Cabinet Office

Resource Accounts

2000-2001

(For the year ended 31 March 2001)

Presented to Parliament by the Financial Secretary for the Treasury
by Command of Her Majesty
February 2002

CM 5443

Contents

Foreword to the Accounts

Background Information

The Cabinet Office resource account incorporates entities within the departmental boundary. Those entities are:

- The Cabinet Office, including the Prime Minister's Office and the Parliamentary Counsel Office
- Centre for Management & Policy Studies (CMPS) including Civil Service College
- Government Car & Despatch Agency (GCDA)

The Property Advisers to the Civil Estate (PACE), the Central Computer & Telecommunications Agency (CCTA), and the Buying Agency (TBA) were transferred to the Office of Government Commerce with effect from 1 April 2000. The prior year comparatives are therefore restated accordingly.

Aim and Objectives

The Department's aim during 2000/01 was to ensure the Government delivers its priorities.

The objectives of the Cabinet Office were as follows:

1. To work with No 10, departments and others to secure: excellence in policy making: responsive, high quality public services; and information age government.
2. To lead and support Civil Service reform so as to secure: a more open diverse and professional Service in which people innovate, create and learn; work in partnership; take more reponsiblility; and use new technology to deliver high quality results.
3. To deliver efficient and effective services to the Prime Minister, Ministers, Cabinet Office and government.

Principal Activities

The principal activities of the Cabinet Office are: to help the government deliver its priorities and the central management of, and delivery of services to, the Civil Service including delivery of the Modernising Government programme, taking a lead role on the information age agenda and co-ordinating the efforts of central departments in pursuit of the –government strategy; and leading on the programme of Civil Service Reform. The Cabinet Secretariat services the Cabinet and its committees and co-ordinates departmental contributions to their work.

The Centre for Management & Policy Studies provides training and development for civil servants and their international counterparts; a centre of expertise in supporting excellence in policy-making; and related consultancy and research.

GCDA operates two separately branded businesses, namely the Government Car Service (GCS), which provides long and short-term chauffeur and car hire, a taxi booking service, and protected security cars and specially trained drivers; and the Interdespatch Service (IDS), which provides secure mail within government and the wider public sector.

Post Balance Sheet Events

Following the General Election a number of machinery of government changes were announced by the Prime Minister on 8 June 2001, including the establishment of the Office of the Deputy Prime Minister within the Cabinet Office.

The principal transfers into the department as a result of the announcement were the administration of the Government and the Regions; the Emergency Planning Division from the Home Office; and administrative responsibility for the grant funding of the Equal Opportunities Commission from the Department for Education and Skills.

Transfers to other departments included Security Services Group to the Ministry of Defence, and the UK Anti-Drugs Co-ordination Unit to the Home Office.

Departmental Report

The departmental report outlines the activities funded by the Cabinet Office, details the contributions made by each part of the Office towards the departmental objectives, assesses future Cabinet Office targets, and sets out the spending plans for the financial years 2001-02 to 2003-04. This report, titled "The Government's Expenditure Plans 2001-02 to 2003-04" is currently available (CM5119, May 2001).

Pensions

Present and past employees of the Cabinet Office are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of this scheme is reported in a separate PCSPS scheme statement. The pension liabilities of the department are charged to the operating cost statement in the year in which they arise and are set up as a provision on the balance sheet.

Basis of Accounts

These accounts have been prepared on a non-statutory basis in accordance with the requirements of H.M.Treasury. Except for the timetable to which they have been prepared, the accounts are designed to comply with generic accounts directions issued to departments by H.M.Treasury under section 5 of the Exchequer and Audit Departments Act 1921.

Ministers

During 2000-2001, the Ministers who had responsibility for the Cabinet Office were as follows:

The Rt Hon Dr Marjorie Mowlam MP	Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster
The Lord Falconer of Thoroton QC	Minister of State
The Rt Hon Ian McCartney MP	Minister of State (from August 1999)
Mr Graham Stringer MP	Parliamentary Secretary *Not remunerated*

The Cabinet Office also includes the Leader of the House of Lords and the Chief Whip, President of the Council and Leader of the House of Commons, Office of the Government Chief Whip, Parliamentary Counsel Office, and the Privy Council Office.

Cabinet Office Management Board

During 2000-2001, the Cabinet Office was headed by:

Sir Richard Wilson	Cabinet Secretary and Head of the Home Civil Service
Brian Bender	Permanent Secretary, Cabinet Office (until 31 May 2000)
Mavis McDonald	Permanent Secretary, Cabinet Office (from 7August 2000)

Brian Fox was acting Permanent Secretary and Accounting Officer from 1 June 2000 to 6 August 2000.

The role of the Cabinet Office Management Board is to give corporate strategic leadership to the department. The members of the Management Board were as follows:

Alex Allan	e-Envoy (to October 2000)
Professor Ron Amann	Director, Centre for Management and Policy Studies
Geoff Armstrong	Non-Executive Member
Leonie austin	Director of Communication Group (from February 2001)
Millie Banerjee	Non-Executive Member
Brian Bender	Permanent Secretary (to May 2000)
Suma Chakrabarti	Head, Economic and Domestic Secretariat
Brian Fox	Head of Civil Service Corporate Management (to January 2001)
Mike Granatt	Head of Government Information and Communications Service
Jeremy Heywood	Principal Private Secretary to the Prime Minister
Mavis McDonald	Permanent Secretary, Chairman (from August 2000)
Alice Perkins	Head of Civil Service Corporate Management (from January 2001)
Sonia Phippard	Director, Central Secretariat
Andrew Pinder	e-Envoy (form October 2000)
Peter Wardle	Director of Corporate Resources and Services Group (from July 2000)
Sir Richard Wilson	Cabinet Secretary and Head of the Home Civil Service, Chairman (to September 2000)

The Government Car and Despatch Agency and the Centre for Management & Policy Studies have their own management boards, which are detailed in their respective annual report and accounts for 2000-2001.

The permanent head of the Cabinet Office was appointed by the Prime Minister, on the advice of the Head of the Home Civil Service. The appointment is not time limited and may be terminated by any process falling within the Civil Service Management Code.

Remuneration of Ministers and the Cabinet Office Management Board

The Ministers' remuneration is recommended by the Senior Salaries Review Body and approved by Parliament. The Board members' remuneration is determined by the Permanent Secretary with reference to the relevant Senior Salaries Review Body report. Details of the remuneration is provided in Note 2 to the resource accounts.

Policy on Equal Opportunities

The Cabinet Office is an equal opportunities employer and is committed to a policy of equal opportunity for all. It is Cabinet Office policy that everyone should have equality of opportunity for employment and advancement on the basis of their ability, qualifications and suitability for work.

There must be no discrimination on grounds of gender and marital status, age, race, colour, nationality, disability, religious affiliation or sexual orientation. This policy is in accordance with Civil Service policy statements, national equality of opportunity and equal pay legislation, and European Community law.

Policy on Payment of Suppliers

The Cabinet Office is committed to the CBI code on prompt payment and aims to pay all invoices within 30 days of receipt of a valid invoice. During 2000-2001, the department paid 96.2% of all invoices within 30 days.

Auditor

The financial statements of the Cabinet Office are audited by the Comptroller and Auditor General under section 5 of the Exchequer and Audit Departments Act 1921.

Mavis McDonald
Accounting Officer

4 January 2002

Statement of Accounting Officer's Responsibilities

1. The Department has prepared Resource Accounts for the year ended 31 March 2001 in accordance with the Resource Accounting Manual detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year.

3. The Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

4. In preparing the accounts, the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:

a) observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

b) make judgements and estimates on a reasonable basis;

c) state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;

d) prepare the accounts on a going concern basis.

