

# **Deputy Prime Minister's Office**

## **Resource Accounts 2007-08 (For the year ended 31st March 2008)**

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## **Resource Accounts**

### **2007-08**

**(For the year ended 31st March 2008)**

*Ordered by the House of Commons to be printed*  
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## ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2008

These accounts, for the year ended 31st March 2008, relate to the Deputy Prime Minister's Office (DPMO). The Deputy Prime Minister's Office was formed on 5th May 2006 to oversee and co-ordinate the efficient development of Government policy across the full range of domestic policy areas. The office was closed on 28th June 2007 as a result of the Ministerial re-shuffle that followed the appointment of Rt Hon Gordon Brown MP as Prime Minister.

### 1. Annual Review

- 1.1 These accounts have been prepared in accordance with the Direction given by the Treasury in pursuance of the Government Resources and Accounts Act 2000.
- 1.2 The Office's aim was to support the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad. The Statement of Operating Costs by Departmental Aim and Objectives, on Page 22 of these accounts reports the strategic priorities and the resources used by the Office in achieving these. The core strategic objective of the Office was:
- to provide support and advice to enable the Deputy Prime Minister to discharge a range of duties on behalf of the Prime Minister;
  - to oversee and co-ordinate Government policy across the full range of domestic policy areas through the Cabinet Committee system; and
  - to support all aspects of the Deputy Prime Minister's international engagements, both in the UK and overseas.

### Minister

- 1.3 The Minister for the Deputy Prime Minister's Office was:

The Rt. Hon John Prescott MP      Deputy Prime Minister

### Permanent Head of the Office and Board

- 1.4 The composition of the Office's Board during 2007/08 was:

#### Board Members

Philip Cox	Principal Private Secretary and Accounting Officer
Lucy Bell	Secretary to the Board
Robbie Bulloch	Foreign Affairs Adviser
Julian Smith	Director of Finance

#### Non-Executive Board Members

Jerry Page	Director of Finance, Cabinet Office
Janet Pope	Chief Executive, Alliance Trust Savings

The Accounting Officer was appointed by HM Treasury.

## Audit and Risk Committee

- 1.5 The Audit and Risk Committee gave independent advice to the Accounting Officer on the adequacy of audit arrangements and assurances received on the existence and effectiveness of systems of accountability and control. The Audit and Risk Committee was chaired by Jerry Page, a non-executive Director of the Board, supported by one independent external member: Janet Pope. In addition, the Principal Private Secretary and Director of Finance attended meetings. The Committee met on one occasion during the year. It:
- Provided independent advice on how well the system of internal control was embedded in the planning, operational, monitoring and review activities;
  - Considered the adequacy of assurances provided by senior managers on the stewardship of resources entrusted to them. These assurances provided the basis for the Accounting Officer to sign the Statement on Internal Control;
  - Reviewed the adequacy of the risk management framework;
  - Considered whether DPMO's internal audit service met the standards set out in the Government Internal Audit Manual; and
  - Reviewed the planned activity and results of work by the National Audit Office.
- 1.6 The Office complied with the aspects of the Code of Good Practice on Corporate Governance in Central Government Departments.

## 2. Management Commentary

- 2.1 The Deputy Prime Minister was responsible for overseeing and coordinating government policy through chairing a range of Cabinet Committees, including the Domestic Affairs Committee, which has an important role in scrutinizing and approving a large proportion of domestic policy. Cabinet Committees bring Ministers together to find solutions to key policy issues in order to maximise the impact and delivery of Government policy, and much of the Deputy Prime Minister's Cabinet Committee work focused on improving the effectiveness of policy development across Government, particularly in relation to those issues which cut across Departmental responsibilities and which demand a co-ordinated cross-Government response. He deputised for the Prime Minister domestically, at Prime Minister's Questions and in respect of international issues, and was active in forging dialogues with the newer EU Member States. He also deputised for the Prime Minister at the British-Irish Council.
- 2.2 The Deputy Prime Minister long played an important role in tackling climate change and in relations with China. He was Chair of the China Task Force, set up at the request of the Prime Minister and his Chinese counterpart Premier Wen in 2003. It has been instrumental in increasing cooperation between the countries in the fields of education, international development, health, trade and investment, science, culture and sustainable development. Members of the Task Force include business leaders, senior academics and politicians with experience and expertise in China.
- 2.3 Together with its Chinese counterpart, chaired by State Councillor Tang Jiaxuan, the Task Force represents a shared commitment to furthering bilateral relations, and has created a favourable context for the promotion of UK business and other interests. Its work under the chairmanship of the Deputy Prime Minister included:
- Enhanced co-operation between Government Departments on furthering UK-China relations
  - Greater co-operation across five key areas of trade and information, and communications technology, water, financial services, energy and health;

