UK PASSPORT SERVICE

Annual Report and Accounts

2004–2005

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UK PASSPORT SERVICE

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Chief Executive's Message

I am pleased to be able to report on another successful but challenging year for the UK Passport Service (UKPS).

This report provides a summary of our achievements, which are shown against a backdrop of record passport demand and continuing pressure on the UKPS to maintain its reputation for the delivery of excellent Customer Service. Alongside this, we are constantly reviewing and improving the tools and techniques we adopt to tackle increasingly sophisticated identity fraud. The prevention of fraud has remained a key focus during the year, with the operational deployment of the Lost, Stolen and Recovered (LSR) passport database being a key highlight.

The year saw a continued increase in demand for passports with over 6.1 million applications being processed, a record for the Agency. Customer Service has remained very good, although we did experience a five-week period during the summer in which we just missed our main turnaround targets. Since September, however, we have again met or exceeded these targets. Despite these challenges during the summer, we retained very high levels of customer satisfaction. We have delivered the 2004–05 efficiency target during the year and, despite a significant investment in fraud prevention measures, have met all our financial targets and made a surplus that has allowed us to fully repay past deficits to HM Treasury.

Looking to the future, we have reviewed our vision, which is now 'to focus on stronger identity authentication for the purpose of issuing passports and providing identity services'. We will continue to focus on stronger identity authentication to safeguard our customers' identities but will balance this by continuing to deliver Customer Service excellence. If we combat fraud we benefit society as a whole by reducing identity-associated criminal activity.

Our Mission and Vision are underpinned by a set of Valued Behaviours that the UKPS aspires to reflect in everything it does: Working Together, Customer Service, Responding to Change, Personal Responsibility and Valuing People.

The contributions of our staff in delivering the excellent results cannot be underestimated. I would like to thank all staff for their continued commitment and hard work. We have invested significantly by increasing staff numbers to manage the rising passport demand and to deliver the change programme, and we have also invested in staff learning and development. Delivering our challenging objectives means that we will need to review staff numbers and their development needs continuously in the coming years.

In looking at the organisational structure I have continued to strengthen the Senior Management Team this year with the appointment of additional directors to reflect our changing operating environment and the growth of the Integrated Change Programme (ICP). The Board and senior managers have benefited from our continuing leadership development programme.

We cannot achieve our strategic objectives on our own and have continued to work in partnership with a range of organisations in both the public and private sectors. We also work closely with the Trade Unions representing our staff through regular dialogue on a wide range of issues.

The achievements detailed in this report provide the UKPS with a sound platform on which to build as we face a challenging future.

Bernard Herdan
Chief Executive

MON DROIT
PASSPORT

Introduction

The UK Passport Service (UKPS) was established as an Executive Agency of the Home Office on 2 April 1991, and during the peak season this year employed 3,303 staff, 90% of whom work in regional offices. The UKPS is responsible for the issuing of passports to British nationals living in the UK. This responsibility is encapsulated in its Mission, Vision and Values:

The UKPS Mission is

THE UKPS MISSION:
'Confirming nationality and identity – enabling travel'

The UKPS Vision has been enhanced to

THE UKPS VISION:
'To focus on stronger identity authentication for the purpose of issuing passports and providing identity services'

The UKPS Corporate Values are:

THE UKPS VALUES:
'Working Together, Customer Service, Valuing People, Responding to Change and Personal Responsibility'

Objectives

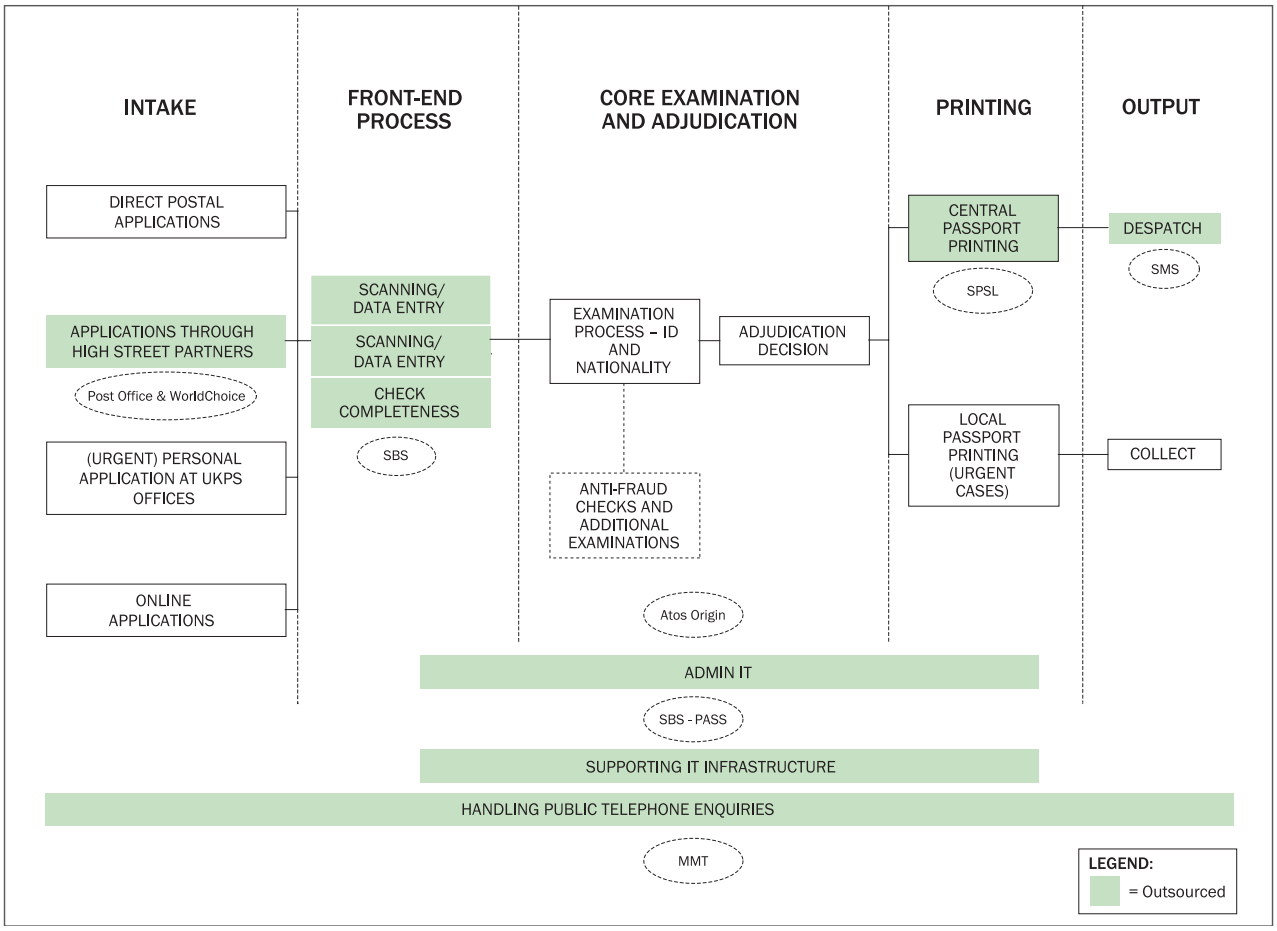
In pursuit of its mission, the UKPS main objectives, as reflected in its key targets, are to:

- Deal promptly, courteously and efficiently with all enquiries
- Provide services which support diversity of customer choice
- Maintain the integrity and accuracy of documentation issued
- Monitor the incidence and types of fraud and take suitable measures to prevent them
- Improve efficiency and deliver value for money
- Ensure equality of opportunity for staff
- Develop the skills, professionalism and job satisfaction of its staff.

Further details can be found in the 2003 UK Passport Service Framework Document.

Working in Partnership

The UKPS works with a number of different partners at each stage of the passport issuing process:



Passport Issuing Process

- The UKPS's High Street partners; Post Office and Worldchoice UK Limited, are recognised as the first port of call for those seeking application forms. The partners also provide a Check & Send passport application checking service and handle over 48% of all postal applications on behalf of the UKPS.
- Siemens Business Services (SBS) provide services at the front end of the passport production process. It is responsible for providing mail room services, scanning application forms, cashiering fees and initial query handling communication with the applicant. SBS also provide the IT infrastructure to support all UKPS passport applications operations and is continuing to develop this.
- Security Printing and Systems Limited (SP&SL) is responsible for printing over 94% of all passports.
- MM Teleperformance (MMT) is responsible for handling over 90% of all telephone enquiries. It also handles appointment bookings, e-mail and electronic applications support on behalf of the UKPS.
- Atos Origin provides administrative IT and infrastructure support to the organisation.
- Special Mail Services Limited (SMS) is responsible for the secure delivery of all UK passports.

Governance Structure

The UKPS Senior Management Team has been restructured this year, and has been strengthened with the addition of a Chief Operating Officer, an Operational Change Director, and a Director of Information Systems. The Chief Executive, Bernard Herdan, as the Accounting Officer, remains directly responsible to the Home Secretary for the performance and future development of the UKPS.

The Senior Management Team has three Non-Executive Directors who meet at least once a year with the responsible Minister, and have access to the Home Office sponsor on performance issues and key business developments at other times during the year, if this is required.

The UKPS Senior Management Team structure and governance arrangements have continued to evolve. They are designed to facilitate development of

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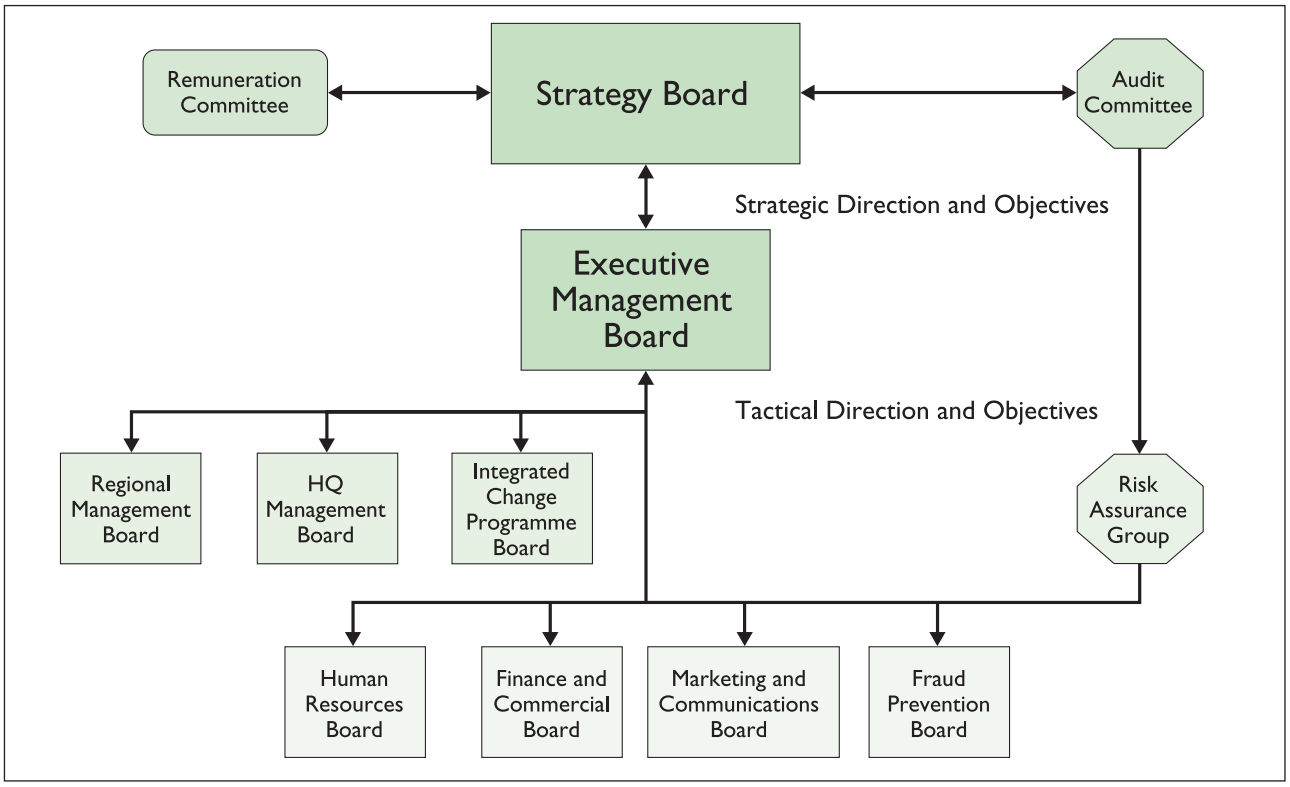


Fig 3.1 UKPS Governance Structure

strategy, high-level performance review, decision-making and communication. This ensures that matters are reviewed and discussed at the most appropriate level within the organisation.