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

Statement on the System of Internal Financial Control

1. This statement is given in respect of the resource account for the Cabinet Office. As Accounting Officer for the Department, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Cabinet Office Management Board;
- quarterly reviews of performance and expenditure against the Departmental Plan;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- readily available financial guidance and instructions;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management discipline;
- a written memorandum of understanding between me and the Head of the Home Civil Service setting out Accounting Officer arrangements in the Cabinet Office;
- a framework document setting out delegated authorities and the publication of an annual report and accounts for the Centre for Management and Policy Studies and the Government Car and Despatch Agency.

4. The department has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which the department is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the department's Audit and Risk Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the department's system of internal financial control.

5. My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the audit committee which overseas the work of the internal auditor, the executive managers within the department, who have responsibility for the development and maintenance of the financial control framework, the quarterly review of performance by the Cabinet Office Management Board, and comments made by the external auditors in their management letter and other reports. I also take assurance from a statement on the system of internal financial control produced by the Centre for Management and Policy Studies and the Government Car and Despatch Agency and published with their annual report and accounts.

6. To ensure the Government Gateway project met critical milestones put forward by the preferred supplier COMPAQ, expenditure was committed, in good faith, on the project prior to final agreement of contract terms and conditions. An Instruction to Proceed document was issued to COMPAQ but the Cabinet Office terminated the agreement with the company before a contract was signed. This action was taken after full consideration of the risks of continuing with this supplier and in order to ensure the success of the project, which was eventually delivered on time using an alternative approach. A payment of £5.6m was negotiated to reimburse COMPAQ for costs incurred in the provision of consultancy services and the purchase of hardware and software. The matter was subject to an internal audit review that considered, as far as possible, the scale of government's liability and in the absence of a contract, the source of COMPAQ's authority to commit expenditure. Following a review of existing systems and procedures and drawing on experience with COMPAQ, contractual procedures, delegations, monitoring arrangements and financial reporting were enhanced.

7. As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance issued by the Treasury (DAO (GEN) 13/00)

Mavis McDonald
Accounting Officer

4 January 2002

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

These financial statements have been prepared by the Cabinet Office at the request of the Treasury. They are in a form that the Treasury has statutorily directed all departments to prepare for the year ended 31 March 2001 under the Exchequer and Audit Departments Act 1921. To allow additional time for the preparation of these financial statements, however, and with the intention of improving their quality, completing the audit and clearing my accompanying report, the Treasury has issued the Cabinet office with a dispensation from complying with its statutory direction. The effect of the dispensation has been to remove the statutory requirement to prepare the accounts and with it the obligation on the Department to meet the timetable specified in the Act. In all other respects however, including the accounting principles and policies to be followed and the disclosures to be made, the accounts have been prepared as if they were under the statutory direction and I have conducted a full audit of them.

I certify that I have audited the financial statements on pages 10 to 30. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 5, the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the requirements of the Treasury, and whether in all material respects the expenditure and income have been applied to the purpose intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 7 reflects the Department's compliance with Treasury's guidance 'Corporate governance: statement on the systems of internal financial control'. I report if it does not meet the requirements specified by Treasury or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards 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. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the Cabinet Officer at 31 March 2001 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the requirements of the Treasury; 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

My report on these financial statements is a pages 32 to 34.

John Bourn
Comptroller and Auditor General
26 February 2002

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

SCHEDULE 1

SUMMARY OF RESOURCE OUTTURN

For the year ended 31 March 2001

	Estimate (indicative figures)			Outturn				
	Gross Expenditure	A In A*	Net Total	Gross Expenditure	A in A*	Net Total	Net Total outturn compared with Estimate savings/(excess)	Prior Year Outturn
	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources	227,373	71,288	156,085	199,473	61,838	137,635	18,450	160,936
Total resources	**227,373**	**71,288**	**156,085**	**199,473**	**61,838**	**137,635**	**18,450**	**160,936**
Non Operating cost A in A			306			186		1,604
Net Cash requirement			**183,063**			**165,036**	**18,027**	**177,831**

Reconciliation of Resources to cash requirement	Note	£'000	£'000
Net Total Resources		**156,085**	**137,635**
Capital:			
Purchase of fixed assets	10	60,826	51,046
Capital element of finance lease	12	-	25
Non Operating Cost A In A	5	(306)	(186)
Accruals Adjustments:			
Non cash items	Sch 4	(32,831)	(19,098)
Changes in Working capital other than cash (including capital balances)		-	(4,917)
Use of provision	Sch 4	(711)	531
Net Cash Requirement		**183,063**	**165,036**

Explanation of the variation between Estimate and outturn (net total resources):
In the years prior to the introduction of resource estimates, the above figures for Estimates are illustrative.
Explanation of the variation between Estimate net cash requirement and outturn (net cash requirement):
In the years prior to the introduction of resource estimates, the above figures for Estimates are illustrative.

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

		2000—2001 Forecast		**2000-2001 Outturn**	
		Income	**Receipts**	**Income**	**Receipts**
	Note	£'000	£'000	£'000	£'000
Income not classified as A in A	5	-	-	107	*107*
Excess A-in-A	18	-	-	2,512	*2,512*
		-	-	2,619	*2,619*

Notes

- All Estimate figures are illustrative and have no parliamentary status. In consequence, treatments of income as Appropriations in Aid and Excess Appropriations in Aid also have no parliamentary significance. The information disclosed in Schedule 1 is to illustrate the functioning of the Schedule, including the Reconciliation from Schedule 2, in advance of resource-based Supply being introduced from 2001-2002.

The amount of cash receipts which a department may apply towards its outturn net cash requirement and those which must be surrendered to the Consolidated Fund are not necessarily the same in Resource Accounts as in the department's Appropriation Accounts.

The notes on pages 15 to 30 form part of these accounts

SCHEDULE 2

OPERATING COST STATEMENT
For the year ended 31 March 2001

	Note	2000-20001 £'000	2000-20001 £'000	1999-2000 Restated £'000	1999-2000 Restated £'000
Administration Costs					
Staff Costs	2		77,564		70,303
Other Administration Costs	3		111,633		102,525
Gross Administration Costs			**189,197**		**172,828**
Operating Income	5		(64,152)		(69,097)
Net Administration Costs			**125,045**		**103,731**
Programme Costs					
Expenditure	4	10,276		27,159	
Less: Income	4	(305)		(983)	
Net ProgrammeCosts			**9,971**		**26,176**
Net Operating Cost	8 & 9		**135,016**		**129,907**
Net Resource Outturn	8 & 9		137,635		**160,936**

Income and costs are derived entirely from continuing activities

STATEMENT of RECOGNISED GAINS & LOSSES
for the year ended 31 March 2001

	2000-2001 £'000	1999-2000 £'000
Net gain on revaluation of tangible fixed assets	7,017	11,088
Receipt of donated assets	36	11,088
	7,053	**11,088**

The notes on pages 15 to 30 form part of these accounts

SCHEDULE 3

BALANCE SHEET
As at 31 March 2001

	Note	31 March 2001 £'000	31 March 2001 £'000	31 March 2000 £'000	31 March 2000 £'000
FIXED ASSETS					
Intangible Assets	11	2,107		2,093	
Tangible Assets	12	185,738		136,087	
Investments	13	727		760	
			188,572		**138,940**
CURRENT ASSETS					
Stock & Work in progress	15	2,139		2,769	
Debtors	16	15,643		15,601	
Cash at bank and in hand	17	14,641		21,679	
		32,423		40,049	
CREDITORS(amounts falling due within one year)	18	(40,133)		(39,365)	
NET CURRENT ASSETS			**7,710**		**684**
TOTAL ASSETS LESS CURRENT LIABILITIES			**180,862**		**139,624**
CREDITORS (amounts falling due after more than one year)	19	(115)			
PROVISIONS FOR LIABILITIES AND CHARGES	20	(2,001)		(2,018)	
			(2,116)		**(2,018)**
			178,746		**137,606**
TAXPAYERS EQUITY					
General Fund	26		158,689		124,465
Revaluation Reserve	21		18,581		11,701
Donated Assets Reserve	21		1,476		1,440
			178,746		**137,606**