- The increased number of exchanges between UK and Chinese Universities following the introduction of a scholarship scheme;
  - Proposals to simplify Chinese student visa arrangements and to introduce annual UK-China Education summits;
  - The signing of a Sustainable Development dialogue between the UK and China
  - The development of a UK-China working group on Climate Change.
- 2.4 During his tenth visit to China in April 2007, the Deputy Prime Minister discussed the importance of international co-operation on sustainability and climate change with Premier Wen and State Councillor Tang. The Deputy Prime Minister presented a proposal for Sino-UK collaboration in creating sustainable cities, launched phase II of the UK-China Sustainable Development Dialogue and, including an address to the China Council for International Cooperation on Environment and Development with International Panel on Climate Change Chairman, Dr Rajendra Pachauri. He also visited the site of Dongtan, a pioneering eco-city set to be built on Chongming Island near Shanghai.
- 2.5 The Deputy Prime Minister and the China Task Force developed a framework for cooperation between the UK and China. This was formalised during Prime Minister Gordon Brown's visit to China in January 2008, when he witnessed the signing of a Memorandum of Understanding on sustainable cities by the Secretary of State for Business, Enterprise and Regulatory Reform and the Chinese Minister of Construction. The Memorandum of Understanding aims to overcome the barriers to sustainable urban growth in both countries and encourages collaboration on the development of the cities of the future. It involves the UK and Chinese Governments agreeing to:
- Collaborate on the creation of a new Institute for Sustainability at Dongtan that will lead the world in the field of environmental economics and technology;
  - Forge a partnership between this new Institute and the Thames Gateway Institutes for Sustainability and Urban Renaissance – a groundbreaking collaboration that will drive forward world-class research and enable both sides to learn from and develop best international practice, increase their capacity for sustainable development and create new business opportunities;
  - Create a 'Virtual Academy' for sustainable urban development bringing together Chinese and UK academic partners and research networks;
  - Carry out new joint research on the best ways to regenerate older industrial areas and provide affordable 'green' housing for low-income groups in urban areas;
  - Extend our co-operation on the development of new environmental urban technologies.
- 2.6 The Deputy Prime Minister worked closely with the Foreign Secretary, the Secretary of State for the Environment, and other Departments across Government to promote the Government's post-Kyoto agenda. During the period of these accounts, the Deputy Prime Minister continued his long term commitment to increasing awareness of the dangers of climate change, delivering a series of keynote speeches on the issue to international audiences.
- 2.7 The Deputy Prime Minister also discussed a range of EU and bilateral issues with newer EU Member States. In April 2007, he held meetings with the Prime Minister of the Czech Republic, Mirek Topolánek; the Deputy Prime Minister and Minister for the Environment, Martin Bursík; and the Deputy Premier for European Union Affairs, Alexandr Vondra. The Deputy Prime Minister also addressed a seminar on climate change hosted by the British Embassy in Prague. He continued discussions on climate change during an onward visit to Malta where he held meetings with Prime Minister Gonzi and President Adami. He also discussed the specific migration challenges affecting southern Mediterranean Member States during a meeting with the Maltese Deputy Prime Minister and Interior Minister Dr Borg.

- 2.8 The bicentenary of the passing of the Abolition of the Slave Trade Act occurred on 25th March 2007, a landmark in the struggle for equality, dignity and respect for all which had a tremendous impact throughout the world. During the period of these accounts, the Deputy Prime Minister, as Chair of the informal advisory group, continued to lead work across Government to ensure that this important anniversary received a fitting tribute. Whilst the passing of the Act was historically hugely significant, the issues it addressed are sadly not purely of historical interest: modern forms of slavery such as people trafficking, bonded labour and child labour still persist alongside prejudice, discrimination and entrenched inequalities in some sectors of society.
- 2.9 With this in mind, the Government's aims for this bicentenary were reflecting on the past; commemorating those who suffered as a result of the slave trade; recognising the efforts of those who struggled for abolition, including enslaved Africans, and those who ensured the new laws were enforced; and looking to the future tackling contemporary and legacy issues arising out of the slave trade. This includes addressing poverty and inequality on the African continent, with a special emphasis on improving access to education; tackling inequality, discrimination and racism today, in particular for the African and Caribbean diaspora; and working to eliminate contemporary slavery in all its forms.
- 2.10 In an event of particular significance in this bicentenary year, which coincided with the 50th anniversary of Ghanaian independence, the Deputy Prime Minister invited former Secretary-General of the United Nations Kofi Annan to give an address to both Houses of Parliament on 8th May 2007. He also held meetings with the then Prime Minister of Jamaica, The Most Hon Mrs Portia Simpson Miller MP, and Ministers in her Government, and also met the Jamaica National Bicentenary Committee. The Deputy Prime Minister also addressed a joint session of the Parliament of Barbados to discuss the abolition of the slave trade and related issues, reciprocating the visit of the then Prime Minister of Barbados, Rt Hon Owen Arthur MP, to the UK in March 2007.
- 2.11 The Deputy Prime Minister continued his long term international commitment to promoting sustainable communities which balance the social, economic and environmental concerns of its inhabitants, meeting the needs of existing and future generations and providing jobs, schools, health and other services that are accessible to all.
- 2.12 Mass urbanisation is a key global issue and the world needs more sustainable patterns of planning and development. During the period of these accounts, the Deputy Prime Minister addressed the Congress for the New Urbanism, the leading American organisation for promoting a more sustainable built environment, for the third time during his period in office. He also gave the keynote address at the World Cities Forum, a global conference hosted in Shanghai by the Urban Land Institute, and he spoke on the potential for co-operation between the Dongtan eco-city in China and the Thames Gateway at a major conference in London.
- 2.13 Although the Office was only operational for three months of the financial year, these accounts have been prepared to cover the whole of the year to 31st March 2008 in line with the resources voted to the Office for that period in the DPMO's Main Estimate for 2007/08. The remaining balances were transferred to the Cabinet Office on 1st April 2008.

### **Public Service Agreement Targets**

- 2.14 The Office did not have any Public Service Agreements of its own, but made an important contribution to the delivery of PSA targets across Government.

