

Presented pursuant to the Government Resources and Accounts Act 2000, Chapter 20, Section 6 (4).

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# **Cabinet Office Annual Report and Resource Accounts 2006-07**

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# **Cabinet Office Annual Report and Resource Accounts 2006-07**

**(For the year ended 31 March 2007)**

**Presented to Parliament by the  
Financial Secretary to the Treasury  
by Command of Her Majesty**

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<b>Contents</b>	<b>Page</b>
Annual Report	3
Statement of Accounting Officer's Responsibilities	28
Statement on Internal Control	29
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	34
Primary Statements	
Statement of Parliamentary Supply	36
Operating Cost Statement	37
Statement of Recognised Gains and Losses	38
Balance Sheet	39
Cash Flow Statement	40
Statement of Operating Costs by Departmental Aim and Objectives	41
Notes to the Accounts	42

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# Annual Report

## Overview

The Cabinet Office Resource Accounts incorporate entities within the departmental boundary, including the Prime Minister's Office.

### Machinery of government changes

During the financial year 2006-07, the following changes took place within the departmental boundary.

#### Transfers into the Cabinet Office:

On 5 May 2006, the Social Exclusion Task Force transferred in from the Department for Communities and Local Government.

On 5 May 2006, the Active Communities Directorate transferred from the Home Office to form part of the Office of the Third Sector.

On 5 May 2006, the Social Enterprise Unit transferred from the Department of Trade and Industry to form part of the Office of the Third Sector.

#### Transfers out of the Cabinet Office:

On 5 May 2006, certain functions of the Deputy Prime Minister were transferred to the Deputy Prime Minister's Office.

On 1 September 2006, the Equalities Review Team transferred to the Department for Communities and Local Government.

On 30 September 2006, the Civil Service Statistics function transferred to the Office of National Statistics.

On 31 October 2006, the Office of Public Sector Information transferred to The National Archives.

On 1 January 2007, the National School of Government transferred out to become a non-Ministerial department in its own right.

### Other movements

On 1 April 2006, the Media Monitoring Unit transferred to the Central Office of Information.

In addition, changes also occurred outside of the departmental boundary. These are not consolidated within these resource accounts. Further details can be found within the management commentary and at Note 36.

### Ministerial Changes

During the financial year 2006-07, the following changes to the Cabinet Office's Ministerial team occurred on 8 May 2006:

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

Pat McFadden MP was appointed as Parliamentary Secretary, replacing Jim Murphy MP who moved to take up the appointment of Minister of State at the Department for Work and Pensions.

Ed Miliband MP was appointed as Minister for the Third Sector.

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The Rt Hon Hazel Blears MP was appointed as Minister without Portfolio and Labour Party Chair, replacing The Rt Hon Ian McCartney MP who moved to take up the appointment of Trade Minister for the Foreign and Commonwealth Office and the Department of Trade and Industry.

## Ministers

The ministers with responsibility for the Cabinet Office during the year were:

<b>The Rt Hon Hilary ARMSTRONG MP</b>	<b>Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office</b> <i>From 8 May 2006</i>
<b>Jim MURPHY MP</b>	<b>Parliamentary Secretary</b> <i>Until 7 May 2006</i>
<b>Pat McFADDEN MP</b>	<b>Parliamentary Secretary</b> <i>From 8 May 2006</i>
<b>Ed MILIBAND MP</b>	<b>Parliamentary Secretary and Minister for The Third Sector</b> <i>From 8 May 2006</i>
<b>The Rt Hon Ian McCARTNEY MP</b>	<b>Minister without Portfolio and Labour Party Chair - not remunerated</b> <i>Until 7 May 2006</i>
<b>The Rt Hon Hazel BLEARS MP</b>	<b>Minister without Portfolio and Labour Party Chair - not remunerated</b> <i>From 8 May 2006</i>

After the financial year ended 31 March 2007, the following changes to the Cabinet Office's Ministerial team occurred on 28 June 2007:

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

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

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

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

The Rt Hon Hilary Armstrong MP, Pat McFadden MP and the Rt Hon Hazel Blears MP all left the Department.

## Cabinet Secretary

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

**Sir Gus O'DONNELL KCB**

**Cabinet Secretary and Head of the Home Civil Service**

## Cabinet Office Board

The role of the Cabinet Office Board is to steer and manage the business of the Department, in accordance with Ministerial priorities.

The Terms of Reference for the Board are:

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

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

The Members of the Board during the year were:

### Chair

**Sir Gus O'DONNELL KCB**

**Cabinet Secretary and Head of the Home Civil Service**

### Executive Membership

**David BENNETT**

**Prime Minister's Head of Policy and Strategy**  
*From 1 April 2007*

**Paul BRITTON CB**

**Director General, Domestic Policy**

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<b>Kim DARROCH CMG</b>	<b>Permanent Secretary, European Secretariat</b>
<b>Howell JAMES CBE</b>	<b>Permanent Secretary, Government Communications</b>
<b>Anne-Marie LAWLOR</b>	<b>Director, Leadership and Development Strategy</b> <i>Until 7 May 2006</i>
<b>Roger MARSH</b>	<b>Director General, Strategic Finance and Operations</b> <i>From 22 January 2007</i>
<b>Sir Richard MOTTRAM GCB</b>	<b>Permanent Secretary, Intelligence and Resilience</b>
<b>Jerry PAGE</b>	<b>Finance Director</b> <i>Until 21 January 2007</i>
<b>Gill RIDER</b>	<b>Director General, Corporate Development</b> <i>From 8 May 2006</i>
<b>Oliver ROBBINS</b>	<b>Principal Private Secretary to the Prime Minister</b> <i>From 29 August 2006</i>
<b>William SARGENT</b>	<b>Executive Chair, Better Regulation Executive</b>
<b>Sir Nigel SHEINWALD KCMG*</b>	<b>Permanent Secretary, Defence and Overseas Secretariat</b> <i>From 28 March 2007</i>
<b>Ian WATMORE</b>	<b>Permanent Secretary, Delivery and Transformation</b>
<b>Liz WOODSON</b>	<b>Change and Operations Director</b> <i>Until 10 September 2006</i>

Ivan Rogers, a Board Member in 2005-06, had ceased to be a Board Member by 31 March 2006.

### **Independent Non-Executive Membership**

<b>Karen JORDAN</b>	<b>Non-Executive Chair, Cabinet Office Audit and Risk Committee</b> <i>From 1 April 2006</i>
<b>Baroness PRASHER</b>	<i>From 1 February 2007</i>
<b>Ruth CARNALL</b>	<i>From 1 February 2007</i>

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

Non-executive members Millie Banerjee CBE, Alex Allan, Mary Keegan and John Oughton, had ceased to be on the Board by 31 March 2006.

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## **Cabinet Office Audit and Risk Committee**

The Cabinet Office has an Audit and Risk Committee which supports the Accounting Officer by monitoring the adequacy of risk management, control and governance arrangements. The membership of the Committee which meets at least three times a year, comprises three non-executive members, Karen Jordan who chairs the Committee, Kenneth Ludlam and Polly Williams.

## **Permanent Secretaries**

Other Permanent Secretary posts were held during the year by:

**Sir Geoffrey BOWMAN KCB**

**First Parliamentary Counsel**  
*Until 31 July 2006*

**Stephen LAWS CB**

**First Parliamentary Counsel**  
*From 1 August 2006*

\* Sir Nigel SHEINWALD KCMG has held the role of Permanent Secretary for the whole of 2006-07, but additionally became a member of the Cabinet Office Board on 28 March 2007, alternating attendance with Kim Darroch.

## **Executive Management Group**

The Executive Management Group formed on 28 November 2006 and is an executive decision making sub-group of the Cabinet Office Board with responsibility for day to day management of the Department.

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

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

The Group was chaired during the year by Ian Watmore.

## **Public Interest**

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

## **Pensions**

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

## **Diversity and Equal Opportunities Policy**

The Cabinet Office is an Equal Opportunities employer and is committed to providing equal opportunities for all, irrespective of age, disability, ethnicity, gender, gender identity, religion or belief, sexual orientation, working pattern or trade union membership.

The Cabinet Office will not tolerate any form of unfair discriminatory behaviour, harassment, bullying or victimisation by units, teams, managers or individuals.

The Cabinet Office's policies and practices reflect the Civil Service Management Code and relevant UK legislation, including legislation implementing European Union Directives.

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## **Employee Consultation**

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

Regular communication and consultation takes place with staff through a variety of media including intranet, weekly staff newsletter and team briefing meetings. Larger consultation exercises take place on important developments. The Department has a partnership agreement with the trade unions. In addition, senior managers meet with the trade union representatives under the Departmental Whitley Council arrangements, and also meet informally to discuss trades union concerns.

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

The average number of whole-time equivalent disabled persons employed during the year was 49 (2005-06: 59).

## **Policy on Payment of Suppliers**

The Cabinet Office is committed to the Better Payment Practice Code on prompt payment and aims to pay all undisputed invoices within the terms of the contract, usually 30 days of receipt of a valid invoice. During the year the Department paid 96% of invoices within 30 days (2005-06: 94%). The Department paid £198.20 (2005-06: £nil) interest charges levied on late payment of invoices for the year ended 31 March 2007.

## **Basis of Accounts**

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

## **Auditors**

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

## Management Commentary

### Departmental Reporting Cycle

Performance against Departmental aims, objectives and targets is formally reported in the Departmental Report and Autumn Performance Report.

The annual Spring Departmental Report covers expenditure, performance against the Department's Public Service Agreement (PSA) targets and describes other activities in support of the Department's objectives. It also includes information relating to a number of units and organisations that are attached to the Department. The latest Departmental Report (Cm 7108) was published in May 2007.

The Department also publishes an annual Autumn Performance Report, which provides an update on progress against PSA targets since the preceding Spring Departmental Report. The PSA technical notes contained in the Autumn Performance Report provide details of how progress against the targets is measured. The latest Autumn Performance Report (Cm 7004) was published in December 2006. Current and previous Departmental Reports and Autumn Performance Reports can be found on the Cabinet Office website: [www.cabinetoffice.gov.uk/publications](http://www.cabinetoffice.gov.uk/publications).

The Cabinet Office Main Estimate for 2006-07 was published in May 2006 as part of the Central Government Supply Estimates 2006-07 Main Supply Estimates (HC 1035). The Department also applied for Winter and Spring Supplementary Estimates, details of which are available in the Central Government Supply Estimates 2006-07 Winter Supplementary Estimates (HC 2) and the Central Government Supply Estimates 2006-07 Spring Supplementary Estimates (HC 293). Current and previous estimates can be found on the HM Treasury website: [www.hm-treasury.gov.uk/documents/public\\_spending\\_reporting/estimates/estimates\\_index.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_reporting/estimates/estimates_index.cfm).

### Departmental Aims and Objectives

The Cabinet Office has one core aim: '**Making government work better**' which is supported by the objectives outlined below:

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

An assessment of the Cabinet Office's performance against its Public Service Agreement (PSA) targets, agreed as part of the 2004 Spending Review, was reported in the Departmental Report 2007 (Cm 7108). The PSA targets contribute to the achievement of the Department's objectives.

For further information please see the Cabinet Office Departmental Report 2007 at: <http://www.cabinetoffice.gov.uk/reports/annualreport/>.

### Supporting the Prime Minister – to define and deliver the Government's objectives

The overarching strategic aim of the **Prime Minister's Office** is 'To support the Prime Minister to define and deliver the Government's objectives'. Underlying this are four main objectives: to provide the Prime Minister with first class support, enabling him to set strategy; to ensure that the Prime Minister is well supported to communicate public policies and strategies to Parliament, public and international audiences; to ensure that the Prime Minister receives world-class support on public administration; and

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underpinning this, to deliver high quality administrative and operational support to the Prime Minister, his family, staff and visitors in a professional, timely and efficient way.

The **European Secretariat** supports the Prime Minister in driving forward his European Union (EU) policy priorities in European Councils and bilaterally. It coordinates EU policy across all Departments, at both ministerial and official level, to achieve a joined-up UK approach. The secretariat leads on a coordinated EU energy and climate change policy, delivering EU leadership in a global effort to tackle global warming and provide an open, competitive EU energy market with secure supplies.

The Secretariat guides work on the future of the Constitutional Treaty, in order to achieve an outcome acceptable to the UK. It will maintain pressure to modernise and reform the EU Budget and Common Agricultural Policy through reviews planned for 2008-2009, and pursues the initiatives to achieve a competitive EU through economic reform (Lisbon agenda, Single Market reform) and a modern approach to EU social policy.

It is also working to complete a challenging Doha trade round aimed at boosting world prosperity, with particular attention to the needs of developing countries. It works to achieve a forward looking EU approach to migration, internal security and foreign and defence policy; to build strong alliances with the Commission, European Parliament and other Member States to deliver these aims; and to ensure that Parliament in Westminster, Devolved Administrations and UK stakeholders are involved in, and informed about, development of EU policy.

The **Defence and Overseas Secretariat** exists to: provide support to the Prime Minister and Cabinet, on protecting and promoting the UK's interests; ensure that the UK has a proactive, co-ordinated and effective role in international affairs; contribute to developing effective policies to protect and promote the UK's interests; and to contribute to ensuring the Government can deal effectively with crises, including those that threaten its continuity.

The Secretariat achieves this through high quality, highly flexible and responsive analysis, strategic policymaking and critical challenge for the Prime Minister and improved policy and decision making on key cross-cutting policy issues, through effective co-ordination and collaboration with Departments and other units within the centre. The Secretariat also facilitates effective decision making through Cabinet and Cabinet Committees.

## **Supporting the Cabinet – to drive the coherence, quality and delivery of policy and operations across departments**

The **Domestic Policy Group** supports the Prime Minister and Cabinet in developing and agreeing strategy and policy across the full range of domestic policy areas, as detailed below:

The Economic and Domestic Affairs Secretariat supports the Prime Minister and Cabinet in developing and agreeing their domestic policy priorities and legislative programme. It does this by supporting Cabinet and the Cabinet Committee system, providing policy advice, co-ordinating cross-departmental issues, evidence gathering and synthesis, brokering, dispute resolution, consensus building and problem solving.

The Ceremonial Secretariat co-ordinates the award of honours, and develops, implements and oversees honours policy. It does this by working with the Royal Household, other government departments and Lord-Lieutenants and by direct contact with members of the public. It is working to increase the numbers of successful candidates for honours from women and the Black and Minority Ethnic communities.

The Social Exclusion Task Force supports the Chancellor of the Duchy of Lancaster in ensuring that the opportunities enjoyed by the vast majority of people in the UK today are also enjoyed by those whose lives are characterised by deprivation and exclusion. It does this by working across government to ensure key public service delivery departments understand and work to ameliorate the circumstances of the most excluded.

The Strategy Unit supports the Prime Minister in achieving his domestic policy objectives and helps departments to build their strategic capacity. It does this by: carrying out strategy reviews and providing policy advice in accordance with the Prime Minister's priorities; supporting departments in developing

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effective strategies and policies; and identifying and disseminating thinking on emerging issues and policy challenges for the UK government.

