



Cabinet Office

Annual Report and Accounts
2015-16



Cabinet Office

Annual Report and Accounts 2015-16 (for year ended 31 March 2016)

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Annual Report presented to the House of Commons by Command of Her Majesty

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This is part of a series of departmental publications which, along with the Main Estimates 2015-16 and the document Public Expenditure: Statistical Analyses 2016, present the Government's outturn for 2015-16 and planned expenditure for 2015-16.



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DIRECTOR'S REPORT

Foreword



John Manzoni
Chief Executive of the Civil
Service, Permanent Secretary
and Accounting Officer for the
Cabinet Office

The Cabinet Office supports the Prime Minister and Cabinet, and ensures the effective running of government. This organisation was formed when David Lloyd George established the War Cabinet and its secretariat: the Cabinet Office, in 1916. We are taking time over the course of this centenary year to celebrate and hear some of the fascinating stories and achievements from our history.

The 2015-16 financial year saw the arrival of a new ministerial team, including Matt Hancock as Minister for the Cabinet Office and Oliver Letwin as Chancellor of the Duchy of Lancaster. I took up the position of Chief Executive of the Civil Service on 13 October 2014 and was appointed Permanent Secretary and Accounting Officer for the Cabinet Office on 29 August 2015. Over the course of the 2015-16 year Elizabeth Gardiner was appointed First Parliamentary Counsel; Mark Fisher led out the new Office for Civil Society and Innovation, and the UK Governance Group was formed under the leadership of Philip Rycroft.

This year we have forged ahead with plans to transform government, making it more effective and efficient and increasing capability. Our work spans a diverse set of areas: support the Prime Minister and the Cabinet; drive efficiencies and reforms to make government work better, build a stronger civil society; build a more united democracy; and secure the United Kingdom at home and abroad. While we can reflect on the past year with a sense of pride in our achievements, we also look forward to continuing to progress and deliver all of the objectives in our Single Departmental Plan.

The Cabinet Office is successful because of its people – highly talented, committed and innovative civil servants, who have a range of backgrounds and experiences across the public and private sector. We continue to build capability and develop a diverse workforce that is representative of modern Britain.

Richard Heaton held the positions of Permanent Secretary and Accounting Officer until 28 August 2015.

Ministers and Non-Executive Board Members as at 31 March 2016

Ministers



The Rt Hon. David Cameron, First Lord of the Treasury, Minister for the Civil Service, Prime Minister



*The Rt Hon. Oliver Letwin, MP
Duchy of Lancaster*



*The Rt Hon. Matt Hancock,
Minister for the Cabinet Office
and Paymaster General*



*The Rt Hon. Chris Grayling MP,
Leader of the House of
Commons, Lord President of the
Council*



*Rob Wilson, Minister for Civil
Society*



*Lord Bridges of Headley,
Parliamentary Secretary for the
Cabinet Office*



*Robert Halfon MP, Minister
without Portfolio*



*Mark Harper MP, Chief Whip
(Parliamentary Secretary to the
Treasury)*



*John Penrose, Parliamentary
Secretary (Minister for
Constitutional Reform)*



*Lord Taylor of Holbeach CBE,
Lords Chief Whip and Captain of
the Honourable Corps of
Gentlemen at Arms*



*Rt Hon. Baroness Stowell of
Beeston, Lord Privy Seal and
Leader of the House of Lords*

*The following ministers left office during the 2015-16 financial year:
Nick Clegg MP, Deputy Prime Minister and Lord President of the Council until 8 May 2015
William Hague MP, First Secretary of State, Leader of the House of Commons until 8 May 2015
David Laws MP, Minister of State (jointly with DFE) until 8 May 2015
Tom Brake MP, Parliamentary Secretary (Deputy Leader), Assistant Government Whip, HM Treasury until 8 May 2015
Francis Maude, Minister for the Cabinet Office and Paymaster General until 11 May 2015
Greg Clark MP, Minister for Universities, Science and Cities until 11 May 2015
Jo Johnson MP, Minister of State until 11 May 2015*

Non-Executive Board Members



Sir Ian Cheshire, Non-Executive Board Member, Lead Non-Executive Member from 22 March 2016



Amy Stirling, Non-Executive Board Member, Chair of the Audit and Risk Committee



Catherine Brown, Non-Executive Board Member, Chair of the People Committee from 2 November 2015



Paul Kirby, Non-Executive Board Member from 7 September 2015

Past Non-Executive Board Members



Mark Price, Non-Executive Board Member from 3 November 2015– 10 February 2016



Ian Davis, Cabinet Office Lead Non-Executive Board Member to 22 March 2016

The role of the Non-Executive Members of the Board is set out in *Enhanced Departmental Boards: Protocol* published on the Cabinet Office website. Members provide influence and advice, supporting as well as challenging the executive. They advise on performance, operational issues and effective management of the Department. They also provide support, guidance and challenge on the progress and implementation of departmental plans, and in relation to recruiting, appraising and ensuring appropriate succession planning of senior executives.

Members form the Cabinet Office Audit and Risk Committee and the People Committee. To share best practice and to ensure that departments learn from the successes and failures of comparable organisations, they regularly meet with other non-executives across government.

Permanent Secretary's perspective on performance

I joined the Cabinet Office at a time of great change - a new government, a fresh spending review and a portfolio that needed to deliver more efficiently and effectively than ever before; a time of challenge, and of opportunity. This required a realistic and dynamic approach to structure and planning to ensure the continued provision of key government programmes and to enhance outcomes well into the future.

Planning is the first step to optimal performance and so during the year we worked closely with HM Treasury and departments to improve departmental planning through the introduction and online publication of 17 Single Departmental Plans.

High quality legislation remained an important output for the department, with 23 Bills passing through Parliament and receiving Royal Assent in the first session. Notably on 23 October 2015 we delivered English Votes for English Laws. Working across government, we aimed to secure a new settlement to give the UK a special status in a reformed European Union (EU). On 19 February 2016 a package was agreed at EU level, which would have revised the terms of Britain's membership of the EU subject to a referendum on 23 June 2016. The agreement lapsed after the British people voted to leave the EU.

The Department was responsible for a number of high profile events including the UK Government hosting of the 25th Ministerial Summit of the British-Irish Council in November 2015 and the preparation across government for the Prime Minister's Anti-Corruption Summit, held in May 2016. In July 2015 the Cabinet Secretary launched 'Devolution and You' with over 150 events taking place across the UK.

During the year, the Department continued to coordinate efforts to keep Britain secure, working with departments and agencies to evaluate and respond to threats at home and abroad. Through the National Security Secretariat it supported the effective operation of the National Security Council while coordinating the Government's response to domestic crises, including operation of the national crises response mechanism, COBR and national cyber security.

Through the Office of Civil Society and Innovation (OCSI) we continued to grow the National Citizen Service programme and will now embark on a further significant expansion to accommodate up to 360,000 participants by 2020-21. OCSI has distributed £10 million LIBOR [London Interbank Offered Rate] funds over 2014-15 and 2015-16 to create new units for uniformed youth groups through the Youth United Foundation; launched the Virgin Money Foundation; distributed more than £2 million of LIBOR funding through the Blue Lights Mental Health programme; and more than £9 million to support Air Ambulances.

Efficiency savings across government continued to be a high priority for the Department. The Government Property Unit secured savings across the Government estate, with annual running costs now reduced since 2010 by nearly £750 million, and £1.8 billion of capital receipts raised. The Government Digital Service began development of GOV.UK Notify and GOV.UK Pay and delivered the identity platform GOV.UK Verify, taking it through public beta with 500,000 users identified. The Department also set up Crown Hosting Data Centres, which is expected to save £105 million in IT spend over its first seven years; while the work of Fraud Error and Debt resulted in savings of more than £1 billion in the 2015-16 financial year. In 2015-16 we also completed the Public Bodies Reform programme, cutting costs by £3 billion over the 5 year programme and reducing the number of bodies by a third.

The Infrastructure and Projects Authority (IPA) was established on 1 January 2016, a unique venture, reporting jointly to HM Treasury and the Cabinet Office. Bringing together the existing functions of the Major Projects Authority and Infrastructure UK, the IPA now forms a new centre of expertise at the heart of government.

There have also been challenges. During the year, MyCSP, which manages the main Civil Service pension schemes, encountered significant operational issues. We are improving the control environment and the Department's management of the contract. The Department has also acknowledged difficulties reported by the National Audit Office (NAO) in the shared services programme, including the need to provide clear leadership to encourage the necessary collaboration across departments. We are reaching settlements with suppliers to reset the programme, and have introduced new governance and leadership. A Ministerial Direction was made last year in connection with a grant to Kids Company, a charity which closed shortly afterwards. While further legal discussions on recovering some of this grant are continuing, we have undertaken a wide-ranging reform of the governance surrounding grants across government.

I have provided just a small sample of the Department's achievements for the year. The Annual Report which follows attests to the success of our endeavours across the Department, through the expertise, commitment and flexibility of civil servants at all levels. As a department we recognise that there is great strength in our diversity, so this year we appointed a departmental diversity champion and launched a new Cabinet Office induction programme with integrated diversity and inclusion themes.

John Manzoni, Chief Executive of the Civil Service and Cabinet Office Permanent Secretary

Performance report by Cabinet Office Lead Non-Executive Board Member

The past 12 months have brought significant change for the department. We welcomed both a new ministerial team under Matt Hancock and Oliver Letwin, and a new Permanent Secretary, with John Manzoni replacing Richard Heaton and combining leadership of the Cabinet Office with his role as Chief Executive of the Civil Service.

The election and subsequent Spending Review also heralded a number of organisational changes, including the formation of the UK Governance Group under Philip Rycroft and the creation of the Office for Civil Society and Innovation under Mark Fisher.

During 2015-16, the Board reviewed and provided strategic steers on a number of policy and corporate change initiatives, including how the Department itself is governed.

Board membership

This year saw a refresh of the membership as the new Ministerial team joined the Board. Matt Hancock became chair and Catherine Brown, Mark Price, Paul Kirby and I joined the Board, taking the non-executive membership to six (including Ian Davis and Amy Stirling). As well as serving on the Board, Cabinet Office non-executives use their expertise to support the Department on specific issues, and particularly through their work with the sub-committees. Catherine Brown and Paul Kirby

joined the newly formed People Committee, which is chaired by Catherine. In addition, Amy Stirling chairs the Department's Audit and Risk Committee – also attended by Mark Price and Catherine Brown.

Ian Davis left the Board at the end of the 2015-16 financial year and I have taken over lead non-executive responsibilities on a temporary basis. Mark Price left the Board in February to take up a role as Minister of State for Trade and Investment, jointly at the Foreign and Commonwealth Office (FCO) and the Department for Business, Innovation and Skills (BIS).

Board effectiveness

The Board met four times during the 2015-16 financial year (July, October, December and March), focusing on the Department's governance, Spending Review negotiations, operating model and key policy initiatives. The Board also oversaw a push to improve departmental management information to strengthen performance reporting and risk assessment.

Looking ahead to the next financial year, I am confident the Board will build on the achievements of the past 12 months and continue providing advice and scrutiny to help the Department achieve its overall goals and objectives.

Sir Ian Cheshire, Cabinet Office Lead Non-Executive Board Member

PERFORMANCE REPORT

Support the Prime Minister and the Cabinet

The Department monitors performance through a monthly data collection and assurance process coordinated by Strategy, Finance and Human Resources, which examines progress against manifesto commitments, and other objectives, milestones and performance measures set out in the Single Departmental Plan (SDP) as well as data on the Department's projects, financial and workforce position. Departmental performance is reported to the Executive Committee monthly.

The Cabinet Office supports the Prime Minister and Cabinet to deliver the Government's commitments to the British people. Its SDP outlines four key areas of activity which will ensure delivery of this objective:

- Establish, implement and communicate the Government's strategic priorities.
- Support the effective operation of the Cabinet and Cabinet committees.
- Draw up and facilitate the delivery of the Government's legislative programme.
- Ensure public appointments are filled by the best people and that they act in the right way.

Establish, implement and communicate the Government's strategic priorities

The Implementation Unit continued to track delivery against the Government's programme, providing regular updates to the Prime Minister, senior Ministers and officials.

The Department worked closely with HM Treasury and departments to improve departmental planning through the introduction and online publication of 17 Single Departmental Plans. In these plans each department has set out the key commitments and programmes it is responsible for delivering on behalf of the Government, matched to the financial resources it has been allocated.

The Cabinet Office supported a number of departments in setting up their own Implementation Units, reporting to that department's Secretary of State. These departmental units follow the same principles and frameworks as the Implementation Unit within the Cabinet Office, with strong links between the two, and share the aim of improving implementation capability across their own departments.

Support the effective operation of the Cabinet and Cabinet committees

Private Office Group continued to provide support to Cabinet Office Ministers, the Cabinet Secretary and Head of the Civil Service, and the Chief Executive of the Civil Service.

The Department has provided the Cabinet, Cabinet committees and Implementation Task Forces with an effective secretariat role, and supported the smooth passage of advice and decisions between departments and the centre, and vice versa. During 2015-16, 11 Implementation Task Forces were established on key government priorities and chaired by the Prime Minister or Government Ministers.



Through the European and Global Issues Secretariat, the Department continued to coordinate international economic policy across government, including delivery of the Prime Minister's priorities at the G7 and G20 summits, and led the preparation across government for the Prime Minister's Anti-Corruption Summit, held in May 2016.

The Cabinet Office, working across government, secured a new settlement for the UK in a reformed EU. On 19 February 2016 a package was agreed at EU level, which would have revised the terms of Britain's membership of the EU. A referendum on the UK's membership of the EU was held on 23 June 2016 in which the British people voted to leave the EU.

Delivery of the Government’s legislative programme

In 2015-16 the House of Commons and House of Lords Business Managers, the Office of Parliamentary Counsel, and the Parliamentary Business and Legislation Committee Secretariat supported the Government to produce high quality legislation, working closely with departments to translate policy into clear, effective and readable law. In the first session of this Parliament 23 Government Bills passed through Parliament and received Royal Assent.

Ensure public appointments are filled by the best people and that they act in the right way

In line with the SDP, throughout 2015-16 the Propriety and Ethics Team and the Centre for Public Appointments worked to ensure that the highest standards of propriety and conduct within government and public life were maintained and that the best people were appointed to public office.

The Government has set an aspiration that over the course of the Parliament 50% of new public appointments are filled by women, and a wider diversity of candidates in terms of ethnicity and disability are appointed. During 2014-15 44% of new public appointments were made to women, an increase of 5% from the previous year. The figures for 2015-16 will be available shortly.



The Honours and Appointments Secretariat supported and facilitated a fair and diverse honours system, taking honours nominations through a process of scrutiny by nine independent honours selection committees prior to final submission to the Prime Minister and Her Majesty The Queen.



Dr. Pamela Ayewoh-Bernard MBE

In The Queen’s Birthday Honours List 2015 the majority of recipients were female (51%) equalling the previous peak at New Year 2014.

During 2015-16 the Privy Council Office was responsible for the administrative arrangements for the appointment of 14 Ministers by The Queen in Council, 28 new Privy Counsellors and 34 appointments to statutory healthcare bodies and the Architects Registration Board. It also processed 113 Statutory Instruments; 121 Orders in Council; 68 Orders of Council and 31 Royal Proclamations.

Other reporting

During 2015-16 88% of Freedom of Information cases were answered within the required statutory timeframes. Between May 2015 and March 2016 83% of Parliamentary Questions were answered within parliamentary timeframes, compared to 97% the previous reporting year. 70% of MPs’ and Peers’ correspondence was answered within 15 working days during the 2015 calendar year, compared to 69% in 2014.

The Parliamentary and Health Service Ombudsman received 14 complaints about the Cabinet Office in 2014-15 and accepted one for investigation, which was not upheld.

Drive efficiencies and reforms that make government work better

The new Parliament set out tough challenges for all departments which provided an opportunity to do things differently. Some transformation will be driven by departments and other areas will need collective action. The Civil Service Group (CSG) has developed a vision that provides a clear purpose and an overarching framework for government. This is a positive vision of what the Civil Service will look like by 2020 structured around four themes: Improved Outcomes, Effective Leaders, Skilled People, and A Great Place to Work. In line with our SDP we will continue to embed this vision with senior leadership across the wider Civil Service. A supporting programme of work will be regularly monitored by CSG to track implementation.

This year the Cabinet Office has taken a range of actions to drive efficiency and reform, and ensure the Government's commitment to delivering efficiency savings of £15-20 billion over the course of this Parliament is achieved, including:

- The merger of the Major Projects Authority (MPA) with Infrastructure UK (IUK). This will strengthen the assurance and support afforded to departments and project teams.
- The introduction of Single Departmental Plans. These will aid departments in ensuring they have the right resources, and that they deploy them where they are most needed.
- Improvement of recruitment and training. This will ensure government has the necessary commercial and leadership skills in house.
- A review of the Government's strategy for IT contracts. This will identify where significant savings could be realised.

Alongside this range of actions, the Cabinet Office has continued to actively support departments in making efficiencies through the work of Cabinet Office functional teams.

Major Projects Authority/ Infrastructure UK

The Government has plans to secure £100 billion of investment in UK infrastructure by the end of this Parliament; transform the way government provides services to its citizens; build the equipment necessary to secure the defence of the nation; and

make the UK Government a global leader in digital and technology services.

The Infrastructure and Projects Authority (IPA) was established on 1 January 2016, a joint venture, reporting to the HM Treasury and the Cabinet Office, and bringing together the existing functions of the MPA and IUK to form a new centre of expertise at the heart of government. The Major Projects Leadership Academy and Project Leadership Programme both continue to thrive with 180 senior project leader graduates. In September 2015 IPA launched the Project Delivery Fast Stream.

Commercial Models

Commercial Models (CM) has been instrumental in creating new businesses from government assets and services. Axelos, created from the Best Management Practice team in Cabinet Office, is now a successful global business, and the Behavioural Insights team, originally a policy team in Cabinet Office, is a rapidly expanding business with more than 65 employees, and offices in New York, Singapore and Sydney.¹ In partnership with the Government Digital Service, CM set up Crown Hosting Data Centres. This is expected to save £105 million in IT spend over its first seven years.

Public Bodies Reform

In 2015-16 the Cabinet Office published the results of its Public Bodies Reform Programme which cut costs by £3 billion over the 5 year programme and reduced the number of bodies by a third. It developed a revised strategy to further streamline the landscape during 2016-20 and ensure remaining bodies are effective, efficient and well-governed. A core part of the strategy is the review of all public bodies at least once in the life of each Parliament. In addition, the Cabinet Office has developed a simpler, clearer approach to the classification of public bodies and published information and guidance in April 2016. It also continued to provide a centre of excellence to promote consistent and coherent governance across the landscape.

¹ < www.behaviouralinsights.co.uk/publications/the-behavioural-insights-team-update-report-2013-2015/ >.

Fraud Error, Debt and Grants (FEDG)

The successful work of FEDG had an impact of £1 billion in 2015-16. These savings have been secured through established programmes and new initiatives such as the Debt Market Integrator (DMI) which was launched this year, enrolling 5 Departments between July 2015 and March 2016. Through the new DMI collection platform, £96 million has been collected so far, an increased yield of £29 million. In 2016-17 it is expected that £319 million will be collected with an increased yield of £130 million, and further expansion of services across the broader public sector is planned. Working with experts across Government and wider sectors, FEDG completed capability standards for fraud investigation and intelligence activity. It launched a new initiative to prevent the employment of fraudsters in Government, and piloted new data analytics initiatives and projects to identify areas of risk and actual loss from fraud error and debt.

The Grants Efficiency Programme in close collaboration with departments has made significant progress in improving the efficiency and effectiveness of grant funding across government. The programme has established the Government Grants Information System (GGIS) as the single repository of grants data in government providing real insight into grant spend; supporting fraud and error detection; and improving transparency. The Grants Centre of Expertise (GCoE) has also been developed to provide online expert guidance and training to build capability in grant making across government.

To date, we estimate a cumulative saving of £21.4bn.



*2015-16 subject to audit

Next Generation Shared Services

The Department has acknowledged the difficulties in the programme highlighted by the NAO, in particular the failure to provide clear leadership to encourage the necessary collaboration across departments. In response, the programme is strengthening its leadership and working to deliver common business

processes and use of a common platform. It will ensure departments comply with key milestones, helping to bring another 80,000 staff on to the platform by the end of the year. HM Government has been in negotiations with the shared service suppliers over a number of additional costs. These negotiations are close to being concluded.

Communications

Our investment in the GREAT Britain campaign has already generated more than £1.8 billion for the UK to date, with a further £2.2 billion in the pipeline. Cabinet Office Communications has worked closely with a number of departments to help implement campaigns successfully.

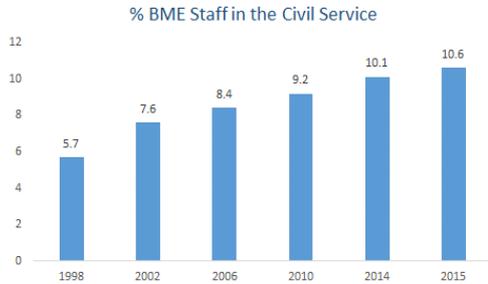


Through our Government Communications Service (GCS) leadership role the Department delivers a world-class standard of government communication both domestically and internationally, such as through the GCS International service that has recently supported diplomatic and development objectives for NATO and in Tunisia, Georgia and other countries. The single communications budget work led by the Cabinet Office has provided a forward look on over 90 cross-department campaigns planned in 2016-17, and set an excellent precedent for how we plan and agree annual communications priorities in the future.

Civil Service Human Resources

In line with our SDP, a key focus for the past year has been driving forward a range of workforce and people priorities, following the General Election. Achievements include setting an example for employers on apprenticeships, social mobility and name blind recruitment. We have recently appointed a new Chief People Officer to lead the function across government. For 2016-17 the Cabinet Office's focus will be on effective functional capability development and deployment; getting the basics right; and delivering a coherent plan to build an inclusive Civil Service workforce, ensuring the Civil Service is a highly skilled, diverse and efficient organisation, with effective leaders at all levels.

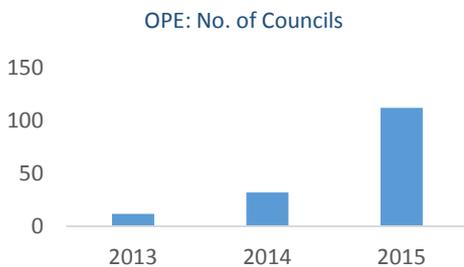
In March 2015, 10.6% of civil servants were Black and Minority Ethnic (BME), an increase of 0.5% since March 2014. In the same period the number of civil servants declaring a disability rose to 8.9%. We have continued to increase the proportion of Senior Civil Servant (SCS) posts held by women, which in March 2015 was 38.6%, an increase of 4.3% since March 2009.



The Cabinet Office is coordinating the delivery of a talent action plan that aims to increase diversity in the SCS and its talent pipeline. This work includes engaging stakeholders on the development of a set of measures for employers to understand the socio-economic backgrounds of their workforces and applicant pools. We will be piloting the potential measure over the summer of 2016 with all SCS. This is part of a strategy to broaden access to the Civil Service by allowing us to understand how successful our policies are.

Government Property Unit

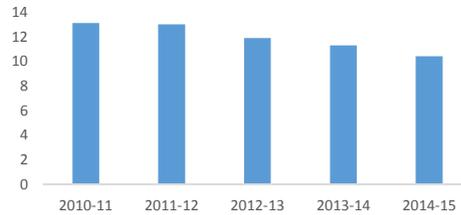
One Public Estate (OPE) now covers over one third of English local authorities, with 107 councils joining in 2015 alone. The programme will expand even further over the next two years, aiming to cover 95% of councils by 2018, and will continue to focus on collaboration between larger clusters of councils delivering transformational property-led projects.



Since 2010, annual running costs of the Government estate have fallen by nearly £750 million, with £1.8 billion of capital receipts raised, while the space per Full Time Equivalent (FTE) employees has reduced by 20%, from 13 square metre per FTE to 10.4sq.m. The New Property Model is undergoing detailed planning

prior to launch in April 2017, and the Government Hubs Programme work is well under way with detailed locality strategy discussions taking place with all departments and a forward programme being established.

Square Metre per FTE



Government Digital Service (GDS)

In 2015-16 GDS established a new data programme, improving the way we manage government data with common standards and tools, and through building canonical registers. In February 2016, the programme launched its first canonical register in collaboration with the Foreign Commonwealth Office (FCO). During the year GDS also set up a new Government as a Platform (GaaP) programme to start work on building GOV.UK Pay (a service to take payments from the public) and GOV.UK Notify (a service to notify the public about the progress of their transactions with government).

GDS established the Common Technology Services (CTS) programme to standardise the way departments and agencies use technology. In addition, the CTS team continued to support departments with the exit of major IT contracts, to accelerate their digital transformation which will result in efficiencies sooner.

During 2015-16 GDS has continued to support departments to improve digital standards across government, with 20 exemplar projects going live. GDS has also improved existing platforms, such as GOV.UK, the Government's national digital infrastructure and publishing platform. The Digital Marketplace, the framework to make it easier for government to buy digital services, announced at the start of 2016 that it had recorded sales of more than £1 billion, of which just over half (£512 million) went to Small, and Medium Enterprises (SMEs).

GOV.UK Verify, the platform for users to authenticate themselves when using government services, went from public beta to live on 24 May 2016. In the past reporting period, it was used 1.3 million times, with 500,000 identities verified by eight different identity companies (including Barclays, Royal Mail, Experian and others), which allows 90% of the public to be able to use Verify.

Commercial

Over the past 12 months, the central commercial teams have worked to improve commercial capability across the Civil Service. We have developed a single employer model, the Government Commercial Organisation, which will help to build capability by making commercial a valued and respected career path within the Civil Service. We have increased the amount of commercial learning and development opportunities available across the Civil Service with learning opportunities reaching more than 72,000 users; - more than 600 SCS having undertaken the Commercial Skills for Leaders course. The Cabinet Office met the target set in the Capabilities Plan to deliver 3,000 commercial masterclasses to all staff by the end of 2015. These initiatives, together with the publication of the Commercial Standards in February 2016, have contributed to a significant growth in awareness of commercial skills across departments.

The central commercial teams have improved our overview of government contracts and supplier relationships. In 2015-16 they provided specialist expertise and support to departments on 40 major contract negotiations and dispute resolutions. We have recently appointed a new Government Chief Commercial Officer to lead this function across government. Within the Cabinet Office, a Strategic Partnering Programme will radically improve the value HM Government obtains from its key commercial relationships. Capita was a pilot and it is planned this will be extended to major strategic suppliers before the end of 2016.

Senior Commercial Specialists have been recruited from the private sector to bolster existing commercial capability in departments, with an ongoing campaign to recruit more. The central commercial teams launched a new Commercial Fast Stream with 60 successful applicants being placed in departments in September 2015.

Throughout the year the Crown Commercial Service (CCS) continued to bring together policy, advice and direct buying to enable central government and the wider public sector to make savings, achieve value for money, and improve the service delivery for common goods and services across government. For example, the Commercial Accelerator Programme delivered £282 million of savings across central government with the largest benefits delivered in MOD (£83 million), DWP (£52 million), BIS (£25 million) and HO (£20 million).²

² More information on the performance of CCS is available in the CCS Annual Report and Accounts.

³ Figures are based on the following declaration rates: 42% of employees declared their ethnicity; 33% of employees

Better Regulation Executive

Through the Cutting Red Tape Programme, a joint Cabinet Office and BIS initiative, the Government is committed to a programme of reforms that will develop a clear approach to policy, creating a more joined up approach to regulation simplifying processes and rules while adopting a more risk-based, proportionate approach to compliance.

