

The Pension, Disability and Carers Service

Annual Report and Accounts 2010/11

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Foreword

Welcome to our 2010/11 Annual Report and Accounts. The Annual Report and Accounts records the progress we have made during a demanding year, during which we also began to address the challenges arising for the Emergency Budget and Spending Review outcomes.

Customers and service delivery

Our latest Customer Satisfaction Survey results showed that 91 per cent of our customers were satisfied or very satisfied with the services we provided. Nevertheless, we continued to improve the ways we deliver our services.

'Tell Us Once', a project that enables people to report births and deaths only once via the Department or their Local Authority, was tested widely and is beginning national implementation. A new Department-wide Bereavement Service has been introduced to lessen the burden on bereaved people at a difficult time and foster more intelligent and efficient sharing of information across the Department.

A service called 'DWP Enquire' is being tested, helping us to deal with a customer's multiple benefit enquiries in a single telephone call, by virtue of all the data we hold being brought together into easy to use screens.

We have enabled people to make their State Pension claim online while, as part of our volunteering programme, our staff have encouraged and supported our customers to use computers and the internet, using 'BBC First Click' materials, and as part of our wider commitment to 'Race Online 2012'.

Performance

We continue to deliver strong performance in terms of productivity, clearance times, telephony and customer service. We have less work outstanding now than we have ever had. We have also made further progress with regards to the accuracy of our decisions and payments. For example, although we narrowly failed to reach the standard set in our reported standards, Pension Credit accuracy is at its best level since 2004.

Priorities

We have continued to make progress, building on the improvements and changes of the last two years. We have introduced major change and continued to deliver our 'day job' whilst reducing further the size of our workforce.

Our main priority has been to improve performance and service to our customers whilst addressing levels of fraud and error across the benefits we deliver. We made significant improvements handling overpayments and debt referrals but acknowledge that fraud and error remains a significant challenge for the Agency. Whilst we have seen a reduction in official error this has been countered by a steeper increase in customer fraud in the wake of the economic downturn. We will continue to give priority to this challenge through initiatives aimed at prevention, compliance and correction.

Crucially, this was also the year in which we implemented fundamental reforms to the State Pension system, including the equalisation of pension age for women. We also introduced the new Carer's Credit.

Our staff

We have invested in our staff through better, more targeted training and evaluation programmes and maintaining our commitment to Investors in People. This year, we launched Operational Delivery as a Profession, working across Departmental and civil service boundaries to develop new products and an accreditation strategy.

The 'Live Well, Work Well' programme supports healthy lifestyles and has been well received by staff. For the first time, we have achieved our attendance target this year.

Our staff have been highly active in supporting local and national charities and have participated fully in the Department's community volunteering scheme, 'Community 10,000' formerly 'Community 5000', giving a day of their time to work with groups supporting our customers. We have also been working in partnership with different public, private and voluntary organisations. 'Combining to Care' is a great example of what can be achieved by working together to improve the lives of vulnerable older people.

Looking ahead

Looking ahead, we face more change. Further efficiencies and staff reductions are necessary; and the Department as a whole is beginning to reorganise fundamentally, to enable improved services to be delivered at significantly reduced cost.

At the same time, we will play a key role in delivering the Government's flagship Universal Credit, will plan for further changes to State Pension provision, and prepare to implement the new Personal Independence Payment.



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

Introduction

History

As an executive agency of the Department for Work and Pensions (DWP or the Department), the Pension, Disability and Carers Service (the Agency) was formed on 1 April 2008, by merging The Pension Service and the Disability and Carers Service. We serve 16 million customers from disabled children through to the oldest members of our society, paying pensions and benefits and providing people with information about their entitlements and future State Pensions, to help them plan for their retirement.

We operate through a network of pension and disability benefits centres, aided by a local service that provides a face-to-face contact for vulnerable customers through home visits and in community locations. We also work closely with other Government departments and organisations to ensure that services are tailored to the needs of our customers.

During 2010/11 we supported the Department's aim, 'to promote opportunity and independence for all' and delivered this primarily by providing access to benefits and paying our customers accurately and on time.

During 2010/11 we:

Increased:

- payments to customers from £96.3 billion to over £100 billion.

Reduced:

- our operating costs from £956 million¹ to £842 million;
- our year-end staffing levels by six per cent from 13,967 to 13,139, 828 staff, or an in-year average from 14,948 to 13,920, 1028 staff;
- our average sickness absence from 8.6 days to 7.6 days;
- expenditure on consultants by over 91 per cent from £2.1 million to £0.2 million; and
- our business travel by over 32 per cent.

¹ Reported figures at 31 March 2010 have been restated

Further information about all the Department's strategic objectives can be found in the Department's Four Year Plan 2011/15 at: <http://www.dwp.gov.uk/docs/dwp-business-plan-2011-2015.pdf>

Our principal activities during 2010/11

During 2010/11 we:

- delivered a large range of benefits, entitlements and associated services to people of all ages;
- provided information to future pensioners to help them to make informed decisions about their pension provision in later life;
- provided a face-to-face service in a place that was convenient for customers through home visits or in community locations;
- received and answered customer queries over the phone, by post, by email and through our websites;
- helped customers access other pension and disability related entitlements and services; and
- worked in partnership with other local organisations to deliver pension and disability related services.

Our benefits, entitlements and associated services

- Attendance Allowance
- Carer's Allowance
- Carer's Credit
- Christmas Bonus Payments
- Cold Weather Payments
- Disability Living Allowance
- Occupational and Personal Pension Tracing
- Over 80 Pension
- Pension Credit
- State Pension
- Additional State Pension
- State Pension Forecasts
- Vaccine Damage Payments Scheme
- Winter Fuel Payments

Every month on average we:

- process over 28,000 claims for Attendance Allowance;
- process over 20,000 claims for Carer's Allowance;
- process over 60,000 claims for Disability Living Allowance;
- process over 19,000 claims for Pension Credit;
- process over 52,000 claims for State Pension;
- answer over 1.3 million telephone calls;
- see over 38,000 customers face-to-face in their home or in a place convenient to them; and
- expect to issue over 53,000 pension forecasts on request.

Based on Agency internal management information

6.2 Improve the quality of contact with the Department and its agencies

- Introduce telephony self-service to provide automated answers to queries
- Reduce follow-on queries from the 80 million automated letters issued each year

Pension, Disability and Carers Service actions

Number of Actions	2
Number met on time	0
Number missed by < 1 month	0
Number missed by < 2 months	0
Number missed by > 3 months	0

Actions in progress

- Activity progressing, for delivery in October 2011.
- Activity progressing, for delivery in October 2011.

Structural Reform Plans

We are at the heart of delivering the Government's ambitious programme of reform intended to shift power making from Whitehall into the hands of ordinary people. Structural Reform Plans are a part of this shift of power from Government to people. We share responsibility with Jobcentre Plus for the actions within Section 6 'Improve our service to the public' of the Department for Work and Pensions Structural Reform Plan. The tables below record progress made to 31 March 2011.

6.1 Save money by making online services our preferred channel

- Jobcentre Plus responsibility
- Move State Pension applications online**
- Jobcentre Plus responsibility
- Jobcentre Plus responsibility
- Jobcentre Plus responsibility

Pension, Disability and Carers Service actions

Number of actions	1
Number met on time	1
Number missed by < 1 month	0
Number missed by < 2 months	0
Number missed by > 3 months	0

6.3 Simplify the transition of 200,000 people each year from working age benefits to State Pension by re-using the information we already hold and automating where possible**Pension, Disability and Carers Service actions**

Number of Actions	1
Number met on time	0
Number missed by < 1 month	0
Number missed by < 2 months	0
Number missed by > 3 months	0

Actions in progress - Project suspended subject to an independent review. This resulted in a delay and will now be delivered in October 2011.

6.4 Create a Bereavement Service that will take information once only from next of kin in the case of over 600,000 deaths per year**Pension, Disability and Carers Service actions**

Number of actions	1
Number met on time	1
Number missed by < 1 month	0
Number missed by < 2 months	0
Number missed by > 3 months	0

These reports are available on both the Department's and www.number10.gov.uk websites.

Our strategic imperatives

We had five clear strategic imperatives which helped us focus our attention on delivering the right services at the right time to our customers.

In 2010/11 our strategic imperatives were:

- transforming the way we deliver services to our customers;
- ensuring our people are skilled, motivated and well led;
- protecting and improving performance;
- delivering our efficiency commitments; and
- building reputation and credibility with our partners and stakeholders.

We continued to benefit from our joined-up approach to our business, matching services to customer needs and working across boundaries with other service providers to support our customers more effectively.

We also extended our efforts to deliver greater efficiency for taxpayers, being responsive to change and identifying new opportunities, particularly making better use of new technologies and service channels.

In 2010/11 we:

- developed and introduced more opportunities for our customers to use online services – for example we launched our State Pension Online Service in February 2011;
- set out our commitment to support digital take up as a partner of ‘Race Online 2012’ and began to deliver on this pledge;
- directed more tailored services towards particular needs – ensuring local face-to-face services are targeted to customers who cannot interact with us by other means, and developing a specialist approach to children receiving Disability Living Allowance; and

- introduced services to share and use information better so customers only need to tell us things once - our new Bereavement Service is now live in all pension centres.

We're giving...

Our Agency organised the collection of contributions from colleagues across the country to the Carers' Resource initiative. Carers' Resource, which provides support for unpaid carers in Yorkshire, distributed the presents at parties held for children who care for a parent, grandparent, brother or sister.

Staff at London Pension Centre, Tyneview Park, supported the Armed Forces this Christmas by donating over 200 shoeboxes filled with goodies.

Our own staff were joined by others from across the Department at Warbreck House on the evening of 19 November 2010 to man the phones for BBC Children in Need and took over £94,000 in donations and pledges.

Staff at Dundee Pension Centre collected parcels to give to children and the elderly last Christmas. They also provided 65 hampers to Crossroads Care, who provide support for carers and people they care for.

Staff at Warrington Pension Centre and Hilden House Sports and Social Club raised £1,000 for the neonatal unit at Warrington Hospital.

Values

The Department for Work and Pensions' Values - Achieving the Best, Respecting People, Making a Difference, and Looking Outwards - are the guiding principles for how we deliver our services to customers. They underpin our commitment to putting customers first, and focus not only on what we deliver, but how we do it.

The following examples demonstrate our values in action:

Achieving the best - learning and continuously improving in order to provide the best service to customers, actively seeking the best solutions for our business and our customers and getting the best from our resources.

Our contact centre network has once again been successful in retaining its Customer Contact Association (CCA) accreditation. CCA accreditation is an industry-recognised accreditation that denotes the highest standard of staff care and customer service.

Respecting people - building effective working relationships with each other and with our customers, valuing diversity and learning from each other's different skills and experiences.

During 2010/11 the Agency's 'Partnership Team' worked with a number of public, private and voluntary organisations in the Greater Manchester area to see if they could together reach out and improve the lives of vulnerable pensioners. 'Combining to Care' began as a way to develop ideas generated by the work with Business in the Community. To translate these ideas in to actions a senior steering group was set up.

Initiatives included:

- the use of pharmacy bags messaging to encourage pensioners to stay warm through the winter period and/or contact Age UK to see if they are missing out on help to pay fuel bills;
- contributing information about services to a hospital discharge pack designed to reach particularly vulnerable pensioners;
- mapping local partner communications and outreach activity to help join-up and optimise efforts;
- engaging company volunteer schemes in activities to help alleviate pensioner poverty;
- encouraging GPs to consider prescribing financial health checks to pensioners whom they see in surgery or visit at home; and
- identifying premises that could be made available to relevant voluntary organisations free of charge.

Making a difference - delivering products and services in a flexible and responsive way to improve today's and future customers' lives. We have increased our customer insight so we can begin to deliver services in a more focused and streamlined way.

Following an initial pilot we began to introduce the Department's Bereavement Service. This means that all the Department's telephone calls reporting a death are now routed to our Bereavement Teams. One of the aims of the service is to ease the burden on bereaved families at a difficult time, and check the bereaved next of kin's eligibility for further services. This will deliver a more efficient service by taking relevant information once and sharing it across Agencies, where necessary.

Looking outwards – understanding the needs of all our customers and partners, learning about how other organisations deliver excellent service and being open to ideas and learning how to get better at what we do.

We have set up a Partnership & External Relations Board, consisting of senior business leaders from across our Agency and representatives from key partner organisations, such as Carers UK, Age UK and the Local Government Association. The Board plays an important role in helping to ensure our partnerships and external activity is appropriately focused and well coordinated and keeps the Agency on track to deliver on objectives and key priorities that have been agreed at the start of the year.

We gave...

Community 5000 was a programme run by the Department, which gives staff an opportunity to spend a day with a local voluntary or community organisation. We gave 1,009 days in 2010/11. The commitment has now been raised and during 2011/12 will be referred to as Community 10,000.

The Scoping and Release Assurance Team used their Community 5000 visit to help vulnerable clients by assisting in the computer room and lending a green finger or two in the garden at the Shaw Trust, in the North East town of Seaham.

Staff from Cwmbran Pension Centre have been helping out a children's hospice and, in turn, making a difference to the lives of the children and their families. The charity Tŷ Hafan offers support for children and young people in Wales who have muscular dystrophy, cystic fibrosis and cerebral palsy. For one week in January, as part of Sustainability Week and a Community 5000 project, staff filled bags with Christmas cards, clothes and toys, and sent them to the charity's local shop. Some staff even gave up their own time to help with sorting the donations and worked in the Tŷ Hafan shop.

Our challenges

We have a good track record of improving customer service and reducing costs.

Delivering improvements and further efficiency in any organisation involves change in order to find better ways of doing the day to day business. We will always look at ways to provide better value for the taxpayer without jeopardising front-line services to our customers.

In 2010/11 we:

- improved the way in which we treat our customers (see our results from Quarterly Satisfaction Monitor on page 22);
- improved our overall performance – measured through the accuracy and speed of claims processing (see ‘Our standards’ on page 19); and
- reduced the level of ‘work on hand’ and focused our attention on tackling the oldest outstanding cases to the benefit of those customers.

Sustainable development

We ensure that our staff understand their own responsibilities with regard to the environmental impacts of our business and take advantage of any opportunity to educate themselves and enhance their understanding.

As a Government Department we have standards relating to sustainability, avoidance of waste, prudent use of energy and utilities and green business travel.

We celebrated...

the successful implementation of the Electronic Document Management System (EDMS) project that completed its roll out on 11 June. EDMS provides our pension centres with online access to scanned images of customer letters and documents. Instead of mail being received in each site, it is now scanned and sent to pension centres electronically for processing where it is immediately visible on screen, enabling more effective handling of customer calls, eliminating the need to search for papers and meaning we can return valuables to the customer within 24 hours of receipt.

In 2010/11 we:

- reduced the amount of business travel by producing new video conferencing units and making the best use of our current facilities;
- developed an online screening tool to ensure that Sustainable Development is considered appropriately when developing business initiatives, projects or policy changes;
- changed all paper used in our offices to 100 per cent recycled;
- reduced the number of print devices in our offices by over 700;
- saved over £60,000 between April 2010 and January 2011 by recycling IT kit throughout the whole of the Agency; and
- undertook a series of energy reviews in consultation with our landlords, critically looking at energy use and eliminating waste where possible. This contributed to the Government’s commitment to reduce central Government’s carbon emissions by 11 per cent within the 12 months to May 2011.

We're spending wisely...

During 2010/11 over 700 of our staff shared their money saving ideas through our Spending Wisely Campaign. We all have a part to play in avoiding wasteful expenditure and our staff shared their knowledge to identify the most effective ways to make savings. During the year we made considerable progress in reducing costs in areas such as printing, postage, photocopying, stationery, business travel, IT kit and telephony, with staff ideas playing their full part.

Pension reform

Changes to State Pension came into effect on 6 April 2010.

For those who reached State Pension age on or after 6 April 2010 the key changes were:

- just 30 years of National Insurance contributions or credits are now needed to qualify for the full basic State Pension (the previous requirement was normally 44 years for men and 39 years for women);
- just a single year of National Insurance contributions guarantees qualification for at least some basic State Pension;
- it is now easier for parents and carers to build up qualifying years and get a State Pension through Carer's Credit; and
- the age at which women can claim State Pension will increase in increments to 65 between 2010 and 2020 to bring it into line with men.

Between 2024 and 2046 the age at which State Pension can be claimed will increase for both men and women from 65 to 68. This will affect customers born on or after 6 April 1959.

Our business

During the past year we have continued to deliver high quality services with better value for money, contributing to reducing the overall public expenditure deficit through greater efficiency.

Having the right organisational culture to deliver the things that matter most to our customers has been a key piece of work for our organisation.

In 2010/11 we:

- ensured that our workforce was the right size, and deployed in the right places to meet our customers' needs;
- applied a recruitment freeze and only brought people in where it was essential to maintain front line services;
- worked with our HR Business Partners to define their roles and identify the skills, knowledge and behaviours needed to fulfil their role;
- introduced a new, dedicated Local Partnership Manager role to help us develop more extensive and effective partnerships for the benefit of our most vulnerable customers;
- re-achieved Investors in People (IiP) accreditation, conducted a national people perception survey and addressed the issues raised; and continued to implement our people strategy.

We visited...

over 450,000 customers in their home or in community locations.

Lean

The purpose of Lean is to improve customer value and minimise waste (waste is anything that does not add value to the customer). Lean puts the customer at the centre of all that we do, using behaviours and techniques which are very simple, but when used together, can dramatically make improvements to our processes. The approach and many of the tools used are familiar, but taken as a whole it is a radical departure from the way we have traditionally managed our services and introduces new ways of managing our work which transform the experience of staff and managers.