The **Office of the Third Sector** aims to enable a thriving third sector and a better partnership between the public and third sectors by working to increase the level of voluntary activity by those at risk of social exclusion, increasing the capacity of the voluntary and community sector to deliver more public services and increasing the number of businesses that fit the Government's definition of social enterprise.

The **Intelligence, Security, and Resilience Group** is responsible for security, intelligence and emergency related-matters. It ensures an effective, appropriately resourced intelligence community that supports the development of the Government's foreign, defence and security policies, and that effective capabilities are in place to deal with disruptive challenges to the UK.

It achieves this by: delivering a clear strategy and system for prioritising collection and analysis for the UK intelligence community; maintaining and improving the capacity of the security and intelligence agencies reflecting threats to the UK in line with the Government's priorities; producing timely, accurate and objectively assessed intelligence to usefully inform government's foreign, defence and security policy decisions; maintaining and improving intelligence assessment standards across government; and maintaining and improving the capacity of the nation to absorb, respond to and recover from disruptive challenges; effective protective security policies and practices within government.

The principal aim of the **Parliamentary Counsel Office** is to ensure the highest standards, in terms of both quality and timeliness, in the drafting and procedural handling of the Government's legislative programme. Counsel who are members of the Office draft all Government Bills (except some common form ones), and vet secondary legislation where it alters primary legislation. They also advise on Parliamentary procedure and other handling matters in connection with such Bills, drafting Government amendments and any financial, programming or other motions required to secure the Bills' passage through Parliament. The First Parliamentary Counsel gives legal advice on certain constitutional matters to the Prime Minister and the Cabinet Office. This covers issues such as the machinery of government, elections, the monarchy and the appointment of Ministers.

The **Better Regulation Executive (BRE)** works with the EU, Government Departments and Local and National Enforcement Agencies to: reduce the burden of the stock and flow of regulation on the public, private and third sectors; improve the perception of regulation; and achieve real change at a local level, by improving the delivery of enforcement in line with the Hampton recommendations.

The BRE also works to ensure that policy, operational and corporate services elements of the public services work together to deliver a tangible and permanent reduction in unnecessary bureaucracy that affects public service delivery. To continue to deliver the Hampton agenda, the Regulatory Enforcement and Sanctions Bill will give the Local Better Regulation Office statutory powers and charge it with implementing the recommendations of the Rogers Review of national enforcement priorities. The Bill will also implement the key recommendations of the Macrory Review of Regulatory Penalties.

The transfer of the BRE from the Cabinet Office was announced on 28 June 2007. See Note 37.

### **Strengthening the Civil Service – to ensure that the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives**

**Communications and Information Group's (CIG's)** main focus is on communication for the Cabinet Office and to raise standards across government. It increases the capability of the Cabinet Office through delivering effective communications to external and internal audiences in support of Cabinet Office policies. CIG's strategic communication function supports the Prime Minister and Government through providing strategic advice on cross-government issues and increasing the professionalism and consistency of government communications. The Group also promotes, through the Customer Service Team, customer standards across the public sector through the new national standard for customer service (based in part on Charter Mark), and, through the Histories Openness and Records Unit, supports compliance on records and archiving and manages the official histories programme.

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**Delivery and Transformation Group (DTG)** works with Departments, the wider public sector and industry to deliver and transform public services so that they are better for citizen, better for staff and better for taxpayers. In order to achieve this DTG improves delivery and prospects for delivery on the Prime Minister's top delivery and reform priorities between 2005 and 2008. In those policy areas where commissioned by Cabinet Office, HM Treasury and other government departments, DTG improves the capability of departments' leadership to deliver better public services and increases the capacity and capability of government to successfully deliver IT-enabled change across the c50,000 IT professionals and associated competencies. DTG drives the Central Government Departments to share efficient and effective corporate services and deliver effective ICT across the Cabinet Office. It will develop and ensure implementation of the Transformational Government strategy, including the Varney report, across the public services in the CSR07 period and beyond.

**Corporate Development Group (CDG)** works with Departments to build the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity, strengthening Government by making Human Resources (HR) effective across government and by developing a people strategy to support reform. CDG priorities are to: develop a people strategy for the Civil Service; continue delivery of the corporate leadership and diversity strategy and investment in leadership development (including Diversity 10 point plan); continue implementation of Professional Skills for Government; and accelerate the transformation of HR across the Civil Service ensuring it becomes value and delivery led. CDG aims to improve the effectiveness of delegated pay arrangements, ensure the Civil Service has a broadly common approach to handling the HR consequences of the efficiency and relocation reviews and implement revised pension and compensation arrangements to meet the needs of the Civil Service in the 21st century.

## **Departmental boundary**

The departmental boundary in this context relates to the boundary of the Departmental Resource Accounts.

### **Entities within the departmental boundary**

#### **Advisory Non-Departmental Public Bodies (NDPBs)**

The Cabinet Office sponsors a number of bodies that have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements are separate.

### **Entities outside the departmental boundary**

Entities outside the departmental boundary which are not consolidated for accounting purposes but are consolidated for budgeting purposes include:

#### **Executive Non-Departmental Public Bodies (NDPBs)**

Executive NDPBs are established in statute and carry out administrative, regulatory and commercial functions; they employ their own staff, are allocated their own budgets, are self accounting and produce their own accounts.

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

## Environmental Sustainability Report

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

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

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

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

The Cabinet Office is equally committed to achieving the targets for sustainable operations on the Government estate launched by the Prime Minister in June 2006. These new targets replace those in the Framework for Sustainable Development on the Government Estate (originally published between 2002 and 2004).

## Financial Review

The majority of the Cabinet Office's funding is provided by Parliament, and the Department is accountable to Parliament for all its expenditure.

The Cabinet Office held net assets worth £281 million at 31 March 2007 (£287 million at 31 March 2006) comprising fixed assets £228 million (2005-06: £211 million), cash held for the Futurebuilders programme £99 million (2005-06: £115 million) and net liabilities and provisions £46 million (2005-06: £39 million). During the year, investments were made in IT infrastructure for government projects amounting to £23 million.

The Statement of Operating Costs by Departmental Aim and Objectives within the Resource Accounts on page 41 provides information about the resource outturn for each departmental objective listed above.

The Cabinet Office reported an under-spend of £55 million (15%) against budgeted Resource Departmental Expenditure Limit and an under-spend of £103 million (75%) against budgeted Capital Departmental Expenditure Limit. A detailed commentary on financial performance against Estimate and Budget is provided in the following section Performance against Parliamentary Control totals.

The Cabinet Office is committed and on target to achieve the planned efficiency savings and workforce reductions as part of SR 2004. The targets and information on progress to date were last published in the 2007 Departmental Report; see Progress against Public Service Agreement targets set out below. The Department has an Efficiency Programme Board that monitors progress and this is reported to HM Treasury.

**Progress against Public Service Agreement (PSA) targets**

Highlights are:

**Target 1**

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

**Progress**

On course.

**Target 2**

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

- 37% women in the Senior Civil Service (SCS);
- 30% women in top management posts;
- 4% ethnic minority staff in the SCS;
- 3.2% disabled staff in the SCS; and
- in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population.

**Progress**

On course.

**Target 3**

By April 2008, ensure that departments deliver better regulation and tackle unnecessary bureaucracy in both the public and private sectors through:

- reducing the overall administrative burden;
- maintaining the UK's international standing on better regulation; and
- improving the perception of regulation.

**Progress**

Broadly on course.

**Target 4**

**Element 1:** increase voluntary and community engagement, especially among those at risk of social exclusion.

**Progress**

On course.

**Target 4**

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

**Progress**

Broadly on course.

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## Performance against Parliamentary Control totals

Authority was sought in the Spring Supplementary Supply Estimate (HC 293) for a net resource requirement of £460.277 million, a net voted capital requirement of £28.727 million and a net cash requirement of £376.288 million. Actual net resource requirement for 2006-07 was £315.816 million, a saving of £144.461 million, actual net voted capital was £24.603 million, a saving of £4.124 million, and actual net cash requirement was £283.077 million, a saving of £93.211 million. See figures figure 1 and 3 below and notes 2 and 4 to the accounts.

Estimates and Accounts differ from Budgets in a number of instances as detailed by HM Treasury guidelines. Figure 1 shows a reconciliation of this for both resource and capital, from which the differences applicable to the Cabinet Office can be seen to be the removal of voted grant-in-aid paid to Capacity Builders (UK) Limited (Non-Departmental Public Body) to be replaced by their non-voted resource and capital consumption as reflected in their audited accounts, the adjustment of capital grants classed as resource in estimates but as capital in budgets to reflect the creation of assets in the wider economy, and finally the inclusion of non-voted resource expenditure in relation to the salaries and pensions of UK Members of the European Parliament.

### Resource – see figure 2.

The Cabinet Office's resource budget for 2006-07 was £358.337 million, and actual outturn against this was £303.380 million, a saving of £54.957 million against the Resource Departmental Expenditure Limit (RDEL) approved by Parliament. See Note a.

This underspend against Resource Departmental Expenditure Limit is split between underspend on net programme and administration costs and underspend on grant expenditure.

Net programme and administration cost underspend is largely attributable to the rescheduling of accommodation and IT projects (6%), and by savings being made within the Department in order to try and build up End of Year flexibility, as suggested by HM Treasury, to provide additional funding for the Cabinet Office where there are budget constraints in future years (5%). An additional minor saving relates to the salaries and pensions of UK Members of the European Parliament which is a non-voted Standing Service of the Consolidated Fund included in the Cabinet Office's budget but not the resource accounts (1%). See Note b.

Underspend on grant expenditure is attributable to Office of the Third Sector grants in relation to the Charitable Giving programme in which some projects originally planned at the beginning of the year were deferred, following detailed feasibility studies and in relation to a refund under this programme of part of a Payroll Giving grant returned due to underspend, which will be redirected to other participation projects. Further underspend relates to grants originally allocated to the Futurebuilders programme which have not been issued and are now being re-profiled (10%). See Note c.

Additional underspend on grant expenditure relates to issued funds of the Futurebuilders programme which, reflecting the pilot nature of the programme, has found applications for grants to have been slower than originally projected. Futurebuilders England Limited, the operators of the programme, has committed the majority of the funds already received and the Office of the Third Sector has set Futurebuilders England Limited performance targets on the investments they must make and will be closely monitoring progress against these (8%). See Note c.

There was also underspend in relation to the Capacitybuilders programme due to some of the voluntary and community organisations in receipt of grants not having the capacity to spend or commit the money before the year end (3%). See Note c and the NDPB line at Figure 1 A.

The final area of underspend relates to a number of smaller underspends across the Department (2%). See Note c.

**Capital – see figure 2.**

The Cabinet Office's capital budget for 2006-07 was £137.607 million, and actual outturn was £34.488 million, a saving of £103.119 million against the Capital Departmental Expenditure Limit (CDEL) approved by Parliament. See Note d.

The underspend against the Capital Departmental Expenditure Limit can be largely attributable to SCOPE programme expenditure being rescheduled due to an extension of the main contract delivery phase (14%), (see Note e), and to underspend on grants by the Futurebuilders Programme, which is in line with the explanations in relation to the programme as detailed above (91%). See Note f.

**Net Resource Outturn – see figure 1.**

Of the £144.461 million net resource underspend, £112.921 million (78%) relates to the Futurebuilders programme. Of this £112.921 million, £14.468 million is resource and £98.453 million capital. As detailed above, a proportion of this underspend has been issued to the programme. This amounts to £67.121 million and the remaining £45.8 million has not been issued to the programme and is now available to be re-profiled.

£3.180 million (2%) of the £144.461 million relates to underspend on other grants across the Cabinet Office and the remaining £28.360 million (20%) relates to underspend on net administrative and other programme costs. These are explained above in more detail.

**Net Cash Requirement – see figure 3.**

The Cabinet Office required cash in 2006-07 amounting to £283.077 million to finance its activities; £93.211 million less than the sum approved by Parliament owing to underspends generated in the programmes described above.

**Figure 1 - Reconciliations between Estimates, Accounts and Budgets****A. Resource**

	£'000	£'000	£'000
	Outturn	Budget	Variance: under/(over)
<b>Net resource outturn (Estimates)</b>	<b>315,816</b>	<b>460,277</b>	<b>144,461</b>
Remove consolidated fund extra receipts	(5,223)	(942)	4,281
<b>Net operating cost (Accounts)</b>	<b>310,593</b>	<b>459,335</b>	<b>148,742</b>
Add back consolidated fund extra receipts	4	942	938
Remove capital grants	(9,857)	(108,830)	(98,973)
<b>Non-Departmental Public Body</b>			
Remove grant-in-aid (Voted)	(37,298)	(37,298)	-
Add resource consumption (Non-voted)	33,920	37,248	3,328
<b>Non-voted expenditure</b>			
Salaries and pensions of UK MEPs	6,018	6,940	922
<b>Resource budget (Budget)</b>	<b>303,380</b>	<b>358,337</b>	<b>54,957</b>
<i>of which:</i>			
<b>Department Expenditure Limit (DEL)</b>	<b>303,380</b>	<b>358,337</b>	<b>54,957</b>
<b>Annually Managed Expenditure (AME)</b>	-	-	-
<i>of which:</i>			
<b>Programme:</b>			
Grants	87,416	113,091	25,675
Other	69,502	26,205	(43,297)
<b>Total</b>	<b>156,918</b>	<b>139,296</b>	<b>(17,622)</b>
<b>Administration</b>	<b>146,462</b>	<b>219,041</b>	<b>72,579</b>
<b>Programme:</b>			
Non-cash	20,200	-	(20,200)
Near-cash	136,718	139,296	2,578
<b>Total</b>	<b>156,918</b>	<b>139,296</b>	<b>(17,622)</b>
<b>Administration:</b>			
Non-cash	14,487	31,288	16,801
Near-cash	131,975	187,753	55,778
<b>Total</b>	<b>146,462</b>	<b>219,041</b>	<b>72,579</b>

**B. Capital**

	£'000	£'000	£'000
	Outturn	Budget	Variance: under/(over)
<b>Fixed asset additions</b>			
Tangible	24,587	28,749	4,162
Intangible	71	-	(71)
	<u>24,658</u>	<u>28,749</u>	<u>4,091</u>
Less:			
Loan repayments	(22)	(22)	-
Sales proceeds	(33)	-	33
	<u>24,603</u>	<u>28,727</u>	<u>4,124</u>
<b>Net voted capital outturn (Estimates/Accounts)</b>	<b>24,603</b>	<b>28,727</b>	<b>4,124</b>
Gains/(losses) from sale of fixed assets	(61)	-	61
<b>Non-Departmental Public Body</b>			
Add capital consumption (non-voted)	89	50	(39)
	<u>24,631</u>	<u>28,777</u>	<u>4,146</u>
<b>Sub total: Fixed Assets</b>	<b>24,631</b>	<b>28,777</b>	<b>4,146</b>
Capital Grants	9,857	108,830	98,973
	<u>34,488</u>	<u>137,607</u>	<u>103,119</u>
<b>Capital budget (Budget)</b>	<b>34,488</b>	<b>137,607</b>	<b>103,119</b>
<i>of which:</i>			
<b>Department Expenditure Limit (DEL)</b>	<b>34,488</b>	<b>137,607</b>	<b>103,119</b>
<b>Annually Managed Expenditure (AME)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Figure 2 – Variance against Departmental Expenditure Limit (DEL)**

<b>Resource DEL</b>		£'000	£'000	£'000	%
	Note	Outturn	Budget	Variance: under/(over)	Variance: under/(over)
<b>Total</b>	a	<b>303,380</b>	<b>358,337</b>	<b>54,957</b>	<b>15%</b>
<i>Of which:</i>					
Net administration/ programme	b	215,964	245,246	29,282	12%
Grants	c	87,416	113,091	25,675	23%
<b>Capital DEL</b>		£'000	£'000	£'000	%
		Outturn	Budget	Variance: under/(over)	Variance: under/(over)
<b>Total</b>	d	<b>34,488</b>	<b>137,607</b>	<b>103,119</b>	<b>75%</b>
<i>Of which:</i>					
Fixed assets	e	24,631	28,777	4,146	14%
Grants	f	9,857	108,830	98,973	91%

**Figure 3 - Resource to net cash requirement**

	£'000	£'000	£'000
	Outturn	Estimate	Variance: under/(over)
Net resource outturn	315,816	460,277	144,461
Net voted capital	24,603	28,727	4,124
	<b>340,419</b>	<b>489,004</b>	<b>148,585</b>
Accruals adjustments	(57,342)	(112,716)	(55,374)
<b>Net cash requirement</b>	<b>283,077</b>	<b>376,288</b>	<b>93,211</b>

## **Events after the Balance Sheet Date**

The following post balance sheet events occurred between 31 March 2007 and 24 July 2007, the point at which these accounts were authorised for issue by the Accounting Officer. Further details are set out at Note 37.

