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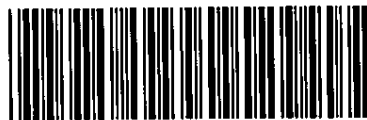
**Commission**  
for the **Compact**

**Commission for the Compact**

**Annual Report and Accounts 2007/08**

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**Commission for the Compact  
Annual Report and Accounts  
For the year ended 31 March 2008**

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## Directors' Report and Commentary

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### Background, constitution and governance

These accounts cover the year from 1 April 2007 to 31 March 2008. They have been prepared in accordance with the Accounts Direction given to the Commission for the Compact (the Commission) by the Minister for the Cabinet Office on 8 February 2008.

The Commission is a Non-Departmental Public Body (NDPB) sponsored by the Office of the Third Sector (a management unit in the Cabinet Office).

Unlike many NDPBs the Commission is not a creature of statute and has no statutory functions. It is established as a company limited by guarantee with functions prescribed by its Memorandum and Articles of Association dated 12 September 2006.

The Commission's purpose under its Memorandum of Association is to "promote the voluntary and community sector for the benefit of the public by the strengthening of partnership working between public sector bodies and voluntary and community sector ("VCS") organisations through the operation of the Compact."

The Commission is governed by a board of directors which, when complete, is required to consist of the Commissioner for the Compact, the Chief Executive, and other elected or appointed directors. The board has established an Audit and Risk Committee and a Remuneration Committee.

The directors in 2007/08 were as follows:

Name	Date of appointment	Date of resignation
Neil Palmer	before 1 April 2007	30 May 2007
John Stoker	30 May 2007	7 September 2007
Helen Baker	7 September 2007	still a director on 31 March 2008
David Cutler	10 September 2007	still a director on 31 March 2008
Fred Heddell CBE	10 September 2007	still a director on 31 March 2008

All the directors named in the table above are/were non-executive directors.

A register of the directors' interests is available for inspection at the Commission's office and will be published on the Commission's website in 2008/09.

Sir Herbert Massie CBE was appointed as a director on 24 April 2008.

The Commission has a sole member. Membership of the Commission in 2007/08 was as follows:

Name	Date of admission	Date of withdrawal
Alexa Burgess	before 1 April 2007	30 May 2007
The Chancellor of the Duchy of Lancaster	30 May 2007	still the member on 31 March 2008

## **Principal activities**

To pursue its purpose of strengthening of partnership working between public sector bodies and VCS organisations through the operation of the Compact, the Commission adopted objectives and a work programme to

- increase awareness and understanding of the Compact by public bodies and by VCS organisations,
- disseminate evidence of the benefits to public bodies and to VCS organisations of working in accordance with the Compact,
- promote adherence to the Compact by public bodies and by organisations in the VCS,
- maintain the relevance of the Compact by ensuring that its contents keep pace with changes in legislation and developments in policy

Key performance indicators for the Commission are in the process of development and will be agreed with the Office of the Third Sector early in 2008/09

The Commission works closely with, and for 2008/09 has adopted a joint programme of work (the Joint Compact Action Plan)<sup>1</sup> with

- Compact Voice, the organisation which represents the views and interests of the VCS on the Compact,
- the Office of the Third Sector, which similarly represents the views and interests of the Government,
- the Local Government Association, which similarly represents the views and interests of local authorities

Each year a meeting is held between Government, the VCS and local government to review progress on the implementation of the Compact during the year. A record of the meeting, and of actions agreed at it, is laid before Parliament. The record of the 2007 meeting, held on 13 December 2007, was laid before Parliament and published on 21 April 2008. It includes an overview of the work of the Commission during 2007<sup>1</sup>.

## **Financial overview**

The Accounts on pages 17 to 21 show the income, expenditure and surplus for the year. The notes on pages 22 to 33 form part of the Accounts.

The Commission was incorporated and registered at Companies House on 12 September 2006. The Office of the Third Sector defrayed on the Commission's behalf the start-up and early running costs of the Commission. Once the Commission

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<sup>1</sup> Available at [[http://www.thecomcompact.org.uk/shared.asp\\_files/GFSR.asp?NodeID=101401](http://www.thecomcompact.org.uk/shared.asp_files/GFSR.asp?NodeID=101401)]  
Commission for the Compact  
Annual Report and Accounts 2007/08

was staffed and equipped to take control of its own financial affairs, the Office of the Third Sector began to fund the Commission by Grant-in-Aid. It was originally intended that the Commission would be capable of taking control of its own financial affairs in spring 2007, but the process was delayed until 1 November 2007 by unexpected changes in the senior personnel of the Commission.