The Strategy Board meets eight times per year and has a high-level strategic focus as well as exercising overall oversight of performance against plan. The Executive Management Board meets monthly (with every other meeting at a Regional Office) and manages the business, taking tactical decisions. Below this, a number of sub-boards focus on key areas of the business – these are Finance and Commercial, Human Resources, Fraud Prevention, Marketing and Communications, Regional Management and HQ Management Boards. These Boards discuss performance, relevant areas of responsibilities and agree actions as necessary on a monthly basis at directorate level. Some have responsibility for specific Business Plan tasks and targets.

The Integrated Change Programme Board (ICPB) meets monthly to manage the Change Programme; it reviews projects, takes decisions at a project level and reports to the Executive Management Board.

Financial probity and assurance on the effectiveness of risk management and internal controls is overseen by an Audit Committee that is chaired by a Non-Executive Director (with two other Non-Executive Directors as members) and which meets on a quarterly basis. There is also a non-executive chaired remuneration committee.

The UKPS is working with the Home Office on plans for an Identity Cards scheme. Subject to Parliamentary approval of the Identity Cards Bill, this will see the establishment of a new Executive Agency incorporating the functions of UKPS and the Identity Cards Programme Team in the Home Office. The new agency will work closely with the Immigration and Nationality Directorate (IND) of the Home Office.

As part of the Identity Cards transition, project work has started assessing how best to adapt these governance arrangements to prepare for the future new Agency. Transitional arrangements are being put in place to ensure that, while the primary focus remains the passport business, due account is taken of potential future needs of the Identity Cards scheme.

Annual Report

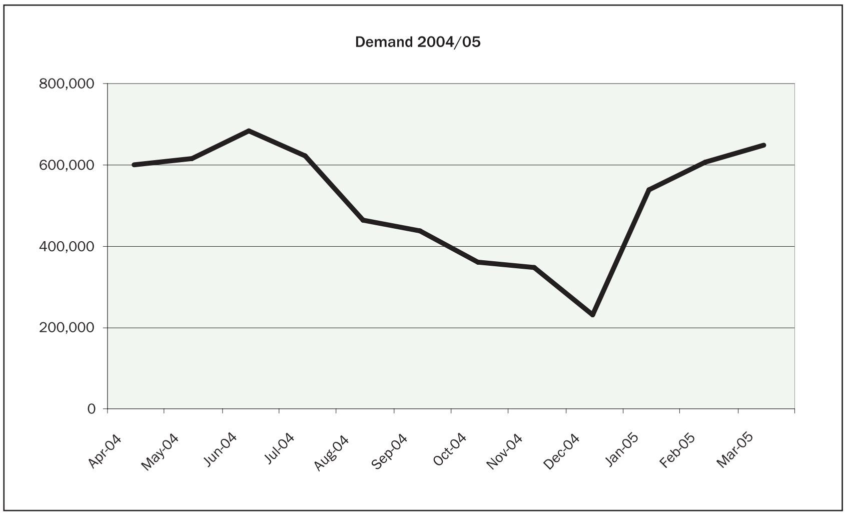
This Annual Report covers the UKPS's performance over the financial year 1 April 2004 to 31 March 2005. It details how the UKPS has performed against its key targets and tasks as published in the UKPS Corporate and Business Plans 2004–09.

This document is primarily aimed at those to whom the UKPS is accountable and who are responsible for monitoring the UKPS's performance on behalf of the public, including Ministers, Parliament and the Home Office. It also serves to inform a number of groups interested in, or affected by, the UKPS business, for example, stakeholders such as partners and people in the travel trade industry, as well as the general public.

Operating Environment

The 2004–05 strategic planning process identified sectors and activities that would contribute to the achievement of UKPS objectives.

Passport Demand



Passport demand 2004–05

The UKPS continues to be a demand-led organisation. The 2004–05 passport intake was above 6 million applications for the first time in the organisation's history. There was a variance of only 1% from the budget intake to actual intake (forecast intake of 6,178,000 against actual of 6,117,000). While demand was accurately forecast well within the organisation's tolerance of –5% to +5%, the operations were challenged in the summer of 2004.

Passport Fraud

The UKPS remains vigilant to passport fraud, and there has been extensive evidence of the threat from this type of crime. During the year it has worked in partnership with the police, UK Immigration Service and others on a number of successful operations targeting organised trafficking of illegal immigrants and forged documents. The total number of confirmed frauds detected by Fraud and Intelligence Units (FIU) during 2004–05 is 1,497. There are, however, a number of investigations initiated in 2004–05 that are not yet concluded and may add to the total of detected frauds. The database of Lost, Stolen and Recovered (LSR) passports had grown to 350,000 by the end of the financial year and this is now shared both across Government and internationally – with 181 countries through Interpol – in a global campaign against fraud. Full details of our fraud prevention activities can be found in the 'Identity and Authentication' section of this report.

Identity Cards Scheme

2004–05 saw the UKPS continue to contribute to the development of the Identity Cards scheme. The UKPS has continued to ensure as much coherence as possible between the UKPS Integrated Change Programme (ICP) and plans for the Identity Cards scheme.

Modernising Government Agenda

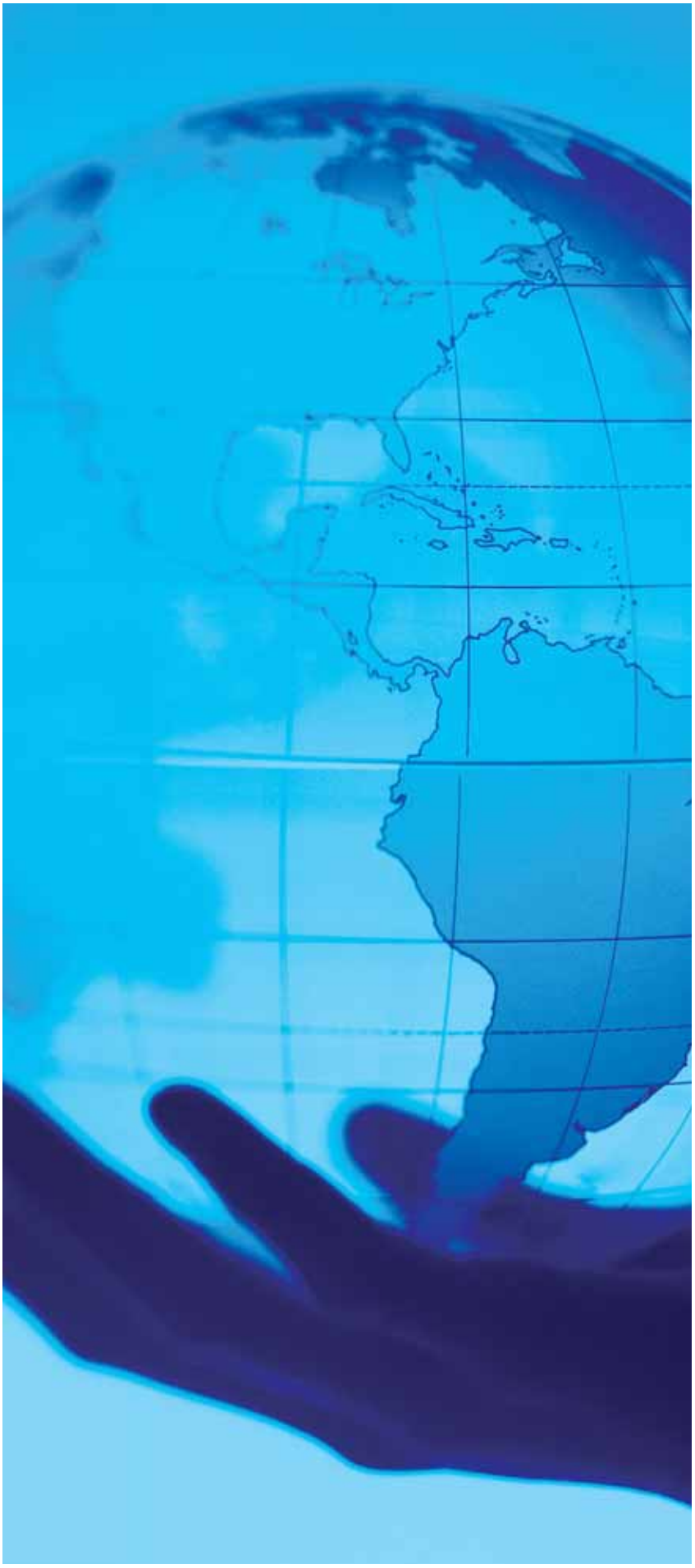
The UKPS has made, and continues to make, a significant contribution towards implementing the Modernising Government agenda. The UKPS continues to reflect the principles of the Government's public services reform agenda in the delivery of services. The UKPS remains customer focused, and in October 2004 was re-awarded the Charter Mark (five times award recipient). The UKPS has made a commitment to provide access to its services online; its online application channel to permit credit card payment (EPA1) is an example of this. To meet the Government's electronic delivery target, this channel will be further developed in 2005–06 (EPA2). Additionally, the UKPS has demonstrated the benefits of joined-up working by successfully launching, through Omnibase, a process for accessing UK passport application related data from abroad. Through the Personal Identity Project (PIP), the UKPS is piloting the use of data-sharing with the private sector and other government departments to strengthen identity authentication.

The UKPS remains a committed member of the Five Nations group[1] of countries and will benchmark its activities with others in this group and across the EU. In doing this and in working with the rest of the Home Office, the UKPS will seek to ensure that UK interests are effectively represented in the International Civil Aviation Organisation (ICAO) and the EU's development of standards for travel documents. The UKPS is also an active member of the ICAO and will continue to drive forward and support the development of international passport standards worldwide.

Freedom of Information Act

The general right of access under the Freedom of Information Act 2000 was implemented on 1 January 2005. The UKPS remains fully committed to the principles of the Freedom of Information Act and a number of publications are available on its website www.passport.gov.uk. Additional information is available under its publication scheme, which can be found at Annex (c) of this report.

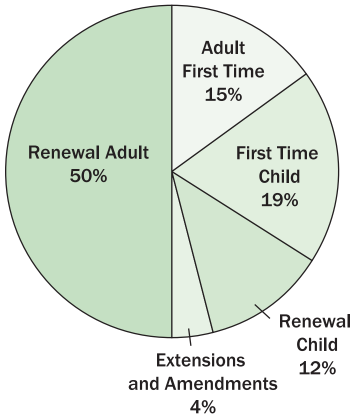
[1] UK, United States of America, New Zealand and Australia



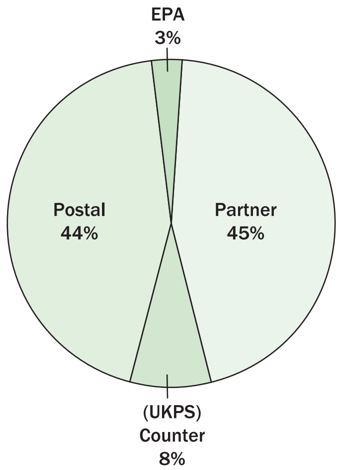
Review of the Year

The UKPS can be proud of its achievements over the year. During the last 12 months it has issued a record number of passport applications of 6.1 million against 5.9 million in the previous financial year, and an extremely high proportion of these were processed within service standards.

Applications by service type: actual 2004–05



Applications by route: actual 2004–05



Key Achievements

In the past year the UKPS has:

- Maintained a high degree of customer focus
- Issued record numbers of passports while achieving most performance targets
- Continued the implementation of a Lost, Stolen and Recovered (LSR) passport database that has enabled the cancellation of passports and the sharing of data both across Government and internationally with 181 countries through Interpol in a global campaign against fraud
- Delivered passports via the courier Special Mail Services Limited (SMS), which has allowed the UKPS to significantly reduce by 80% the instances of passports lost in the post and subsequent fraud, whilst improving Customer Service
- Developed and tested a new passport design (ePassports)
- Successfully relocated the Liverpool Office to new improved premises
- Issued free passports to those born before 2 September 1929 under the WW2 war veterans scheme announced in May 2004
- Achieved success in fraud prevention operations that involve working jointly with the law enforcement agencies and other government departments
- Completed a large-scale biometric trial to test the processes and record customer experience and attitude during the recording and verification of facial, iris and fingerprint biometrics
- Successfully piloted the Personal Identity Project (PIP)
- Continued good relations within our Trade Union partnership, which has been recognised by ACAS as a model partnership
- Retained the Charter Mark – first organisation to receive it five times
- Introduced Valued Behaviours and developed the new performance management framework
- Been a finalist for the prestigious European 'Carl Bertelsmann Award' for 'excellence in the public sector'.

Strategic Objectives

The UKPS adopts a 'balanced scorecard' approach to planning, reporting tasks and target setting. This ensures a proper balance is achieved between different elements of the business. The five elements of the balanced scorecard are:

- Responding to Customer Needs
- Identity Authentication
- Efficiency and Business Assurance
- Unlocking Staff Potential
- Optimising the Use of Technology.