### **Directgov**

Directgov is the Government's primary digital service for citizens. It brings together advice, online applications and information in one place, through a variety of channels. Responsibility transferred from the Cabinet Office to the Central Office of Information on 1 April 2007.

### **Privy Council Office split**

The Cabinet Office welcomed the Lord President's Office, Office of the Leader of the House of Commons, The Office of the Government Chief Whip of the House of Lords and The Office of the Government Chief Whip of the House of Commons on 2 April 2007.

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

The Commissioner for the Compact, John Stoker, took up office in October 2006, and the Commission was formally launched as an Executive Non-Departmental Public Body and Company Limited by Guarantee during April 2007. The aim of the Commissioner is to promote good practice in partnership working between government and the voluntary and community sector.

### **Better Regulation Executive**

The Prime Minister announced on 28 June 2007 the transfer of the Better Regulation Executive (BRE) to the newly established Department for Business, Enterprise and Regulatory Reform. The new department will work across government and with regulators to minimise regulatory burdens.

### **Local Better Regulation Office**

The Hampton Review recommended that action needed to be taken to make inspection and advice services of local authorities and national regulators more consistent across the country, and recommended that a Consumer and Trading Standards Agency be created to coordinate this work. The Local Better Regulation Office (LBRO) has been established and it formally became a company on 4 May 2007. The LBRO transfers out of the Cabinet Office along with the BRE.

### **Prime Minister's Delivery Unit**

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

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

The Deputy Prime Minister's Office (DPMO) was established as a separate government department in May 2006 and abolished as part of the ministerial reshuffle on 28 June 2007.

## Remuneration Report

### Remuneration of Ministers and the Cabinet Office Board

#### Remuneration Policy

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

The pay and performance management systems are similar and common across all government departments. Pay awards are in two parts: base pay progression (performance based on a relative assessment three tranche approach against individual objectives and Cabinet Office key competencies) and non-consolidated bonuses to reward high performance. The size of awards are based on recommendations from the Review Body on Senior Salaries and in 2006-07 bonuses paid to the senior civil servants disclosed in this report ranged from £4,000 to £15,000.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

#### Service Contracts

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

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

David Bennett was a Special Adviser. His employment began on 1 June 2005 and will terminate on 27 June 2007 under the terms of his contract whereby his role as a Special Adviser will come to an end upon the change of Prime Minister.

Roger Marsh joined the Department on secondment from PricewaterhouseCoopers LLP on 22 January 2007. The secondment runs initially for six months, extending up to two years.

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

The following sections, which are subject to audit, provide details of the remuneration and pension interests of the Ministers and most senior officials of the department.

### Remuneration:

#### Ministers

Ministers	2006-07		2005-06	
	Salary £	Benefits in kind (to nearest £100)	Salary £	Benefits in kind (to nearest £100)
The Rt Hon Hilary Armstrong MP* (from 8 May 2006)	62,418 (75,651 full year equivalent)	–	–	–
Jim Murphy MP (until 7 May 2006)	2,867 (29,786 full year equivalent)	–	26,399 (29,491 full year equivalent)	–
Pat McFadden MP (from 8 May 2006)	26,478 (29,786 full year equivalent)	–	–	–
Ed Miliband MP (from 8 May 2006)	26,478 (29,786 full year equivalent)	–	–	–

\*The Rt Hon Hilary Armstrong MP became Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office in May 2006, but salary relating to May 2006 was paid by HM Treasury (Previous Department).

#### Senior management

Senior Management	2006-07		2005-06 Restated	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind**** (to nearest £100)
Sir Gus O'Donnell KCB	230-235	34,600	140-145 (210-215 full year equivalent)	22,500
David Bennett	155-160	–	–	–
Paul Britton CB	140-145	–	135-140	–
Sir Geoffrey Bowman KCB (until 31 July 2006)	85-90 (230-235 full year equivalent)	–	265-270	–
Kim Darroch CMG	145-150	22,100	135-140	17,300
Howell James CBE	150-155	18,100	150-155	21,900
Anne-Marie Lawlor* (until 7 May 2006)	10-15 (85-90 full year equivalent)	–	75-80	–
Stephen Laws CB** (from 1 August 2006)	140-145 (210-215 full year equivalent)	–	–	–
Roger Marsh***	25-30 (135-140 full year equivalent)	–	–	–
Sir Richard Mottram GCB	225-230	19,100	70-75 (205-210 full year equivalent)	7,100
Jerry Page**** (until 21 January 2007)	60-65 (80-85 full year equivalent)	–	70-75	–
Gill Rider (from 8 May 2006)	155-160 (170-175 full year equivalent)	–	–	–
Oliver Robbins (from 29 August 2006)	55-60 (95-100 full year equivalent)	–	–	–

William Sargent	equivalent) 80-85	–	40-45 (65-70 full year equivalent)	–
Sir Nigel Sheinwald KCMG	165-170	–	160-165	–
Ian Watmore	195-200	–	195-200	–
Liz Woodeson (until 10 September 2006)	40-45 (85-90 full year equivalent)	–	30-35 (80-85 full year equivalent)	–

\*Anne-Marie Lawlor was a member of the Cabinet Office Board until the appointment of Gill Rider and continues as an employee of the Cabinet Office.

\*\*Stephen Laws CB was appointed as First Parliamentary Counsel from a current Cabinet Office post.

\*\*\*Roger Marsh is on secondment. Under the arrangement, the Cabinet Office contributes an annual payment of £138,000 to PricewaterhouseCoopers LLP.

\*\*\*\*Jerry Page was a member of the Cabinet Office Board until the appointment of Roger Marsh and continues as an employee of the Cabinet Office.

(Disclosures above represent periods appointed to the Board or a Permanent Secretary post).

\*\*\*\*Benefits in kind 2005-06 restated to reflect changes to factors used in the calculation.

## Fees paid to Non-Executive Members

Karen Jordan is non-executive chair of the Cabinet Office Audit and Risk Committee and an independent non-executive member of the Cabinet Office Board. Kenneth Ludlam and Polly Williams are non-executive members of the Audit and Risk Committee. The Chair was entitled to receive fees of £14,000 per annum, and the non-executive members are each entitled to receive fees of £4,000 per annum.

Baroness Prasher and Ruth Carnall, who are both independent non-executive members of the Cabinet Office Board, are each entitled to receive fees of £4,000 per annum. Claimed fees are included within agency/temporary costs at Note 9 to the accounts.

## Salary

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

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£60,277 from 1 November 2006, £59,686 from 1 April 2006, 2005-06 £59,095) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

## Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Her Majesty's Revenue and Customs as a taxable emolument; those for senior officials relate to the private use of official cars in the circumstances permitted by the Civil Service Management Code.

## Pension Benefits:

### Ministers

Ministers	Real increase in pension at age 65	Total accrued pension at age 65 at 31 March 2007 or End Date	CETV at 31 March 2007 or End date	CETV at 31 March 2006 or Start Date	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon Hilary Armstrong MP <i>(from 8 May 2006)</i>	0-2.5	10-15	225	186	18
Jim Murphy MP <i>(until 7 May 2006)</i>	0-2.5	0-5	18	17	1
Pat McFadden MP <i>(from 8 May 2006)</i>	0-2.5	0-5	5	0	2
Ed Miliband MP <i>(from 8 May 2006)</i>	0-2.5	0-5	5	0	2

### Ministerial pensions

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6 per cent of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9 per cent to 10 per cent from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 26.8 per cent of the ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

### The Cash Equivalent Transfer Value (CETV)

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

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

This is the increase in accrued pension due to the Department's contributions to the PCPF, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

## Senior management

Senior Management	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 2007 or End Date and related lump sum	CETV at 31 March 2007 or End Date	CETV at 31 March 2006 or Start Date	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Gus O'Donnell KCB	5-7.5 plus 17.5-20 lump sum	85-90 plus 225-260 lump sum	1,745	1,562	128	–
David Bennett	0-2.5	0-5	45	23	18	–
Paul Britton CB	0-2.5 plus 5-7.5 lump sum	60-65 plus 190-195 lump sum	1,136	1,045	41	–
Sir Geoffrey Bowman KCB* (until 31 July 2006)	0-2.5 plus 0-2.5 lump sum	105-110 plus 325-330 lump sum	–	–	–	–
Kim Darroch CMG	2.5-5 plus 5-7.5 lump sum	50-55 plus 155-160 lump sum	986	913	44	–
Howell James CBE	0-2.5	0-5	82	51	26	–
Anne-Marie Lawlor (until 7 May 2006)	0-2.5	20-25	235	211	20	–
Stephen Laws CB (from 1 August 2006)	2.5-5 plus 10-12.5 lump sum	80-85 plus 250-255 lump sum	1,873	1,731	80	–
Roger Marsh**	–	–	–	–	–	–
Sir Richard Mottram GCB	10-12.5 plus 30-32.5 lump sum	105-110 plus 320-325 lump sum	2,518	2,297	223	–
Jerry Page (until 21 January 2007)	0-2.5 plus 0-2.5 lump sum	30-35 plus 90-95 lump sum	480	443	11	–
Gill Rider*** (from 8 May 2006)	–	–	–	–	–	–
Oliver Robbins (from 29 August 2006)	0-2.5 plus 5-7.5 lump sum	5-10 plus 25-30 lump sum	88	67	18	–
William Sargent	0-2.5 plus 2.5-5 lump sum	0-5 plus 5-10 lump sum	18	6	21	–
Sir Nigel Sheinwald KCMG	0-2.5 plus 2.5-5 lump sum	55-60 plus 175-180 lump sum	1,153	1,095	21	–
Ian Watmore	0-2.5	0-5	66	40	21	–
Liz Woodeson (until 10 September 2006)	0-2.5 plus 0-2.5 lump sum	15-20 plus 50-55 lump sum	319	309	1	–

\* Sir Geoffrey Bowman KCB retired in year, therefore there is no CETV figure.

\*\* Roger Marsh is on secondment and is not in a Cabinet Office pension scheme.

\*\*\* Gill Rider opted out of the pension scheme.

## Civil Service Pensions

Pension benefits are provided through the Civil Service Pensions (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## **Real increase in CETV**

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

**Statement on the Disclosure of Relevant Audit Information**

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

**Sir Gus O'Donnell KCB**  
Accounting Officer  
Secretary of the Cabinet and Head of the Home Civil Service

24 July 2007

## Statement of Accounting Officer's Responsibilities

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department 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 the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

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

## Statement on Internal Control

### Scope of responsibility and accountability arrangements

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

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

I discharge my responsibility as Accounting Officer in conjunction with the Accounting Officer of the Department's executive Non-Departmental Public Body, Capacity Builders (UK) Limited. My relationship with this Accounting Officer, the Chief Executive of the company designated by me as Accounting Officer, is set out in a Governance Management and Accountability Protocol.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on a process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts. It accords with Treasury guidance.

### Governance, strategy and planning

The Cabinet Office continues to change to meet the challenge of ensuring that it is fully focused on delivery of its core activities and objectives. In the past year, the Cabinet Office has established an Executive Management Group (EMG), appointed a senior partner from PricewaterhouseCoopers LLP as Director General, Strategic Finance and Operations and established Groups to manage work streams.

The EMG is an executive decision making sub-group of the Cabinet Office Board with responsibility for day to day management of the Department. EMG supports the Board in the strategic direction and performance management of the Department, with a particular focus on Finance, HR, Infrastructure and other operations related matters. EMG reviews management information on a monthly basis and makes decisions on Cabinet Office-wide issues. The membership has delegated responsibility to act on behalf of the Board members they represent, with one representative from each Cabinet Office Group attending. EMG was chaired by Ian Watmore, Permanent Secretary, Delivery and Transformation Group.

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

### Leadership

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

The Board has identified eight Corporate Risks each with a Board level owner. These are:

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- Transformational – Failure to deliver transformation of the Civil Service;
- Reputation – Failure to identify and manage strategic events;
- Emergencies & Disasters – Failure to identify and manage strategic events;
- Capability – Failing to manage, monitor or implement the Capability Review;
- Business Planning – Inability to deliver within the Comprehensive Spending Review 2007;
- Operational Delivery – Not having the resources to match operational priorities;
- Staff & Systems – Support systems inadequate to enable effective working; and
- Civil Service Pensions – Failure to create, maintain and operate adequate Civil Service Pension Scheme policy and procedures.

The Cabinet Office Audit and Risk Committee (COARC) has a non-executive Chair and has two independent members and is attended by representatives of the National Audit Office and Internal Audit. Whilst the Board is responsible for the overall oversight and approach to risk management, the role of the COARC is to advise me on the adequacy of risk management, control and governance. Its formal terms of reference are “to give advice to the Accounting Officer on the adequacy of audit, risk management, control arrangements and corporate governance across the Cabinet Office”. The Committee formally reports annually to me as the Accounting Officer with an independent opinion on risk management process.

## **Risk strategy and policies**

The Cabinet Office has a risk management strategy that is communicated to its staff through the intranet and internal newsletters.