### **Investment and Funding**

- 2.15 As a Government Department, the Office was accountable to Parliament for its expenditure. Parliamentary approval for its spending plans was sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure, and requesting the necessary funds. The Office then drew down funds in the period from the Consolidated Fund as required.

- 2.16 The Estimates are structured by 'Request for Resources' (RfR) and includes a formal description, or ambit of the services to be financed under each RfR.
- 2.17 The Office had one Request for Resources for 2007-08: Supporting the Deputy Prime Minister in carrying out his ministerial responsibilities. The Statement of Parliamentary Supply, on Page 19 of the Accounts shows Outturn figures against Estimates for RfR 1.
- 2.18 The Cash Flow Statement set out on Page 22, analyses the net cash flow from operating activities, and shows the funding that the Office drew down from the Consolidated Fund in order to finance its activities during the period.

### 2007-08 Outturn against Estimate

- 2.19 The Statement of Parliamentary Supply shows that there is a total under-spend of £1.689 million on a budget of £2.547 million. Note 2 to the accounts is the other source that shows a detailed breakdown of outturn and Estimates.
- 2.20 The outturn as provided in the Statement of Parliamentary Supply is based on the resources consumed by the Office. In addition to the amounts allocated to the Office in its Request for Resources it had a Resource Budget, which was split between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). For the Office the Resource Budget matches the DEL, and is provided below:

	2007-08 £000	2006-07 £000
<b>Net Resource Requirement</b>	<b>858</b>	<b>2,469</b>
<i>Adjustments to additionally include:</i>		
Non-voted expenditure on the Operating Cost Statement (OCS)	-	-
<b>Net Operating Costs (Accounts)</b>	<b>858</b>	<b>2,469</b>
<i>Adjustments:</i>	-	-
<b>Resource Budget</b>	<b>858</b>	<b>2,469</b>
Of which		
Departmental Expenditure Limit (DEL)	858	2,469
Annually Managed Expenditure (AME)	-	-

### Going Concern

- 2.21 The DPMO was disbanded on 28th June 2007. I therefore consider it inappropriate to prepare the financial statements on a going concern basis and have reflected this in drawing up the accounts. No adjustments to the net book value of assets or liabilities were required. The remaining assets and liabilities were transferred to the Cabinet Office on 1st April 2008.

### Personal Data Related incidents

- 2.22 There were no personal data related incidents in DPMO during the period covered by these accounts.

### Payment Performance

- 2.23 The Office recognised the Confederation of British Industry's "Prompt Payment Code" and discloses the following information in accordance with Regulations SI 1997/571. In common with the rest of Government, the Office worked towards paying 100% of its undisputed bills on time i.e. within 30 days of the date of receipt of the invoice, or within the contractual term if less, with a Service Delivery Agreement target of not falling below 98%. During 2007-08 the payments were made from within Communities and Local Government, which paid 93% of their bills on time, as reported in their Annual Resource Accounts.

### Financial Organisation of the Office

- 2.24 The finances of the Office were managed by the Governance and Communication Group in Communities and Local Government overseen by DPMO. Therefore, the Office was subjected to the same financial system as that Department. DPMO delegated resource management responsibilities for administrative expenditure, the aim was to give managers as much discretion as possible while still securing propriety, regularity and best value for money. Senior managers were held accountable through a requirement to report back periodically on the discharge of their management responsibilities and stewardship of resources entrusted to them.
- 2.25 Communities and Local Government's Local Management Accounting Team provided financial accounting services to DPMO. During the period the Office maintained arrangements to secure better budgeting and forecasting, including a monthly performance management framework which monitored expenditure against budget, and risk management, including guidance on risk identification, assessment and management. Risks identified through this process formed the basis of a corporate risk register. These measures helped provide the framework for the prudent and efficient use of resources.

### Significant Events since the End of the Financial Year

- 2.26 Rt Hon John Prescott MP stood down as Deputy Prime Minister (DPM) on 27th June 2007. In the Ministerial re-shuffle that followed, no DPM was appointed and DPMO was disbanded and its functions transferred to the Cabinet Office.

### Auditors

- 2.27 The audit of the Office's Resource Accounts is carried out by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000 at a notional cost of £15,000
- 2.28 The National Audit Office also performs other statutory audit work including Value for Money work and other reports to management at no cost to the Office.
- 2.29 So far as the Accounting Officer is aware, there is no relevant audit information of which the external auditors are unaware
- 2.30 The Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information, and to establish that the DPMO's auditors are aware of this information.

### Environment and Staff Policies

- 2.31 DPMO's staff were on loan from the Department for Communities and Local Government (CLG), and were therefore subject to the same policies as the staff in that Department. This applied to Equality and Diversity and Staff Relations. For more information on these policies please refer to the Resource Accounts of the CLG, or visit their website: [www.communities.gov.uk](http://www.communities.gov.uk).
- 2.32 DPMO was located within the Cabinet Office's estate and it participated in their policies and improvements relating to environmental concerns. DPMO's Health and Safety policy also took account of the Health and Safety policies operated within the Cabinet Office. For more information on these policies please refer to the Resource Accounts of the Cabinet Office, or visit their website: [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk).
- 2.33 There were no incidents or accidents involving the Office's staff reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations Act 1995.

### 3. Remuneration Report

- 3.1 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.
- 3.2 In reaching its recommendations, the Review Body is to have regard to the following considerations:
- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
  - Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
  - Government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of Departmental services;
  - The funds available to Departments as set out in the Government's Departmental Expenditure Limits; and the Government's inflation target
- 3.3 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

#### Service Contracts

- 3.4 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.
- 3.5 Unless otherwise stated below, the officials covered by this report hold appointments which were open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

#### Salary and pension entitlements

- 3.6 The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board members) of the Department for the three months during which the Office was operational.