As set out in the Spring Supplementary Estimates, the total available Grant-in-Aid for the Commission for 2007/08 was £1.324m. From the budget of £1.324m the Commission received £1.13m in Grant-in-Aid. Of the £1.13m Grant-in-Aid, £1.055m was allocated as Resource budget and the remaining £0.75m as Capital budget. In addition to this the Office of the Third Sector incurred costs of £0.34m for the start-up and early running costs of the Commission.

The Commission's payroll and payment of invoice functions are contracted out to FD Outsourcing Ltd. The Commission will review the effectiveness and value for money of this outsourcing arrangement during 2008/09.

### **Income and Expenditure Account**

Overall operating expenditure at £915,492 was slightly below the expected level. A small number of ongoing activities have not been completed in 2007/08 and are being carried over into the early weeks of 2008/09. The costs associated with those activities have accordingly been re-profiled into 2008/09. The build-up in activity as 2008/09 progresses is expected to see expenditure for the whole year of 2008/09 increase to £2m.

### **Balance Sheet**

Total fixed assets purchased for the year was £94,590 excluding donated assets. A small overspend on capital is attributable to the fact that a purchase in connection with the Commission's Customer Relationship Management and Knowledge Database was originally categorised as Resource expenditure but later recategorised to Capital.

### **Post balance sheet events**

There have been no material events since the year end.

### **Payment of creditors**

The Commission supports the Better Payment Practice Code by as far as possible agreeing payment terms in advance when ordering goods and services; explaining payment procedures to suppliers, settling invoices in accordance with any contract agreed or within 30 days, as required by law, and informing suppliers of incorrect invoices promptly to encourage settlement. A review of all payments made since 1 November 2007, conducted to measure how promptly the Commission pays its bills, found that 53% of bills were paid within this timescale, a performance which the Commission is determined to improve on in the coming year.

## **Equal Opportunities**

The Commission is committed to equality of opportunity and diversity in all its activities. In particular it is the Commission's policy that no actual or potential employee should be unfairly discriminated against, directly or indirectly, because of their ethnicity, national origin or nationality, gender, sexual orientation, marital status, religious beliefs (or lack of them), political affiliation, age, social class, disability, trades union membership, employment status or role as a carer.

## **Employee Consultation**

The Commission ensures that there are arrangements to promote effective consultation and communication with all staff. Meetings of all staff are held periodically at which staff are encouraged to raise and discuss any matter relating to the Commission or its activities.

## **Environmental Policy**

During 2007/08 the Commission implemented an environmental policy of:

- reducing paper consumption,
- increasing the proportion of waste recycled,
- making efficient use of energy and materials

## **Audit Information**

All necessary audit information has been disclosed to the auditors. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the auditor, the directors have taken all the steps they are obliged to take as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## **Auditors**

Mazars LLP were appointed as the Commission's auditors during the year

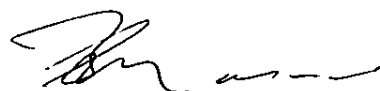
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signed by



**Richard Corden**  
**Accounting Officer**  
**6 May 2008**

Commission for the Compact  
Annual Report and Accounts 2007/08



**Sir Herbert Massie CBE**  
**Director**  
**6 May 2008**

**Independent auditors' report to  
the member of The Commission for the Compact**

We have audited the financial statements of The Commission for the Compact for the year ended 31 March 2008 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors, the Accounting Officer and auditors**

As described in the Statement of Directors' and Accounting Officer's Responsibilities the company's directors and Chief Executive as Accounting Officer are responsible for the preparation of the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and HM Treasury directions made thereunder. We report to you whether, in our opinion, certain information given in the Directors' Report and Commentary and Remuneration Report is consistent with the financial statements. We also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by HM Treasury regarding directors' remuneration and transactions is not disclosed.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and Commentary and the part of the Remuneration Report not subject to audit. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