The strategy:

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

## **People**

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

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

## **Processes**

The risk management process specifically covers:

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

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

## Controls

The department has the following internal control systems in place:

- an annual budget endorsed by the Board and reviewed by them during the year, together with headcount controls and other efficiency targets;
- risks to objectives and targets are identified by each Group as part of the annual business planning process;
- a framework document setting out delegated authorities and the publication of an annual report;
- mandatory six monthly stewardship reports on corporate governance from all Groups;
- delegation letters issued to Group heads, with supporting advice on roles and responsibilities and guidance available on the intranet;
- specific references to compliance with the departmental Risk Management Framework have been introduced into financial allocation letters;
- month-end financial reconciliation and reporting procedures are routinely embedded, supported by a well-structured purchase order control system. No purchase order can be raised within the department without proper authorisation from an officer with the appropriate delegated authority, and robust system security means that the risk of any falsified transaction taking place is extremely low; and
- the department continuously monitors use of the purchase order system to reinforce adherence to procurement legislation and sound practice.

## Business continuity planning

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

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

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

We have developed a robust and effective central response. This is led by Financial and Estate Management who co-ordinate recovery activities with local business continuity managers. Lessons learned from internal and cross-government exercises and from real incidents, inform our risk management and continuity strategies.

## Futurebuilders

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

The Chief Executive of The Charity Bank Limited has the role of Accountable Officer. The duties of the role include alerting the Minister of any concerns about the behaviour of FBE, including but not limited to actions which are not in accordance with the terms of the agreement. This includes a specific reporting

protocol where the Accountable Officer believes that any sums expended or to be expended by FBE have been or may not be used for the purposes of the agreement.

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

I take assurance from the annual report and accounts and annual letter of assurance from Charity Bank.

## **Internal Audit**

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

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

The Internal Audit annual report for 2006-07 has commented that only limited assurance could be placed on the risk management processes and systems of internal control within the Department as further work was needed to embed risk management across the Cabinet Office. Actions have been agreed to improve this assessment, the progress of which will be monitored by the COARC. Substantial assurance was, however, provided in relation to the Department's governance arrangements.

## **Review of effectiveness**

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

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

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

I take assurance from the Statement on Internal Control produced by Capacity Builders (UK) Limited and published with their annual report and accounts. The assurance process for Capacity Builders continues to develop and we are looking to demonstrate this assurance as we go forward.

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

The Corporate Risks, identified following a Board level workshop facilitated by Ernst & Young consultants, are now the subject of further work to ensure that they are fully embedded in the risk management process in the Cabinet Office. This will ensure that risk management plays a high profile within the Department.

With the establishment of Groups within the Cabinet Office, risk reporting will in future be at Group level; for example, Risk Registers will be completed at Group level rather than at work stream level as they are

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now. The Cabinet Office recognise that as the corporate risks and Group led risks are embedded and managed, reporting between the two levels will need to be reviewed.

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

**Sir Gus O'Donnell KCB**  
Accounting Officer  
Secretary of the Cabinet and Head of the Home Civil Service

24 July 2007

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# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Cabinet Office for the year ended 31 March 2007 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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, certain information given in the Annual Report, which comprises the Management Commentary and the Financial Review, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

## Basis of audit opinions

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

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

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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

### Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given within the Annual Report, which comprises the Management Commentary and the Financial Review, is consistent with the financial statements.

### Audit 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.

**John Bourn**  
Comptroller and Auditor General

24 July 2007

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP



## Operating Cost Statement

for the year ended 31 March 2007

		2006-07		2005-06
			£000	Restated
	Note	Staff Costs	Other Costs	Income
				£000
<b>Administration Costs:</b>				
Staff costs	9	85,326		81,921
Other administration costs	10		93,754	110,319
Operating income	12			(29,336)
<b>Programme Costs:</b>				
Staff costs	9	5,180		10,726
Programme costs	11		232,079	195,853
Income	12			(44,166)
<b>Totals</b>		<b>90,506</b>	<b>325,833</b>	<b>(105,746)</b>
<b>Net Operating Cost</b>	3,13			<b>325,317</b>

The notes on pages 42 to 78 form part of these accounts.

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## Statement of Recognised Gains and Losses

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for the year ended 31 March 2007

		2006-07	2005-06
		£000	Restated £000
	<b>Note</b>		
Net gain / (loss) on revaluation of tangible fixed assets	14, 23(a),23(b)	16,600	6,029
Net gain / (loss) on revaluation of intangible fixed assets		-	-
Net gain / (loss) on revaluation of investments		-	-
Receipt of donated assets	14,23(b)	7	108
<b>Recognised gains and (losses) for the financial year</b>		<b>16,607</b>	<b>6,137</b>

The notes on pages 42 to 78 form part of these accounts.

## Balance Sheet

as at 31 March 2007

		2006-07 £000	2005-06 Restated £000
	<b>Note</b>		
<b>Fixed assets:</b>			
Tangible assets	14	227,608	211,105
Intangible assets	15	77	253
Investments	16	414	436
<b>Current assets:</b>			
Stocks	17	610	606
Debtors	18	17,852	24,071
Cash at bank and in hand	19	104,444	120,328
		122,906	145,005
Creditors (amounts falling due within one year)	20	(64,256)	(58,944)
<b>Net current assets</b>		<b>58,650</b>	<b>86,061</b>
<b>Total assets less current liabilities</b>		<b>286,749</b>	<b>297,855</b>
Creditors (amounts falling due after more than one year)	20	-	(3,497)
Provisions for liabilities and charges	21	(5,594)	(6,980)
		<b>281,155</b>	<b>287,378</b>
<b>Taxpayers' equity:</b>			
General fund	22	226,455	249,251
Revaluation reserve	23(a)	50,053	33,965
Donated asset reserve	23(b)	4,647	4,162
		<b>281,155</b>	<b>287,378</b>

**Sir Gus O'Donnell KCB**  
Accounting Officer  
Secretary of the Cabinet and Head of the Home Civil Service

24 July 2007

The notes on pages 42 to 78 form part of these accounts.

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## Cash Flow Statement

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for the year ended 31 March 2007

		2006-07	2005-06
		£000	Restated £000
	<b>Note</b>		
<b>Net cash outflow from operating activities</b>	24(a)	(264,808)	(108,291)
<b>Capital expenditure and financial investment</b>	24(b)	(24,810)	(16,276)
<b>Receipts due to the Consolidated Fund which are outside the scope of the Department's activities</b>		-	-
<b>Payments of amounts due to the Consolidated Fund</b>		(21)	(174)
<b>Financing</b>	24(d)	273,755	170,492
<b>(Decrease) / increase in cash in the period</b>	24(e)	<b>(15,884)</b>	<b>45,751</b>

The notes on pages 42 to 78 form part of these accounts.

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## Statement of Operating Costs by Departmental Aim and Objectives

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for the year ended 31 March 2007

	2006-07			2005-06		
	£000			Restated £000		
	Gross	Income	Net	Gross	Income	Net
<b>Aim:</b>						
Objective 1	96,532	(19,461)	77,071	102,100	(15,282)	86,818
Objective 2	218,739	(54,498)	164,241	187,586	(31,383)	156,203
Objective 3	101,068	(31,787)	69,281	109,133	(26,837)	82,296
<b>Net operating costs</b>	<b>416,339</b>	<b>(105,746)</b>	<b>310,593</b>	<b>398,819</b>	<b>(73,502)</b>	<b>325,317</b>

The Cabinet Office has one core aim: '**Making government work better**' which is supported by the objectives outlined below.

The Department's objectives are as follows:

- Objective 1 – **Supporting the Prime Minister** – to define and deliver the Government's objectives
- Objective 2 – **Supporting the Cabinet** – to drive the coherence, quality and delivery of policy and operations across departments
- Objective 3 – **Strengthening the Civil Service** – to ensure the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives

See Note 25.

The notes on pages 42 to 78 form part of these accounts.

## Notes to the Departmental Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2006–07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

#### 1.1. Accounting convention

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

#### 1.2. Restated amounts

Machinery of government transfers have been accounted for as a business combination using merger accounting principles in accordance with the *FReM*. Accordingly, the results and cash flows relating to the in year transferred functions have been written out of the accounts from the start of the financial year. Prior year comparatives have been restated, with corresponding adjustments being made to the general fund. Further details are at Note 38.

#### 1.3. Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount, except for non-operational heritage assets (see below). Expenditure on tangible fixed assets of over £5,000 is capitalised. On initial recognition they are measured at cost including any costs such as installation directly attributable to bringing them into working condition. The replacement cost for freehold land and buildings is existing use value plus the addition of notional directly attributable acquisition costs.

All tangible fixed assets, except art and antiques, are subject to annual indexation using published indices. Land and buildings are restated to current value using professional valuations (using the RICS Appraisal and Valuation Model) in accordance with FRS 15 every five years.

Art and antiques, including some heritage assets, have been inherited by the Department since its earliest existence and are held mainly in Number 10, Downing Street and 70, Whitehall. They are subject to professional valuation on the basis of insurance value or mid-auction estimate every five years with the revaluation being taken into the revaluation reserve. They are not depreciated or indexed.

Transformational Government assets represent the investment in Information and Communication Technology systems, namely the Government Gateway. Expenditure covers the software, hardware and development costs of the infrastructure. The assets created are owned by the whole of government. Their value is disclosed on the Cabinet Office balance sheet because Transformational Government manages and is responsible for their development and operation. The initial investment was from the HM Treasury Capital Modernisation Fund. The ongoing resource and operation costs are recovered from wider government. These assets are valued at cost as a proxy for replacement cost and are subject to annual impairment review.

#### **1.4. Depreciation**

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are not depreciated until the asset is brought into use. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives. Asset lives are normally in the following ranges:

Freehold Buildings including Dwellings	25 to 60 years
Leasehold Buildings and Improvements	Over the remaining term of the lease
Plant and Machinery	3 to 10 years
Furniture and Fittings	7 years
Information Technology and Office Equipment	3 to 5 years
Motor Vehicles	3 to 5 years

#### **1.5. Donated assets**

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Operating Cost Statement, except for gifts described below.

Gifts of ornaments and jewellery received by past and present Prime Ministers and their spouses are treated as donated tangible fixed assets within Art and Antiques and capitalised at their current value on receipt with this value being taken to the donated asset reserve. They are subject to professional valuation every five years with the revaluation being taken to the donated asset reserve. They are not depreciated, since by their nature, their useful economic life is unknown.

The Civil Service Club is recognised as a donated asset and its value credited to the donated asset reserve. Members of the Civil Service and the Foreign Service contributed to the wedding present for Her Majesty The Queen and part of the sum subscribed was, by her wish, applied to some object of general benefit to the Civil and Foreign Services and consequently the Civil Service Club was purchased – see Note 23(b).

#### **1.6. Intangible fixed assets**

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. As a reliable evidence of market value could not be obtained, these have not been re-valued. Software licences are amortised over periods ranging from 3 to 5 years, being the useful economic life.

#### **1.7. Investments**

Financial interests in bodies which are outside the departmental boundary are treated as fixed asset investments since they are held for the long term. These comprise loans issued by the Cabinet Office to the Civil Service Sports Council and the London Hostels Association and are shown at historical cost.

### **1.8. Stocks**

Stocks of insignia are valued at the lower of replacement cost and net realisable value.

### **1.9. Income**

Operating income is income which relates directly to the operating activities of the department. It principally comprises fees and charges for services provided on a full-cost basis to external customers as well as public re-payment work and includes income appropriated in aid of the Estimate and income due to the Consolidated Fund, which in accordance with the *FReM*, is treated as operating income. Operating income is stated net of VAT.

Non-operating income includes interest arising on cash balances held for the purpose of the Futurebuilders programme. This comprises an interest bearing current account and high interest Treasury deposits. See Note 19.

### **1.10. Administration and programme expenditure**

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the *FReM* by HM Treasury.

Administration costs and operating income reflect the costs of running the department. Income is analysed between that which is allowed to be offset against gross administration costs in determining the outturn against the gross administration budget, and that operating income which is not.

Programme costs and operating income include payments of grants and grant-in-aid and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

### **1.11. Capital charge**

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for the following where the charge is nil; donated assets, cash balances held with the Office of the Paymaster General, debtors due for surrender to the Consolidated Fund on collection and those amounts due to and from the Consolidated Fund.

### **1.12. Foreign exchange**

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

### **1.13. Pensions**

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

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benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

#### **1.14. Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the department, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding.

Other leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

#### **1.15. Grants payable**

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period (usually a financial year) are recorded as expenditure for that period.

#### **1.16. Provisions**

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

#### **1.17. Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Government Accounting*.

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

#### **1.18. Value Added Tax**

Most of the activities of the department are outside the scope of VAT and, in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

#### **1.19. Third party assets**

The Cabinet Office did not hold assets on behalf of any other parties during the year.

## 2. Analysis of net resource outturn by section

	2006-07						2005-06		Prior-year outturn
	£000						Restated £000		
	Outturn						Estimate		
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	
<b>Request for resources 1:</b>									
<i>Central Government Spending:</i>									
Cabinet Office	177,368	114,039	3,067	294,474	(87,922)	206,552	233,136	26,584	214,833
Office of the Third Sector	3,129	6,130	65,879	75,138	(5,995)	69,143	186,318	117,175	108,050
Social Exclusion Task Force	974	-	-	974	(4)	970	926	(44)	1,082
<i>Support for Local Authorities:</i>									
London Fire and Emergency Planning Authority	-	-	606	606	-	606	606	-	606
Emergency Planning Grants	-	-	(226)	(226)	-	(226)	-	226	767
Government Security Zone	-	-	10,575	10,575	(9,102)	1,473	1,993	520	-
<i>Non-Budget:</i>									
Capacity Builders (UK) Limited (Executive NDPB)	-	-	37,298	37,298	-	37,298	37,298	-	-
<b>Resource Outturn</b>	<b>181,471</b>	<b>120,169</b>	<b>117,199</b>	<b>418,839</b>	<b>(103,023)</b>	<b>315,816</b>	<b>460,277</b>	<b>144,461</b>	<b>325,338</b>

### Request for resources 1 – Supporting the Prime Minister's Office closely in ensuring the delivery of Government objectives

Cabinet Office underspend is largely attributable to the rescheduling of accommodation and IT projects and various savings across the Department.

Office of the Third Sector underspend largely relates to grants associated with the Futurebuilders programme.

Emergency Planning Grants underspend relates to the over accrual of 2005-06 grant expenditure which was not required and subsequently reversed in the 2006-07 financial year.

Government Security Zone underspend is due to a slower than anticipated delivery of work.

Detailed explanations of the variances are given in the Management Commentary under the heading Performance against Parliamentary Control totals.

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

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

		2006-07			2005-06
		£000			Restated
		Outturn compared with Estimate			£000
	Note	Outturn	Supply Estimate	with Estimate	Outturn
Net Resource Outturn	2	315,816	460,277	144,461	325,338
Prior Period Adjustments		-			-
Non-supply Income (CFERs)	5	(5,223)	(942)	4,281	(21)
<b>Net Operating Cost</b>		<b>310,593</b>	<b>459,335</b>	<b>148,742</b>	<b>325,317</b>

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

	2006-07		2005-06
	£000		Restated
	Budget	Outturn	£000
Gross Administration Budget – see Note 2 total Admin	256,351	181,471	193,979
Income allowable against the Administration Budget	(37,310)	(35,009)	(31,054)
<b>Net outturn against final Administration Budget</b>	<b>219,041</b>	<b>146,462</b>	<b>162,925</b>

Administration underspend is largely attributable to the rescheduling of accommodation and IT projects and various savings across the Department.