#### Remuneration

Minister	2007-08		2006-07	
	Salary £	Benefit-in-Kind (to nearest £000)	Salary £	Benefit-in-Kind (to nearest £000)
Rt. Hon John Prescott MP	20,724	2,000	75,963	7,600

  

Board Officials	2007-08		2006-07	
	Salary £000	Benefit-in-Kind (to nearest £100)	Salary £000	Benefit-in-Kind (to nearest £100)
Philip Cox	20-25	–	95-100	–
Lucy Bell	10-15	–	50-55	–
Robbie Bulloch	15-20	–	65-70	–
Julian Smith	20-25	–	75-80	–

Details of Benefits-in-Kind are contained in paragraph 3.10.

## Salary

- 3.8 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- 3.9 This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, Departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£61,820 from 1 November 2007, £61,181 from 1 April 2007, £60,277 from 1 November 2006, £59,686 from 1 April 2006) and various allowances to which they are entitled are borne centrally.

## Benefits in Kind

- 3.10 The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Rt Hon John Prescott MP received living accommodation provided at public expense and chargeable to tax under S163 of the Income and Corporation Taxes Act 1988

## Pension Benefits

<b>DPMO Minister 2007-08</b>	<b>Total accrued Pension at 65 at 28/06/07 £000</b>	<b>Real increase in Pension at 65 £000</b>	<b>CETV at 28.06.07 £000</b>	<b>CETV at 31.03.07 £000</b>	<b>Real increase in CETV during the year £000</b>
Rt. Hon John Prescott MP	15-20	0-3.0	218	220	3.0

## Ministerial Pensions

- 3.11 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).
- 3.12 Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15th July 2002 (or 5th July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.
- 3.13 Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.
- 3.14 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

**Cash Equivalent Transfer Value (CETV)**

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

**The real increase in the value of the CETV**

3.16 This is effectively the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister and are calculated using common market valuation factors for the start and end of the period.

**Board Pension Benefits**

<b>Board Officials 2007-08</b>	<b>Total accrued Pension at 60 at 28.06.07 £000</b>	<b>Real increase in Pension at 60 £000</b>	<b>CETV at 28.06.07 £000</b>	<b>CETV at 31.03.07 £000</b>	<b>Real increase in CETV during the year £000</b>
Philip Cox	25-30 plus 55-60 lump sum	0-2.5 plus -0-2.5 lump sum	335	358	22
Lucy Bell	0-5 plus nil lump sum	0-2.5 plus nil lump sum	23	26	2
Robbie Bulloch	5-10 plus nil lump sum	0-2.5 plus nil lump sum	52	59	2
Julian Smith	5-10 plus 15-20 lump sum	0-2.5 plus 0-2.5 lump sum	59	63	4

**Civil Service Pensions**

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

3.18 Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings

in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

- 3.19 The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 3.20 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.
- 3.21 Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Value (CETV)

- 3.22 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements they also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

**Real increase in CETV**

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

**Philip Cox**  
**Accounting Officer**  
**Deputy Prime Minister's Office**  
**Date:**

## Statement of Accounting Officer's Responsibilities

Under the Government Resource and Accounting Act 2000, HM Treasury has directed the Deputy Prime Minister's Office to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Deputy Prime Minister's Office and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis. However in view of the disbanding of the Deputy Prime Minister's Office on 28th June 2007 the Accounting Officer no longer considers it appropriate to prepare the accounts on a going concern basis. The Deputy Prime Minister's Office's assets and liabilities have been transferred to Cabinet Office on 1st April 2008. No adjustments have been necessary to the net book value of assets immediately prior to closure.

HM Treasury has designated Philip Cox Principal Private Secretary as Accounting Officer of the Deputy Prime Minister's Office. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Deputy Prime Minister's Office's assets, are set out in the Accounting Officer's Memorandum published by HM Treasury.

## Statement on Internal Control

### Scope of Responsibility

1. As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of the Deputy Prime Minister Office's policies, aims and objectives, whilst safeguarding the public funds and assets for which I was personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.
2. The Deputy Prime Minister's Office was formed following the Ministerial reshuffle that took place on 5th May 2006. Prior to that, the DPM's office was part of the Office of the Deputy Prime Minister (ODPM). Communities and Local Government is the successor to the former ODPM.
3. Prior to its dissolution on 28th June 2007, DPMO had been putting in place the systems and processes that it required to enable it to function separately from CLG. However, as a small office it made sense, in the interests of economy and efficiency to look to other, larger Departments to provide a number of our corporate services. In particular, we had an ongoing agreement with Communities and Local Government to provide all of our finance and accounting services and therefore relied significantly on their systems and controls to manage the risks associated with DPMO's financial transactions.

### The Purpose of the System of Internal Control

4. 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 DPMO 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 was in place in the DPMO from 5th May 2006 to and up to the date of approval of the annual report and accounts. This statement accords with Treasury guidance.