INVESTOR IN PEOPLE



**Independent auditors' report to  
the members of The Commission for the Compact (continued)**

**Basis of audit opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the Grant in Aid has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of the result for the year then ended,
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and HM Treasury directions made thereunder,
- the information given within the Annual Report, which comprises the Directors' Report and Commentary and the unaudited parts of the Remuneration Report, is consistent with the financial statements, and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



Mazars LLP  
Chartered Accountants  
and Registered Auditors  
The Atrium  
Park Street West  
Luton  
Bedfordshire  
LU1 3BE

Date 06 May 2008



## Remuneration Report

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The Commission's senior managers – that is, the Commissioner for the Compact, the Chief Executive and the non-executive directors - were all appointed by, or with the approval of, the Chancellor of the Duchy of Lancaster, who has determined their remuneration. No element of the remuneration of any senior manager is subject to performance conditions.

### Audited information

During 2007/08 the salaries or fees payable to the Commission's senior managers were as follows

- the Commissioner for the Compact (**John Stoker** from 1 April 2007 to 7 September 2007)

	<b>£s</b>
Salary	23,884
Pension contribution	-
Taxable benefit	-
<b>Total</b>	<b>23,884</b>

- the interim Commissioner for the Compact (**Helen Baker** from 7 September 2007 to 31 March 2008)

	<b>£s</b>
Salary	19,392
Pension contribution	-
Taxable benefit	-
<b>Total</b>	<b>19,392</b>

- Non-Executive Director (**Fred Heddell** from 10 September 2007 to 31 March 2008)

	<b>£s</b>
Salary	2,000
Pension contribution	-
Taxable benefit	-
<b>Total</b>	<b>2,000</b>

- Non-Executive Director (**David Cutler** from 10 September 2007 to 31 March 2008)

	<b>£s</b>
Salary (payable to a third party <sup>2</sup> )	1,250
Pension contribution	-
Taxable benefit	-
<b>Total</b>	<b>1,250</b>

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<sup>2</sup> David Cutler is employed full-time as the Director of the Baring Foundation, a charitable trust. Mr Cutler's salary in respect of his directorship of the Commission for the Compact is paid to the Baring Foundation as fees for his services.

- the Chief Executive (**Angela Sibson** from 1 April 2007 to 31 July 2007)

	<b>£s</b>
Salary	26,667
Pension contribution	6,800
Taxable benefit	-
<b>Total</b>	<b>33,467</b>

- the interim Chief Executive (**Richard Corden** from 25 June 2007 to 31 March 2008)

	<b>£s</b>
Salary	48,711
Pension contribution	11,301
Taxable benefit	-
<b>Total</b>	<b>60,012</b>

The Commissioner and the Chief Executive were entitled to participate in the Group Stakeholder Pension scheme established by the Commission (see notes 1 and 3d) Provision has been made for employer pension contributions by the Commission in the sums of £8,174 for the Commissioner and £2,200 for the Chief Executive over and above amounts disclosed above

The interim Chief Executive was a civil servant on secondment from the Cabinet Office He was not entitled to participate in the Commission's Group Stakeholder Pension Scheme Pension contributions disclosed above are in respect of his membership of the Principal Civil Service Pension Scheme

#### Unaudited information

Details of senior managers' service agreements are as follows

- No service agreement was entered into in respect of **John Stoker's** tenure as Commissioner for the Compact
- There is a service agreement between **Helen Baker** and the Chancellor of the Duchy of Lancaster. The agreement runs from 7 September 2007 until 31 March 2010 It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Mrs Baker not likely to exceed three months' remuneration
- There is a service agreement between **Fred Heddell CBE** and the Chancellor of the Duchy of Lancaster The agreement runs from 7 September 2007 until 31 March 2010 It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice In the event of termination by the Chancellor of the Duchy of Lancaster without notice he may, if the circumstances justify it, approve an ex gratia payment to Mr Heddell not likely to exceed three months' remuneration

- There is a service agreement between the Baring Foundation, as **David Cutler's** employer, and the Chancellor of the Duchy of Lancaster, under which the Baring Foundation agrees to provide Mr Cutler's services to the Commission. The agreement runs from 7 September 2007 until 31 March 2010. It is terminable by either party with three months' written notice, or, in certain circumstances, by the Chancellor of the Duchy of Lancaster without notice.
- No service agreement was entered into in respect of **Angela Sibson's** tenure as Chief Executive.
- No service agreement has been entered into in respect of **Richard Corden's** tenure as interim Chief Executive. Mr Corden is an official of the Cabinet Office on secondment to the Commission. His terms and conditions are those of a member of the Senior Civil Service.