In addition, the gross administration budget of £256.351 million included costs subsequently classified as “other current” within net resource outturn and as “programme costs” within net operating cost.

Detailed explanations of the variances are given in Note 2 and in the Management Commentary under the heading Performance against Parliamentary Control totals.

## 4. Reconciliation of resources to cash requirement

	<b>Note</b>	<b>Estimate</b> £000	<b>Outturn</b> £000	<b>Net total outturn compared with estimate: saving/(excess)</b> £000
Resource Outturn	2	460,277	315,816	144,461
Capital :				
Acquisition of fixed assets	24(c)	28,749	24,658	4,091
Investments		-	-	-
Non-operating A in A :				
Proceeds of fixed asset disposals	24(c)	-	(33)	33
Loan repayment	24(c)	(22)	(22)	-
Accruals adjustments :				
Non-cash items	24(a)	(32,088)	(34,687)	2,599
Changes in working capital other than cash	24(a)	-	(11,697)	11,697
Changes in creditors falling due after more than one year	20	-	3,497	(3,497)
Use of provision	21	800	1,202	(402)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
Movement on commercial bank – Futurebuilders Fund	19	(81,428)	(15,657)	(65,771)
<b>Net cash requirement</b>		<b>376,288</b>	<b>283,077</b>	<b>93,211</b>

Detailed explanations of the variances between Estimate and outturn are given in the Management Commentary under the heading Performance against Parliamentary Control totals.

## 5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	<b>Note</b>	<b>Forecast 2006–07</b>		<b>Outturn 2006–07</b>	
		<b>Income</b>	<b>Receipts</b>	<b>Income</b>	<b>Receipts</b>
Operating income and receipts – excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		942	<i>942</i>	5,223	<i>4,901</i>
	22	<b>942</b>	<b><i>942</i></b>	<b>5,223</b>	<b><i>4,901</i></b>
Non-operating income and receipts - excess A in A	7	-	-	33	33
Other non-operating income and receipts not classified as A in A	8	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	4	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		<b>942</b>	<b><i>942</i></b>	<b>5,256</b>	<b><i>4,934</i></b>

## 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

		2006-07 £000	2005-06 Restated £000
	<b>Note</b>		
Operating income	12	105,746	73,502
Netted off in Operating Cost:			
Seconded staff	9	2,500	1,739
Gross income		108,246	75,241
Income authorised to be appropriated-in-aid	2	(103,023)	(75,220)
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>5,223</b>	<b>21</b>

## 7. Non-operating income- Excess A in A

	2006-07 £000	2005-06 £000
Principal repayments of voted loans	-	-
Proceeds on disposal of fixed assets	33	-
Other	-	-
<b>Non-operating Income – excess A in A</b>	<b>33</b>	<b>-</b>

## 8. Non-operating income not classified as A in A

	Income £000	Receipts £000
<b>Total</b>	<b>-</b>	<b>-</b>

## 9. Staff numbers and related costs

Staff costs comprise:

	2006-07 £000				2005-06 Restated £000	
	Total	Permanently employed staff	Others	Ministers	Special advisers	Total
Wages and salaries	63,840	61,542	-	114	2,184	62,461
Social security costs	6,006	5,747	-	12	247	5,737
Other pension costs	12,547	12,155	-	-	392	11,912
Agency/Temporary	4,001	-	4,001	-	-	9,339
<b>Sub total</b>	<b>86,394</b>	<b>79,444</b>	<b>4,001</b>	<b>126</b>	<b>2,823</b>	<b>89,449</b>
Inward secondments	6,612	6,612	-	-	-	4,937
<b>Total</b>	<b>93,006</b>	<b>86,056</b>	<b>4,001</b>	<b>126</b>	<b>2,823</b>	<b>94,386</b>
Less:						
Recoveries in respect of outward secondments	(2,500)	(2,500)	-	-	-	(1,739)
<b>Total net costs *</b>	<b>90,506</b>	<b>83,556</b>	<b>4,001</b>	<b>126</b>	<b>2,823</b>	<b>92,647</b>

\* Of the total, £nil has been charged to capital (2005-06: £nil).

During the year, costs of £12,547,348 were incurred in respect of pensions (2005-06 Restated: £11,911,689).

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Cabinet Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2006-07, employers' contributions of £11,973,695 were payable to the PCSPS (2005-06 Restated: £11,221,883) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2 per cent and 24.6 per cent).

The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £173,154 (2005-06 Restated: £158,196) were paid 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £8,348 (2005-06 Restated: £9,946), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Special advisers' pension costs incurred during the year were £392,151 (2005-06: £521,664).

During the year, two staff members (2005-06: three) retired early on the grounds of ill health. The accrued pension liability payable by the scheme was £4,231 (2005-06: £1,249).

## Average number of persons employed

The average number of whole-time equivalent persons employed, including agency/temporary staff, during the year was as follows:

Objective	2006-07					2005-06
	Number					Restated
	Total	Permanent staff	Others*	Ministers	Special advisers	Number
1	531	449	55	1	26	574
2	690	660	27	1	2	748
3	382	371	9	1	1	449
<b>Total</b>	<b>1,603</b>	<b>1,480</b>	<b>91</b>	<b>3</b>	<b>29</b>	<b>1,771</b>

\* 'Others' category represents agency/temporary staff. Headcount in 2006-07 was 91 (2005-06 Restated: 250).

## 10. Other Administration Costs

Note	2006-07	2005-06
	£000	Restated £000
<b>Rentals under operating leases</b>		
Hire of plant and machines	7,927	7,669
Land and buildings	6,457	6,024
<b>Non-cash items</b>		
Depreciation	14	8,826
Release of donated asset reserve	23(b)	(47)
Amortisation	15	80
Impairment of fixed assets	14	661
Release of donated asset reserve	23(b)	-
(Profit)/Loss on disposal of fixed assets		(6)
(Profit)/Loss on disposal of donated assets		11
Release from donated asset reserve	23(b)	(11)
Cost of capital charges	22	4,933
Auditors' remuneration and expenses *	22	207
Provisions provided for in year	21	(270)
Unwinding of discount on provisions	21	86
Bad debt write off		20
Provision for doubtful debt		(3)
<b>Total non-cash items</b>		14,487
<b>Other expenditure</b>		64,883
<b>Total</b>		<b>93,754</b>
		<b>110,319</b>

\* No payments were made to the auditors in respect of non-audit services.

Other expenditure comprises:

	2006-07	2005-06
	£000	Restated £000
Accommodation and utilities	25,173	25,996
IT costs	7,015	8,177
Supplies and services	13,422	25,839
Other staff related costs	11,322	11,533
Travel, subsistence and hospitality	7,951	8,915
<b>Other expenditure</b>	<b>64,883</b>	<b>80,460</b>

## 11. Programme Costs

		2006-07 £000	2005-06 Restated £000
	<b>Note</b>		
<b>Interest charges</b>		85	43
<b>Non-cash items</b>			
Depreciation	14	9,916	26,908
Amortisation	15	114	415
Impairment of fixed assets	14,15	5,243	255
Loss on disposal of fixed assets		59	-
Cost of capital charges	22	4,868	4,476
<b>Total non-cash items</b>		20,200	32,054
<b>Other expenditure</b>		211,794	163,756
<b>Total</b>		<b>232,079</b>	<b>195,853</b>

### Other expenditure comprises:

		2006-07 £000	2005-06 Restated £000
	<b>Note</b>		
<b>Grants</b>			
Resource Grants to Local Authorities:			
Local Better Regulation Office		20	-
Public Service Delivery		145	-
Civil Defence Grants		380	1,373
Resource Grants to Private Sector:			
Capacitybuilders		-	50,291
Futurebuilders		8,150	6,105
v Strategic Programme and Project		18,143	-
v Match Funding		7,500	-
Strategic Programme		16,153	27,789
Social Enterprise Promotion		117	232
Public Service Delivery		326	1,276
Compact		220	-
Other		-	79
Resource Grants to Central Government Bodies:			
Public Service Delivery		10	-
Capital Grants to Local Authorities:			
Government Security Zone		10,575	-
Capital Grants to Private Sector:			
Capacitybuilders		-	8,471
Futurebuilders		8,384	4,973
Strategic Programme		-	1,456
Grants-in-Aid to Civil Service Bodies		2,097	2,097
Grants-in-Aid to Private Sector:			
Strategic Programme		6,731	3,895
Chequers Trust		950	958
Grant-in-Aid to Executive Non-Departmental Public Bodies:			
Capacitybuilders		37,298	-
	2	<b>117,199</b>	<b>108,995</b>
Accommodation and utilities		19,062	14,148
IT costs		33,500	7,820
Supplies and services		41,206	31,602
Other staff related costs		237	648
Travel, subsistence and hospitality		590	543
<b>Other expenditure</b>		<b>211,794</b>	<b>163,756</b>

## Other expenditure analysed by programme:

	2006-07 £000	2005-06 Restated £000
Honours and dignities	262	449
Whitehall HR shared services project	-	1,206
Better Regulation Executive: Resource Grants	20	-
Prime Minister's Office: Grant-in-Aid	950	958
Civil Service Welfare: Grants-in-Aid	2,097	2,097
Emergency Planning College	484	226
Civil Contingencies Secretariat: Civil Defence Grants Other expenditure	380 4	1,373 214
Intelligence and Security Secretariat: SCOPE Programme Government Security Zone: Capital Grants Other expenditure Information Assurance Technical Programme IT Safe Electronic Communications Assurance Programme Contingency Telecommunications BBC Monitoring	6,370 10,575 2,022 20,751 329 1,156 2,671 25,044	4,674 - 1,238 10,728 145 756 2,978 101
Transformational Government: Directgov e-Delivery Shared Services Other	13,155 20,021 - 35	12,123 15,786 2,170 1,338
Office of the Third Sector: Capacitybuilders: Resource Grants Capital Grants Grant-in-Aid Other expenditure Futurebuilders: Resource Grants Capital Grants Other expenditure v: Resource Grants Strategic Programme: Resource Grants Capital Grants Grant-in-Aid Other expenditure Social Enterprise Promotion: Resource Grants Other expenditure Public Service Delivery: Resource Grants Other expenditure Compact: Resource Grants Other expenditure Other expenditure	- - 37,298 2 8,150 8,384 133 25,643 16,153 - 6,731 818 117 610 481 83 220 226 419	50,291 8,471 - - 6,105 4,973 - - 27,789 1,456 3,895 - 232 629 1,276 - - - 79
Other Resource Grants	-	79
<b>Other expenditure</b>	<b>211,794</b>	<b>163,756</b>

**Notes****PROGRAMMES****Intelligence and Security Secretariat**

SCOPE Programme - An IT-enabled Business Change programme working with ten partners across government. The Programme aims to extend the benefits of communication and collaborative working afforded by current information technology to producers and consumers of intelligence products.

Government Security Zone – A programme to deliver improved protective security measures in the Whitehall area.

Information Assurance Technical Programme - A programme to deliver Information Assurance Solutions to government and the wider public sector.

IT Safe - IT Safe provides home users and small businesses with warnings and news about computer security problems.

Electronic Communications Assurance Programme - UK secure communications.

Contingency Telecommunications - A programme to provide resilient communications to Public Authorities.

BBC Monitoring - Purchase of subscriptions services for the supply of news, information and comment from worldwide media.

**Transformational Government**

Directgov is the citizen focused digital channel for government, offering a high quality experience for customers by delivering information and services all in one place.

e-Delivery, through The Government Gateway enables secure online transactions and authenticates all citizen and business users of the 125 public services provided. Government Gateway Strategic Support has secured funding through Concordat's from the Strategic Investors and put in place contracts with suppliers that support the delivery of the Government Gateway for the period 1st April 2006 to 31st March 2011.

Shared Services is the move from disparate HR and Finance across Whitehall to joined up provision on a common technology platform. For some organisations this includes some outsourcing. The more integrated ways of working maximise efficiency and provide better management information.

**Office of the Third Sector**

Capacitybuilders - To help voluntary and community organisations work more effectively in delivering high quality, collaborative and sustainable sector support services and representation.

Futurebuilders provides new investment via grants and loans for third sector organisations delivering public services under a tri-partite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. The Charity Bank Limited is responsible for the stewardship and Futurebuilders England Limited for the management and operation of the fund and each is accountable to the Minister for the propriety and efficiency of the Fund.

v is the independent charity established by the government on 8th May 2006. v will deliver the recommendations of the Russell Commission published in March 2005 to create a step change in the quantity, quality and diversity of youth volunteering opportunities, with a vision of having one million more young volunteers within five years.

v Match Funding – To provide a step change in the quality, quantity and diversity of volunteering opportunities available to young people. Under a tri-partite agreement between Her Majesty's Treasury, Cabinet Office and v, the Treasury will match fund money v raises from the private sector on a pound for pound basis up to a maximum of £50 million.

Strategic Programme - Grants to voluntary and community sector organisations to enable greater voice and engagement in policy development.

Social Enterprise Promotion - Funding to enable action to be taken to address barriers to the growth of social enterprises and identify and spread good practice for the sector.

Public Service Delivery - Enabling better service delivery by the third sector and the sharing of innovation and good practice.

Compact - To enable the government and the sector to improve their relationship for mutual advantage and community gain.

## 12. Income

	2006-07 £000	2005-06 Restated £000
<b>Administration Income :</b>		
Recoveries from Principal Civil Service Pension Scheme	8,889	9,371
Contributions received by Parliamentary Counsel Office for services rendered to other government departments	11,860	10,666
Rental income on freehold properties	3,352	3,947
Emergency Planning College events	2,597	2,227
Departmental Capability Reviews	2,170	-
Government Skills	963	28
Various cost recoveries	2,787	3,070
Income payable to the Consolidated Fund	4	21
<b>Non-cash:</b>		
Notional interest on early departure pre-funding	-	6
	<b>32,622</b>	<b>29,336</b>
<b>Programme Income :</b>		
Honours and dignities	-	4
Intelligence and Security Secretariat:		
SCOPE Programme	7,706	3,257
Government Security Zone	10,699	304
Information Assurance Technical Programme	10,139	6,611
IT Safe	226	198
Transformational Government:		
Directgov	10,681	11,614
e-Delivery	22,537	13,000
Shared Services	-	2,022
Other	(29)	2,371
Whitehall HR shared services project	(49)	927
Office of the Third Sector:		
Futurebuilders interest income	5,993	3,858
Income payable to the Consolidated Fund	5,219	-
Other	2	-
	<b>73,124</b>	<b>44,166</b>
<b>Total</b>	<b>105,746</b>	<b>73,502</b>

Intelligence and Security Secretariat and Transformational Government have entered into the following cost share arrangements:

The SCOPE Programme is a cross departmental business change programme. The costs of the programme are shared by the ten government departments and agencies that will benefit from the programme's delivery.

The Government Security Zone is a programme to provide enhanced protective security in the Whitehall area. Contributions to the cost of the Programme are met by twelve government departments to reflect the benefits accruing to them from the work undertaken.