The notes on pages 15 to 30 form part of these accounts

Mavis McDonald

Accounting Officer 4 January 2001

SCHEDULE 4
CASH FLOW STATEMENT

for the year ended 31 March 2001

	Note	2000-20001	1999-2000 Restated
		£'000	£'000
Net cash outflow from operating activities (Note(I)		(118,447)	(127,321)
Capital expenditure and financial investment (Note (ii))		(43,970)	(19,480)
Payments of amounts due to the consolidated Fund		(19,859)	(20,012)
Financing (Note(iii))		175,238	149,801
Decrease in cash in the period		**(7,038)**	**(17,012)**

Note (I) Reconciliation of operating cost to operating cash flows

	Note	2000-20001 £'000	1999-2000 Restated £'000
Net Operating Cost		135,016	129,907
Adjustment for non – cash transactions			
Other administration costs items	3	(19,206)	(15,715)
Notional interest on early departure costs	5	108	106
		(19,098)	**(15,609)**
Adjustments for movements in working capital other than cash	14	1,998	11,985
Charged against liabilities and provisions			
Release of early retirement provision	20	2	-
Increased dilapidation provision	20	(5)	-
Payment from dilapidation provision	20	-	140
Payment from other provision	20	100	-
Payment from early retirement provision	20	434	898
		531	**1,038**
Net cash outflow from operating activities		**118,447**	**127,321**

Note (ii) Analysis of capital expenditure and financial investment

	Note	2000-20001 £'000	1999-2000 Restated £'000
Purchase of fixed assets		44,131	21,084
Capital element of finance lease	12	25	-
Proceeds from disposal of fixed assets	10	(153)	(1,498)
		44,003	**19,586**
Repayment of loans	13	(33)	(106)
Net cash outflow from capital expenditure and financial investment		**43,970**	**19,480**

Note (iii) Analysis of financing

	Note	2000-20001 £'000	1999-2000 Restated £'000
From Consolidated Fund (Supply) – current year		175,238	149,801
From Consolidated Fund (Supply) – prior year		-	-
Capital element of payments in respect of finance leases		(25)	-
Prior year surplus surrendered		(14,345)	(19,502)
Net Financing		**160,868**	**130,299**
Increase (+)/decrease(-) in cash		**7,038**	**17,012**
Net cash flows other that financing		**167,906**	**147,311**
Adjustment for payments and receipts not related to Supply:			
Amounts due to the Consolidated Fund – received in a prior year and paid over		(5,514)	(466)
Amounts due to the Consolidated Fund – received and not paid over		2,619	5,514
Adjustment for notional excess A-in-A		-	25,472
***Add*: Supply-financed repayment of financing**			
Capital element of payments in respect of finance leases		25	-
Net Cash requirements (Schedule 1)		**165,036**	**177,831**

The notes on pages 15 to 30 form part of these accounts

SCHEDULE 5

Resources by Departmental Aim and Objectives
for the year ended 31 March 2000

	2000 – 2001 Gross £'000	Income £'000	Net £'000
Aim: The Department's aim is to ensure the Government delivers its priorities.			
Objective 1 Working with No 10, Departments and others to secure: excellence in policy making; responsive high quality public services; and information age government.	44,513	1,327	43,186
Objective 2 To lead and support Civil Service reform so as to secure: a more open and diverse professional Service in which people innovate, create and learn: work in partnership; take more personal responsibility; and use new technology to deliver high quality results.	57,858	35,250	22,608
Objective 3 To deliver efficient and effective services to the Prime Minister, Ministers, Cabinet Office and governments.	97,102	27,880	69,222
Net operating costs	**199,473**	**64,457**	**135,016**

See Note 32

The notes on pages 15 to 30 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the core department, including the Security Facilities Division, renamed as Security Services Group on transfer to the Ministry of Defence, and the Centre for Management Policy & Studies (CMPS) and its on-Vote agency the Government Car and Despatch Agency (GCDA). CMPS and GCDA also each produce and publish their own annual report and accounts.

1.3 Tangible fixed assets

Title to the freehold land and buildings, shown in the accounts, is held by the Cabinet Office. Freehold land and buildings have been restated at current cost using professional valuations every five years and appropriate indices in intervening years. Other tangible assets have been stated at current cost using appropriate indices. The minimum level for capitalisation of a tangible fixed asset is £1,000.

The Cabinet Office has art and antiques, including some heritage assets, which have been inherited by the department since its earliest existence and are held mainly in Number 10 Downing Street and 70 Whitehall. These items are subject to professional valuation every five years, with the revaluation being taken to the revaluation reserve.

In addition, past and present Prime Ministers and their spouses have received gifts of ornaments and jewellery. These items are treated as donated assets, capitalised at their valuation on receipt, with this value being credited to the donated assets reserve. These items are subject to professional valuation every five years, with the revaluation being taken to the donated asset reserve.

1.4 E-Government projects

E-government projects are the costs associated with the development of the Government Gateway (£18.6m), Citizen Portal (£6.8m), Knowledge Network (£5.4m) and Government Secure Intranet Publisher projects. These costs include the software, hardware and consultancy costs of developing the infrastructure to run these services.

These projects have been funded by the Treasury Capital Modernisation Fund and each project has been given an estimated useful economic life of three years. While these assets are owned by the whole of government, their value is disclosed on the Cabinet Office balance sheet as the Office of the e-Envoy has managed and is responsible for, their development. The value of these projects have not been subject to an impairment review on the grounds that it is too early to determine a fair business value.

A contract has been signed with a leading computer firm to market the Gateway technology. However no value has been disclosed in these accounts for the intellectual property rights for sale of the right to exploit the Gateway technology overseas on the grounds that this value is still uncertain.

More background information on these projects and the overall vision for E Government can be found on the web site of the Office of the e-Envoy www. e-envoy.gov.uk

1.5 Depreciation

Freehold land is not depreciated. Art, antiques and donated assets are not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

Freehold buildings	39 to 60 years
Leasehold improvements	over the term of the lease
Expenditure on owner occupied properties	10 years
Plant and machinery	5 to 10 years
Furniture, fixtures and fittings	5 to 15 years
IT and Office Equipment	3 to 7 years
Vehicles	3 to 4 years

Intangible assets consist of software licences, which have been purchased and are stated at cost less amortisation. These assets are amortised evenly over periods ranging from 3 to 5 years.

1.6 Investments

Loans issued by the Cabinet Office to the Civil Service Sports Council, the London Hostels Association, and The Buying Agency are shown at historical cost.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

a) finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used;

b) work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value.

1.8 Research and development

Expenditure on research and development has been treated as an operating cost in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work.

1.9 Operating income

Operating income is income, which relates directly to the operating activities of the Cabinet Office. It principally comprises the Principal Civil Service Pension Scheme management fee; income from services provided by Security Facilities Division; the fees for training and consultancy services by CMPS; and charges for the Government Car Service and Inter Despatch Service by GCDA. It also includes other such as that from investments. It includes both income appropriated-in-aid of the Vote and income to the Consolidated Fund, which HM Treasury has agreed should be treated as operating income.

1.10 Administration and programme expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running the department as defined under the administration cost-control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not. (During the pre-resource-budgeting period, administration costs will reflect the accruals effect of expenditure recorded as running costs). Programme costs reflect non-administration costs, including payments of grants and other disbursements by the department.