As part of this programme we are working with departments, regulators and businesses to identify savings to contribute to the Government commitment to cut a further £10 billion of red tape over the next Parliament, and in doing so reduce barriers to growth and productivity. In the Government response phase of each review we are supporting and challenging departments to address - at pace and with high ambition - the issues raised by industry, and quantifying the impacts and savings of their proposed reforms. During the implementation of the proposed reform, we are working collaboratively with the Better Regulation Executive, departments and regulators to make sure implementation is on target and delivers against the twin objectives of the business impact target and business perception.

Diversity, inclusion and corporate social responsibility

Our influence across government makes us a role model for the entire Civil Service. Therefore the Cabinet Office must lead the way in delivering cultural change by embedding our diversity and inclusion strategy into business activity. In 2015-16, of those declaring their ethnicity in the Cabinet Office, the proportion of Black and Minority Ethnic (BME) staff rose to 17% from 15% in 2014-15; and of those declaring their disability status, the proportion of staff declaring they were disabled rose to 8% from 7% in 2014-15.³

We need to ensure that we represent modern Britain as a diverse and inclusive workforce. This means embracing difference, and being inclusive as well as taking positive action to ensure that we become more diverse. By celebrating different points of view and cultures we will achieve excellence in innovation and different ways of thinking. Our ambition is to ensure that everyone feels they are treated fairly and are given the same opportunities to excel. Our leaders should truly value and encourage their staff so that our most talented individuals can rise through the organisation.

declared their disability status. The department will continue its work on encouraging increased declaration rates.

This year saw the appointment of the departmental diversity champion as a substantive Executive Committee Member and diversity and inclusion became a standing agenda item at the Executive Committee. We also launched a new Cabinet Office induction programme with integrated diversity and inclusion themes. Five employee networks were assigned SCS champions. In September 2015 the Cabinet Office participated in National Inclusion week, hosting 15 diversity and inclusion events, including speed mentoring and *Bring your whole self to work* discussion groups. We also launched the Cabinet Office mentoring service which will help to give support and advice on career progression and individual skills.

The Cabinet Office has an established *WorkWell* programme aimed at improving the well-being, resilience and health of staff. This year we have supported the launch of a staff listening service, return to work coaching for parents and delivered targeted resilience sessions to enable senior managers to deal with bullying and harassment issues.

During the year we created a mutually beneficial skills sharing partnership with our charity of the year, Carers UK. We shared the expertise found in the professional functions within the Cabinet Office and Carers UK provided support in refreshing our Carers Network. Thanks to the fantastic generosity of Cabinet Office staff we also raised £4,600 for the charity.

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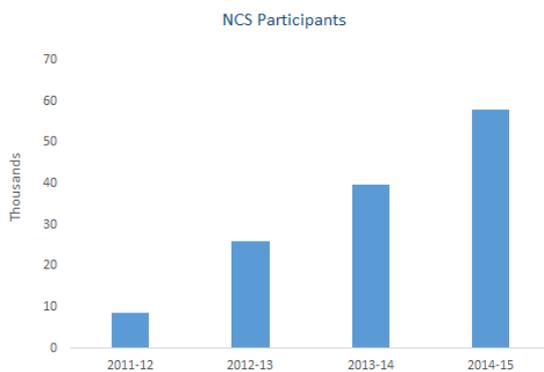
Build a stronger civil society

The Office for Civil Society and Innovation (OCSI) is responsible for building a stronger society via two key objectives:

- Support young people to be involved in their communities and promote social action.
- Support social investment, innovation and an independent and capable voluntary sector.

Support young people to be involved in their communities and promote social action

By delivering the National Citizen Service, OCSI will ensure that young people have opportunities to build skills to help them fulfil their potential. An evaluation of the 2014 programme showed benefits to the participants.⁴ In partnership with the NCS Trust, we are committed to deliver 360,000 placements in 2020-21.



By 2020 the Step up to Serve #iwill campaign aims to increase participation in youth social action among 10-20 year olds by 50%. OCSI has invested £1 million to develop youth social opportunities and address gaps identified by its Youth Social Action Survey⁵.

The British Youth Council (BYC) has delivered UK Youth Parliament and Youth Voice activities, including the Make Your Mark ballot and the Youth Select Committee, funded by government grant support, which is committed until 2020.

The Centre for Social Action funded projects to test and grow social action initiatives which complimented public services, focusing on, health, community action, ageing and care, rehabilitation, young potential and social mobility⁶. OCSI will invest a further £15 million in the centre and secure equivalent matched funding by 2020.



OCSI has distributed £10 million of LIBOR funds over 2014-15 and 2015-16 to create new units for uniformed youth groups through the Youth United Foundation, creating 20,000 social action opportunities and encouraging those living in disadvantaged or hard to reach areas to get involved in social action.



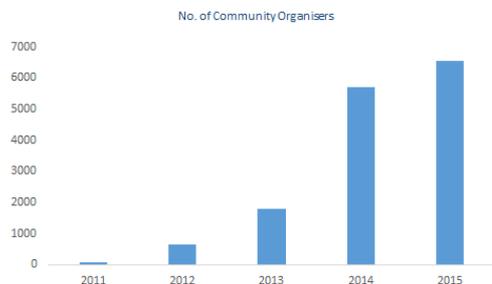
OCSI led the Government's response to inquiries into the closure of Kids Company in 2015. The value for money of a £3 million grant to Kids Company was the subject of a Ministerial Direction, and wide-ranging changes to grants governance are being introduced. The Government is working to reclaim monies owed to the government through the official receiver.

⁴ <www.ipsos-mori.com/researchpublications/publications/1784/National-Citizen-Service-2014-Evaluation.aspx>.

⁵ <www.ipsos-mori.com/researchpublications/publications/1775/Youth-Social-Action-in-the-UK-2015.aspx>.

⁶ <www.gov.uk/government/publications/social-action-harnessing-the-potential-update>.

The Community Organisers programme brings together people and trains them to act as local leaders. OCSI increased the numbers of community organisers from 5,500 to more than 6,500⁷ and is committed to expanding numbers to 10,000 by March 2020.



Support social investment, innovation, and an independent and capable voluntary sector

OCSI has transformed public services, supported economic growth and tackled entrenched social problems to build the world's most advanced social investment market. More than £600 million of investment was committed by Big Society Capital and more than 485 social sector organisations were supported through social investment.

The [Impact Readiness Fund](#) provided just under £2 million to help social sector organisations measure their impact. Access, the Foundation for Social Investment, received £7.35 million to build capacity for social sector organisations preparing to take on social investment.

[Social Impact Bonds](#) (SIBs) provide the opportunity to reform public services, reduce demand, improve outcomes for complex cohorts and create significant savings for the taxpayer.

The number of UK SIBs grew (by 9) to 32 and a partnership with Blavatnik School of Government provided research, tools, guidance and practical support for developing SIBs. Collaboration with government departments and local commissioners aims to increase SIB numbers and impact, through the new £80 million Life Chances Fund which will catalyse local SIBs, the £20 million DWP fund for mental health SIBs and the £10 million DCLG fund for SIBs supporting rough sleepers with complex needs.

[Policy Lab](#) introduced innovative policy-making techniques to two thousand civil servants in 2015-16. The team is moving towards a full cost recovery model in 2016-17.

Parliament passed The Charities Act⁸ to protect charities against abuse by disqualifying unsuitable people from being involved at senior levels; giving the Charity Commission powers to tackle abuse more effectively; and giving charities a specific legal power to make social investments.

OCSI has awarded funding to 265 organisations through the [Local Sustainability Fund](#) to support a review of operating models and help increase future sustainability.

The [Virgin Money Foundation](#) launched with £1 million from LIBOR fines. HM Government will grant £4 million of LIBOR funds over four years, match funded by Virgin Money, to regenerate deprived communities in the North East.

OCSI manages two LIBOR funded grant programmes, distributing more than £2 million through the Blue Lights Mental Health programme to provide mental health support for emergency services staff and volunteers across England, and more than £9 million to support air ambulances.

⁷ <www.gov.uk/government/publications/community-organisers-programme-evaluation>.

⁸ <<http://services.parliament.uk/bills/2015-16/charitiesprotectionandsocialinvestment.html>>.

Create a more united democracy

The Constitution Group (CG) is responsible for the coherence of the constitutional and devolution settlements, and the proper functioning of the democratic machinery including elections and electoral registration. The group also covers law and policy on elections, referendums and political party funding, the Government's devolution policy, political and parliamentary reform and the Boundary Commission. The Constitution Group Director is also the Senior Responsible Owner for the Electoral Registration Transformation Programme (ERTP).

Constitutional settlement

The Cabinet Office Single Departmental Plan (SDP) set out the key deliverables on English Votes for English Laws (EVEL). This new legislative process was successfully delivered through changes to the Standing Orders, and introduced the principle of English consent for English measures while maintaining the principle that MPs from all parts of the UK are able to vote on all legislation. The Government has committed to reviewing the new process after one year.

The SDP states that we will 'ensure the House of Lords continues to work well by addressing issues such as the size of the chamber'. The Leader of the House has convened cross-party talks to discuss what incremental steps can be taken to further promote the retirement of peers.

In 2015-16, the Recall of MPs Act 2014 was commenced, following Parliamentary approval of regulations setting out the process for operating a recall petition.

The group continues to provide an overview of the Government's Constitutional Reform Programme, ensuring a fair and balanced constitutional settlement, and maintaining the effective relationship between the Executive and the Crown.

Governance and devolution

In July 2015 the Cabinet Secretary launched *Devolution and You*, a programme designed to improve Civil Service knowledge and skills on the devolution settlements for Scotland, Wales and Northern Ireland. Over 150 events took place across the governments of the UK, Scotland and Wales.

The One Civil Service Interchange scheme was launched in September 2015 to promote learning, and build networks and careers across the unified Civil Service. In February 2016, 50 staff from the Scottish and Welsh government attended a job-shadowing week in 14 UK Government departments across Whitehall, and reciprocal arrangements are also in place for UKG officials to job shadow in the Scottish and Welsh Governments.

The UK Government hosted the 25th Ministerial Summit of the British-Irish Council in November. Heads of administrations and accompanying ministers were welcomed to Lancaster House by the UK Government delegation, led by the Secretary of State for Northern Ireland.



Electoral administration

The group worked in partnership with the FCO to deliver the EU Referendum Act and with the Electoral Commission to put in place the necessary funding for Counting Officers to conduct the EU Referendum on 23 June 2016.

The CG has delivered legislation and funding to underpin the conduct of polls across the country. It put in place the legislation and funding for the UK Parliamentary election. This included modelling to estimate the total conduct costs of the election and to pay advances to Returning Officers. The CG has made good progress in scrutinising and settling Returning Officers' expenses claims, although there are still outstanding claims from both the European Parliamentary election in 2014 and the UK Parliamentary election in 2015. The group was also responsible for delivery of the website that provided candidate information in advance of the Police and Crime Commissioner elections in England and Wales on 5 May 2016.

Individual Electoral Registration (IER) and registration of voters

During 2015-16, the Electoral Registration Transformation Programme (ERTP) came to a successful end, formally closing on 31 March 2016. The Register to Vote website, part of the IER digital service, positively supported high levels of electoral registration ahead of the General Election held in May with 500,000 people applying to register on deadline day. The website achieved satisfaction rates of around 90%.

The CG has also supported the work of Electoral Registration Officers throughout the year. This included providing funding worth £25 million to cover the additional costs of IER. Furthermore, a number of local authorities were also given funding to support efforts to boost registration levels ahead of the formal end of the transition period to IER in December 2015.

Work also continued throughout the year to make improvements and save costs from the registration system. This included legislation that streamlined registration correspondence and allowed greater data sharing between local authorities.

ERTP has now been succeeded by the Modern Electoral Registration Programme from 1 April 2016.

Strengthen and secure the United Kingdom at home and abroad

The Government's first duty is to keep our country safe. The Cabinet Office, through the European and Global Issues Secretariat, the National Security Secretariat and the Joint Intelligence Organisation, has focused relentlessly on keeping Britain secure.

On 23 November 2015 the Government delivered on the manifesto commitment to publish an ambitious and forward-looking National Security Strategy and Strategic Defence and Security Review.⁹ This set out the Government's national security vision and strategy, and how it will deliver it over the next five years through three national security objectives:

- Protect our People
- Project our Global Influence
- Promote our Prosperity.

The review was led by the Cabinet Office working with the rest of the Government, and consulting with external experts and international partners. Implementation will be overseen by a new National Security Council sub-committee chaired by the Chancellor of the Duchy of Lancaster.

During 2015-16, the Cabinet Office continued to coordinate efforts to keep Britain secure, working with departments and agencies to evaluate and respond to threats at home and abroad. Through the National Security Secretariat it supported the effective operation of the National Security Council; prepared for and managed the coordination of the Government's response to domestic crises, including operation of the national crises response mechanism, COBR; and continued to deliver the transformative national cyber security programme.

Through the Joint Intelligence Organisation it supported government departments in understanding the most pressing threats to our security in analysing regions of possible future concern in understanding the capabilities of a range of our adversaries and in drawing a common picture of the international environment.

The Cabinet Office has also continued to develop a cross-government shared IT service to enhance Government's ability to work with sensitive information assets securely and with confidence.

⁹www.gov.uk/government/uploads/system/uploads/attachment_data/file/478933/52309_Cm_9161_NSS_SD_Review_web_only.pdf.

Sustainable development

Environmental Policy statement

As described in the Cabinet Office [Environmental Policy statement](#),¹⁰ the overall aim of the Department is to reduce the impacts associated with day-to-day operations in line with the Government's Sustainable Development Policy.¹¹ In February 2016, the Cabinet Office received confirmation of a successful surveillance audit in accordance with the ISO 14001: 2004 standard.

Greening Government Commitments

The Department has been very successful in reducing its carbon footprint which has fallen by 47% for the year from the 2009-10 baseline. This has been primarily achieved through the implementation of an ambitious and extensive estate rationalisation project. The waste output from the Cabinet Office continued to fall and in 2015-16 was 65% below 2009-10 levels. A major factor that has contributed to this has been the extensive recycling policy employed throughout the estate. Consumption of paper reduced by 65% and water consumption fell by 49% against 2009-10. The Cabinet Office has an overall water consumption of 8.5 m3 per FTE equivalent, which is partly attributable to the large number of visitors the department has to the majority of buildings within its estate. Domestic flights were also reduced by 46% against the 2009-10 baseline.

Sustainable Development Data					
	Baseline	2013-14	2014-15	2015-16	Reduction from Baseline
Emissions (tonnes of CO2e)					
Scope 1	1,088	638	576	489	55%
Scope 2	9,307	5,709	5,720	4,833	48%
Scope 3	1,384	924	1,020	870	37%
Emissions Total	11,779	7,271	7,316	6,192	47%
Emissions per FTE		2.5	2.14	1.98	
Travel					
No. of Domestic Flights	2,306	2,390	2,034	1,254	46%
Waste generated					
Waste generated (tonnes)	1,226	444	511	424	65%
Waste generated per FTE		0.15	0.15	0.13	
Paper consumption					
Paper Use A4e (reams)	56,396	20,171	8,124	19,723	65%
Paper consumption per FTE		6.93	2.42	6.31	
Water Consumption					
Water consumption (m3)	52,388	45,123	41,639	26,560	49%
Water consumption (m3/FTE)	12	15.5	13.2	8.5	29%
Total Water Expenditure (£1000s)		95	97.7	61	

Sustainable procurement

In 2014-15 17.6% of the Department's procurement was with SMEs.¹² During 2015-16 we worked in conjunction with Crown Commercial Service, who provide a fully managed procurement service, to increase the SME proportion through both internal process changes and raising of awareness.

Events such as Green Awareness Day, encouraging the use and recycling of Vegware compostable items, and Healthy Eating week, promoting local and sustainable produce in the cafes and restaurants around the core estate, were well received.

Employee engagements

In March 2016 the Cabinet Office was involved in Earth Hour, a co-ordinated, international initiative run by the World Wildlife Fund to promote sustainability and minimise electrical wastage. Communication of the COP21 Paris Sustainable Innovation Forum in September was publicised throughout the Department to inform employees of the new Global Goals for Sustainable Development that were released in conjunction with this event.



John Manzoni

Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

4 July 2016

¹⁰ <www.gov.uk/government/publications/cabinet-office-environmental-policy-statement>.

¹¹ <www.gov.uk/government/policies/sustainable-development>.

¹² 2015-16 figures are expected to be available in August 2016.

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ACCOUNTABILITY REPORT

Governance Report

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Cabinet Office to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2015/632 & Statutory Instrument 2015/2062 (amendment) (together known as the 'departmental group', consisting of the Department and sponsored bodies listed at Note 24 to the accounts). 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 the departmental group, and of the net resource outturn, application of resources, changes in taxpayers' equity and cash flows of the departmental group for the financial year.

In preparing the accounts, the Accounting Officer of the Department 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, including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- 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. John Manzoni has held this post since 29 August 2015.

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 assets of the Department, non-departmental or other arm's length public bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

Statement on the disclosure of relevant audit information

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

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 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2014-15: £nil).

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.

I hereby confirm that the annual report and accounts as a whole are fair, balanced and understandable, and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Governance statement

A statement recording the stewardship of the organisation drawing together evidence on governance and risk management in order to give a sense of how successfully the Department has coped with the challenges faced and how vulnerable performance is or might be during the year.

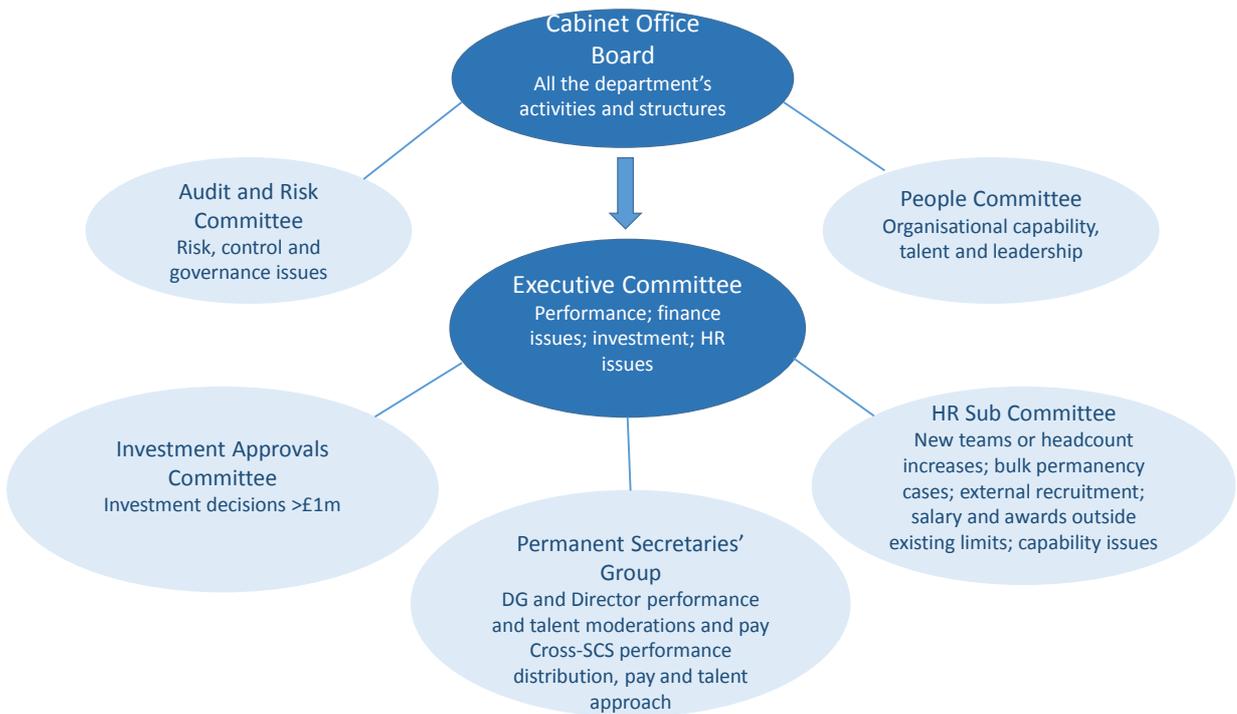
Governance framework

As Principal Accounting Officer, the governance statement represents my assurance to Parliament that I am satisfied that the Department's system of internal control is effective.

This statement covers the core department, as the Cabinet Office's agencies and non-departmental public bodies produce their own governance statements, which are published in their annual report and accounts. My relationship with their Accounting Officers is set out in their respective framework arrangements, financial memoranda and designatory letters.

The Board met four times during the year in July, October, December and March focusing its attention on the Department's governance, on the Strategic Review and subsequent review of long-term spend which formed the basis of negotiations in the 2015 Spending Review, and key policy initiatives.

In addition, the Board oversaw an improvement in departmental management information, which has led to the Board receiving regular updates on the department's financial and non-financial performance and assessment of strategic risk.



I was appointed as Principal Accounting Officer for the Cabinet Office on 29 August 2015 and since then I have introduced a number of changes to the governance arrangements of the Department.

As in previous years, the Cabinet Office Board remains responsible for the strategic and operational leadership of the Department, bringing together its Ministerial and executive leaders along with non-executives from outside government.

Following the General Election, there were a number of changes to the Board's membership as the new Ministerial team joined the Board with Matt Hancock becoming chair. The Board also welcomed three new non-executive board members: Catherine Brown, Mark Price and Paul Kirby.

In early 2016, the lead non-executive board member Ian Davis conducted an evaluation of the Board's effectiveness and performance during the year.

Following the review, it was agreed that non-executives would be more engaged in departmental work, in line with their skills and experience. In addition it was agreed that:

- Non-executive board members should meet more regularly between board meetings;
- The Board should discuss arms-length body (ALB) activities more frequently, and the Performance Report and Risk Register should contain relevant ALB information; and that
- The Board agendas should become more focused on business areas requiring scrutiny, reflecting the Performance Report and Single Departmental Plan.

Cabinet Office Board			
	Name and attendance	Date of appointment/departure if during the year	Role
Ministerial Members	The Rt Hon. Matt Hancock (attended 4 meetings)	Appointed 12 May 2015	Minister for the Cabinet Office
	The Rt Hon. Oliver Letwin (attended 0 meetings)		Paymaster General
	Rob Wilson (attended 4 meetings)		Chancellor of the Duchy of Lancaster
	John Penrose (attended 1 meeting)		Minister for Civil Society
	Lord Bridges of Headley (attended 3 meetings)	Appointed 12 May 2015	Parliamentary Secretary (Minist for Constitutional Reform)
Non-executive members	Sir Ian Cheshire (attended 3 meetings)	Appointed 23 March 2016	Parliamentary Secretary
	Catherine Brown (attended 2 meetings)	Appointed 3 November 2015	Interim Cabinet Office Lead Nor Executive Board Member and Government Non-Executive Director
	Paul Kirby (attended 3 meetings)	Appointed 7 September 2015	Non-Executive Member
	Amy Stirling (attended 3 meetings)		Non-Executive Member
	Lord Price (attended 1 meeting)	Appointed 3 November 2015 Departure 10 February 2016	Non-Executive Member
	Ian Davis (attended 4 meetings)	Departure 22 March 2016	Past Lead Non-Executive Board Member
Officials	John Manzoni (attended 4 meetings)	Appointed 29 August 2015	Chief Executive of the Civil Serv and Cabinet Office Permanent Secretary
	Sir Jeremy Heywood (attended 3 meetings)		Cabinet Office Secretary and He of the Civil Service
	Elizabeth Gardiner (attended 1 meeting)	Appointed 29 February 2016	First Parliamentary Counsel
	Guy Lester (attended 4 meetings)	Appointed 13 April 2015	Finance Director
	Richard Heaton (attended 1 meeting)	Departure 28 August 2015	Past Permanent Secretary

The Cabinet Office Audit and Risk Committee (COARC) is a Board committee and has provided an independent view of the Department’s risk control and corporate governance arrangements, while assessing the robustness and integrity of those assurances. COARC has been chaired by Amy Stirling throughout the year.

The Shared Services Audit and Risk Sub-committee (SSAC) advises COARC in connection with the framework agreement between the Cabinet Office and the chosen suppliers of the two Independent Shared Service Centres. The SSAC continued to provide independent oversight of the activities undertaken within the Cabinet Office to meet the obligations of the framework agreement. During the year, a review was undertaken of the committee’s work which has resulted in a change to the Committee’s scope, membership and governance so

that the new Shared Services Assurance Committee can play a more effective role in the assurance of the ISSCs in future.

In September 2015 I introduced a number of changes to the governance arrangements for the Cabinet Office. These included the establishment of an Executive Committee with the purpose of having strategic overview of the functioning of the Department, scrutinising delivery and performance across all Cabinet Office areas, and challenging how far the Department is meeting its objectives.

Since its first meeting in September 2015, the committee has had a full agenda in developing its longer-term plans outlined in the Single Departmental Plan along with agreeing the Department’s 2015 Spending Review bid. It has considered departmental performance, devolution plans, and diversity and inclusion across the Department while receiving regular business reports and updates from its sub-committees.

The People Committee was established in February 2016 as a Board Committee, with a remit to oversee the CO’s organisational capability, including talent, leadership and remuneration approaches, to support delivery of its priorities.

A Human Resources Sub-Committee has been established as a sub-committee of the Executive Committee and is responsible for reviewing the Department’s workforce plans and composition, agreeing broad approaches to recruitment and selection in the department, and scrutinising and challenging proposals to ensure consistency.

In addition, the Investment Approvals Committee has been formed as a sub-committee of the Executive Committee and is responsible for reviewing and approving, on behalf of the Accounting Officer, business cases for programmes, projects and other contracts that are above £1 million or because they are novel, contentious or sensitive.

Risk management and control

Active management of risk is fundamental to the way business is conducted within the Department. It informs operational decision making, planning, and the financial management and control framework. During the year the current risk management arrangements have been reviewed, and further guidance and updated risk policy designed. The common risk framework will be implemented during early 2016-17.

The Department maintains a register covering the strategic risks of the Department which this is regularly reviewed and updated by senior officials. As a result, the Cabinet Office Executive Committee and Board receives regular reports on the longer-term strategic risks facing the Department.

Operational risks are managed through most business areas within the Cabinet Office. Business areas are required to have in place a structured approach to managing risks. This includes maintaining risk registers and clear risk escalation, mitigation and communication processes. At regular intervals internal reviews of risk processes and practice are undertaken to ensure that risk is properly embedded in the organisation.

The Department completed a review of assurance in March 2016 covering the central department, including a request for supporting evidence from each business area. The questionnaire covered key governance, risk management and internal control matters. The results of the assurance exercise have been reviewed by the Executive Committee and COARC.

The assurance review has indicated that some areas have recorded 'partial' assurance on the sub-delegation of budgets, business continuity plans and review of data handling compliance statements. The department will be reviewing progress on improving these areas of assurance during the year.

Internal audit assurance is provided by the Government Internal Audit Agency and is based on internal audit work performed over the course of the year, combined with knowledge of the governance, risk and control framework operating throughout the Department.

Beyond the regular audit of key financial controls and the control environment, the 2015-16 Audit Plan included work on areas such as election funding process, governance and risk management of Government Digital Service, and Government Property Unit; a follow up review of the Crown Oversight function and review of the Department's new governance and accountability arrangements.

The Head of Internal Audit annually provides an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The Internal Audit reviews contribute to that opinion. The Internal Audit review opinion for 2015-16 is 'Moderate - some improvements are required to enhance the adequacy and effectiveness of the framework and control.' Particular areas that Internal Audit drew to management's attention were:

- scope for further enhancements to operational risk management underpinning enhanced strategic risk management;
- the need to enhance portfolio management;
- the need to embed focus on compliance.

Management action on all these issues has been initiated and progress is regularly monitored by the Executive Committee.

Shared Services Connected Limited (SSCL) continues to deliver transactional financial, employee-related HR, payroll and procurement services to the Cabinet Office as part of a wider service provided to the Government. I have received and considered the letter of assurance in respect of SSCL's performance.

The information provided is based on the Independent Standard on Assurance Engagement 3402 (ISAE 3402) report prepared by Grant Thornton UK LLP (the service auditor). The report examined SSCL's description of its core services to the Government and the suitability of the design and operating effectiveness of controls to achieve stated control objectives.