The UKPS strategic objectives set out in the UKPS Corporate and Business Plans 2004–09 under the balanced scorecard headings were:

Responding to Customer Needs

- Ensure that entitled customers are able to travel freely
- Ensure that customers are satisfied with the service.

Identity Authentication

- Prevent identity fraud
- Safeguard document integrity
- Prevent internal fraud.

Efficiency and Business Assurance

- Be significantly more efficient in everything we do
- Establish sound finances to support business continuity
- Comply with regulatory requirements.

Unlocking Staff Potential

- Develop a new 'Valued Behaviours' framework
- Deliver a quality learning and development programme to meet individual and business needs
- To reform existence performance management arrangements linked to pay reform
- Manage attendance and poor performance
- Continue to focus on excellent internal communications.

Optimising the Use of Technology

- Implementing our IT strategy
- Extending and developing use of our intranet site.

Further details are available in our 2004–09 and 2005–10 Corporate and Business Plans.

The following sections of the Annual Report demonstrate how the UKPS has performed against these objectives.

Responding to Customer Needs

The UKPS has continued to monitor performance against its Customer Service standards. As part of this, the UKPS has conducted independent customer satisfaction surveys (via FDS International) and 'mystery-shopped' all aspects of its services. The UKPS has run customer focus groups to seek views on key proposals such as biometrics and fee increases related to improved security features.

When asked to assess overall performance, 97% of customers were either satisfied or very satisfied with the service received.

'I really couldn't be more complimentary of the service I received'

Carol Holden, Buckinghamshire

Customer focus groups highlighted continued support for fraud prevention work, with customers viewing this as the UKPS's number one priority. The UKPS has continued to enjoy Charter Mark recognition during 2004–05, a record fifth time this has been achieved.

A number of conferences and seminars have enabled the UKPS to promote its efforts in delivering effective Customer Service.

Chief Executive, Bernard Herdan, gave a presentation to the Institute of Economic Affairs on strategic IT partnerships in government.

In October 2004 the UKPS hosted a Five Nations Anti-Fraud Conference in Cheshire. Delegates from Australia, Canada, New Zealand and the United States met with UK counterparts to discuss, share and develop best practice in technological and security issues. During the week-long event the delegates visited the secure print facility to see at first hand the technology involved in designing and producing the new biometric passport.

2004–05 additionally saw the UKPS host a number of overseas visitors including delegations from Germany, Israel, Thailand, South Africa, Australia, Canada, New Zealand, United States, South Korea, the Czech Republic and Slovenia, meeting to discuss Customer Service, operational, technology and security issues.

Maintaining Customer Service Standards

The UKPS has disappointingly missed its target of processing 99.5% of straightforward, properly completed applications in 10 working days, achieving a 98.1% standard. Insufficient numbers of trained staff were in place to cope with summer demand in 2004. The UKPS achieved its target of processing 99.5% of Fast Track and Premium applications (99.7% of Fast Track applications and 99.2% of Premium applications). It achieved a passport accuracy rate of 99.75%, compared with 99.72% the previous year.

The call centre operations, run in partnership with MMT, dealt with 4.3 million telephone enquiries and answered 85% of these within 20 seconds (target 90%). It dealt with 344,777 e-mail enquiries and responded to 100% of these within four hours of receipt. This compares with 3.3 million calls and 268,000 e-mails in 2003–04.

The UKPS received 8,386 complaints during the year, which equates to just 0.16% of total business, and 1,685 positive comments.

Responding to Customer Needs

Other highlights for 2004–05 include:

Personal Identity Project (PIP)

The current phase of the PIP Pilot is focused on strengthening the verification of an applicant's identity. Importantly, the increased level of identification gives examiners an enhanced degree of confidence that passports are being issued to applicants whose identity has been objectively confirmed. When PIP is deployed nationally, these benefits will be delivered not only to the UKPS, but to anybody who applies for a UK Passport from within the UK, through stronger identity authentication.

Ensuring satisfaction with service

The Improving Call Handling Project (ICH) was implemented in September 2004 and provides a team of security-cleared agents at the UKPS outsourced contact centre (MMT) with 'live' access to centrally held UKPS IT infrastructure system (PASS)/operational data. This has enabled the contact centre to answer most enquiries during the course of a single telephone call, without reference to one of our regional passport offices, and thereby improving customer service. The percentage of calls now requiring a mid-call transfer to a regional office has been reduced by 50% to approximately 8% of calls handled.

Customer satisfaction awards

The UKPS achieved the No. 1 spot in its 2005 CompariSat benchmark survey – repeating its 2004 success. CompariSat establishes customer satisfaction with over 35 major public and private sector service providers. UKPS's performance reflects the high levels of satisfaction recorded month in, month out on its regular monitoring programmes.

Liverpool Office relocation

The move to the new Liverpool Office was completed in September 2004. The improved environment has had a positive impact on both staff and customers. The UKPS will occupy a third floor of the new building during the 2005–06 financial year.

Keeping customers informed

Following a report by the National Audit Office (NAO) – 'Difficult Forms – how government departments interact with citizens' – a complete review of the passport application pack has taken place. The UKPS has taken on board the recommendations of the report, and both the application form and accompanying notes have been improved to make them more customer-friendly. The application pack has also been quality-assured by the 'Plain English Campaign' and it now includes new pictorial guidance on the photograph requirements for UK passports.

Identity Authentication

There are strong links between identity fraud and other forms of criminality. The UKPS has continued to strengthen its co-operation with the police, Immigration Service and other law enforcement agencies. 2004–05 saw members of staff from the UKPS working on secondment with some local police forces and other Agencies to combat jointly identity theft and passport fraud.

Working with external organisations is only one element of UKPS fraud prevention strategy; with substantially more staff devoted to this work, a number of improvements to internal operating systems and procedures have been introduced during 2004–05. Most notable of these have been steps taken to professionalise the work undertaken within the Fraud and Intelligence Units (FIU), including providing investigators with training accredited by the University of Portsmouth. In addition, a new case management and management information system has been introduced to all FIU to standardise fraud investigation and provide improved fraud management information in the future.

> *'First class experience'*
>
> ***M J Elliot, Suffolk***

Secure Delivery of Passports

Working in partnership with Special Mail Services Limited (SMS), the initiative of secure delivery of passports was rolled out across the UK in February/March 2004. Despite initial teething problems, reported losses in delivery have been reduced by over 80% and delivery of almost 98% of passports takes place within 24 hours of printing.

Authentication by Interview (AbI)

After a careful review the UKPS concluded that it should introduce a requirement for a personal interview before issuing first passports to adults. This was announced by Home Office Minister Des Browne on 21 December 2004, and the Authentication by Interview (AbI) project has been set up to implement the new requirement towards the end of 2006. (This project is described in the Future Priorities section of this report.)

The background to the new requirement is the problem of identity theft and fraud, and its potential use to facilitate illegal immigration. As long as it remains possible for passport applications to be processed completely by post, criminals will attempt to obtain passports in false or stolen identities knowing that detection of a fraudulent application would be very unlikely to lead to arrest. The system allows the opportunity to submit multiple fraudulent applications in the hope of getting one through, and of submitting fraudulent applications for people trying to enter the UK illegally.

At present the UKPS can make various checks to ensure that the identity shown on a passport application is real and belongs to a living person. However it relies largely on the countersignatory to confirm that the photograph sent with the application is truly that of the person named in the application. The countersignatory system is valuable and will be retained, but by itself can be defeated by trickery or collusion.

The UKPS believes there is a pressing need for an improved integrated system of identity authentication. The existence of the identity should first be verified using existing techniques reinforced by multiple database checks (see Personal Identity Project). The applicant should then attend in person to confirm their ownership of the identity. This would involve interviews making use of information verified in the first stage, and should be straightforward for the great majority of cases where the applicants really are who they claim to be. When the UKPS has confirmed that the identity has not been stolen, the biometric in the passport will link the document to the individual and prevent any future attempt by any other person to obtain a passport in that identity.

To minimise the inconvenience to passport applicants and to implement the business requirements for AbI, the UKPS is seeking to provide a new infrastructure. The solution will be implemented without causing the need for an unacceptably high fee increase. The UKPS considers that the value to the UK of minimising passport misuse, with regards to crime and illegal entry, outweighs the costs involved. Additionally, customers will continue to hold a passport whose integrity will continue to be highly respected abroad.

Personal Identity Project (PIP)

The UKPS is currently trialling the use of access to private and public sector databases at one office (with applicant consent) to assess the operational implications and whether identity authentication is strengthened. The outcomes of this pilot have informed a plan to roll out PIP to all offices on a limited basis (to all first-time adult applicants) and explore integration into our standard processes.

Operation Wisdom

The UKPS has been matching infant birth and death data for England and Wales, Northern Ireland and Scotland against passport records. This exercise has now been completed with over 1,000 names being placed on a worldwide warning list. Arrests have taken place in the UK, USA, Canada, Australia, Africa and Asia.

Omnibase

Omnibase has been developed by the UKPS to provide online access to the UK passport database by other government departments.

Omnibase is fully rolled out and is used to support all Foreign and Commonwealth passports issued overseas.

In addition, Omnibase is used for fraud or other investigations by a number of government departments, including:

- Driver and Vehicle Licensing Agency (DVLA)
- Criminal Records Bureau (CRB)
- National Criminal Intelligence Service (NCIS)
- Immigration Service
- Special Branch.

The UKPS is currently in discussion with the following organisations regarding the expansion of access to Omnibase:

- Department for Education and Skills (DfES)
- Customs and Excise
- Immigration Service (further expansion of access within).

Lost, Stolen and Recovered (LSR) Database

A global database of passports that have been reported lost or stolen was launched in December 2003. This ensures that the information is shared rapidly with colleagues in FCO offices and the Immigration Service. In 2004 further procedures were introduced to allow data-sharing with Interpol.

Over 350,000 passports were reported lost or stolen during the calendar year 2004. This includes passports lost both within the UK and abroad. To improve the speed at which the UKPS is advised of a lost or stolen passport, a dedicated hotline for customers has been created, as well as other routes by which the UKPS is informed of losses by customers, police and FCO posts overseas.

Lost, Stolen and Recovered hotline number

0870 521 0410

Fraud and Intelligence Units (FIU)

2004–05 has seen the UKPS continue to strengthen its internal fraud investigation capabilities. Additional staff have been recruited to each of the regional offices to strengthen existing fraud prevention units.

The responsibilities of the Fraud and Intelligence Units (FIU) include undertaking both proactive and reactive fraud investigations, and being responsible for delivering fraud awareness training to colleagues.

To detect and prevent fraudulent applications, the UKPS started trialling the use of facial biometrics in 2004. To do this it has been comparing applicants' images against its stop-file of known and suspected fraudsters.

By March 2005, 60 counter-fraud specialists completed an accredited training programme (accredited by Portsmouth University). Around 40 further investigators are currently undergoing the same accredited training programme. This training has been supported with the introduction of a fully updated package of policy and guidance developed in accordance with legal requirements.

