**EXPLANATORY MEMORANDUM TO**

**THE CENTRAL OFFICE OF INFORMATION (REVOCATION) ORDER 2011**

**2011 No. 2884**

**1.** This explanatory memorandum has been prepared by the Cabinet Office and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 This instrument brings to an end the trading fund through which the majority of the operations of the Central Office of Information ("the COI") have been funded since 1991.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None.

**4. Legislative Context**

4.1 The Government Trading Funds Act 1973 established a framework within which trading funds may be established by Order. (The Act is set out in Schedule 1 to the Government Trading Act 1990, reflecting the substantial amendments made to it by the 1990 Act). A trading fund is a means of financing revenue-generating operations of a government department which takes them outside the Estimates process. Income from charges made for the provision of goods and services is retained and used to meet the fund's expenditure. Operating surpluses may be retained and paid back to the Exchequer as dividends on the public dividend capital represented by the fund.

4.2 In 1991 an Order was made establishing the COI Trading Fund ("the Fund"). As amended by a further Order made in 1992, the operations of the COI that are within the scope of the Fund are the procurement and supply of goods or services in connection with the provision of advertising, publicity or information (and operations which are incidental, conducive or ancillary to them).

**5. Territorial Extent and Application**

5.1 This instrument applies to the United Kingdom.

**6. European Convention on Human Rights**

6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

**7. Policy background**

7.1 COI is a Non-Ministerial Department and a Trading Fund, which provides marketing and communication services to public sector bodies, sometimes performing these services itself and sometimes managing private sector suppliers on its clients' behalf.

7.2 Ministerial responsibility for COI rested with the Chancellor of the Duchy of Lancaster until last year. Following the move of the office of the Chancellor of the Duchy of Lancaster out of the Cabinet Office in 2010, this responsibility moved to the Minister for the Cabinet Office.

7.3 The Fund is being wound up because it is no longer economically viable. Trading funds are expected to at least break even, taking one year with another, and a duty to manage funds in such a way is imposed by section 4 of the Government Trading Funds Act 1973.

7.4 As part of the programme of economies aimed at reducing the Budget deficit, in June 2010 the Government announced a freeze on advertising and marketing. This freeze has been successful in reducing Government's spend on these services, with a 68% reduction in external spend through the COI (from £532 million in 2009-10 to an estimated £168 million in 2010-11). In parallel, Government Departments have reduced their number of in-house communications staff by around a quarter, and their budgets by a half.

7.5 The Government took a decision in June 2011 to reform the organisation of Government Communication, including through the closure of the COI by the end of March 2012. The Fund is being wound up and the staff are being moved into the Cabinet Office before this date because the funded operations are no longer breaking even, due to the contraction of its business mentioned above.

7.6 The reforms to the organisation of Government Communication are designed to consolidate those reductions, while ensuring that the remaining spend on advertising and marketing is better coordinated and executed. They form the Government's response to the former Permanent Secretary for Government Communication's 'Review of Government Direct Communication and the Role of COI', which was published in March 2011.

7.7 On the day that this instrument is laid before Parliament, the Minister for the Cabinet Office will make a written statement to Parliament announcing the forthcoming abolition of the COI as a department, and the transfer of its functions to the Cabinet Office, with effect from the day on which this instrument comes into force.

7.8 To the extent that functions formerly belonging to COI continue to be performed, for example on a transitional basis as the government moves to a new blueprint for the delivery of communications from April 2012, they will be financed through the ordinary processes of the Estimates and former COI staff will be retained within the Cabinet Office to perform them. Former COI staff will be redeployed into other roles within the Cabinet Office and other government departments,

where possible, in order to minimise redundancies associated with the closure of COI. A small number of former COI staff will from April form a small and specialist Shared Delivery Pool in Cabinet Office and will provide for the whole of government some services best performed collectively.

## 8. Consultation outcome

8.1 The reforms to Government Communications, including the closure of COI, were agreed by Ministers after discussion with stakeholders across Government. The Change Programme implementing these reforms is overseen by a Communications Delivery Board and an official-level Programme Board, which both include representatives from across Government.

8.2 The key stakeholders (Cabinet Office and HM Treasury) have agreed jointly to bring the trading fund to an end. No other consultation has taken place regarding the revocation of the COI trading fund.

## 9. Guidance

9.1 There is no need for guidance on this change, as the revocation of the Fund and the movement of the staff into Cabinet Office are a one off change in internal Government accounting for these operations.

9.2 The Change Programme is providing guidance to communications staff within Government Departments and Arm's Length Bodies on the impact of the reforms to Government Communications, through the Government Communications Network.

## 10. Impact

10.1 An impact assessment has not been produced for this instrument as no significant impact on the private or civil society sectors or on public services is foreseen, nor will the instrument itself affect public sector costs.

## 11. Regulating small business

11.1 The instrument does not affect small businesses.

## 12. Monitoring & review

12.1 This is a one off change in internal Government accounting for these operations, so there is no need for ongoing monitoring and review.

## 13. Contact

Jeremy Page, Finance, Cabinet Office, (Tel 020 7271 1337, email jerry.page@cabinet-office.x.gsi.gov.uk) can answer any queries regarding the instrument.