In summary, the ISA's opinion was that the controls were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period 1 April 2015 to 31 March 2016. The opinion indicated that the controls tested operated effectively throughout the period.

I have also received additional independent assurance that the ISAE 3402 can be relied upon. An internal audit by SSCL's internal auditors concluded that, overall, a sound and robust control framework appears to be in place that facilitates comprehensive arrangements over the design of the ISAE 3402 process that is managed effectively by SSCL.

The Department's external audit function is provided on behalf of Parliament by the Comptroller and Auditor General, supported by staff from the National Audit Office (NAO). As part of the process, representatives from the NAO see all Audit and Risk Committee papers and attend their meetings.

Over the last year, the NAO has looked at many aspects of Cabinet Office business. In particular it completed reports on Kids Company, MyCSP and the work of the Major Projects Authority (now the IPA) in assuring the major projects in Government. A full list of the reports can be read on the following link: nao.org.uk.

All of the recommendations from NAO reports are regularly reviewed by the Executive Committee and COARC with actions taken to ensure progress is made.

For the Department's major programmes, I have taken assurance from regular reviews of progress by the Major Projects Authority (now the IPA). I also rely on the Governance Statements produced by the Department's ALBs such as the Civil Service Commission, the Crown Commercial Service and the Registrar of Consultant Lobbyists. These are subject to the Department's normal financial control procedures and practices as well as scrutiny by both internal and external auditors and there were no significant concerns raised.

Significant control risks identified during the year

Because of the unique nature of its business at the heart of Government, the Department's strategic risks cover a broader range of risks than would normally be the case. Consequently, the Department's strategic risk register is separated into risks that relate to:

- Cabinet Office operations;
- Cabinet Office management on behalf of the Civil Service; and
- Cabinet Office role in Government.

Following on from the 2015 Spending Review, the Department is required to achieve significant savings in its core departmental expenditure by 2019-20. This has highlighted the risk of the Department not having staff with the right skills and capability to deliver its strategic priorities at a time of reducing headcount, along with the risk of the Department not being able to live within its budget settlement.

In response, the Cabinet Office is introducing detailed four-year plans which incorporate workforce and capability plans for each business area that also consider recruitment and retention matters. During the last year, the Department has also carried out development of performance reporting covering not only financial data but also progress against Single Departmental Plan objectives and workforce plans. The Executive Committee has regularly reviewed progress against these plans to ensure that business areas manage their budgets in line with the SR2015 settlement control totals.

The Department has a significant contribution to make in delivering the Government's efficiency savings targets during the current Parliament. This is being achieved through investment carried out in the Department's functional businesses such as CCS, GDS and GPU which will provide cross-departmental cost effective solutions in the areas of procurement, estate and technology management.

Through its Spending Review settlement, the department has achieved a significant increase in investment funding for these functional businesses. Delivery of the Government's efficiency savings is dependent on the functions making successful progress on their programmes, and the department has established collaborative working arrangements with other departments, while the Executive Committee and Board will continue to monitor closely and assure delivery of the programmes.

Due to the Cabinet Office's role for cross-government issues, the Department has maintained oversight of the risk that a major data security breach or cyber-attack will occur that will impact the Government's ability to deliver public services.

The Department is working to strengthen digital, technology, and the management and use of data across the Government. Alongside this it is coordinating the delivery of the National Security Strategy which responds to security threats at home and abroad.

During the year, the NAO carried out work on the progress of the two Independent Shared Service Centres for the Government to determine whether the programme is achieving value for money. In its report the NAO recognised the benefits already achieved by the programme, but highlighted some of the difficulties that had prevented a higher level of savings.

The Department has acknowledged the difficulties in the programme highlighted by the NAO, in particular the failure to manage risks, being more realistic about timescales and the need to provide clear leadership to encourage the necessary collaboration across departments. In response, has introduced new governance and management arrangements in the programme.

HM Government has been in negotiations with both SSCL and arvato over the additional cost of ISSC2 transformation activity and services, and the termination of ISSC1 migration activity. These negotiations are close to being concluded.

The Cabinet Office's fraud policy requires staff at all times to act honestly, with integrity, and to safeguard the public resources for which they are responsible. The Cabinet Office views fraud and negligence very seriously and will take appropriate disciplinary and legal action against anyone found guilty of either. The Department has undertaken sampling exercises to identify and measure losses in areas such as travel, subsistence and grants. Cases of suspected or actual fraud will be reported to the Audit and Risk Committee.

The Cabinet Office makes a number of grant awards in line with Government priorities, principally to organisations in the voluntary, community and social enterprise sector. Payment of grants is usually based on the grant recipient fulfilling the terms and conditions of grant payment, and on satisfactory progress in achieving the outcomes of the grant award. Regular monitoring of progress is undertaken by policy officials, in conjunction with Cabinet Office finance teams.

For a number of larger grant programmes, the Cabinet Office works through a delivery partner, rather than administering the grant in-house. In these cases a grant administrator is appointed and runs the scheme under contract to the Cabinet Office. Through the contracting arrangements, the Cabinet Office monitors the performance and progress of the grant administrator in carrying out its functions in relation to grant competitions and awards.

During the year the NAO carried out an investigation into the Grassroots Grant Programme run by the Cabinet Office. It noted some flaws in the design and efficiencies of the scheme, and recommended that the Cabinet Office introduce measures to strengthen its oversight of grant schemes. The department has accepted this recommendation and is in the process of implementing new arrangements for the approval of grants.

The two principal Civil Service pension schemes are administered by MyCSP Limited, a company owned in part by the Cabinet Office. During the year, MyCSP has encountered some ongoing operational issues in the processing of pension payments, and in providing accurate and timely information on pension entitlements.

These issues have been highlighted by both internal audit and NAO and resulted in an 'Unsatisfactory' audit opinion due to weaknesses found in the framework of governance, risk management and control. The Department is fully aware of these challenges and has acted to improve the engagement and effective monitoring of the pension administrator's contract. Further work is planned during 2016-17 to strengthen the control environment.

There was one Ministerial Direction made on 16 July 2015.¹³ This related to the value for money of a grant of £3 million made to Kids Company. The Department judged that the grant was for the use of supporting the delivery of the charity's objectives, and was therefore regular and proper. A statement was made by the Cabinet Office on 5 August 2015 following the announced closure of Kids Company.¹⁴ The Charity Commission released statements on 6 August 2015¹⁵ and 16 August 2015.¹⁶ Further details relating to the circumstances and current position of these grants can be found in Note 18 to the accounts and the Annex – Report on the use of the powers under section 70 of the Charities Act. The lessons have been reflected in our wide-ranging reform of the governance surrounding grants across government.

Conclusion

Since my appointment as Permanent Secretary of the Cabinet Office, I have reviewed and carried out changes to the Department's corporate governance arrangements. I expect the overall trend of improvement and further bedding down of governance arrangements in the Department to continue. The important changes during the year include the establishment of the Executive Committee and supporting Investment Approval and Human Resources sub-committees along with the development of performance reporting and strategic risk management.

The implementation of these changes is now largely complete and, alongside the important work of the Audit and Risk Committee, provides me with a robust assurance regime to assess properly the effectiveness of governance, risk management and internal controls. Given the Cabinet Office's position at the heart of government and the complexity and range of its work, I would expect that this regime will continue to identify potential areas of risk for the organisation to consider, however, I am satisfied that the mechanisms in place to manage risks are adequate.

John Manzoni, Chief Executive of the Civil Service and Cabinet Office Permanent Secretary

¹³ <www.gov.uk/government/publications/kids-company-funding-ministerial-direction>.

¹⁴ <www.gov.uk/government/news/kids-company-statement>.

¹⁵ <www.gov.uk/gov.uk/government/news/commission-statement-on-keeping-kids-company>.

¹⁶ <www.gov.uk/government/news/keeping-kids-company-updated-statement-on-case>.

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Remuneration and Staff Report

Audited information

The following sections are all subject to audit; ministers' remuneration, Board members' remuneration, pay multiples, fees paid to Non-Executive Board Members, ministers' pension benefits, Board members' pension benefits, compensation for loss of office, staff costs, reporting of Civil Service and other compensation schemes, average number of persons employed.

1. Remuneration Report

1.1 Remuneration policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries (SSRB). The SSRB sometimes advises the Prime Minister on the pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

The SSRB takes a variety of factors into consideration when considering what recommendations to make. These include:

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

The [Review Body on Senior Salaries website](#) contains further information about its work.

The performance management system for senior civil servants is common across all government departments. Pay awards are made in two parts: non-consolidated variable payments, which are used to reward members of staff who demonstrate exceptional performance, and base pay progression, to reward growth in competence.

Non-consolidated payments are paid a year in arrears, so those paid to Cabinet Office staff in 2015-16 relate to their performance during 2014-15. The non-consolidated payments to some Board members during the year ranged from £10,000 to £20,000 and were in line with the Government's policy of restricting such payments to the top 25% of performers within the Senior Civil Service.

1.2 Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commission can be found at: civilservicecommission.independent.gov.uk

1.3 Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the ministers and most senior management (i.e. Board members) of the Department.

1.4 Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration								
Ministers	Salary		Benefits in kind		Pension benefits ¹		Total	
	(to nearest £)		(to nearest £100)		(to nearest £1,000)		(to nearest £1,000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
The Rt Hon. Matt Hancock MP Minister for the Cabinet Office and Paymaster General <i>from 12 May 2015</i>	26,400 ²	–	–	–	7,000	–	34,000	–
The Rt Hon. Francis Maude MP ³ Minister for the Cabinet Office and Paymaster General <i>until 11 May 2015</i>	5,280 ⁴	31,680	–	–	41,000	11,000	47,000	43,000
The Rt Hon. Oliver Letwin MP Chancellor of the Duchy of Lancaster <i>from 15 July 2014</i> Minister for Government Policy <i>until 11 May 2015</i>	63,460 ⁵	31,680	–	–	– ⁶	– ⁶	63,000	32,000
The Rt Hon. Chris Grayling MP Leader of the House of Commons and Lord President of the Council <i>from 15 May 2015</i>	59,339 ⁷	–	–	–	30,000	–	89,000	–
The Rt Hon. William Hague MP ⁸ First Secretary of State and Leader of the House of Commons <i>until 8 May 2015</i>	7,077 ⁹	48,088 ¹⁰	–	–	2,000	7,000	9,000	55,000
Rob Wilson MP Parliamentary Secretary (Minister for Civil Society)	22,375	11,374 ¹¹	–	–	7,000	4,000	29,000	15,000
The Rt Hon. Baroness Stowell of Beeston MBE Leader of the House of Lords and Lord Privy Seal	102,297 ¹²	55,566 ¹³	–	–	33,000	13,000	135,000	69,000
Lord Bridges of Headley MBE ¹⁴ Parliamentary Secretary for the Cabinet Office <i>from 12 May 2015</i>	60,952 ¹⁵	–	–	–	16,000	–	77,000	–
Dr. Thérèse Coffey MP Parliamentary Secretary and Deputy Leader of the House of Commons <i>from 12 May 2015</i>	18,885 ¹⁶	–	–	–	7,000	–	26,000	–
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council <i>until 8 May 2015</i>	7,077 ¹⁷	67,505	–	–	14,000	18,000	21,000	86,000

The Rt Hon. Greg Clark MP Minister for Universities, Science & Cities <i>until 11 May 2015</i>	5,280 ¹⁸	31,680	–	–	31,000	11,000	37,000	43,000
Jo Johnson MP Minister of State for the Cabinet Office <i>until 11 May 2015</i>	5,280 ¹⁸	21,749 ¹⁹	–	–	14,000	8,000	20,000	30,000

When a minister moves from one department to another, it is customary for the exporting department to pay their salary at the current rate of pay until the end of the month of departure and the importing department pays in the month following at the appropriate salary along with any arrears.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

² The figure quoted is for the period 1 June 2015 to 31 March 2016. The full-year equivalent is £31,680.

³ The Rt Hon. the Lord Maude of Horsham (as he is now known) did not seek re-election as the MP for Horsham at the 2015 General Election. As a result, he ceased to be an MP when Parliament was dissolved on 30 March 2015.

⁴ The figure quoted is for the period 1 April 2015 to 31 May 2015. The full-year equivalent is £31,680.

⁵ The salary of the Rt Hon. Oliver Letwin MP increased from £31,680 to £67,505 per annum with effect from 12 May 2015.

⁶ The Rt Hon. Oliver Letwin MP has chosen to opt out of the Ministers' Pension Scheme.

⁷ The figure quoted is for the period 15 May 2015 to 31 March 2016. The full-year equivalent is £67,505.

⁸ The Rt Hon. the Lord Hague of Richmond (as he is now known) did not seek re-election as the MP for Richmond at the 2015 General Election. As a result, he ceased to be an MP when Parliament was dissolved on 30 March 2015.

⁹ The figure quoted is for the period 1 April 2015 to 8 May 2015. The full-year equivalent is £67,505.

¹⁰ The figure quoted is for the period 15 July 2014 to 31 March 2015. The full-year equivalent was £67,505.

¹¹ The figure quoted is for the period 28 September 2014 to 31 March 2015. The full-year equivalent was £22,375.

¹² The salary of the Rt Hon. Baroness Stowell of Beeston MBE increased from £78,891 to £101,038 per annum with effect from 12 May 2015. The figure quoted also includes Lords Office Holders' Allowance of £3,760, the reduced rate for Lords ministers whose main home is within Greater London.

¹³ The figure quoted is for the period 15 July 2014 to 31 March 2015 and includes Lords Office Holders' Allowance of £2,678. The full-year equivalent was £78,891. The full-year Lords Office Holders' Allowance was £3,760, the reduced rate for Lords ministers whose main home is within Greater London.

¹⁴ Lord Bridges of Headley MBE was made a life peer on 28 May 2015.

¹⁵ The figure quoted is for the period 12 May 2015 to 31 March 2016. The full-year equivalent is £68,710.

¹⁶ The figure quoted is for the period 1 June 2015 to 31 March 2016 plus arrears for the period 12 May 2015 to 31 May 2015. The full-year equivalent is £22,375.

¹⁷ The figure quoted is for the period 1 April 2015 to 8 May 2015. The full-year equivalent is £67,505.

¹⁸ The figure quoted is for the period 1 April 2015 to 31 May 2015. The full-year equivalent is £31,680.

¹⁹ The figure quoted is for the period 15 July 2014 to 31 March 2015. The full-year equivalent was £31,680.

1.5 Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration										
Board members	Salary		Non-consolidated payments		Benefits in kind		Pension benefits ¹		Total	
	(£000)		(£000)		(to nearest £100)		(to nearest £1,000)		(£000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Sir Jeremy Heywood KCB, CVO Cabinet Secretary and Head of the Civil Service	195 - 200	190 - 195	15 - 20	15 - 20	21,200 ²	13,800	59,000	43,000	290 - 295	265 - 270
John Manzoni Chief Executive of the Civil Service <i>from 13 October 2014</i> Permanent Secretary and Principal Accounting Officer <i>from 29 August 2015</i>	225 - 230	105 - 110 ³	–	–	–	–	88,000	40,000	315 - 320	145 - 150
Richard Heaton CB Permanent Secretary, First Parliamentary Counsel and Principal Accounting Officer <i>until 28 August 2015</i>	65 - 70 ⁴	160 - 165	–	–	–	–	37,000	52,000	105 - 110	215 - 220
Elizabeth Gardiner CB First Parliamentary Counsel and Permanent Secretary of the Government in Parliament Group <i>Joined the Cabinet Office Board from 29 February 2016</i>	15 - 20 ⁵	–	–	–	–	–	8,000	–	20 - 25	–
Guy Lester Finance Director <i>from 13 April 2015</i>	80 - 85 ⁶	–	–	–	–	–	29,000	–	110 - 115	–

Bruce Mann Finance Director <i>until 12 April 2015</i>	0 – 5 ⁷	105 – 110	–	–	–	–	1,000	16,000	0-5	120 - 125
Philip Rycroft CB ⁸ Head of UK Governance Group <i>From 1 June 2015 to 1 July 2015</i> Director General, Deputy Prime Minister's Office <i>until 31 May 2015</i>	35 – 40 ⁹	140 -145	10 - 15	–	3,500 ²	19,100 ²	11,000	35,000	65-70	195-200
Sue Gray ⁸ Director General, Propriety and Ethics Team and Head of Private Offices Group <i>until 1 July 2015</i>	25 – 30 ¹⁰	115 – 120 ¹¹	–	10 - 15	–	–	6,000	26,000	35-40	155-160
Antonia Romeo ⁸ Director General, Economic and Domestic Affairs Secretariat <i>until 1 July 2015</i>	30 - 35 ¹²	10 – 15 ¹³	10 - 15	–	–	–	14,000	4,000	60-65	10-15

The figures presented above relate only to the time spent as Board members.

When a civil servant moves from one department to another, it is customary for the exporting department to pay their salary at the current rate of pay until the end of the month of departure and the importing department pays in the month following at the appropriate salary along with any arrears.

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights

² See Benefits in kind section on the next page

³ The figure quoted is for the period 13 October 2014 to 31 March 2015. The full-year equivalent was in the range £225,000 - £230,000

⁴ The figure quoted is for the period 1 April 2015 to 31 August 2015. The full-year equivalent is in the range £160,000 - £165,000

⁵ The figure quoted is for the period 29 February 2016 to 31 March 2016 and includes Parliamentary Counsel Allowance of £4,890. The full-year equivalent is in the range £175,000 - £180,000, which would include Parliamentary Counsel Allowance of £56,727

⁶ The figure quoted is for the period 1 May 2015 to 31 March 2016. The full-year equivalent is in the range £90,000 - £95,000

⁷ The figure quoted is for the period 1 April 2015 to 12 April 2015. The full-year equivalent is in the range £105,000 - £110,000

⁸ Changes to the membership of the Cabinet Office Board were ratified at its meeting on 1 July 2015 and Philip Rycroft, Sue Gray and Antonia Romeo left the Board on this date. Philip and Sue continued to fulfil the roles stated above as at 31 March 2016. Antonia, however, became the Government's Special Envoy to the US technology companies in October 2015

⁹ The figure quoted is for the period 1 April 2015 to 1 July 2015. The full-year equivalent is in the range £150,000 - £155,000

¹⁰ The figure quoted is for the period 1 April 2015 to 1 July 2015 and includes Private Secretary Allowance of £1,527. The full-year equivalent is in the range £115,000 - £120,000, which would include Private Secretary Allowance of £6,042

¹¹ The figure includes Private Secretary Allowance of £6,042

¹² The figure quoted is for the period 1 April 2015 to 1 July 2015. The full-year equivalent is in the range £135,000 - £140,000

¹³ The figure quoted is for the period 1 March 2015 to 31 March 2015. The full-year equivalent was in the range £135,000 - £140,000

1.6 Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£67,060 from 1 April 2014, £74,000 from 8 May 2015) and the 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.

1.7 Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. The disclosed benefits in kind include income tax and national insurance liabilities that are met by the Cabinet Office. Sir Jeremy Heywood had the use of an allocated car in the circumstances permitted by the Civil Service Management Code. Sir Jeremy used the car predominantly for home to office journeys. Cabinet Office ministers and other senior officials also had use of the car. The value of the benefit in kind received by Sir Jeremy was calculated in accordance with the relevant instructions published by HM Revenue and Customs.

The Cabinet Office reimburses Philip Rycroft for costs incurred travelling from his home in Scotland to his London office.

1.8 Non-consolidated payments

Non-consolidated payments are based on performance levels attained and are made as part of the appraisal process. They are not accrued or provided for at 31 March, because the appraisal process is not completed until the summer. As a result, the payments reported in 2015-16 relate to performance in 2014-15 and the comparative payments reported for 2014-15 relate to performance in 2013-14. This is consistent with the approach adopted in previous years.

1.9 Pay multiples

	2015-16	2014-15
Band of highest paid Board member's total remuneration (£000)	230-235	225-230
Median remuneration (£)	41,872	42,200
Remuneration ratio	5.55	5.39

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Board member in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid Board member in the Cabinet Office in the financial year 2015-16 was £230,000 - £235,000 (2014-15: £225,000 - £230,000). This was 5.55 times (2014-15: 5.39 times) the median remuneration of the workforce, which was £41,872 (2014-15: £42,200). The remuneration of agency and other temporary staff employed by the Cabinet Office was excluded when calculating the median remuneration.

In 2015-16, one (2014-15: none) employee received remuneration in excess of the highest paid Board member. The remuneration of Cabinet Office employees ranged from £16,975 to £250,000 (2014-15: £16,807 to £230,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The remuneration ratio is very slightly higher in 2015-16 than it was in 2014-15. The main reason for this is that the benefit in kind received by Sir Jeremy Heywood (the highest paid Board member) during the 2015-16 financial year was higher than it was in 2014-15. This is because Sir Jeremy stopped sharing his allocated car with Lord Kerslake (the former Head of the Civil Service) at the end of August 2014.

1.10 Fees paid to Non-Executive Board Members

Non-Executive Board Members are offered a fee of £15,000 per annum in line with the Non-Executive Directors of the Bank of England. The Government Lead Non-Executive, the Department Lead Non-Executive and the Chair of the Audit and Risk Committee are offered a further £5,000 per annum. Individual Board members may waive all or part of their fee entitlement. Claimed fees are included within the staff costs.

Non-Executive Board Members	Annual fee entitlement	Fees paid 2015-16	Fees paid 2014-15
	£	£	£
Sir Ian Cheshire Government Lead Non-Executive and Cabinet Office Non-Executive Board Member <i>from 2 April 2015</i>	20,000	Waived	-
Interim Lead Non-Executive for the Cabinet Office <i>from 23 March 2016</i>	5,000 ¹	Waived	-
Ian Davis Lead Non-Executive for the Cabinet Office <i>until 22 March 2016</i>	20,000	Waived	Waived
Amy Stirling Non-Executive Board Member and Chair of the Audit and Risk Committee	20,000	15,000	5,000 ²
Catherine Brown Non-Executive Board Member, Chair of the People Committee and Member of the Audit and Risk Committee <i>from 3 November 2015</i>	15,000	3,750	-
Paul Kirby Non-Executive Board Member and Member of the People Committee <i>from 7 September 2015</i>	15,000	-	-
Lord Price CVO Non-Executive Board Member and Member of the Audit and Risk Committee <i>from 3 November 2015 to 10 February 2016</i>	15,000	3,750	-

¹ Sir Ian Cheshire became entitled to an additional fee of £5,000 per annum when he became Interim Lead Non-Executive for the Cabinet Office on 23 March 2016

² Amy Stirling joined the Cabinet Office Board as a Non-Executive Director on 28 November 2014. This figure represents the fees paid between this date and 31 March 2015

1.11 Pension benefits

Ministers	Accrued pension at age 65 as at 31-03-2016	Real increase in pension at age 65	CETV at 31-03-2016 ¹	CETV at 31-03-2015 ²	Real increase in CETV
	£000	£000	£000	£000	£000
The Rt Hon. Matt Hancock MP Minister for the Cabinet Office and Paymaster General <i>from 12 May 2015</i>	0-5	0-2.5	4	–	1
The Rt Hon. Francis Maude MP ³ Minister for the Cabinet Office and Paymaster General <i>until 11 May 2015</i>	10-15	0-2.5	230	192	38
The Rt Hon. Oliver Letwin MP ⁴ Chancellor of the Duchy of Lancaster	–	–	–	–	–
The Rt Hon. Chris Grayling MP Leader of the House of Commons and Lord President of the Council <i>from 15 May 2015</i>	5-10	0-2.5	124	99	18
The Rt Hon. William Hague MP ⁵ First Secretary of State and Leader of the House of Commons <i>until 8 May 2015</i>	15-20	0-2.5	317	315	1
Rob Wilson MP Parliamentary Secretary (Minister for Civil Society)	0-5	0-2.5	10	4	3
The Rt Hon. Baroness Stowell of Beeston MBE Leader of the House of Lords and Lord Privy Seal	5-10	0-2.5	76	50	14
Lord Bridges of Headley MBE ⁶ Parliamentary Secretary for the Cabinet Office <i>from 12 May 2015</i>	0-5	0-2.5	12	–	5
Dr. Thérèse Coffey MP Parliamentary Secretary and Deputy Leader of the House of Commons <i>from 12 May 2015</i>	0-5	0-2.5	10	4	3
The Rt Hon. Nick Clegg MP Deputy Prime Minister and Lord President of the Council <i>until 8 May 2015</i>	5-10	0-2.5	96	86	9
The Rt Hon. Greg Clark MP Minister for Universities, Science & Cities <i>until 11 May 2015</i>	0-5	0-2.5	74	55	18
Jo Johnson MP Minister of State for the Cabinet Office <i>until 11 May 2015</i>	0-5	0-2.5	25	17	7

¹ The end date for calculations is 31 March 2016 unless the minister left the Department during the year, in which case it is the day they left

² The start date for calculations is 31 March 2015 unless the minister was appointed to the Department during the year, in which case it is the day they joined. The figures given here differ from those provided in departmental accounts last year. This is because the discount rates used for calculating CETVs were changed by HM Treasury following the Budget on 16 March 2016

³ The Rt Hon. the Lord Maude of Horsham (as he is now known) did not seek re-election as the MP for Horsham at the 2015 General Election. As a result, he ceased to be an MP when Parliament was dissolved on 30 March 2015

⁴ The Rt Hon. Oliver Letwin MP has chosen to opt out of the Ministers' Pension Scheme

⁵ The Rt Hon. the Lord Hague of Richmond (as he is now known) did not seek re-election as the MP for Richmond at the 2015 General Election. As a result, he ceased to be an MP when Parliament was dissolved on 30 March 2015

⁶ Lord Bridges of Headley MBE was made a life peer on 28 May 2015

1.12 Ministerial pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The Ministers' etc Pension Scheme 2015 is made under statute and the scheme rules can be found on the [Parliamentary Contributory Pension Fund \(PCPF\)](#) website.

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). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for ministers are payable from state pension age under the 2015 scheme. Pensions are revalued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre and post 2015 ministerial pension schemes.

1.13 Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax, which may be due when pension benefits are taken.

1.14 Real increase in the value of the CETV

This is the element of the increase in an accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

1.15 Pension benefits

Board members	Accrued pension at pension age as at 31-03-16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31-03-2016 ¹	CETV at 31-03-2015 ²	Real increase In CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Sir Jeremy Heywood KCB, CVO Cabinet Secretary and Head of the Civil Service	70-75 plus lump sum of 220-225	2.5-5 plus lump sum of 10-12.5	1,495	1,315	48	-
John Manzoni Chief Executive of the Civil Service <i>from 13 October 2014</i> Permanent Secretary and Principal Accounting Officer <i>from 29 August 2015</i>	5-10	5-7.5	153	74	53	-
Richard Heaton CB Permanent Secretary, First Parliamentary Counsel and Cabinet Office Principal Accounting Officer <i>until 28 August 2015</i>	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 0-2.5	777	738	19	-
Elizabeth Gardiner CB First Parliamentary Counsel and Permanent Secretary of the Government in Parliament Group <i>Joined the Cabinet Office Board from 29 February 2016</i>	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	926	866	6	-
Guy Lester Finance Director <i>from 13 April 2015</i>	50-55	0-2.5	858	775	22	-
Bruce Mann Finance Director <i>until 12 April 2015</i>	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	1,072	1,058	1	-
Philip Rycroft CB ³ Head of UK Governance Group <i>until 1 July 2015</i>	5-10	0-2.5	125	109	9	-
Sue Gray ³ Director General, Propriety and Ethics Team and Head of Private Offices Group <i>until 1 July 2015</i>	55-60 plus lump sum of 165-170	0-2.5 plus lump sum of 0-2.5	1,193	1,161	6	-
Antonia Romeo ³ Director General, Economic and Domestic Affairs Secretariat <i>until 1 July 2015</i>	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	299	286	4	-

¹ The end date for calculations is 31 March 2016 unless the Board member left the Department's Board during the year, in which case it is the day they left. The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

² The start date for calculations is 31 March 2015 unless the Board member joined the Department's Board during the year, in which case it is the day they joined

³ Changes to the membership of the Cabinet Office Board were ratified at its meeting on 1 July 2015 and Philip Rycroft, Sue Gray and Antonia Romeo left the Board on this date. Philip and Sue continued to fulfil the roles stated above as at 31 March 2016. Antonia, however, became the Government's Special Envoy to the US technology companies in October 2015

1.16 Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium and classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. The pension figures quoted for Board members show the pension earned in PCSPS or alpha, as appropriate. Where the Board member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from 1 October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) a pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015, and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. The pension figures quoted for Board members show the pension earned in PCSPS or alpha, as appropriate. Where the Board member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but it should be noted that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found on the [Civil Service Pensions](#) website.