Joint Working with other Agencies

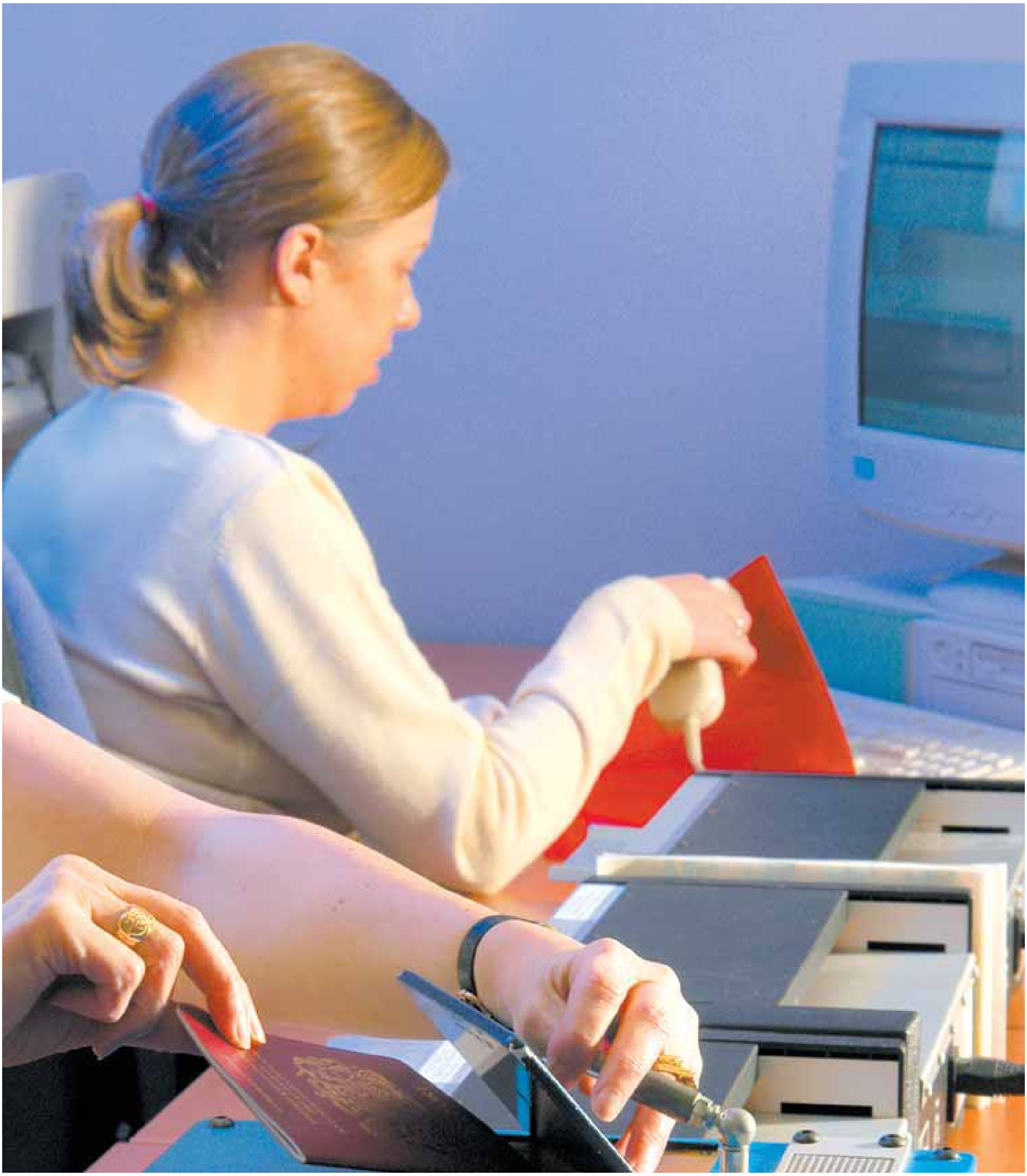
The UKPS continues to maintain close working links with a range of investigative agencies, including the police and the UK Immigration Service. The UKPS also has an officer seconded to the National Criminal Intelligence Service, and through this arrangement has developed links to other agencies across the UK and beyond.

Two staff members are currently seconded to the Joint Intelligence Unit of Operation Maxim, working with Metropolitan Police and UK Immigration Service colleagues as part of a co-ordinated response to tackling organised immigration fraud. These secondments will continue until 2006. A further Operation Maxim has been launched in South Yorkshire. This again includes a member of UKPS staff seconded to that team.

'The dedication of the people at the passport service is second to none, and I thoroughly applaud what they have achieved, despite some of the huge difficulties they have faced'

Baroness Anelay of St Johns

Efficiency and Business Assurance



In 2004–05 the UKPS made a surplus of £26 million. This surplus was achieved due to fees being set at a deficit recovery level, accounting treatments, reclassification of some change programme projects and budget underspends.

> *'A good example of total efficiency'*
>
> ***Mr M Willock, Yorkshire***

The UKPS has supported the Government's commitment on payment to suppliers by paying 97% of all invoices received within 30 days of receipt.

Financial probity and assurances are overseen by an Audit Committee, chaired by a Non-Executive Director (with two others as members) which meets on a quarterly basis.

The Efficiency Plan continues to evolve with additional activities being approved by the Board. The independent review of public-sector efficiency conducted by Sir Peter Gershon CBE in July 2004, and the desire to minimise fee increases, have placed significant challenges on the UKPS to deliver efficiencies in its ongoing business. The Gershon efficiency report has challenged operations to make a 3% 'Business As Usual' (BAU) efficiency saving, which has been achieved in 2004–05. This activity is being tracked, measured and reported against the plan and is being governed through the Planning and Budget Committee. Additional activities will be progressed in the 2005–06 financial year.

Improved Productivity

Unit cost performance was stronger than expected during the year (£28.65 against a target of £30.78). Despite increases in costs to support the Integrated Change Programme (ICP), the operation still delivered 200,000 more passports throughout the year, with only a moderate increase in average staffing. This improved productivity represents real efficiency gains.

Process Mapping

The major UKPS operational business processes have been mapped. The detailed business process models and findings will support ongoing business improvement initiatives. These business models are also being used as the baseline for strategic change.

Maintaining Effective Contract Management

Through the activity of the Commercial Directorate, improved contract governance has been applied to key partnership arrangements. Regular Executive bilateral meetings supplemented by operational/contract meetings provide the management framework. To ensure continued value for money, the UKPS has engaged legal, technical, design and commercial expertise, when appropriate, to support development projects. Effective procurement methods have enabled savings of over 1% on non-payroll spend to be achieved.

In accordance with contract provisions the UKPS successfully undertook a mid-term contract review with Atos Origin, with a mutually satisfactory outcome. Similarly, a price review of the Special Mail Services Limited (SMS) was undertaken resulting in an increase in line with the Retail Price Index (RPI) for the service provider and improved services for the UKPS.

Risk Management and Business Assurance

The Senior Management Team continued to review a regularly updated list of the top ten strategic risks to the service each month throughout the year, and further developed risk management arrangements below Board level.

The UKPS did not need to implement its large-scale business continuity plans during the year. However, plans were tested in a series of exercises as well as some minor incidents, and have been reviewed accordingly. Disaster Recovery arrangements have also been reviewed during the year and an action plan put in place to implement changes.

Self-assessment processes on the effectiveness of internal controls have been refined to ensure a robust evidence base for the assurances given. This work will continue into the next financial year.

Comprehensive risk registers are maintained at each level of the organisation for both BAU operations and change projects, with close attention paid to the timely execution of mitigation actions.

During the year PriceWaterhouse-Coopers delivered internal audit services for the second year of a five-year contract. Full details of our internal control system can be found on pages 30–33 of the Accounts.

Unlocking Staff Potential

The UKPS places a high priority on ensuring its staff feel valued and empowered. It has developed a set of Valued Behaviours to support the UKPS recruitment and performance management processes as well as being an integral part of staff appraisal and development. The aim of the Valued Behaviours Framework (VBF) is to bring alive and embed UKPS values by describing how they are demonstrated in everyday work situations. The aim is to set a corporate standard of acceptable behaviour, which is supported by clear targets (for performance management), as well as clear essential skills (for recruitment, promotion and to guide personal development).

Staff Survey and Reaccreditation as an Investor in People (IiP)

A combined Investor in People and staff survey group has delivered improved communication with front-line staff and publication of information relating to change. Greater contact between senior managers and staff has been achieved though initiatives such as team briefings and local roadshows. Activity is now focused on performance management, leadership and management development, and the staff survey; planned for May 2005.

In seeking to maintain its status as an Investor in People, the UKPS has worked to deliver:

- More feedback on individual performance
- More objective outcomes to assessment of performance
- Shared ownership of the performance process
- Continued embedding valued behaviours through greater awareness
- Increased level of personal ownership

Delivering a difference

Working Together

- Working co-operatively and willingly with others to achieve a common objective – sharing information, expertise and skills

Customer Service

- Providing high-quality, consistent, efficient and responsive Customer Service
- Continuously striving for excellence

Responding to Change

- Embracing and supporting change, maintaining an open mind and learning from experience

Valuing People

- Accepting and respecting others for their knowledge, expertise, and difference, recognising and acknowledging their potential and their achievements, and enabling them to perform

Personal responsibility

- Taking responsibility for individual and organisational actions and decisions
- Acting with integrity and commitment

- Continued building of teamwork and rapport
- Increased feedback and management skills
- Increased coaching skills
- Increased transactional and transformational skills.

Training and Development of Staff

During the year, the UKPS invested 4.2% of its salary costs on training and developing staff, which was below the target of 4.5%. The high volume of passport applications received this year have adversely affected scheduling of and attendance at courses. The structure of measurement of this performance indicator is under review in an attempt to better reflect the quality and outcomes as well as the investment in the training of staff. However, at this stage the target remains unchanged for 2005–06.

The UKPS has established a leadership development programme for senior managers, which aims to develop their personal and collective strategic capacity to lead the UKPS, and a Senior Management Forum, where key leadership issues are explored and guest speakers share their knowledge and expertise.

The implementation of middle management training has continued and has been expanded by the addition of action learning groups.

The UKPS's First Line Manager programme has been accredited to the Institute for Leadership and Management.

Foundation level training for examiners has been developed as a blended learning programme using a mix of e-learning and classroom training, supported by desk training to reinforce the application of skills. All examiners who achieve the required standard will receive an internally accredited certificate. The provision of an e-learning platform through this project gives the UKPS an opportunity to make the most of new technology.

The UKPS is supporting staff across the Agency to achieve the European Computer Driving Licence as part of an Agency-wide drive to enhance computer skills.

The UKPS has continued to support non-vocational and vocational training via the Agency Life-Long Learning Scheme. Staff applications continue to be predominantly for languages and IT skills.

Management of Staff Absence

In 2004–05 the UKPS had an average of 11.4 days' sickness absence per (full time equivalent) member of staff. This compares against the target of 10.5 days. However, there has been a reduction in short-term sickness absence rates from 5.6 days to 5.0 days per (full time equivalent) member of staff in comparison to the previous financial year.

Performance Management System

During the business year, the UKPS has reviewed the performance management systems and using significant input from staff and the Trade Union has designed a replacement system. Key changes have included the requirement to define clear standards of what comprises meeting and exceeding standards, and for evidence to be collected to inform assessment against objectives. It has also initiated assessment against the corporate 'Valued Behaviours' and upward feedback from staff on their line managers. The scheme is being introduced for the 2005–06 financial year.

Development of Career Paths

As part of the revised performance management system, a revised career path for examination staff has been proposed. The path consists of four job roles – from newly recruited examiner to 'Super' examiner – and reflects the skills and experience a person will gain during the course of their career. This is supported by the foundation level blended training for examiners.

Reward

The Corporate Bonus was initially launched for six months in October 2003 and resulted in offices securing a range of bonuses. The scheme increased awareness of the corporate targets and measures, and staff recognition of the need to achieve the corporate targets. With some modifications, the scheme has been repeated in 2004–05 and it is planned again for 2005–06.

> The UKPS was a finalist for the prestigious Carl Bertelsmann Prize in 2004, awarded for Organisational Culture and Leadership in the Public Sector.

Implementation of a Diversity Action Plan

The UKPS, like many organisations, brings together many different people from diverse backgrounds, with different needs and expectations.

The UKPS recognises how important its people are to the success of the organisation. It is therefore striving to create an environment where everybody feels valued and motivated towards achieving our business goals. One of the key supporting policies for achieving this is that the UKPS has the support and commitment of its people and therefore it must ensure that it proactively recognises and manages the diversity of its workforce and customers. During 2004–05 diversity activities included:

- Production of the 'Working Together' series of booklets, addressing workplace harassment, discrimination and bullying, sexual orientation, disability and religion and belief
- The creation of an Equality and Diversity Steering Group, to lead the development of the Equality and Diversity Strategy and agree key priorities for the UKPS
- Revision of the Race Equality Scheme incorporating action plans for all our business functional areas
- Development of the Equality and Diversity Policy Framework
- Rolling out a programme for equality impact assessment that goes beyond the current legislation to assess the equality impact for all diversity strands
- Revision of the childcare voucher scheme.

Full details of the UKPS's diversity performance can be found in Annex (d) of this document.

> *'I was treated with utmost courtesy, by helpful and knowledgeable staff'*
>
> ***Peter Bolt, Hampshire***

Healthcare Programme

Influenza vaccinations were available to all members of staff; 517 took advantage of this during the year. A health assessment programme has been developed and is offered to all staff every two years; in total 1,000 took part in 2003–04. In April 2004 a new employee counselling and welfare service, known as the Employee Assistance Programme (EAP) was launched. This offers a wide range of services to staff, their families and those close to them, and is available to staff 24 hours a day, 365 days a year. The new Occupational Health service provided by Health Management includes on-site Occupational Health Advisors encouraging a close working relationship, offering support to both managers and staff in order to improve attendance.

Partnership with Public and Commercial Services Union (PCS)

The management of the UKPS has remained committed to working in partnership with the Public and Commercial Services Union (PCS) throughout the year 2004–05. A number of workshops were run in each region in order to embed the Partnership Agreement and to clarify any misunderstandings there may have been locally. A member of the Employee Relations Team now introduces the concept of partnership during the induction day for HQ staff, in conjunction with a PCS representative. All induction packs contain a copy of the Partnership Agreement which has been recognised by ACAS as a model partnership.

The UKPS has continued to hold focus days with Senior Managers and National Officers to discuss the Integrated Change Programme and future developments in order to gain valuable input from the union. In addition to this, all HR policies that were issued in 2004–05 were written in consultation with PCS as one of the UKPS major policy stakeholders.