The function of the Commission's Remuneration Committee will be, within a performance management system, to determine the pay increase(s) offered to the Commission's staff, the first of whom began work on 28 August 2007. The Remuneration Committee did not meet in 2007/08.

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signed by



**Richard Corden**  
Accounting Officer  
6 May 2008



**Sir Herbert Massie CBE**  
Director  
6 May 2008

## Statement of Directors' and Accounting Officer's Responsibilities

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

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

The Commission's Chief Executive (or interim Chief Executive) is designated, by the Principal Accounting Officer of the Cabinet Office, as the Commission's Accounting Officer

The Commission's Accounting Officer has personal responsibility for ensuring that the Commission meets the service and other standards, set out in Chapters 1 and 3 of Managing Public Money (HM Treasury), expected of an organisation which manages public resources.

In particular, the Commission's Accounting Officer takes personal responsibility for

- safeguarding the public funds under the Commission's control and ensuring regularity and propriety in their handling,
- ensuring that the Commission's resources are applied only for the purposes, and in accordance with the powers, set out in its Memorandum and Articles of Association,
- the selection and appraisal of programmes and projects,
- value for money;
- the management of risk and opportunity,
- ensuring that the Commission learns from experience,
- accounting accurately for the Commission's transactions and financial position

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signed by



**Richard Corden**  
**Accounting Officer**  
**6 May 2008**



**Sir Herbert Massie CBE**  
**Director**  
**6 May 2008**

## Statement on Internal Control

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### Scope of responsibility

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

The Commission is an NDPB sponsored, and wholly funded, by the Cabinet Office, within which the Office of the Third Sector is the Commission's sponsor unit. A programme of work (the Commission's component of the Joint Compact Action Plan) designed to achieve the Commission's objectives is agreed between the Commission and the Office of the Third Sector each year. Progress against it, including any risks to the achievement of the Commission's objectives, is reviewed at least monthly by the Commission and officials of the Office of the Third Sector. Similarly, there are monthly reviews by the Commission and the Cabinet Office's financial expenditure management team of the Commission's progress against its budget forecasts.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on the ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Development of the system of internal control was instituted before the date (1 November 2007) on which the Commission took control of its own financial affairs and is in accordance with Treasury guidance.

### Capacity to handle risk

As Accounting Officer I am responsible to the Commission's board and its Audit and Risk Committee for

- identifying risks to which the Commission is exposed,
- assessing the likelihood of risks materialising and the impact on the Commission if that happens,
- proposing and implementing proportionate measures to mitigate the likelihood and impact of risks,
- regularly reviewing the arrangements for handling risk and, if necessary, proposing changes

The Commission's staff is small enough to have been able to involve every member directly in the process of developing a register of risks along the lines above. The aim of doing that is to promote among staff a wider understanding both of the risks the Commission faces and of the arrangements it is developing to manage risk. Compilation of a register of risks was in progress on 31 March 2008 and will be completed early in 2008/09.

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

Risks, and measures in mitigation, are analysed under five headings (which may overlap)

- risks to the successful completion by the Commission of its tasks under the Joint Compact Action Plan,
- risks to the Commission's reputation,
- risks arising from impropriety, financial or other, within or towards the Commission,
- risks arising from the Commission's failure to comply with regulatory requirements,
- risks arising from the Commission's failure to foresee and/or respond to changes in the (policy etc) environment in which it operates

The Commission's Audit and Risk Committee is appointed by the Board to oversee the Commission's financial controls, accounting systems and risk management procedures on behalf of the Board. It is authorised by the Board to inquire into any activity within its terms of reference, to seek any information it requires from staff, who are required to co-operate with the Committee in the conduct of its inquiries, and to obtain independent professional advice if it judges that to be necessary. The members of the Audit and Risk Committee appointed by the Board in 2007/08 were David Cutler and Fred Heddell CBE, two non-executive directors of the Commission. The Board intends to appoint in 2008/09, as the third member of the Committee, a person having no other connection with the Commission and selected for his or her knowledge and experience of financial management, risk management and audit.