The Information Assurance Technical Programme is a cross government programme funded by six government departments and agencies.

Transformational Government has entered into a cost share arrangement with 18 other government departments to deliver and operate Directgov, the Government's primary digital service for citizens, and other common infrastructure. This arrangement is due to end on the 31st March 2008 after which central funding has been agreed with HM Treasury. See Note 37 for further details.

e-Delivery has put in place a regime where departments share all of the costs of the Government Gateway Strategic Support (GGSS) programme from 1 April 2006 until 31 March 2011. The GGSS cost-share regime with customers has secured a fully funded financial model covering all e-Delivery Team internal and external expenditure in delivering the Government Gateway. Three departments (Department for Work and Pensions, HM Revenue and Customs and Department for Communities and Local Government) have signed Concordats to share the cost base of £90 million.

### 13. Analysis of net operating cost by spending body

	2006-07		2005-06
	Estimate	Outturn	Restated
	£000		£000
<b>Spending body:</b>			
Core Department	422,979	273,295	325,317
Capacity Builders (UK) Limited (eNDPB)	37,298	37,298	-
<b>Net Resource Requirement/ Net Operating Cost</b>	<b>460,277</b>	<b>310,593</b>	<b>325,317</b>

### 14. Tangible fixed assets

	Land & Buildings excluding Dwellings		Trans-formational Government Projects	Information Technology	Plant & Machinery	Furniture & Fittings	Art & Antiques	Payments on Account & Assets under Construction	AUC T-Gov't Projects	Total
	£000	£000								
<b>Cost or valuation</b>										
At 1 April 2006 **	155,337	12,212	134,384	12,800	7,318	4,082	10,196	13,661	335	350,325
Additions	379	-	12	1,709	1,065	72	-	17,382	3,968	24,587
Donations	-	-	-	-	-	-	7	-	-	7
Disposals ***	-	-	(84,429)	(460)	(49)	(87)	(26)	-	-	(85,051)
Reclassifications	20	-	(25)	4,961	-	-	-	(4,956)	-	-
Impairment *	(725)	-	(11,491)	(297)	-	-	-	-	-	(12,513)
Revaluations *	16,821	1,548	-	(308)	(194)	-	-	-	-	17,867
<b>At 31 March 2007</b>	<b>171,832</b>	<b>13,760</b>	<b>38,451</b>	<b>18,405</b>	<b>8,140</b>	<b>4,067</b>	<b>10,177</b>	<b>26,087</b>	<b>4,303</b>	<b>295,222</b>
<b>Depreciation</b>										
At 1 April 2006 **	7,578	126	117,442	8,111	3,422	2,541	-	-	-	139,220
Charged in year	3,747	159	10,887	2,406	1,029	514	-	-	-	18,742
Disposals ***	-	-	(84,370)	(460)	(36)	(87)	-	-	-	(84,953)
Reclassifications	32	-	-	-	(32)	-	-	-	-	-
Impairment *	(64)	-	(6,563)	(35)	-	-	-	-	-	(6,662)
Revaluations *	1,469	31	-	(171)	(62)	-	-	-	-	1,267
<b>At 31 March 2007</b>	<b>12,762</b>	<b>316</b>	<b>37,396</b>	<b>9,851</b>	<b>4,321</b>	<b>2,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,614</b>
<b>Net book value at 31 March 2007</b>	<b>159,070</b>	<b>13,444</b>	<b>1,055</b>	<b>8,554</b>	<b>3,819</b>	<b>1,099</b>	<b>10,177</b>	<b>26,087</b>	<b>4,303</b>	<b>227,608</b>
<b>Net book value at 31 March 2006 Restated</b>	<b>147,759</b>	<b>12,086</b>	<b>16,942</b>	<b>4,689</b>	<b>3,896</b>	<b>1,541</b>	<b>10,196</b>	<b>13,661</b>	<b>335</b>	<b>211,105</b>
<b>Asset financing:</b>										
Owned	159,070	13,444	1,055	8,554	3,819	1,099	10,177	26,087	4,303	227,608
<b>Net book value at 31 March 2007</b>	<b>159,070</b>	<b>13,444</b>	<b>1,055</b>	<b>8,554</b>	<b>3,819</b>	<b>1,099</b>	<b>10,177</b>	<b>26,087</b>	<b>4,303</b>	<b>227,608</b>

\* Impairment and revaluations arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure the asset base is correctly valued.

\*\* Restated Opening Balances.

\*\*\* Disposals include Transformational Government assets written out of the accounts; their values are fully written down and they are no longer in use.

**Notes****VALUATION****Land and Buildings and Dwellings**

Cushman & Wakefield Healey & Baker, independent chartered surveyors, valued 22-26 Whitehall, Admiralty Arch, Admiralty House, 53 Parliament Street, 36 Whitehall and the Civil Service Club, London and Hannington Radio Mast, Hampshire as at 31 March 2004 and 10-12 Downing Street and 70 Whitehall as at 31 March 2006 on the basis of existing use value. Due to the unusual nature of the size, location and property categories, valuations of 10-12 Downing Street and Admiralty Arch are subject to valuation uncertainty.

Impairment has been applied to the Hannington Radio Mast, Hampshire as detailed below.

Donaldsons, independent chartered surveyors, valued the Emergency Planning College estate, The Hawkhill, Easingwold, near York as at 31 March 2007 on the basis of existing use value.

Notional directly attributable acquisition costs, representing legal fees and stamp duty, are added onto existing use values to arrive at replacement cost for land, buildings and dwellings. The surveyors determine notional costs to be 5.75% of existing use values.

**Art and Antiques**

Sotheby's valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall Estate in Summer 2005 on the basis of insurance value being the likely cost of replacing the items.

Andrew Hartley Fine Arts valued art and antiques, including antique and other furniture, silver, plate and objects situated at The Hawkhill, Easingwold, near York on 15 April 2005 at an average of the lower and higher figures of a presale auction estimate.

Included within Art and Antiques are gifts to past and present Prime Ministers. These were valued by J. M. McCarthy Limited, jewellers and silversmiths in June 2005 on the basis of best estimate of the price at auction.

**All Other**

All other tangible non-heritage fixed assets are re-valued annually using indices provided by HM Treasury. Intangible assets are recorded at purchase cost and are not re-valued since an appropriate index is not available.

**DONATED ASSETS****Land and Buildings**

The Civil Service Club has been recognised as a donated asset and its value credited to the donated asset reserve with effect from 31 March 2004. Members of the Civil Service and the Foreign Service contributed to the wedding present for Her Majesty The Queen and part of the sum subscribed was, by her wish, applied to some object of general benefit to the Civil and Foreign Services and consequently the Civil Service Club was purchased – see Note 23(b).

**Art and Antiques**

Gifts to past and present Prime Ministers are treated as donated assets within Art and Antiques and their value credited to the donated asset reserve – see Note 23(b).

**ASSETS UNDER CONSTRUCTION**

Included within assets under construction are assets relating to the SCOPE programme amounting to £21.2 million (2005-06: £12.8 million) scheduled to be brought into use in 2 phases: Phase 1 during 2007-08 and Phase 2 during 2008-09. The SCOPE programme is described in footnotes to Note 11.

£2.1 million spent on refurbishments to Whitehall properties which have yet to be completed;  
£0.3 million spent on developments at the Emergency Planning College facilities based in York; and  
£2.4 million (2005-06: £0.9 million) spent on IT hardware and software developments which have yet to be completed.

**PLANT AND MACHINERY**

Included within Plant and Machinery are motor vehicles with a net book value of £0.01 million (2005-06: £0.03 million).

**IMPAIRMENT**

Following a review of Transformational Government assets an impairment amounting to £1.2 million has been applied to the 'Delivering on the Promise' and 'Knowledge Network' programmes. Impairment amounting to £3.7 million has also been applied to IT hardware, software and network equipment purchased through a finance lease agreement. Both impairments were applied as a result of changing business requirements and technological advances.

Hannington Radio Mast, Hampshire was valued as at 31<sup>st</sup> March 2004 on the basis of the opportunity cost of leasing the site to 3<sup>rd</sup> parties. A pre-emption right of £1,000 exists on the sale and the asset has therefore been subject to impairment amounting to £0.6 million in order that the carrying value is equal to that of the pre-emption right.

Impairments amounting to £0.3 million arise as a result of professional property valuations and the application of published indices which ensure that the asset base is correctly valued.

## 15. Intangible fixed assets

Intangible fixed assets comprise purchased software licences.

	Transformational Government £000	Other £000	Total £000
<b>Cost or valuation</b>			
At 1 April 2006 **	2,665	6,297	8,962
Additions	-	71	71
Donations	-	-	-
Disposals ***	(1,610)	(2,363)	(3,973)
Impairment	(70)	-	(70)
Revaluation	-	-	-
<b>At 31 March 2007</b>	<b>985</b>	<b>4,005</b>	<b>4,990</b>
<b>Amortisation</b>			
At 1 April 2006 **	2,498	6,211	8,709
Charged in year	114	80	194
Disposals ***	(1,610)	(2,363)	(3,973)
Impairment	(17)	-	(17)
Revaluation	-	-	-
<b>At 31 March 2007</b>	<b>985</b>	<b>3,928</b>	<b>4,913</b>
<b>Net book value at 31 March 2007</b>	<b>-</b>	<b>77</b>	<b>77</b>
<b>Net book value at 31 March 2006 Restated</b>	<b>167</b>	<b>86</b>	<b>253</b>

\*\* Restated Opening Balances.

\*\*\* Disposals include assets written out of the accounts; their values are fully written down and they are no longer in use.

## 16. Investments

	Civil Service Sports Council Loan £000	London Hostels Association Loan £000	Total £000
Balance at 1 April 2006	12	424	436
Additions	-	-	-
Disposals	-	-	-
Loan repayments	(2)	(20)	(22)
Revaluations	-	-	-
Loans repayable within 12 months transferred to debtors	-	-	-
<b>Balance at 31 March 2007</b>	<b>10</b>	<b>404</b>	<b>414</b>

The Department's share of the assets and results of the above bodies is summarised below:

	Civil Service Sports Council Loan £000	London Hostels Association Loan £000
Net assets at 31 March 2007	-	-
Turnover	-	-
Surplus for the year (before financing)	-	-

## 17. Stocks

	2006-07 £000	2005-06 £000
Stocks of insignia	610	606
	<b>610</b>	<b>606</b>

## 18. Debtors

### 18(a) Analysis by type

	2006-07 £000	2005-06 Restated £000
<b>Amounts falling due within one year:</b>		
VAT	2,771	2,701
Trade debtors	8,693	9,571
Deposits and advances	528	561
Other debtors	380	91
Machinery of government transfer of function	-	4,896
Prepayments and accrued income	5,475	6,220
Early retirement pre-funding	5	31
	<b>17,852</b>	<b>24,071</b>

Included within Other debtors is £321,808 (2005-06: £NIL) that will be due to the Consolidated Fund once the debts are collected.

Included within Machinery of Government transfer of function was £2,186,846 for 2005-06 which was paid to the Consolidated Fund once the debts were collected.

### 18(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07 £000	2005-06 Restated £000	2006-07 £000	2005-06 £000
Balances with other central government bodies	7,622	18,057	-	-
Balances with local authorities	2,422	250	-	-
Balances with NHS Trusts	-	60	-	-
Balances with public corporations and trading funds	2,574	53	-	-
<i>Subtotal: intra - government balances</i>	12,618	18,420	-	-
Balances with bodies external to government	5,234	5,651	-	-
<b>Total debtors at 31 March</b>	<b>17,852</b>	<b>24,071</b>	<b>-</b>	<b>-</b>

## 19. Cash at bank and in hand

	2006-07 £000	2005-06 Restated £000
Balance at 1 April	120,328	74,577
Net change in cash balances	(15,884)	45,751
<b>Balance at 31 March</b>	<b>104,444</b>	<b>120,328</b>
The following balances at 31 March were held at:		
Office of HM Paymaster General	4,966	5,242
Commercial banks and cash in hand	194	145
Commercial bank – Futurebuilders Fund*	99,284	114,941
<b>Balance at 31 March</b>	<b>104,444</b>	<b>120,328</b>

\*The Charity Bank Limited maintains and manages a dedicated interest bearing bank account at the Co-operative Bank to hold the Fund - 'Futurebuilders Trust Account'. Futurebuilders is managed under a tripartite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. The Charity Bank Limited does not assume any risks associated with the Futurebuilders Trust Account nor does it participate in any associated benefits. It is paid an annual management fee for participating in the management of Futurebuilders which it discloses in its Annual Report and Financial Statements (registered company number 4330018; registered charity number 1091648; [www.charitybank.org](http://www.charitybank.org)).

The Charity Bank Limited agrees it holds all sums in the Trust Account on trust for the Minister until any sum has been committed by Futurebuilders England Limited. On expiry or earlier termination of the agreement, all sums held in the Trust Account relating to any commitment made by Futurebuilders England Limited shall revert to being held by The Charity Bank Limited on trust for the Minister.

The balance on the fund will be used to meet cash draw down requirements of Futurebuilders England Limited. Commitments existing at 31 March 2007 are detailed at Note 28.

## 20. Creditors

### 20(a) Analysis by type

	2006-07 £000	2005-06 Restated £000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	2,027	1,904
Trade creditors	1,595	11,346
Other creditors	1,350	1,388
Machinery of government transfer of function	1,198	-
Accruals and deferred income	49,107	34,737
Current part of finance leases	3,497	1,995
Amounts issued from the Consolidated Fund for supply but not spent at year end	226	7,553
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	4,934	21
Receivable	322	-
	<b>64,256</b>	<b>58,944</b>
<b>Amounts falling due after more than one year:</b>		
Finance leases	-	3,497
	<b>-</b>	<b>3,497</b>

### 20(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2006-07 £000	2005-06 Restated £000	2006-07 £000	2005-06 £000
Balances with other central government bodies	22,558	19,551	-	-
Balances with local authorities	153	638	-	-
Balances with NHS Trusts	1	13	-	-
Balances with public corporations and trading funds	6,488	1,880	-	-
<i>Subtotal: intra - government balances</i>	29,200	22,082	-	-
Balances with bodies external to government	35,056	36,862	-	3,497
<b>Total creditors at 31 March</b>	<b>64,256</b>	<b>58,944</b>	<b>-</b>	<b>3,497</b>

## 21. Provisions for liabilities and charges

	Early Departure Costs	Specific Dilapidations	Free Rent	Other	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April 2006 (Restated)	2,221	2,324	1,826	609	6,980
Provided in the year	45	382	-	-	427
Provisions not required written back	-	(697)	-	-	(697)
Provisions utilised in the year	(822)	(49)	(331)	-	(1,202)
Unwinding of discount	86	-	-	-	86
<b>Balance at 31 March 2007</b>	<b>1,530</b>	<b>1,960</b>	<b>1,495</b>	<b>609</b>	<b>5,594</b>

### 21.1 Early departure costs

The department meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms. In past years the department paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2014.