1.17 Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

1.18 Real increase in CETV

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

1.19 Compensation for loss of office

No compensation payments for loss of office were made to Board members during the reporting year.

1.20 Register of Public Interest

Board members

The Cabinet Office maintains a register of Cabinet Office Board members' interests, with details of company directorships and other significant interests held by Board members. Copies of the register are available on request. Copies are laid in the House of Commons library from time to time. The register of Board members' interests can be found at: GOV.UK - Cabinet Office

House of Commons

The Register of Members' Financial Interests can be found at: parliament.uk

House of Lords

The Register of Lords' Interests can be found at: parliament.uk

2. Staff Report

2.1 Staff costs

£000					2015-16	2014-15
	Permanently employed staff	Others	Special advisers	Ministers	Total	Total
Wages, salaries and fees	101,839	-	4,044	417	106,300	108,726
Social security costs	9,623	-	484	39	10,146	10,314
Other pension costs	21,348	-	573	-	21,921	20,946
Agency/temporary	-	28,477	-	-	28,477	32,343
Termination benefits	1,081	-	(138)	-	943	1,969
Sub total	133,891	28,477	4,963	456	167,787	174,298
Inward secondments	-	5,252	-	-	5,252	6,285
Total	133,891	33,729	4,963	456	173,039	180,583
Less: Recoveries in respect of outward secondments	-	(3,541)	-	-	(3,541)	(2,805)
Total staff costs	133,891	30,188	4,963	456	169,498	177,778
Less: Staff engaged on Capital projects	(2,207)	(1,485)	-	-	(3,692)	(1,174)
Total net staff costs	131,684	28,703	4,963	456	165,806	176,604

During the year, costs of £21,921,457 were incurred in respect of pensions (2014-15: £20,946,026).

Of this amount, £21,195,372 (2014-15: £20,831,053) was borne by the core department, £133,915 (2014-15: £106,848) was borne by the Civil Service Commission and £18,924 (2014-15: £8,125) was borne by the Registrar of Consultant Lobbyists. The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme (CSOPS) are unfunded multi-employer defined benefit schemes but the Cabinet Office is unable to identify its share of the underlying liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the *Cabinet Office: Civil Superannuation* at civilservicepensionscheme.org.uk.

For 2015-16, employers' contributions of £21,048,709 were payable to the PCSPS (2014-15: £19,880,445) at one of four rates in the range 20.0% to 24.5% (2014-15: 16.7% to 24.3%) of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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, which is a stakeholder pension with an employer contribution. Employers' contributions of £140,295 (2014-15: £149,108) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2014-15: 3% to 12.5%) of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £6,368 (2014-15: £11,439), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £11,397 (2014-15: £12,875). Contributions prepaid at that date were £nil (2014-15: £nil).

Special Advisers' pension costs incurred during the year were £573,245 (2014-15: £790,061).

One individual (2014-15: one individual) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,147 (2014-15: £11,374).

2.2 Reporting of Civil Service and other compensation schemes – exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

In cases where the employee has accepted the offer made by the Department, the cost of termination benefit is accrued within wages, salaries and fees; see Note 2.1. In cases where the Department has issued offer letters to employees then the cost of termination benefits is provided for; see Note 20 to the accounts.

Exit packages included in Staff costs – see Note 2.1

£ Departmental group						
Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	4	3	4	3
£25,001 - £50,000	-	-	13	5	13	5
£50,001 - £100,000	-	-	11	2	11	2
Total number of exit packages	-	-	28	10	28	10
Total cost	-	-	1,081,185	411,321	1,081,185	411,321

The total cost of the exit packages of £1,081,185 (2014-15: £411,321) is included in the staff costs table in Note 2.1 and Note 3 to the accounts.

All departmental Special Advisers had to resign from their posts either on 30 March 2015, at the commencement of Purdah, or by 8 May 2015, following the General Election, in line with their contracts. Special Advisers are not entitled to a notice period and are given a severance payment to compensate for this. The payment is calculated based on their length of service and is capped at six months' salary. Some compensation from 2014-15 has been repaid due to some Special Advisers returning to the Cabinet Office in year; see Note 2.1 and Note 3 to the accounts.

Exit packages included in Provisions – see Notes 3 and 20 in the Notes to the accounts

£ Departmental group						
Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<£10,000	-	-	1	-	1	-
£10,000 - £25,000	-	-	14	-	14	-
£25,001 - £50,000	-	-	31	-	31	-
£50,001 - £100,000	-	-	36	-	36	-
Total number of exit packages	-	-	82	-	82	-
Total cost	-	-	£4,208,796	-	£4,208,796	-

A new provision was created in 2015-16 for the estimated costs of voluntary redundancy payments. Further detail is disclosed at Note 20 to the accounts.

2.3 Average number of persons employed

The average number of full-time equivalent persons employed during the year is shown in the table below. These figures include both those working in the core Department and those working in other entities within the departmental boundary.

Operating segment	Permanently employed staff	Commissioners	Others ¹	Ministers	Special Advisers	2015-16	2014-15 ²
						Total	Total
Support to the Cabinet, the PM & the Deputy PM	721	-	6	4	24	755	837
Permanent Secretary's Group	533	-	4	3	8	548	554
Chief Executive's Group	825	-	171	-	-	996	1,014
Independent business units	21	-	-	-	-	21	22
Arm's length bodies ³	19	9 ⁴	-	-	-	28	25
Staff engaged on capital projects	35	-	20	-	-	55	20
Total	2,154	9	201	7	32	2,403	2,472⁵
Of which:							
Core Department	2,135	-	201	7	32	2,375	2,447
Other designated bodies ³	19	9	-	-	-	28	25
Total	2,154	9	201	7	32	2,403	2,472⁵

¹ The 'Others' category includes agency staff, interim managers, specialist contractors and consultants

² The figures for 2014-15 have been reclassified to the new operating segments introduced during 2015-16.

³ Together, the Civil Service Commission and the Office of the Registrar of Consultant Lobbyists make up both the Department's 'Arm's length bodies' and its 'Other designated bodies'

⁴ The method used to calculate the full-time equivalent (FTE) number of Civil Service Commissioners this year has changed from previous years. Rather than calculating the FTE based on the number of days worked, each Commissioner has been treated as a full-time equivalent person

⁵ This figure is higher than reported in the Cabinet Office Annual Report and Accounts 2014-15. This is because the full-time equivalent number of Civil Service Commissioners has been recalculated using the methodology outlined in footnote 4 above

2.4 Senior civil servants

The table below shows the number of senior civil servants (SCS) employed by the Cabinet Office as at 31 March 2016. The table includes 43 staff in SCS equivalent grades within the Office of the Parliamentary Counsel. The equivalent grades are: Parliamentary Counsel (Director-General), Parliamentary Counsel (Director) and Parliamentary Counsel (Deputy Director).

Grade	2015-16 No.	2014-15 No.
Permanent Secretary	7	6
SCS 3	13	20
SCS 2	55	53
SCS 1	153	159
Total	228	238

2.5 Analysis of staff by gender

The table below provides a breakdown, by gender, of all the staff who have worked for the Cabinet Office during the period 1 April 2015 to 31 March 2016.

	Men		Women		Total	
	No.	%	No.	%	No.	%
Board members	6	66.67%	3	33.33%	9	100%
Senior civil servants	200	59.52%	136	40.48%	336	100%
All staff	1,569	49.79%	1,582	50.21%	3,151	100%

2.6 Sickness and absence

The sickness absence figure for the rolling 12 months to 31 March 2016 stands at 2.37 (1.97 for the rolling 12 months to 31 March 2015) average working days lost.

2.7 Employment, training and advancement of disabled persons

The Cabinet Office applies the Recruitment Principles of the Civil Service Commission, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which has a core focus of raising awareness of unconscious bias, is offered to all chairs of Cabinet Office recruitment panels. The Cabinet Office takes part in the 'Two Ticks' guaranteed interview scheme, which encourages candidates with a disability to apply for the jobs it advertises. If a candidate declares a disability and meets the minimum standards required for a job, he or she is offered an interview.

The Cabinet Office has an active disability network championed by a Director General and a Disability Action Group with the aim of taking positive action to break down barriers in the workplace, including raising issues relating to the Department's estate. The Cabinet Office promotes a number of cross-government talent schemes to disabled staff. This includes Civil Service-wide talent schemes such as the Future Leaders Scheme (aimed at staff in grades 6 and 7) and the Senior Leaders Scheme (aimed at staff in senior Civil Service pay band 1). It also promotes development schemes aimed specifically at disabled staff, including the Accelerate talent programme (for senior civil servants) and the Positive Action Pathway (for staff below the senior Civil Service).

2.8 Monitoring spending on consultancy and temporary staff

Expenditure on consultancy staff fell from £14.908 million in 2014-15 to £9.578 million in 2015-16 and expenditure on temporary staff fell from £32.343 million in 2014-15 to £28.477 million in 2015-16; see Note 3 to the accounts.

Spend on consultancy and the need for temporary staff within the Cabinet Office is largely dependent on the nature of the projects which are being undertaken and the expertise which is required.

In 2015, there were a number of projects which required consultancy to be procured. These included work on the Debt Market Integrator and Pensions and Youth Policy. All of these pieces of work were completed in 2015 and no further consultancy was required in 2016. Conversely, while there was an overall fall in costs between 2015 and 2016, spend increased in other areas. This was most notable in the Government Digital Service (GDS) and Government Property Unit (GPU) where expansion of the programmes led to a greater requirement for digital and property consultancy.

The majority of the fall in spend on temporary staff was attributable to GDS where expenditure was considerably lower in 2016. In 2015 the majority of temporary staff in GDS worked on the transformation programme which included transitioning departmental websites onto GOV.UK and taking forward a number of exemplar projects. The completion of these programmes resulted in fewer temporary staff being required in 2016. In addition, work continues to look at converting temporary staff into civil servants where there is a long term requirement for the roles. On the other hand in some areas spend increased on temporary staff, for example in GPU where the development of the hub, New Property Model and one public estate programme resulted in an increase in temporary staff.

2.9 Reporting of high-paid off-payroll appointments

Table 1

For all off-payroll engagements as of 31 March 2016, of more than £220 per day and that last longer than six months.

	2015-16 No.
No. of existing engagements as of 31 March 2016	40
Of which:	
No. that have existed for less than one year at time of reporting	31
No. that have existed for between one and two years at time of reporting	8
No. that have existed for between two and three years at time of reporting	-
No. that have existed for between three and four years at time of reporting	1
No. that have been existed for four or more years at time of reporting	-

Table 2

For all new off-payroll engagements, or those that have reached six months in duration between 1st April 2015 and 31st March 2016, for more than £220 per day and that last for longer than six months

	2015-16 No.
No. of new engagements, or those that reached six months in duration, between 1st April 2015 and 31st March 2016	31
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National insurance obligations	31
No. for whom assurance has been requested	18
Of which:	
No. of whom assurance has been received	13
No. for whom assurance has not been received	5
No. that have been terminated as a result of assurance not being received.	-

Table 3

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1st April 2015 and 31st March 2016

	2015-16 No.
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on payroll and off-payroll that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	9

Parliamentary accountability and audit report

Statement of Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual (FRM) requires the Cabinet Office to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

Summary of resource and capital outturn 2015-16

	2015-16 £000							2014-15 £000	
	Estimate			Outturn			Voted outturn compared with Estimate: saving / (excess)	Outturn	
	SOPS Note	Voted	Non-voted	Total	Voted	Non-voted	Total	Total	
Departmental Expenditure Limit									
- Resource	1.1	501,246	109,025	610,271	474,536	101,862	576,398	26,710	650,303
- Capital	1.2	(23,067)	-	(23,067)	(30,479)	-	(30,479)	7,412	50,040
Annually Managed Expenditure									
- Resource	1.1	10,000	-	10,000	2,380	-	2,380	7,620	(369)
- Capital	1.2	-	-	-	-	-	-	-	-
Total budget		488,179	109,025	597,204	446,437	101,862	548,299	41,742	699,974
Non-budget									
- Resource	1.1	-	-	-	-	-	-	-	-
Total		488,179	109,025	597,204	446,437	101,862	548,299	41,742	699,974

Total resource		511,246	109,025	620,271	476,916	101,862	578,778	34,330	649,934
Total capital		(23,067)	-	(23,067)	(30,479)	-	(30,479)	7,412	50,040
Total		488,179	109,025	597,204	446,437	101,862	548,299	41,742	699,974

Net cash requirement 2015-16

£000		2015-16		2014-15
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving / (excess)	Outturn
3	473,668	443,345	30,323	575,173

Administration costs 2015-16

£000		2015-16		2014-15
SOPS Note	Estimate	Outturn	Outturn compared with Estimate: saving/(excess)	Outturn
1.1	166,327	148,614	17,713	154,086

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote. Explanations of variances between Estimate and outturn adjusted for virements are given in Note SOPS1.

Notes SOPS1 to SOPS4 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SOPS1. Net outturn

SOPS1.1 Analysis of net resource outturn by section

								2015-16	2014-15		
								£000	£000		
Spending in Departmental Expenditure Limit	Outturn							Estimate			Outturn
	Administration			Programme				Net total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net	Net total				
Voted											
A: Support to the Cabinet, the PM & the Deputy PM	58,558	(1,702)	56,856	64,485	(5,968)	58,517	115,373	116,517	1,144	6,012	154,768
B: Permanent Secretary's Group	80,134	(20,538)	59,596	173,681	(7,959)	165,722	225,318	245,686	20,368	9,583	266,523
C: Chief Executive's Group	130,022	(100,602)	29,420	126,930	(25,556)	101,374	130,794	136,555	5,761	11,075	126,658
D: Independent business units	915	30	945	1,206	(1,072)	134	1,079	476	(603)	-	1,265
E: Arm's length bodies - net	1,797	-	1,797	175	-	175	1,972	2,012	40	40	2,030
Total voted	271,426	(122,812)	148,614	366,477	(40,555)	325,922	474,536	501,246	26,710	26,710	551,244
Non-voted											
F: Consolidated Fund Standing Services	-	-	-	101,942	-	101,942	101,942	109,025	7,083	7,083	99,061
ALB: The Registrar of Consultant Lobbyists	-	-	-	-	(80)	(80)	(80)	-	80	80	(2)
Total DEL	271,426	(122,812)	148,614	468,419	(40,635)	427,784	576,398	610,271	33,873	33,873	650,303
Spending in Annually Managed Expenditure Voted											
G: Cabinet Office AME	-	-	-	2,380	-	2,380	2,380	10,000	7,620	7,620	(369)
Non-budget	-	-	-	-	-	-	-	-	-	-	-
Total	271,426	(122,812)	148,614	470,799	(40,635)	430,164	578,778	620,271	41,493	41,493	649,934

Explanations between Estimate and 2015-16 resource outturn adjusted for virements

A: Support to the Cabinet, the Prime Minister and the Deputy Prime Minister – £6.012 million underspend

The underspend in this segment is made up of two underspends from two different teams.

Within the Constitution Group budget there is a £3.6 million underspend which is mainly attributable to lower than budgeted costs of the Electoral Registration Transformation Programme. A justification led bid process was run to fund local authorities in England, Scotland and Wales, providing them with an opportunity to bid for additional funding to cover the additional costs associated with running Individual Electoral Registration. The resultant underspend is a combination of the programme robustly challenging received bids to drive efficiency savings and receiving lower than anticipated funding bids from local authorities.

In addition, resource expenditure on the cross-government secure communication system was below forecast because the early stages of the programme encountered delays.

B: Permanent Secretary's Group – £9.583 million underspend

Impairment losses relating to information technology assets were lower than assumed in the 2015-16 Supplementary Estimate.

C: Chief Executive's Group – £11.075 million underspend

The main reason for the underspend in the Chief Executive's Group was lower use of GOV.UK Verify than previously forecast by both the Cabinet Office and other government departments. There were also other delays which caused spend to fall – most notably on the New Property Model and activities around fraud, error and debt. In both cases a key reason for the delay was being able to recruit staff with the required skills.

F: Consolidated Fund Standing Services – £7.083 million underspend

The Consolidated Fund Standing Services underspend relates primarily to the 2015 UK Parliamentary election. It reflects the difference between the Cabinet Office's Estimate of the cost of conducting the poll, and thus the sum initially drawn down from the Consolidated Fund, and the more accurate figure that is now available following submission of Returning Officers' expenses claims and payment of invoices for the delivery of candidate mailings.

G: Cabinet Office AME – £7.620 million underspend

The underspend primarily reflects a gain on the disposal of Admiralty Arch of £4.221 million; see Note 16. Additionally values of freehold properties as at 31 March 2016 were higher than those assumed for the 2015-16 Supplementary Estimate which included cover in case of decreases in asset values compared to those reported in 2015.

Explanations of resource variances between 2015-16 outturn and 2014-15 outturn

A: Support to the Cabinet, the Prime Minister and the Deputy Prime Minister - £39.395 million reduction

The Electoral Registration Transformation Programme implemented Individual Electoral Registration. Associated expenditure decreased between financial year 2014-15 and 2015-16, as anticipated. The majority of programme expenditure in 2014-15 was on system development and funding transition to local authorities in England, Wales and Scotland. 2015-16 expenditure was needed only for post-implementation costs and mainstreaming.

B: Permanent Secretary's Group – £41.205 million reduction

In 2013 the Cabinet Office committed to supporting the first phase of the Centre for Social Action with £40 million. This was invested in Financial Years 2013-14 and 2014-15. Financial Year 2015-16 was in many respects a bridging year as some of this work was continued, but also considered future priorities as the Cabinet Office went through the Spending Review and the Single Departmental Plan processes. Subsequently, the Cabinet Office have committed £15 million in the next phase of the Centre for Social Action SA which is profiled at £5 million, £5 million, £3 million and £1.5 million over the financial years to March 2020.

In 2014-15 the Cabinet Office created an endowment for Access: The Foundation for Social Investment, which it will use to fund capacity building programmes for the social sector over the next decade. Cabinet Office made a grant of £36 million in 2014-15, £7.35 million in 2015-16, and will be adding to this each year, up to £60 million.

G: Cabinet Office AME – £2.749 million increase

The increase in 2015-16 is caused by a new provision which was created for the estimated costs of voluntary redundancy payments; see Note 20 to the accounts.

SOPS1.2 Analysis of net capital outturn by section

				2015-16 £000			2014-15 £000
Spending in Departmental Expenditure Limit	Outturn			Estimate			Outturn
	Gross	Income	Net	Net	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Net
Voted							
A: Support to the Cabinet, the PM & the Deputy PM	11,096	(145)	10,951	18,342	7,391	6,523	5,088
B: Permanent Secretary's Group	13,282	(65,110)	(51,828)	(50,939)	889	889	28,212
C: Chief Executive's Group	10,398	-	10,398	9,530	(868)	-	16,740
Total DEL	34,776	(65,255)	(30,479)	(23,067)	7,412	7,412	50,040

Explanations between Estimate and 2015-16 capital outturn adjusted for virements

A: Support to the Cabinet, the Prime Minister and the Deputy Prime Minister – £6.523 million underspend

Capital expenditure on the cross-government secure communication system was below forecast because the early stages of the programme encountered delays.

Explanations of capital variances between 2015-16 outturn and 2014-15 outturn

B: Permanent Secretary's Group – £80.040 million reduction

Net Capital outturn has decreased from the previous financial year largely due to the sale of Admiralty Arch and a reduction in grant expenditure. On 17 June 2015, the Department sold Admiralty Arch on a 250 year long lease to Admiralty Arch Holdings Limited; see Note 16 to the accounts. In addition, the Office for Civil Society and Innovation had a reduction in grant payments to Community First of £14 million. This was due to the fact this was the final payment under a contract that expired in 2015.

SOPS2. Reconciliation of net resource outturn to net operating expenditure

			2015-16 £000	2014-15 £000
Total resource outturn in Statement of Parliamentary Supply	Note	Estimate	Outturn	Outturn
Budget	SOPS1.1	620,271	578,778	649,934
Non-budget		-	-	-
		620,271	578,778	649,934
Add:				
Capital grants	3	6,825	6,766	25,866
Dividends received from associates	14	-	6,030	3,800
Less:				
Capital grant income	4	-	-	(2,615)
UK members of the European Parliament	SOPS3	(3,200)	(2,433)	(2,552)
Share of associates' profit and gain on opening net assets	4, 14	-	(7,146)	(7,348)
<i>Amounts payable to the Consolidated Fund</i>				
UK Parliamentary Elections - Forfeited deposits	4, SOPS4	-	(678)	(307)
Civil penalty charge on consultant lobbyists	SOPS4	-	(2)	-
Net operating expenditure in Consolidated Statement of Comprehensive Net Expenditure		623,896	581,315	666,778

SOPS3. Reconciliation of net resource outturn to net cash requirement

2015-16

£000

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
Resource outturn	SOPS1.1	620,271	578,778	41,493
Capital outturn	SOPS1.2	(23,067)	(30,479)	7,412
Accruals to cash adjustments:				
<i>Adjustments for ALBs:</i>				
Remove voted resource and capital	SOPS1.1	(2,012)	(1,972)	(40)
Remove voted resource and capital – accrual		-	(100)	100
Elimination adjustment		-	(349)	349
Add cash grant-in-aid		2,091	2,339	(248)
<i>Adjustments to remove non-cash items:</i>				
Depreciation	3	(36,008)	(15,298)	(20,710)
Amortisation	3	-	(1,817)	1,817
Impairment – Property, Plant and Equipment	3	-	(639)	639
Impairment – Intangible assets	3	-	(72)	72
Devaluation – Property, Plant and Equipment	3	-	(2,931)	2,931
Bad debt write-off	3	-	(43)	43
New provisions and adjustments to previous provisions	3	(5,006)	(5,055)	49
Impairment for trade receivables	3	-	(1,001)	1,001
Audit fee	3	(457)	(483)	26
Reversal of loan Impairment	3	(442)	266	(708)
Assets classified as held for sale - gains on change in fair value	3	-	4,221	(4,221)
Carbon dioxide emissions	3	-	(177)	177
<i>Adjustments to reflect movements in working balances:</i>				
Increase in inventories		-	79	(79)
Increase/(Decrease) in trade receivables		(779)	12,420	(13,199)
Decrease in trade payables		25,012	6,206	18,806
Use of provisions	20	3,090	1,164	1,926
		582,693	545,057	37,636
Removal of non-voted budget items:				
<i>Consolidated Fund standing services:</i>				
Salary and pension costs of the UK members of the European Parliament	SOPS2	(3,200)	(2,433)	(767)
UK Parliamentary Elections	3, SOPS1.1	(105,825)	(100,187)	(5,638)
European Parliamentary Elections	3, SOPS1.1	-	678	(678)
<i>Other adjustments:</i>				
Registrar of Consultant Lobbyists:				
Cash surrendered to the Consolidated Fund	19, SOPS4	-	(10)	10
Cash surrenderable to the Consolidated Fund	19, SOPS4	-	160	(160)
Non-voted resource income	SOPS1.1	-	80	(80)
Net cash requirement		473,668	443,345	30,323

SOPS4. Income payable to the Consolidated Fund

In addition to income retained by the Cabinet Office, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

£000	Note	Outturn 2015-16		Outturn 2014-15	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Non-voted receipts surrendered to the Consolidated Fund ¹	4	678	<i>678</i>	307	<i>307</i>
Cash surrenderable to the Consolidated Fund ²	4, 19	82	<i>160</i>	2	<i>10</i>
Total income payable to the Consolidated Fund		760	<i>838</i>	309	<i>317</i>

¹ Forfeited deposits in respect of Parliamentary elections in England and Wales

² Registration fees from consultant lobbyists

Parliamentary elections forfeited deposits

Deposits are forfeited by those candidates who fail to obtain one-twentieth of the total votes cast at UK Parliamentary elections and by-elections. European Parliamentary elections candidates must obtain one-fortieth of the vote in order to have their deposit returned. Returning Officers are required to return any forfeited deposits to the Consolidated Fund via the Cabinet Office no later than one working day after the result of the election has been declared.

Registration fees from consultant lobbyists

The Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014 at Part 1, section 22 'Charges' stipulates:

- The Registrar may impose charges for or in connection with the making, updating and maintenance of entries in the register.
- The charges are to be determined by or in accordance with regulations.
- In making the regulations, the minister must seek to ensure that the total paid to the Registrar in charges is sufficient to offset the total of the costs incurred by the Registrar in exercising the functions under this Part (whether or not those costs are directly connected with the keeping of the register).
- If a charge imposed for making an application or return to the Registrar is not paid, the Registrar may treat the application or return as not having been made.
- The Registrar must pay into the Consolidated Fund any sums received in respect of charges under this section.

Although cash is surrenderable to the Consolidated Fund, HM Treasury has approved a 'netting-off' arrangement that enables the body to spend the funding generated through the charges. This does not apply to civil penalties charged upon consultant lobbyists. The income of £82,000 includes a civil penalty income of £2,000; see SOPS2.

Parliamentary accountability disclosures

This section is subject to audit.

1. Regularity of expenditure

1.1 Losses statement

The Statement of Comprehensive Net Expenditure includes losses, such as write-offs of unrecoverable debts, fruitless payments and extra contractual special payments.

	2015-16	2014-15
	Departmental Group	Departmental Group
Total number of losses	12	18
Total value of losses (£000)	10	6

1.2 Special payments

	2015-16	2014-15
	Departmental Group	Departmental Group
Total number of special payments	20	5
Total value of special payments (£000)	112	49

2. Fees and charges

The analysis below provides details of the services for which a fee is charged. The information is provided for fees and charges purposes, not for IFRS 8 purposes. The Department has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Digital and Technology Team

The Cabinet Office's Digital and Technology Team (DATT) offers a managed IT service to both the Crown Commercial Service and the Department for Culture Media and Sport. Its financial objective is to offer departments a cheaper alternative to expensive IT contracts. DATT do not intend to make any surplus for these managed services so are recharging at cost price.

£000	2015-16	2014-15
	Departmental Group	Departmental Group
Full cost of service to other government departments	3,697	6,503
Less: Income received (see Note 4 to the accounts)	(3,697)	(6,503)
Net deficit	-	-

3. Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the Department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. The Cabinet Office has given the following indemnities whose amounts are unquantifiable, since the likelihood of a transfer of economic benefit in settlement is remote.

Indemnity for Returning Officers at the European Parliamentary elections, May 2014

The Cabinet Office provided an indemnity to Regional and Local Returning Officers for the European Parliamentary elections held on 22 May 2014 and any subsequent by-elections. The indemnity is to cover the costs of any claims against them which are not covered under the existing insurance policies which Regional and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees.

Indemnity for Returning Officers at the UK Parliamentary elections, May 2015

For the purposes of UK Parliamentary elections, Returning Officers and Acting Returning Officers throughout Great Britain are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The Cabinet Office provided an indemnity to Returning Officers for the UK Parliamentary General Election held on 7 May 2015. The indemnity is to cover the costs of any claims against them which are not covered under the existing insurance policies which Returning Officers hold. The indemnity will cover costs arising in relation to UK Parliamentary elections, including by-elections, where the date of the poll is before the next General Election in May 2020.