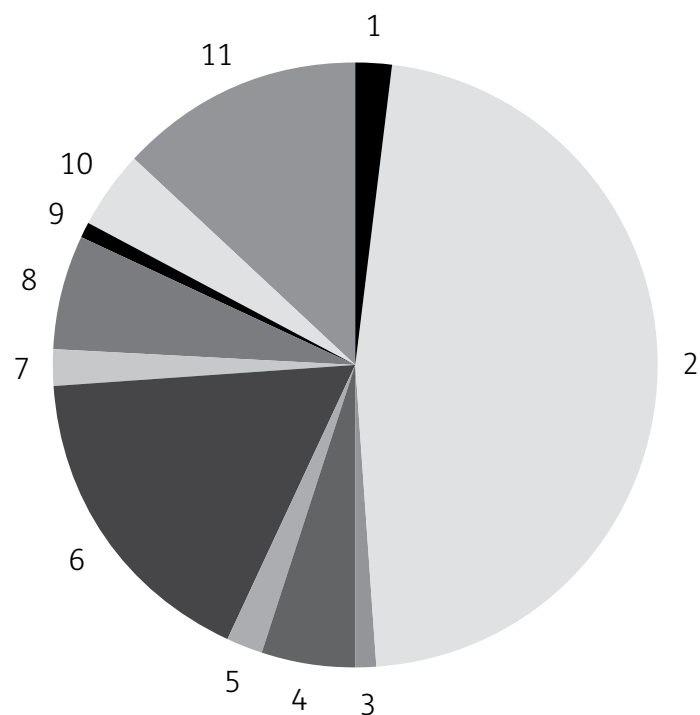
Over the 2010/11 period we have:

- heavily invested in building Lean expertise and capability by growing our own Lean Practitioners and Experts;
- set out a plan to embed Lean in our centres not yet touched by Lean;
- worked closely with Risk and Assurance Division to ensure our approach to the acceleration of Lean was robust;
- recognised the value of Lean in engendering a positive culture resulting in greater staff engagement and empowerment as well as the benefits to the business of removing waste and identifying efficiencies; and
- worked to develop a strategy to embed and sustain Lean moving forward so effectively it becomes 'the way we do things'.

Our funding

We have faced a challenging twelve months; focusing on areas where we could make savings while not affecting our ability to make a real difference to people's lives. In 2010/11 the total funding made available for administering pensions, benefits and entitlements to our customers was **£841.8 million**. This funding helped us deliver **£100.2 billion** in benefits and entitlements. These accounts report on the costs of paying these benefits and entitlements.

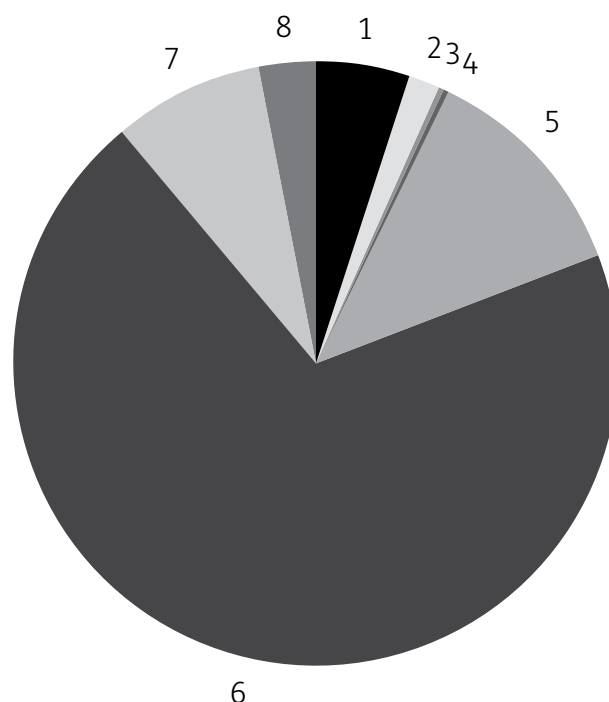
The costs to deliver our services



1. IT services	2%
2. Staff	47%
3. Staff related travel and subsistence	1%
4. Depreciation charges	5%
5. Compensation payments to customers	2%
6. Corporate re-charges	17%
7. Rentals under operating leases	2%
8. Goods and services	6%
9. Other non-cash charges	1%
10. Accommodation	4%
11. IT re-charges	13%

The cost to deliver our services above does not include the **£100.2 billion** cost of the benefit and entitlement payments made.

Benefit expenditure 2011



1. Attendance Allowance	£5.2bn
2. Carer's Allowance	£1.6bn
3. Christmas Bonus Payments	£155m
4. Cold Weather Payments	£435m
5. Disability Living Allowance	£11.9bn
6. State Pension	£69.8bn
7. Pension Credit	£8.3bn
8. Winter Fuel Payments	£2.8bn

Fraud and Error

Reducing fraud and error is a key priority and a complex challenge for the Agency. We have developed a 'Reducing Fraud and Error' strategy designed to support:

- our objective of paying the correct benefit to our customers at the correct time;
- minimising losses to the public purse from overpayments through correct identification and ensuring that any overpayments are dealt with promptly; and
- eliminating qualification of the Department's resource accounts ensuring proper control of Annually Managed Expenditure.

As part of the Strategy, we put in place a programme of activities targeted specifically on Pension Credit. The estimated losses from fraud and error on Pension Credit remain unacceptably high. The estimated losses from fraud and error remain unacceptably high. The latest published results for the year ending September 2010 show Pension Credit overpayments at 6 per cent of benefit spend, a value of £500 million and underpayments at 2.1 per cent and £180 million. There was a sharp increase in fraud related to earnings and income in the wake of the economic downturn. We have as a consequence developed a range of activities to increase the level of control at the point of claim.

The Department for Works and Pension have also commenced a programme of work jointly with Her Majesty's Revenue and Customs – 'Tackling Fraud and Error in the Benefit and Tax Credits Systems'. This programme is taking a radical new approach to addressing welfare fraud and error based on five key elements:

- **Prevent** – strengthening our defences
- **Detect** – rooting out fraud and error
- **Correct** – getting back what we are owed
- **Punish** – making the punishment fit the crime
- **Deter** – changing attitudes, increasing awareness

By adopting a zero tolerance approach across the welfare system, this programme is expected to deliver a £1.4 billion reduction in fraud and error by 2014/15.

During 2010/11 we worked on the following areas:

Prevention: preventing error from entering into the system at the point of payment.

During 2010/11 we:

- undertook prepayment checks on certain types of claims which are subject to customer mistake/fraud;
- put in place additional checks for Pension Credit staff to enable them to look for undeclared non State Pension at the new claims stage;
- developed a diagnostic tool to identify errors made by individual members of staff, and their training needs arising;
- developed a Customer Case Management Quality Framework which contained a package of products to support Attendance Allowance and Disability Living Allowance Decision Makers; and
- reviewed online guidance to make it easier for staff to understand.

Compliance: measuring our performance through accuracy checking processes and procedures.

During 2010/11 we:

- measured Pension Credit and State Pension accuracy through our Accuracy Support Team – an independent national checking team who provide real time management information on official error on a monthly basis. This enables the our staff to react quickly to errors entering the system;

- measured Attendance Allowance and Disability Living Allowance decision making accuracy and payment accuracy by a Decision Appeals Assurance Team - a national team with results externally reported against our accuracy standards; and
- performed Carer's Allowance accuracy checks by an Agency Business Assurance Team within the Carer's Allowance unit.

Correction: identifying and correcting error as quickly as possible.

During 2010/11 we:

- commenced a case cleanse exercise targeted at our top Pension Credit errors;
- reviewed approximately 20,000 Disability Living Allowance special rules cases that have been in payment for over three years to identify possible fraud and error;
- conducted a scan to address fraud and error in Carer's Allowance by highlighting potential earnings over prescribed limits via data matching with the National Insurance Recording System;
- organised a special exercise to correct cases where customers are in receipt of an incorrect combined payment with either Attendance Allowance or Disability Living Allowance;
- ceased combining Attendance Allowance and Disability Living Allowance payments with pension benefits to cancel errors made on this complex process which can be confusing for both pensioners and staff;
- commenced a review of Additional State Pension cases to correct errors; and
- delivered fraud and error awareness sessions to operational staff to increase awareness of counter fraud and error reduction activity and to highlight good practice.

We're getting it right...

Seaham Pension Centre's innovation in ensuring customers receive their correct entitlement to State Pension has been recognised.

Seaham Pension Centre is celebrating after becoming the first centre to receive a 'Pace Setter' award from Her Majesty's Revenue and Customs (HMRC).

The team developed a new, electronic process to ensure State Pension referrals to HMRC were timely and accurate. This helped improve the service to customers, at no extra cost.

Thanks to this, the national error rate for referrals to HMRC has been reduced from over 30 per cent to less than five per cent.

Our people

Our aim over the past year has been to help staff understand what we are striving to achieve, help them understand the impact of their work on our customers' lives and make them feel valued, involved and proud to work for us.

During 2010/11 we:

- developed a cultural change programme to create a more constructive culture. We encouraged reflection on and improvement in leadership behaviours, where possible aligned with 360° feedback to increase personal awareness of impact on others;
- applied a recruitment freeze to minimise our workforce costs and only recruited on a temporary basis where it was essential for frontline services. We reduced our overall workforce by 828;
- we invested an average of 6.9 days per person in learning and development; and
- reduced our average working days lost to achieve the 7.7 day Departmental target. This equates to gaining 28,000 extra days to serve our customers.

Operational Delivery

Operational Delivery is made up of people and their managers, who provide services directly to the public. With more than 350,000 staff, Operational Delivery is the largest profession in Government and is the public face of Government services.

The key aims of this new profession are to:

- recognise the professionalism of staff working in Operational Delivery;
- ensure Operational Delivery staff are equipped with skills that can be used across Government departments by developing new qualifications to recognise these skills; and
- achieve equivalent status with more established professions.

“It is our direct contact with the public that differentiates us from most other professions - everyday we touch millions of lives through the work we do. Operational Delivery is the keystone of our business; I want to recognise this and develop the professionalism of our people to compete with the best the private sector has to offer.”

Vivien Hopkins OBE – Acting Chief Executive

Diversity and equality

We will continue to promote and champion diversity and equality helping us to achieve our aspiration to:

- deliver a range of services to our customers in a manner that meets their individual needs; and
- create an inclusive workforce with the best possible mix of existing and future talent, where everyone has an opportunity to realise their potential and is treated with dignity, respect and fairness.

Our aim is to improve the representation, progression and the feelings of all groups, with a particular focus on our disabled and ethnic minority staff.

Accessibility

During 2010/11, we ensured our services were accessible to our customers by:

- providing a service which provides face-to-face contact for vulnerable customers;
- raising older people's awareness of what is available to them;
- the introduction of State Pension Online and the Bereavement Service; and
- providing choices of how to access our services, including telephone, written and face-to-face contact.

Providing support to our people

During 2010/11, we supported our people by:

- continuing to encourage staff to declare their disability, ethnicity and sexual orientation status following the “Just Tell Us” campaign which enabled the Agency to work towards a diverse workforce;
- arranging focus groups for disabled staff with the support of our Disability Champion, to help us to understand the barriers they face. One of the outcomes was to provide a line manager’s guide to support managers and staff;
- continuing to raise the profile of equality impact assessments, providing expert support and ensuring that the assessments are carried out at policy stage; and
- supporting Agency and Directorate Diversity Champions and Agency representatives at staff network groups.

Leadership

We continue to develop high quality leaders who have the capability and integrity to deliver results through our people.

During 2010/11 we:

- rolled out a programme of 360° feedback for over 100 Agency managers;
- held communications workshops to explain and reinforce skills around delivering difficult messages;
- supported the Department’s ‘Making a Difference’ events in the first half of the year which were attended by 406 managers; and
- held Disability Network Groups to discuss results from our people survey to gain insight and explore further how we can move forward and improve in this area.

At a time of significant operational change, we targeted investment in technical learning, positioning the technical learning design function in the operational arm of the Agency.

This organisational restructure brought technical learning and technical performance closer together and allowed for more joined up development of technical solutions to address accuracy and productivity requirements such as a Technical Evaluation Package and IT new entrant learning. Working with other Government departments, we launched Operations as a recognised profession in the civil service.

We’re being recognised!

Staff at **London Pension Centre** in **Newcastle** won an award for their outstanding work in the community. They were named as North East Community Heroes as part of the North East Contact Centre Awards.

Decision Makers and Decision Makers managers from the **Disability Contact & Processing Units** in **Blackpool** and **Midlands Disability Benefits Centre** received their Professionalism in Decision Making and Appeals certificates.

The **Attendance Allowance Unit, Carer’s Allowance Unit, Benefit Enquiry Line, Disability Allowance/Carer’s Allowance Helpline, Future Pension Centre, International Pension Centre** and **National Pension Centre** were the first operational units to achieve the Cabinet Office’s Customer Service Excellence accreditation.

The **Infrastructure and Commercial Services** team were highly commended at the 2010 Annual Awards of the Chartered Institute of Management Accountants for their work in reducing the costs of goods and services.

Our **‘Combining to Care’** partnership of public, private and voluntary sector organisations is recognised as an outstanding example from this year’s ‘Seeing is Believing’ programme of activity sponsored by Business in the Community and supported by HRH the Prince of Wales.

Our standards

During 2010/11 we have achieved 9 out of 14 published standards.¹

Benefit take-up

To deliver at least 180,000 successful new Pension Credit applications (as measured by National Statistics between April 2010 and March 2011).¹	206,917
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*Compared to 2009/10, fewer people are estimated to be entitled to Pension Credit in 2010/11. This is partly because Pension Reform means more people will be entitled to a full basic State Pension in their own right, and partly because changes to State Pension age reduce the number of people who will become eligible during the year. Taking these and other factors into account, the target for 2010/11 actually represents a higher percentage of those expected to be entitled. The target is also higher than the estimated number of new claims, to ensure attention remains focused on those who are already entitled but not claiming. We will monitor data through the first part of the year and revisit the target midyear. The number of successful new Pension Credit applications will be subject to validation and update in November.

Accuracy

Achieve an accuracy rate of 94% on decisions on claims for Attendance Allowance.²	85.7%
Achieve an accuracy rate of 98% on Carer's Allowance.²	99.4%
Achieve an accuracy rate of 94% on decisions on claims for Disability Living Allowance.²	83.6%
Achieve an accuracy rate of 94% on Pension Credit new claims and changes of circumstances.²	92.7%
Achieve an accuracy rate of 98% on State Pension new claims and changes of circumstances.²	96.8%

Speed of payment

Clear new claims for Attendance Allowance within an average of 16 days or less.	13.1 days
Clear new claims for Carer's Allowance within an average of 13 days or less.	11.6 days
Clear new claims for Disability Living Allowance within an average of 37.7 days or less.	30.3 days
Clear new claims for Pension Credit (measured from date all evidence is received) within an average of 15 days or less.³	12.8 days
Clear 95% of new claims for State Pension within 60 days or less.³	97.1%

Fraud and error

Reduce the proportion of benefit overpaid due to fraud and error in Pension Credit to 3.9 per cent by March 2011.⁴	6%
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¹Based on Agency internal management Information at the time of publication.

²Accuracy figures are still subject to validation.

³This figure has not been independently validated.

⁴The fraud and error figure reported is a preliminary 2010/11 figure, final 2010/11 figures are expected in November 2011.

Telephony

Ensure that at least 93% of calls to our telephone service are answered first time.	94.2%
Ensure that less than 1% of calls to our telephone service receive the engaged/busy tone.	0.2%

Other benefits and entitlements

Christmas Bonus

Is a tax free payment made to eligible customers before Christmas.

We paid £155 million in payments to over 15 million customers.

Cold Weather Payments

Cold Weather Payments are made to help people who are in receipt of certain benefits with their additional heating costs during winter.

We paid over £430 million in Cold Weather Payments between 1 November and 31 March.

Pension Forecasting

Pension Forecasts issued.	4.4 million
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Pension Forecasts improve working age individuals' awareness of their retirement provision.

Pension Tracing

Successful Pension Traces.	70,255
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Pension Tracing helps an individual trace a pension even if they are not sure of the previous employer and their pension scheme contact details.

State Pension Deferral

Customers are able to defer taking up their State Pension entitlement when reaching State Pension age. Figures since implementation show that over £1.8 billion has been paid on lump sum payments with the average payment being £8,300¹. Of those reaching State Pension age in 2009/10 approximately 330,000 pensioners over State Pension age have an unclaimed entitlement.

State Second Pension

Around 24 million people are building up enhanced State Pension entitlement in the form of State Second Pension – including around four million people who are carers or sick/disabled. A further four million people are accruing second tier rights through an 'Appropriate Personal Pension' or an occupational pension.

Winter Fuel Payments

Made to eligible customers each year to provide help with fuel bills. We delivered automatic Winter Fuel Payments to over 99 per cent of eligible customers. As a result over 12.9 million customers received their payment before Christmas 2010.

We paid in total nearly £2.8 billion in Winter Fuel Payments to over 12.9 million customers.

¹Average payment subject to update once 2010/11 caseload data received.

Our customers

Customer service improvements

Invitation to Claim State Pension mail pack (the BR33 booklet and letter). The BR33 is often the first contact customers have with us and is of great importance, particularly as customer insight shows that more than 50 per cent of people wrongly believe State Pension is paid automatically.

Improvements have been made to address this, including:

- a redesigned, easier-to-use booklet;
- messages about taxation, additional voluntary National Insurance Contributions, State Pension deferral, online services and digital inclusion;
- improved signposting to online leaflets and partners for further information;
- promotion of the 0800 free-phone State Pension claim number and internet address – consistent with the booklet, so avoiding confusion and complaints; and
- ensuring our people were able to understand and effectively communicate Pension Reform changes – so that from 6 April 2010 they were able to answer customer enquiries effectively and process claims accurately under the new rules.

Making State Pension Online available to all UK customers through Directgov. State Pension online was launched in February 2011 for a limited number of UK customers approaching State Pension age. During live testing, the Agency saw customers starting to use the State Pension online service which had proved popular with invited customers. It was decided not to actively promote the service at the launch because our priority is to migrate customers for whom online is the best option. In order to do this we are monitoring the customer and operational experience so that we are continuously improving the service, and increasing awareness amongst target customers when appropriate.

State Pension Online – A Customer’s Experience:

“It was a quick and easy service and, in particular, I like that a confirmation was instant to inform me that the claim had been received.”