1.11 Capital charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. The charge is calculated at the government's standard rate of 6 per cent in real terms on all assets less liabilities, except for cash balances with OPG, where the charge is nil.

1.12 Foreign exchange

Transactions, which are denominated in a foreign currency, are translated into sterling at the exchange rate ruling on the date of each transaction.

1.13 Operating Leases

Rental received and paid under operating leases are charged to the Operating Cost Statement as incurred.

1.14 Finance Leases

Assets purchased under finance leases are included in the Balance Sheet as tangible fixed assets and depreciated. Outstanding finance lease obligations are included within creditors. The finance element of the lease is charge to the income and expenditure account on a systematic basis over the life of the lease.

1.15 Pensions

The Cabinet Office's present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

1.16 Early departure costs

The Cabinet Office is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The department provides in full for this cost when the early retirement programme has been announced and is binding on the department. The department was, until March 2000, able to settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The outstanding balances of this prefunding are shown as a debtor in these accounts and will be set against future liabilities. The future liabilities have been discounted back to the balance sheet date, in line with the Resource Accounting Manual.

1.17 Restatement of opening balances as at 31 March 2000

The Property Advisers to the Civil Estate (PACE), the Central Computer & Telecommunications Agency (CCTA), and the Buying Agency (TBA) were transferred to the Office of Government Commerce with effect from 1 April 2000. The prior year comparatives are therefore restated accordingly.

1.18 Financial Instruments

The department does not hold financial instruments other than cash balances, which are mostly held in accounts at the Office of the Paymaster General.

2. Staff Numbers and Costs

A. Staff Costs consist of:

	2000-2001				1999-2000 Restated
	Total £'000	Officials £'000	Ministers £'000	Special advisors £'000	Total £'000
Wages and Salaries	64,564	62,393	240	1,931	58,499
Social Security Costs	4,946	4,708	26	212	4,549
Other pension Costs	8,054	7,777	-	277	7,255
	77,564	74,878	266	2,420	70,303

For 2000-2001 contributions of £8,053,711 were paid to the Principal Civil Service Pension Scheme (PCSPS) at rates determined by the Government Actuary and advised by the Treasury. These rates were in the range 11 to 19.5 per cent of pensionable pay. Ministers' pensions are paid through the Parliamentary Contributory Pension Fund (PCPF) and administered by the House of Commons.

B. The average number of whole-time equivalent persons employed (including senior management,) during the year was as follows:

	2000-2001 Number	1999-2000 Restated Number
Objective 1	379	387
Objective 2	582	332
Objective 3	1,117	221
Objective 4	-	281
Objective 5	-	594
Total	**2,078**	**1,815**

Due to restructuring of the department and the move from five objectives in 1999-00 to three objectives in 2000-01, it is not possible to provide prior-year comparatives further than the restated figures shown, other than at disproportionate cost.

C. The salary and pension entitlement of the most senior managers of the Department were as follows:

Name and Title	Age	Salary (as defined below) £'000	Real increase in pension at age 60 £'000	Total accrued pension at age 60 at 31 March 2001 £'000
Mr A Allen	49	50-55	0-2.5	30-35
Prof R Amann	57	105-110	0-2.5	0-5
Ms Leonie Austin (from February 2001)	40	10-15	2.5-5.0	10-15
Mr B G Bender (to May 2000)	52	15-20	0-2.5	30-35
Mr S Chakrabarti	42	75-80	2.5-5.0	15-20
Mr B Fox (to January 2001)	56	75-80	2.5–5.0	40-45
Mr M Granatt	50	85-90	0-2.5	20-25
Mr J J Heywood	39	95-100	2.5-5.0	20-25
Ms Mavis McDonald (from August 2000)	56	70-75	2.5-5.0	40-45
Ms Alice Perkins (from January 2001)	50	20-25	2.5-5.0	30-35
Ms Sonia Phippard	41	70-75	2.5-5.0	15-20
Mr Andrew Pinder (from October 2000)	53	125-130	0-2.5	0-5

Mr Peter Wardle (from May 2000)	38	65-70	0-2.5	10-15
Sir Richard Wilson	58	165-170	7.5-10	70-75

Salaries include the cost to the Cabinet Office of gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances and private office allowances. It does not include the estimated monetary value of benefits in kind.

Pension benefits are provided through the Principal Civil Pension Scheme (PCSPS). This is a statutory scheme, which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent pensionable earnings. Pensions increase in payment in line with
the retail price index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

The information given above relates to the Permanent Secretary and senior managers of the Cabinet Office. Equivalent information relating to the Government Car and Despatch Agency and the Centre for Management and Policy Studies, and consolidated into the departmental resource accounts, are given in their separate accounts.

D. Staff costs for the Ministers paid for by the Cabinet Office in 1999-2000 were as follows:

	Age	**Salary (as defied below)**	**Real Increase in pension at age 60**	**Total accrued pension at age 60 at 31 March 2000**
		£'000	**£'000**	**£'000**
The Rt Hon Dr Marjorie Mowlam MP	52	45-50	0-2.5	0-5
Lord Falconer of Thoroton QC	50	65-70	0-2.5	5-10
The Rt Hon Ian McCartney MP	50	30-35	0-2.5	0-5
The Rt Hon Baroness Jay of Paddington	62	90-95	-	-

Baroness Jay's salary was paid for her position as Minister for Women; and she has elected to opt out of the PCPF pension scheme.

Salaries are gross salaries and exclude allowances.

Pension benefits are provided through the PCPF. This is a statutory scheme, which provides benefits on a 'final salary' basis at normal retirement age of 65. Benefits accrue at the rate of 1/50th of pensionable salary for each year of service. In addition, a commutation which is elective and dependent upon various factors, is payable on retirement. Members pay contributions of 6% pensionable earnings. Pensions increase in payment in line with the retail price index. On death, pensions are payable to the surviving spouse at a rate of 5/8ths of the members pension. On death in service the scheme pays a lump sum benefit of 3 times pensionable pay. Medical retirement is possible in the event of serious ill health. In this case, pensions are enhanced up to age 65 as for widow(er) pensions.

3. Other Administration Costs

	2000-2001		1999-2000	
				Restated
	£'000	£'000	£'000	£'000
Rentals under operating leases:-				
Hire of plant & machinery	236		123	
Other	4,152	4,388	2,537	2,660
Travel, subsistence and hospitality		8,139		7,248
Research & development expenditure		157		127
Non-cash items:-				
Depreciation	7,958		5,332	
Impairment of fixed assets	423		1,741	
(profit)\loss on disposal of fixed assets	65		71	
Cost of capital charge	9,561		7,209	
Auditor' remuneration & expenses	245		240	
Provision for dilapidations (note 20)	(5)		(68)	
Provision for early departure costs (note 20)	959	19,206	1,190	15,715
Other Expenditure		79,743		76,775
		111,633		102,525

There is no auditors' remuneration for non-audit work.

4. Net Programme Costs

	2000-2001		1999-2000	
	£'000	£'000	£'000	£'000
Current grants and other current expenditure		4,406		22,321
Public information programme		-		4,824
Public information programme		5,533		-
Government Gateway Project		337		**14**
		10,276		**27,159**
Less: Programme Income (Note 5)		(305)		(983)
		9,971		**26,176**

The expenditure relating to the Government Gateway Project represents the costs arising from the termination for the development of the Gateway. The loss is mitigated by the recovery of £305,000 from the sale to other government departments of associated hardware, and the retention of stock with a value of £72,000.