### Capacity to Handle Risk – Risk and Control Framework

5. Since its establishment as a separate Government Department, DPMO had been putting in place the administrative procedures and processes required to manage the risks likely to be faced by an organisation of its size. The Management Board agreed a timetable for this exercise that gave priority to putting systems in place where risks are greatest, and with the objective of having the majority of the Office's risk management systems, and all of the key ones in place by the end of March 2007. The executive members of the management team took a risk based approach to identifying the scale and scope of these. These procedures were then subject to review by the Office's Non Executive Directors and by the Office's Auditors to ensure that their coverage was appropriate and that they took proper account of the risks faced by the Office.
6. DPMO inherited well established systems for minimising the risk of irregular financial payments. These systems have been maintained. The Board concluded that the other key risks faced by the Office were focused on business continuity. As part of the former ODPM the Deputy Prime Minister's Office relied on a range of services provided by the Office. As a standalone Government Department, the Board concluded that it needed to ensure that it continued to receive such services, either from Communities and Local Government, or from the Cabinet Office. The Board therefore gave priority to concluding agreements with these Departments to ensure the continued provision of key central services such as security, IT, liaison with Parliament, support with Freedom of Information and provision of support for financial services. All of these were concluded by the end of the financial year. In addition the Board put in place a revised Business Continuity plan to ensure that it could continue to operate should its London HQ building become unavailable in the event of an emergency.

7. The Board also had in place a plan to conclude Service Level Agreements (SLAs) for other services it received from Communities and Local Government and Cabinet Office covering, for example Legal Services, Human Resources and the use of its offices at 26 Whitehall.

### **Review of Effectiveness**

8. As Accounting Officer, I had responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.
9. Members of staff in DPMO were fully aware of the importance of managing risk. In addition, as a new Government Department, DPMO's system of internal control continued to develop and was kept under continual review as it did so. This development process was led by the Office's Board.
10. In addition, DPMO's internal auditors undertook a review of the Office's systems within a few months of the establishment of the Department; and the Office's systems were reviewed by its non-executive Directors and recommendations they made for improvements to those systems were acted upon.
11. Following the closure of the Office, a number of staff were retained for a short period to oversee the closure of financial accounts and the orderly transfer of DPMO's records to Cabinet Office. No significant internal control problems have been identified.

**Philip Cox**  
**Accounting Officer**  
**Deputy Prime Minister's Office**  
**Date:**

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Deputy Prime Minister's Office for the year ended 31st March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the management commentary and the annual review, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

### Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial

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

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Deputy Prime Minister's Office's affairs as at 31st March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the management commentary and the annual review included within the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

**T J Burr**  
**Comptroller and Auditor General**  
**National Audit Office**  
**151 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SS**  
**Date:**

**Statement of Parliamentary Outturn**

for the year ended 31st March 2008

Request for Resources	Note	Estimate			Outturn			Net Total compared with Estimate saving/ (excess) £000	2006/07 Prior Year Outturn £000			
		Gross Expenditure £000	A in A £000	Net Total £000	Gross Expenditure £000	A in A £000	Net Total £000					
RfR 1	2	2,547	–	2,547	858	–	858	1,689	2,469			
<b>Total resources</b>	3	<b>2,547</b>	<b>–</b>	<b>2,547</b>	<b>858</b>	<b>–</b>	<b>858</b>	<b>1,689</b>	<b>2,469</b>			
<b>Net cash requirement 2007-08</b>								<b>2007-08 Net outturn compared with Estimate outturn savings/ (excess) £000</b>	<b>2006-07 Outturn £000</b>			
								<b>Estimate £000</b>	<b>Outturn £000</b>	<b>Outturn £000</b>		
<b>Summary of net cash requirement</b>								<b>4</b>	<b>2,527</b>	<b>1,628</b>	<b>899</b>	<b>1,707</b>

The Office was originally voted £2,547,000 for the year 2007-08. However, as the Office was closed down on 28th June 2007 not all Supply was required. The Management Commentary contains further information.

The notes on pages 24 to 31 form part of these accounts

**Operating Cost Statement**

for the year ended 31st March 2008

	Note	Staff costs £000	Other cost £000	2007-08 Income £000	2006-07 £000
<b>Administration Costs</b>					
Staff costs	5	433	–	–	1,210
Other administration costs	6	–	425		1,259
<b>Totals</b>		<b>433</b>	<b>425</b>	<b>–</b>	<b>2,469</b>
<b>Net Operating Costs</b>	5,6,7			<b>858</b>	<b>2,469</b>

There are no recognised gains and losses other than net operating costs.

The notes on pages 24 to 31 form part of these accounts

**Balance Sheet**

as at 31 March 2008

	Note	2007-08 £000	2006-07 £000
<b>Current Assets</b>			
Debtors	8	112	41
Cash at bank and in hand	9	58	261
		170	302
<b>Creditors: amounts falling due within one year</b>			
	10	(155)	(1058)
<b>Net Current Liabilities</b>		15	(756)
<b>Total Assets less Current Liabilities</b>			
		15	(756)
<b>Taxpayers' Equity</b>			
General fund	11	15	(756)
		15	(756)

**Philip Cox**  
**Accounting Officer**  
**Deputy Prime Minister's Office**  
**Date:**

The notes on pages 24 to 31 form part of these accounts

**Cash Flow Statement**

for the year ended 31st March 2008

	<b>Note</b>	<b>2007-08 £000</b>	<b>2006-07 £000</b>
Net cash outflow from Operating Activities	12a	(1,628)	(1,707)
Financing	12b	1,425	1,968
Decrease in cash in the period	12c	<u>(203)</u>	<u>261</u>

The notes on pages 24 to 31 form part of these accounts

**Statement of Net Operating Costs by Departmental Aim and Objectives**

for the year ended 31st March 2008

	<b>Gross</b>	<b>Income</b>	<b>2007-08</b>	<b>Gross</b>	<b>Income</b>	<b>2006-07</b>
<b>Main Objectives</b>	<b>£000</b>	<b>£000</b>	<b>Net</b>	<b>£000</b>	<b>£000</b>	<b>Net</b>
			<b>£000</b>			<b>£000</b>
Objective 1	858	–	858	2,469	–	2,469
<b>Net Operating Costs</b>	<b>858</b>	<b>–</b>	<b>858</b>	<b>2,469</b>	<b>–</b>	<b>2,469</b>

The Office's objective was to provide support and advice to the Deputy Prime Minister in overseeing and coordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.