During 2010/11 we also:

- delivered an improved telephony service for speech and hearing impaired customers;
- rolled out new telephony into a number of our pension centres, ensuring our service is consistent with the rest of the Department’s contact centres;
- tested a new Department telephony service at our Disability Benefits Helpline and Carer’s Allowance contact centre. This has helped our staff to answer enquires from customers about different types of benefits and ensured they do not have to contact each Agency separately to get answers;
- established a ‘Medical Services Portal’ between our Agency and National Health Service Scotland, which allows us online access to medical records;
- successfully enhanced the data share with Her Majesty’s Revenue and Customs to allow Child Trust Fund payments to disabled children from April 2010 (electronically from October 2010);
- amended the Attendance Allowance and Disability Living Allowance adult renewal claim forms, so customers do not have to tell us information we already hold about them;
- set up a Benefit Application Service on Directgov which provides customers with advice on benefits, pensions and credits they may be entitled to;
- enhanced the Disability Living Allowance claiming experience for parents/guardians of disabled children through user-friendly forms and improved notifications and processes; and
- started electronic transfer of data for Housing Benefit/Council Tax Benefit claims to Local Authorities.

Quarterly Satisfaction Monitor

Our Quarterly Satisfaction Monitor is drawing to a conclusion for the second year. This combined survey is now nearing completion and the findings will be reported in August 2011.

The main objectives of the survey are:

- to establish levels of customer satisfaction/dissatisfaction following a recent interaction with the Agency;
- to baseline and monitor the reputation and advocacy of the Agency; and
- to measure Agency progress against the Department exemplar of effective service delivery to individuals and employers.

We monitor and evaluate customer satisfaction against the four key drivers set out in the Customer Charter:

- Right treatment
- Right result
- On time
- Easy access

Positives to come from the survey included:

- 97 per cent of customers said our staff were polite and treated them with respect;
- 94 per cent said they also listened to what they had to say; and
- 91 per cent of customers said that they were satisfied or very satisfied with our services.

In addition to the positives above, the charts below represent the feelings of our customers towards the service they have received.

Customer feelings towards service: The Pension Service

Delighted - Very satisfied and service exceeding expectations.	29%
Happy - Very satisfied with service meeting expectations.	34%
Pleasantly Surprised - Fairly satisfied with service ahead of expectations.	10%
Content - Fairly satisfied with service meeting expectations.	19%
Disappointed - Dissatisfied with service or below expectations.	8%

Customer feelings towards service: Disability and Carers Service

Delighted - Very satisfied and service exceeding expectations.	23%
Happy - Very satisfied with service meeting expectations.	30%
Pleasantly Surprised - Fairly satisfied with service ahead of expectations.	9%
Content - Fairly satisfied with service meeting expectations.	23%
Disappointed - Dissatisfied with service or below expectations.	15%

Improving customer service in 2010/11

We take customer feedback, both positive and negative, seriously. While we strive to be an exemplar of public service, inevitably we do not always get it right. We will always try to satisfactorily resolve complaints at the first point of contact, but where we are unable to do so and customers remain dissatisfied, we have a clear escalation route for them to progress their issues.

In 2010/11, we cleared more than 90 per cent of negative feedback within Departmental targets.

The top 3 areas of reported negative feedback were:

- It takes too long (57 per cent).
- You've got it wrong (26.5 per cent).
- Information given does not suit my needs (9.2 per cent).

We have listened to what customers have said about our service and in 2010/11 we have:

- updated the State Pension annual advice notice to prompt customers to report divorce as a change of circumstances, to ensure they received their full arrears at the appropriate time;
- stopped sending annual letters to customers who had entitlement to but no payment of Carer's Allowance, as this was confusing for the customer; and
- introduced a new, more sensitive form for capturing information from a next of kin, following bereavement.

Parliamentary correspondence

The Cabinet Office reporting period for Parliamentary correspondence is the calendar year January – December 2010. In 2010, the volume of MP letters to our Chief Executive decreased by 14 per cent from the previous year.

MP letters to Ministers – Delegated to Chief Executive. 1,138 replies issued with 100 per cent cleared within Cabinet Office target of 20 days.

MP letters direct to the Chief Executive. 2,097 replies issued with 100 per cent cleared within Cabinet Office target of 15 days.

Security of customer data

We aim to keep our customer data secure and what customers say to us confidential. The Data Protection Act and Social Security legislation places specific requirements on the handling and use of personal and other official information and we comply with these.

We introduced... a secure method of electronic sharing of information with Local Authorities to ensure that customer information was safeguarded.

Our partners and stakeholders

We continued to consult effectively with our key stakeholders and actively engaged with our partners so we could meet more of our customers needs.

Local Service Delivery

During 2010/11 there was a series of changes to our Local Service delivery. The service is now targeted only on those customers that need this more in-depth face to face personalised service. In addition, the remit of the visiting service has been expanded to include vulnerable customers of all age groups who cannot use other channels such as the telephone or self service.

Better targeting of the service on vulnerable customers and those who cannot effectively access services through other, more cost effective routes, allows us to concentrate its resources on those customers who most need this increased level of support.

At a 'Seeing is Believing' event on 24 June, the Agency brought together senior business leaders to discover how they could do more to help older people.

Run in conjunction with charity organisation 'Business in the Community', delegates at the event included representatives from British Gas, Sainsbury's, Aviva, N-Power and the Post Office, along with housing associations and charities. Delegates met with service users – pensioners aged from 70 to 105, and from a diverse range of ethnic backgrounds in London. This was the first time the Agency has really engaged with the commercial sector in this way, and goes a long way to helping us to deliver services more effectively, to help business connect better with significant customer groups.

We have expanded our local partnerships with a particular emphasis on those who can help us to reach out to our poorest and most vulnerable customers with:

- over 4,000 local partnerships in place across the country, with around 30 per cent with Local Authorities, around 27 per cent with local voluntary sector groups and over 40 per cent with other partnership groups, which has allowed us to help more of our customers meet their daily living or personal care needs;
- over 500 Alternative Offices where Local Authority and Voluntary sector partners can accept claims to benefits and verify information for customers on our behalf; and
- Local Service Information Points in local community centres, libraries and the offices of voluntary sector organisations such as Age UK and the Citizens Advice Bureau.

Over the last 12 months we have:

- served over 150,000 customers as a result of referrals from our partners and paid customers over £214 million in extra benefits as a result;
- referred over 120,000 customers to our partner organisations for wider services including help with home safety and security and health and social care needs;
- worked in partnership with organisations to deliver new legislation which allows certain severely visually impaired people to claim the Higher Rate Mobility Component of Disability Living Allowance;
- worked with the Royal National Institute for the Blind, in particular providing support through the provision of communications to existing and potential customers as well as providing awareness training for our staff to understand the needs of people with a visual impairment;

- through consultation with our Advisory Forum, improved our Disability Living Allowance, Attendance Allowance and Carer's Allowance claim forms, as well as several of our customer letters;
 - worked collaboratively with members of the Local Government Association to understand where procedural improvements can be made to create efficiencies for our respective organisations; and
 - responded to issues raised around the difficulties customer representatives have experienced in obtaining customer information from our Agency by taking steps to improve our people's knowledge and understanding of consent procedures.
-

Our leadership team

The Pension, Disability and Carers Service Board consists of:

- **Willy Roe CBE** – Non Executive Director Chair (From 1 Jan 2011, Non Executive Director until 31 Dec 2010)
- **Sir John de Trafford Bt. MBE** – Non Executive Director Chair (until 31 Dec 2010)
- **Kay Allen OBE** – Non Executive Director
- **Neil Couling** – Benefit Strategy Director
- **John Delamore** – CIT IS/IT Director for PDCS (until 16 Dec 2011)
- **Jason Feeney CBE** – Chief Operating Officer (from 1 Dec 2010, Strategy Director until 30 Nov 2010)
- **Vivien Hopkins OBE** – Acting Chief Executive (from 1 Dec 2010, Chief Operating Officer until 30 Nov 2010)
- **Myrtle Lloyd** – CIT IS/IT Director for PDCS (from 10 March 2011)
- **Peter Lowe** – Change and Transformation Director
- **Charlie Massey** – Ageing Society and State Pensions Director
- **George McCorkell** – Non Executive Director (until 31 July 2010)
- **Stuart McKinnon-Evans** – Finance Director
- **Terry Moran CB** – Chief Executive (until 30 November 2010)
- **Kate Nash OBE** – Non Executive Director (until 31 March 2011)
- **Mary Pattison** – Acting Strategy Director (from 1 Dec 2010)
- **Nigel Richardson** – Customer and Partnership Director
- **Steve Riley** – CIT IS/IT Director for PDCS (From 17 Dec 2010 until 9 March 2011)
- **Sarah Scullion** – Human Resources Director
- **Dr Brian Woods-Scawen CBE** – Non Executive Director

The non-executive directors, who are independently appointed to the Board, provide objectivity coupled with knowledge and experience gained from senior roles in a wide range of public and private sector organisations.

The Executive Management Team consists of:

- **Vivien Hopkins OBE** – Acting Chief Executive (from 1 Dec 2010, Chief Operating Officer until 30 Nov 2010)
- **Terry Moran CB** – Chief Executive (until 30 November 2010)
- **Jason Feeney CBE** – Chief Operating Officer (from 1 Dec 2010, Strategy Director until 30 Nov 2010)
- **Myrtle Lloyd** – CIT IS/IT Director for PDCS (from 10 March 2011)
- **Peter Lowe** – Change and Transformation Director
- **Stuart McKinnon-Evans** – Finance Director
- **Mary Pattison** – Acting Strategy Director (from 1 Dec 2010)
- **Nigel Richardson** – Customer and Partnerships Director
- **Sarah Scullion** – Human Resources Director

The Audit Committee consists of:

- **Dr Brian Woods-Scawen CBE** – Non Executive Director Chair
- **Kay Allen OBE** – Non Executive Director
- **Paul Greening** – Head of Finance, Planning and Performance (until 10 Nov 2010)
- **Chris Jennings** – DWP Head of Stewardship for PDCS (From 11 Nov 2010)
- **George McCorkell** – Non Executive Director (until 30 June 2010)
- **Kate Nash OBE** – Non Executive Director (until 31 March 2011)

The Committee provides independent assurance to the Chief Executive, the Board and the Department's Audit Committee on the appropriateness, adequacy and overall value for money of the Agency's governance, risk management, control and associated assurance arrangements. Members of the Executive Management Team, Risk Assurance Directorate, National Audit Office and our client directorates also attend.

Our client directorates

The Department's client directorates provide an independent stewardship function to ensure that performance challenges are being met in the most efficient and economic way possible.

Our client directorates comprise:

- Welfare and Wellbeing Group;
- Employment Group; and
- Strategy, Information and Pensions.

Effective management

We operated governance arrangements designed for effective management and control, to provide clear accountability and help ensure public funds are safeguarded.

During 2010/11 we:

- improved controls to ensure compliance with all relevant laws, regulations, policies and accepted recommendations of external scrutiny;
- ensured individuals were accountable for their responsibilities;
- maintained a high quality in our internal and external reporting; and
- responded appropriately to significant risks to our operational objectives.

The Department's Risk Assurance Division reports independently to the Audit Committee, providing opinions on the adequacy of our governance and risk management. To date the majority of audit work has focused on customer service and operational risks, in line with the risk profile of the Agency. Risk Assurance Division provides an overall assessment of our performance risk and control framework in-year.

For 2010/11 the overall assessment remains at a 'reasonable' level of assurance.

Feedback

We welcome feedback on this document.
Please send any comments to:

Planning and Agency Reporting Team
Pension, Disability and Carers Service
Room 2E22
Quarry House
Leeds
LS2 7UA

Email: pdcs.annualreport@dwp.gsi.gov.uk

Management commentary

a. Statutory background

The Agency presents its accounts for the financial year ended 31 March 2011. The accounts have been prepared in accordance with the direction given by Her Majesty's Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Pension, Disability and Carers Service was established as an executive agency of the Department for Work and Pensions on 1 April 2008.

b. Funding sources

The Pension, Disability and Carers Service is a supply-financed executive agency of the Department for Work and Pensions and, as such, remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Agency's operations, along with the rest of the Department, will be accounted for within the Statement of Parliamentary Supply in the Department's Resource Account.

The Agency's work programme and expenditure plans for the year to 31 March 2011 were set out in the Pension, Disability and Carers Service Business Plan 2010/11.

The National Insurance Fund is the responsibility of Her Majesty's Revenue and Customs. However the contributory benefits funded from the National Insurance Fund are administered by the Department on behalf of Her Majesty's Revenue and Customs. The Agency incurs costs associated with the administration of these benefits. The Agency receives income from the National Insurance Fund to recover these costs and these recoveries are recorded in the General Fund as Financing from the National Insurance Fund (see Statement of Cash Flows).

c. Scope of the Pension, Disability and Carers Service accounts

These accounts relate solely to the Agency's administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform to the accruals concept and give a true and fair view of the Agency's affairs. The Agency was responsible for payment of Additional State Pension, Attendance Allowance, Carer's Allowance, Carer's Credit, Christmas Bonus Payments, Cold Weather Payments, Disability Living Allowance, Over 80 Pension, Pension Credit, State Pension, Vaccine Damage benefits and Winter Fuel Payments which, for the year ended 31 March 2011, amounted to £100.2 billion (2009/10 £96.3 billion). This amount is provisional and the final audited expenditure for the year will be disclosed in the Departmental Resource Accounts which are expected to be published by the end of July 2011.

As part of the Department, the Agency, has to manage its business and meet its objectives within the resource constraints set by the Department. It also contributes to an administration cost and net cash requirement limit with other parts of the Department.

Parliament's primary control over the Agency's expenditure is therefore achieved through the approval of the resource estimates provision, the associated Departmental cash limit and the laying of the Agency accounts. The Agency is also subject to administrative control exercised by Her Majesty's Treasury.

The Spending Review in 2007 set the basis for the funding available for the Agency in 2010/11.

d. International Financial Reporting Standards

International Financial Reporting Standards (IFRS) were introduced across Central Government in the 2009/10 financial year.

e. Results for the year

The Statement of Comprehensive Net Expenditure within the accounts shows the net operating cost of the Agency.

The net operating cost amounted to £841.8 million (2009/10: £955.7 million restated). Capital expenditure for the year, full details of which are given in Notes 7 and 8, amounted to £10.8 million (2009/10: £5.1 million restated).

The net operating cost has been calculated after including notional charges which are not currently charged to the Agency but which are borne centrally by the Exchequer, as set out in Note 4.

f. Employment of disabled persons

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Agency.

g. Sickness absence data

Sickness absence data for 2010/11 is provided below, shown as full time equivalent (FTE) days. This shows the number of paid working days lost for the Agency and an average working days lost figure (AWDL) by staff for the year.

	Working days lost (FTE)	AWDL by staff for the year
The Pension, Disability and Carers Service	104,026	7.6

The Agency has reduced sickness absence by an average of 1 day during 2010/11, and became the first Departmental Agency ever to meet the 7.7 AWDL target in January 2011. Average sickness absence in the Agency has fallen consistently over the 3 years since it was formed, reducing by 2.6 AWDL since April 2008.

Musculoskeletal and mental health issues were the largest causes of sickness absence, whereas the most common occurrences of absence were coughs/colds and stomach disorders. Long term absences (28 calendar days and longer) accounted for 46 per cent of all working days lost and short-term absences 54 per cent.

Over the past 12 months, the Agency has focused on reducing long term sickness absence through actions including active case management and rigorous compliance checking. The Agency has focused on ensuring that managers have the necessary information and skills to help them support staff that are sick by providing a range of upskilling events and by hosting a series of occupational health broadcasts on health conditions that managers find challenging. Good practice is shared through the Managing Attendance Steering Group, which is chaired by two senior operational managers, and consists of representatives from all businesses in the Agency.

The Agency is committed to the continuous improvement of health and well-being for everyone by actively promoting a healthy environment and culture across the whole Agency. In 2010/11 this included continued active participation in the Department's 'Live Well Work Well' initiative for staff in all business units, in conjunction with our partner organisation, Right Corecare.

h. Protected personal data incidents

Table 1: Summary of Protected Personal Data related incidents formally reported to the Information Commissioner's Office in 2010/11

<p>Statement on information risk</p>	<p>During 2010/2011, the Agency has implemented a range of information security improvements based on internal audit and Cabinet Office recommendations. Overall, good progress continues to be made but nevertheless this remains an issue for continued and relentless focus. The Security and Assurance Team have undertaken a series of actions to clarify roles and responsibilities of key information assurance roles and ensure that users of Departmental systems understand their responsibilities. The Sub-executive team, Information & Security Committee (I&SC) has been chaired throughout the year by the Department's Strategy, Information and Pensions Director General, in his capacity as the Senior Information Risk Owner (SIRO). The Committee sets policy and oversees the major information security issues facing the Department.</p> <p>Significant progress made during 2010/11 to improve the control environment include:</p> <ul style="list-style-type: none"> • programme of security health checks in place across the Agency. • processes in place to share and transfer information have been strengthened. • programme of assuring correct information asset controls are in place. 			
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially	Notification steps affected
-	No incidents arose in the year that were appropriate for formally reporting to the Information Commissioner's Office.	-	-	-

Table 2: Summary of other Protected Personal Data related incidents in 2010/11

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

i. Commitment to equality and diversity

The Agency is committed to providing services which embrace diversity and promote equality of opportunity. As an employer, the Agency is also committed to equality and valuing diversity within its workforce as set out in its 'Strategy for Diversity, Equality and Inclusion'. The goal is to ensure that these commitments, reinforced by our values, are embedded in day-to-day working practices with customers, colleagues and partners. The overall aim for diversity and equality is that the services we deliver to customers, both current and future, and the contribution of our staff, reflect and celebrate the diversity of the communities we serve. We aim to embed diversity into everything that we do, ensuring it is part of our management processes, mainstreaming it into our policies and assessing the impact of all our decisions and changes for disproportionate diversity impact on our staff or our customers.

j. Employee involvement and engagement

The Agency respects its staff as people and values their contribution. There is a strong internal communications network in place. Staff are encouraged to share information and contribute news, views and feedback. Regular news and information is provided to staff through the Agency and Departmental communication sites held on the Department's intranet as well as through regular bulletins and messages cascaded through team meetings.

Staff have access to welfare services which support staff and managers and promote well-being in the workplace.

Staff also have access to trade union membership. The Agency has procedures for consulting its trade unions and supports staff representation in the workforce by trade union representatives.