Indemnity for Returning Officers at the Police and Crime Commissioner elections, May 2016

The Cabinet Office provided an indemnity to Police Area Returning Officers and Local Returning Officers for the Police and Crime Commissioner elections held on 5 May 2016. The indemnity covers the costs of any claims against them which are not covered under any existing insurance policies which Police Area Returning Officers and Local Returning Officers hold. The Department also certificated the Returning Officers under The Employers' Liability (Compulsory Insurance) Regulations 1998 in respect of any liability to their employees. The indemnity and certificate will remain in place to provide cover to Police Area Returning Officers and Local Returning Officers for any by-elections which are held prior to the next scheduled Police and Crime Commissioner elections in May 2020. For the purposes of Police and Crime Commissioner elections, Police Area Returning Officers and Local Returning Officers throughout England and Wales are statutorily independent officers. They stand separate from both central and local government. As a result, they can be exposed to a variety of legal risks varying from minor claims for injury at polling stations to significant election petitions challenging the outcome of a poll and associated legal costs. The Home Office previously provided an indemnity to Returning Officers for the Police and Crime Commissioner elections held on 15 November 2012.

4. Entities outside the departmental boundary

Executive Agency – Crown Commercial Service

In July 2013, the Minister for the Cabinet Office announced that a new Crown Commercial Service would be created to act on behalf of the Crown to drive savings for the taxpayer, and improve the quality of commercial and procurement activity across the public sector. It brings together, in one organisation, the Government Procurement Service (GPS), the commercial functions of the Cabinet Office and commercial activity related to common goods and services currently undertaken by departments. The Crown Commercial Service became a legal entity on 2 April 2014 and it is an Executive Agency and Trading Fund of the Cabinet Office. Services provided by the Crown Commercial Service include direct buying, an advisory service and the UK Government's procurement policy function.

Further information can be found at Note 15 and at: GOV.UK - Crown Commercial Service

5. Cabinet Office public bodies

The Cabinet Office produces a comprehensive annual public bodies directory providing details of Non-departmental public bodies and similar public bodies. The directory can be found at: GOV.UK - Cabinet Office Public Bodies directory

Long term expenditure trends

Trends over financial years 2011-12 to 2019-20 are illustrated in the charts below and detailed by spending control aggregates in Table 1 'Total departmental spending' and Table 2 'Administration budget'. Budgets are negotiated with HM Treasury by means of Spending Reviews, the most recent being Spending Review 2015 covering financial years 2016-17 to 2019-20.

Resource Departmental Expenditure Limit (RDEL)

Administration budgets are controlled to ensure that as much money as practicable is available for front-line services and programmes. In 2013-14, the decrease in net administration costs was due to a £38.200 million sale of shares in Axelos Limited, an associate, to its immediate parent, Capita Business Services Limited.

Programme budgets have fluctuated as follows. Election costs amounted to £96.509 million in 2014-15 for the 2014 European Parliamentary elections and £99.509 million in 2015-16 for the 2015 UK Parliamentary General Election. A figure of £57.300 million is the estimated cost of the Police and Crime Commissioner elections held in May 2016. Higher spend in 2014-15 is attributable to an increase in the number of young people taking part in the National Citizen Service programme, system development and funding transition to local authorities in England, Wales and Scotland in respect of Individual Electoral Registration and the creation of an endowment for Access: The Foundation for Social Investment to fund capacity building programmes for the social sector.

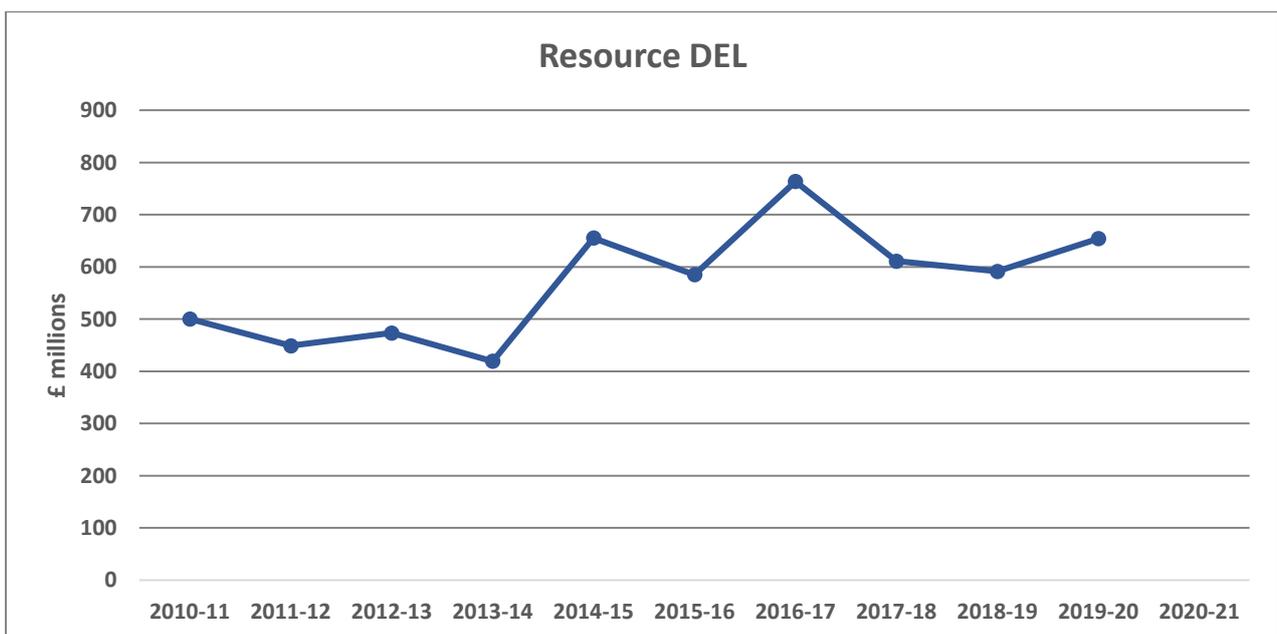
Spending Review 2015 expects savings from efficiencies in corporate services and provides funding to deliver the following significant programmes.

The Office for Civil Society and Innovation will support the expansion of the National Citizen Service to deliver 360,000 participants by 2020-21, and a Life Chances Fund for the development and maintenance of local Social Impact Bonds across the country, tackling issues such as youth unemployment.

The Government Property Unit will deliver a New Property Model to own and manage the central government estate with departments paying market-level rents for freehold assets which they own. The One Public Estate programme will support local authorities to use their assets more effectively.

The Government Digital Service will deliver cross-government programmes that will improve public services and deliver efficiencies including: Common Technology Services which will deliver a common, flexible and modern technology architecture for the entire Civil Service; Government as a Platform which will deliver a core common IT infrastructure of shared digital systems, technology and processes for use across multiple departments; and GOV.UK Verify which will enable individuals to prove their identity online and to access government services securely and safely.

Chart 1 Total Resource DEL Expenditure 2011-12 to 2019-20

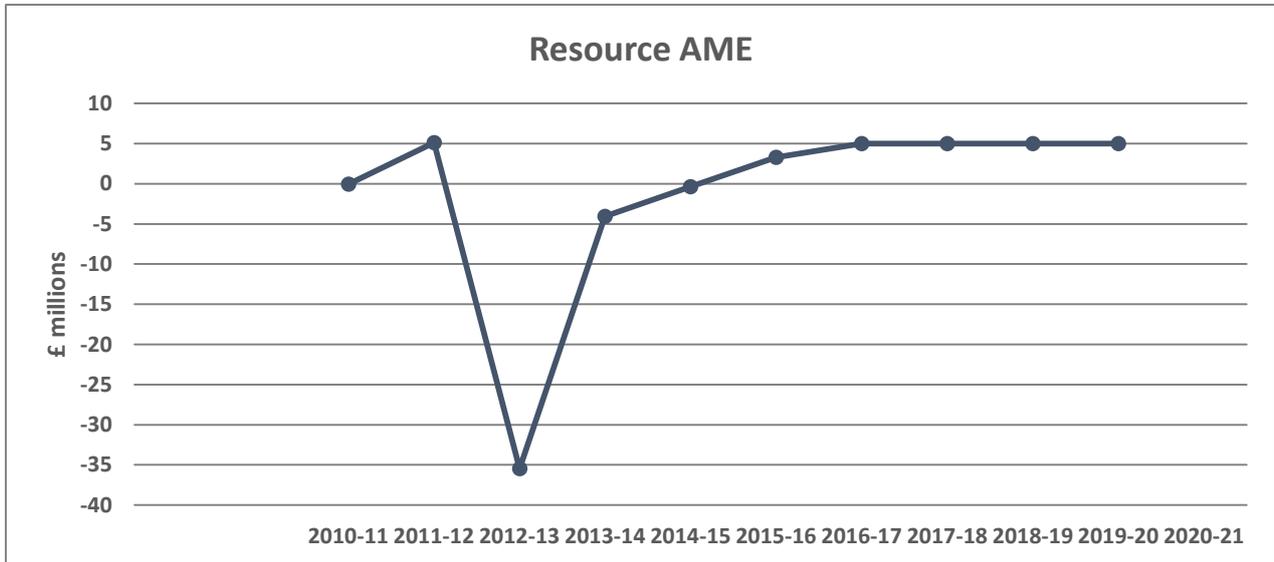


Resource Annually Managed Expenditure (RAME)

Resource AME is less predictable and controllable than expenditure in DEL. It includes property revaluations and provisions for early departures, onerous contracts and vacant properties.

2012-13 saw a dip into negative RAME of £32.003 million resulting from a gain in the change in fair value of Admiralty Arch. In 2013-14 and 2014-15 property impairments were offset by the utilisation and write back of provisions. Spending Review 2015 provides cover for the risk of property impairments due to falls in market value.

Chart 2 Total Resource Annually Managed Expenditure 2011-12 to 2019-20



Capital Departmental Expenditure Limit (CDEL)

Capital DEL includes capital grants for the Office for Civil Society and Innovation programmes, investment in the Cabinet Office estate and IT, and in cross-government efficiency programmes.

During 2013-14 and 2014-15 the Department increased investment in its estate and IT, and increased capital grant expenditure for the Office for Civil Society and Innovation programmes and for the Electoral Registration Transformation Programme grants to local authorities. The sale of Admiralty Arch in June 2015 on a long lease of 250 years (the title to the freehold is retained by the Government) resulted in a benefit to Capital DEL of £64.221 million. Spending Review 2015 provides funding to deliver a range of projects including: estates, digital and technology, Next Generation Shared Services, Government as a Platform, Common Technology Services, Identity Assurance 'Verify' and the development of a cross-government secure IT system.

Chart 3 Total Capital DEL Expenditure 2011-12 to 2020-21

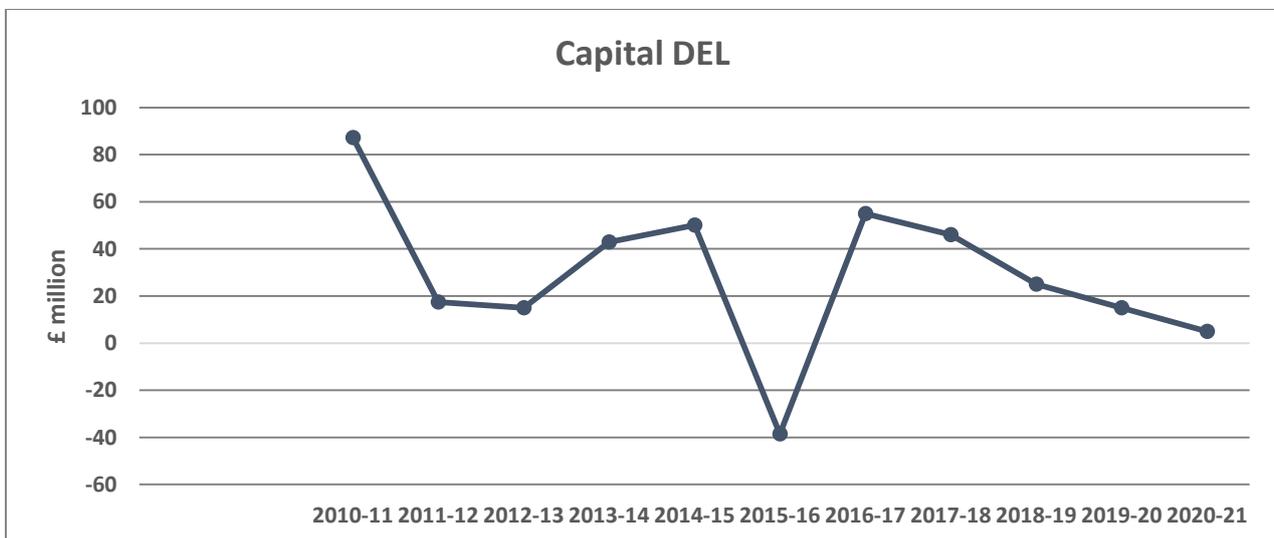


Table 1 Cabinet Office total departmental spending 2010-11 to 2019-20

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Resource DEL									
Support the Prime Minister and Cabinet to deliver the Government's programme	-	-	-	-	-	42,671	39,056	38,696	37,679
Drive efficiencies and reforms that make government work better	-	-	-	-	-	234,851	170,232	114,853	104,977
Build a stronger civil society	-	-	-	-	-	265,999	286,397	341,088	407,646
Create a more united democracy	-	-	-	-	-	29,266	3,290	3,309	3,328
Strengthen and secure the United Kingdom at home and abroad	-	-	-	-	-	40,817	39,992	37,932	39,884
Corporate activities	-	-	-	-	-	87,929	68,817	52,339	57,134
Arm's length bodies (NET)	1,313	1,442	1,794	2,031	1,972	2,293	2,349	2,416	2,485
Elections	-	-	-	96,509	99,509	59,000	-	-	-
UK members of the European Parliament ¹	1,849	1,831	1,826	2,550	2,433	-	-	-	-
Support to the Cabinet, the PM and the Deputy PM	-	-	-	-	115,373	-	-	-	-
Permanent Secretary's Group	-	-	-	-	225,318	-	-	-	-
Chief Executive's Group	-	-	-	-	130,794	-	-	-	-
Independent business units	-	-	-	-	1,079	-	-	-	-
Support to the Cabinet, the PM and the Deputy PM	65,997	120,636	56,991	62,537	-	-	-	-	-
Political and constitutional reform	10,830	9,958	20,629	55,142	-	-	-	-	-
National security	52,011	44,472	29,076	36,366	-	-	-	-	-
Efficiency and reform	252,992	210,665	100,515	113,354	-	-	-	-	-
Government Innovation Group	-	5,285	170,092	224,726	-	-	-	-	-
Corporate Services Group	62,546	77,727	36,535	41,799	-	-	-	-	-
Civil Service capability	-	-	-	8,595	-	-	-	-	-
Pensions	-	-	-	4,709	-	-	-	-	-
Hosted functions	1,286	1,340	1,152	1,265	-	-	-	-	-
Transactional shared services	-	-	565	-	-	-	-	-	-
Consolidated fund extra receipts	-	-	-	(309)	(80)	-	-	-	-
Total resource DEL	448,824	473,356	419,175	649,274	576,398	762,826	610,133	590,633	653,133
<i>Of which:</i>									
Staff costs	163,511	137,953	169,355	179,324	168,239	145,203	146,631	145,078	147,850
Purchase of goods and services	217,530	291,590	298,359	337,240	333,035	347,792	205,883	173,603	152,260
Income from sales of goods and services	(127,805)	(91,190)	(183,910)	(129,363)	(142,419)	(51,656)	(66,993)	(108,318)	(93,806)
Current grants to local government (net)	92	962	8,363	34,836	30,273	-	-	-	-
Current grants to persons and non-profit bodies (net)	177,105	103,908	109,921	214,543	166,410	260,791	284,938	341,442	406,830
Subsidies to private sector companies	6,282	-	-	-	-	-	-	-	-
Subsidies to public corporations	-	-	-	-	-	-	-	-	-
Rentals	17,863	31,581	12,857	9,340	16,827	35,439	26,674	25,828	26,999
Depreciation ²	8,122	11,241	13,866	12,994	18,785	26,800	15,000	15,000	15,000
Other resource	(13,876)	(12,689)	(9,636)	(9,640)	(14,752)	(1,543)	(2,000)	(2,000)	(2,000)

Table 1 Cabinet Office total departmental spending 2010-11 to 2019-20 (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Resource AME									
Cabinet Office AME	-	-	-	-	2,380	5,000	5,000	5,000	5,000
Corporate Services Group (AME)	5,119	(35,479)	(4,080)	(369)	-	-	-	-	-
Total resource AME	5,119	(35,479)	(4,080)	(369)	2,380	5,000	5,000	5,000	5,000
<i>Of which:</i>									
Staff costs	2	-	-	-	-	-	-	-	-
Rentals	-	-	1	-	-	-	-	-	-
Depreciation ²	1,587	988	565	2,269	2,974	5,000	5,000	5,000	5,000
Take up of provisions	13,022	(840)	(3,305)	(787)	5,055	-	-	-	-
Release of provision	(9,445)	(4,062)	(1,424)	(1,876)	(1,164)	-	-	-	-
Other resource	(47)	(31,565)	83	25	(4,485)	-	-	-	-
Total resource budget	453,943	437,877	415,095	648,905	578,778	767,826	615,133	595,633	658,133
<i>Of which:</i>									
Depreciation¹	9,709	12,229	14,431	15,263	21,759	31,800	20,000	20,000	20,000
Capital DEL									
Support the Prime Minister and Cabinet to deliver the Government's programme	-	-	-	-	-	2,711	1,245	600	200
Drive efficiencies and reforms that make Government work better	-	-	-	-	-	35,420	24,100	16,350	9,203
Strengthen and secure the United Kingdom at home and abroad	-	-	-	-	-	11,056	10,945	6,242	4,449
Corporate activities	-	-	-	-	-	5,813	9,710	1,808	1,148
Support to the Cabinet, the PM and the Deputy PM	-	-	-	-	10,951	-	-	-	-
Permanent Secretary's Group	-	-	-	-	(51,828)	-	-	-	-
Chief Executive's Group	-	-	-	-	10,398	-	-	-	-
Support to the Cabinet, the PM and the Deputy PM	1,604	1,798	1,476	1,528	-	-	-	-	-
Political and constitutional reform	-	2,290	6,567	3,617	-	-	-	-	-
National security	(1,832)	(40)	975	(57)	-	-	-	-	-
Efficiency and reform	12,335	4,431	4,547	16,693	-	-	-	-	-
Government Innovation Group	-	-	12,080	20,477	-	-	-	-	-
Corporate Services Group	5,334	6,575	17,228	7,736	-	-	-	-	-
Civil Service capability	-	-	-	46	-	-	-	-	-
Total capital DEL	17,441	15,054	42,873	50,040	(30,479)	55,000	46,000	25,000	15,000
<i>Of which:</i>									
Capital support for local government (net)	-	(20)	4,914	3,390	-	-	-	-	-
Capital grants to persons and non-profit bodies (net)	-	(8,084)	(3)	(2,616)	-	-	-	-	-
Capital grants to private sector companies (net)	10,840	7,963	10,887	22,475	6,766	-	-	-	-
Purchase of assets	8,552	14,887	26,528	27,589	27,670	55,000	46,000	25,000	15,000
Income from sales of assets	(134)	(44,261)	(2)	-	(64,285)	-	-	-	-
Net lending to the private sector and abroad	58	424	549	(798)	(630)	-	-	-	-
Other capital	(1,875)	44,145	-	-	-	-	-	-	-

Table 1 Cabinet Office total departmental spending 2010-11 to 2019-20 (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Capital AME									
Of which:	-	-	-	-	-	-	-	-	-
Total capital budget	17,441	15,054	42,873	50,040	(30,479)	55,000	46,000	25,000	15,000
Total Departmental spending³	461,675	440,702	443,537	683,682	526,540	791,026	641,133	600,633	653,133
Of which:									
Total DEL	458,143	477,169	448,182	686,320	527,134	791,026	641,133	600,633	653,133
Total AME	3,532	(36,467)	(4,645)	(2,638)	(594)	-	-	-	-

¹ It is custom for HM Treasury to provide funding for Consolidated Fund Standing Services, in this case Parliamentary Elections and the salary and pension costs of the UK Members of the European Parliament, on an annual basis rather than at Spending Review.

² Includes impairments

³ Total Departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME

Table 2 Cabinet Office administration budget 2011-12 to 2019-20

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Resource DEL									
Support the Prime Minister and Cabinet to deliver the Government's programme	-	-	-	-	-	38,669	35,261	34,844	33,921
Drive efficiencies and reforms that make Government work better	-	-	-	-	-	39,379	22,038	17,752	13,850
Build a stronger Civil Society	-	-	-	-	-	981	655	379	413
Create a more united democracy	-	-	-	-	-	3,266	3,290	3,309	3,328
Strengthen and secure the United Kingdom at home and abroad	-	-	-	-	-	5,817	5,992	5,432	4,884
Corporate activities	-	-	-	-	-	87,644	61,657	56,114	61,368
Arm's length bodies (NET)	1,313	1,442	1,794	2,028	1,797	2,187	2,240	2,303	2,369
Support to the Cabinet, the PM & the Deputy PM	-	-	-	-	56,856	-	-	-	-
Permanent Secretary's Group	-	-	-	-	59,596	-	-	-	-
Chief Executive's Group	-	-	-	-	29,420	-	-	-	-
Independent business units	-	-	-	-	945	-	-	-	-
Support to the Cabinet, the PM & the Deputy PM	63,519	55,994	53,089	55,728	-	-	-	-	-
Political and constitutional Reform	3,699	3,740	4,012	3,129	-	-	-	-	-
National security	17,523	15,597	15,276	13,907	-	-	-	-	-
Efficiency and reform	48,992	39,331	34,487	18,121	-	-	-	-	-

Table 2 Cabinet Office Administration budget 2011-12 to 2019-20 (continued)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
£000	Outturn	Outturn	Outturn	Outturn	Outturn	Plans	Plans	Plans	Plans
Government Innovation Group	-	-	6,509	4,618	-	-	-	-	-
Corporate Services Group	50,568	75,389	35,791	41,770	-	-	-	-	-
Civil Service capability	-	-	-	7,775	-	-	-	-	-
Pensions	-	-	-	4,709	-	-	-	-	-
Hosted functions	1,144	1,360	1,102	1,271	-	-	-	-	-
Transactional shared services	-	-	565	-	-	-	-	-	-
Total administration budget	186,758	192,853	152,625	153,056	148,614	177,943	131,133	120,133	120,133
<i>Of which:</i>									
Staff costs	125,387	105,197	114,965	112,486	101,473	93,685	93,416	91,843	91,148
Purchase of goods and services	112,088	140,498	199,881	152,431	138,263	62,381	43,183	38,360	39,301
Income from sales of goods and services	(62,061)	(83,432)	(178,094)	(118,533)	(110,885)	(40,819)	(47,140)	(50,898)	(52,315)
Current grants to persons and non-profit bodies (net)	-	-	(1)	-	-	-	-	-	-
Rentals	17,505	31,743	12,314	8,245	11,924	35,439	26,674	25,828	26,999
Depreciation	5,688	8,563	10,313	8,034	14,765	26,800	15,000	15,000	15,000
Other resource	(11,849)	(9,716)	(6,753)	(9,609)	(6,926)	457	-	-	-

The Cabinet Office's Estimate reporting structure has changed over time and the allocation of spend between operating segments does not include the same business areas in each financial year.

The grouping of operating segments was based on key business areas from 2011-12 to 2014-15, and moved to one based on senior leaders in 2015-16 and is changing to a grouping based on departmental objectives from 2016-17 to 2019-20.

At the start of this Parliament, departmental business plans were replaced by a new planning and performance process, underpinned by single departmental plans (SDPs). SDPs are the framework within which departments manage their own business and align expected outcomes to resources and as well as the means by which the centre is able to track performance. They contain objectives, measures of success and timetables for delivering manifesto commitments, reforms and efficiency savings. The Cabinet Office SDP has five strategic objectives that will shape the work of the department through this Parliament.

In addition, it has a corporate objective and efficiency portfolio that outlines how the department will be run effectively and efficiently. The Cabinet Office aims to be an exemplar to departments in terms of SDPs and so the department's reporting and performance management structure will change to reflect these objectives. Advantages of this include better alignment of budget and resources to strategic priorities, more robust tracking of performance within the department and by the centre and improved staff understanding of the core objectives and purpose of the department.



John Manzoni

Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

4 July 2016

The certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Cabinet Office and of its Departmental Group for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2015. The financial statements comprise: the Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that are described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and nonfinancial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

The certificate of the Comptroller and Auditor General to the House of Commons (continued)

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Departmental Group's affairs as at 31 March 2016 and of the Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared are consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse

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

5 July 2016

The report of the Comptroller and Auditor General to the House of Commons

Grant awards to Kids Company

As set out within the Annual Report and Accounts, during 2015-16, the Cabinet Office made two grant payments to Kids Company totalling £7.3 million. These grants were issued under section 70 of the Charities Act, which allows for a Secretary of State to provide financial assistance to a charity which directly or indirectly provides benefit to the whole or part of England. The Cabinet Office is funded via Parliament through the process of Supply, and in 2015-16 the Supply Estimate approved by Parliament allowed for expenditure on delivering community based funding across the UK.

The previous Cabinet Office Accounting Officer raised concerns regarding the value for money of the second grant which amounted to £3 million. Where an Accounting Officer raises such concerns, *Managing Public Money* requires that they seek a formal, written direction from the relevant minister to proceed. The Chancellor of the Duchy of Lancaster and the Minister for the Cabinet Office, as the relevant ministers, issued a direction to the Accounting Officer to award the grant. Shortly after this, the Kids Company filed for insolvency.

In October 2015, I reported on governments' funding of Kids Company (<https://www.nao.org.uk/report/investigation-the-governments-funding-of-kids-company/>). My investigation reported concerns regarding the value for money of the funding of Kids Company, but did not identify any issues of material expenditure incurred by Kids Company that did not deliver some benefit. At the time of my investigation, there were two Parliamentary inquiries and independent reviews by the Charity Commission and the Metropolitan Police ongoing. These reviews have not given cause to reassess the findings from my investigation.

As set out in the Annual Report and Accounts, the Cabinet Office are pursuing a claim with the Official Receiver of Kids Company to recover the £3 million grant. This process is on-going.

Regularity of the grant

I am required to provide an opinion on whether, in all material respects, the financial transactions recorded in the financial statements conform to the framework of authorities and are applied to the purposes intended by parliament (known as my "regularity opinion"). With respect to grants awarded by the Cabinet Office to Kids Company, I have considered the authorities under which the grants were awarded and whether they fall within the agreed activities of the Cabinet Office, as voted by Parliament.

On the basis of the work undertaken to support my audit opinion, notwithstanding the concerns raised around the value for money of the grants, it is my conclusion that the grants awarded by the Cabinet Office to Kids Company were regular.

