
- Funding allocations of £620,100 (2008-09: £599,884) were made to ACEVO for which Margaret Bolton acted as a consultant.
- Funding allocations of £63,650 (2008-09: £nil) were made to Voice4Change where Caryl Agard holds the position of Chair.

During the year no Board Member, director, senior manager, or other related party has undertaken any material transactions with Capacitybuilders.

## 22. Losses and special payments

No special payments or losses were made during the course of the year.

**Professional advisers to Capacity Builders (UK) Limited**

**Bank**

Lloyds TSB Bank plc  
114-116 Colmore Row  
Birmingham  
B3 3BD

**Solicitor**

Field Fisher Waterhouse  
35 Vine Street  
London  
EC3N 2AA

**External Auditor**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Registered office:  
77 Paradise Circus  
Birmingham  
B1 2DT  
Switchboard: 0121 237 5100  
Email: [info@capacitybuilders.org.uk](mailto:info@capacitybuilders.org.uk)  
[www.capacitybuilders.org.uk](http://www.capacitybuilders.org.uk)

Published by TSO (The Stationery Office) and  
available from:

Online  
[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

Mail, telephone, fax and email  
TSO:  
PO Box 29, Norwich NR3 1GN  
Telephone orders/general enquiries: 0870 600 5522  
Order through the Parliamentary Hotline Lo-Call  
0845 7 023474  
Fax orders: 0870 600 5533  
Email: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)  
Textphone: 0870 240 3701

The Parliamentary Bookshop  
12 Bridge Street, Parliament Square,  
London SW1A 2JX  
Telephone orders/general enquiries: 020 7219 3890  
Fax orders: 020 7219 3866  
Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)  
Internet: [www.bookshop.parliament.uk](http://www.bookshop.parliament.uk)

TSO@Blackwell and other accredited agents

Customers can also order publications from:  
TSO Ireland  
16 Arthur Street, Belfast BT1 4GD  
Telephone orders/general enquiries: 028 9023 8451  
Fax orders: 028 9023 5401