### 21.2 Specific dilapidations

The department leases a number of properties which it is required to bring into a good state of repair at the end of the lease. A provision is made for the estimated costs of these repairs and spread over the term of the lease or break clause if earlier. The expiry dates of these leases range from May 2007 to February 2027. It is anticipated that most of the expenditure will take place at the end of the lease.

A provision is written-back when there is evidence that it is no longer required. During the year provisions were written back in respect of a lease that was transferred to another entity and in respect of a leased property whose owner did not require the Cabinet Office to alter the condition of the building prior to sale.

### 21.3 Free rent

The department holds a number of leases which included a free rent period. The rent reduction given through the rent free period is spread over the term of the lease or break clause if earlier. These leases have expiry dates ranging from May 2007 to February 2027.

### 21.4 Other

A provision has been established to meet the likely obligations arising on staff transfers between the Cabinet Office and other government departments relating to periods prior to 2003. This liability is expected to materialise by 2007-08.

## 22. General Fund

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

	2006-07 £000	2005-06 Restated £000
Balance at 1 April (Restated)	249,251	187,992
Net Parliamentary Funding:		
Drawn Down	275,750	165,000
Deemed	7,553	12,629
Year end adjustment:		
Supply (Creditor)/Debtor – current year	(226)	(7,553)
Excess non-operating AinA	(33)	-
Excess Vote – prior year	-	-
Inter-departmental Debtor/(Creditor) for transfer of functions	-	52
Machinery of government transfer of function restated:		
Net assets introduced	(8)	100,823
Additional supply	-	105,591
Net Transfer from Operating Activities:		
Net Operating Cost	(310,593)	(325,317)
CFERS repayable to Consolidated Fund	(5,223)	(21)
Non-Cash Charges:		
Cost of Capital	9,801	9,643
Auditors' remuneration	207	216
Transfer from Revaluation Reserve	(40)	196
Transfer from Donated Asset Reserve	16	-
<b>Balance at 31 March</b>	<b>226,455</b>	<b>249,251</b>

## 23. Reserves

### 23(a) Revaluation Reserve

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

	2006-07 £000	2005-06 Restated £000
Balance at 1 April	33,965	28,472
Arising on revaluation during the year (net):		
Statement of Recognised Gains and Losses	16,048	5,689
Transferred to general fund in respect of realised element of revaluation reserve	40	(196)
<b>Balance at 31 March</b>	<b>50,053</b>	<b>33,965</b>

### 23(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the Department.

	2006-07 £000	2005-06 £000
Balance at 1 April	4,162	4,743
Additions during the year	7	108
Arising on revaluation during the year (net):		
Statement of Recognised Gains and Losses	552	340
Release to the Operating Cost Statement	(58)	(1,029)
Transferred to general fund in respect of realised element of donated asset reserve	(16)	-
<b>Balance at 31 March</b>	<b>4,647</b>	<b>4,162</b>

Included in Note 14 Tangible fixed assets are donated assets classified under the following headings:

	2006-07 £000	2005-06 £000
Land and Buildings - Civil Service Club	3,856	3,352
Art and Antiques - Gifts to Prime Ministers	791	810
	<b>4,647</b>	<b>4,162</b>

## 24. Notes to the Cash Flow Statement

### 24(a)(i) Reconciliation of operating cost to operating cash flows

		2006-07 £000	2005-06 Restated £000
Net operating cost	Note 13	(310,593)	(325,317)
Less machinery of government transfer of function passing through the General Fund	38	-	108,128
Adjustments for non-cash transactions	10,11,12	34,687	48,214
Less machinery of government transfer of function passing through the General Fund		-	(1,375)
( Increase ) / Decrease in Stocks	17	(4)	(99)
( Increase ) / Decrease in Debtors	18	6,219	5,526
<i>Less movements in debtors relating to items not passing through the OCS</i>			
Amounts relating to early departure pre-funding		(26)	(114)
Amounts relating to machinery of government transfer of function:			
National School of Government	24(e)	-	1,126
Increase / ( Decrease ) in Creditors	20	1,815	10,152
<i>Less movements in creditors relating to items not passing through the OCS</i>			
Amounts due to the Consolidated Fund for Supply		7,327	5,076
Amounts due to the Consolidated Fund for extra receipts		(5,235)	153
Other		2	9
Movement in amounts relating to finance lease	27.2	1,995	(5,492)
Movement in capital accruals relating to investing activities	24(b)	207	(472)
Amounts relating to machinery of government transfer of function:			
Government Car and Despatch Agency	24(e)	-	(1,326)
Other		-	(2,043)
Use of provisions	21	(1,202)	(1,217)
Movement on Commercial bank – Futurebuilders Fund		-	50,780
<b>Net cash outflow from operating activities</b>		<b>(264,808)</b>	<b>(108,291)</b>

## 24(a)(ii) Changes in working capital other than cash used in the reconciliation of resources to cash requirement at Note 4

		2006-07 £000	2005-06 Restated £000
( Increase ) / Decrease in Stocks	Note 17	(4)	(99)
( Increase ) / Decrease in Debtors	18	6,219	5,526
<i>less movements in debtors relating to items not passing through the OCS</i>			
Amounts relating to early departure pre-funding		(26)	(114)
Movement in amounts receivable due to the Consolidated Fund when received		322	-
Movement in amounts due to the Consolidated Fund due to machinery of government transfer of function		(2,187)	-
Increase / ( Decrease ) in Creditors (amounts falling due within one year )	20	5,312	6,655
<i>less movements in creditors relating to items not passing through the OCS</i>			
Amounts due to the Consolidated Fund for Supply		7,327	5,076
Amounts due to the Consolidated Fund for extra receipts		(5,235)	153
Other		(31)	(191)
Amounts relating to machinery of government transfer of function:			
National School of Government	24(e)	-	1,126
Government Car and Despatch Agency	24(e)	-	(1,326)
Other		-	(2,043)
<b>Changes in working capital other than cash</b>	<b>4</b>	<b>11,697</b>	<b>14,763</b>

## 24(b) Analysis of capital expenditure and financial investment

		2006-07 £000	2005-06 Restated £000
Tangible fixed asset additions	Note 14	(24,587)	(16,698)
Intangible fixed asset additions	15	(71)	(71)
Net movement in creditors – capital accruals	24(a)	(207)	472
Proceeds of disposal of fixed assets	24(c)	33	-
Loans to other bodies	16, 24(c)	-	-
Repayments from other bodies	16, 24(c)	22	21
<b>Net cash outflow from investing activities</b>		<b>(24,810)</b>	<b>(16,276)</b>

## 24(c) Analysis of capital expenditure and financial investment by Request for Resources – see Note 4

	Capital expenditure £000	Loans £000	A in A £000	Net total £000
Request for resources 1:				
Purchase of fixed assets	24,865	-	-	24,865
Income from disposal of fixed assets	-	-	(33)	(33)
Income from loan repayments	-	-	(22)	(22)
Net movement in creditors – capital accruals	(207)	-	-	(207)
<b>Total 2006-07</b>	<b>24,658</b>	<b>-</b>	<b>(55)</b>	<b>24,603</b>
<b>Total 2005-06 Restated</b>	<b>16,769</b>	<b>-</b>	<b>(21)</b>	<b>16,748</b>

## 24(d) Analysis of financing

	Note	2006-07 £000	2005-06 £000
From the Consolidated Fund (Supply) – current year	22	275,750	165,000
From the Consolidated Fund (Supply) – prior year		-	-
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	20(a)	(1,995)	5,492
<b>Net financing</b>		<b>273,755</b>	<b>170,492</b>

## 24(e) Reconciliation of Net Cash Requirement to increase/ (decrease) in cash

	Note	2006-07 £000	2005-06 Restated £000
Net cash requirement	4	(283,077)	(170,076)
From the Consolidated Fund (Supply) – current year	24(d)	275,750	165,000
From the Consolidated Fund (Supply) – prior year	24(d)	-	-
Amounts due to the Consolidated Fund Supply – received in a prior year and paid over		(21)	(174)
Amounts due to the Consolidated Fund received and not paid over	5	4,934	21
Amount to offset reduction in Net Cash Requirement arising on machinery of government transfer of function:	24(a)		
Amounts relating to National School of Government		2,187	(1,126)
Amounts relating to Government Car and Despatch Agency		-	1,326
Movement on Commercial bank – Futurebuilders Fund	19	(15,657)	50,780
<b>(Decrease) / increase in cash</b>		<b>(15,884)</b>	<b>45,751</b>

## 25. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditure net of income have been allocated as follows:

	2006-07 £000	2005-06 Restated £000
Objective 1	14,250	17,609
Objective 2	118,812	103,247
Objective 3	31,073	41,557
<b>Total</b>	<b>164,135</b>	<b>162,413</b>

### Capital employed by departmental aim and objectives at 31 March 2007

For the purposes of allocating the Cabinet Office's capital employed, capital employed directly relating to a specific activity of the Department has been allocated to the objectives supported by that activity. The remaining capital employed, which largely relates to office accommodation, has been allocated on a basis consistent with the split of the Department's net operating costs once the effect of grants given by the Office of the Third sector has been removed. This then gives a fair basis on which to allocate to the three objective splits, reflecting the link between size of operations and the capital employed to manage them.

	2006-07 £000	2005-06 Restated £000
Objective 1	73,236	64,811
Objective 2	157,210	162,935
Objective 3	50,709	59,632
<b>Total</b>	<b>281,155</b>	<b>287,378</b>

## 26. Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of capital goods and services. These mainly relate to investment in the SCOPE programme, which is described in the footnotes to Note 11.

	2006-07 £000	2005-06 Restated £000
Contracted capital commitments at 31 March 2007 for which no provision has been made	<b>28,018</b>	<b>38,500</b>

## 27. Commitments under leases

### 27.1 Operating leases

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

	2006-07 £000	2005-06 Restated £000
<b>Obligations under operating leases comprise:</b>		
<b>Land and buildings:</b>		
Expiry within 1 year	774	-
Expiry after 1 year but not more than 5 years	1,617	2,494
Expiry thereafter	3,688	4,553
	<b>6,079</b>	<b>7,047</b>
<b>Other:</b>		
Expiry within 1 year	1,469	1,476
Expiry after 1 year but not more than 5 years	2,190	7,934
Expiry thereafter	-	1,019
	<b>3,659</b>	<b>10,429</b>

### 27.2 Finance leases

Obligations under finance leases are as follows:

	2006-07 £000	2005-06 £000
<b>Obligations under finance leases comprise:</b>		
Rentals due within 1 year	3,647	2,080
Rentals due after 1 year but within 5 years	-	3,647
Rentals due thereafter	-	-
	<b>3,647</b>	<b>5,727</b>
Less interest element	(150)	(235)
	<b>3,497</b>	<b>5,492</b>

Hitachi Data Systems Limited (HDS Ltd) provided IT equipment to the Cabinet Office through a finance lease. In May 2007, HDS Ltd and the Cabinet Office reached an agreement for the early settlement of the lease. The Cabinet Office made the settlement payment of £3.6 million to HDS Ltd on 21 June 2007.

## 28. Capital grant commitments

The Cabinet Office has the following capital grant commitments to Futurebuilders England Limited in respect of the Futurebuilders programme as at 31 March 2007:

	2006-07 £000	2005-06 Restated £000
Loans offered	60,473	31,338
Less loans drawn	(12,317)	(4,943)
<b>Total loan commitments</b>	<b>48,156</b>	<b>26,395</b>
Grants offered	12,435	5,883
Less grants drawn	(5,331)	(1,669)
<b>Total grant commitments</b>	<b>7,104</b>	<b>4,214</b>
Less cash balance held by Futurebuilders England Limited	(3,241)	(1,730)
<b>Capital grant commitments at 31 March</b>	<b>52,019</b>	<b>28,879</b>

The Futurebuilders programme aims to overcome obstacles to efficient voluntary and community sector service delivery by providing a unique investment model for third sector organisations involving loans, grants and other support under a tri-partite agreement which expires 31 March 2008, between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. This year the Cabinet Office will put out to tender the management of the Futurebuilders programme for a three year period from 1 April 2008.

Spending Review 2002 provided £125 million (then to the Home Office) to the Futurebuilders Fund. Apart from £1 million which was reserved to undertake an evaluation of the programme, £124 million was transferred to the Futurebuilders Trust Account during 2004-05 and 2005-06.

The Cabinet Office has to date, made grants totalling £30.778 million to Futurebuilders England Limited (£16.534 million in 2006-07, £11.078 million in 2005-06 and £3.166 million in 2004-05 - see Note 11). During this period interest has been earned on the Futurebuilders Trust Account (see Note 12) and the balance on it at 31 March 2007 is £99.284 million (see Notes 19 and 30).

Futurebuilders England Limited has reported in its 2006-07 Annual Report and Financial Statements that it has entered into commitments to date of £60 million in respect of loans, against which they have drawn down £12 million and commitments of £12 million in respect of grants against which they have drawn £5 million to make payment to beneficiaries. In addition Futurebuilders England Limited has drawn down £10 million in respect of its overheads, since it has been established.

Futurebuilders England Limited's future commitments represent £55 million, of which £7 million are grants and the remaining £48 million are loans. Net of retained cash, Futurebuilders England Limited has recognised a claim on the Futurebuilders Fund of £52.019 million, which is reflected in the capital grant commitment made by the Cabinet Office (2005-06: £28.879 million). These commitments exist due to the delay between the actual amount drawn down to pay for investments and the initial offer of an investment as approved by their Board. This delay can occur because there are important conditions that need to be met before funds can be distributed.

Further information about Futurebuilders England Limited (Registered company number 05066676) can be found at: [www.futurebuilders-england.org.uk](http://www.futurebuilders-england.org.uk).

## 29. Other financial commitments

The department has entered into non-cancellable contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to IT and payroll services. The payments to which the department is committed during 2007-08, analysed by the period during which the commitment expires are as follows:

	2006-07 £000	2005-06 Restated £000
Expiry within 1 year	8,218	2,238
Expiry within 2 to 5 years	10,575	-
Expiry thereafter	-	-
	<b>18,793</b>	<b>2,238</b>

## 30. Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been omitted from these disclosures.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Cabinet Office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Department had very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Department in undertaking its activities.

### Liquidity risk

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

### Interest rate risk

The Cabinet Office is not exposed to any interest rate risk other than those associated with the management of balances in a commercial bank account for the Futurebuilders Fund to ensure returns provide for the 3.5 per cent cost of capital charge on such balances. See Note 19.

### Foreign currency risk

The Cabinet Office does not conduct any material business denominated in foreign currency and therefore undertakes no significant active management of currency risk.

### Financial liabilities

The Cabinet Office's long term financial liabilities comprise finance leases as set out in Note 20 and provisions as set out in Note 21. A finance lease settlement occurred in June 2007. See Note 27.2.

### Financial assets

The Cabinet Office's financial assets comprise its investments as set out in Note 16 and cash at bank and in hand as set out in Note 19.

### Futurebuilders programme financial assets

As part of the formation of the Office of the Third Sector, the Futurebuilders programme transferred from the Home Office to the Cabinet Office. Further detail can be found at Notes 11, 19, and 28.