The Commission will be introducing in 2008/09 a system of external inspection of its internal risk management measures. In addition to this, managers in the Commission will themselves regularly inspect internal controls. Time will be allocated for that purpose in their schedules of work.

A business continuity plan is in preparation and will be completed early in 2008/09.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, including controls which exist in relation to the Commission's outsourced payroll, accounting and invoice payment service. My review of the effectiveness of the system of internal control will be informed by the work of external

inspectors, by managers within the Commission, and by comments made by the external auditors in their management letter and other reports. I will be advised on the implications of the result of my reviews of the effectiveness of the system of internal control by the board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system will be put in place.

In particular I plan to review early in 2008/09 the effectiveness and risk of the Commission's outsourcing arrangement for payroll, accounting and invoice payments. My review will take into account both the performance of the current service provider and the need to secure an enhanced level of protection for personal data.

---

signed by



**Richard Corden**  
**Accounting Officer**  
**6 May 2008**



## Income and Expenditure Account

### For the year ended 31 March 2008

	Notes	2007/08 £s	2006/07 £s
<b>Income</b>		0	0
<b>Total Income</b>		<b>0</b>	<b>0</b>
<b>Expenditure</b>			
Administration			
Staff	3a	(490,316)	0
Other costs	4	(422,638)	0
Programme			
Staff			
Other costs	6	(2,538)	0
<b>Total Expenditure</b>		<b>(915,492)</b>	<b>0</b>
<b>Deficit before interest and cost of capital</b>		<b>(915,492)</b>	<b>0</b>
Interest received	7	0	0
Notional cost of capital	8	(2,441)	0
<b>Deficit after interest and cost of capital</b>		<b>(917,933)</b>	<b>0</b>
Reversal of cost of capital	8	2,441	0
<b>Deficit for the period</b>		<b>(915,492)</b>	<b>0</b>
Receipt of Grant-in-Aid revenue financing	2	1,055,000	0
<b>Surplus carried forward</b>		<b>139,508</b>	<b>0</b>

All operations are classed as continuing

**Statement of Recognised Gains and Losses**  
**For the year ended 31 March 2008**

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	<b>Notes</b>	<b>2007/08 £s</b>	<b>2006/07 £s</b>
Deficit transferred to general reserves	17	(915,492)	0
Receipt of donated assets	17	(130,293)	0
<b>Total recognised Gains and Losses for the period</b>		<b>(1,045,785)</b>	<b>0</b>

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**Balance Sheet**  
**For the year ended 31 March 2008**

	Notes	2007/08 £s	2006/07 £s
<b>Fixed Assets</b>			
Tangible fixed assets	10	177,118	0
		<b>177,118</b>	<b>0</b>
<b>Current Assets</b>			
Debtors due within one year	11	2,354	0
Cash at bank and in hand	12	209,681	0
		<b>212,035</b>	<b>0</b>
<b>Current Liabilities</b>			
Creditors amounts falling due within one year	13	(92,117)	0
		<b>(92,117)</b>	<b>0</b>
<b>Net Current Assets</b>		<b>119,918</b>	<b>0</b>
<b>Total assets less current liabilities</b>		<b>297,036</b>	<b>0</b>
Creditors amounts falling due after one year	13	(53,293)	0
<b>Net assets</b>		<b>243,743</b>	<b>0</b>
<b>Capital and Reserves</b>			
General reserves	17	139,508	0
Donated assets reserve	17	104,235	0
<b>Total reserves</b>		<b>243,743</b>	<b>0</b>

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The financial statements, which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes, were approved by the Board on 6 May 2008 and signed on their behalf by