Brightsparks

The following suggestions made through the scheme have provided significant benefits to the organisation.

BrightSparks! suggestions made and implemented during 2004–05 included:

- A number of changes to functionality of the Passport Application Support System (PASS) to improve efficiency and usability for examiners and other staff.
- The purchase of postcode books by the Belfast Regional Office for its examining teams. During times of peak demand the suggestion has resulted in financial savings of £375 per week due to the reduction in calls to customers to obtain postcode information. It has also saved eight person-hours per day of examiner time previously spent making the calls. Customers have also benefited, as they no longer have to be contacted for this information.
- A number of changes to the text of PASS letters the UKPS sends to passport applicants. This has benefited Customer Service by the improvement in the clarity of these letters. It has also saved passport examiner time by reducing the time spent handling phone calls from customers querying the content of these PASS letters.
- A change to the procurement process for office furniture for PASS users has saved £300 in the current period. Substantially greater financial savings will result when it is applied to the Authentication by Interview (AbI) programme.

BrightSparks!

The UKPS continued to support a staff suggestion scheme during 2004–05. Launched in March 2003, the scheme is now two years old. In the second year of operation the scheme received 1,065 suggestions. The UKPS is a member of the 'IdeasUK scheme' and has received a bronze accreditation in 2004–05. The UKPS is working to receive a silver accreditation in the 2005–06 period.

£3,410 has been awarded to the originators of suggestions that are practical to implement in 2004–05.

BrightSparks! is contributing to the UKPS 'Celebrating Success' initiative by holding its first 'Idea of the Year' competition. It is anticipated that by participating in the initiative the profile of the scheme will be raised amongst staff, leading to the generation of an increased number of valuable suggestions being submitted to the scheme.

Optimising the Use of Technology

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Making the best possible use of technology in support of its business has continued to be a key objective for the UKPS. Hence it has continued to ensure that it develops systems that support the growing number of customers that wish to access services online, as well as using technology to stay one step ahead of fraudsters and criminals.

Infrastructure (IS) Strategy

In support of its vision, the UKPS has continued to maintain a long-term IS strategy and has progressed its implementation. This included a complete technical refresh that is due for completion in 2006. The refresh will ensure that the technical infrastructure is up to date and supports the overall change programme and the move towards a more modular, so-called service-orientated architecture. The new architecture will facilitate the evolution of PASS in order to support change requirements such as Authentication by Interview (AbI), ePassport and the introduction of biometrics.

> *'Your online application service is excellent'*
>
> ***Frances Presland, Bucks***

Person-Centric Database

As part of the review of IT within the UKPS, a feasibility study concluded that a person-centric database would better support our fraud prevention activities.

This work is being progressed as part of the UKPS's systems migration strategy.

ePassport

The UKPS has been progressing analysis and development of an ePassport incorporating an International Aviation Organisation (ICAO) standard facial biometric. The first ePassports are expected to be rolled out in late 2005/early 2006.

Biometric Trial

The biometric trial's goal was to test the processes and record customer experience and attitude during the recording and verification of facial, iris and fingerprint biometrics. The trial began on 14 April 2004 and was closed on 24 December 2004 after over 10,000 enrolments had been completed.

Development of Management Information (MI) Systems

The proposed introduction of interviews for first time adult applicants and potential future requirements of the Identity Cards scheme have resulted in the review of a number of management information initiatives, which the UKPS believes will enhance the future solutions of the business. One of the notable successes in 2004–05 was the introduction of Fraud MI, which is a database used to record all suspected fraudulent applications, allowing full data interrogation. This provides significantly more information on fraudulent applications than was available previously.

> *'We found your website, your tracking service and the passport form easy to use and comprehensive'*
>
> ***Rebecca Lee, Shropshire***

Internal IT Systems

During the year improvements were made to the PASS system to streamline processes and to improve security.

Remote Access to enable staff to work effectively at home has settled in well and there are currently 100 active users with this facility.

> *'I am extremely impressed with the efficiency and ease with which my online application has been dealt with'*
>
> ***Joel Toby, Essex***

Future Priorities

Mission	Vision	Strategic Objectives	Aims
Mission: Confirming nationality and identity–enabling travel	**Vision:** To focus on stronger identity authentication for the purpose of issuing passports and providing identity services	Identity authentication	To prevent identity fraud
			To safeguard document integrity
			To prevent internal fraud
		Responding to customer needs	To ensure that entitled customers are able to travel freely
			To ensure that customers are satisfied with the service
		Unlocking staff potential	To embed 'Valued Behaviours' framework
			To deliver a quality learning and development programme to meet individual and business needs
			To continue to reform existing performance management arrangements
			To seek continual improvement in attendance and performance
			To continue to focus on excellent internal communications
		Efficiency and business assurance	To be more efficient in everything we do
			To maintain sound finances to support business continuity
			To comply with regulatory requirements
		Optimising the use of technology	To optimise the use of technology

The UKPS recognises that it can only meet the needs of its stakeholders if it continues to provide excellence in Customer Service, while ensuring the highest integrity of passport application processes and the security of the passport document. Future activities will support both customer service and fraud prevention and detection. The UKPS will continue to drive forward quality improvement and ensure that it develops staff to their full potential. It will ensure that it provides not only high standards of Customer Service but that it does so in an effective and efficient manner making best use of IT.

The Corporate and Business Plan, published in March 2005, sets out the strategy for 2005–2010. The planned Integrated Change Programme (ICP) contains core strategic projects supported by a number of enabling projects. The following summarises the core strategic projects:

Authentication by Interview (AbI)

A project has been established to set up the new premises, processes and systems needed to implement the decision to introduce a personal interview before issuing first passports to adults. These interviews will also enable biometric information to be collected in future. While this will provide better identity authentication, the need to make the process as convenient as possible for the customer is recognised. For this reason the UKPS will be opening approximately 69 offices nationwide to support the interviews of some 600,000 first time applicants per annum. It is planned that the location of the offices will strike a balance between convenience and cost. A theoretical analysis model was devised to take into account convenience to the customer; 92% of the population will have an office within 20 miles of their home, 7% between 20 and 40 miles and approximately 1% over 40 miles.

Additional follow-up discussions were held with numerous regional and government authorities to refine locations incorporating public transport links. For those with longer distances the UKPS will be investigating the practicalities of mobile facilities or peripatetic staff.

Personal Identity Project (PIP)

The UKPS has trialled the use of access to private and public-sector databases, with applicant consent, at one regional office to assess the operational implications and whether the authenticity of an applicant's identity is strengthened. The outcomes of this pilot have informed a plan to roll out PIP to all offices on a limited basis (first time adult applications) and to explore integration into the UKPS's standard processes.

Births, Marriages and Deaths (BMD) Online

The proposed Identity Cards Bill, which was introduced to Parliament in 2004 but which did not receive Royal Assent before the General Election, included provisions that would have allowed data-storing between the three UK registry offices and the UKPS for the purpose of processing passport applications. As the Office of National Statistics (ONS) proceeds with the computerisation of all its records of births, marriages and deaths, the UKPS has investigated a plan to establish an electronic link to their database and eliminate reliance on paper documentation, thereby enhancing Customer Service and eliminating some types of fraud. A similar arrangement will be sought with the General Registry Office (GRO) in Scotland and Northern Ireland and with Immigration and Nationality Directorate (IND) to link to their nationality database.

BMD Online assumes that the Identity Cards legislation is in place to enable data-sharing between the three UK registry offices and the UKPS. If this does not occur, additional legislation would be required in order to deliver electronic verification services. Options for the UKPS are currently being analysed.

ePassport

This is to provide the UKPS with the capability to issue customers with an ePassport that stores biometric information about the holder. Inserting a microchip containing facial image data into the passport book will improve the security and integrity of the passport by more tightly linking the passport holder to the passport book via the biometric.

Facial Recognition (FR)

If this is introduced, the UKPS will be able to step up the use of facial recognition (FR) technology over the next year with the advent of the 'new photo standards' scanners. The associated upgrade of our existing examination IT system, with the introduction of 'PASS 6', will also assist.

Second Biometric

The UKPS is studying the feasibility of adopting a second and/or third biometric to deter and detect duplicate applications, and strengthen the link between passport/Identity Cards and the individual holder.

Additional biometrics are driven by European and International standards for passports and potentially by Identity Cards in the future.

Corporate and Social Responsibility

The UKPS is committed to its customers, employees, the environment and, in the wider context, the community at large. The UKPS believes that in the long term it must act in a responsible manner, creating benefits for all of its stakeholders. This ethos underpins the decision-making process within the organisation. Account is taken of external influences that are likely to impact on our future business. The UKPS assesses the impact its decisions will have on stakeholders, developing strategies to minimise potential difficulties.

Economic Factors

The UKPS is a self-funded Agency, reliant on the fee income it generates. It is committed to managing its resources in a prudent manner to ensure that increases in fees are only sought when necessary and that the level of increase is kept to a minimum for its customers.

Social Factors

The UKPS has a positive role to play in the communities in which it operates, benefiting both customers and employees. Providing excellence in Customer Service is a key priority for the UKPS, balancing this against the need for improved security measures. Its human resources policies are structured to attract and retain the best people to achieve this goal.

The UKPS is committed to:

- Complying with regulatory requirements
- Providing a safe, secure and healthy working environment for its employees
- Ensuring managers are committed to the health and well-being of their staff
- Promoting equality of opportunity for all, ensuring that individuals progress within the organisation by talent alone
- Treating all stakeholders with courtesy and respect
- Communicating openly and honestly with all stakeholders – both internally and externally
- Regularly reviewing our policies to ensure we are maintaining our commitment to our stakeholders.

The UKPS engages its stakeholders through various media and communications including staff newsletters, intranet, the external website, the staff briefing system, and through members of the Consultative Panel (made up of representatives from the travel industry, Citizens Advice Bureau (CAB), Department for Education and Skills (DfES) and the Foreign and Commonwealth Office (FCO), amongst others).

Environmental Factors

The UKPS is aware of the impact its operations have on the environment and is working to reduce this. Its green strategy sets out four key areas on which it will focus its efforts. These are:

- Reducing consumption of natural resources
- Providing recycling schemes at all locations
- Consider setting performance indicators to measure progress
- Promoting our strategy to all employees and seeking their active involvement in initiatives.

The UKPS is continuing to establish measurements and develop management systems to monitor and improve its environmental performance more fully.

Accounts and Notes

Foreword to the Accounts

History and Background

The United Kingdom Passport Agency was established as an Executive Agency of the Home Office on 2 April 1991 under the Government's Next Steps initiative.

In March 2001, the Agency was renamed the Passport and Records Agency (PRA) to encompass the two distinct operating arms within the Agency, the United Kingdom Passport Service (UKPS) and the Criminal Records Bureau (CRB). Following a review of CRB operations and strategies, the CRB became an independent Executive Agency of the Home Office on 1 September 2003 and the UKPS reverted back to separate Agency status.

Principal Activities

The function of the UKPS is to provide passport services for British nationals in the United Kingdom. Its main objectives are set out on page 1 of the Annual Report.

Performance against key targets is described on the inside front cover of this Annual Report. For the year ended 31 March 2005 the UKPS made a surplus of £26 million due to fees being set at a deficit recovery level, accounting treatment, reclassification of some change programme projects and budget underspends.

Basis for Preparing the Accounts

A HM Treasury direction requires the UKPS to produce the accounts to conform with the accounting principles and disclosure requirements of the Resource Accounting Manual (RAM), in respect of 2004–05 and future years, in accordance with section 7(2) of the Government Resources and Accounts Act 2000.

The UKPS uses the Companies Act 1985 Schedule 4 format 1.

Business and Future Developments

The UKPS continues to seek and to deliver improvements in the quality, value for money and efficiency of the current service provided to its customers, in line with the service and financial targets set by Ministers. At the same time as delivering these service levels, the UKPS continues to implement a series of significant change projects incorporated into an Integrated Change Programme (ICP).

Integrated Change Programme (ICP)

The Integrated Change Programme (ICP) will deliver significant enhancements to the passport issuing process. The UKPS has recognised the need to undertake organisational and cultural change, as well as changes to business processes and products, in order to be able to effectively combat increasingly complex and sophisticated identity fraud. This will also be achieved by exploiting the potential of new technology but we will at all times continue to provide a high-quality service to the public.

The key elements of the Integrated Change Programme (ICP) have been defined over the last two years and will enable us to integrate not only the whole passport application process, but also join up the business for improved efficiency, connect to other government departments and exploit the potential for e-service delivery. It will additionally provide building blocks for the potential Identity Cards scheme.

Within the Integrated Change Programme (ICP) our core strategic projects deliver new or enhanced capabilities in both stronger identity authentication and greater document security necessary to fulfil our vision. The core projects are:

- Authentication by Interview (AbI)
- Personal Identity Project (PIP)
- Births/Marriages/Deaths (BMD)/Naturalisation Online
- Facial Recognition (FR) and second biometric
- ePassports (incorporating facial biometric).