5. Operating income (See also Note 1.9)

	2000-2001				
	Netted-off gross Expenditure in Sub-head	Appropriated in-aid	Not Appropriated-in aid	Total	1999-2000 Restated
	£000	£000	£000	£000	£000
Operating income analysed by classification and activity, is:-					
Administration income:-					
Allowable with admin.cost limit	-	61,482	-	61,482	64,063
Other recoveries from non-exchequer bodies	-	2,455	107	2,562	4,928
Notional interest on early departure costs	-	108	-	108	106
	-	**64,045**	**107**	**64,152**	**69,097**
Programme income:-					
Recoveries from non-exchequer bodies	-	305	-	305	-
Dividend & interest from the Buying Agency	-	-	-	-	503
Machinery of Government Transfer income	-	-	-	-	480
	-	**64,350**	**107**	**64,457**	**70,080**

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not.

		2000-2001	1999-2000 Restated
Non operating-Cost A-in-A is comprised of the following:	**Note**	£'000	£'000
Income from disposal of fixed assets	10	153	1,498
Income from repayment of loans	13	33	106
		186	**1,604**

6. Rental Income

	2000-2001	1999 – 2000 Restated
	£'000	£'000
From other government departments	654	939
From other external tenants	147	328
	801	**1 ,267**

All rental income is from operating leases and is included within the figure in note 5.

7. Administration Cost Limit

The Outturn shown against individual administration cost limit is as follows:

	2000-2001		1999 – 2000 Restated	
	Outturn £'000	**Limits £'000**	**Outturn £'000**	**Limits £'000**
Cabinet Office	121,983	-	107,718	-
Centre for Management & Policy Studies	4,485	-	329	-
Government Car & Despatch Agency	1,247	-	718	-
	127,715	-	**108,765**	**-**

In the years prior to the introduction of Resources Estimates, administration costs limits have not been set.

8. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn

	2000-2001	**1999-2000 Restated**
	£'000	**£'000**
Net Operating cost	**135,016**	**129,907**
remove non-supply expenditure (-) and income (+), including:		
Income scored as Consolidated Fund Extra Receipts (CFERs)	107	2,207
Excess A-in-A	2,512	3,350
Adjustment for notional excess A-in-A	-	25,472
Net resource outturn	**137,635**	**160,936**

Net operating cost is the total of expenditure and income appearing in the cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the department's Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn (Schedule 1). Schedule 1 will not be fully relevant until after the introduction of resource-based Supply.

9. Analysis of Net Resource Outturn and Net Operating Cost by Function

	2000-2001						Net Total Outturn Compared
	Admin	**Other current**	**Current grants**	**AinA**	**Net Total**	**Estimate**	**With Estimate**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Request for resources 1							
Cabinet Office	152,734	5,870	4,406	(31,107)	**131,903**	151,214	**19,311**
Centre for Management & Policy Studies	25,081	-	-	(20,596)	**4,485**	5,007	**522**
Government Car & Despatch Agency	11,382	-	-	(10,135)	**1,247**	(136)	**(1,383)**
Resource Outturn	189,197	5,870	4,406	(61,838)	**137,635**	156,085	**18,450**
Non A in A in operating income					(107)		
Excess A in A					(2,512)		
Net operating cost					**135,016**		

	Admin	Other Current	1999-2000 Restated Current grants	AinA	Net Total	Estimate	Net Total Outturn Compared With Estimate
	£000	£000	£000	£000	£000	£000	£000
Request for resources 1							
Cabinet Office	142,294	6,053	21,106	(35,036)	**134,417**	124,630	**(9,787)**
Civil Service College	20,090	-	-	(19,761)	**329**	(128)	**(457)**
Government Car & Despatch Agency	10,444	-	-	(9,726)	**718**	(500)	**(1,218)**
Resource Outturn	172,828	6,053	21,106	(64,523)	**135,464**	124,002	**(11,462)**
Non A in A in operating income					(2,207)		
Excess A in A					(3,350)		
Net operating cost					**129,907**		

Functions represent the disaggregation of requests for resources for control purposes and parliamentary approval. They do not correspond to departmental objectives, which in turn reflect a disaggregation aims for the management of activities.

Until 31 March 2000, the Civil Service College was an executive agency within the department. On 1st April 2000 the College became one of five directorates of the newly formed Centre for Management and Policy Studies (CMPS). In addition two units within the Cabinet Office, Top Management Programmes Group and the International Public Services Unit, were also transferred to CMPS as of that date.

10. Analysis of Capital Expenditure, Financial Investment and Associated A in A

	Capital Expenditure	Associated A in A	2000-2001 Net Total	1999 - 2000 Restated
	£'000	£'000	£'000	£'000
Purchase of fixed assets	51,046		**51,046**	22,151
Non A in A income from disposal of fixed assets		(153)	**(153)**	**(1,498)**

Capital expenditure excludes assets purchased in year through finance lease (£165,000) and donated assets (£36,000).

11. Intangible Fixed Assets

	Software Licences
Cost or Valuation	£'000
As at 1 April 2000	3,470
Additions	1,255
Disposals	-
Revaluation	-
As at 31 March 2001	**4,725**
Amortisation	
As at 1 April 2000	1,377
Charged in year	1,241
Disposals	-
Revaluation	-
As at 31 March 2001	**2,618**
Net Book Value at 31 March 2001	**2,107**
Net Book Value at 31 March 2000	**2,093**

12. Tangible Fixed Assets

	Land & Buildings	Assets under construction	Motor Vehicles	Plant & Machinery	Fixture & Fittings	IT & Specialist Equipment	e-Government Projects	Art & Antiques	Donated Assets	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation as at 1 April 2000	105,740	15,739	5,141	2,552	1,937	8,845	-	-	1370	157689
Additions	5,633	5,296	1,765	36	1,071	2,106	34,049	-	36	49,992
Disposals	-	-	(547)	(293)	(100)	(793)	-	-	-	(1,733)
Revaluation	6,252	708	67	44	60	(825)	-	-	70	6,306
As at 31 March 2001	**117,625**	**21,743**	**6,426**	**2,339**	**2,968**	**9,333**	**34,049**	**6,116**	**1,476**	**202,075**
Depreciation										
As at 1 April 2000	460	-	2,866	1,826	848	5,423	-	-	-	11,423
Charged in year	986	-	857	137	250	1,645	2,842	-	-	6,717
Disposals	-	-	(417)	(290)	(35)	(773)	-	-	-	(1,515)
Revaluation	43	-	47	22	18	(418)	-	-	-	(288)
As at 31 March 2001	1,489	-	3,353	1,695	1,081	5,877	2,842	-	-	16,337
Net Book Value at 31 March 2001	**116,136**	**21,743**	**3,073**	**644**	**1,887**	**3,456**	**31,207**	**6,116**	**1,476**	**185,738**
31 March 2000	**105,280**	**15,739**	**2,275**	**726**	**1,089**	**3,422**	**-**	**6,116**	**1,440**	**136,087**

The core department's freehold land and buildings were valued at 31 March 2001, on the basis of existing use value by Gerald Eve, Chartered Surveyors. Sunningdale Park was valued in September 1999 by a Chartered Surveyor employed by the Valuation Office Agency. All other tangible non-heritage fixed assets are revalued annually using indices provided by the Office of National Statistics. In the accounts for 1999-2000, the net book value for 'Assets under construction were understated by £1.28million, and for 'Land & Buildings' overstated by the same amount. Opening balances above have therefore been restated accordingly.

Art and antiques including furniture, carpets, clocks, silver, ceramics and art were last valued in September 1998 by expers Sotheby's. The department has not been made aware of any change in value of these items and therefore these itiems have not subsequently been revalued. Donated assets were valued in July 1999 by J McCarthy Ltd.

The cost of motor vehicles includes a vehicle purchased during the year through a hire purchase agreement for £165,000, which had been charged with depreciation of £25,000 as at 31 March 2001.