**Richard Corden**  
**Accounting Officer**  
**6 May 2008**



**Sir Herbert Massie CBE**  
**Director**  
**6 May 2008**

**Cash Flow Statement**  
**For the year ended 31 March 2008**

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	Notes	2007/08 £s	2006/07 £s
<b>Net Cash Outflow from Operating Activities</b>	19	<b>(750,729)</b>	<b>0</b>
<b>Capital Expenditure</b>			
Payments to acquire tangible fixed assets		(94,590)	0
<b>Net Cash Outflow from Capital Expenditure</b>		<b>(94,590)</b>	<b>0</b>
<b>Financing</b>			
Receipt of Grant-in-Aid revenue financing		1,055,000	0
<b>Net Cash Inflow from Financing</b>		<b>1,055,000</b>	<b>0</b>
<b>Net Cash Inflow</b>	20	<b>209,681</b>	<b>0</b>

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## **Notes to the Accounts**

### **For the year ended 31 March 2008**

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#### **1. Accounting policies**

##### **Statement of accounting policies**

As a Non Departmental Public Body (NDPB), the Commission's financial statements have been prepared in accordance with the Accounts Direction given by the Minister for the Cabinet Office, which is the Commission's Sponsoring Department. So far as appropriate they meet the requirements of the Companies Acts and of the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The particular accounting policies adopted are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

##### **Going concern**

The accounts have been prepared on the going concern basis which assumes that the Commission's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from the Commission's funder and in response to the progress made by the Commission in obtaining future funding confirmation. The Commission's sole funder is its Sponsor Department, the Cabinet Office.

##### **Accounting convention**

The accounts are prepared under the historical cost convention.

##### **Tangible fixed assets**

Tangible fixed assets are valued at the lower of depreciated replacement cost and recoverable amount. Depreciated historical cost is used as a proxy for depreciated replacement cost as there is considered to be no significant difference between depreciated historical cost and replacement cost. Costs of acquisition comprising only those costs directly attributable to bringing the asset into working condition for its intended use are capitalised. Expenditure on the acquisition of tangible fixed assets is capitalised where these costs exceed £2,500 or where an asset forms part of a larger group that in total is more than £2,500.

Donated tangible fixed assets are capitalised at valuation, which represents current cost on receipt. This valuation is credited to the donated assets reserve. Donated assets are depreciated in the same way as other fixed assets.

##### **Depreciation**

Tangible fixed assets are depreciated on a straight line basis in order to write off the value of the asset over its expected useful life, as follows:

- Information technology over 3 years,

- Furniture and fittings over 5 years,

Depreciation is calculated on a monthly basis and is charged from the month the asset is brought into use

### **Operating leases**

Operating lease rentals are charged to the Income and Expenditure account over the period of the lease

### **Notional Cost of Capital**

In accordance with FReM, which requires NDPBs to disclose the full cost of their activities, a non cash capital charge, reflecting the cost of capital is included in the Income and Expenditure account. The charge is calculated at the Government's standard rate of 3.5 per cent in real terms on total assets less liabilities.

### **Grant-in-Aid**

As a Non Departmental Public Body, Grant-in-Aid for revenue purposes is treated as financing from the Sponsor Department, the Cabinet Office. This is credited to the general reserve. Grant-in-Aid for capital purposes is credited to deferred income and released to the income and expenditure account over the useful life of the asset in amounts equal to the depreciation charge on the asset and on impairment.

### **Value Added Tax**

The company is not registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure account or included in the capitalised cost of fixed assets.

### **Provisions**

The Commission makes provisions for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made. The obligation is normally the amount that the entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time.

### **Pensions**

The costs of all employer pension contributions are charged to the Income and Expenditure Account when incurred. Employees are eligible to join the Commission's Group Stakeholder Pension scheme on successful completion of their three month probation period. The scheme is a defined contribution scheme.

## 2. Grant-in-Aid receipts

Funding from the Sponsor Department, the Cabinet Office, is received as Grant-in-Aid income. Funding received for revenue purposes is to be treated as financing and credited to the general reserve. Funding received for capital purposes is to be credited to the deferred income creditor. A summary of Grant-in-Aid received is as follows

	2007/08 £s	2006/07 £s
Receipt of Grant-in-Aid revenue financing	1,055,000	0
Receipt of Grant-in-Aid Capital financing	75,000	0
<b>Total</b>	<b>1,130,000</b>	<b>0</b>

The Commission certifies that the grants received from its Sponsor Department have been used for their approved purpose.