These core strategic projects are supported by the rest of the Integrated Change Programme (ICP), which is categorised as 'enablers' and 'other business change'.

Fixed Assets

During the year, the UKPS made significant capital investment primarily in the ePassport project, where the new plant and equipment required to deliver biometric passports are being

purchased and owned by the UKPS. This amounted to just under £16m in the year categorised as assets under construction as the equipment is not fully constructed. Significant investment was also made on the Electronic Passport Application (EPA) System, which is also an asset under construction (due to be delivered in July 2005) and the Liverpool office relocation, which has come into use in the year. More information on fixed assets is included within note 10 to these accounts.

Management Information

Business process maps for key processes have been delivered during the year and will be a key management tool in delivering improved consistency, quality and efficiency across all offices. The UKPS is considering establishing an electronic data warehouse to allow flexible data sharing and reporting. Also underway is a project to deliver a finance and procurement system to support e-commerce, enhanced financial analysis and cost modelling. The IT strategy continues to be refreshed and refined to meet the dual challenges of the Integrated Change Programme (ICP) and Identity Cards scheme. Further detail on this is included on page 21 of the Annual Report.

Net Regime

The UKPS continues to operate under a net regime for resource expenditure. Capital expenditure is funded by the Home Office. All receipts are paid into a UKPS account held with the Office of the Paymaster General, the UKPS then Appropriate in Aid from this account sufficient receipts to cover expenditure and then pay the surplus to HM Treasury as Consolidated Fund Extra Receipts (CFERs).

Outsourcing

Contracts were awarded in July 1997 to Siemens Business Services (SBS) and The Stationery Office (TSO), now Security Printing & Systems Limited (SP&S Ltd). Services from both organisations commenced in October 1998.

During the year the ePassport project development has given rise to a supplementary agreement to the SP&SL contract, which has altered the balance of risk so fundamentally from the 1997 contract that the revised agreement is now on the UKPS balance sheet. Although the contract with SP&SL has not been signed, the UKPS is indemnified under a letter of intent and therefore the new equipment for ePassport production is included as an asset under construction. The existing digital equipment will become UKPS assets upon contract signature. The service element of the agreement continues to be charged to the cost of sales.

In addition to the operational service charges levied by SBS, the UKPS has also invested during the year in developing improvements to the Passport Application Support System (PASS) to facilitate future services such as Electronic Passport Applications (EPA) and electronic work transfers which went live in January 2005.

Identity Issues

The UKPS continues to strive to ensure the British passport remains amongst the most secure worldwide and continues to improve security. In order to improve fraud prevention and detection a number of significant projects were delivered during the year including improvements to a global passport database (Omnibase) with the intention of launching the e-borders initiative to check passports presented against data on Lost, Stolen and Recovered (LSR) data. The Passport Verification Service (PVS) was also piloted in the year with a banking group to benchmark the service viability with the private, particularly financial, sector. This year was also the first full year of secure delivery of all passports nationwide in partnership with Secure Mail Services Limited (SMS).

Identity Cards

The UKPS is playing its full part in planning for the delivery of the Identity Cards scheme, which is subject to Parliamentary approval of the Identity Cards Bill. Much of what the UKPS currently does, and the content of the Integrated Change Programme, will contribute towards the development of the Identity Cards scheme, and will help de-risk the programme. In November 2004, the Home Secretary announced that subject to the approval of the Identity Cards Bill, a new Agency would be established to deliver the Identity Cards Scheme. This will incorporate the function of the UKPS. Our working assumption is that the new Agency will be established from 1 April 2006, to prepare for delivery of the Identity Cards scheme by 2008.

Concessionary Passports

In May 2004 the Home Secretary announced a scheme to issue free passports for all those citizens born on or before 2 September 1929 in recognition of their contribution to the war efforts. As this subsidisation was Government policy the scheme is centrally funded by the Home Office. The scheme was formally introduced in October 2004 but backdated to announcement in May 2004. The total number of eligible passport applicants in the scheme in the year was 150k, including backdated refunds, amounting to £5m. This income has been recorded under 'turnover from continuing activities'.

Fee Review

A fee review was undertaken during the year in consultation with Home Office and HM Treasury colleagues, which concluded that no change was required

to fees during 2004–05.

Corporate Governance

These accounts incorporate a statement on the UKPS system of internal control. It is in line with the requirements of the Turnbull report on Corporate Governance as set out in HM Treasury's Resource Accounting Manual. This requirement for a Statement on Internal Control to be included in the Annual Report and Accounts from 1 January 2001 was first introduced by DAO (GEN) 13/00.

The content of the statement is supported by the work carried out by the UKPS internal audit service, the contract for which was awarded to PriceWaterhouseCoopers in 2003, as well as other internal and external reviews that cover UKPS business controls. The UKPS Audit Committee meets four to five times a year to oversee all audit and assurance work carried out and is supported by a Risk Assurance Group that meets regularly throughout the year. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the UKPS's plans, policies and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. In order to strengthen UKPS corporate governance the functions of risk management and business assurance continued their integration.

The UKPS external auditor is the Comptroller and Auditor General, supported by the National Audit Office (NAO), appointed under statute and reporting to Parliament. For the statutory audit carried out on this report and accounts for the work undertaken on an IT Governance review, the UKPS paid notional fees to NAO of £155k and £20k respectively.

In order to further strengthen the UKPS governance arrangements the board structure has been revised by establishing separate Strategy and Executive Management Boards with respective responsibilities for strategy development and the tactical delivery of corporate objectives. Key sub-boards are being allocated responsibility for specific objectives and Key Performance Objectives.

Additional Executive Directors have been appointed to strengthen the Agency in the Operations, Business Change and Systems areas. Full details of the Board and Directors are included on pages 60–62 of the Annual Report.

Pension Scheme

Comprehensive details of the various pension schemes available to UKPS employees are contained within note 7 to these Accounts.

Efficiency Strategy

The UKPS Efficiency Strategy has been developed in line with recommendations under the Gershon review and the need to mitigate the impact of the Integrated Change Programme (ICP) on passport fees. The strategy includes a focus on procurement savings, productivity improvements and realising the benefits from e-enabling labour intensive processes.

Resource Accounting and Budgeting

The Home Office are preparing resource accounts for 2004–05, which will consolidate the UKPS accounts. The UKPS provides accounting data to Home Office on a monthly basis. Consistency of accounting policies and treatment has been assisted by the requirement on both parties to prepare accounts in accordance with the Resource Accounting Manual (RAM).

Euro

The UKPS is keeping closely in touch with developments on the Euro, and is taking steps to ensure that its financial and operational systems can be flexibly adapted to facilitate the Euro as and when required.

Call Centre

The UKPS continued to develop its contact centre service during the year to help deal with the large volume of enquiries from the public which exceeded 4.3 million calls during 2004–05. The introduction of the PASS system availability to the call centre has enhanced the service to customers enquiring on progress of applications. This service, Improved Call Handling (ICH), was implemented in September 2004.

Payment Performance

The UKPS payment performance is outlined on the inside cover of the Annual Report.

Research and Development

The UKPS has continued to undertake research into the factors influencing the volume and pattern of demand for passports. The UKPS continues to implement improvements to the passport issuing process through the use of digital and biometric technology. All these costs are charged to the Income and Expenditure Account.

Senior Management Team

The names, positions and brief personal details of the Senior Management Team are as set out on pages 60–62 of the Annual Report. The Chief Executive is a permanent member of staff appointed by the Home Office under senior civil service terms. Executive Directors' remuneration is within the UKPS agreed pay scales adjusted by the Remuneration

Committee where appropriate to effect reasonable comparison with similar roles within the civil service. Membership of the Remuneration Committee includes two Non-Executive Directors. Full details on remuneration of the Senior Management Team are contained within note 7 to these accounts. A register of Directors' interests is held by the Head of Risk and Assurance to ensure there is no risk of conflict with Directors' management responsibilities.

Unlocking Staff Potential

Full details of the UKPS staff initiatives, including a set of corporate valued behaviours, are set out on pages 17 to 19 of the Annual Report.

Diversity

Full detail of the UKPS Diversity Scheme is set out on page 18 of the Annual Report.

Employment of Disabled People

The UKPS employs 188 registered disabled staff (5.8% of total average staff numbers) and there is an Equality Manager who is responsible for overseeing implementation of the policy.

Health and Safety

The UKPS is committed to maintaining the standards required by the Health and Safety at Work Act 1974, and other UK and European regulations relating to the health and safety of its employees and the public. Resources have been strengthened in this area and the UKPS will continue to raise staff awareness on all aspects of Health and Safety. A healthcare screening and a flu vaccination programme exists for all UKPS staff.

Partnership Agreement with the Trade Union

The UKPS values its relationship with the Public and Commercial Services Union (PCS) building on the Formal Partnership Agreement signed in 2002. The agreement was a significant step, one that reflects the importance the UKPS places on employee relations.

Employee Relations

The Agency is committed to creating and maintaining good relations between line managers and their staff. The Agency fosters a spirit of co-operation and partnership between all concerned, in the interests of efficiency and the well-being of all Agency staff. This means recognising the responsibilities of managers to manage the need for good communications with staff and their representatives, and proper consultation wherever appropriate on issues affecting staff and their conditions of service.

Information Technology

Full details covering UKPS IT systems, website and telecommunications services are included on page 21 of the Annual Report.

Bernard Herdan
Chief Executive
United Kingdom Passport Service
24 June 2005

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Statement of the UKPS and Chief Executive's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the United Kingdom Passport Service to prepare a statement of accounts for each financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the UKPS state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the year.

In preparing the accounts the UKPS is required to:

- Observe the Accounts Direction issued by HM 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 have been followed, and disclose and explain any material departures in the financial statements, and
- Prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the UKPS will continue in operation.

The Accounting Officer for the Home Office has designated the Chief Executive of the UKPS as the Accounting Officer. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances, for the keeping of proper records and the safeguarding of assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Annual Statement on Internal Control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the United Kingdom Passport Service (UKPS) policies, aims and objectives, whilst safeguarding the public funds and Agency assets for which I am responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The UKPS is an Executive Agency of the Home Office. As Accounting Officer I am fully accountable for the running, management, performance and future development of the UKPS.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the UKPS policies, aims and objectives, to evaluate the likelihood of those risks being realised, and their impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the UKPS for the year ended 31 March 2005 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

3 Capacity to handle risk

A central component of the way in which the UKPS gives leadership and direction to the risk management process is the risk management strategy that I have endorsed through the Board and Audit Committee. This strategy reflects appropriate elements of the Home Office risk management strategy and is subject to regular review.

Further leadership is given to the risk management process by the UKPS Strategy and Executive Management Boards, supported by a Risk Assurance Group, which maintains a strategic risk register reviewed by representatives from all directorates. Managers are accountable for the management and mitigation of risks within their area of responsibility.

Guidance in risk management is given to staff by risk management framework and guidance documents. We seek to learn from best practice by taking an active part in the Home Office Risk Improvement Forum and by individual benchmarking with other government departments and agencies. The UKPS Risk Assurance function takes a lead in the identification and dissemination of best practice.

As part of the UKPS risk management strategy, my Head of Risk Assurance undertakes risk review workshops, one-to-one interviews, round-table discussions and seminars as part of the plan to ensure that awareness is raised and that staff are trained to manage risk in a way appropriate to their accountabilities and responsibilities, goals and objectives. This activity has taken place in the UKPS throughout 2004–05 and will continue to ensure that these processes are fully applied in all areas of the business.

Revised risk management strategy and guidance documents were produced in September 2004, as part of a process of continuous improvement. In addition, a series of functional and senior management risk and assurance workshops have been undertaken. I consider that this moves action forward to continue to develop an embedded risk and assurance management culture throughout the organisation.

4 The risk and control framework

The Board has adopted a risk management strategy. Risk appetite is determined by the Board in the prioritisation of objectives within the corporate planning process. Further work is planned in early 2005–06 to review the definition of UKPS risk tolerance to ensure that this is aligned appropriately with UKPS strategic objectives and business activities.

The UKPS has established the following processes to identify, evaluate and control risk:

- An Executive Management Board that meets monthly, with a standing item relating to significant risk and assurance issues.
- A Strategy Board, which undertakes regular risk workshops and receives assurance on significant strategic risks from the Executive Management Board.
- An Audit Committee that meets at least four times a year, chaired by a Non-Executive Director, and

including the two other Non-Executive Directors as members.