The notes on pages 24 to 31 form part of these accounts

## NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS FOR THE PERIOD 1ST APRIL 2007-31ST MARCH 2008

### 1. Statement of Accounting Policies

The Financial Statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

#### 1.1 Accounting Convention

- 1.1.1 These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets

#### 1.2 Administration Expenditure

- 1.2.1 The Operating Cost Statement is analysed between administration income and expenditure. The classification of expenditure and income as administration follows the definition of administration costs set by HM Treasury.

#### 1.3 Capital Charge

- 1.3.1 A charge, reflecting the cost of capital utilised by the Office, 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. Cash balances with the Office of the Paymaster General and creditors with the Consolidated Fund are excluded from the cost of capital calculation.

#### 1.4 Value Added Tax

- 1.4.1 Most of the activities of the Office were outside the scope of VAT and, in general output tax does not apply. Input VAT on certain contracted-out services is recovered under annual Treasury Direction. Irrecoverable VAT is charged to the relevant expenditure category. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### 1.5 Pensions

- 1.5.1 Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Office recognised the expected cost of these elements on a systematic and rational basis over the period during which it benefited from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future

benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Office recognised the contributions payable for the year.

## 1.6 Going Concern

1.6.1 The DPMO was disbanded on 28th June 2007. It was therefore inappropriate to prepare the financial statements on a going concern basis and this has been reflected in drawing up the accounts. No adjustments to the net book value of assets and liabilities were required.

## 1.7 Machinery of Government Changes

The Machinery of Government Change referred to in these accounts relates to the period when the Deputy Prime Minister's Office was set up in 2006, transferring functions from the Office of the Deputy Prime Minister.

## 2. Analysis of net resource outturn by section

RfR 1					2007-08		Estimate	2006-07	
Spending in					Outturn		Net total		
Departmental							outturn		
Expenditure							compared	Prior	
Limits (DEL)							with	year	
Central Government	Admin	Other	Grants	Gross	A-in-A	Net	Net	Estimate	Outturn
Expenditure	£000	Current	£000	Resource	£000	Total	Total	£000	£000
		£000	£000	Expend- iture		£000	£000		
				iture					
				£000					
Administration	858	-	-	858	-	858	2,547	1,689	2,469

The Office was originally voted £2,547,000 for the year 2007-08. However, as the Office was closed down on 28th June 2007 not all Supply was required. The Management Commentary contains further information.

## 3. Reconciliation of outturn to net operating cost and against Administration Budget

### 3(a) Reconciliation of net resource outturn to net operating cost

	Note	2007-08	Supply	2007-08	2006-07
		Outturn	Estimate	Outturn	Outturn
		£000	£000	compared	
				with	
				Estimate	
				£000	£000
Net Resource Outturn	2	858	2,547	1,689	2,469
Net operating cost		858	2,547	1,689	2,469

### 3(b) Outturn against final Administration Budget

	2007-08	2006-07
	Budget	Outturn
	£000	£000
Gross Administration Budget	2,547	858
Net Outturn against final Administration Budget	2,547	858

The Office was originally voted £2,547,000 for the year 2007-08. However, as the Office was closed down on 28th June 2007 not all Supply was required. The Management Commentary contains further information.

## 4. Reconciliation of resources to cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate saving/ (excess) £000
<b>Resources Outturn</b>	2	2,547	858	1,689
<b>Accruals Adjustments:</b>				
Non-cash items	6	(20)	(1)	(19)
Changes in working capital other than cash	12a	–	771	(771)
<b>Net Cash Requirement</b>		<u>2,527</u>	<u>1,628</u>	<u>899</u>

The Office was originally voted £2,547,000 for the year 2007-08. However, as the Office was closed down on 28th June 2007 not all Supply was required. The Management Commentary contains further information.

## 5. Staff Numbers and Related Costs

Staff costs comprise:

	Total £000	Permanently- employed staff £000	Ministers £000	Special Advisers £000	2007-08 Others £000	2006-07 Total £000
Wages and salaries	334	217	20	97	–	970
Social security costs	28	17	2	9	–	90
Other pension costs	41	38	–	3	–	134
<b>Sub Total</b>	<u>403</u>	<u>272</u>	<u>22</u>	<u>109</u>		<u>1,194</u>
Inward secondments/ Agency and Temp Staff	30	–	–	–	30	16
<b>Total</b>	<u>433</u>	<u>272</u>	<u>22</u>	<u>109</u>	<u>30</u>	<u>1,210</u>

Wages and salaries include redundancy payments made to Special Advisers following the Ministerial re-shuffle on 28th June 2007

Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1 to 25.5% (2005-06: 16.2 to 24.6%) of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2006-07 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme. Actual contributions for DPMO staff are paid with those for the CLG.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution, to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% (2005-06: 3 to 12.5%) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

No people retired early on ill-health grounds.