## 3. Staff costs

<b>a. The total administrative staff costs</b>	<b>2007/08 £s</b>	<b>2006/07 £s</b>
Salaries and benefits	429,823	0
Social security costs	32,018	0
Pension contributions	28,475	0
<b>Total</b>	<b>490,316</b>	<b>0</b>

Information in respect of individual Board Members is provided in the Remuneration Report on pages 9 to 11. Further information on pensions is included in note 3d. The above includes a civil servant seconded from the Cabinet Office, and interim staff.



<b>b. Directors' emoluments</b>	<b>2007/08 £s</b>	<b>2006/07 £s</b>
Emoluments	46,525	0
Contributions to pension schemes	8,174	0
<b>Total</b>	<b>54,699</b>	<b>0</b>

<b>c. Number of employed staff</b>	<b>2007/08 £s</b>	<b>2006/07 £s</b>
Administration staff – on company payroll	10	0
Administration staff – seconded from other organisations	1	0
<b>Total</b>	<b>11</b>	<b>0</b>

The above excludes non-executive directors

#### **d. Pension costs**

Commission employees are eligible to join the Group Stakeholder Pension scheme. This is a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The Commission also matches any employee contributions up to 3% of pensionable pay.

#### 4. Administration (Other Costs)

	2007/08 £s	2006/07 £s
Other staff related costs	73,930	0
Travel and subsistence	34,281	0
Premises	167,687	0
ICT	42,150	0
General running costs	60,223	0
Legal fees	18,104	0
External audit fees	5,757	0
Internal audit fees	0	0
Professional fees	2,350	0
Contract and service costs	18,156	0
Depreciation	47,765	0
Capital grant released	(21,707)	0
Donated asset reserve release	(26,058)	0
<b>Total</b>	<b>422,638</b>	<b>0</b>

#### Payments made in the year relating to operating leases

	2007/08 £s	2006/07 £s
Plant and machinery	851	0
Property	100,171	0

## 5. Depreciation, impairment and losses on disposal

		2007/08 £s	2006/07 £s
<b>Tangible Fixed Assets</b>			
Depreciation charge for the period	Donated	26,058	0
	Purchased	21,707	0
<b>Total</b>		<b>47,765</b>	<b>0</b>

## 6. Programme (Other Costs)

		2007/08 £s	2006/07 £s
Discretionary projects, private sector recipients		2,538	0
<b>Total</b>		<b>2,538</b>	<b>0</b>

## 7. Interest

		2007/08 £s	2006/07 £s
Bank interest received		235	0
Bank interest repaid		(67)	0
Bank interest repayable		(168)	0
<b>Total</b>		<b>0</b>	<b>0</b>

The Commission receives interest on its bank accounts but has to return the interest to the Cabinet Office. These funds are shown as a creditor until paid back to the Cabinet Office.

## 8. Cost of Capital

	2007/08 £s	2006/07 £s
Cost of Capital	2,441	0
<b>Total</b>	<b>2,441</b>	<b>0</b>

In accordance with FReM, NDPBs are required to disclose the full cost of their activities in their accounts. The Commission has included in its accounts an amount for the cost of capital. The cost of capital has been arrived at by calculating a rate of 3.5% to the average capital employed. The average capital employed is defined as an average of total assets less total liabilities at the start and end of the accounting period. The total assets are to exclude donated assets. As an NDPB which is also a company limited by guarantee, this cost of capital is then reversed out after the result for the period on the income and expenditure account.

## 9. Operating lease commitments

As at 31 March the Commission had annual commitments under operating leases as follows

	2007/08 £s	2006/07 £s
<b>Between two and five years</b>		
Property	76,256	0
Other	1,527	0
<b>Total</b>	<b>77,783</b>	<b>0</b>

## 10. Tangible fixed assets

				2007/08 £s	Total
		Information Technology	Furniture & Fittings	Assets under Construction	
Cost or valuation as at 1 April 2007		0	0	0	0
Additions	Donated	0	130,293	0	130,293
	Purchased	65,120	0	29,470	94,590
<b>As at 31 March 2008</b>		<b>65,120</b>	<b>130,293</b>	<b>29,470</b>	<b>224,883</b>
Depreciation as at 1 April 2007		0	0	0	0
Additions	Donated	0	26,058	0	26,058
	Purchased	21,707	0	0	21,707
<b>As at 31 March 2008</b>		<b>21,707</b>	<b>26,058</b>	<b>0</b>	<b>47,765</b>
<b>Net book value as at 31 March 2008</b>		<b>43,413</b>	<b>104,235</b>	<b>29,470</b>	<b>177,118</b>

Additions in the year include irrecoverable VAT. Assets under construction relate to the Commission's Customer Relationship Management and Knowledge Database.