- Regular reports by internal audit, to GIAS standards, which include recommendations for improvement. The UKPS internal audit services are provided on an outsourced basis.
- Individual risk registers at regional offices, directorates and corporate levels. During the current year the most significant risks to our corporate objectives identified have been summarised in a strategic risk register for consideration by the UKPS Executive Management Board.
- A Risk Assurance Group, which meets on a monthly basis to review UKPS risk management and business assurance arrangements. This is a sub-group to the Executive Management Board, with a dotted line to the Audit Committee, reporting on an exception basis where there are significant areas of risk.
- A self-assessment process of Internal Certificates of Assurance, carried out by UKPS senior managers, which is used to inform internal letters of assurance. The whole framework for these certificates, including supporting documentation, has been refined in 2004–05 but further work is needed in 2005–06 to improve the reporting of evidence used to support the assurances given.
- Internal compliance reviews in other key areas of risk, including policy, HR and finance systems. Action commenced in the year to bring a more co-ordinated and risk-based approach to these activities. Further action will take place to build upon this in 2005–06.
- Given the nature of UKPS business, I also have a separate Security Team, with a Head of Security reporting to the Chief Operating Officer who is responsible for informing the Management Board and Audit Committee on all matters of passport security. Internal control in this respect is also exercised by a developing system of checks designed to mitigate the risks of passport fraud.
- Business continuity plans to manage the risks of loss of key premises and processes. Business Continuity processes are overseen by a Steering Group which meets on a quarterly basis.
- Strengthening of the operations, strategic planning, programme and commercial functions, including additional appointments at Director level.
- A Quality and Security checking initiative has commenced to improve the consistency and application of associated processes.

Risk priorities in the year have been:

- Maintenance of high levels of operational performance against record demand levels.
- Development of the capability to deliver a significant Integrated Change Programme (ICP).
- Preparation for the implementation of significant product and operational changes.
- Strengthened counter-fraud activity.
- Active engagement in the Identity Cards scheme.

5 Review of effectiveness

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 Unit, internal auditors and executive managers within the UKPS 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 results of my review of the effectiveness of the system of internal control by the Management Board, the Audit Committee, the Head of Risk Assurance and the Risk Assurance Group and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In addition to the monthly Executive Management Board review of significant corporate risks, the UKPS Strategy Board has included on its agenda a bi-annual review of strategic risk management. The Audit Committee meets quarterly and oversees the system of internal control, receiving reports from the UKPS internal auditors, and NAO, as external auditors. My Directors provide me with annual certificates giving me assurance on the systems of internal control for which they are individually responsible, identifying any control weaknesses, together with their plans to address these.

My Head of Risk Assurance acts as Risk Improvement Manager, reporting to my Director of Finance, and is responsible for developing and improving the UKPS risk management capability. We have reviewed the UKPS risk management capability and effectiveness in the current year, using the HM Treasury Risk Assessment framework. This exercise will be repeated in 2005–06 to enable me to assess the progress that has been made in improving our risk maturity.

Assurance activities are further informed by, facilitated and supported by the Risk Assurance Group, which meets on a monthly basis to address the key elements of risk management and business assurance.

A risk-based approach to internal audit activity has been followed in the current financial year, with a supporting programme of activity, which is approved by the Audit Committee. There has been late delivery of some elements of the programme for 2004–05 and action is being taken to complete outstanding

work. This situation will be improved upon in 2005–06 as a result of earlier approval of the programme of work and improved audit management processes, supported by an Audit Charter and protocol.

Internal audit activity did not identify any significant failures in risk management or the corporate governance processes. However, inadequate opinions were issued in relation to the follow-up of the implementation of Procurement and Payroll recommendations from 2003–04.

The internal audit work programme for 2004–05, agreed with the Audit Committee, did not identify any further major systems or operational areas where controls were not adequately designed and operating, although a number of detailed recommendations to improve controls have been made. Management have prepared action plans in consultation with internal audit to address recommended control and process improvements. Progress against agreed action plans is monitored by management, internal audit, the Risk Assurance Group and the Audit Committee.

Internal audit work in other areas therefore did not indicate that the weaknesses identified in the procurement and payroll audits were systemic across the risk management, governance arrangements or controls across UKPS. Consequently, other than procurement and payroll, internal audit work has demonstrated that, overall, controls reviewed were adequate but that there is scope to improve risk management governance and internal control processes in line with emerging best practice, as planned and referred to elsewhere in this document.

6 Significant internal control issues

The UKPS is operating in an environment of significant change, both in respect of normal operations as a result of major increases in demand, and also in respect of developments in its methods of operation to meet new technological and fraud prevention objectives. This presents a number of challenges, which the UKPS is endeavouring to meet in part by ensuring that it has the right skills and resources in place. This action is progressive and there is a focus on the programme office, to ensure effective delivery of the UKPS Integrated Change Programme (ICP). Further challenges will be presented by any future introduction of Identity Cards. In anticipation of this situation the UKPS is developing governance, risk and control structures and processes to ensure a smooth transition should the scheme proceed.

A wide range of challenging business and financial targets and tasks have been achieved and in some instances exceeded in the year and the UKPS is starting to drive forward and deliver significant outcomes in terms of its developing identity verification and fraud prevention agenda. However, some operational targets have been missed, in particular the 10-day turnaround target for standard applications, albeit by a small margin, and call centre performance. Remedial action is being taken to improve on performance in 2005–06, including additional recruitment to address turnaround time targets.

A number of control improvements have been introduced during the year, including:

- An ongoing review of the overall governance structure of the Agency.
- A Register of Interests for Executive and Non-Executive directors, to enable the UKPS to identify and avoid potential conflicts of interests.
- Improved pre-employment checks have been introduced to improve internal counter-fraud activity.
- Significant progress has been made in improving financial controls although further attention is needed in respect of fixed asset accounting. Further progress in this respect should be achieved by improvements to the finance system.
- Improvements have been made in risk management processes and the embedding of these.

Improvements have also been made in internal certificates of assurance but further action is needed and planned for 2005–06 to ensure that adequate evidence is provided to support assurances given, building on existing good practices identified and better aligning controls with risks to key objectives and supporting tasks. These improvements will enable me to place increased reliance on at-source assurance processes.

In light of two specific instances of the loss of passport books in one office, actions have been taken to strengthen management processes in respect of passport books returned with renewal passport applications, as a key control over document security.

The consistency of application in areas such as case noting of decisions on passport entitlement and Main Index updating was raised as an issue in last year's statement. Action has been taken to improve compliance with current policy guidance, including procedural changes and system improvements to prompt action. Further action is planned in 2005–06 to obtain tangible evidence that standards are improving.

Due to the UKPS heavy reliance upon IT, significant investment is being made in improved resilience. One incident occurred in the year that caused two days' loss of administrative IT support services, and specific action is being taken to address this resilience issue to ensure that all systems continue to operate in a robust and efficient manner.

Internal audit and the Risk Assurance Unit have been working closely to

develop a Unified Assurance plan co-ordinating a wide range of assurance processes in a cohesive manner. This and the earlier approval of the 2005–06 internal audit programme and the Audit Charter and protocol, which are under development, should ensure that all elements of scheduled activity are undertaken to timetable.

The improvements identified in 2003–04 in the areas of procurement and payroll services have not all been delivered as planned in the year. Urgent action is being taken to make sure that these are sufficiently robust and driven forward in a timely manner. All high priority issues identified in the payroll audit have already been addressed.

The Agency's Programme function has received considerable attention including Home Office oversight processes, an internal audit review and an OGC Gateway Review of the overall Integrated Change Programme (ICP), which assessed the programme status as Amber, with a number of recommendations that are being addressed. In addition, improved internal programme assurance processes have been developed to ensure that key project and programme controls are in place and operating consistently.

The UKPS continues to develop a stronger risk and assurance focus in all areas of the business and closer planning, resourcing and management against key risks. This will continue to focus on further improvements in self-assurance and risk management processes, supported by a training programme based on a new risk tool to be implemented in the 2005–06 financial year.

Bernard Herdan
Chief Executive
United Kingdom Passport Service
24 June 2005

United Kingdom Passport Service: The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 36 to 59 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 39 to 41.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 29, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 30 to 33 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with UK Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the United Kingdom Passport Service at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and

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

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP
04 July 2005

Accounts
for the year ended 31 March 2005

United Kingdom Passport Service
Income and Expenditure Account for the year ended 31 March 2005

	NOTES	£'000	**2004–2005** **£'000**	2003–2004 £ '000 [re-stated]
Turnover from continuing activities	1.8, 2		**242,110**	197,541
Cost of sales	4		**(92,137)**	(82,344)
Gross surplus			**149,973**	115,197
Distribution costs	5	**(19,974)**		(5,538)
Administrative expenses	6	**(63,421)**		(42,448)
			(83,395)	(47,986)
			66,578	67,211
Other operating income	1.12, 3		**3,660**	3,652
Operating surplus	8		**70,238**	70,863
Loss on disposal of fixed assets	10		**(106)**	(33)
Cost of capital	9		**(1,010)**	(1,050)
Surplus on ordinary activities	1.10		**69,122**	69,780
Non-retainable element of the passport fee for consular protection	22		**(42,744)**	(40,650)
Surplus after deducting non-retainable element of the passport fee			**26,378**	29,130

Statement of Recognised Gains & Losses
for the year ended 31 March 2005

		2004–2005 **£'000**	2003–2004 £ '000 [re-stated]
Surplus on ordinary activities		**69,122**	69,780
Unrealised surplus on the revaluation of assets	10	**938**	441
Receipt of UK Government Grants	14c	**2,106**	788
Gains recognised for the year		**72,166**	71,009

The notes on pages 39 to 59 form part of these accounts.

United Kingdom Passport Service
Balance Sheet as at 31 March 2005

	NOTES	£'000	2004–2005 £'000	2003–2004 £'000 [re-stated]
Fixed assets				
Tangible assets	1.3, 10a		**59,064**	32,267
Intangible assets	1.2, 10b		**407**	-
			59,471	32,267
Current assets				
Stocks	1.5	**1,213**		3,734
Work in progress	1.6	**348**		396
Debtors	11	**13,594**		10,981
Cash at bank and in hand	16	**7,489**		41,597
		22,644		56,708
Creditors (amounts falling due within one year)	12a	**(43,866)**		(69,937)
Net current assets/(liabilities)			**(21,222)**	(13,229)
Total assets less current liabilities			**38,249**	19,038
Creditors (amounts falling due after more than one year)	12b		**(3,200)**	(3,400)
Provisions for liabilities and charges	1.15, 13		**(831)**	(548)
			34,218	15,090
Taxpayer's equity				
General fund	14a		**29,242**	12,981
Revaluation reserve	14b		**2,419**	1,479
Government grant Reserve	14c, 1.14		**2,557**	630
			34,218	15,090

Bernard Herdan
Chief Executive
United Kingdom Passport Service
24 June 2005

The notes on pages 39 to 59 form part of these accounts.

United Kingdom Passport Service
Cash flow statement for the year ended 31 March 2005

	NOTES	**2004–2005 £'000**	2003–2004 £'000 [re-stated]
Net cash inflow from operating activities		**74,377**	87,850
Capital expenditure and financial investment		**(32,325)**	(11,836)
Net cash flow from financing		**(77,470)**	(66,751)
(Decrease)/Increase in cash in the year	16	**(35,418)**	10,263

Reconciliation of operating cost to operating cash inflows			
Net operating surplus		**70,238**	70,863
Adjust for non cash transactions	15a	**2,958**	4,845
Adjust for movements in working capital other than cash	15b	**1,181**	12,142
Net cash inflow from operating activities		**74,377**	87,850
Analysis of capital expenditure and financial investment			
Tangible fixed asset additions	10a	**(31,673)**	(11,836)
Intangible fixed asset additions	10b	**(641)**	-
Cost of fixed asset disposal		**(11)**	-
Net cash outflow from investment activities		**(32,325)**	(11,836)
Analysis of financing			
Funding for Government grants reserve additions	14c	**2,106**	788
Cash collected and paid over to Home Office	22a	**(79,576)**	(66,539)
Net cash funding to Home Office		**(77,470)**	(65,751)

The notes on pages 39 to 59 form part of these accounts.

NOTES TO THE ACCOUNTS
For the period ended 31 March 2005

1.0 Statement of Accounting Policies

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Resource Accounting Manual (RAM), the Companies Act 1985 and the accounting standards issued or adopted by the Accounting Standards Board so far as these requirements are relevant.

In light of the Home Secretary's announcement that a new Agency will be established to deliver the Identity Cards scheme, incorporating the functions of the UKPS, subject to the approval of the Identity Cards Bill, the accounts have been prepared on a going concern basis and no adjustments have been made to the carrying value of assets.

1.1 Accounting Convention

The accounts are prepared using the historic cost convention modified by the inclusion of fixed assets at current cost.

1.2 Intangible Assets

Software Licences
Software licences covering a period in excess of one year are capitalised and amortised over their useful life to a maximum of 5 years, in accordance with FRS 10.