The Agency is committed to ensuring that staff at all levels can contribute towards decisions affecting its day to day business.

k. Pension liabilities

The employees of the Agency are civil servants to whom the conditions of the Superannuation Acts 1965, 1972 and 2010 and subsequent amendments apply. The Principal Civil Service Pension Scheme (PCSPS) is the main pension scheme for all civil servants, including the Agency's employees. It is a defined benefit scheme, with benefit expenditure borne on the Civil Superannuation Vote.

Details of the Pension Scheme are disclosed in Note 3a and the Remuneration report, paragraph i.

l. Payments to suppliers

The Agency is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, they should be paid within five days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during the twelve month period of this account, conducted to measure how promptly the Agency pays its bills, found that 77 per cent of bills were paid within this standard.

In 2009/10, if there was no contractual provision or other understanding, bills should have been paid within 10 days. This year 99 per cent of bills were paid within this 10 day standard (2009/10: 97 per cent).

m. External auditors

The accounts have been audited by the Comptroller and Auditor General whose certificate and report appears on pages 55 and 56.

n. Board of management

Members of the Pension, Disability and Carers Service Board during the year were:

Terry Moran CB	Chief Executive (until 30 November 2010)
Vivien Hopkins OBE	Acting Chief Executive (from 1 December 2010); Chief Operating Officer (until 30 November 2010)
Jason Feeney CBE	Chief Operating Officer (from 1 December 2010); Strategy Director (until 30 November 2010)
Mary Pattison	Acting Strategy Director (from 1 December 2010)
Stuart McKinnon-Evans	Finance Director
Sarah Scullion	Human Resources Director
Nigel Richardson	Customer and Partnerships Director
Charlie Massey	Ageing Society and State Pensions Director
Neil Couling	Benefit Strategy Director
John Delamore	CIT IS/IT Director for PDCS (until 16 December 2010)
Steve Riley	CIT IS/IT Director for PDCS (from 17 December 2010 until 9 March 2011)
Myrtle Lloyd	CIT IS/IT Director for PDCS (from 10 March 2011)
Peter Lowe	Change and Transformation Director
Sir John de Trafford Bt. MBE	Non Executive Director Chair (until 31 December 2010)
Kay Allen OBE	Non Executive Director
Willy Roe CBE	Non Executive Director Chair (from 1 January 2011); Non Executive Director (until 31 December 2010)
Kate Nash OBE	Non Executive Director (until 31 March 2011)
Dr Brian Woods-Scawen CBE	Non Executive Director
George McCorkell	Non Executive Director (until 31 July 2010)

o. Details of company directorships and other significant interests held by board members

A register of Directors' business interests is held by the Finance Directorate at the following address:

Statutory Accounting Team
Resources and Performance Directorate
Pension, Disability and Carers Service
Room 405
Norcross
Thornton-Cleveleys
FY5 3TA

p. Provision of information to auditors

There is no relevant audit information of which the auditors are unaware. The Accounting Officers have taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

Remuneration report

a. Remuneration policy

The remuneration of the Agency's Board Members who were Senior Civil Servants is determined by the Department's Senior Civil Service Pay Committee chaired by the Department's Permanent Secretary and also comprising the Department's Human Resources Director, the Chief Executive of the Agency and a Non-Executive Director of the Department. The Committee follows independent advice from the Review Body on Senior Salaries.

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

b. Service contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk.

c. Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Pension, Disability and Carers Service Board Members.

d. Remuneration (audited)

Officials	2010/11			2009/10		
	Salary £'000	Bonus £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus £'000	Benefits in kind (to nearest £100)
Terry Moran CB Chief Executive (until 30 November 2010)	100-105 ¹	5-10	-	170-175	10-15	-
Vivien Hopkins OBE Acting Chief Executive (from 1 December 2010); Chief Operating Officer (until 30 November 2010)	105-110	5-10	900 ²	100-105	10-15	2,000
Jason Feeney CBE Chief Operating Officer (from 1 December 2010); Strategy Director (until 30 November 2010)	95-100	5-10	-	90-95	10-15	-
Mary Pattison Acting Strategy Director (from 1 December 2010)	25-30 ³	-	-	-	-	-
Stuart McKinnon-Evans Finance Director	100-105	5-10	-	100-105	10-15	-
Sarah Scullion ⁴ Human Resources Director	115-120	5-10	3,100 ²	115-120	10-15	3,000
Nigel Richardson Customer and Partnerships Director	110-115	-	-	110-115	5-10	-
Charlie Massey ⁵ Ageing Society and State Pensions Director	-	-	-	-	-	-
Neil Couling ⁵ Benefit Strategy Director	-	-	-	-	-	-
John Delamore ⁶ CIT IS/IT Director for PDCS (until 16 December 2010)	55-60 ⁷	5-10	-	75-80	5-10	-
Steve Riley ⁶ CIT IS/IT Director for PDCS (from 17 December 2010 until 9 March 2011)	20-25 ⁸	-	500 ²	-	-	-
Myrtle Lloyd ⁶ CIT IS/IT Director for PDCS (from 10 March 2011)	0-5 ⁹	-	-	-	-	-
Peter Lowe Change and Transformation Director	140-145	5-10	1,200 ²	140-145	-	-

1 Figure quoted for 2010/11 is for the period from 1 April 2010 to 30 November 2010. The full year equivalent was £150-155k.

2 All benefits in kind relate to the use of a vehicle.

3 Figure quoted for 2010/11 is for the period from 1 December 2010 to 31 March 2011. The full year equivalent was £85-90k.

4 The Agency employed Sarah Scullion until 31 October 2010; the Department for Work and Pensions Corporate Centre has employed her from 1 November 2010. Since then, all her salary costs have been met by Corporate Centre and subsequently re-charged as part of the intra-departmental recharges, as she worked full-time for the Agency.

5 The Department for Work and Pensions Corporate Centre employs Charlie Massey and Neil Couling and meets their salary costs. They do not work full-time for the Agency and it is not possible to directly attribute their time to the Agency, therefore the Agency does not reflect any element of the cost of their salaries in this Remuneration Report.

6 The Department for Work and Pensions Corporate IT employed John Delamore and Steve Riley and currently employs Myrtle Lloyd. All their salary costs were met by Corporate IT and subsequently recharged as part of the intra-departmental charges, as they worked full-time for the Agency.

7 Figure quoted for 2010/11 is for the period from 1 April 2010 to 16 December 2010. The full year equivalent was £75-80k.

8 Figure quoted for 2010/11 is for the period from 17 December 2010 to 9 March 2011. The full year equivalent was £90-95k.

9 Figure quoted for 2010/11 is for the period from 10 March 2011 to 31 March 2011. The full year equivalent was £80-85k.

e. Salary

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

f. Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process.

Bonuses are paid in July following the financial year to which they relate i.e. bonuses paid in 2010/11 relate to 2009/10 performance.

The July 2010 payment is included only where it relates to performance as a Board Member in 2009/10 regardless of their current role. This ensures the payments made to directors in relation to their period of service on the Board are disclosed in their totality.

g. Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument. The reported benefits in kind relate to the private use of allocated cars provided under the Department's Private User Scheme.

h. Pension benefits (audited)

	Real increase in pension at pension age	Real increase in lump sum at pension age	Accrued pension as at pension age at 31 March 2011	Accrued lump sum as at pension age at 31 March 2011	CETV at 31 March 2011	CETV at 31 March 2010 restated	Real increase in CETV as funded by the employer
Officials	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Terry Moran CB – Chief Executive (until 30 November 2010)	0-2.5	0-2.5	55-60	165-170	931	866	(2)
Vivien Hopkins OBE – Acting Chief Executive (from 1 December 2010); Chief Operating Officer (until 30 November 2010)	0-2.5	0-2.5	50-55	160-165	1,217	1,126	4
Jason Feeney CBE – Chief Operating Officer (from 1 December 2010); Strategy Director (until 30 November 2010)	0-2.5	5-7.5	35-40	105-110	546	479	24
Mary Pattison – Acting Strategy Director (from 1 December 2010)	0-2.5	0-2.5	25-30	75-80	405	389	11
Stuart McKinnon-Evans – Finance Director	0-2.5	0-2.5	15-20	10-15	272	227	11
Sarah Scullion – Human Resources Director	2.5-5	-	10-15	-	192	142	20
Nigel Richardson – Customer and Partnerships Director	0-2.5	-	10-15	-	191	152	22
Charlie Massey – Ageing Society and State Pensions Director	-	-	-	-	-	-	-
Neil Couling – Benefit Strategy Director	-	-	-	-	-	-	-
John Delamore – CIT IS/IT Director for PDCS (until 16 December 2010)	0-2.5	0-2.5	35-40	115-120	844	824	(4)
Steve Riley – CIT IS/IT Director for PDCS (from 17 December 2010 until 9 March 2011)	0-2.5	0-2.5	40-45	120-125	800	791	(1)
Myrtle Lloyd – CIT IS/IT Director for PDCS (from 10 March 2011)	0-2.5	-	10-15	-	98	97	-
Peter Lowe – Change and Transformation Director	0-2.5	-	20-25	-	422	351	23

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

i. Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus) or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for lump sum to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3.0 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3.0 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk

j. Cash Equivalent Transfer Value

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidance and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

k. Real increase in Cash Equivalent Transfer Value

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

I. Non-Executive Directors (audited)

Fees and expenses were paid to the following Non-Executive Directors:

	2010/11 Total Fees and Expenses £'000	2009/10 Total Fees and Expenses £'000
Sir John de Trafford Bt. MBE (until 31 December 2010)	17	23
Kay Allen OBE (from 4 January 2010)	16	4
Willy Roe CBE	20	17
Kate Nash OBE (until 31 March 2011)	19	13
Dr Brian Woods-Scawen CBE (from 10 December 2009)	34	5
George McCorkell (until 31 July 2010)	11	34

Signed



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

Accounts

Statement of the Pension, Disability and Carers Service and Chief Executive's Responsibilities

Under the Government Resources and Accounts Act 2000, Her Majesty's Treasury has directed the Agency to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Agency during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Her Majesty's Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Principal Accounting Officer of the Department for Work and Pensions has designated the Chief Executive as Accounting Officer of the Agency.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money* published by Her Majesty's Treasury. Details may be accessed online at hm-Treasury.gov.uk.

Signed



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

Statement on Internal Control

Scope of responsibility

1. The Pension, Disability and Carers Service (PDCCS) is an executive agency of the DWP. It administers benefits, entitlements and other allowances to current and future pensioners, disabled people of all ages and their carers. It aims to do so in the most customer-centred and efficient way possible. I am accountable to the Department's Permanent Secretary for the secure and efficient delivery of £100.2 billion to over 16 million customers.
 2. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's and Agency's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally accountable, in accordance with the responsibilities assigned to me in Managing Public Money.
 3. My accountabilities were outlined by the Permanent Secretary in my Letter of Designation, when I assumed the role of Acting Agency Chief Executive from 1 December 2010. I am fully conversant with the internal controls for which I am responsible having deputised for the previous Chief Executive. On my appointment as Acting Chief Executive I received assurance from all of my Executive Team on the risk and control status within the organisation.
 4. I am accountable for the delivery of the Agency's objectives, to the standards defined in operational targets. I deliver these objectives within a framework of policies developed with Ministers, the Permanent Secretary and the Strategy, Information and Pensions Client Group as outlined in the Department's Strategic Objectives. I am responsible for developing strategies and plans to deliver the objectives using the resources allocated to the Agency.
 5. As a substantial part of the Agency's activity is delivered via external partners, it is important to ensure that robust contract management arrangements are in place to ensure the effective control and provision of office services, print, stationery and business travel for all sites.
 6. The Agency operates within a policy and contractual framework which has been developed as a Departmental standard. The Department's Commercial Directorate ensures that all commercial activity is carried out legally and provides best value for money. My Agency Team manage the operational implementation and compliance with Departmental contracts ensuring that risks are escalated and controls are fit for purpose.
 7. The Agency also relies on Human Resource, Accounting and Procurement provision through a Shared Service function and Information Technology is delivered through a centralised departmental team.
 8. The work of the Agency is increasingly reliant on sharing data with other Government departments and organisations. My Finance Directorate is continuing to mitigate risks associated with the sharing and use of information. This involves ensuring that all data sharing or transfer has the approval of a Senior Responsible Officer in accordance with Departmental standards and is scrutinised by the Agency's Head of Security.
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9. In addition to the delivery of day to day service to customers, I am also accountable for investment activity. The management of financial control in the Cross Government Programme “Tell Us Once” is also within my overall accountabilities. The Agency’s investment portfolio consists of 22 projects and programmes. The most significant of these in terms of customer and operational impact are Personal Independence Payment and changes which will affect State Pension age and equalisation.
10. Personal Independence Payment is a new benefit which will replace Disability Living Allowance for working age customers. There is also a new timetable for State Pension equalisation and to bring forward the increase in State Pension age from 65 to 66. My Chief Operating Officer is the Senior Responsible Officer for both of these projects.
11. The Agency has worked collaboratively with the Department’s centrally managed Change Programme to standardise business practices, enhance capability and develop a culture of continuous improvement. My Chief Operating Officer is the Senior Responsible Owner for the strand of work which is focusing on sharing and reusing customer information across the Department to provide a more efficient and effective service. With the Chief Executive of Jobcentre Plus I jointly chair the Departmental Change Programme Implementation Steering Group ensuring that the individual projects impacting PDCS deliver tangible operational improvements and deliver the customer service improvements and efficiencies agreed.
12. I have lead responsibility within the Department as Head of Profession for Operational Delivery. With the other 24 Heads of Profession across the Department I am responsible for defining, promoting, influencing and ensuring that cross-government standards and frameworks are met.

The purpose of the system of internal control

13. 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 an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in PDCS for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

14. I manage and provide leadership for the Agency’s risks with my Executive Management Team (EMT), with support from a dedicated risk team. The team have worked closely with Departmental colleagues to develop a new set of risk management practices and procedures for all staff that reflect the Department’s overarching risk management principles. Best practice from external organisations and enhancements to the way in which the Agency assesses its risk appetite was implemented in October 2010. Training sessions and products have been delivered to help staff play their part in managing risk.
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15. The Agency adopts the Departmental Risk Management Policy and Strategy as its own and adheres to the standards and common language of risk in line with the Departmental Executive Team directive to support a common methodology. During the year the Agency has worked closely with Departmental risk experts to improve the quality, governance and accountability of risk management. In the coming year this collaboration will continue, to ensure that the Agency targets the right risks in the right way.
 16. In line with Departmental principles, all managers have a responsibility to establish a culture which promotes consideration of risk as part of decision making processes and openness in reporting and escalating risk matters. My EMT is accountable for the identification, assessment and control of risks arising from the activities for which they have responsibility. This includes accountability for establishment of the risk appetite related to these activities.
 17. Every member of staff is responsible for understanding and managing the risks they take on behalf of the Department and for ensuring that they act within the authority and accountability delegated to them, including undertaking any policy, procedural and control requirements. Standardisation of business practices, personalising individual performance and internal checking regimes ensure that this is achieved.
 18. When business activities are outsourced to a third party (or remain in house) I am accountable for ensuring that attendant business risks are effectively managed by the supplier of the service.
 19. My EMT considers the strategic risks to delivering the Agency's objectives and records them in a strategic risk register. Executives have clear accountability to ensure that systems are in place to manage risk within their Directorates and are required to provide assurance as to the effectiveness of these risk management processes through an annual Statement on Risk Management, Internal Control & Corporate Governance.
 20. With my EMT, Board and Audit Committee I ensure that risk management is clearly linked to the success of our objectives and is built into our planning, management and reporting systems. Through a process of independent challenge by Risk Assurance Division and the non-executive members of my Audit Committee, my Board are assured that risk management is routinely appraised. During the year I have initiated a reassessment of the risk landscape to ensure that the Agency is keeping pace with emerging Welfare Reform plans and any associated risks.
 21. Risks are formally discussed and reviewed by my EMT on a monthly basis, including the prioritisation of the top five Agency risks. The strategic risk register and mitigating activity are reviewed, challenged and revised as necessary, at each Audit Committee and Board meeting to direct any additional activity needed to manage the risks effectively.
 22. Risk Assurance Division's work programme is aligned with the Agency's strategic risks. Their quarterly reports to the Audit Committee and regular engagement with Executives help inform their future work programme, capturing key concerns on the control environment.
 23. The PDCS Balanced Scorecard is the Agency's vehicle for managing the achievement of its strategic and business objectives and identifying any risks which may impact on delivery. It is reported monthly, and a full review of the Agency's performance takes place every quarter. Investment activity is governed using the Department's overarching framework for the management of Departmental investments through standardised controls and risk-based reporting.
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24. My EMT ensures that all people involved in the management of risks are suitably trained and have the appropriate risk management knowledge. The Agency's Change Programme has a dedicated team of trained risk practitioners. Areas of concern or threat are presented to staff on a regular basis through key messages on the Intranet, senior management conferences and leadership events, minutes from senior management meetings and other internal communication tools.
25. The Agency has started to review its benefit processes to identify risks and control weaknesses as part of an ongoing commitment to improving risk management. It will also involve assessing the adequacy of controls in key areas to manage the risk of financial loss, using a cross-governmental approach derived from current public sector good practice and endorsed by Her Majesty's Treasury.
26. The Agency's risk appetite is established via a combination of:
 - The implementation of appropriate operating or management policies, standards and procedures and
 - review, discussion and treatment of identified and assessed risks.
27. Significant risks that impact on the Agency's key objectives, financial position or reputation will be reported to the Department's Permanent Secretary and may be escalated to the Departmental risk register, Executive and Board. In year, the Agency has not escalated any risks.