**Average number of persons employed**

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

Objective	Total	Permanent staff	Others	Ministers	2007-08 Number Special Advisers	2006-07 Number
1	20.7	16.8	0.9	1.0	2.0	19.6

The Office's objective was to provide support and advice to the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.

**6. Other Administration Costs**

	2007-08 £000	2006-07 £000
<b>Non Cash Items:</b>		
Cost of capital charge	(14)	(14)
Auditor's remuneration and expenses *	15	20
<b>Other expenditure</b>		
Accommodation	122	487
IT expenditure	19	71
Travel, subsistence and hospitality	199	507
Professional Services	36	29
Telecommunications	10	51
Other	38	108
<b>Total</b>	<b>425</b>	<b>1,259</b>

\*Auditor's remuneration and expenses were incurred by the National Audit Office for which there was no cost to the Office. The auditors received no remuneration for non-audit work.

**7. Analysis of net operating cost by spending body**

	Estimate £000	2007-08 Outturn £000	2006-07 Outturn £000
<b>Spending body:</b>			
Core Department	2,547	858	2,469
<b>Net Operating Cost</b>	<b>2,547</b>	<b>858</b>	<b>2,469</b>

**8. Debtors****8(a) Analysis by type**

	2007-08 £000	2006-07 £000
<b>Amounts falling due within one year:</b>		
VAT Debtors	–	4
Other debtors	112	37
Prepayments and accrued income	–	–
	<b>112</b>	<b>41</b>

**8(b) Intra-Government Balances**

	2007-08 £000	2006-07 £000
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	91	41
Balances with local authorities	21	–
<b>Sub-total</b>	<u>112</u>	<u>41</u>
Balances with bodies external to government	–	–
<b>Total debtors at 31st March 2008</b>	<u>112</u>	<u>41</u>

**9. Cash at bank and in hand**

	2007-08 £000	2006-07 £000
Balance at 1st April 2007	261	–
Net change in cash balances:	(203)	261
<b>Balance at 31st March 2008</b>	<u>58</u>	<u>–</u>
<b>The following balances at 31st March 2008 were held at:</b>		
Office of HM Paymaster General	58	261
<b>Balance at 31st March 2008</b>	<u>58</u>	<u>261</u>

**10. Creditors****10(a) Analysis by type**

	2007-08 £000	2006-07 £000
<b>Amounts falling due within one year:</b>		
Trade creditors	125	648
Other creditors	–	1
Accruals and deferred income	–	176
Amount due to the Consolidated Fund in respect of supply	30	233
<b>Total</b>	<u>155</u>	<u>1,058</u>

**10(b) Intra-Government Balances**

	2007-08 £000	2006-07 £000
<b>Amounts falling due within one year:</b>		
Balances with other central government bodies	152	883
<b>Sub-total</b>	<u>152</u>	<u>883</u>
Balances with bodies external to government	3	175
<b>Total creditors at 31st March 2008</b>	<u>155</u>	<u>1,058</u>

**11. General Fund**

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

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Balance at 1st April 2007	(756)	(28)
Net Parliamentary Funding		
Drawn Down	1,425	1,940
MOG transfer	–	28
Deemed Supply	233	–
Year end adjustment		
Supply Creditor – current year	(30)	(233)
Net Transfer from Operating Activities		
Net Operating Cost	(858)	(2,469)
Non Cash Charges		
Cost of Capital	(14)	( 14)
Auditors' remuneration	15	20
<b>Balance at 31st March 2008</b>	<b>15</b>	<b>(756)</b>

**12. Notes to the Cash Flow Statement****12(a) Reconciliation of operating cost to operating cash flows**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
Net operating cost	3,7	(858)	(2,469)
Adjustments for non-cash transactions		1	6
(Increase)/Decrease in Debtors	8a	(71)	(38)
Increase/(Decrease) in Creditors	10a	(903)	1,027
<i>Less: movement in creditors relating to items not passing through the OCS</i>		203	(233)
<b>Net cash outflow from operating activities</b>		<b>(1,628)</b>	<b>(1,707)</b>

**12(b) Analysis of financing**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
From the Consolidated Fund (Supply) current year	11	1,425	1,940
Machinery of Government Transfer	11	–	28
<b>Net financing</b>		<b>1,425</b>	<b>1,968</b>

**12(c) Reconciliation of Net Cash Requirement to decrease in cash**

	<b>Note</b>	<b>2007-08</b>	<b>2006-07</b>
		<b>£000</b>	<b>£000</b>
Net cash requirement	4	(1,628)	(1,707)
From the Consolidated Fund (Supply) – current year	11	1,425	1,940
Machinery of Government Transfer	11	–	28
<b>Decrease in cash</b>		<b>(203)</b>	<b>261</b>

**13. Capital Employed by Departmental Aim and Objectives at 31st March 2008**

	2007-08 £000	2006-07 £000
Objective 1: To provide support and advice to the Deputy Prime Minister in overseeing and co-ordinating across the full range of domestic Government policy and deputising for the Prime Minister at home and abroad.	<u>15</u>	<u>( 756)</u>

**14. Commitments under Leases****Operating Leases**

- 14.1 The Office reimbursed the Cabinet Office for the rental of their premises, which are held under an operating lease. Details of these commitments will be disclosed in the Resource Accounts of the Cabinet Office.

**Finance Leases**

- 14.2 The Office had no finance lease commitments at 31st March 2008

**15. Other Financial Commitments**

The Office has no other financial commitments.