13. Investments

	Loans £'000
Balance at 1 April 2000	760
Additions	-
Repayment	(33)
Balance at 31 March 2001	**727**

14. Movements in Working Capital other than Cash

	2000-2001 £'000	**1999-2000 Restated £'000**
Decrease in Stocks / Work in progress	(630)	(340)
Increase in debtors	375	(1,296)
Decrease in creditors (excluding capital related balances, balances payable to the Consolidation Fund and financing creditor)	2,253	13,621
	1,998	**11,985**

15. Stocks and work in progress

	2000-2001 £'000	1999 – 2000 £'000
Stocks	797	924
Work in progress	1,342	1,845
	2,139	**2,769**

16. Debtors

	2000-2001 £'000	1999 – 2000 £'000
Amounts falling due within one year:		
VAT	3,085	76
Trade debtors	6,810	6,705
Deposits and advances	751	3,921
Other debtors	598	290
Prepayment and accrued income	3,186	3,063
Early retirement pre-funding	405	440
	14,835	**14,495**
Amounts falling due after more than one year:		
Other debtors	808	1,106
	15,643	**15,601**

In the accounts for 1999-2000, prepayments by the department to the Civil Superannuation Vote towards meeting liabilities. In the accounts for 2000-2001, such prepayments are recognised separately from the liability. Accordingly, the prior year balances above have been restated to include prepayments at 31 March 2000. See Note 20.

17. Cash at Bank and in Hand

	2000 – 2001 £'000	1999 – 2000 £'000
Balance at 1 April	21,679	38,691
Net cash inflow:		
Department		
Balance at 31 March	(7,038)	17,012
	14,641	**21,679**

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held at 31 March:-

	2000 – 2001 £'000	1999 – 2000 £'000
Balances at OPG	14,615	21,632
Commercial banks and cash in hand	26	47
	14,641	**21,679**

Cash balances are the only financial instruments held.

18. Creditors: amounts falling due within one year

	2000-2001 £'000	1999 – 2000 £'000
Other taxation	272	-
Trade creditors	3,022	2,021
Hire Purchase Creditor	25	-
Other creditors	1,759	5,416
Accruals and deferred income	19,115	12,069
Cash balances payable to Consolidated fund:		
Vote Surplus	13,321	14,345
Consolidated Fund Extra Receipts*	107	2,164
Excess Appropriations in Aid	2,512	3,350
	40,133	**39,365**

*This amount is based on the accounting convention for resource-based supply.

19. Creditors: amounts falling due after one year

	2000-2001 £'000	1999 – 2000 Restated £'000
Hire Purchase Creditor	115	-
Amounts due:		
Between one and two years	25	-
Between two and five years	90	-
	115	-

20. Provisions for Liabilities and Charges

	Specific Dilapidations £'000	Early Retirement & Pension Commitments £'000	Other £'000	TOTAL £'000
Balance at 1 April 2000	95	1,713	210	2,018
Increase in provision	5	959	-	964
Payments in year	-	(434)	(100)	(534)
Release of provision	(5)	(2)	-	(7)
Prefundiing used	-	(440)	-	(440)
Balance at 31 March 2001	**95**	**1,796**	**110**	**2,001**

The balance of the provision for early retirement at 31 March 2000, recognised in the accounts for 1999-2000 (£167,000), was net of the balance of amounts pre-funded by the department to the Civil Superannuation Vote towards meeting that liability.

In the accounts for 2000-2001, the gross liability and the balance of prefunded amounts are recognised separately. Accordingly, the balance on the provision at 1 April 2000 is restated as the gross amount. The offset of £1,546,000 taken into account in the provision at 31 March last year is instead recognised as a prepayment. See also Note 16.

21. Reserves

	Revaluation Reserve £'000	Donated Assets Reserve £'000
Balance at 1 April 2000	11,701	1,440
Arising on in-year revaluation (net)	7,017	-
Additions in year	-	36
Transferred to General Fund in respect of	-	-
Realised element of revaluation reserve	(137)	-
Balance at 31 March 2001	**18,581**	**1,476**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and Revaluation adjustments. The donated assts reserve reflects the net book value of assets donated to the Department.

22. Capital Commitments

	2000 – 2001 £'000	1999 – 2000 £'000
Capital commitment at 31 March 2001 for which no provision has been made		
Contracted for	33,048	1,889
Authorised but not contracted for	-	-
	33,048	**1,889**

Of these commitments, £25.6m relates to a single contract with Balfour Beatty Ltd for the development of the department's new headquarters, an ongoing project due for completion in the autumn of 2002, involving the major redevelopment of two adjacent buildings in Whitehall.

23. Commitments Under Operating Leases

	2000 – 2001		1999 – 2000 Restated	
	Land & Buildings	**Other**	**Land & Buildings**	**Other**
	£'000	**£'000**	**£'000**	**£'000**
At 31 March 2001, the department was committed to making the following payments during the next year in respect of operating leases expiring:				
Within one year	402	127	-	207
Between two and five years	371	775	1,143	257
After five years	2,521	-	570	3
	3,294	**902**	**1,713**	**467**

24. Other Commitments

There were no other commitments at 31 March 2001

25. Contingent Liabilities

As at the balance sheet date the Cabinet Office had contingent liabilities arising from the privatisation of HMSO. These relate to industrial injury claims by ex-employees of £312,000. The outcome of these claims is uncertain and the duration of the legal process is not known.

26. Reconciliation of Net Operating Cost to Changes in General Fund

	2000– 2001		1999 – 2000 Restated	
	£'000	£'000	£'000	£'000
Net operating cost for the year (schedule 2)		**(135,016)**		**(129,907)**
Income not appropriated in aid, paid to Consolidated Fund		(2,619)		(5,557)
		(137,635)		**(135,464)**
Net Parliamentary Funding		161,916		135,456
Transfer to General Fund of realised element of revaluation reserve (note 21)		137		79
Non cash charges :-				
Cost of Capital	9,561		2,815	
Auditor's remuneration	245	**9,806**	314	**7,449**
Prior period adjustments		**(92)**		**-**
Transfers to Office of Government Commerce		**-**		**(547)**
Net increase in General Fund		**34,132**		**6,973**
General Fund as at 1 April 2000		124,557		117,584
General Fund as at 31 March 2001 (Schedule 3)		**158,689**		**124,557**

The prior year adjustment relates to: an overstatement of fixed asset additions (£117,000); and an overstatement of a contingent liability (£25,000) in the year to 31 March 2000. The opening balances on notes 12 and 18 have been amended accordingly.

27. Analysis of Net Operating Cost

This note analysis funding by the department to the relevant spending body

	2000-2001		1999 – 2000	
	Budget £'000	Outturn £'000	Budget £'000	Outturn £'000
Spending Body				
Cabinet Office	-	129,284	-	128,860
Centre for Management & Policy Studies	-	4,485	-	-
Civil Service College	-	-	-	329
Government Car & Despatch Agency	-	1,247	-	718
	-	135,016	-	129,907

In the years prior to the introduction of Resource Estimates, resource budgets have not been set.

Until 31 March 2000, the Civil Service College was an executive agency within the department. On 1st April 2000 the College became one of five directorates of the newly formed Centre for Management Policy and Studies (CMPS). Also see Note 9.