The risk and control framework

28. Following my appointment as Accounting Officer I have reviewed the overarching Agency governance framework, seeking assurance that roles, responsibilities and accountabilities are adequately defined and embedded, to ensure continuity of business delivery and the effectiveness of control. I have initiated work to strengthen accountabilities within the organisation, ensuring that skilled and experienced people are responsible for key business processes, procedures and controls. The risk management process is an integral part of this framework.
 29. On behalf of my EMT, my risk team oversee the risk management process and Departmental methodology is applied to capture and assess risks, identifying the accountable owners at executive level. Directors are responsible for reassessing their risk assessment and mitigating action on a continuous basis appropriate to the risk in hand.
 30. Risks are identified at all levels of the business and are managed at the most appropriate level. Any risk that cannot be effectively managed within the business is escalated to my EMT.
 31. My Business Improvement and Change Delivery Team facilitate the risk management process by providing an impact assessment for all operational areas in PDCS, on all new products at each stage of development, ensuring that the final products fit with our delivery objectives.
 32. My Governance Manager has worked collaboratively on the Statement on Internal Control with the other parts of the Department who provide services on behalf of the Agency, challenging and seeking assurance on the effectiveness of controls in place to manage the risks associated with the provision of those services.
 33. The Information Security Committee is chaired by the Department's Legal Group Director General, in her capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information security issues facing the Department. Comprehensive Information System Security Standards are in place and new information systems are subject to security accreditation in accordance with Cabinet Office Standards.
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Review of effectiveness

34. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Risk Assurance Division and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and my risk team and a plan to address weaknesses and ensure continuous improvement of the system is in place.
 35. The effectiveness of the system of internal control has been reviewed by my Directors who each provided a Statement on Risk Management, Internal Control & Corporate Governance for their area of responsibility, informed by returns or opinions they themselves received from their senior managers. The Chair of the Audit Committee reviewed each statement and representation with the relevant Director and discussed the key findings with me.
 36. In the current economic climate, reducing the amount of money spent on the services currently provided by the Agency is a significant challenge that my leadership team and I face. Efficiencies will be delivered by putting more of our work online for customers to access, further reducing internal paper handling and also extending our Lean programme. In addition the organisation will move, over time, to a single contact centre across the Department. All of these measures will help the Agency to become more efficient.
 37. Clearly, there is a complex planning challenge for the next four years and beyond. The services provided by the Agency play an important part in the lives of millions of people and the Agency must continue to ensure that it meets their needs whilst making the efficiencies it has committed to delivering.
 38. Work is continuing within the Agency to ensure we develop and maintain an overarching, joined up strategy which will identify training, skills development, succession planning, talent and capacity management to enable the organisation to deal with the challenges presented by the Welfare Reform agenda and the Spending Review (SR10) settlement.
 39. The role of my Board is to advise, challenge and support me in my role as Acting Chief Executive. This function has been reappraised during the year to ensure that the Agency continue to maximise the knowledge and expertise of the Non Executive members with a greater emphasis on adding value to the development of Agency strategies and plans to meet Departmental and Ministerial objectives and targets.
 40. The Audit Committee works with my EMT and the Department's Risk Assurance Division to focus on those areas of the business at greatest risk. The Audit Committee receives regular updates on actions to address previously identified challenges within the Agency's system of internal control. Quarterly progress is reported to the Committee and they are routinely updated on the implementation of recommendation from internal and external reviews. This allows them to assess the effectiveness of mitigating actions and, where appropriate, request further work to be undertaken to strengthen the control environment.
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41. Risk Assurance Division undertakes a risk-based work programme, taking into account the business requirements in collaboration with my senior management team, and provides a quarterly assurance report to the Audit Committee. Board meetings focus on each of the Agency's most significant risks so that members can challenge the controls and mitigations in place.
 42. Risk Assurance Division provides an overall assessment of the Agency's performance risk and control framework in-year. For 2010/2011 the overall assessment is 'reasonable' with the exception of information security. At the beginning of the year the Audit Committee agreed that one of its objectives should be to improve controls and risk management where they had been assessed as 'Limited' and to maintain risk and control assessments in the remaining key areas. End of year results indicate that this has been achieved and the Agency will build on progress in-year to enhance information security controls.
 43. During the year, Risk Assurance Division has helped to evaluate the Agency's mandatory checking regime and compliance framework, including effectiveness at an operational level. Although the review confirmed compliance with the majority of management checks it also highlighted the need for robust scrutiny of management checks to ensure that they remain fit for purpose.
 44. In addition they have reviewed the effectiveness of disciplinary decision making and identified limitations in the management controls which ensure consistency of approach and outcome.
 45. This year has tested the Agency's approach to Business Continuity management and operational plans have been thoroughly exercised. Successful management of multiple test incidents and business disruptions has enabled the organisation to refine and improve plans.
 46. With my EMT I am promoting a 'Spending Wisely' approach to introduce more vigorous control of compliance and drive down costs. The campaign is promoting efficiency and the elimination of waste across the business, particularly in the areas of travel, IT equipment and telephony, general office services, reprographics and sustainability. By inviting staff to share their money saving ideas and identify the most effective ways to make savings, costs have reduced considerably.
 47. Customer satisfaction monitoring results have been compiled and indicate that the majority of customers are satisfied or very satisfied with the Agency's services. We monitor and evaluate customer satisfaction to measure Agency progress against Departmental standards of service delivery. Customers report that the best thing about the service is the staff and it is also encouraging to find that customers feel that they have been treated fairly.
 48. However, there are still improvements to be made to accessibility for disabled customers and their carers, keeping pensioners up to date with the progress of their enquiries and improving the clarity of our disability benefit forms. The insight gathered from our surveys will be used to deliver improvements to our services; for example finding ways to ensure our most vulnerable customers can access our services in ways that best meet their needs.
 49. The Agency has delivered a strong performance in terms of productivity, clearance times, telephony and customer service. We have less work outstanding now than we have ever had. We have also made further progress with regards to the accuracy of our decisions and payments.
 50. A sustained and rigorous approach to the application of attendance management policies has ensured that the Agency has made significant progress towards achieving its target and reduced the overall number of working days lost through absence.
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51. The Agency is working closely with corporate colleagues to identify how to improve its control capability and develop a culture of compliance. This involves identifying better measures in key areas such as business travel and information security. By getting underneath the headline data to challenge and fundamentally change behaviours the Agency is identifying and removing barriers to compliance.
52. The Agency has established a strong, independent community of security advisors who play an important role in maintaining a security focus in the context of complex and varied business delivery.
53. We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations. Overall good progress continues to be made but nevertheless this remains an issue for continued and relentless focus. The Security and Assurance Team have undertaken a series of actions to clarify roles and responsibilities of key information assurance roles and ensure that users of Departmental systems understand their responsibilities.
54. The Sub-Executive Team Information & Security Committee (I&SC) has been chaired throughout the year by the Department's Strategy, Information and Pensions Director General, in their capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information security issues facing the Department.
55. During this reporting period considerable progress has been made in addressing Cabinet Office Requirements within PDCS which has resulted in improvements in important aspects of information risk management. Key information security roles have been embedded within PDCS and there has been significant progress raising awareness, improving control over data transfers and implementing enhanced governance structures.
56. The Agency Information Asset Owner is supported by a team who are the expert domain on information security within the business. Information risks are highlighted, considered and reviewed throughout the development of new working practices and systems. All new systems come under the scrutiny of a security accreditation process.

Significant control challenges

57. The significant control challenges identified in last year's Statement on Internal Control have been actively managed, monitored and reviewed as part of the Agency's internal control framework. My Audit Committee have reviewed activity and progress against each of these challenges throughout the year.
 58. **Debt.** The levels of debt referred to the Central Debt Management Operation have a direct impact on the Departmental Resource Account and incomplete referrals represented a challenge for the Agency as outlined in last year's report. Evidence suggested that there was a considerable amount of debt that was never referred for overpayment action.
 59. Since then the Agency has introduced a reconciliation tool to provide better control of, and more robust information on, referrals. Small overpayment interventions and improved levels of scrutiny are ensuring that management attention is focused on making accurate and timely referrals and an electronic referral solution has been implemented to streamline the transfer process to Central Debt Management Operation. Indications are that this combined effort is having a positive effect on performance with the Agency achieving a referral rate of 99.9 per cent against a 95 per cent target.
 60. **Fraud and error.** Monetary loss through fraud and error in the Agency is a contributory factor to qualification of the Departmental Resource Account.
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61. The latest published estimates for Pension Credit monetary value of fraud and error loss are disappointing. However, the Agency was aware of the problem through its own checking processes and has already developed a number of initiatives to improve the situation. A fraud and error strategy has been developed and implemented which focuses on initiatives to reduce inaccuracy, fraud and error. This new strategy is continuously reviewed and revised and initiatives are constantly being impacted to measure their effectiveness.
 62. The strategy uses gateway interventions or pre-payment activities on certain new claims which are considered to be at high risk of customer mistake or fraud. It aims to prevent error getting into the case load through a risk based checking process; the use of data matching facilities to identify error already in the case load; the development of technical evaluation packages which identify processor weakness and provides focused training to stop the weakness; a case cleanse exercise directed at the highest monetary value of fraud and error in the case load and the use of the National Pay As You Earn system to prevent Non State Pension error.
 63. Pressure on resources will increase as SR10 efficiencies are realised, therefore the Agency will need to reconsider how it assigns resources in order to support and deliver the initiatives in the Fraud and Error Strategy. In the meantime, the Agency's priorities and efforts will focus on the top monetary value fraud and errors. The most recent Risk Assurance Division assessment endorsed this approach with an overall 'reasonable' level of assurance.
 64. It is essential to have up to date information on error in order to take corrective action. It is also important for business units to know their accuracy performance on a regular basis. Through the deployment and re-evaluation of independent, robust and effective checking regimes the Agency is improving its capability to identify the root cause of error and improve performance. A new checking regime will be in operation from 2011. This will include an assurance function in addition to the routine accuracy checking. The functionality will enable individual business units to be held to account to deliver improved performance.
 65. In addition, the General Matching Service (GMS) is a valuable tool for identifying fraud and error. It identifies potential errors, with the intention that correction can take place quickly, so reducing further over/under-payment. During the year capability has been enhanced to identify error in the existing Attendance Allowance and Disability Living Allowance caseload. This occurred as a result of weaknesses in the technological and clerical interfaces between different parts of the organisation.
 66. However, final results for 2010/2011 indicate that the Agency achieved 91.5 per cent clearance against a target of 85 per cent. GMS is constantly being reviewed, developed and targeted at the top errors with the highest monetary loss. GMS data matching cleanses the existing case load but it needs to be supported by excellent feed back to staff and by focused training and inefficiency action when required. The introduction of greater assurance activity next year will ensure that feed back arrangements are in place, are effective and the relevant action for improvement is managed. My management team are continuing to monitor and report progress.
 67. **Manual payments.** In the 2009-10 Statement on Internal Control, a weakness was identified in the end-to-end process for making certain types of manual payment through the Department's computer systems. Following a comprehensive review, a number of improvements have been made to existing controls. Internal system guidance has been revised and Delegated Financial Authority guidance introduced to provide clarity on the level of authority needed to approve payment authority forms.
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68. **Information security.** During 2010/2011 the Agency continued to review the effectiveness of information security internal controls. An information asset inventory and suitable controls are undergoing close scrutiny for completeness and vulnerability testing is continuing to provide assurance that information assets are being protected. The appetite for information security risks remains low and overall good progress has been made to reinforce controls through a sustained focus on vulnerability testing, call monitoring and individual site assessments. The Agency is working collaboratively with Departmental leads to improve the controls governing access to its systems.
69. **Audit trail.** The issue raised in previous years of an inadequate audit trail on the Disability Living Allowance and Attendance Allowance Computer System was resolved during the year and an audit trail functionality has now been fully implemented.
70. However, the Pension Strategy Computer System audit trail controls are currently under scrutiny. The Agency is exploring functional enhancements which will help to reduce the risks in this area.
71. **National Insurance.** Last year's Statement on Internal Control identified discrepancies with the accurate recording of National Insurance Credits and the interfaces with the Her Majesty's Revenue and Customs National Insurance and PAYE system (NPS). Automatic notifications from NPS to the Carers Allowance Unit had not been issued and the Agency was assessing the impact for customers. This challenge has now been resolved and the notification process has been working effectively since April 2009. The work to clear the remaining backlog of notifications has taken longer than originally anticipated but is expected to be completed during 2011/2012.
72. The Agency continues to work closely with the Her Majesty's Revenue and Customs and across DWP to identify any weaknesses in the allocation of National Insurance credits and ensure the accuracy of entitlement decisions for customers.
73. **IT stability.** The capacity and capability of the Agency's IT systems has put operational delivery at risk, at several points during the year. The stability of IT and slow running times have adversely impacted operational capacity and tested the effectiveness of business continuity arrangements. Robust recovery plans were put in place to restore functionality and a designated steering committee was appointed to identify the root causes of instability and learn lessons that will be applied in the future.
74. **Taxation payments to HMRC.** An analysis of cases indicates that taxation on State Pension deferral cases has been incorrectly paid to Her Majesty's Revenue and Customs. Duplicate payments to HMRC have arisen through an incorrect monthly accounting process causing prior year tax adjustments to be paid twice. Evidence shows that the error made is an accounting one. Payments of deferred State Pension made to customers (net of tax) by PDCS have been correctly paid. Investigations into the error have also identified a small number of customers whose tax notification could be affected because of a breakdown in the accounting and tax notification process between PDCS and Her Majesty's Revenue and Customs.
75. In March, Her Majesty's Revenue and Customs were notified of these issues and further work is now underway to resolve the duplicate payment and review the information exchange that takes place between Her Majesty's Revenue and Customs and PDCS. The accounting process was corrected in January 2011. However corrections are still required for payments made between April 2008 and January 2011. A process improvement plan is now in place to review and implement the operational and functional enhancements required.
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76. **Accuracy of information.** Recommendations made by Risk Assurance Division to improve the review and control of information contained in customer leaflets have been accepted and implemented. The issue is being monitored and is no longer considered to be a significant control challenge. Risk Assurance Division recently completed a follow-up review and assessed controls in this area as 'reasonable'.
77. **Duplicate payments.** About three years ago the Agency identified, that duplicate payments of Attendance Allowance/Disability Living Allowance were being made through disability and pension systems. Data matching rules were developed to identify all the cases and these continue. In addition, combined payments of Attendance Allowance/Disability Living Allowance and pension benefits for all new customers have ceased, preventing further error from entering the caseload. The issue is being monitored and is no longer considered to be a significant control challenge.

Signed



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

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

I certify that I have audited the financial statements of the Pension, Disability and Carers Service for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in Foreword, Introduction, Our challenges, Our business, Our people, Our standards, Our customers, Our partners and stakeholders, Our leadership team and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; and
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
14 July 2011

Accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	2010/11 £'000	Restated 2009/10 £'000
Administration costs			
Staff costs	3	392,800	401,157
Other administration costs	4	451,803	557,818
Gross administration costs		844,603	958,975
Operating income	6	(2,785)	(3,306)
Net administration costs		841,818	955,669
Net operating cost	22	841,818	955,669
Other comprehensive expenditure			
Net loss/(gain) on revaluation of intangible assets		3,714	(7,939)
Total comprehensive expenditure for the year ended 31 March 2011		845,532	947,730

All income and expenditure is derived from continuing operations.

The notes on pages 61 to 100 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011 £'000	Restated 31 March 2010 £'000	Restated 1 April 2009 £'000
Non-current assets				
Property, plant and equipment	7	13,314	14,396	13,080
Intangible assets	8	63,806	102,064	146,346
Trade and other receivables	11	56	63	92
Total non-current assets		77,176	116,523	159,518
Current assets				
Trade and other receivables	11	994	2,548	3,621
Cash and cash equivalents	12	6	5	15
Total current assets		1,000	2,553	3,636
Total assets		78,176	119,076	163,154
Current liabilities				
Trade and other payables	13	(41,798)	(43,948)	(60,998)
Total current liabilities		(41,798)	(43,948)	(60,998)
Non-current assets plus/less net current assets/liabilities		36,378	75,128	102,156
Non-current liabilities				
Provisions	14	(1,703)	(4,251)	(5,832)
Total non-current liabilities		(1,703)	(4,251)	(5,832)
Assets less Liabilities		34,675	70,877	96,324
Taxpayers' Equity				
General Fund		34,118	65,487	94,940
Revaluation Reserve		557	5,390	1,384
Total Taxpayers' Equity		34,675	70,877	96,324

The notes on pages 61 to 100 form part of these accounts.

Signed



Vivien Hopkins OBE
Acting Chief Executive
6 July 2011

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010/11 £'000	Restated 2009/10 £'000
Cash flows from operating activities			
Net operating cost		(841,818)	(955,669)
Adjustments for non-cash transactions	4	303,691	364,763
Decrease in trade and other receivables	11	1,561	1,102
Adjusted for movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		361	(452)
Decrease in trade and other payables	13	(2,150)	(17,050)
Adjusted for movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,822)	2,980
Use of provisions	14	(3,312)	(4,244)
Net cash outflow from operating activities		(543,489)	(608,570)
Cash flows from investing activities			
Purchase of property, plant and equipment	7f	3	(3,008)
Purchase of intangible assets	8f	(5,531)	(5,110)
Net cash outflow from investing activities		(5,528)	(8,118)
Cash flows from financing activities			
Funding from the Department		253,178	289,060
Net financing from the National Insurance Fund		295,859	327,625
Payments of amounts due to the Consolidated Fund		(19)	(7)
Net financing		549,018	616,678
Net increase/(decrease) in cash and cash equivalents in the period		1	(10)
Cash and cash equivalents at the beginning of the period	12	5	15
Cash and cash equivalents at the end of the period	12	6	5

The notes on pages 61 to 100 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2009		96,087	758	96,845
Restatements		(1,147)	626	(521)
Restated balance at 1 April 2009	22	94,940	1,384	96,324
Funding from the Department		289,060	-	289,060
National Insurance Fund		327,625	-	327,625
CFERs payable to the Consolidated Fund		(7)	-	(7)
Net operating cost		(955,669)	-	(955,669)
Non-cash adjustments				
Non-cash charges – auditor's remuneration	4	187	-	187
Non-cash charges – intra-departmental charges	5	305,512	-	305,512
Non-cash charges – non-cash capital additions	8	(94)	-	(94)
Movements in reserves				
Recognised in Statement of Comprehensive Net Expenditure		-	7,939	7,939
Transfers between reserves	1.16	3,933	(3,933)	-
Balance at 31 March 2010 restated	22	65,487	5,390	70,877
Funding from the Department		253,178	-	253,178
National Insurance Fund		295,859	-	295,859
CFERs payable to the Consolidated Fund		(18)	-	(18)
Net operating cost		(841,818)	-	(841,818)
Non-cash adjustments				
Non-cash charges – auditor's remuneration	4	163	-	163
Non-cash charges – intra-departmental charges	5	260,148	-	260,148
Movements in reserves				
Recognised in Statement of Comprehensive Net Expenditure		-	(3,714)	(3,714)
Transfers between reserves	1.16	1,119	(1,119)	-
Balance at 31 March 2011		34,118	557	34,675

- a. The General Fund represents the total assets less liabilities of the Agency to the extent that the total is not represented by other reserves and financing items.
- b. The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. The full Revaluation Reserve balance of £557k (1 April 2010: £5,390k) relates to intangible assets (see Notes 1.4c and 1.16).
- c. Cost of capital has been removed to reflect changes to FReM requirements in line with corresponding changes to budgets and Estimates. Accordingly, 2009/10 figures have been restated, affecting both non-cash charges and comprehensive net expenditure. There is no overall impact on the opening 2009/10 General Fund balance (see Notes 1.2 and 22) or on the Statement of Financial Position.