**16. Financial Instruments**

FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which Government Departments are financed, the Office was not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS13 mainly applies. The Office had very limited powers to borrow or invest surplus funds. Financial assets and liabilities were generated by day-to-day operational activities, but did not affect the risks facing the Office in undertaking its activities.

**Currency Risk**

- 16.1 The Office was not exposed to any significant currency risk.

**Liquidity Risk**

- 16.2 The Office's net resource requirements were financed by resources voted annually by Parliament, just as its capital expenditure largely was. The Office was not therefore exposed to significant liquidity risks.

**Interest Rate Risk**

- 16.3 The Office was not exposed to significant interest-rate risk as its financial assets carry nil rates of interest.

**Interest Rate Profile**

- 16.4 The following tables show the interest rate profile of the Office's financial assets and liabilities. Short term debtors and creditors are excluded from this disclosure.

**Financial Assets**

All in Sterling	Total	Fixed-rate financial assets			
		Fixed-rate financial assets	Non-interest bearing financial assets (Note a)	Weighted-financial interest rate	Weighted-average period for which rate is fixed
	£000	£000	£000	%	Years
<b>At 31st March 2008:</b>					
Cash at bank and in hand	58	–	58		
<b>Gross Financial Assets</b>	<b>58</b>	<b>–</b>	<b>58</b>		
<b>At 31 March 2007:</b>					
Cash at bank and in hand	261	–	261		
<b>Gross Financial Assets</b>	<b>261</b>	<b>–</b>	<b>261</b>		

Note (a): The Office's non-interest bearing financial assets, being cash at bank and in hand related to amounts held within the Office of the Paymaster General.

**Fair Values**

- 16.5 Set out below is a comparison by category of book values and fair values of the Office's financial assets as at 31st March 2008

	Book value £000	Fair value £000
<b>Primary Financial Instruments:</b>		
<b>Financial Assets:</b>		
Cash at bank	58	58

**17. Contingent Liabilities disclosed under FRS 12**

The Office does not have any contingent liabilities.

**18. Related Party Transactions**

- 18.1 The Office made a number of transactions with other Government Departments.
- 18.2 None of the Board members, key managerial staff or other related parties undertook any material transactions with the Office during the year.

**19. Post Balance Sheet Events**

The Office's financial statements are laid before the Houses of Parliament by HM Treasury. FRS 21 requires the Office to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the DPMO's management to HM Treasury. The authorised date for issue is 4th July 2008.

**Glossary: Government Accounting**

**Accounting Officer:** In accordance with section 5(6) of the Government Resources and Accounts Act 2000, the Treasury appoints an Accounting Officer for each Department which is obliged, by section 5(1) of that Act, to prepare a resource account. Under the Minister, it is the Accounting Officer who has personal responsibility for the overall organisation, management and staffing of the Office, and is the principal witness on behalf of the Office before the Public Accounts Committee to deal with questions arising from those accounts.

**Administration Costs:** The amount of budget a Department may spend on running itself. This excludes the costs of running front line services delivered directly by the Department.

**Annually Managed Expenditure (AME):** Expenditure which cannot reasonably be subject to firm multi-year limits.

**Appropriations in Aid:** Non-tax receipts arising from and incidental to the ordinary business of a Government Department, which have been authorised, up to the amount specified in the Estimates, as funds available to meet expenditure.

**Consolidated Fund:** The central fund into which the production of taxation and other public revenues and receipts are paid and, out of which, government expenditure is met.

**Departmental Expenditure Limit (DEL):** Spending, which is planned and controlled on a three-year basis in Spending Reviews.

**Estimates:** Annual statements prepared by Government Departments, containing the Government's proposals for expenditure on the Supply Services for the coming financial year.

**Outturn:** Actual expenditure.

**Permanent Secretary:** The permanent head of the Office.

**Propriety:** This is a requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of Parliamentary control, including the conventions agreed with Parliament and, in particular, the Public Accounts Committee.

**Public Accounts Committee:** An all-party Select Committee of the House of Commons which is empowered to inquire into the financial administration of Government Departments and examine their accounts. The Committee reports on its findings to Parliament.

**Public Expenditure Survey:** The annual review of public expenditure plans.

**Public Expenditure Survey Committee:** A co-ordinating committee of officials chaired by the Treasury.

**Regularity:** This is a requirement for all items of expenditure and receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of Government Accounting.

**Request for Resources (RfR):** The major sub-division of the Supply Estimates.

**Spending Review:** Sets Departmental spending plans for three years. This process was started in the 1998 Comprehensive Spending Review (CSR), which was a comprehensive review of Departmental aims and objectives alongside a zero-based analysis of each spending programme, to determine the best way of delivering the Government's objectives. The 1998 CSR introduced Public Service Agreements (PSAs). Each major Government Department was given its own PSA setting out clear targets for achievements in terms of public service improvements.

The 1998 CSR also introduced the DEL/AME framework for the control of public spending. Successive Spending Reviews in 2000, 2002 and 2004 have continued setting plans for Departments. The 2007 Comprehensive Spending Review represented a long-term and fundamental review of Government expenditure. It covered Departmental allocations for 2008-09, 2009-10 and 2010-11. Allocations for 2007-08 were held to the agreed figures already announced by the 2004 Spending Review.

**Supplementary Estimate:** A supplementary Estimate is presented to Parliament during the course of the financial year to obtain additional money either for a new service or to make good an under-provision for existing services.

**Supply Expenditure:** Expenditure by Central Government, which is financed by money, voted by Parliament in the Supply Estimates.







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