28. Reconciliation of net Parliamentary Funding to the Class XVII, Vote 1 Appropriation Account

	Note	31 March 2000	31 March 2000 Restated
		£'000	£'000
Net cash outflow from operating activities	Sch 4	118,447	127,321
Net capital expenditure and financial investment	Sch 4	43,970	19,480
Consolidated Fund Extra Receipts	Sch 1	107	2,207
Movement in suspense account balances		(3,120)	(16,902)
Net Vote expenditure (Class XVII Vote 1 Appropriation Account 2000-2001)		**159,404**	**132,106**
Excess Appropriations in Aid	Sch 1	2,512	3,350
Net Parliamentary Funding	**26**	**161,916**	**135,456**

29. Losses Statement

	£'000
Total (44 cases)	5,655

Details of cases over £100,000:
Losses include a fruitless payment of £5.6m to COMPAQ to reimburse them for costs incurred in the provision of consultancy services and the purchase of hardware and software for the development of the Government Gateway prior to the termination of the agreement by the Cabinet Office. The Office of the E Envoy committed expenditure, in good faith on the Government Gateway project prior to the agreement of contract terns and conditions with COMPAQ. An Instruction to Proceed document was issued to COMPAQ but the arrangement with the company was terminated before a contract between the department and COMPAQ was signed. This action was taken after full consideration of the risks of continuing with this supplier and in order to ensure the success of the project, which was eventually delivered on time using an alternative approach.

The department have been able to employ some of the hardware in other government departments for which they have been recompensed. This has offset approximately £300,000 of the loss.

Other Notes:
During the year the department made a payment of £2.3 million to the landlords of Sovereign House Norwich in order to give notice on the terms of a lease which was not due to expire until 2001.

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30. Post Balance Sheet Events

Following the General Election, a number of machinery of government changes were announces by the Prime Minister on 8 June 2001, including the establishment of an Office of the Deputy Prime Minister within the Cabinet Office.
The principal transfers into the department as a result of the announcement were the administration of the Government Offices in the Regions from the Department for Transport, Local Government and the Regions; Emergency Planning Division from the Home Office; and Equal Opportunities Commission from the Department for Education and Skills. Transfers to other departments included Security Services Group to the Ministry of Defence, and the UK Anti-Drugs Co-ordination Unit to the Home Office.

These changes have resulted in an increase in the Cabinet Office departmental expenditure limit of £145 million and an increase in staff numbers of 2,600.

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31. Related Party Transactions

The Cabinet Office is the parent of the Government Car & Despatch Agency (GCDA) and the Centre for Management Policy Studies (CMPS). These bodies are regarded as related parties with which Cabinet Office has had various material transactions during the year.

The Cabinet Office, GCDA and CMPS undertake the majority of their business with other government departments and other central bodies. None of the board members, key managerial staff or other related parties has undertaken any.

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32. Notes to Schedule 5

Cabinet Office central department capital is employed exclusively for administration purposes. Its distribution amongst objectives is therefore not markedly different from the proportion of the related gross administration cost. Capital employed by the Government Car and Despatch Agency is apportioned to objective 3.

Programme grants and other current expenditures have been allocated follows:

	1999 – 2000 £'000	1999 – 2000 £'000
Objective 1	6,864	989
Objective 2	952	1,218
Objective 3	2,460	625
Objective 4	-	24,000
Objective 5	-	327
	10,276	**27,159**

Due to restructuring of the department and the move from five objectives in 1999-00 to three objectives in 2000-01, it is not possible to provide prior-year comparatives further than the restated figures shown, other than at disproportionate cost.

Administration costs have been attributed to objectives in accordance with the department's normal management accounting practices. Schedule 5 figures include the direct costs of areas within the Cabinet Office contributing to each objective, plus a share of overhead costs (accommodation and central services):-

Direct costs: Objective 1includes Social Exclusion Unit, Office of the e-Envoy, Public Service Delivery Unit, Economic and Domestic Secretariat. Objective 2 includes Civil Service Corporate Management Command, Centre for Management and Policy Studies. Objective 3 includes Prime Minister's Office, Government & Opposition Whips (Lords), Government & Opposition Whips (Commons), Parliamentary Counsel Office, Ceremonial Branch, Cabinet Secretary's Office, Defence and Overseas Secretariat, European Secretariat, Joint Intelligence Organisation, Constitution Secretariat, UK Anti-Drugs Co-Ordination Unit, Central Secretariat, Lord Privy Seal's Office, Ministerial Group, Committee on Standards in Public Life, Women's Unit and National Commission, and the Government Car and Despatch Agency.

Overheads: These costs are apportioned to objectives using the % share of pay-bill for accommodation costs, and average annual head count for central service costs. Central services include the Permanent Secretary and his Office, Information Group and Establishment Officers Group (except Agencies Unit, Historical Section and HMSO).

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33. Entities within the departmental boundary

The entities within the boundary during 2000-01 were as follows:

On-Vote agencies: Government Car and Despatch Agency
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Non-executive NDPBs: Advisory Committee on Business Appointments; Agriculture Environment Biotechnology Commission; Better regulation Task Force; Sustainable Development Commission; Civil Service Appeal Board; Committee on Standards in Public Life; House of Lords Appointments Commission; Political Honours Scrutiny Committee; Senior Salaries Review Body; Security Commission; Security Vetting Appeals Panel; and the Women's National Commission.

Other entities: Centre for Management and Policy Studies

The annual reports and accounts of the Government Car and Despatch Agency and Centre for Management and Policy Studies are published separately.

Accounts Direction Given By the Treasury in Accordance with Section 5 of the Exchequer and Audit Departments Act 1921

This direction applies to those departments listed below, i.e. those which are required to prepare resource accounts for the financial year ended 31 March 2000 but which have not already been issued with an accounts direction.

These departments shall prepare resource accounts for the year ended 31 March 2000 in compliance with the accounting principles and disclosure requirements of the HM Treasury's Resource Accounting Manual ("the Resource Accounting Manual") which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the state of affairs of the department as at 31 March 2000, and of the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view, the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

Treasury Officer of Accounts

(issued by Glenn Hull, Second Treasury Officer of Accounts in DAO(GEN) 8/00 on 24 August 2000)

Report by the Comptroller and Auditor General

INTRODUCTION

1 The 2000-01 Resource and Appropriation Accounts for the Cabinet Office record a loss of approximately £5.6 million. The payment was to Compaq in settlement of an Instruction to Proceed with the provision of consultancy services and IT asset purchases in relation to a contract under negotiation for the development of the Government Gateway. Having committed to expenditure by Compaq, the Cabinet Office terminated any further negotiation with Compaq when it became clear that it was not possible to implement the project as set out in the specification within the original timescale. This report considers the reasons for this decision, the resultant loss and the subsequent actions of the Cabinet Office.

BACKGROUND

2 The Government Gateway is at the forefront of the 'joined-up' government initiative and sits between IT systems in government departments and the points at which the public access government services. The Gateway authenticates users and their rights of access with the aim of making it more efficient and secure for citizens to access government on-line services. For example, the Gateway currently allows users to complete Value Added Tax and Pay as You Earn returns on-line. More services are expected to be made available as the use of the Gateway expands across the public sector.

3 The Gateway project falls under the control of the Office of the E-envoy, a management unit of the Cabinet Office. However, its initial development was a joint initiative between the Cabinet Office and a number of other government departments. The project commenced in September 2000 and went live on time to meet statutory deadlines for tax returns on 25 January 2001. This represented a significant achievement because of the tight deadline imposed by the need to service tax returns and also because of the significant difficulties and delays encountered in the early stages of the procurement.

4 The Cabinet Office and representatives from the other government departments involved initially short listed an external consortium of suppliers, headed by Compaq, to deliver the Government Gateway and entered into contract negotiations. An Instruction to Proceed was used to allow Compaq to develop their proposal in line with specification requirements. However, when it became clear that Compaq could not deliver to the timetable and specification required the Cabinet Office terminated contract negotiations and further development by Compaq in favour of an in-house alternative. As Compaq had already incurred costs on behalf of the Cabinet Office, under the Instruction to Proceed, the Cabinet Office agreed a settlement in recompense for the costs incurred. The settlement, combined with other costs related to the work completed in the initial development, led to the loss disclosed.