Sir Amyas C E Morse

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

5 July 2016

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income, which includes changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Income	4	(147,461)	(140,616)
Income from grants	4	(7,096)	(38,752)
Income from associates	4	(7,146)	(7,348)
Total operating income	4	(161,703)	(186,716)
Staff costs	3	165,806	176,604
Parliamentary elections	3	99,509	96,509
Purchase of goods and services	3	228,429	234,981
Grants	3	203,449	313,014
Depreciation and impairment charges	3	17,491	15,321
Provision expense	3	5,055	(793)
Other operating expenditure	3	23,279	17,858
Total operating expenditure	3	743,018	853,494
Net operating expenditure for the year		581,315	666,778
<i>Other comprehensive income</i>			
Items that will not be reclassified to net operating expenditure:			
<i>Net gain on:</i>			
Revaluation of property, plant and equipment	3, 5	(922)	(13,530)
Revaluation of intangible assets	7	(111)	(78)
Total other comprehensive income		(1,033)	(13,608)
Comprehensive net expenditure for the year		580,282	653,170

Notes 1 to 25 form part of these accounts

Consolidated Statement of Financial Position

as at 31 March 2016

This statement presents the financial position of the Cabinet Office. It comprises three main components; assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Non-current assets			
Property, plant and equipment	5	210,274	202,619
Investment properties	6	2,320	2,320
Intangible assets	7	6,153	6,102
Investments in associates	14	57,320	56,204
Other financial assets	15	1,944	2,308
Other non-current assets	18	-	11,050
Total non-current assets		278,011	280,603
Current assets			
Assets classified as held for sale	16	-	60,000
Inventories		555	476
Trade and other receivables	18	112,509	85,658
Cash and cash equivalents	17	49,393	66,682
Total current assets		162,457	212,816
Total assets		440,468	493,419
Current liabilities			
Trade and other payables	19	(164,329)	(185,196)
Provisions	20	(7,465)	(2,729)
Total current liabilities		(171,794)	(187,925)
Total assets less current liabilities		268,674	305,494
Non-current liabilities			
Provisions	20	(2,281)	(3,126)
Total non-current liabilities		(2,281)	(3,126)
Total assets less liabilities		266,393	302,368
Taxpayers' equity and other reserves			
General fund		199,729	234,545
Revaluation reserve		66,664	67,823
Total equity		266,393	302,368



John Manzoni

Chief Executive of the Civil Service,
Permanent Secretary for the Cabinet Office and
Principal Accounting Officer

4 July 2016

Notes 1 to 25 form part of these accounts

Consolidated Statement of Cash Flows

for the year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Cash flows from operating activities			
Net operating expenditure		(581,315)	(666,778)
Adjustments for non-cash transactions	3,4	23,029	13,027
Remove income from associates	4	(7,146)	(7,348)
Remove dividend income	4	(2,000)	(2,000)
Remove interest income	4	(63)	-
Increase in trade and other receivables	18	(15,801)	(28,097)
<i>Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Movement in amounts relating to provision for doubtful debt	18	(1,001)	41
Amounts relating to bad debt write-off		(68)	(25)
Increase in inventories		(79)	(8)
(Decrease)/Increase in trade and other payables	19	(20,867)	84,712
<i>Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>			
Amounts due to the Consolidated Fund for Supply	19	25,276	(33,753)
Amounts due to the Consolidated Fund for consultant lobbyists' registration fees	19	(150)	(10)
Excess cash payable to the Consolidated Fund – elections	19	(3,181)	-
Movement in capital accruals relating to investing activities		949	(1,011)
Use of provisions	20	(1,164)	(1,875)
Adjustment – Civil Service Commission		-	34
Net cash outflow from operating activities		(583,581)	(643,091)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(23,474)	(25,223)
Proceeds on disposal of property, plant and equipment	5	145	-
Purchase of intangible assets	7	(4,278)	(2,348)
Proceeds on disposal of assets held for sale	16	64,221	-
Loans to other bodies	15	(258)	(511)
Repayments from other bodies	15	888	270
Investments in associates	14	-	(1,000)
Dividends received from Crown Commercial Service	4	2,000	2,000
Dividends received from associates	14	6,030	3,800
Proceeds of disposal of shares in associates		-	4,000
Movement in capital accruals		(949)	1,011
Net cash outflow from investing activities		44,325	(18,001)

Consolidated Statement of Cash Flows (continued)

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		418,069	608,926
From the Consolidated Fund (Non-supply) – current year		104,523	96,509
Interest income	4	63	-
Net financing		522,655	705,435
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
Non-voted receipts surrendered to the Consolidated Fund – elections forfeited deposits	4	(678)	(307)
Payments of amounts to the Consolidated Fund – consultant lobbyists' registration fees	19	(10)	-
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	17	(17,289)	44,036
Cash and cash equivalents at the beginning of the period	17	66,682	22,646
Cash and cash equivalents at the end of the period	17	49,393	66,682

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by the Cabinet Office, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The revaluation reserve reflects the changes in asset values that have not been recognised as income or expenditure. The general fund represents the total assets less liabilities of the Department, to the extent that the total is not represented by other reserves and financing items.

£000		General fund	Revaluation reserve	Taxpayers' equity
Balance at 31 March 2014	Note	221,998	61,666	283,664
Net Parliamentary funding – drawn down		608,926	-	608,926
Net Parliamentary funding – deemed		21,806	-	21,806
Consolidated Fund Standing Services – non-supply		96,509	-	96,509
Cash surrenderable to the Consolidated Fund – consultant lobbyists' registration fees	19	(10)	-	(10)
Supply payable adjustment	19	(55,559)	-	(55,559)
Non-voted receipts surrenderable to the Consolidated Fund – elections forfeited deposits	4	(307)	-	(307)
Comprehensive net expenditure for the year		(666,778)	-	(666,778)
<i>Non-cash adjustments</i>				
Adjustment – Civil Service Commission		34	-	34
Non-cash charges – auditors' remuneration	3	475	-	475
<i>Movements in Reserves</i>				
Net gain on revaluation of property, plant and equipment	3, 5	-	13,530	13,530
Net gain on revaluation of intangible assets	7	-	78	78
Transfers between reserves		7,451	(7,451)	-
Balance at 31 March 2015		234,545	67,823	302,368
Net Parliamentary Funding – drawn down		418,069	-	418,069
Net Parliamentary Funding – deemed	19	55,559	-	55,559
Consolidated Fund Standing Services - non supply		104,523	-	104,523
Cash surrenderable to the Consolidated Fund – Consultant Lobbyists registration fees	19	(160)	-	(160)
Supply payable adjustment	19	(30,283)	-	(30,283)
Non-voted receipt surrenderable to the Consolidated Fund – elections forfeited deposits	4	(678)	-	(678)
Excess cash payable to the Consolidated Fund – elections	19	(3,181)	-	(3,181)
Comprehensive net expenditure for the year		(581,315)	-	(581,315)
<i>Non-cash adjustments</i>				
Adjustment – Core Department		(26)	1	(25)
Non-cash charges – auditors' remuneration	3	483	-	483
<i>Movements in Reserves</i>				
Net gain on revaluation of property, plant and equipment	3, 5	-	922	922
Net gain on revaluation of intangible assets	7	-	111	111
Transfers between reserves		2,193	(2,193)	-
Balance at 31 March 2016		199,729	66,664	266,393

Notes 1 to 25 form part of these accounts

Notes to the accounts

1. Statement of accounting policies

1.1 Statement of compliance

These financial statements have been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Cabinet Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Cabinet Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Basis of preparation

These accounts have been prepared under the historical cost convention modified to account for the revaluation of investment property, property, plant and equipment and intangible assets.

1.3 Basis of consolidation

These accounts comprise a consolidation of the Core Department and those arm's length bodies which fall within the departmental boundary as defined in the *FReM* and make up the 'departmental group'. Transactions between entities included in the consolidation are eliminated. A list of all those entities within the departmental boundary is given at Note 24.

The accounts of the Civil Service Commission and of the Registrar of Consultant Lobbyists are not material to the Cabinet Office and therefore the core account is not disclosed in the financial statements and related notes.

1.4 Going concern

The financial statements for the Cabinet Office have been prepared on the basis that the Department is a going concern. Spending Review 2015 set out budgets for 2016-17 to 2019-20 and Parliament has authorised spending for 2016-17 in the Main Estimate published within 'Central Government Supply Estimates 2016-17' (HC 967).

The financial statements for the Civil Service Commission and the Registrar of Consultant Lobbyists have been prepared on the going concern basis given that they are financed by grant-in-aid from the Cabinet Office.

1.5 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the date of the Statement of Financial Position (SoFP) and amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Department's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Private Finance Initiative (PFI) arrangements

The classification of Private Finance Initiative (PFI) arrangements as service concession arrangements requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. See Note 11.3.

Determining whether an arrangement contains a lease

The classification of long-term arrangements as containing a lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset.

1.5 Judgements and key sources of estimation uncertainty (continued)

Operating lease commitments

The classification of property, plant and equipment leases as operating or finance lease requires the Department to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets; and, accordingly, whether the lease requires an asset and liability to be recognised in the SoFP. See Note 11.1.

Impairment of assets

The Department assesses whether there are any indicators of impairment for all financial and non-financial assets at each reporting date. Assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairments that are due to a clear consumption of economic benefit are recognised in the Statement of Comprehensive Net Expenditure (SoCNE) rather than set against an available revaluation reserve. The treatment of impairments in accounts therefore corresponds with the treatment in departmental budgets and estimates. See Notes 5 and 7.

Development costs

Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed.

1.6 Operating segments

Operating segments are based on the main areas of business activity and align with performance reporting. They are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker has been identified as the Accounting Officer and the Board.

1.7 Employee benefits

Short-term benefits

Where an employee has rendered service to the Department during the financial year, the Department recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as an expense. Performance non-consolidated payments are not accrued at 31 March since the appraisal process which determines performance pay is only finalised after the accounts have been prepared.

Termination benefits

Termination benefits include lump sum payments and payments in lieu of notice. The Department makes provision for termination benefits in cases of compulsory redundancy on announcement of a detailed plan. The Department makes a provision for voluntary redundancies upon issue of offer letters to employees and where there is full or over-subscription by employee applications to the scheme. The Department then accrues for termination benefits in cases of both voluntary and compulsory redundancy at the point at which the employee has accepted the offer made by the Department, and then reverses the earlier provision.

1.8 Pensions

The majority of past and present employees within the Cabinet Office departmental boundary are covered by the provisions of the Civil Service pension arrangements. The defined benefit schemes are unfunded.

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 Civil Service pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Civil Service pension arrangements. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

1.9 Grants

Grants are unrequited payments made by the Department to outside bodies to reimburse expenditure on agreed items or functions and are often only paid on statutory conditions being met. Under the terms and conditions of some grants, the unspent element may be returned to the Department, if the conditions are not met or if the grant is no longer required. Grants may be resource or capital. The Department recognises grant expenditure at the point of cash disbursement.

Grants-in-aid are financing payments made by the Department to an arm's length body. They are recognised in the accounts of the Core Department only and eliminated on consolidation. The Department recognises grants-in-aid at the point of cash disbursement.

1.10 Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Department and is measured at the fair value of the consideration received or receivable. It is recognised when it is probable that any future economic benefit associated with the item of revenue will flow to the entity and when the amount of revenue can be measured with reliability; it may not be probable until the consideration is received or until an uncertainty is removed.

Operating income recognised in SoCNE

Operating income is generated by the Department in pursuit of its activities and in managing its affairs. It is stated net of VAT. Operating income principally comprises fees and charges for services provided on a full-cost basis to external customers as well as public repayment work and includes income due to the Consolidated Fund, which, in accordance with the *FReM*, is treated as operating income. Royalties are recognised on an accruals basis. Dividends are recognised when the Department's right to receive payment has been established. Grant repayments are recognised at the point of cash receipt.

Non-operating income recognised in SoFP

Non-operating income relates to the sale of capital assets and repayment of loan principal.

1.11 Value Added Tax

Most of the activities of the Core Department are outside the scope of VAT. 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. The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within receivables and payables within the SoFP.

1.12 Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation, except for art and antiques and properties surplus to requirement. Cost comprises the amount of cash paid to acquire the asset and includes any costs necessary to bring the asset to working condition for its intended use. The capitalisation threshold for expenditure on property, plant and equipment is £5,000.

Land and buildings are restated to fair value every five years (every three years for Sunningdale Park) using professional valuations prepared in accordance with current Royal Institution of Chartered Surveyors Valuation Standards. In the intervening years, if material, changes in fair value are determined by reference to current prices on an active market for similar property.

Residual interests in Private Finance Initiative (PFI) properties are included in property, plant and equipment at the amount of unitary charge allocated for the acquisition of the residual to the date of the SoFP plus an adjustment based on the net present value of the change in fair value of the residual as estimated at the start of the contract and its estimated fair value at the date of the SoFP. Other operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

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

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SoCNE, in which case the increase is recognised in the SoCNE. A revaluation deficit is recognised in the SoCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE.

1.13 Depreciation on property, plant and equipment

Property, plant and equipment is depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively.

1.13 Depreciation on property, plant and equipment (continued)

Asset lives are normally in the following ranges:

Freehold buildings, including dwellings; 25 to 55 years

Leasehold building improvements; over the remaining term of the lease

Information technology and office equipment; 3 to 6 years

Plant and machinery; 3 to 10 years

Furniture and fittings; 5 to 7 years

Vehicles; 3 to 5 years

Assets in the course of construction are not depreciated until the assets are available for use. Residual interests in Private Finance Initiative (PFI) contract assets are not depreciated until the asset reverts to the Department. No depreciation is provided on freehold land and items for collections since they have unlimited or very long estimated useful lives, nor on non-current assets held for sale. Assets continue to depreciate until they are derecognised, even if during that period they are idle.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

1.14 Donated assets

The value of donated assets is recognised as income and credited to the general fund. Any subsequent revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SoCNE; in which case the increase is recognised in the SoCNE. A revaluation deficit is recognised in the SoCNE, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Gifts of ornaments and jewellery received by past and present Prime Ministers and their spouses are treated as donated assets within art and antiques and capitalised at their fair value on receipt. They are subject to professional valuation every five years. Gifts are not depreciated, since, by their nature, their useful economic life is indefinite.

The Civil Service Club is recognised as a donated asset. 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 5.

1.15 Investment properties

Properties held to earn rentals, capital appreciation or both are recognised as investment properties at fair value.

Fair value of investment properties is based on professional valuations every five years (every three years for Sunningdale Park), or, if available for an individual investment property, by reference to an agreed sale price on an active market. In the intervening years, if material, changes in fair value are recognised by reference to current prices on an active market for similar property. Changes arising from valuations are recognised directly in the SoCNE. The Department does not depreciate its investment properties.

1.16 Intangible assets and amortisation

Intangible assets are defined as identifiable non-monetary assets without physical substance. Software that is embedded in computer-controlled equipment that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets is £5,000. Following initial recognition, where an active market exists, intangible assets are carried at fair value at the SoFP. Where no active market exists, the Department uses published indices to assess the depreciated replacement cost. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

All intangible assets are currently assessed to have a finite life of between three and six years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Assets in the course of construction are not amortised until the assets are brought into use.

1.16 Intangible assets and amortisation (continued)

Software licences

Externally acquired computer software licences are amortised over the shorter of the term of the licence and the useful economic life of three to six years. As reliable evidence of market value could not be obtained, these have not been re-valued. It is expected that the amount of revaluation is immaterial.

Research and development

Research costs are expensed as incurred. Development expenditure is recognised as an intangible asset when the Department can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use; its intention to complete and its ability to use the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

Following initial recognition of development expenditure as an asset, where an active market exists, the asset is subsequently measured at fair value. Where no active market exists, the asset is carried at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value.

1.17 Leases

Assets held under finance leases, which transfer to the Department substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the reduction of the lease liability and finance charges in the SoCNE so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

All other leases are classified as operating leases. The rentals payable are charged to the SoCNE on a straight-line basis over the lease term.

1.18 Private Finance Initiative (PFI) transactions

Where the Department has control over a PFI asset, or where the Department does not have control but the balance of risks and rewards of control is borne by the Department, the asset is recognised as a non-current asset. The Department recognises a liability for the capital value of the contract. That liability does not include interest charges and service elements, which are expensed annually to the SoCNE.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (Note 1.12) and intangible assets (Note 1.16). Liabilities are measured using the appropriate discount rate. Where the Department does not have control over the PFI asset and the balance of risks and rewards of control are borne by the PFI operator, the PFI payments are recorded as an expense in the SoCNE.

Where the Department has contributed assets to a PFI operator, a pre-payment for their fair value is recognised and amortised over the life of the PFI contract. Amortisation is recognised as an expense to the SoCNE. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year. The values for both of these elements (the pre-payment and the reversionary interest) are recognised as property, plant and equipment. The element of a property covered by a lease granted to a PFI operator, and for which sub-leases are granted to the Department for continued occupation, is recognised as an investment property.

1.19 Financial assets

Financial assets are recognised when the Department becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets as appropriate. The Department determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are recognised initially, they are measured at fair value, except for loans, public dividend capital and other interests in public bodies outside the departmental boundary, which are reported at historical cost less any impairment.

1.19 Financial assets (continued)

Fair value is determined as the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Department considers whether a contract contains an embedded derivative when the entity first becomes party to it. Embedded derivatives are separated from the host contract if the contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract.

The subsequent measurement of financial assets depends on their classification. The following classifications are currently applicable:

Investments in other bodies

Loans, public dividend capital and other interests in public bodies outside the departmental boundary are shown at historical cost, less any impairment.

Loans issued by the Cabinet Office to the Bridges Social Entrepreneurs Fund LP are recognised at the point of the disbursement under the terms set out in the Limited Partnership Agreement. Bridges Social Entrepreneurs Fund LP is an entity which lies outside the departmental boundary and consequently the loans are reported at historical cost less any impairment. The impairment is assessed as the difference between the cost of the loan issued and the Department's share of the net asset value as reported in the Bridges Social Entrepreneurs Fund LP accounts. The net asset value equals the sum of the investment value at cost in the initial year and marketable value in subsequent years, adjusted for other net assets.

The Cabinet Office has public dividend capital held within the Crown Commercial Service. The Cabinet Office assesses at 31 March whether there is objective evidence that this asset is impaired in terms of whether there has been a decline in value below its cost. Dividends are recognised when the Department's right to receive payment is established.

Loans and receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that the Department will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Advances to Returning Officers

Prior to an election, advances are made to Returning Officers – normally for 75% of the maximum recoverable amount – and are recognised as receivables in the accounts until expense claims are settled. If Returning Officers have spent more than the amount advanced to them, they will be reimbursed accordingly, unless they have failed to submit an expense claim within agreed deadlines and sanctions are applied against them, in which case no additional payments are made and Returning Officers must bear the additional cost of the elections themselves.

Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.20 Investments in associates

An associate is an entity over which the Department has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. It is assumed that associate status exists where the Department has a shareholding of 20% or more.

Investments in associates are required to be accounted for using the equity method whereby an investment is initially recorded at cost and subsequently adjusted to reflect the Department's share of the net profit or loss, and thereby of the net assets, and of the other comprehensive income of the associate. In cases where an associate incurs substantial losses, such that the investment is written down to nil, additional losses are not recognised, given the Department has no legal or constructive obligation in respect of the associate's cumulative losses. Dividend distributions received from the associate reduce the carrying amount of the investment. Recoverable amounts are assessed for each individual associate.

In cases where the associate's and the Department's reporting periods are not co-terminous but are no greater than three months apart, the Department uses the most recent audited financial statements of the associate in applying the equity method of accounting and, where necessary, makes adjustments for the effects of significant transactions up to the reporting date of the Department's financial statements.

In cases where the associate's and the Department's accounting policies are not uniform, then where material, adjustments are made.

1.21 Assets classified as held for sale

Assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For an asset to be classified as held for sale, it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets; its sale must be highly probable; and it must genuinely be expected to be sold, not abandoned. Items of property, plant and equipment that are classified as held for sale are written down to fair value less costs to sell if lower than their carrying value, and are not depreciated further.

1.22 Cash and cash equivalents

Cash in the SoFP comprises cash at bank and in hand. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash, net of outstanding bank overdrafts.

1.23 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Other financial liabilities

Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost.

Elections

Trade and other payables include an accrual for election expenses, cash received from Returning Officers in respect of unsettled claims and non-voted receipts and excess cash surrenderable to the Consolidated Fund.

Accruals for elections

On the date of an election, an accrual is raised for the costs of candidates' mailings and for the maximum recoverable amount for each Returning Officer's constituency as listed in the Charges Order. Accruals at 31 March are adjusted to reflect the actual level of claims received from Returning Officers in cases where trends indicate that the actual level of claims may be materially lower than the maximum recoverable amount. Accruals are reversed in full within operating cost upon settlement of Royal Mail invoices and upon settlement of each Returning Officer's actual expense claim.

1.24 Provisions

A provision is recognised when the Department has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, expected future cash flows are discounted using real rates set by HM Treasury which are short term (0-1 year) -1.55% (2014-15: -1.50%), medium term (1-5 years) -1.00% (2014-15: -1.05%) and long term (5+ years) -0.80% (2014-15: 2.20%) with effect on 31 March 2016.

For early departure costs the Department establishes a provision for the estimated payments discounted by HM Treasury discount rate of 1.37% (2014-15: 1.30%) in real terms. Where discounting is used, the increase in the provision due to borrowing costs is recognised as a finance cost.

1.25 Contingent liabilities and contingent assets

Contingent assets and liabilities are not recognised as liabilities or assets in the SoFP but are disclosed in the notes to the accounts in accordance with *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*.

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events, or present obligation arising from past events that is not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably measured.

The Department discloses a contingent asset where it is probable that there will be an inflow of economic benefits from an event whose outcome is uncertain. An estimate of the financial effect is indicated where possible. Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted.

1.26 Impending application of newly issued accounting standards not yet effective

The following standards are all expected to be applied in 2016-17 following EU adoption and review.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations: Change in methods of disposal (amendment)

The amendment to the Standard clarifies that changing from either one of these disposal methods (sale or distribution to owners) to the other should not be considered to be a new plan of disposal.

IFRS 7 – Financial Instruments: Disclosures: Servicing contracts (amendment)

This amendment relates to IFRS 7, which requires disclosures for any ‘continuing involvement’ in an asset which has been transferred and fully derecognised.

IAS 1 – Disclosure Initiative (amendment)

These amendments encourage professional judgement to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures.

IAS 27 – Equity Method in Separate Financial Statements (amendment)

This allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)

This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets.

IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (amendment)

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

The following standards are all expected to be applied from 2017-18 onwards following EU adoption and review.

IFRS 10, IFRS 12, IAS 28 – Investment Entities: Applying the consolidation exception (amendment)

These amendments clarify the requirements when accounting for investment entities. Expected to be applied in 2017-18 following EU adoption and review.

IFRS 15 – Revenue from Contracts with Customers (IAS 18 replacement – *Revenue Recognition and Liabilities Recognition*)

The disclosure objective of the new Standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Expected to be applied in 2017-18 following EU adoption and consultation.

IAS 7 – Disclosure Initiative (amendment)

These amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Expected to be applied in 2017-18 following EU adoption and consultation.

IFRS 9 – Financial Instruments (new)

The objective of the new Standard is to provide users with more useful information about an entity’s expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments. Expected to be applied in 2018-19 following EU adoption and consultation.

IFRS 15 – Revenue from Contracts with Customers (clarifications)

The IASB issued clarifications to IFRS 15 in April 2016 to address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition with the Financial Accounting Standards Board (FASB). The amendments were also intended to reduce diversity in practice when entities adopt the new revenue Standard and decrease the cost and complexity of applying it. Expected to be applied in 2018-19 following EU adoption and consultation.

IFRS 16 (IAS 17 replacement) – Leases

IFRS 16 has been developed by the International Accounting Standards Board (IASB) with the aim of improving the financial reporting of leasing activities in light of criticisms that the previous accounting model for leases failed to meet the needs of users of financial statements. Expected to be applied in 2019-20 following EU adoption and consultation.

IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)

These amendments prescribe the accounting treatment for the sale or contribution of assets between an investor and its associate or joint venture. The EU has postponed adoption while waiting for an Exposure Draft from the IASB.

2. Statement of Net Resource Outturn by Operating Segment

The segmental analysis has been prepared to align with the reporting of the Cabinet Office's structure, which is represented by the segments shown below. Financial information is reported through a regular Performance Report, which adopts the same segmental analysis shown below. The Performance Report is reviewed by the Cabinet Office Board, chaired by the Minister for the Cabinet Office, and also by the Executive Committee, chaired by the Accounting Officer. The segmental analysis of total net resource outturn in Resource Departmental Expenditure Limit agrees to SOPS1.1. Overall outturn at SOPS1.1 includes Resource Annually Managed Expenditure and is reconciled to net operating costs at SOPS2.

£000					
Operating segment	Note	Gross expenditure	Gross income	2015-16 Net resource outturn	2014-15 Net resource outturn
Supporting the PM and Senior Ministers		21,146	(399)	20,747	23,828
Making Government Work		210,693	(10,819)	199,874	212,931
Functions		175,324	(61,156)	114,168	117,391
Cabinet Office Domestic		77,900	(27,700)	50,200	47,893
Office for Civil Society, Innovation and Other		235,514	(63,373)	172,141	234,791
Subtotal		720,577	(163,447)	557,130	636,834
Ring-fenced depreciation, amortisation, impairment and provision for doubtful debt		18,785	-	18,785	12,994
Audit fee for Core Department		483	-	483	475
Total net resource outturn	SOPS1.1	739,845	(163,447)	576,398	650,303

Supporting the PM and Senior Ministers

This segment provides support to the Cabinet to drive the coherence, quality and delivery of policy and operations across departments, and provides support to the Prime Minister and Deputy Prime Minister to define and deliver the Government's objectives, and drive forward from the centre particular cross-departmental priority issues. It included the Prime Minister's Office, Deputy Prime Minister's Office and a number of smaller units, including the Office of the Privy Council. Following the UK General Election held on 7 May 2015, the new administration decided not to appoint a Deputy Prime Minister.

Making Government Work

This segment covers the work of Political and Constitutional Reform, which provided support to the Deputy Prime Minister and Minister for Political and Constitutional Reform in delivering the wide-ranging political and constitutional reform agenda set out in the Coalition's Programme for Government. Political and Constitutional Reform delivered day-to-day policy and operational work on issues relating to the constitutional structure of the UK and electoral law, policy and conduct, and supports ministerial sponsorship of the Independent Parliamentary Standards Authority (IPSA) and the Boundary Commissions for England and Wales. The segment also covers the implementation of individual electoral registration to tackle electoral fraud and improve the system of voter registration, which came into force in 2014. This segment also covers the Civil Service Commission; see Note 24.

Functions

This segment largely covers the work under the Chief Executive's Group within the Cabinet Office. The main overall goal of the functions is to drive efficiencies and reforms in order to improve the way government works. This includes ensuring that the Civil Service gets the best people and gets the best from its people; strengthening digital, technology and the management and use of data across government; improving strategic management of the government estate, supporting departments in improving project delivery, establishing the UK's long-term infrastructure priorities and securing private sector investment; delivering cross-government commercial advice and services, overseeing communications for the Government and driving efficiencies across government; and supporting public sector reform.

Cabinet Office Domestic

This segment largely covers the work performed by the Cabinet Office's internal corporate services functions such as Finance, HR, IT and Estates, plus the new cross-government secure IT solution.

Office for Civil Society and Innovation and Other

This segment is made up of the Office for Civil Society and Innovation (OCSI) plus a number of other business areas. OCSI exists to build a stronger civil society and to help improve the way government policy is made. We do this by: promoting volunteering, community action, philanthropy, social investment and the National Citizen Service; strengthening the voluntary sector, social enterprise and mutuals; developing partnerships between business and government; and driving innovation in the way government policy is made. This segment also includes the Office of the Registrar of Consultant Lobbyists; see Note 24.