The notes on pages 61 to 100 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2011

Note 1: Statement of accounting policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by Her Majesty's Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs), as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Agency are set out below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

All amounts included in the financial statements have been rounded to the nearest thousand pounds unless stated otherwise.

a. Going concern

In preparing these accounts, the Agency has assessed that the business it operates will continue as a going concern. The Agency receives its funding from the Department as part of the Government's Spending Review 2010, by drawing down funds from the UK Consolidated Fund. The application for future financing of the Department approved annually by Parliament and the funding settlement allocated internally from the Department to the Agency provide funding through to 2014-15.

Legislation and Departmental policy currently require the continuation of the Pension, Disability and Carers Service as an Agency within the Department and the Directors routinely review the management accounting and other relevant information to confirm that all activities within the Agency continue within the funding provisions made available. Accordingly, they are satisfied that the financial statements are prepared on a going concern basis.

1.2 Accounting standards, interpretations and amendments

Adopted in these financial statements

All International Financial Reporting Standards, interpretations and amendments to published standards, effective at 31 March 2011, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

The Agency has adopted the following new and amended IFRSs as of 1 April 2010:

IAS 7 Statement of Cash Flows (effective for periods beginning on or after 1 January 2010): this requires that only expenditure which results in a recognised asset in the Statement of Financial Position can be classified within investing activities. The Agency is compliant with IAS 7 in that the only recognised investing activities are the purchase of property, plant and equipment and intangible assets within the Statement of Financial Position.

IAS 17 Leases (effective for periods beginning on or after 1 January 2010): prior to this amendment, land leases were generally classified as operating leases. The amendment requires that land leases are classified as either finance leases or operating leases in accordance with the principles of IAS 17. This is significant where property is held under long term leases which are, in effect, little different to property purchase. The Agency has undertaken a review of its land leases and has determined that there is no impact. Land leases held by the Agency therefore remain classified as operating leases.

As a result of the Clear Line of Sight project, the following amendments to the FReM have been made and are effective from 1 April 2010:

Her Majesty's Treasury Clear Line of Sight Project aims to align budgets, Estimates and accounts. As a result of amendments to the budgetary regime, cost of capital charges have been removed from financial statements with effect from 1 April 2010 in line with corresponding changes to budgets and Estimates. The effect of this change is disclosed in Note 22.

Additional amendments to the FReM, effective from 1 April 2010, have been made in respect of the amendment to terminology from the Operating Cost Statement to the Statement of Comprehensive Net Expenditure, the addition of Other Comprehensive Expenditure and the adaptation of IAS 36 Impairment of Assets. The latter requires impairments of non-current assets that arise from a clear consumption of economic benefits to be taken direct to the Statement of Comprehensive Net Expenditure rather than via the Revaluation Reserve.

Effective for future financial years

The following IFRSs and International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments applicable to the Agency have been issued, but are not yet effective and have not been adopted early by the Agency:

IFRS 7 Financial Instruments: Disclosures (effective for periods beginning on or after 1 January 2011): the amendment clarifies requirements in respect of quantitative disclosures and exposure to credit risk. The Agency will undertake an assessment in respect of the amendments in order to provide those additional disclosures required for the 2011/12 financial statements.

IFRS 7 Financial Instruments: Disclosures (effective for periods beginning on or after 1 July 2011): detailed disclosures are required for financial assets transferred to another entity but not derecognised in their entirety and financial assets derecognised in their entirety but in which the reporting entity has an involvement. The Agency does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2012/13 financial statements.

IFRS 9 Financial Instruments: classification and measurement (effective for periods beginning on or after 1 January 2013): IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. Further proposals were introduced in October 2010 in respect of the derecognition of financial assets and liabilities. IFRS 9 is due to be expanded further in June 2011 with regard to the impairment of financial assets measured at amortised cost. The Agency will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IAS 24 Related Party Transactions (effective for periods beginning on or after 1 January 2011): the amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also clarifies the definition of a related party.

1.3 Accounting convention

These accounts have been prepared under the historical cost convention, modified for the revaluation of non-current assets at fair value, as determined by the relevant International Accounting Standards.

1.4 Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Department's accounting policies. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

a. Impairment of trade and other receivables

The Agency reviews its receivables for impairment each year. For the purposes of assessing the impairment of receivables, balances are analysed by category type and aged profile as this is considered to be the most reliable predictor of future payment performance. Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable.

The impairment percentage is calculated to reflect the aged profile characteristics of the receivable balances falling due within one year and the recoverability thereof.

The percentage is calculated using the prevailing recovery rates exhibited by the respective receivable profile for the Agency by receivable category type and age category (where appropriate) and by calculating the actual recovery rates from a recent preceding 12 month period. The calculation includes instalment payments but excludes receivables due within one year from other Government departments as these are expected to be fully recovered.

The respective impairment percentage calculations are applied to the appropriate receivable balances falling due within one year (by category) as disclosed in the Statement of Financial Position at 31 March 2011. This will ensure that assets are carried at no more than their fair value i.e. their expected recoverable amount.

Receivables greater than one year old are subject to 100 per cent impairment as it is considered unlikely that debts of this age will be recovered.

b. Employee leave accrual

IAS19 requires the Agency to determine true short term employee benefit liability for employee leave. The Agency had been relying on a planned system upgrade to collect data for each employee that would calculate the respective employee leave accrual figures at a specific point in time. Delays to the implementation of the upgrade have resulted in the Agency developing an interim proxy measure using a sampling approach for calculating the accrual at 31 March 2009, 31 March 2010 and 31 March 2011.

As the basis of the population and its structure within the Agency has not changed significantly to that presented for 2009/10, the employee leave accrual calculation for 2010/11 has been based on March 2010 estimates rolled forward and adjusted for in-month average salaries for March 2011 and Full Time Equivalent numbers at 31 March 2011 in order to provide a valid estimate.

c. Revaluation of intangible assets

The FReM interpretation of IAS 38 requires the Agency to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. As suggested in the FReM, the Agency has applied appropriate indices to revalue developed software and software licence assets to 31 March 2011.

The Agency, in line with the Department, has decided to use the final February restated indices which is a change in the estimation technique in 2010-11 as prior year indexation was based on the latest available indices. Due to the publication timetable for indices, this change ensures that revaluation is based on final published indices instead of provisional indices which can be unreliable. The change also ensures that developed software asset values are not distorted by material bonus payments that are typically reflected in the March Average Weekly Earnings index. The 2010-11 impact of changing the estimation technique is to decrease the software development net book value by £1.4 million, decrease in year depreciation by £1.1 million and decrease reserves by £2.5 million. The impact on software licences is negligible.

i. Software development

Following extensive consideration and a review of alternative indices, the Agency, in line with the Department, has selected the Average Weekly Earnings (AWE) Private Sector index to revalue its developed software assets. Management consider this to be the most suitable proxy to fair value for developed software given the labour intensive nature of software development. The main assumption held in coming to this conclusion is that the costs incurred to replace such assets are correlated to movements in the cost of labour within the private sector. Application of this index has resulted in a devaluation in 2010/11. Management believe this is appropriate and brings down the valuation from the peak at the end 31 March 2010 where the index was impacted by high bonus payments and pay advances.

ii. Software licences

Experts across the Department have liaised extensively to establish a considered and informed view of the most appropriate basis on which to perform the revaluation. There is a consensus of opinion that there is no index currently available that provides a flawless result. No trend information is held by the Department on the specific licences used by the Agency. Due to the range of software in the market, it is not practical for the Department's Corporate IT to maintain an up to date price list for all suppliers.

As the next best alternative, the index viewed by management as most appropriate in achieving the requirement of IAS 38 and the FReM to establish a suitable proxy for fair value is MM17: Computers and peripheral equipment JV5(a). The main assumption being that although this includes movements in IT hardware as well as licence prices it adequately reflects the movements in the costs of licences during the changing market conditions experienced over this period. This index replaces MM 17: Computers & other information processing equipment PQEK which was used to revalue software licences to 31 March 2010 and was discontinued by the Office of National Statistics in October 2010.

1.5 Administration expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration income and expenditure. The classification of expenditure and income as administration follows the definition set out in the FReM.

Administration costs reflect the costs of running the Agency. These include both administrative costs and associated income.

1.6 Employee benefits

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Agency has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to Senior Civil Service (SCS) employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.21.

1.7 Research and Development expenditure

Expenditure on research is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within IAS 38 Intangible Assets. Development costs previously recognised correctly as an expense prior to the relevant capitalisation criteria being met are not subsequently recognised as an asset upon satisfaction of those criteria.

1.8 Value Added Tax (VAT)

Most of the activities of the Agency are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. As the Department is treated as a single entity for VAT purposes, the recoverable VAT balance is shown within the Department's Resource Account.

1.9 Insurance

The Agency does not purchase commercial insurance unless it is required under the standard terms of a service contract. Losses arising from damage to or loss of assets, employer's liability and claims from third parties are charged directly to the Statement of Comprehensive Net Expenditure.

1.10 Operating income

Operating income is income that relates directly to the operating activities of the Agency (see Note 6). It comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work, and also includes other income such as that from investments. It includes both income appropriated in aid of the Estimate and income to be surrendered to the Consolidated Fund which, in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT.

1.11 Property, plant and equipment

Property, plant and equipment are stated at fair value. However, as permitted by the FReM, the Agency has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture and fittings. The treatment of property assets is disclosed in Note 1.12.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware has a capitalisation threshold of £1,000. A capitalisation threshold of £100,000 is applied to leasehold improvements. For all other tangible assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered prohibitive and therefore the majority of these items are recorded on a pooled basis.

On initial recognition assets include any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Statement of Comprehensive Net Expenditure during the financial period in which it is incurred.

1.12 Land and buildings

The Agency does not include in its Statement of Financial Position the capital value of the land and buildings that it occupies. The Agency has an operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies (see Note 4d).

1.13 Intangible assets

Whether acquired externally or generated internally, intangible assets are initially measured at cost, with subsequent measurement at fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Purchased software

Purchased software licences and applications with a licence period of more than one year and above the capitalisation threshold of £1,000 are capitalised at cost as intangible assets and subsequently reported at depreciated replacement cost, using appropriate indices as a proxy for fair value. In view of the large number of software licences purchased across the Agency, any pooled assets with a combined cost of £100,000 or more are capitalised.

Expenditure on annual software licences is charged to the Statement of Comprehensive Net Expenditure.

Software development

Developed software is capitalised if it meets the criteria specified in IAS 38 Intangible Assets. Costs that are categorised as research or development costs are accounted for in accordance with Note 1.7. Development costs are classified as assets under construction until the asset is available for use, at which point the asset is transferred to the relevant asset class.

Expenditure that does not meet the criteria for capitalisation is recognised as an expense in the year in which it is incurred. Costs associated with the maintenance of software are also expensed when incurred.

Website development costs

Website development costs are capitalised in line with the requirements of Standing Interpretations Committee (SIC) 32 Web Site Costs and the specific criteria as determined by IAS 38 Intangible Assets. Costs are categorised as research or development costs and accounted for accordingly (see Note 1.7).

1.14 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Depreciation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Property, plant and equipment are therefore depreciated from the month following acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Agency.

Estimated useful asset lives are normally in the following ranges:

Information Technology	3 to 7 years
Plant and machinery	5 to 10 years
Furniture and fittings	2 to 15 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.15 Amortisation

Amortisation is calculated on intangible assets with a finite life using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Estimated useful asset lives are normally in the following ranges:

Software licences	shorter of licence period and 5 years
Software development	5 years
Websites	5 years

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore amortised from the month following acquisition. Should the Agency purchase licences in advance, they are deemed available for use as soon as they are purchased. No amortisation is charged in the month of disposal.

Assets in the course of construction and indefinite life intangible assets are not amortised but are instead subject to impairment reviews until the asset is brought into use.

The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.16 Revaluation and impairment of non-current assets

a. Revaluations

Gains on revaluation are credited to the Revaluation Reserve. Losses on revaluation are debited to the Revaluation Reserve up to the level of depreciated historical cost. Any excess devaluation is charged to the Statement of Comprehensive Net Expenditure. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the Revaluation Reserve to the General Fund.

On disposal of a revalued asset, the balance on the Revaluation Reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

b. Impairment

Impairment losses that result from a clear consumption of economic benefit are taken directly to the Statement of Comprehensive Net Expenditure. Other impairment losses are debited to the Revaluation Reserve up to the level of depreciated historic cost, with any excess being taken to the Statement of Comprehensive Net Expenditure. Where the impairment relates to a previously revalued asset, the balance on the Revaluation Reserve to which the impairment would have been charged is transferred to the General Fund to ensure consistency with IAS 36.

All non-current assets and assets under the course of construction are reviewed annually for impairment. If circumstances arise that indicate the carrying amount may not be recoverable, an impairment is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.17 Financial assets and liabilities

Financial assets and liabilities are recognised when the Agency becomes party to the contracts that give rise to them. The Agency determines the classification of financial assets and liabilities at initial recognition, in line with the categories designated by IAS 39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Agency has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, Agency policy that no trading in financial instruments is undertaken.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. On initial recognition of a financial instrument, this is usually the transaction amount. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost, net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Statement of Comprehensive Net Expenditure. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non-interest bearing and are initially recognised at fair value, which is deemed to be the original invoiced amount. They are subsequently carried at amortised cost.

Impairment of financial assets

The Agency assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial instrument, they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purposes of a collective evaluation of impairment financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Statement of Comprehensive Net Expenditure. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Additional information is provided in Note 1.4a.

For the purpose of measuring the impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows.

1.18 Inventories

The Agency holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items, the Agency does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Agency charges all expenditure on consumable items to the Statement of Comprehensive Net Expenditure on receipt.

1.19 Provisions

Provisions are recognised when the Agency has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by Her Majesty's Treasury (currently 2.2 per cent - 2009/10: 2.2 per cent). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Statement of Comprehensive Net Expenditure.

1.20 Early Departure costs

For past early departure schemes, the Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 2.9% (2009-10 1.8%) in real terms.

From 22 December 2010, new Civil Service compensation terms have been introduced for early departure schemes. All exit costs falling to be paid by the Department under the new terms consist of lump sum payments only, which are recognised in the financial statements.

Where the Department funds these early release schemes centrally a provision is created in the Resource Account with notional costs of lump sum and annual compensation payments recharged to the Business Units including the Agency.

1.21 Pensions

Past and present employees are covered by the provisions of the PCSPS, details of which are described in Note 3 and the Remuneration Report (paragraph i). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice.gov.uk)

1.22 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. It requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all the risks and rewards of ownership are borne by the Agency are classified as finance leases. Leased assets are capitalised, on inception of the lease, at the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease, or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Lease payments are apportioned between reductions in the capital obligation included in payables and the interest element of the finance lease payment, which is charged to the Statement of Comprehensive Net Expenditure over the period of the lease.

Leases, where the lessor retains a significant portion of the risks and rewards of ownership, are classified as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

1.23 Private Finance Initiative (PFI) transactions

The Agency utilises services provided under capital PFI contracts held centrally by the Department. Full details of these contracts are disclosed in the Department's Resource Account.

1.24 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless the likelihood of a transfer of economic benefits is remote.

In addition to contingent liabilities disclosed in accordance with IAS 37 the Agency discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Agency entering into the agreement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the accounts) which are required by the FReM to be noted in the accounts.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.25 Operating segments

IFRS 8 applies in full to the Agency. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Team.

Note 2: Analysis of net operating cost by segment

IFRS 8 requires the Agency to disclose costs and balances by operating segment as reported to the Executive Management Team.

The following table shows the analysis of spend according to the operating segments as reported to the Executive Management Team.

	Operations £'000	Investment £'000	Central £'000	2010/11 Total £'000
Administration costs	364,318	47,490	173,090	584,898
Administration income	(1,727)	(223)	(835)	(2,785)
Non-cash	161,763	21,089	76,853	259,705
Net operating cost	524,354	68,356	249,108	841,818

	Operations £'000	Investment £'000	Central £'000	2009/10 Total £'000
Administration costs	382,947	75,634	194,395	652,976
Administration income	(2,903)	(106)	(297)	(3,306)
Non-cash	177,479	36,720	91,800	305,999
Net operating cost	557,523	112,248	285,898	955,669

The segments chosen reflect the structure of the Agency and its funding categories. Operations mainly consists of the benefit processing teams responsible for the decision making, maintenance and review of Attendance Allowance, Carer's Allowance, Disability Living Allowance and Pension awards and is controlled by the Chief Operating Officer.

The Investment segment includes investment activities from both Core funded and Change Programme funded initiatives.

Central includes all support directorates like Customer and Partnerships, Finance and IT and those centrally held budgets that are managed therein, including estates, and from 2009/10, devolved non-cash budgets for items such as depreciation.

Non-cash includes those budgets not yet devolved to the control of the Agency. The non-cash figure consists of some minor administration costs plus the majority of the intra-departmental charges, as seen in Note 4.

In last years' accounts, the non-cash figures were included as a reconciling item within the narrative. This year they have been added into the table and last years' comparative figures have been adjusted to include the non-cash figures and to take into account any restatements.