THE INITIAL PROCUREMENT AND CONTRACT NEGOTIATIONS

5 Using a Central Computer and Telecommunications Agency framework agreement, the Government Telecommunications Contract (GTC), best and final offer bids were received from two consortia of which the consortium led by Compaq was given preferred bidder status. The bid proposed by the other consortium was discounted because it did not meet the specifications. The Cabinet Office in conjunction with other government departments decided not to offer Compaq a contract because there were reservations as to their willingness to subscribe to open book accounting, as required by the GTC framework agreement. Furthermore, it was felt that the proposal did not fully reflect the technical specifications set out in the Statement of Requirements and agreed in subsequent meetings. However, giving Compaq preferred bidder status meant that negotiations could continue prior to signing a contract.

6 During the negotiations Compaq were granted the authority to incur expenditure under an Instruction to Proceed. This is a recognised procurement strategy in the Central Unit on Purchasing guidance. This guidance states that an Instruction to Proceed is an 'interim arrangement occasionally used to allow successful tenderers to commence work in the knowledge that they will eventually be awarded the contract'. The decision to use this strategy was taken to explore fully the feasibility of the proposal put forward in Compaq's tender because of the innovative nature of the project and reservations over Compaq's capability to deliver the Government Gateway. In accordance with the Central Unit on Purchasing guidance, the
Instruction to Proceed included a cost limit on the work to be completed; it stipulated a timeframe for its completion and the terms and conditions to be applied. A detailed description of the scope of the work to be covered during this interim period was not included due to the high level of innovation required by the contractor in successfully completing this project. The Instruction to Proceed allowed expenditure to be

incurred up to a ceiling of £6.7 million (plus VAT), some 30% of the budgeted cost. It also included a limit of £100,000 on all orders placed and a limit of £50,000 on single items. Above this level, prior approval of the Gateway project manager or his nominated deputy was required.

7 Compaq were informed that several matters needed to be resolved before a contract could be signed:

- a full breakdown of the costs included in the bid
- assurance that the proposed security arrangements would meet the governments' requirements
- an estimate of the ongoing operational costs likely to be incurred following the implementation of the Gateway.

8 The Instruction to Proceed was authorised by a Cabinet Office official. However, the existing Cabinet Office delegation limit from HM Treasury was £3 million, which meant expenditure was incurred without the appropriate Treasury authorisation. The issue of the Instruction to Proceed did not breach the Cabinet Office internal delegated limits but these had been set without reference to the Treasury. The Instruction covered the period of 2 August 2000 to 15 August 2000. It was subsequently extended to cover the period to 31 August 2000, with no change to the £6.7 million ceiling. At this point, negotiations and solution design were incomplete but Compaq volunteered to continue work without any additional cover.

9 A report from Compaq received on 19 September 2000 concluded that the protracted negotiations were liable to result in a month slippage from the delivery date of 25 January 2001 and that the full specification could not be met within this revised timetable. The Office of the e-Envoy having explored several options with Compaq decided to terminate negotiations and proceed with an in-house project. This decision was taken following discussion within the project team and with approval from Cabinet Office Ministers, the Cabinet Office Accounting Officer and after advice from Treasury Solicitors and the Office of Government Commerce.

THE LOSS

10 Following termination of negotiations with Compaq the Office of the e-Envoy negotiated a settlement for the work completed to date. Legal advice from the Treasury Solicitor suggested that any liability, if established, would be limited to the ceiling specified in the Instruction to Proceed. Compaq and the Office of the E-Envoy agreed to settle at £5.6 million, comprising £1.9 million of hardware costs, £0.3 million of software costs and staff and consultancy costs of £2.6 million, plus VAT of some £830,000 subsequently reclaimed, with the Cabinet Office taking ownership of the hardware and software assets purchased.

11 They did this to enable the assets to be re-deployed in other government departments rather than offered to the open market. It did, however, mean that such transfer took longer than selling in the open market. Ultimately (some nine months after taking ownership) over 71 per cent of the assets have been re-deployed in other government departments with the remainder sold to third parties. As a result, the Cabinet Office received a total of £306,000 for the assets, representing 16 per cent of their original cost. The price paid by the Government Departments for these assets was based on the 'commercial rates' paid by the third party purchasers.

THE IN-HOUSE PROJECT

12 The in-house project involved contracts with several companies to deliver different parts of the specification. The project team ensured a close working relationship with these companies by instigating daily conference calls with all suppliers. This approach ensured that the difficulties encountered during the Compaq negotiations were not repeated and ultimately resulted in the Gateway being delivered on time and within the revised (post-Compaq) budget.

LESSONS

13 The main lessons which emerge from the Gateway project are:

Instructions to Proceed can reduce negotiating power by transferring the rights to incur expenditure without transferring the accompanying risks. In the case of the Gateway Project, the Cabinet Office consider that the Instruction to Proceed provided sufficient management control of risks and the rights of Compaq to incur expenditure. They recognise, however, that use of the Instruction to Proceed strategy should be carefully considered case by case. To strengthen the negotiating position of the contracting authority when using the Instruction to Proceed, the value and timescale must be set at an appropriate level, particularly in relation to consultancy costs

- The Instruction to Proceed was not properly authorised. Whilst this did not directly contribute to the loss, care should be taken to ensure that all expenditure is within HM Treasury delegation limits, or that Treasury authority is obtained prior to authorisation.

- Some of the delays in the negotiations with Compaq were caused because all the information required was not identified in the original Statement of Requirements sent to the prospective bidders. It is essential that all information required is included to ensure that any difficulties are identified early in the negotiations.

- Another contributing factor to the delays in negotiating with Compaq was the additional time required to reconcile the Compaq's best and final offer with the Statement of Requirements. With complex and innovative projects it is important that sufficient time is built into the procurement process to allow full consideration of bidder's proposals. Such considerations need to be made in advance of the detailed negotiations.

- Although the Gateway was delivered to time, the procurement would have been assisted by identifying a contingency option at the outset and by specifying a clear cut-off date for negotiations with the preferred bidder.

SUBSEQUENT EVENTS

14 Many of these lessons have already been taken on board:

- The Office of the e-Envoy now has a broader set of skills enabling better in-house monitoring of contracts and reducing the need to use consortia and, where possible, it seeks to contract direct with individual suppliers.

- Subsequent Gateway contracts, let under the in-house project, were subject to formal project management techniques and close working relationships were established with suppliers. The project team plus suppliers/partners maintain risk logs and the Office of the e-Envoy liases with customer departments to ensure they are managing the risks and taking prompt action through formal governance arrangements.

- Independent reviews of the in-house project have been conducted at key stages in its subsequent development. The use of key stage reviews during the implementation of IT projects is a recommendation of the Cabinet Office's own cross-cutting report 'Successful IT: Modernising Government in Action', which was based on a review of major IT projects across the whole of government. The Gateway project team now implement all such recommendations in a timely fashion.

- A non-exclusive deal was signed with Microsoft, the company responsible for constructing the Gateway, to licence the intellectual property rights to the Government Gateway. The Cabinet Office will receive a royalty for subsequent sales of the Gateway technology by Microsoft. This will ensure that the government will benefit from any subsequent sale of the technology created in the Gateway's construction.

CONCLUSION

15 Despite the early difficulties, which resulted in the losses disclosed in the account, the successful delivery of the Government Gateway on time and within the revised budget supports the Cabinet Office's decision to terminate the original project and construct the Gateway in-house. The key to success was the proactive management style adopted during the in-house phase of the project and taking on board lessons learned from the early procurement difficulties. Phase 2 of the Gateway project will be delivered in 2002.

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