The balance on the Trust Account at 31 March 2007 was £99,283,560 (31 March 2006: £114,941,413) of which £912,177 (2005-06: £18,857,484) was held in a current account and the remainder as treasury placements on the GBP Money Market, placed through the Co-operative Bank's treasury for periods of up to three months. The entire balance is recognised in Note 19.

Both the current account and deposit account are interest bearing with interest accumulating for the benefit of the Futurebuilders Fund. This amounted to £5,993,228 in 2006-07 (2005-06: £3,857,500). Interest is recorded as income in Note 12. See Interest rate risk.

A summary of outstanding investments totalling £98,371,383 at 31 March 2007 (all held for three months) is as follows: £27,000,000 at 5.26 per cent maturing on 4 April 2007; £35,376,421 at 5.52 per cent maturing on 25 April 2007; and £35,994,962 at 5.56 per cent maturing on 8 May 2007.

HM Treasury has agreed that interest accumulated can be used to offset the 3.5 per cent cost of capital charge on the Co-operative bank balances.

### Fair values

All financial assets are carried at their fair value.

## 31. Contingent liabilities disclosed under FRS 12

There were no material contingent liabilities at 31 March 2007.

## 32. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

There were no other material contingent liabilities at 31 March 2007.

## 33. Losses and special payments

### 33(a) Losses Statement

	Total number of cases	2006-07 £000	Restated Total number of cases	2005-06 Restated £000
<b>Total</b>	<b>20</b>	<b>31</b>	<b>76</b>	<b>24</b>

### 33(b) Special Payments

	Total number of cases	2006-07 £000	Total number of cases	2005-06 £000
<b>Total</b>	<b>19</b>	<b>55</b>	<b>11</b>	<b>27</b>

### 34. Related-party transactions

The Cabinet Office undertakes the majority of its business with other government departments, public corporations and grant giving bodies. The main recipients of grants from the Cabinet Office in this category in 2006-07 were Futurebuilders England Limited, Capacity Builders (UK) Limited and v (an independent charity), and the main suppliers to the Cabinet Office were the BBC and the Communications Electronics Security Group. The main customers of the Cabinet Office in 2006-07 were the Ministry of Defence, Her Majesty's Revenue and Customs, the Civil Superannuation Vote, the Foreign and Commonwealth Office and the Home Office.

During the year, no minister, board member, key manager or other related parties had undertaken any material transactions with the Cabinet Office.

### 35. Third-party assets

The Cabinet Office did not hold assets on behalf of any other parties during the year.

### 36. Entities within the departmental boundary

The departmental boundary in this context relates to the boundary of the Departmental Resource Accounts.

#### Entities within the departmental boundary

#### Advisory Non-Departmental Public Bodies (NDPBs)

The Cabinet Office sponsors a number of bodies that have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements are separate. These advisory NDPBs provide independent and expert advice to ministers on particular topics of interest. Advisory NDPBs of the Cabinet Office include:

- Advisory Committee on Advertising
- Advisory Committee on Business Appointments
- Better Regulation Commission
- Civil Service Appeal Board
- Committee on Standards in Public Life
- Futurebuilders Advisory Panel
- House of Lords Appointments Commission
- Main Honours Advisory Committee
- Security Commission
- Security Vetting Appeals Panel
- Senior Salaries Review Body

Further information about these advisory NDPBs can be found in the Cabinet Office Departmental Report 2007 at: <http://www.cabinetoffice.gov.uk/reports/annualreport/>.

## **Entities outside the departmental boundary**

Entities outside the departmental boundary which are not consolidated for accounting purposes but are consolidated for budgeting purposes include:

### **Executive Non-Departmental Public Bodies (NDPBs)**

Executive NDPBs are established in statute and carry out administrative, regulatory and commercial functions; they employ their own staff, are allocated their own budgets, are self accounting and produce their own accounts. Executive NDPBs of the Cabinet Office include:

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

Capacitybuilders was established in April 2006 with responsibility for managing the ChangeUp programme for financial years 2006-07 and 2007-08. ChangeUp is a government funding programme, developed with voluntary and community organisations, to build capacity and infrastructure in their sector.

Capacitybuilder's mission is to secure a high-quality, sustainably-funded infrastructure for frontline voluntary and community organisations. This will allow organisations to achieve their aims better and use their resources more effectively. Their vision is of a third sector that is independent, innovative, flexible, responsive and sustainable, and that achieves its full potential in:

- Service delivery;
- Social innovation;
- Policy analysis;
- Campaigning; and
- Exercising its voice or representational role.

The legal form of Capacitybuilders is a Company Limited by Guarantee; it has not been established in statute. Capacity Builders (UK) Limited is led by a board of ten directors. Seven of the directors are ministerial appointments and are non-executive directors.

Copies of the accounts for Capacity Builders (UK) Limited can be found at Companies House (registered company number 05708912).

For further information see: [www.capacitybuilders.org.uk](http://www.capacitybuilders.org.uk).

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

The Commissioner for the Compact, John Stoker, took up office in October 2006, and the Commission was formally launched as an Executive Non-Departmental Public Body and Company Limited by Guarantee during April 2007. During 2006-07, the Commission was a dormant company (registered company number 5932855). It is being established as an independent body sponsored by the Office of the Third Sector, in consultation with Compact Voice. When trading, the Commission will be funded mainly by Grant-in-aid from the Cabinet Office. See Note 37.

## **37. Events after the balance sheet date**

The following post balance sheet events occurred between 31 March 2007 and 24 July 2007, the point at which these accounts were authorised for issue by the Accounting Officer.

### **Directgov**

The move of Directgov from the Transformational Government unit (formerly e-Government unit) to the Central Office of Information (COI) was complete with all but one member of staff having transferred to COI control on 1 April 2006 and Directgov physically moving out of Cabinet Office buildings to Central Office of Information offices in October 2006.

Directgov's income is primarily derived from charging other government departments for its services and during 2006-07 the Cabinet Office continued to be responsible for oversight and management of Directgov funding. This responsibility transferred from the Cabinet Office to COI on 1 April 2007.

In 2006-07 the Cabinet Office, in respect of Directgov funding, received income of £10.8 million from other government departments and had expenditure of £13.3 million. The future funding mechanism for Directgov was resolved as part of Sir David Varney's Service Transformation review where it was agreed that Directgov would receive central funding from the start of the CSR07 period (2008-09).

Directgov is the Government's primary digital service for citizens. It brings together advice, online applications and information in one place, through a variety of channels.

### **Privy Council Office split**

Following a machinery of government review, Sir Gus O'Donnell and the Prime Minister decided that, in order to manage the functions of the Privy Council Office better, these would be split between the Cabinet Office and Department for Constitutional Affairs.

The Cabinet Office welcomed the Lord President's Office, Office of the Leader of the House of Commons, The Office of the Government Chief Whip of the House of Lords and The Office of the Government Chief Whip of the House of Commons on 2 April 2007.

Budgeted expenditure of the four offices is expected to be £4.4 million in 2007-08 and headcount is expected to be 68.

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

The Commissioner for the Compact, John Stoker, took up office in October 2006, and the Commission was formally launched as an Executive Non-Departmental Public Body and Company Limited by Guarantee during April 2007. During 2006-07, the Commission was a dormant company. It is being established as an independent body sponsored by the Office of the Third Sector, in consultation with Compact Voice. When trading, the Commission will be funded mainly by Grant-in-aid from the Cabinet Office.

The aim of the Commissioner is to promote good practice in partnership working between government and the voluntary and community sector through the Compact, overseeing its operation. The Compact on relations between government and the voluntary and community sector, first introduced in 1998, is the framework agreement for how they should work together for mutual benefit. The Commissioner will:

- research key issues and problems;
- publish findings and recommendations;
- investigate the position on Compact adherence;
- work with Government Departments and others to assess their systems for ensuring Compact compliance and advise on how to embed the Compact in their corporate cultures; and

- make advice and information on best practice available to Compact partners at all levels in both sectors.

Further information can be found at: [www.thecomcompact.org.uk](http://www.thecomcompact.org.uk)

In the run-up to the launch of the Commission in 2006-07, the Cabinet Office incurred expenditure on implementation and other costs. Budgeted expenditure of the Commission in 2007-08 is £1.7million.

### **Futurebuilders**

The Futurebuilders programme is currently managed under a tri-partite agreement between the Minister for the Cabinet Office, The Charity Bank Limited and Futurebuilders England Limited. The Agreement initially ran until 2 June 2007, with a one year extension agreement signed on 22 June 2007 taking the Agreement to 31 March 2008. The Minister for the Cabinet Office decided that the management of the Fund should be the subject of competitive re-tendering during 2007 with a view to awarding a new contract to manage the Fund commencing 1 April 2008. See Notes 11, 19, 28 and 30.

### **Better Regulation Executive**

The Prime Minister announced on 28 June 2007 the transfer of the Better Regulation Executive (BRE) to the newly established Department for Business, Enterprise and Regulatory Reform. The BRE will move from the Cabinet Office to form part of this department along with functions from the former Department of Trade and Industry. The new department will work across government and with regulators and consumer groups to minimise regulatory burdens while maintaining policy outcomes. Transfer arrangements are currently in progress. The Local Better Regulation Office (see below), which falls under the remit of the BRE is also covered by this announcement.

### **Local Better Regulation Office**

The Hampton Review recommended that action needed to be taken to make inspection and advice services of local authorities and national regulators more consistent across the country, and recommended that a Consumer and Trading Standards Agency be created to coordinate this work. In the Pre-Budget Report (December 2005), it was announced that the Government intended to proceed through the creation of a new Local Better Regulation Office (LBRO).

LBRO has been established as a company limited by guarantee before being converted to a statutory corporation. It formally became a company on 4 May 2007. As a company, LBRO will not have any statutory powers. However, setting up LBRO in this way now means that the momentum generated by the Hampton Review can be maintained and in partnership with local authorities, make a real and immediate difference to the delivery of local authority regulatory services. LBRO will also have a programme budget of £2.7 million in 2007-08 to support trading standards and environmental health services in driving forward best regulatory practice and innovative approaches. The LBRO transfers out of the Cabinet Office along with the BRE.

### **Prime Minister's Delivery Unit**

The Prime Minister announced on 28 June 2007 the transfer of the Prime Minister's Delivery Unit (PMDU) to HM Treasury. PMDU will continue to be based at HM Treasury. It will report jointly to the Prime Minister and the Chancellor, and it will continue to work closely with No.10, Cabinet Office, HM Treasury officials and departments on the critical priorities and actions needed to strengthen delivery across government, and on the reform of key public services. This move recognises the success PMDU has achieved in helping departments to meet key delivery objectives for public services. In future, PMDU will work on delivery of the full range of new cross-departmental PSAs emerging from the 2007 Comprehensive Spending Review. Transfer arrangements are currently in progress.

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

The Deputy Prime Minister's Office (DPMO) was established as a separate government department in May 2006 and abolished as part of the ministerial reshuffle on 28 June 2007. Most of the staff of

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the former DPMO have returned to the Department of Communities and Local Government, their former home department. The remainder are engaged in closing down the department and transferring its budget and residual responsibilities to the Cabinet Office. This is likely to be completed by 27 July 2007.

### **38. Corresponding Amounts**

During the financial year 2006-07, the following changes took place:

#### **Transfers into the Cabinet Office:**

On 5 May 2006, the Social Exclusion Task Force transferred in from the Department for Communities and Local Government. The net operating costs and the general fund have increased by £1.083 million and £0.033 million respectively. The headcount has increased by 19.

On 5 May 2006, the Active Communities Directorate transferred from the Home Office to form part of the Office of the Third Sector. On 5 May 2006, the Social Enterprise Unit transferred from the Department of Trade and Industry to form part of the Office of the Third Sector. The total net operating costs have increased by £108.050 million and the general fund has increased by £114.897 million. The headcount has increased by 56.

#### **Transfers out of the Cabinet Office:**

On 5 May 2006, certain functions of the Deputy Prime Minister were transferred to the Deputy Prime Minister's Office. Nil effect on the operating cost, general fund and headcount.

On 1 September 2006, the Equalities Review Team transferred to the Department for Communities and Local Government. The net operating costs have decreased by £0.097 million and the general fund has increased by £0.029 million.

On 30 September 2006, the Civil Service Statistics function transferred to the Office of National Statistics. The net operating costs have decreased by £0.568 million. The headcount has decreased by 7.

On 31 October 2006, the Office of Public Sector Information transferred to The National Archives. The net operating costs have decreased by £1.878 million and the general fund has increased by £0.107 million. The headcount has decreased by 26.

On 1 January 2007, the National School of Government transferred out to become a non-Ministerial department in its own right. The net operating costs have increased by £1.521 million, the general fund has decreased by £14.265 million and the revaluation reserve has also decreased by £2.195 million. The headcount has decreased by 271.

On 1 April 2006, the Media Monitoring Unit transferred to the Central Office of Information. The net operating costs have increased by £0.017 million and the general fund has increased by £0.022 million. The headcount has decreased by 12.

The table below summarises the impact of the transfers on corresponding amounts.

The Department's objectives in 2006-07 differed to those in 2005-06. Therefore, the restated effect of machinery of government changes on the operating costs by departmental aim and objective in 2005-06 has not been detailed below. The significant impact on the Department's operating costs was the transfer in of the Office of the Third Sector, the effect of which is upon objectives 2 and 3.

	2005-06 Published Resource Accounts £000	Machinery of government transfers and adjustments £000	2005-06 Restated £000
<b>Operating Cost</b>			
<b>Expenditure:</b>			
Staff costs	101,483	(8,836)	92,647
Non staff costs excluding programme grants	210,682	(13,505)	197,177
Programme grants	5,305	103,690	108,995
<b>Total expenditure</b>	<b>317,470</b>	<b>81,349</b>	<b>398,819</b>
<b>Income:</b>			
Administration income	(59,973)	30,637	(29,336)
Programme income	(40,308)	(3,858)	(44,166)
<b>Total income</b>	<b>(100,281)</b>	<b>26,779</b>	<b>(73,502)</b>
<b>Total Net Operating Cost</b>	<b>217,189</b>	<b>108,128</b>	<b>325,317</b>
<b>Balance Sheet</b>			
Tangible assets	227,848	(16,743)	211,105
Intangible assets	220	33	253
Investments	436	-	436
Stocks	606	-	606
Debtors	25,965	(1,894)	24,071
Cash at bank and in hand	7,574	112,754	120,328
Creditors	(66,846)	4,405	(62,441)
Provisions for liabilities and charges	(7,053)	73	(6,980)
	<b>188,750</b>	<b>98,628</b>	<b>287,378</b>
<b>Taxpayers' equity:</b>			
General fund	148,428	100,823	249,251
Revaluation reserve	36,160	(2,195)	33,965
Donated asset reserve	4,162	-	4,162
	<b>188,750</b>	<b>98,628</b>	<b>287,378</b>
<b>Average number of persons employed:</b>			
Permanent staff	1,731	(241)	1,490
Others*	253	(3)	250
Ministers	2	-	2
Special advisers	29	-	29
<b>Total</b>	<b>2,015</b>	<b>(244)</b>	<b>1,771</b>

\*Others' category represents agency/temporary staff.



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