3. Expenditure

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Staff costs			
Wages, salaries and fees		106,300	108,726
Social security costs		10,146	10,314
Other pension costs		21,921	20,946
Agency/temporary		28,477	32,343
Termination benefits		943	1,969
Inward secondments		5,252	6,285
Recoveries in respect of outward secondments		(3,541)	(2,805)
Staff engaged on capital projects		(3,692)	(1,174)
Total staff costs¹		165,806	176,604
Parliamentary elections in England and Wales		99,509	96,509
Goods and services			
IT costs		70,773	63,797
Pensions administration – PCS and CSOPS ²		48,947	55,845
Pensions administration – Royal Mail Statutory Pension Scheme		5,802	4,975
Professional services		24,277	24,894
Accommodation and utilities		23,499	23,656
Supplies and services		18,743	20,916
Other staff-related costs		10,059	7,094
Consultancy		9,578	14,908
Travel, subsistence and hospitality		5,765	6,706
Business rates		4,143	4,248
Individual electoral registration costs		3,358	3,794
Grant fund management services		1,511	2,509
Lord Lieutenants' expenses		1,436	1,366
Public Duty Cost Allowance ³		479	216
George Cross civilian annuities		23	20
Civil Service Commissioners' expenses		18	22
Auditors' remuneration and expenses – arm's length bodies ⁴		18	15
Total goods and services		228,429	234,981
Grants⁵			
Resource grants to local authorities		30,273	34,784
Resource grants to NDPBs		960	18,839
Resource grants to private sector ⁶		35,752	102,323
Resource grants to central government bodies		-	108
Capital grants to local authorities		-	3,390
Capital grants to private sector		6,766	22,476
Grants-in-aid to Civil Service welfare bodies		542	820
Grants-in-aid to private sector ⁷		129,156	130,274
Total grants		203,449	313,014

3. Expenditure (continued)

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Non-cash depreciation, impairment and property gains			
Depreciation	5	15,298	8,161
Amortisation	7	1,817	2,819
Impairment – property, plant and equipment	5, 8	639	1,812
Impairment – intangible assets	7, 8	72	287
Impairment – loans	8, 15	-	61
Impairment – loans (reversal)	8, 15	(266)	-
Impairment – trade receivables	18	1,001	(41)
Devaluation of property, plant and equipment assets	5, 8	2,931	2,229
Bad debt write-off		43	25
Investment properties – gains on change in fair value	6	-	(32)
Assets held for sale – gains on change in fair value	16	(4,221)	-
Carbon dioxide emissions	7	177	-
Total depreciation, impairment and property gains		17,491	15,321
Non-cash provisions			
Provisions provided for in year	20	5,053	(803)
Borrowing costs	20	2	10
Total provisions		5,055	(793)
Other operating expenditure			
Rentals under operating leases		16,827	15,559
EU funding to Department for International Development – Ebola response projects	4	5,653	-
Non-cash auditors' remuneration and expenses – Core Department ⁴		483	475
PFI service charges	11.3.2	316	1,824
Total other operating expenditure		23,279	17,858
Total		743,018	853,494

¹ Staff costs are disclosed in the Remuneration and Staff Report within the Accountability Report

² Principal Civil Service Pension Scheme and Civil Service and Others Pension Scheme

³ The Public Duty Cost Allowance was introduced to assist former Prime Ministers, still active in public life. Payments are made only to meet the actual cost of continuing to fulfil public duties. The costs are a reimbursement of incurred expenses for necessary office costs and secretarial costs arising from their special position in public life. The Public Duty Cost Allowance amounted to £478,741 (2014-15: £216,355) and included:

The Rt Hon. Tony Blair – 2015-16: £115,000 (2014-15: £115,000 accrued);

The Rt Hon. Gordon Brown – 2015-16: £114,763 paid in respect of the 2015-16 allowance, and £10,632 paid in respect of the 2014-15 allowance, not accrued in 2014-15 (2014-15: £112,450 of which £101,818 accounted for in 2014-15 and £10,632 accounted for in 2015-16);

Sir John Major – 2015-16: £115,000 (2014-15: £115,000).

Additionally, the Public Duty Cost Allowance was extended to the former Deputy Prime Minister, The Rt Hon. Nick Clegg, for the period of five years from 9 May 2015, to be reviewed annually.

The Rt Hon. Nick Clegg – 2015-16: £101,911 (2014-15: £nil).

In addition to the allowance paid, former Prime Ministers and The Rt Hon. Nick Clegg are entitled to claim a pension allowance to contribute towards their staff pension costs. This is limited to a maximum of 10% of their staff salary costs. Such payments are made directly to the pension providers of those staff; they are not paid to the former Prime Ministers, The Rt Hon. Nick Clegg or their staff.

The pension allowance amounted to £21,435 (2014-15: credit of £115,463 being the reversal of a brought forward accrual)

⁴ During the year the Department and its Arm's Length Bodies have not purchased any non-audit services from its auditor, the National Audit Office (2014-15: £nil)

⁵ See 'Report on the use of powers under section 70 of the Charities Act 2006' in the Annex to the Annual Report and Accounts 2015-16

⁶ Includes grants of £7.3 million to Kids Company; see Note 18 and the Annex to the Annual Report and Accounts 2015-16

⁷ Includes a Grant-in-aid paid to Chequers Trust of £702,972 (2014-15: £695,000) as a contribution to staff salaries and maintenance

4. Income

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
Royalties		22	34
Interest income		63	-
Dividends	15	2,000	2,000
Rental income		3,042	537
European Union funding for Ebola response projects	3	5,653	-
Pensions			
Central management of Civil Service pension arrangements		53,037	61,213
Royal Mail Statutory Pension Scheme		149	158
Income payable to the Consolidated Fund			
Registration fees from consultant lobbyists	SOPS4	82	2
Parliamentary elections forfeited deposits	SOPS4	678	307
Associates			
Framework management fee in respect of Shared Services Connected Limited		12,500	7,500
Framework management fee in respect of Integrated Debt Services Limited		200	-
Framework management fee in respect of Crown Hosting Data Centres		150	-
Framework authority fee in respect of Crown Hosting Data Centres		379	-
Profit on sale of shareholding in MyCSP Limited		-	5,961
Sale of contractual rights to Integrated Debt Services Limited		-	4,000
Other			
Next Generation HR		21,508	21,576
Government Digital Service		12,363	3,986
Digital and Technology Team		3,697	6,503
Services of the Office of the Parliamentary Counsel		3,532	2,515
Civil Service HR		2,520	992
Next Generation Shared Services – single operating platform		2,441	(52)
Government communications		2,156	609
Sunningdale Park		2,075	1,106
Infrastructure and Projects Authority		1,820	1,351
Non-rental income on freehold properties		1,358	-
Supplier rebates		1,300	12,630
Various cost recoveries		14,736	7,688
Subtotal income		147,461	140,616
Income from grants			
Office for Civil Society resource grant repayments – Futurebuilders	21	4,750	36,000
Office for Civil Society capital grant repayments – Futurebuilders	21	-	2,600
Office for Civil Society grant repayments – other		2,346	137
Non-cash income from grants			
Capital grant in kind income on donated assets	5	-	15
Total income from Grants		7,096	38,752
Other non-cash income			
Income from associates	14	7,146	7,348
Total		161,703	186,716

Pensions

The Cabinet Office is responsible for governance of the Civil Service pension arrangements, and MyCSP Ltd delivers pension administration under contract to the Cabinet Office. Participating employers pay the Cabinet Office for the cost of pension administration. The Cabinet Office is responsible for meeting the administration costs of the Royal Mail Statutory Pension Scheme. The income represents charges to members for some specific pension administration services.

4. Income (continued)

Next Generation HR

Next Generation HR involves sharing HR expertise and maximising buying power across the Civil Service in a joined up and effective manner, to deliver a professional and more efficient service. The programme operates on a cost-sharing basis across the government departments and agencies participating in the programme.

Government Digital Service (GDS)

GDS received a contribution to the GOV.UK Verify service from HM Revenue and Customs. GOV.UK Verify provides citizen identity assurance for departmental services. This enables complex and risky transactions, such as financial transactions or where personal data is being shared, to go online. GDS also received income through the Public Services Network (PSN), a shared network for government within the UK which is not reachable from the internet. It is a marketplace for network services and cloud services. The Cabinet Office receives income from the 0.95% PSN levy which is paid by suppliers on the framework.

Digital and Technology Team (DATT)

DATT provides a fully managed IT service to the Crown Commercial Service and the Department for Culture, Media and Sport. This income relates to the cost of providing this service.

The Office of the Parliamentary Counsel (OPC)

The OPC is responsible for drafting all government primary legislation. The Cabinet Office provides the funding for approximately 60% of the costs of the OPC, with the balance coming from the departments that use the OPC's services, based on their use of those services in the previous calendar year.

Civil Service HR

The Human Resources Fast Stream scheme's administration sits within Civil Service HR. It is a professional HR talent programme that develops the future HR leaders of the Civil Service. The cost of the HR Fast Stream is fully recharged to the departments and agencies that participate in the programme.

Next Generation Shared Services: single operating platform

Departmental contributions in respect of the single operating platform (SOP).

Government communications

A 1% levy on all government spend through external communications frameworks held by the Crown Commercial Service is used to fund a range of support to departments and arm's length bodies provided by the Cabinet Office on behalf of the government communications profession.

Sunningdale Park

Recovery of costs relating to Sunningdale Park. The College of Policing relocated to Sunningdale Park from January 2015 and is utilising the PFI contract previously utilised by the National School of Government. This income relates to the recovery of the PFI contract costs and office accommodation.

Infrastructure and Projects Authority (IPA)

IPA provide a brokerage service to some major projects, sourcing and providing expert consultancy where it is felt that specific knowledge and experience are required to enhance the skills of a project team on a short-term basis. The IPA also recover income for conducting assurance reviews into major projects.

5. Property, plant and equipment

Consolidated 2015-16

£000	Land	Buildings	Dwellings	Information technology	Plant and machinery	Furniture and fittings	Art and antiques	Payments on account and assets under construction	Total
Cost or valuation									
At 1 April 2015	45,763	106,584	43,957	19,353	1,135	2,355	9,328	10,978	239,453
Additions	-	2,282	-	7,502	892	(84)	-	12,882	23,474
Donations	-	-	-	-	-	-	-	-	-
Disposals ¹	-	-	-	-	-	-	(145)	-	(145)
Impairments ²	-	(275)	-	(17)	(300)	(213)	(105)	(178)	(1,088)
Reclassifications – Assets under construction	-	9,498	-	1,934	-	-	-	(11,432)	-
Reclassifications – Intangible assets ³	-	-	-	2,272	-	-	-	-	2,272
Revaluations ²	1,631	(3,854)	(26)	(228)	(15)	(114)	24	-	(2,582)
At 31 March 2016	47,394	114,235	43,931	30,816	1,712	1,944	9,102	12,250	261,384
Depreciation									
At 1 April 2015	-	23,088	9,052	2,688	659	1,347	-	-	36,834
Charged in year	-	3,498	1,513	9,947	78	262	-	-	15,298
Disposals ¹	-	-	-	-	-	-	-	-	-
Impairment ²	-	(47)	-	(5)	(202)	(195)	-	-	(449)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations ²	-	(463)	(4)	(33)	(9)	(64)	-	-	(573)
At 31 March 2016	-	26,076	10,561	12,597	526	1,350	-	-	51,110
Carrying amount at 31 March 2016	47,394	88,159	33,370	18,219	1,186	594	9,102	12,250	210,274
Carrying amount at 31 March 2015	45,763	83,496	34,905	16,665	476	1,008	9,328	10,978	202,619
Asset financing:									
Owned	43,594	77,479	33,370	18,219	1,186	594	9,102	12,250	195,794
PFI finance leased	-	732	-	-	-	-	-	-	732
PFI residual assets	3,800	9,948	-	-	-	-	-	-	13,748
Carrying amount at 31 March 2016	47,394	88,159	33,370	18,219	1,186	594	9,102	12,250	210,274
Of the total:									
Department	47,394	88,159	33,370	18,219	1,186	594	9,102	12,250	210,274
Other designated bodies	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2016	47,394	88,159	33,370	18,219	1,186	594	9,102	12,250	210,274

¹ Disposals include retired assets; their values are fully written down and they are no longer in use

² Revaluations and impairments arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

³ IT hardware valued at £2.272 million that was originally classified as intangible assets (IT software and software licences) was subsequently reclassified to property, plant and equipment (information technology); see Note 7

5. Property, plant and equipment (continued)

Consolidated 2014-15

£000	Land	Buildings	Dwellings	Information technology	Plant and machinery	Furniture and fittings	Art and antiques	Payments on account and assets under construction	Total
Cost or valuation									
At 1 April 2014	40,487	92,951	36,581	6,432	2,337	3,001	9,883	20,868	212,540
Additions	100	5,253	-	14,661	263	(347) ⁴	-	5,293	25,223
Donations	-	-	-	-	-	-	15	-	15
Disposals ¹	-	(2,876)	-	(1,282)	(882)	(11)	-	-	(5,051)
Impairments ²	-	(27)	-	(2,001)	(614)	(275)	(353)	(624)	(3,894)
Reclassifications – assets under construction	-	10,693	-	1,578	41	65	-	(12,377)	-
Reclassifications – intangible assets ³	-	-	-	-	-	-	-	(2,182)	(2,182)
Revaluations ²	5,176	590	7,376	(35)	(10)	(78)	(217)	-	12,802
At 31 March 2015	45,763	106,584	43,957	19,353	1,135	2,355	9,328	10,978	239,453
Depreciation									
At 1 April 2014	-	21,787	6,219	3,154	1,981	1,164	-	-	34,305
Charged in year	-	3,955	1,514	2,039	159	494	-	-	8,161
Disposals ¹	-	(2,876)	-	(1,282)	(882)	(11)	-	-	(5,051)
Impairment ²	-	-	-	(1,224)	(594)	(264)	-	-	(2,082)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations ²	-	222	1,319	1	(5)	(36)	-	-	1,501
At 31 March 2015	-	23,088	9,052	2,688	659	1,347	-	-	36,834
Carrying amount at 31 March 2015	45,763	83,496	34,905	16,665	476	1,008	9,328	10,978	202,619
Carrying amount at 31 March 2014	40,487	71,164	30,362	3,278	356	1,837	9,883	20,868	178,235
Asset financing:									
Owned	41,963	73,931	34,905	16,665	476	1,008	9,328	10,978	189,254
PFI finance leased	-	1,464	-	-	-	-	-	-	1,464
PFI residual assets	3,800	8,101	-	-	-	-	-	-	11,901
Carrying amount at 31 March 2015	45,763	83,496	34,905	16,665	476	1,008	9,328	10,978	202,619
Of the total:									
Department	45,763	83,496	34,905	16,665	476	1,008	9,328	10,978	202,619
Other designated bodies	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2015	45,763	83,496	34,905	16,665	476	1,008	9,328	10,978	202,619

¹ Disposals include retired assets; their values are fully written down and they are no longer in use

² Revaluations and impairments arise as a result of professional property valuations, the application of published indices and annual impairment reviews which ensure that the asset base is correctly valued

³ Assets under construction valued at £2.182 million that were originally classified as property, plant and equipment were subsequently reclassified to intangible assets (IT software); see Note 7

⁴ Negative additions in furniture and fittings due to 2013-14 accrual reversal

5. Property, plant and equipment (continued)

Valuation

Land and buildings

The Valuation Office Agency (VOA) valued all properties on the basis of fair value as at 31 March 2014, except for 10-12 Downing Street, which was valued at 31 March 2013. The VOA has determined fair value on the basis of current value in existing use. Due to the unusual nature of the property, the valuation of 10-12 Downing Street is subject to valuation uncertainty.

Sunningdale Park

The VOA valued Sunningdale Park, Ascot, Berkshire, as at 31 March 2016 on the basis of total worth in existing use reflecting the infrastructure. A breakdown of the carrying value of assets under the PFI contract is detailed at Note 11.3.1.

Art and antiques

Townley Valuation Services Limited valued art and antiques, including furniture, carpets, clocks, silver and ceramics situated in properties within the Whitehall estate in June 2015 on the basis of insurance value being the likely cost of replacing the items.

Included within art and antiques are gifts to past and present Prime Ministers. These were valued by J. M. McCarthy Limited, jewellers and silversmiths, in March 2015 on the basis of best estimate of the price at auction.

All other tangible non-heritage assets

All other tangible non-heritage fixed assets are revalued annually using indices provided by the Office for National Statistics.

Assets under construction

Assets under construction of £12.250 million (2014-15: £10.978 million) include: £4.075 million (2014-15: £8.195 million) spent on refurbishment of Whitehall properties which has yet to be completed; and £8.175 million (2014-15: £2.783 million) spent on IT hardware and software developments which have yet to be completed.

Leasehold improvements

Included within land and buildings are improvements with a carrying amount of £3.890 million (2014-15: £3.801 million) relating to leasehold properties in London.

6. Investment properties

£000	Note	2015-16		2014-15	
		Sunningdale Park	Total	Sunningdale Park	Total
Balance at 1 April		2,320	2,320	2,288	2,288
Additions		-	-	-	-
Disposals		-	-	-	-
Impairment		-	-	-	-
Revaluation	3	-	-	32	32
Reclassified as held for sale		-	-	-	-
Balance at 31 March		2,320	2,320	2,320	2,320

Sunningdale Park

The Department has freehold ownership of the site at Sunningdale Park. It is recognised as an investment property at fair value, which equates to market value for existing use of £2.320 million (2014-15: £2.320 million). See Note 5 for valuation details and Note 11.3.1.

7. Intangible assets

Consolidated 2015-16

£000	Purchased software licences	IT software	Carbon reduction commitment	Website	Payments on account and assets under construction	Total
Cost or valuation¹						
At 1 April 2015	115	5,656	295	4,522	360	10,948
Additions	(14)	516	-	1,565	2,127	4,194
Allowances purchased	-	-	84	-	-	84
Disposals	-	-	-	-	-	-
Impairment	-	(72)	-	-	-	(72)
Reclassifications ²	(9)	(2,263)	-	-	-	(2,272)
Revaluations	-	98	-	141	-	239
At 31 March 2016	92	3,935	379	6,228	2,487	13,121
Amortisation						
At 1 April 2015	12	1,605	77	3,152	-	4,846
Charged in year	29	785	-	1,003	-	1,817
Allowances surrendered	-	-	177	-	-	177
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	-	30	-	98	-	128
At 31 March 2016	41	2,420	254	4,253	-	6,968
Carrying amount at 31 March 2016	51	1,515	125	1,975	2,487	6,153
Carrying amount at 31 March 2015	103	4,051	218	1,370	360	6,102
Asset financing:						
Owned	51	1,515	125	1,975	2,487	6,153
Carrying amount at 31 March 2016	51	1,515	125	1,975	2,487	6,153
Of the total:						
Department	51	1,515	125	1,975	2,487	6,153
Other designated bodies	-	-	-	-	-	-
Carrying amount at 31 March 2016	51	1,515	125	1,975	2,487	6,153

¹ Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

² IT Hardware valued at £2.272 million that was originally classified as intangible assets (IT software and software licences) was subsequently reclassified to property, plant and equipment (information technology); see Note 5

7. Intangible assets (continued)

Consolidated 2014-15

£000	Purchased software licences	IT software	Carbon reduction commitment	Website	Payments on account and assets under construction	Total
Cost or valuation¹						
At 1 April 2014	39	1,763	212	4,018	908	6,940
Additions	98	2,072	-	45	50	2,265
Allowances purchased	-	-	83	-	-	83
Disposals	(8)	(223)	-	-	-	(231)
Impairment	(14)	(325)	-	(77)	21	(395)
Reclassifications	-	2,324	-	477	(619)	2,182 ²
Revaluations	-	45	-	59	-	104
At 31 March 2015	115	5,656	295	4,522	360	10,948
Amortisation						
At 1 April 2014	26	584	77	1,653	-	2,340
Charged in year	6	1,335	-	1,478	-	2,819
Allowances surrendered	-	-	-	-	-	-
Disposals	(8)	(223)	-	-	-	(231)
Impairment	(12)	(96)	-	-	-	(108)
Reclassifications	-	-	-	-	-	-
Revaluations	-	5	-	21	-	26
At 31 March 2015	12	1,605	77	3,152	-	4,846
Carrying amount at 31 March 2015	103	4,051	218	1,370	360	6,102
Carrying amount at 31 March 2014	13	1,179	135	2,365	908	4,600
Asset financing:						
Owned	103	4,051	218	1,370	360	6,102
Carrying amount at 31 March 2015	103	4,051	218	1,370	360	6,102
Of the total:						
Department	103	4,051	218	1,370	360	6,102
Other designated bodies	-	-	-	-	-	-
Carrying amount at 31 March 2015	103	4,051	218	1,370	360	6,102

¹ Purchased software licences are recorded at purchase cost and are not re-valued since an appropriate index is not available

² Assets under construction valued at £2.182 million that were originally classified as property, plant and equipment were subsequently reclassified to intangible assets; see Note 5

8. Impairments

£000		2015-16	2014-15
		Departmental group	Departmental group
Charged to Statement of Comprehensive Net Expenditure			
Impairment of property, plant and equipment	3	639	1,812
Impairment of intangible assets	3	72	287
Impairment of loan	3	-	61
Reversal of loan impairment	3	(266)	-
Impairment of trade receivables	3	1,001	(41)
		1,446	2,119
Devaluation of assets	3	2,931	2,229
Taken through revaluation reserve		1,344	459
Total		5,721	4,807

9. Capital commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts) for capital goods and services. The commitments relate to property modernisation and digital transformation projects.

£000		2015-16	2014-15
		Departmental group	Departmental group
Contracted capital commitments at 31 March for which no provision has been made and not otherwise included in these financial statements			
Property, plant and equipment		2,659	889
Intangible assets		-	61
Total		2,659	950

10. Other financial commitments

The Department has entered into contracts (which are not leases or PFI contracts) for a range of services. The commitments of greatest value relate to information technology and estate management services. The total payments to which the Department is committed, analysed by the period during which the payments will be made, are as follows.

£000		2015-16	2014-15
		Departmental group	Departmental group
Not later than one year		58,597	55,037
Later than one year and not later than five years		84,026	102,583
Later than five years		5	-
Total		142,628	157,620

11. Commitments under leases

11.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which payments will be made. The Cabinet Office only has land and buildings as operating leases and has no other operating leases.

£000	2015-16	2014-15
	Departmental group	Departmental group
Obligations under operating leases for the following periods comprise:		
Land and buildings		
Not later than one year	16,129	15,190
Later than one year and not later than five years	53,918	53,032
Later than five years	10,233	21,539
Total	80,280	89,761

11.2 Finance leases

There are no obligations under finance leases.

11.3 Commitments under Private Finance Initiative (PFI) contracts

11.3.1 On-balance sheet

Sunningdale Park site

Although the National School of Government closed on 31 March 2012, the Cabinet Office has retained the site at Sunningdale Park for the present and is examining how the existing facilities can best be utilised going forwards. The site is operated under a PFI contract with a term of 30 years from 13 May 2002.

The National School of Government gave a lease to the private sector partner for the office buildings against which sub-leases were granted to the National School of Government for their continuing use. The asset is classified as an investment property. Its carrying value at 31 March 2016 is £2.320 million (2014-15: £2.320 million); see Note 6.

The National School of Government also gave a lease for the rest of the site, upon which the private sector partner has undertaken a capital investment of £12 million in new training facilities.

As a consequence of these agreements:

Deferred asset

A prepayment was established for the fair value of the property which was contributed to the scheme at the commencement of the contract. This deferred asset is recognised as property, plant and equipment and written off over 15 years. Its value at 31 March 2016 is £0.732 million (2014-15: £1.464 million); see Note 5.

Reversionary interest

A further asset is recognised for the Department's residual interest in the training facilities which revert to the Cabinet Office at no cost at the end of the contract. The accruing residual interest, built up over the term of the contract by capitalising part of the contract payments, is recognised as property, plant and equipment. Additional interest accrued in 2015-16 was £1.847 million (2014-15: £0.289 million). The value of the residual interest at 31 March 2016 is £13.748 million (2014-15: £11.901 million).

11.3.1 On-balance sheet (continued)

While these two individual transactions reflect the underlying contractual arrangements, the Cabinet Office retains ownership of the training facilities throughout the period of the contract, the value of which at 31 March 2016 is reflected in the combined carrying value of the deferred asset and reversionary interest – recognised as property, plant and equipment – of £14.480 million (2014-15: £13.365 million); see Note 5.

Combined value

The combined carrying value of the office buildings and training facilities is £16.800 million (2014-15: £15.685 million). This is the sum of the dwellings balances and land and buildings balances in Note 5 (Property, plant and equipment) and Note 6 (Investment properties).

11.3.2 Charge to the Statement of Comprehensive Net Expenditure and future commitments

Sunningdale Park site

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of PFI transactions was £0.316 million (2014-15: £1.824 million), as disclosed at Note 3. The payments to which the Department was committed during 2015-16, analysed by the period during which the commitment expires, are as follows:

£000	2015-16	2014-15
	Departmental group	Departmental group
Not later than one year	2,189	2,137
Later than one year and not later than five years	290	2,479
Later than five years	-	-
Total	2,479	4,616

12. Financial instruments

As the cash requirements of the Department are met through the Parliamentary Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

The Department's investment in the Bridges Social Entrepreneurs Fund LP subjects the Department to credit and market risks. The Cabinet Office appointed Capital for Enterprise Limited, an asset management business, to assist in the establishment of the Fund. The loans issued to the Bridges Social Entrepreneurs Fund LP are invested as part of an investment portfolio to deliver both financial returns and social and environmental benefits. The disposal of an investment by the Fund may differ from its valuation and the difference could be significant. The loans are subject to an annual impairment review that is carried out by Bridges Ventures Ltd. See Notes 8 and 15.

The Department holds public dividend capital in the Crown Commercial Service. This financial asset is carried at historical cost less any impairment recognised. Information on the Crown Commercial Service, a body outside the departmental boundary, is included at Note 15.

Funding for the Returning Officers' expenses is received directly from the Consolidated Fund and therefore there is no exposure to liquidity risk. Material deposits are held with the Government Banking Service so there is no exposure to interest rate risk. All material assets and liabilities are denominated in sterling so there is no exposure to exchange rate risk.

13. Loan commitments – Bridges Social Entrepreneurs Fund LP

The Cabinet Office has the following loan commitments to the Bridges Social Entrepreneurs Fund LP as at 31 March 2016:

£000		2015-16	2014-15
	Note		
Total loan commitment		3,910	3,910
Less: capital and loan drawn down		(3,400)	(3,142)
Total undrawn commitment		510	768
Analysis of undrawn commitment			
Total loan commitment		3,910	
Loan made in 2009-10		(662)	
Loan made in 2010-11		(244)	
Loan made in 2011-12		(343)	
Loan made in 2012-13		(444)	
Loan made in 2013-14		(938)	
Loan made in 2014-15	15	(511)	
Loan made in 2015-16	15	(258)	
Total undrawn commitment		510	

Bridges Social Entrepreneurs Fund LP is constituted under a Limited Partnership Agreement dated 21 August 2009 and is managed by Bridges Ventures LLP. The Fund invests in social enterprises that have the potential to generate scalable and sustainable social impacts. The Fund currently has a committed capital of £11.75 million and has a life of ten years (ending on 27 August 2019) unless terminated earlier in certain circumstances specified in the Limited Partnership Agreement.

The Department originally agreed to invest up to £5 million in the Bridges Social Entrepreneurs Fund LP, by match funding the investment that the Fund Manager secures from private investors. The Cabinet Office increased its commitment from £3,640,534 to £3,909,748 for the lifetime of the Fund, which in accordance with the terms set in the Limited Partnership Agreement denotes the Department's commitment as at 31 March 2010 to be £3,909,748, constituting a 33.27% share of the Fund. This commitment level has now been fixed.

The investments in the Bridges Social Entrepreneurs Fund LP are valued by the Fund Manager using the International Private Equity and Venture Capital Valuation (IPEV) Guidelines. See Notes 15 and 23.

For further information see: bridgesventures.com

14. Investments in associates

£000	MyCSP Limited	Shared Services Connected Limited	AXELOS Limited	Behavioural Insights Limited	Integrated Debt Services Limited	Crown Hosting Data Centres Limited	Total
Cost or valuation	Note						
At 1 April 2014		7,367	7,936	38,392	-	-	53,695
Acquisitions		-	-	-	-	1,000	1,000
Disposals		(2,039)	-	-	-	-	(2,039)
Share of opening net assets	4	-	-	-	-	100	100
Dividend received		(2,622)	-	(1,178)	-	-	(3,800)
Share of results	4	1,746	815	4,176	513	(2)	7,248
Impairment in value		-	-	-	-	-	-
At 31 March 2015		4,452	8,751	41,390	513	1,000	56,204
Acquisitions		-	-	-	-	-	-
Disposals		-	-	-	-	-	-
Share of opening net assets	4	-	-	-	-	-	-
Dividend received		(1,607)	-	(4,217)	(206)	-	(6,030)
Share of results	4	1,568	784	5,327	425	(98)	7,146
Impairment in value		-	-	-	-	-	-
At 31 March 2016		4,413	9,535	42,500	732	140	57,320

The Department accounts for its investments in associates using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*, and presents disclosures required by IFRS 12 *Disclosure of Interests in Other Entities*.