## 11. Debtors

	2007/08 £s	2006/07 £s
<b>Due within one year</b>		
Prepayments	2,354	0
<b>Total</b>	<b>2,354</b>	<b>0</b>

## 12. Cash at bank and in hand

	2007/08 £s	2006/07 £s
Cash at bank	209,681	0
Petty cash	0	0
<b>Total</b>	<b>209,681</b>	<b>0</b>

### 13. Creditors

	2007/08 £s	2006/07 £s
<b>Amounts falling due within one year</b>		
Trade creditors	(31,794)	0
Other creditors	(10,082)	0
Interest repayable	(168)	0
Accruals	(50,073)	0
	<b>(92,117)</b>	<b>0</b>
<b>Amounts falling due after one year</b>		
Deferred income	(53,293)	0
	<b>(53,293)</b>	<b>0</b>
<b>Total creditors</b>	<b>(145,410)</b>	<b>0</b>

### 14. Capital commitments

There are no amounts committed and contracted for in respect of capital expenditure as at 31 March 2008

### 15. Contingent liabilities

There are no material contingent liabilities as at 31 March 2008

### 16. Deferred income

	2007/08 £s	2006/07 £s
Capital grant received in period	75,000	0
Capital grant released to Income and Expenditure Account	(21,707)	0
<b>Capital grant remaining</b>	<b>53,293</b>	<b>0</b>

## 17. Reserves

	2007/08 £s	2006/07 £s
<b>General reserves</b>		
Grant-in-Aid revenue receipt	1,055,000	0
Deficit for the period	(915,492)	0
<b>Total</b>	<b>139,508</b>	<b>0</b>
<b>Donated asset reserve</b>		
Donated asset receipt	130,293	0
Release to Income and Expenditure Account	(26,058)	0
<b>Total</b>	<b>104,235</b>	<b>0</b>
<b>Total reserves</b>	<b>243,743</b>	<b>0</b>

## 18. Reconciliation of movement in funds

	2007/08 £s	2006/07 £s
<b>Opening balance of funds</b>	<b>0</b>	<b>0</b>
Movement in general reserves	139,508	0
Movement in donated asset reserves	104,235	0
<b>Closing balance of funds</b>	<b>243,743</b>	<b>0</b>

**19. Reconciliation of operating deficit to net cashflow from operating activities**

	2007/08 £s	2006/07 £s
Operating deficit before interest and tax	(915,492)	0
Depreciation	21,707	0
Increase in debtors	(2,354)	0
Increase in creditors	145,410	0
<b>Net cash outflow from operating activities</b>	<b>(750,729)</b>	<b>0</b>

**20. Reconciliation of net cashflow to movement in cash balance held**

	2007/08 £s	2006/07 £s
Increase in cash for the period	209,681	0
<b>Cash at bank and in hand</b>	<b>209,681</b>	<b>0</b>

**21. Analysis of changes in net funds held**

	2007/08 £s	2006/07 £s
<b>Cash at bank and in hand</b>	<b>209,681</b>	<b>0</b>

**22. Financial instruments**

As an NDPB, with no borrowings and wholly funded by the Cabinet Office, the Commission confirms that it is not exposed to any liquidity risks. All material assets and liabilities are denominated in sterling so the Commission is not exposed to interest rate risk or currency risk.



### **23. Related party transactions**

As the Commission is an NDPB sponsored by the Cabinet Office, the Cabinet Office is regarded as a related party. Transactions with the Cabinet Office related to the Commission's Grant-in-Aid and receipt of donated assets.

Related party transactions were also entered into with another NDPB, Capacitybuilders, also sponsored by the Cabinet Office. The transactions related to the processing and payment of invoices on behalf of the Commission.

During the year, the Commission entered into no material transactions with bodies to which board members are related parties.

### **24. Losses and special payments**

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