Note 3: Staff numbers and related costs

(a) Staff costs

Staff costs comprise:

	2010/11			Restated 2009/10 (Note 22)
	Permanently employed staff £'000	Others £'000	Total £'000	Total £'000
Wages and salaries	304,052	11,193	315,245	328,317
Employers' National Insurance	19,477	62	19,539	20,425
Superannuation and pension costs	49,979	8	49,987	52,067
Lump sum exit costs	8,029	-	8,029	348
Total staff costs	381,537	11,263	392,800	401,157
Less: recoveries in respect of outward secondments	-	-	-	(89)
Less: other recoveries of staff costs	-	-	-	-
Total net costs	381,537	11,263	392,800	401,068

The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk).

For 2010/11, employers' contributions of £49.8 million were payable to the PCSPS (2009/10: £51.9 million restated) at one of four rates in the range 16.7 per cent to 24.3 per cent (2009/10: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of benefits accruing during 2010/11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £4.6 million (2009/10: £4.7 million) were payable to the Civil Superannuation Vote at 31 March 2011 and are included in payables (see Note 13).

Employees can opt to open a partnership pension account or a stakeholder pension with an employer contribution. Employers' contributions of £160k (2009/10: £142k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2009/10: 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £11k (2009/10: £9k), 0.8 per cent of pensionable pay (2009/10: 0.8 per cent), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £11k (2009/10: £13k). Contributions prepaid were £nil at both 31 March 2011 and 31 March 2010.

In 2010/11, 15 persons (2009/10: 19 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £54k (2009/10: £37k). These liabilities are not the responsibility of the Agency but are to be paid by the Civil Superannuation Vote.

(b) Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

	2010/11			2009/10
	Permanent staff	Others	Total	Total
	13,475	445	13,920	14,948

(c) Early Departure scheme packages

Departure package cost band £'000	2010/11 Number of other departures agreed*	2009/10 Number of other departures agreed*
0 - 10	120	90
10 - 25	100	40
25 - 50	70	20
50 - 100	50	-
100 - 150	-	-
150 - 200	-	-
Total number of packages	340	150
Total cost £'000	9,217	1,941

*Numbers are rounded to the nearest ten and numbers less than five are represented by “-”.

There are no early departure scheme packages categorised as compulsory redundancies.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when the early retirement programme becomes binding on the Agency although actual dates of departure may fall in the following reporting period. Where the Agency, in conjunction with the Department, has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Note 4: Other administration costs

	Note	2010/11		Restated 2009/10	
		£'000	£'000	£'000	£'000
Goods and services	4a		53,111		66,252
IT services	4b		17,910		45,428
Accommodation costs	4c		35,093		39,072
Rentals under operating leases					
Hire of plant and machinery			333		363
Other operating leases	4d		<u>16,086</u>		<u>17,820</u>
			16,419		18,183
Staff related travel and subsistence			7,199		13,157
Compensation payments to customers	4e		18,380		10,963
Non-cash charges					
Intra-departmental charges	5		260,148		305,512
Depreciation of non-current assets	7c		4,251		4,178
Amortisation of non-current assets	8b		38,392		52,270
Loss on disposal of non-current assets	7d/8c		188		934
Impairment of non-current assets	7e		26		-
Revaluation loss/(gain)			120		(1,433)
Provisions					
Movement in year	14		788		2,616
Unwinding of discount	14		(24)		47
Movement in impairment of receivables	11		<u>(361)</u>		<u>452</u>
			403		3,115
Notional charges					
Auditor's remuneration – statutory audit	4f		<u>163</u>		<u>187</u>
			163		187
			<u>451,803</u>		<u>557,818</u>

- a. Goods and services relate to a number of different costs which include medical services, contracted out services, telephone and postage, consultancy and printing and stationery.
 - b. The IT services costs relate to costs that the Agency pays directly (such as desktop services). These differ from the IT services figure in Note 5 due to their direct nature. The IT costs within Note 5 are those recharged to the Agency from central IT contracts.
 - c. Accommodation costs include property maintenance costs paid directly by the Agency and property rates and utilities paid to Telereal Trillium in respect of accommodation provided under a centrally held PFI contract.
 - d. The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation. As part of this provision, the Agency has an operating lease arrangement in place with the Department for the properties, or parts thereof, which they occupy. A similar arrangement is in place for properties held under the Newcastle Estates Accommodation Agreement.
 - e. The Agency compensates those customers whose cases have been badly handled. The Agency exceptionally makes consolatory payments for worry and distress caused by serious official error or by the mishandling of a complaint. For further details see Note 20.
 - f. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General.
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Note 5: Intra-departmental charges

The Department is regarded as a related party. During the year the Agency has had a significant number of material transactions with the Department, the nature and value of which is summarised in the following table. The most significant transactions with the Department occur with Corporate and Shared Services and these are highlighted separately.

	Note	2010/11		Restated 2009/10	
		£'000	£'000	£'000	£'000
Charges received					
Corporate and Shared Services	5a	146,983		170,671	
IT services	5b/5c	107,345		124,527	
Early departure scheme	5d	156		549	
Other business units		5,664		10,380	
			260,148		306,127
Services provided					
Other business units		-		(615)	
			-		(615)
			260,148		305,512

- a. The charge of £147.0 million (2009/10: £170.7 million) covers services provided by other Departmental Business Units. The main elements are:
 - Employee Services and Financial and Debt Recovery Services supplied by the Department Shared Services of £35.1 million (2009/10: £31.0 million)
 - Encashment services provided by Post Office Counters Limited and Santander Commercial Bank via a Departmental arrangement of £65.6 million (2009/10: £72.2 million)
 - Corporate IT charges of £18.5 million (2009/10: £23.5 million).
- b. The Department has a central contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The Agency receives its share of these services via a rental arrangement in place with the Department, which is charged on a notional basis.
- c. The Department has a contract with BT Syntegra for a fully serviced IT and telephony network. The assets used to provide the service are an integral part of a network serving Departmental sites across the country and are recognised at Departmental level. The Agency incurs service charges for its use of these assets.
- d. Provisions in respect of the Departmental early departure scheme have been created within the Department's Resource Account. The costs of lump sum payments and Annual Compensation Payments (ACPs) have been recharged to the Agency on a notional basis, pro-rata to the number of surpluses declared by each Departmental entity. Where departures are funded by the Agency, they are provided for within these accounts and shown in Note 14.

Note 6: Operating income

	2010/11 Total £'000	2009/10 Total £'000
Administration		
Income from external customers	948	1,355
Income from other Government departments	1,837	1,951
	2,785	3,306

None of the above income relates to services for which a fee is charged. Consequently, a further analysis for fees and charges purposes is not required.

Note 7: Property, plant and equipment

Property, plant and equipment by category: 2010/11

	Note	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Total £'000
Cost or valuation					
At 1 April 2010		26,951	753	608	28,312
Additions	7b	-	-	-	-
Adjustments to prior year additions	7b	-	-	(3)	(3)
Disposals	7d	(7,837)	(588)	(242)	(8,667)
Impairments	7e/9	(40)	(66)	-	(106)
Reclassification		3,363	-	-	3,363
At 31 March 2011		22,437	99	363	22,899
Depreciation					
At 1 April 2010		13,044	679	193	13,916
Charged in year	7c	4,223	22	6	4,251
Disposals	7d	(7,837)	(585)	(80)	(8,502)
Impairments	7e/9	(30)	(50)	-	(80)
At 31 March 2011		9,400	66	119	9,585
Net book value at 31 March 2011		13,037	33	244	13,314
Net book value at 31 March 2010		13,907	74	415	14,396

Property, plant and equipment by category: 2009/10

	Note	Information Technology £'000	Plant and machinery £'000	Furniture and fittings £'000	Total £'000
Cost or valuation					
At 1 April 2009		21,401	713	2,708	24,822
Additions	7b	(11)	40	(2)	27
Transfers		(21)	-	-	(21)
Disposals	7d	(819)	-	(2,098)	(2,917)
Reclassification		6,401	-	-	6,401
At 31 March 2010		26,951	753	608	28,312
Depreciation					
At 1 April 2009		9,815	663	1,264	11,742
Charged in year	7c	3,892	16	270	4,178
Transfers		(21)	-	-	(21)
Disposals	7d	(642)	-	(1,341)	(1,983)
Reclassifications		-	-	-	-
At 31 March 2010		13,044	679	193	13,916
Net book value at 31 March 2010		13,907	74	415	14,396
Net book value at 31 March 2009		11,586	50	1,444	13,080

All assets in the above table are owned by the Agency.

There are no land and buildings that the Agency occupies in the Statement of Financial Position. Most properties are leased; the majority under a Departmentally held PFI contract with Telereal Trillium, and these assets are included in the Departmental Resource Accounts. The remaining occupancy is in non-PRIME buildings, mainly as a minor occupier of Other Government Departments' accommodation.

- Property, plant and equipment are stated at valuation, which is obtained by the use of appropriate indices. However, as permitted by the FReM, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This applies to most IT hardware, plant and machinery and furniture and fittings.
- Total adjustments to prior year additions were £(3)k (2009/10: £nil). This was as a result of an exercise to remove unmatched purchase orders from the system. Total additions in the year were £nil (2009/10: £27k).
- Total depreciation in the year was £4.3 million (2009/10: £4.2 million).
- During the year the Agency participated in a cross-departmental review of the fixed asset register. This review removed a number of fully depreciated assets from the register which were both no longer in use nor supported by the original supplier.

The loss on sale of property, plant and equipment charged to the Statement of Comprehensive Net Expenditure in the year was £165k (2009/10: £934k).

- e. In January 2011, the Agency's assets were subjected to an impairment review. This review identified a number of low value IT and plant and machinery assets that were no longer in use and therefore impaired. The net book value of the impairment was £26k (2009/10: £nil) (see Note 9).
- f. Cash flow reconciliation.

	Note	2010/11 £'000	2009/10 £'000
Capital payables and accruals at 1 April	13a	-	2,981
Capital additions	7b	-	27
Adjustments to prior year capital additions	7b	(3)	-
Capital payables and accruals at 31 March	13a	-	-
Purchases of property, plant and equipment as per Statement of Cash Flows		(3)	3,008

Note 8: Intangible assets

Intangible assets comprise purchased software licences, software development and assets under construction.

Although the Agency's 2009/10 published account reported software purchases and internally developed software as two separate categories, this was not required under IFRS. For 2010/11 these categories have been combined under software development and the 2009/10 comparative figures adjusted accordingly.

Intangible assets by category: 2010/11

	Note	Purchased software licences £'000	Software development £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2010 restated		10,042	255,819	11,593	277,454
Additions	8a	814	-	10,018	10,832
Adjustments to prior year additions	8a	-	-	(3,478)	(3,478)
Disposals	8c	(175)	(261)	-	(436)
Revaluations	8d	(1,179)	(9,393)	-	(10,572)
Reclassification		-	4,753	(8,116)	(3,363)
At 31 March 2011		9,502	250,918	10,017	270,437
Amortisation					
At 1 April 2010 restated		8,061	167,329	-	175,390
Charged in year	8b	881	37,511	-	38,392
Disposals	8c	(155)	(258)	-	(413)
Revaluations	8d	(893)	(5,845)	-	(6,738)
At 31 March 2011		7,894	198,737	-	206,631
Net book value at 31 March 2011		1,608	52,181	10,017	63,806
Net book value at 31 March 2010 restated		1,981	88,490	11,593	102,064

Intangible assets by category: 2009/10

	Note	Purchased software licences £'000	Software development £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2009 restated	22	8,492	212,330	39,606	260,428
Additions	8a	-	-	5,110	5,110
Transfers		(101)	-	-	(101)
Revaluations	8d	1,651	16,767	-	18,418
Reclassifications		-	26,722	(33,123)	(6,401)
At 31 March 2010 restated		10,042	255,819	11,593	277,454
Amortisation					
At 1 April 2009 restated	22	5,390	108,692	-	114,082
Charged in year	8b	1,619	50,651	-	52,270
Transfers		(7)	-	-	(7)
Revaluations	8d	1,059	7,986	-	9,045
Reclassifications		-	-	-	-
At 31 March 2010 restated		8,061	167,329	-	175,390
Net book value at 31 March 2010 restated		1,981	88,490	11,593	102,064
Net book value at 31 March 2009 restated		3,102	103,638	39,606	146,346

All intangible assets are owned by the Agency.

The largest intangible asset on the Agency's Statement of Financial Position relates to software development to support the Pensions Transformation Project (PTP). The carrying value of the PTP asset, subsequent releases and associated software licences is £27.4 million as at 31 March 2011. The remaining amortisation period of the PTP asset is 49 months.

- Total additions in the year were £10.8 million (2009/10: £5.1 million). Total adjustments to prior year additions for items that should have been expensed were £(3.5) million (2009/10: £nil).
- Total amortisation in the year was £38.4 million (2009/10: £52.3 million).
- The loss on disposal of property, plant and equipment charged to the Statement of Comprehensive Net Expenditure in the year was £23k (2009/10: £nil).

- d. The FReM interpretation of IAS 38 requires the application of the revaluation model for measurement of asset values. Intangible assets have been revalued to 31 March 2011 using appropriate indices to indicate depreciated replacement cost as a proxy for fair value. By comparison, the carrying value for these assets using depreciated historic cost would have been £1.7 million for purchased software licences at 31 March 2011 (31 March 2010: £1.8 million) and £47.5 million for software development at 31 March 2011 (31 March 2010: £83.3 million). Following revaluation, the balance on the Revaluation Reserve is £0.6 million at 31 March 2011 (31 March 2010 restated: £5.4 million).

The Agency, in line with the Department, has opted to use the final February restated indices to revalue its intangible assets, as explained in Note 1.4c. Due to the publication timetable for indices, these accounts have been prepared using January provisional indices.

- e. Assets under construction relate to software development costs in respect of work to support the Tell Us Once Project. Expenditure is initially classed as assets under construction until assets are ready for use. Up to this point, assets are held at historic cost and are subject to impairment review. Once in use they are reclassified and amortisation applied accordingly. For subsequent measurement of asset values, depreciated replacement cost is used as a proxy for fair value in line with the FReM requirements.
- f. Cash flow reconciliation

	Note	2010/11 £'000	2009/10 £'000
Capital payables and accruals at 1 April	13a	-	-
Capital additions	8a	10,832	5,110
Adjustments to prior year additions	8a	(3,478)	-
Capital payables and accruals at 31 March	13a	(1,823)	-
Purchases of intangible assets as per Statement of Cash Flows		5,531	5,110

Note 9: Impairment of non-current assets

	Note	2010/11 £'000	2009/10 £'000
Charged to Statement of Comprehensive Net Expenditure			
Property, plant and equipment	4/7e	26	-
Intangible assets		-	-
Charged to Revaluation Reserve			
Property, plant and equipment		-	-
Intangible assets		-	-
Total		26	-

Note 10: Financial instruments

(a) Financial instruments by category

	31 March 2011 Loans and receivables £'000	31 March 2010 Loans and receivables £'000	1 April 2009 Loans and receivables £'000
Financial assets			
Trade receivables	320	480	265
Amounts due from other Government departments	172	1,279	1,780
Other receivables	241	450	322
Deposits and advances	217	217	808
Cash and cash equivalents	6	5	15
Total	956	2,431	3,190

	31 March 2011 Financial liabilities at amortised cost £'000	31 March 2010 Financial liabilities at amortised cost £'000	1 April 2009 Financial liabilities at amortised cost £'000
Financial liabilities			
Trade payables	1,305	971	3,417
Accruals	28,491	31,260	43,815
Amounts due to other Government departments	853	249	41
Other payables	258	59	624
Total	30,907	32,539	47,897

(b) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The book values of the Agency's financial assets and liabilities at 31 March 2011 are not materially different from their fair values. They have accordingly not been shown separately.

(c) Exposure to risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Agency are met through the Estimates process, the Agency is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Agency's exposure to credit risk is limited due to a significant amount of administrative related receivables being with other Government departments.

Liquidity risk

The net resource requirements of the Agency are financed by resources voted annually by Parliament. It is not, therefore, exposed to significant liquidity risk.

Market risk

Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in achieving its objectives.

Interest rate risk

The Agency has no significant interest bearing assets or liabilities and, as such, income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Agency's financial assets and liabilities has therefore not been disclosed.

Foreign currency risk

The Agency does not have any significant exposure to foreign currency risk.

(d) Aged analysis of financial assets

Financial assets that are past due but not impaired are analysed and set out below:

2010/11	0-30 days past due £'000	30-60 days past due £'000	60-90 days past due £'000	90-180 days past due £'000	180-360 days past due £'000	Total £'000
Trade receivables	2	-	-	-	-	2
Amounts due from other Government departments	22	58	-	24	13	117
Other receivables	38	4	2	11	11	66
As at 31 March 2011	62	62	2	35	24	185

2009/10	0-30 days past due £'000	30-60 days past due £'000	60-90 days past due £'000	90-180 days past due £'000	180-360 days past due £'000	Total £'000
Trade receivables	22	6	3	20	32	83
Amounts due from other Government departments	38	32	1	-	74	145
Other receivables	-	-	-	-	-	-
As at 31 March 2010	60	38	4	20	106	228

Note 11: Trade and other receivables

(a) Analysis by type

	Note	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Amounts falling due within one year				
Trade receivables		320	480	265
Deposits and advances	a	161	154	716
Amounts due from other Government departments		172	1,279	1,780
Other receivables		241	450	322
Gross receivables		894	2,363	3,083
Less: provision for impairment		(322)	(683)	(231)
Net receivables		572	1,680	2,852
Prepayments and accrued income		422	868	769
Total		994	2,548	3,621
Amounts falling due after more than one year				
Deposits and advances	a	56	63	92
Total		56	63	92

- a. Deposits and advances due within one year include £7k (2009/10: £10k) of house purchase advances due from eight (2009/10: 8) members of staff. Those due after more than one year include £56k (2009/10: £63k) due from seven (2009/10: 7) members of staff.