MyCSP Limited

The Department has a 24% equity shareholding in MyCSP Limited, which administers Civil Service pensions, injury benefit claims and compensation awards for 1.5 million public and private sector employees. It collects data on work history and pays them a pension on retirement on behalf of more than 230 employers.

The Government established MyCSP Limited as a private limited company with three minority shareholders: Equiniti Group PLC through its wholly owned subsidiary, Paymaster (1836) Limited with a 40% equity stake; the Cabinet Office with a 35% equity stake; and an Employee Benefit Trust with a 25% equity stake. It began trading on 1 May 2012. Its head office is in Stockport, UK. In September 2014 the Cabinet Office sold 11% of its shareholding in MyCSP Limited to Equiniti Group PLC. The Cabinet Office continues to hold a 24% shareholding in MyCSP Limited. For additional information, see Notes 4 and 23.

MyCSP Limited prepares its accounts on an IFRS basis. The reporting date of MyCSP Limited's financial statements changed from 31 March to 31 December in order to align with Equiniti Group PLC's accounting reference date, when Equiniti Group PLC became the major shareholder following the sale of the Cabinet Office's 11% shareholding. When applying the equity method of accounting, MyCSP Limited's 2015 financial statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

MyCSP Limited's published accounts may be found at: mycsp.co.uk

Shared Services Connected Limited

The Department has a 25% equity shareholding in Shared Services Connected Limited (SSCL), which provides business process outsourcing services.

The Government established SSCL as a private limited company with two shareholders: Sopra Steria Limited with a 75% equity stake and the Cabinet Office with a 25% equity stake. It began trading on 1 November 2013. Its head office is in Hertfordshire, UK. There has been no change in the Department's ownership for the reported year. For additional information, see Notes 4 and 23.

14. Investments in associates (continued)

SSCL prepares its accounts on an FRS101 (IFRS with limited disclosure) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of SSCL's financial statements is 31 December, the same date as its major shareholder and ultimate controlling entity. When applying the equity method of accounting, SSCL's 2015 unaudited financial statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

SSCL's published accounts may be found at: sscl.com

AXELOS Limited

The Department has a 49% equity shareholding in AXELOS Limited, which manages and develops intellectual property around best management practice methodologies and frameworks.

The Government established AXELOS Limited as a private limited company with two shareholders: Capita Business Services Limited with a 51% equity stake; and the Cabinet Office with a 49% equity stake. It began trading on 1 January 2014. Its Head Office is in London, UK. There has been no change in the Department's ownership for the reported year. For additional information, see Notes 4 and 23.

AXELOS Limited prepares its accounts on an FRS 101 (IFRS with limited disclosure) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of AXELOS Limited's financial statements is 31 December, the same date as its major shareholder and ultimate controlling entity. When applying the equity method of accounting, AXELOS Limited's 2015 financial statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

AXELOS Limited's published accounts may be found at: axelos.com

Behavioural Insights Limited

The Department has a 35% equity shareholding in Behavioural Insights Limited, which applies insights from behavioural sciences to tackle public policy problems.

The Government established Behavioural Insights Limited as a private limited company with the following shareholders: NESTA with a 30% equity stake; employees with 35% equity stake; and the Cabinet Office with a 35% equity stake. It began trading on 4 February 2014. The company changed its name by special resolution on 4 February 2014 from Behavioural Insights Team Limited to Behavioural Insights Limited. Its Head office is in London, UK. For additional information, see Notes 4 and 23.

Behavioural Insights Limited prepares its accounts on an FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland – based on IFRS for SMEs) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of Behavioural Insights Limited's financial statements is 31 March.

Behavioural Insights Limited's published accounts may be found at: behaviouralinsights.co.uk

Integrated Debt Services Limited

The Department has a 25% equity shareholding in Integrated Debt Services (IDS) Limited, which provides a single point of access to a wide range of debt management and collection services for a number of government departments and the wider public sector.

The Government established IDS Limited as a private limited company with two shareholders: TDX Group, an Equifax company, with a 75% equity stake; and the Cabinet Office with a 25% equity stake. It began trading on 17 March 2015. Its Head office is in London, UK. For additional information, see Notes 4 and 23.

IDS Limited prepares its accounts on an FRS 102 (the Financial Reporting Standard applicable in the UK and Republic of Ireland – based on IFRS for SMEs) basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of IDS Limited's financial statements is 31 December, the same date as its major shareholder and ultimate controlling entity. When applying the equity method of accounting, IDS Limited's 2015 financial statements have been used and adjustments have been made for the effects of transactions between 31 December and 31 March.

IDS Limited's published accounts may be found at: indesser.com

14. Investments in Associates (continued)

Crown Hosting Data Centres Limited

The Department has a 25.1% shareholding in Crown Hosting Data Centres (CHDC) Limited which provides public sector customers with assured, low-cost, secured, scalable and flexible data centre collocation, coupled with low-latency connectivity between data centres.

The Government established CHDC Limited as a private limited company with two shareholders: Ark Data Centres Limited with a 74.9% equity stake; and the Cabinet Office with a 25.1% equity stake. It began trading on 16 March 2015. Its head office is in Wiltshire, UK. For additional information, see Notes 4 and 23.

CHDC Limited prepares its accounts on a UKGAAP basis. There are no material differences between this and an IFRS basis of preparation and therefore no adjustments are required. The reporting date of CHDC Limited's financial statements is 30 June, the same date as its major shareholder. When applying the equity method of accounting, CHDC Limited's 2015 financial statements have been used and adjustments have been made for the effects of transactions between 30 June 2015 and 31 March 2016.

CHDC Limited's published accounts may be found at: crownhostingdc.co.uk

15. Investments and loans in other public sector bodies

The Core Department holds investments that include loans to the Bridges Social Entrepreneurs Fund LP, which invests in social enterprises and public dividend capital held in the Crown Commercial Service.

£000		Public dividend capital	Loans	Total
	Note			
Balance at 1 April 2014		350	1,778	2,128
Additions	13	-	511	511
Impairment	3	-	(61)	(61)
Loan repayments		-	(270)	(270)
Balance at 31 March 2015		350	1,958	2,308
Additions	13	-	258	258
Impairment	3	-	266	266
Loan repayments		-	(888)	(888)
Balance at 31 March 2016		350	1,594	1,944
Of which at 31 March 2016				
Current asset		-	-	-
Non-current asset		350	1,594	1,944
Balance at 31 March 2016		350	1,594	1,944
Of which at 31 March 2015				
Current asset		-	-	-
Non-current asset		350	1,958	2,308
Balance at 31 March 2015		350	1,958	2,308

For information on loan commitments, see Notes 13 and 23

Crown Commercial Service

In accordance with the *FReM*, the Cabinet Office's investment in the Crown Commercial Service is shown at its historical cost. A dividend of £2 million (2014-15: £2 million) has been paid for the year ended 31 March 2016; see Note 4. The published accounts can be found at GOV.UK - Crown Commercial Service

Bridges Social Entrepreneurs Fund LP

The Department holds a 33.27% share of the total net assets and partnership funds amounting to £1,593,364. The published accounts may be found at bridgesventures.com

16. Assets classified as held for sale

£000		2015-16	2014-15
		Departmental group	Departmental group
Balance at 1 April		60,000	60,000
Gain on change in fair value	3	4,221	-
Disposal		(64,221)	-
Balance at 31 March		-	60,000

Admiralty Arch

On 17 June 2015 the Department sold Admiralty Arch on a 250-year long lease to Admiralty Arch Holdings Limited. Title to the freehold is retained by government and has not transferred. The Cabinet Office sought an alternative use of Admiralty Arch due to the complexity and inefficiency in providing modern, cost-effective and flexible office space within the constraints of a Grade I listed building. The developer, Prime Investors Capital Limited, has secured planning permission to transform the building into a hotel.

17. Cash and cash equivalents

£000		2015-16	2014-15
		Departmental group	Departmental group
Balance at 1 April		66,682	22,646
Net change in cash and cash equivalent balances		(17,289)	44,036
Balance at 31 March		49,393	66,682
The following balances at 31 March were held at:			
Government Banking Service – supply		30,324	55,470
Government Banking Service – consolidated fund standing services		18,950	11,113
Parliamentary elections		119	99
Commercial banks and cash in hand – supply		-	-
Balance at 31 March		49,393	66,682

The cash balance includes an amount of £18,950,139 (2014-15: £11,112,544) in respect of the funding advanced from the Consolidated Fund to cover the costs of 2015 UK General Election, 2014 European Parliamentary elections and the UK Parliamentary by-elections with the agreement of HM Treasury. This balance is held with the Government Banking Service. It is owned by the Cabinet Office but was managed by the Election Claims Unit in the Department for Communities and Local Government until 31 March 2016.

18. Trade receivables, financial and other assets

£000	2015-16	2014-15
	Departmental group	Departmental group
Current – amounts falling due within one year		
VAT	2,739	7,282
Trade receivables	56,301	21,677
Deposits and advances	550	636
Advances to Returning Officers for Parliamentary elections	30,776	26,329
Other receivables	1,026	648
Pre-payments and accrued income	10,067	19,686
Deferred consideration from Equiniti Group PLC ¹	4,000	-
Deferred consideration from Capita Business Services Limited ²	7,050	9,400
	112,509	85,658
Non-current – amounts falling due after more than one year		
Deferred consideration from Equiniti Group PLC ¹	-	4,000
Deferred consideration from Capita Business Services Limited ²	-	7,050
	-	11,050
Total	112,509	96,708

¹ During 2014-15 the Cabinet Office sold 11% of its shareholding in MyCSP Limited to Equiniti Group PLC in return for a consideration of £8 million; see Note 4. Equiniti Group PLC has deferred payment of £4 million to be paid in September 2016

² During 2013-14 the Cabinet Office transferred its 51 'B' ordinary shares in AXELOS Limited to AXELOS's immediate parent, Capita Business Services Limited (CBSL), in return for consideration of £38.200 million. CBSL has deferred payment of £25.850 million to be paid in 33 equal monthly instalments between April 2014 and December 2016

Trade receivables are non-interest bearing and are generally on 30 days' terms and are shown net of a provision for impairment. Movements in the provision for impairment of receivables were as follows.

£000		2015-16	2014-15
	Note	Departmental group	Departmental group
At 1 April		598	639
Charge for the year	3	1,065	90
Unused amounts reversed	3	(64)	(131)
At 31 March		1,599	598

Kids Company

During the financial year the Cabinet Office made two grant payments under the Charities Act 2006 to Kids Company worth £7.3 million; this is included in expenditure at Note 3 and the Annex – Report on the use of powers under section 70 of the Charities Act. A grant of £3 million was the subject of a Ministerial Direction. The Cabinet Office asserts that a proportion of the money granted to Kids Company is held on constructive trust for the Government and should be repaid by the official receiver. The Cabinet Office continues to work with the official receiver through lawyers to make progress with this case but until this process is complete, the receivable has not been recognised in the accounts.

18. Trade receivables, financial and other assets (continued)

The analysis of trade receivables that were past due but not impaired is as follows.

£000	2015-16	2014-15
	Departmental group	Departmental group
Neither past due nor impaired	31,713	12,148
Past due but not impaired		
< 30 days	6,105	2,422
30 – 60 days	1,248	2,094
60 – 90 days	3,538	1,064
90 – 120 days	953	934
> 120 days	14,343	3,613
At 31 March	57,900	22,275

19. Trade payables and other current liabilities

£000	2015-16	2014-15
	Departmental group	Departmental group
Current – amounts falling due within one year		
Other taxation and social security	3,106	3,268
Trade payables	16,375	10,838
Other payables	2,934	4,639
Accruals and deferred income	63,578	73,441
Accruals and other payables relating to Parliamentary elections	44,712	37,441
Amounts issued from the Consolidated Fund for supply but not spent at year-end	30,283	55,559
Amounts due to the Consolidated Fund for consultant lobbyists registration fees	160	10
Excess cash payable to the Consolidated Fund – elections	3,181	-
Total	164,329	185,196

20. Provisions for liabilities and charges

£000	Note	Early departures	Specific dilapidations	Onerous contracts	Voluntary exit scheme	Total
		Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
Balance at 1 April 2014		2,431	4,769	1,323	-	8,523
Provided in the year		172	-	3	-	175
Provisions not required written back		(830)	-	(148)	-	(978)
Provisions utilised in the year		(820)	(615)	(440)	-	(1,875)
Borrowing costs (unwinding of discounts)		39	-	(29)	-	10
Balance at 31 March 2015		992	4,154	709	-	5,855
Provided in the year	3	900	50	158	4,209	5,317
Provisions not required written back	3	(103)	-	(161)	-	(264)
Provisions utilised in the year		(913)	-	(251)	-	(1,164)
Borrowing costs (unwinding of discounts)	3	5	-	(3)	-	2
Balance at 31 March 2016		881	4,204	452	4,209	9,746
Of which:						
Current liability		414	2,415	427	4,209	7,465
Non-current liability		467	1,789	25	-	2,281
Balance at 31 March 2016		881	4,204	452	4,209	9,746
Of which:						
Current liability		409	2,010	310	-	2,729
Non-current liability		583	2,144	399	-	3,126
Balance at 31 March 2015		992	4,154	709	-	5,855

Analysis of expected timing of discounted flows – 2015-16

£000	Early departures	Specific dilapidations	Onerous contracts	Voluntary exit scheme	Total
	Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
Not later than one year	414	2,415	427	4,209	7,465
Later than one year and not later than five years	467	1,789	3	-	2,259
Later than five years	-	-	22	-	22
Balance at 31 March 2016	881	4,204	452	4,209	9,746

Analysis of expected timing of discounted flows – 2014-15

£000	Early departures	Specific dilapidations	Onerous contracts	Voluntary exit scheme	Total
	Departmental group	Departmental group	Departmental group	Departmental group	Departmental group
Not later than one year	409	2,010	310	-	2,729
Later than one year and not later than five years	582	2,144	382	-	3,108
Later than five years	1	-	17	-	18
Balance at 31 March 2015	992	4,154	709	-	5,855

Early departures

The Core 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 early departure costs when the early retirement programme becomes binding on the Department. Payments are made monthly and it is anticipated that all payments will have been made against the provision by 2020-21.

20. Provisions for liabilities and charges (continued)

Specific dilapidations

A specific dilapidation provision is made where the Department is required to bring a property into a good state of repair at the end of a lease. A provision is made for the estimated costs of these repairs based on a rate per square metre, which is updated each year on advice from a facilities management company. A provision is also written back when not required. The provisions relate to Grosvenor House, 10 Great George Street, 35 Great Smith Street, Rosebery Court and Hercules House. The expiry dates of the remaining leases range from 2016-17 to 2024-25 with break clause options in 2019-20.

Onerous contracts

The Government Property Unit manages the Government's property portfolio, which includes vacant leasehold properties for which provision has been made for estimated payments discounted by HM Treasury's discount rates for general provisions. Payments include rent, rates, service charges, demolition work and property management charges. The provisions relate to Birch House, Willow House, Kings Court, Berkley Court and Gresham. The lease expiry dates of the remaining contracts range from 2015-16 to 2016-17. One contract is in perpetuity and will be provided for accordingly.

Voluntary exit scheme

Due to a reduction in core funding as a result of the Spending Review, the department is required to reduce its core staff numbers by up to 25% and a voluntary exit scheme was offered to staff. A new provision was created in 2015-16 for the estimated costs of voluntary redundancy payments. It is expected that all payments will have been made against the provision during 2016-17. The Department provides for redundancy payments after an initial quote has been issued, until the exit becomes binding. The obligating event making the offer binding is when the individual accepts the MyCSP valuation of the payment to be made.

21. Contingent assets

Futurebuilders Fund

The Futurebuilders Fund provided loan financing, often combined with grants and professional support, to civil society organisations in England that need investments to help them bid for, win and deliver public service contracts. The Modernisation Fund provided interest-free loans to help organisations be more resilient to the impact of economic downturn. Both of these funds are now closed to new applications.

£000	2015-16	2014-15
Futurebuilders England Fund	39,475	37,824
Modernisation Fund	6,246	6,076
Contingent asset as at 31 March	45,721	43,900

The Cabinet Office has a contingent asset of £45.721 million (2014-15: £43.900 million) which is reported as Restricted Funds in the 2015-16 accounts of Futurebuilders England Limited (FBE). FBE entered into a portfolio holding contract with the Cabinet Office to oversee the investment portfolio of the Futurebuilders and Modernisation Funds. The Cabinet Office contracts with Social Investment Business Limited (SIBL) to manage the loan book. SIBL won the contract to manage the fund commencing on 1 April 2013 for three years. An agreement was signed on 26 August 2015 to further extend the contract from 31 March 2016 to 31 March 2019. At the end of the contract the management of the Funds will revert to the Cabinet Office or a third party appointed by the Cabinet Office. The service agreement contains a novation clause which applies to the Futurebuilders Restricted Funds and which gives the Cabinet Office the entitlement to assign, novate or otherwise dispose of its rights and obligations under the agreement or novate the agreement itself to any other body.

The Cabinet Office requested the return of £60.650 million of the funding repaid by investees to be granted to Access: The Foundation for Social Investment to run further capacity-building programmes for civil society organisations. Of this amount, £4.750 million was returned to the Cabinet Office in 2015-16 (2014-15: £38.600 million), (see Note 4) and £17.300 million is planned to be returned before 31 March 2020 and is recognised as a creditor to the Cabinet Office within FBE's net assets of £45.721 million. Further information about Futurebuilders England Limited can be found at: futurebuilders-england.org.uk

22. Contingent liabilities

There are no material contingent liabilities.

23. Related party transactions

The following bodies are regarded as related parties with which the Cabinet Office has had various material transactions during the year.

The main recipient of grants-in-aid from the Cabinet Office in 2015-16 was the NCS Trust C.I.C. The trust is a not-for-profit social enterprise established to shape, support, champion and lead a thriving National Citizen Service.

Within government, the main suppliers to the Cabinet Office were HM Treasury, HM Revenue and Customs, the Department for Work and Pensions, the Home Office, the Ministry of Defence and the Government Legal Department. The main customers of the Cabinet Office were HM Revenue and Customs, the Crown Commercial Service, the Department for Work and Pensions, the Ministry of Defence, the Ministry of Justice and the Department for Culture, Media and Sport.

The Cabinet Office is a sponsor of the Civil Service Commission, an executive non-departmental public body, and of the Registrar of Consultant Lobbyists, a corporation sole; see Note 24. Balances and transactions between the Department and its arm's length bodies have been eliminated on consolidation and are not disclosed in this Note.

The Cabinet Office has six associate companies: MyCSP Limited, Shared Services Connected Limited, AXELOS Limited, Behavioural Insights Limited, Integrated Debt Services Limited and Crown Hosting Data Centres Limited. The Cabinet Office received pension administration and other services from MyCSP Limited which are funded by a charge on Principal Civil Service Pension Scheme and the Civil Service and Other Pension Scheme employer pension contributions; see Notes 3 and 4. Commencing November 2013, the Cabinet Office received payroll, HR, finance and procurement services from Shared Services Connected Limited (SSCL). The Cabinet Office received a framework management fee of £12.5 million from SSCL. The ultimate parent undertaking of AXELOS Limited is Capita plc, which holds an indirect interest in Capita Resourcing Limited, with which the Cabinet Office has transacted in year. Programme evaluation services were received from Behavioural Insights Limited. Integrated Debt Services Limited provides a range of debt management and collection services. Crown Hosting Data Services Limited provide public bodies with a physical space to host their computer servers and systems that are not in the cloud; see Notes 3, 4 and 14.

The Cabinet Office makes loans and has loan commitments to the Bridges Social Entrepreneurs Fund LP, which is managed by Bridges Ventures Limited. The Fund invests in social enterprises that have the potential to generate scalable and sustainable social impacts. Bridges Social Entrepreneurs Fund LP is outside the departmental boundary and is therefore not classed as an associate (see Notes 13 and 15).

The Crown Commercial Service (CCS) is an executive agency of the Cabinet Office, with Trading Fund status. CCS brings together policy, advice and direct buying, providing commercial services to the public sector and saving money for the taxpayer.

The Cabinet Office has responsibility for setting and reimbursing the fees and expenses of Returning Officers conducting the polls at Parliamentary elections in England and Wales. No member of staff in the Cabinet Office Elections Division or the Department for Communities and Local Government's Elections Claims Unit (an agent of the Cabinet Office Elections Division that is responsible for the processing of Returning Officers' claims) undertook any material transactions with Returning Officers during the year.

The Registrar of Consultant Lobbyists is a corporation sole funded by the Cabinet Office. The Registrar has had a number of transactions with the Cabinet Office in relation to staff secondments and corporate services. Neither the Registrar nor her staff have undertaken any material transactions with registered consultant lobbyists during the year.

The names and titles of all the ministers who had responsibilities for the Department during the year are provided in the Performance Report. No minister, Board member, key manager or other related party has undertaken any material transactions with the Cabinet Office during the year. Compensation due to key management personnel in year has been disclosed in the Remuneration Report.

24. Entities within the departmental boundary

The departmental boundary in this context relates to the boundary of the Departmental Accounts. The following bodies have been designated for consolidation into the Cabinet Office Estimates and Accounts.

Executive non-departmental public body – the Civil Service Commission

The Civil Service Commission in its current form was established by the Constitutional Reform and Governance Act 2010, although the Commission has existed as a non-statutory body since 1855. The Act assigns the Commission two primary functions: providing assurance that recruitment to the Civil Service is on merit, on the basis of fair and open competition; and hearing and determining appeals made by civil servants under the Civil Service Code, which sets out the values of the Civil Service – Impartiality, Objectivity, Integrity and Honesty – and forms part of the contractual relationship between civil servants and their employer. As an independent, statutory body the Commission publishes its own Annual Report. Further information can be found at:

civilservicecommission.independent.gov.uk; and [Civil Service Commission Annual Report and Accounts](#)

24. Entities within the departmental boundary (continued)

Advisory non-departmental public bodies

The Cabinet Office sponsors a number of advisory non-departmental public bodies (ANDPBs) that have links to the Department but whose work does not contribute directly to the achievement of the Department's objectives and whose funding arrangements can be separate. These ANDPBs provide independent and expert advice to ministers on particular topics of interest. ANDPBs of the Cabinet Office include:

- Advisory Committee on Business Appointments
- Committee on Standards in Public Life
- House of Lords Appointments Commission
- Main Honours Advisory Committee (Honours and Appointments Secretariat)
- Boundary Commission for England
- Boundary Commission for Wales
- Security Vetting Appeals Panel
- Senior Salaries Review Body
- Independent Commission on Freedom of Information (dissolved on 11 March 2016)

Corporation sole – the Office of the Registrar of Consultant Lobbyists

The Office of the Registrar of Consultant Lobbyists was set up following the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. The Registrar is an independent statutory office, established to keep and publish the register of consultant lobbyists, on which those who lobby on behalf of a third party will be required to declare the names of their clients and whether or not they subscribe to a relevant code of conduct.

Further information can be found at: GOV.UK - Office of the Registrar of Consultant Lobbyists

Other body – the Office of the Commissioner for Public Appointments

The Office of the Commissioner for Public Appointments is not a non-departmental public body; however, its spending falls within the Cabinet Office budget and therefore it is listed in the Designation Order.

25. Events after the reporting period

In accordance with the requirements of IAS 10 – *Events after the Reporting Period*, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. This is interpreted as being the date of the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

Infrastructure and Projects Authority

On 16 November 2015 the Prime Minister confirmed that Infrastructure UK will be merged with the Major Projects Authority to form a new organisation called the Infrastructure and Projects Authority (IPA). The new organisation reports jointly to the Chancellor of the Exchequer and the Minister for the Cabinet Office, and sits formally within the Cabinet Office. Operationally the IPA was formed on 1 January 2016 but this machinery of government transfer will be effective 1 April 2016.

Civil Service HR expert services

The four Civil Service HR expert services (Organisation and Design, Civil Service Employee Policy, Civil Service Learning and Civil Service Resourcing) are due to transfer into the Cabinet Office from where they were hosted in other departments. The transfer during the course of 2016-17 is designed to increase flexibility, collaboration, resourcing and productivity within the expert services, as well as achieving efficiencies and improving services provided to government.

EU Referendum

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the Cabinet Office can be made.

Annex

Report on the use of powers under section 70 of the Charities Act 2006

This report is presented pursuant to the Charities Act 2006, section 70, which enables a minister to align the provision of financial assistance to charitable, benevolent or philanthropic institutions.

As with all grant funding in the Cabinet Office, emphasis is placed on providing value for money. Grants paid under the Charities Act are monitored to ensure that recipients deliver the objectives of individual projects, as well as contributing to the strategic aims of the Department.

Throughout 2015-16, the Cabinet Office has made grants totalling £165.170 million to organisations under the provisions of the Charities Act 2006. In all cases, the funding matched both the aims and objectives of the Cabinet Office, as well as those of the recipients. This spending does not represent the total amount of grant funding provided to the voluntary and community sector, as some other grants have been paid to this sector under the powers conferred by alternative legislation. The most significant grants were paid to the organisations mentioned below.

A grant of £128.454 million was paid to the NCS Trust C.I.C. (NCS [National Citizen Service]), in its capacity as the independent management body, to run the NCS Programme. As the independent management body, it incurs running costs and has centralised functions required for its operations, including branding, marketing and communications, stakeholder engagement, training, commissioning, provider support services and recruitment in addition to the delivery of the NCS Programme by external providers under agreement.

Grants of £9.221 million have been paid to a range of ambulance services. Recipients include Great Western Air Ambulance Charity, Association of Air Ambulances Ltd, Lucy Air Ambulance for Children, Essex and Herts Air Ambulance Trust, Kent, Surrey and Sussex Air Ambulance Trust, London Ambulance Service, East of England Ambulance Service NHS Trust and West Berks Rapid Response Cars. 'Ambulance services' primarily means providing air ambulance services with grants, funded by London Interbank Offered Rate (LIBOR) fixing fines money, to purchase new helicopters or support for running costs of new helicopters and equipment. The purpose of the grant funding to London Ambulance Service, East of England Ambulance Service NHS Trust and West Berks Rapid Response Cars was to assist with the costs of purchase and/or fit-out of land rapid response vehicles used for medical purposes.

A grant of £7.350 million was paid to Access: The Foundation for Social Investment, to, in general, enable the growth of a sustainable social investment market in the UK and, specifically, to address business capacity gaps that prevent social sector organisations from accessing the social investment that they require to grow their positive social impact.

Two grants totalling £7.265 million were paid to Kids Company to improve outcomes for children, young people and families covering intensive, one-to-one key working support, clinical support, a school-based support programme, an early intervention and resilience programme, a programme to tackle material deprivation, an education, employment and readiness programme, a therapeutic anti-gang programme and a health and nutrition programme.

A grant of £3.944 million was paid to Youth United Foundation to fund additional social action opportunities for young people in uniformed youth groups through an increase in places, or using innovative approaches.

A grant of £2.107 million was paid to MIND to run a programme of activity to support the mental health of blue lights (police, fire, ambulance and search and rescue) personnel (including volunteers) across England.

A grant of £1.377 million was paid to The Join In Trust to continue to increase volunteering in community sport, to build the Local Leaders network and to encourage the Olympic legacy of volunteering.

The remaining £5.452 million of grants under the provisions of the Charities Act 2006 were paid to a variety of organisations and related to individual grants of less than £1 million each.

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