(b) Intra-Government balances

The following tables analyse total trade and other receivable balances across the categories shown:

	Amounts falling due within one year		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Balances with other central Government bodies	148	1,224	1,759
Balances with local authorities	24	44	21
Balances with public corporations and trading funds	-	11	-
Intra-Government balances	172	1,279	1,780
Balances with bodies external to Government	822	1,269	1,841
Total trade and other receivables at 31 March/1 April	994	2,548	3,621

	Amounts falling due after one year		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Balances with other central Government bodies	-	-	-
Balances with local authorities	-	-	-
Balances with public corporations and trading funds	-	-	-
Intra-Government balances	-	-	-
Balances with bodies external to Government	56	63	92
Total trade and other receivables at 31 March/1 April	56	63	92

Note 12: Cash and cash equivalents

	2010/11 Total £'000	2009/10 Total £'000	2008/09 Total £'000
Balances at 1 April	5	15	4
Net change in cash and cash equivalent balances	1	(10)	11
Balances at 31 March	6	5	15

Bank balances are reported in the Department's Resource Accounts in line with the treatment of bank accounts in all other executive agencies of the Department. The above figures represent the petty cash holdings of the offices in the Pension, Disability and Carers Service.

Note 13: Trade and other payables

(a) Analysis by type

	Note	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Amounts falling due within one year				
Taxation and social security		6,328	6,683	7,125
Superannuation		4,563	4,726	5,976
Trade payables - non capital		1,305	971	3,417
- capital	7f/8f	-	-	-
Amounts due to other Government departments		853	248	41
Other payables		258	59	624
Accruals and deferred income		26,668	31,260	40,834
Capital accruals	7f/8f	1,823	-	2,981
CFERs due to be paid to the Consolidated Fund - received		-	1	-
		41,798	43,948	60,998

(b) Intra-Government balances

The following table analyses total payables across the categories shown:

	Amounts falling due within one year		
	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Balances with other central Government bodies	12,151	11,649	14,905
Balances with local authorities	3	-	616
Balances with NHS Trusts	1	-	-
Balances with public corporations and trading funds	-	8	42
Balances with other Departmental bodies	7,880	-	-
Intra-Government balances	20,035	11,657	15,563
Balances with bodies external to Government	21,763	32,291	45,435
Total payables at 31 March/1 April	41,798	43,948	60,998

Intra-Government balances include relevant accrual and deferred income transactions.

Note 14: Provisions for liabilities and charges

(i) Administration provisions

	Early Departure costs (Note 14a) £'000	Industrial Injuries Benefit payments (Note 14b) £'000	Other £'000	Total £'000
Balance at 1 April 2010	1,603	148	2,500	4,251
Provided in year:				
New entrants	264	-	-	264
Uplift	23	3	-	26
Other provisions: provided in year			518	518
Utilised in year	(806)	(6)	(2,500)	(3,312)
Unwinding of discount	(9)	(15)	-	(24)
Unused amounts reversed	(19)	(1)	-	(20)
Balance at 31 March 2011	1,056	129	518	1,703

	Early Departure costs (Note 14a) £'000	Industrial Injuries Benefit payments (Note 14b) £'000	Other £'000	Total £'000
Balance at 1 April 2009	2,310	137	3,385	5,832
Provided in year:				
New entrants	206	-	-	206
Uplift	36	4	-	40
Other provisions: provided in year	-	-	2,500	2,500
Utilised in year	(933)	(6)	(3,305)	(4,244)
Unwinding of discount	44	3	-	47
Unused amounts reversed	(60)	10	(80)	(130)
Balance at 31 March 2010	1,603	148	2,500	4,251

- a. Where departures are funded by the Agency there is a requirement to provide for the estimated future early departure costs of employees, discounted at Her Majesty's Treasury discount rate, in these accounts. The discount rate used is 2.9 per cent (2009/10: 1.8 per cent). The provision for departures funded centrally by the Department is recorded in the Departmental Resource Account.
- b. This provision represents the expected future costs of Industrial Injuries Benefit permanent allowance payments to Agency staff injured at work and unable to perform their job as a result. The amount provided for each individual is based on life expectancy taken from the Interim Life tables produced by the Government's Actuary Department, and discounted at Her Majesty's Treasury discount rate of 2.9 per cent (2009/10: 1.8 per cent) in real terms.

(ii) Other administration provisions

	Atlantic Quay (a) £'000	Home Responsibilities Protection (b) £'000	Total £'000
Balance at 1 April 2010	2,500	-	2,500
Provided in year	-	518	518
Utilised in year	(2,500)	-	(2,500)
Unwinding of discount	-	-	-
Unused amounts reversed	-	-	-
Balance at 31 March 2011	-	518	518

- a. The £2.5 million provision for the vacating of the Agency's office at 3 Atlantic Quay, Glasgow, was fully utilised in 2010/11.
- b. This provision represents the expected future costs of compensation arising from the Home Responsibilities Protection (HRP) correction exercise. HRP was introduced in 1978 and reduces the number of qualifying years required in order to receive a full basic State Pension. A dedicated correction team is in place to correct historical HRP records, affecting State Pension entitlement. This weakness has now been removed for new claims to child benefit from 2000 onwards, as customers are required to provide their national insurance numbers. During 2010/11, compensation of £6.7 million was paid, with State Pension arrears of £63.0 million paid since the start of the correction exercise. In total, 271,007 of the 312,000 cases identified have now been reviewed, with an error rate of 7.6 per cent reported. It is estimated that the remaining cases, which are expected to be resolved during the year ending 31 March 2012, will result in compensation payments of £0.5 million and Programme arrears of £5.0 million. The estimates, based on the review of cases to date, are considered to be a reliable representation of outstanding cases.

(iii) Analysis of expected timing of discounted flows

	Early Departure costs £'000	Industrial Injuries Benefit payments £'000	Other £'000	Total £'000
Not later than 1 year	581	6	518	1,105
Later than 1 year and not later than 5 years	463	24	-	487
Later than 5 years	12	99	-	111
Balance at 31 March 2011	1,056	129	518	1,703

Note 15: Capital commitments

Contracted capital commitments not otherwise included in these Accounts:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Intangible assets	10,502	-	1,490
	10,502	-	1,490

The Agency has £10.5 million of capital commitments as at 31 March 2011 which all relate to work to develop the 'Tell Us Once' Change Reporting System. At 31 March 2010, the Agency had no capital commitments.

Note 16: Commitments under non-Private Financial Initiative (PFI) leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires:

	31 March 2011			31 March 2010		
	Land £'000	Buildings £'000	Other £'000	Land £'000	Buildings £'000	Other £'000
Not later than 1 year	4,620	8,905	2,066	6,329	9,683	1,985
Later than 1 year and not later than 5 years	9,240	17,810	1,834	-	-	2,668
Later than 5 years	-	-	-	-	-	-
	13,860	26,715	3,900	6,329	9,683	4,653

	31 March 2009		
	Land £'000	Buildings £'000	Other £'000
Not later than 1 year	7,383	11,014	1,585
Later than 1 year and not later than 5 years	7,382	11,014	2,712
Later than 5 years	-	-	-
	14,765	22,028	4,297

Details of the most significant contracts assessed under IAS 17 Leases and determined as an operating lease are provided below.

Private Sector Resource Management of the Estate (PRIME)

The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation until 2018. Within the accommodation provision, the Agency has a separate operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which it occupies. This is provided by means of an Occupation Agreement which includes a maximum commitment of three years for the Agency at any given time. The amounts shown reflect this commitment for the three year period beginning 1 April 2011.

Newcastle Estates Accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999. Within the accommodation provision, the Agency has a separate operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation.

Fleet Contract

The Agency has an arrangement in place with Inchcape plc, via a Departmental contract, for the use and associated maintenance of motor vehicles. The contract covers a period of five years until August 2012.

Photocopiers

The Agency has an arrangement in place with Ricoh UK Ltd, via a Departmental contract, for the use and maintenance of photocopiers over a two year rental period. Throughout 2010/11, photocopiers have been replaced with multi-function devices on a rolling basis within the Sustainable Print Services (SPS) Project. The contract with Ricoh was temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate. The SPS rollout was completed in early May 2011. It is anticipated that all remaining costs associated with the Ricoh contract will be submitted by June 2011 and brought to account by July 2011.

Sustainable Print Project

The Agency has an arrangement in place with Xerox, via a Departmental contract, for the supply of multi-function devices that will replace the current photocopiers and printers in place within the Agency on a rolling basis by the end of May 2011. The contract runs from January 2010 until the end of June 2014.

Note 17: Commitments under Private Financial Initiative (PFI) contracts

The Agency has not entered into any contracts under the Private Financial Initiative. However, the Agency continues to utilise the services provided under PFI contracts held centrally by the Department. Full details are available in the Department's Resource Account.

Note 18: Other financial commitments

The Agency has not entered directly into any non-cancellable contracts which are not leases or PFI contracts.

Note 19: Contingent liabilities disclosed under IAS 37

The contingent liabilities within the Agency arise from possible compensation payments that may become due as a result of benefit payment activity that the Department continually reviews. Two areas for which possible compensation payments may arise have been identified:

Incorrect payment of Disability Living Allowance or Attendance Allowance

During 2010, the Agency identified 40,000 customers in receipt of both Disability Living Allowance (DLA) or Attendance Allowance (AA) and State Pension where the potential existed for an incorrect combined payment (i.e. where a single payment is made for both benefits) to be in payment. Results from a small pilot involving 500 customers indicated that further investigation of remaining cases was required with payment errors expected in approximately 57 per cent of cases, resulting in underpayments, overpayments and special payments.

These errors occurred due to a breakdown in communication between Pension Centres and Disability Centres and, in particular, reliance on a clerical combined payment notification process. Steps have been taken to rectify the weaknesses.

The pilot exercise, undertaken during 2010, corrected a small sample of the incorrect cases, for which agreement was obtained from Her Majesty's Revenue and Customs. This resulted in arrears payments to 191 customers of £1.2 million, together with £90k of special payments. In addition, programme losses of £373k were reported.

In March 2011, Ministers agreed that the remaining cases should also be reviewed and corrected where appropriate. Updated analysis showed that 34,886 cases remained outstanding.

Based on such a small sample it is not possible to accurately estimate the total benefit arrears and potential overpayments and resulting compensation payments and interest to be payable in the future, due to the significant element of uncertainty at this early stage of the correction exercise.

Additional Pension Exercise

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, Her Majesty's Revenue and Customs have requested further checks on cases suspected of having further errors in the calculation of GMP. It is estimated from scans produced that 256,000 customer records could be affected and initial analysis of approximately 3,000 cases has shown five scenarios where the error rate increased from an initial average of three per cent to 30 per cent. Correction activity will initially focus on the five scenarios more prone to overpayment error.

The project will be monitoring results to ensure that the current targeted approach will be continually verified and refined where possible, therefore the percentage of cases prone to error is subject to change.

The size of the Additional Pension (AP) caseload and the initial estimates of the monetary value of error prompted a review of all cases identified. The review started in August 2010. During 2010/11, special payments were made to customers totalling £2.5 million.

Again, it is not possible to accurately estimate the amounts payable in the future due to inconsistency within the population causing a significant element of uncertainty at this early stage of the correction exercise.

Note 20: Losses and special payments

(a) Summary of losses and special payments

	2010/11		2009/10	
	£'000	Cases	£'000	Cases
Losses				
Administration losses				
Cash losses	230	847	196	1,049
Other losses (non-current assets)	26	5	758	53
Total administration losses	256	852	954	1,102
Special payments				
Administration special payments				
Payments to staff/contractors	189	37	120	343
Compensation payments to members of the public	18,344	41,217	10,963	31,983
Total special payments	18,533	41,254	11,083	32,326

Incorrect payment of Disability Living Allowance or Attendance Allowance

During 2010, the Agency completed a review of customers in receipt of both Disability Living Allowance (DLA) or Attendance Allowance (AA) and State Pension, which identified in some cases an incorrect combined payment (i.e. where a single payment is made for both benefits). In respect of the cases now corrected, 191 customers had been underpaid, resulting in arrears of £1.2 million. In addition to this, special payments to customers of £90k were paid out in 180 cases.

Work is now expected to commence on the main exercise which will examine the remaining 34,886 cases.

Home Responsibilities Protection Error Initiative

An exercise commenced in July 2009 to correct State Pension awards for women and is due to be completed by 30 June 2011. Work has continued throughout 2010/11 and some 271,007 cases had been reviewed as at 31 March 2011. Total compensation payments resulting from this exercise amount to £6.7 million. These are accounted for as special payments.

Additional Pension

Following work done to correct erroneous up-rating of Guaranteed Minimum Pensions (GMP) in public sector schemes, compensation payments of £2.5 million were made to customers during in 2010/11.

Underpayments of Extra Amount for Severe Disability Exercise

Introduction of a new General Matching Service rule in 2009/10 identified 17,177 cases where Extra Amount for Severe Disability (EASD) should have been in payment. These cases were referred to pension centres on the 5 May 2010, which processed and cleared all outstanding action on them by 31 March 2011. In total, it was identified that £33.0 million was underpaid and £1.2 million was paid out in special payments to customers.

Deficiency Notices

This exercise was completed at the end of March 2011. In total 500,618 customers were contacted and following reviews of their payments, 102,530 customers have benefited, with State Pension Arrears of £26.2 million being paid out in 2010/11. In addition to this, additional interest payments of £4.4 million have also been paid. These are accounted for as special payments.

(b) Details of losses and special payments over £250,000

There are no individual losses or special payments that require separate disclosure (2009/10: £758k).

Note 21: Related party transactions

The Pension, Disability and Carers Service is an executive agency of the Department for Work and Pensions (the Department). The Department and its agencies are regarded as related parties. During the year, the Agency has had a significant number of material transactions with the Department and its other agencies (see Note 5).

Details of transactions between directors of the Agency or their close family members and third party organisations with which the Agency has a business relationship are held in a register that may be accessed at the address on page 35. No board member, key management personnel or other related party had any interest in any material transactions with the Agency during the year.

In addition, the Agency has had a number of transactions with other Government departments and other central Government bodies.

Note 22: Transfer of functions and restatements

Restatement of Statement of Financial Position at 31 March 2010.

Statement of Financial Position	31 March 2010 £'000	Revaluation £'000	Restated at 31 March 2010 £'000
Non-current assets			
Property, plant and equipment	14,396	-	14,396
Intangible assets	102,591	(527)	102,064
Trade and other receivables	63	-	63
Total non-current assets	117,050	(527)	116,523
Current assets			
Trade and other receivables	2,548	-	2,548
Cash and cash equivalents	5	-	5
Total current assets	2,553	-	2,553
Total assets	119,603	(527)	119,076
Current liabilities			
Trade and other payables	(43,948)	-	(43,948)
Total current liabilities	(43,948)	-	(43,948)
Non-current assets plus/less net current assets/liabilities	75,655	(527)	75,128
Non-current liabilities			
Provisions	(4,251)	-	(4,251)
Total non-current liabilities	(4,251)	-	(4,251)
Assets less Liabilities	71,404	(527)	70,877
Taxpayer's Equity			
General Fund	65,206	281	65,487
Revaluation Reserve	6,198	(808)	5,390
Total Taxpayers' Equity	71,404	(527)	70,877

Restatement of Statement of Financial Position at 1 April 2009.

Statement of Financial Position	31 March 2009 £'000	Revaluation £'000	Restated at 1 April 2009 £'000
Non-current assets			
Property, plant and equipment	13,080	-	13,080
Intangible assets	146,867	(521)	146,346
Trade and other receivables	92	-	92
Total non-current assets	160,039	(521)	159,518
Current assets			
Trade and other receivables	3,621	-	3,621
Cash and cash equivalents	15	-	15
Total current assets	3,636	-	3,636
Total assets	163,675	(521)	163,154
Current liabilities			
Trade and other payables	(60,998)	-	(60,998)
Total current liabilities	(60,998)	-	(60,998)
Non-current assets plus/less net current assets/liabilities	102,677	(521)	102,156
Non-current liabilities			
Provisions	(5,832)	-	(5,832)
Total non-current liabilities	(5,832)	-	(5,832)
Assets less Liabilities	96,845	(521)	96,324
Taxpayer's Equity			
General Fund	96,087	(1,147)	94,940
Revaluation Reserve	758	626	1,384
Total Taxpayers' Equity	96,845	(521)	96,324

Restatement of Statement of Comprehensive Net Expenditure for the year ended 31 March 2010.

Statement of Comprehensive Net Expenditure	Published Accounts 2009/10 £'000	Change of Accounting Policy (i) £'000	Revaluation (ii) £'000	Other (iii) £'000	Restated 2009/10 £'000
Administration costs					
Staff costs	401,186	-	-	(29)	401,157
Other administration costs	562,316	(3,098)	(1,429)	29	557,818
Gross administration costs	963,502	(3,098)	(1,429)	-	958,975
Operating income	(3,306)	-	-	-	(3,306)
Net administration costs	960,196	(3,098)	(1,429)	-	955,669
Net operating cost	960,196	(3,098)	(1,429)	-	955,669

Reported figures at 31 March 2010 have been restated as a result of the following:

- (i) Her Majesty's Treasury Clear Line of Sight Project aims to align budgets, estimates and accounts. As a result of amendments to the budgetary regime and resulting changes to FReM requirements, cost of capital charges have been removed from accounts in 2010/11 (see Note 1.2) in line with corresponding changes to budgets and estimates. The impact of the restatement affects both non-cash charges and comprehensive net expenditure. There is no overall impact on the General Fund balance or on the Statement of Financial Position.
- (ii) IAS38 requires that intangible asset revaluation increases are recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. A prior year restatement has been made to ensure compliance with IAS38 and includes a movement between the Revaluation Reserve and the General Fund. In addition, a prior year restatement has been made to correct the index used to revalue accumulated amortisation on developed software assets.
- (iii) An amount of £29k relating to Industrial Injury Benefit (IIB) lump sum payments has been reclassified as Staff Related other costs which is reported within Other Administration costs.

Note 23: Late payment of commercial debt

The 'Late Payment of Commercial Debts (Interest) Act 1998' which came into effect from 1 November 1998 and the 'Late Payment of Commercial Debts Regulations 2002' which came into force on 7 August 2003 provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2010/11, £nil of interest (2009/10: £nil) was paid under the 'Late Payment of Commercial Debts (Interest) Act 1998'.

Note 24: Events after the reporting period

On March 31 2011, the Permanent Secretary announced a restructuring of the corporate and support services in the Department, including those in the Agency. This is expected to lead to significant changes in the size and configuration of the internal directorate and management structure of the Agency during 2011, as part of the Department's cost reduction plan. The changes will not affect the delivery of services to customers.

IAS 10 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

The authorised date for issue is 14 July 2011.



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