1.3 Tangible Fixed Assets

a) Motor Vehicles
The motor vehicle used to transport internal post around London is capitalised and will be written off over 5 years.

b) Furniture and Fittings
New furniture and fittings to facilitate the operation of Passport Application Support System (PASS) are capitalised and written off over 10 years.

c) Refurbishment
All refurbishment work in regional offices is capitalised over the length of the lease agreements.

d) Telecoms
All telecommunications equipment such as video conference equipment and PBX with a value over £750 is capitalised and written off over 5 years.

e) Electrical Equipment
All electrical equipment such as computers and printers with a value over £500 is capitalised and written off over 5 years.

f) Development
Expenditure on development in connection with a product or service, which is to be supplied on a full cost recovery basis, is capitalised if it meets the criteria specified in the *RAM*.

Most development expenditure within UKPS relates to IT development. Projects, which involve development expenditure, are capitalised when incurred on projects that will improve our services to the public. The expenditure is capitalised as tangible assets and is depreciated over the expected useful life of the benefits envisaged, limited to a maximum of 5 years. There is no de minimus level set for capitalisation of development costs.

Expenditure, which does not meet the criteria for capitalisation, is treated as an operating cost in the year in which it is incurred.

g) Research
In accordance with SSAP 13, expenditure on research is not capitalised.

h) Assets under Construction
All tangible assets being developed and not in operation at year end are capitalised as an asset under construction. Until the asset is brought into use no depreciation is recognised, however, once the asset is brought into use, a full year's depreciation is charged. Such assets are then transferred to the relevant Regional Office 'Fixed Asset' registers at the start of the following financial year.

i) Revaluation
The UKPS is required to disclose fixed assets in the balance sheet at current cost. The UKPS policy is to revalue by applying appropriate indices compiled by the Office of National Statistics to each class of asset (excluding IT development and Assets under construction).

j) Depreciation
A full year's depreciation is provided on all tangible fixed assets in the year of acquisition at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows:

Motor vehicles	5 years
Furniture and fittings	10 years
Refurbishment	over the period of the lease
Telecoms	5 years
Electrical equipment	5 years
IT development	5 years

k) Capitalisation
The minimum level for capitalisation of tangible fixed assets (excluding furniture and fittings, Telecoms and IT development) is £500 per item.

1.4 Operating Leases

Rental payments for land and buildings occupied by the UKPS on the basis of operating leases are charged to the Income and Expenditure account on a straight line basis over the term of the lease.

Lease incentive income received is deferred over the term of the lease on a straight line basis. This accounting treatment is in line with Urgent Issue Task Force 28.

1.5 Stocks

Stocks are valued at the lower of current replacement cost and net realisable value and comprise new digital

passport blanks and image transfer sheets. Contingency stock has been written down to nil value reflecting the fact that digital passports will be obsolete from 2006–2007.

1.6 Work in Progress

Work in Progress (WIP) is valued using three elements:

- The number of applications which have been passed for issue by the UKPS but not printed by Security Printing and Systems Ltd (SP&S Ltd) are valued at the Siemens unit charge to reflect the UKPS liability to Siemens for this work;
- The above number of applications are also valued at average UKPS direct labour cost in March 2005 at each office;
- The number of applications which have not been completed by the UKPS examiners are valued at an appropriate proportion of the average direct labour cost in March 2005.

Work in progress in Siemens Business Services (SBS) is not deemed to be owned by the UKPS and is therefore excluded from the UKPS WIP count as no liability for these applications has been incurred by the UKPS at this stage.

1.7 Non-cash costs

In accordance with the Resource Accounting Model (RAM) a non-cash cost at the appropriate rate is included for:

- The Cost of Capital, a charge included in operating costs reflecting the cost of capital utilised by the department. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for amounts due from, or due to be surrendered to, the Consolidated Fund.
- Amounts are also included for central Home Office costs for Payroll, Accounts Branch and for National Audit Office audit fees.

1.8 Turnover from Continuing Activities

Turnover from continuing activities represents the sale value of all services provided during the year.

All income is recognised when the passport is issued.

Income from free passports issued for all British Nationals born on or before 2 September 1929 introduced on 18 October 2004 is centrally funded by the Home Office when a passport is issued. Income from this initiative is shown under Turnover and the cash settlement for the service provided is deducted from the amounts paid to the Home Office.

1.9 Funding

The UKPS is funded on a net resource basis from Home Office request for Resource 1 - subhead g.

1.10 Surplus

The surplus of income over expenditure generated by the UKPS is intended to meet the cost of the passport and non-fee bearing consular services overseas provided by the Foreign and Commonwealth Office (FCO). This non-retainable element of the passport fee for consular protection is paid to HM Treasury via the Home Office. Any surplus remaining after the FCO contribution and the cost of providing free passports (as refered to in note 1.8 above) is surrendered to the Consolidated Fund, via the Home Office on a cash basis.

1.11 Pension Costs

The UKPS participates in the Principal Civil Service Pension Scheme. This is a statutory defined benefit scheme. The UKPS is required to pay an employer's contribution, which is currently between 12% and 18.5% of pensionable pay depending on the grade of staff. These contributions are charged to operating expenses as and when they become due.

1.12 Other Operating Income

Operating income is income which relates directly to the operating activities of the Agency and represents miscellaneous receipts including Identity Cards scheme funding, wider market income, lease regearing, Biometric pilot funding, and postal recovery receipts.

Operating income is stated net of VAT.

1.13 Public Private Partnership Contracts

The UKPS has accounted for Public Private Partnership in accordance with the HM Treasury Taskforce Guidance Technical Note 1 Revised "How to account for PFI transactions".

1.14 Government Grants Receivable

Grants receivable are for revenue purposes, or a contribution toward expenditure on a fixed asset as specified in the RAM which is adapted from SSAP 4.

The government grant reserve is credited with the amount of grant and with the same proportion of the amount of revaluation, which the amount of grant bears, to the asset acquisition cost. A transfer is made from the government grant reserve to the Income & Expenditure account for depreciation or impairment charged in the same proportion as the overall credit remaining in the government grant reserve. On disposal of an asset financed by a government grant, a transfer is made from the government grant reserve to the Income & Expenditure account for the profit or loss on disposal. Any balance remaining on the government grant reserve related to a disposal asset will be transferred to the general fund.

1.15 Provisions

The UKPS accounts for any provisions in accordance with FRS 12. The Agency provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

1.16 Contingent Liabilities

The UKPS has disclosed any contingent liabilities in accordance with FRS 12. Any possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events (not wholly within UKPS control) are disclosed.

In addition to contingent liabilities disclosed in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

a) items over £100,000 (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 Department entering into the arrangement;

b) all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Resource Accounting Model (RAM) to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.17 Contingent Assets

Any possible assets that arise from unplanned or unexpected past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events (not wholly within the control of the UKPS) that give rise to the possibility of an inflow of economic benefits are disclosed, in accordance with FRS 12.

1.18 Value Added Tax

Most of the activities of the department 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 fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

2 Turnover from continuing activities

	2004–2005 £'000	2003–2004 £'000
Standard Passport Services	**242,110**	197,541
	242,110	197,541

All activities are governed by the Consular Fees Act 1980 and so far as segmental reporting requirements are concerned are considered to be one single class of business. Since the commencement of the 'Free Passports for those born on or before 02/09/29' initiative on 19/5/04, a total of *£776k* has been refunded. Both this and the War Veterans initiatives are funded centrally by the Home Office and therefore an income of £5m has been included within the above turnover figure.

3 Other operating income

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Home Office non capital grants	**1,087**	55
Transfer from government grant reserve	**179**	158
Rental income	**285**	641
Other	**2,109**	2,798
	3,660	3,652

Included within Other operating income is a receipt of £1,200k (2003–04: £1,800k) from Secure Printing & Systems Ltd (SPSL) for use of equipment and Globe House lease regearing £200k (2003–2004:£200k); see note 12b, and the Identity Cards recharge of £406k; see note 22.
Rental income has been reclassified from 'Administrative' expenditure accommodation costs.

4 Cost of sales

	2004–2005 £'000	2003–2004 £'000
Labour costs	**37,561**	32,884
Bank charges	**319**	276
Passport stationery	**1,101**	1,004
Application forms	**1,727**	1,938
Outsourcing service charges *	**44,659**	41,672
Telecommunication charges, including call centre charges	**6,770**	4,570
	92,137	82,344

* Outsourcing service charges include payments to Siemens Business Services (SBS) for initial receipt, cashiering and data capturing of applications and to Security Printing and Systems Ltd (SPSL) for manufacturing, personalisation and issue of digital passports. A budget of £3.8m has been agreed with Siemens Business Services for technical refreshment of the Passport Application Support System (PASS) which has commenced and will be completed by 1st Quarter 2006.

5 Distribution costs

	2004–2005 £'000	2003–2004 £'000
Postal charges	**1,942**	2,369
Secure Delivery *	**17,208**	2,682
Application form distribution	**806**	487
Postal services	**3**	-
Courier Services	**15**	-
	19,974	5,538

* The Secure Delivery programme was implemented in February 2004.

6 Administrative expenditure

	£'000	2004–2005 £'000	2003–2004 £'000 [re-stated]
Staff		**25,020**	17,070
Accommodation		**11,148**	7,868
Other costs		**10,006**	6,737
IT running costs		**6,691**	3,372
Telecoms charges		**1,042**	904
Publications, stationery and printing		**1,285**	1,544
Depreciation		**5,431**	4,321
Amortisation of Intangible fixed assets		**234**	-
Diminution in assets *		**2,116**	201
Non cash costs			
HO Payroll and Accounts Branch	**273**		294
External audit Fees	**155**		137
Other Assurance Services	**20**		
		448	431
		63,421	42,448

* Diminution in assets includes contingency stock write off of £1.8m.

7 Staff numbers and related costs

a The total remuneration for the year of the Chief Executive, the highest-paid member of the Management Board, was:

	2004–2005 £	2003–2004 £ [re-stated]
Mr Bernard Herdan	**129,986**	122,351
	129,986	122,351

The Chief Executive's pay is covered by the Senior Civil Service pay arrangements and he is an ordinary member of the Civil Service Pension Scheme (see note 7c). Mr Herdan's remuneration includes an allowance for home to office travel as per his contract.

b Senior staff salary and pension allowances

Senior Staff	Title	Salary including Performance Pay		Benefits in Kind (rounded to nearest £100)	
		2004-05 £'000	2003-04 [re-stated]* £'000	2004-05	2003-04
Mr B Herdan	Chief Executive	125-130	120-125	-	-
Mr K Sheehan	Chief Operating Officer	85-90	75-80	-	-
Mrs R Pearson	Director of Human Resources	80-85	65-70	-	-
Mr A Cook	Director of Finance	85-90	75-80	-	-
Mr J Davies	Director of Systems	75-80	55-60	-	-
Mr R Bowley	Director of Identity Projects (Start date Feb 2004)	75-80	10-15	-	-
Mr A Wilkes	Director of Strategic Planning (Start date Sept 2003)	70-75	35-40	-	-
Mrs D Rampling	Commercial Director (Start date Sept 2003)	70-75	35-40	-	-
Miss C Nickles	Director of Communications (Start date April 2003)	75-80	50-55	-	-
Mr P Wylie	Director of Programmes (Start date April 2004)	80-85	N/a	-	-
Miss J Vickers	Director of Operational Change (Start date Jan 2005)	10-15	N/a	-	-
Mr R Larter	Director of Systems (Start date March 2005)	5-10	N/a	-	-
Ms S Rapson	Director of Operations (Start date 29 March 2005)	0-5	N/a	-	-

* The 2003–04 salary including performance pay has been re-stated to exclude non-salary-related costs of employment.

Salary and benefits in kind

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. There were no benefits in kind received by senior UKPS staff in 2003–04 and 2004–05.

b Senior staff salary and pension allowances
Pension Benefits

Senior Staff	Title	Real increases in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/03/05 and related lump sum (£k)	CETV at 31/03/04 (nearest £k)	CETV at 31/03/05 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover - to nearest £100
Mr B Herdan	Chief Executive	0 - 2.5 plus 2.5 - 5 lump sum	15 - 20 plus 55 - 60 lump sum	306	343	3	-
Mr K Sheehan	Chief Operating Officer	Consent to Disclose Withheld					
Mrs R Pearson	Director of Human Resource	0 - 2.5 plus 0 - 2.5 lump sum	0 - 5 plus 0 - 5 lump sum	18	39	21	-
Mr A Cook	Director of Finance	2.5 - 5 plus 10 - 12.5 lump sum	15 - 20 plus 55 - 60 lump sum	141	186	41	-
Mr J Davies	Director of Systems	5 - 7.5 plus 15 - 17.5 lump sum	25 - 30 plus 85 - 90 lump sum	396	521	113	-
Mr R Bowley	Director of Identity Projects	5 - 7.5 plus 20 - 22.5 lump sum	30 - 35 plus 95 - 100 lump sum	410	556	134	-
Mr A Wilkes	Director of Strategic Planning	0 - 2.5 plus 0 - 2.5 lump sum	1 - 5 plus 0 - 5 lump sum	4	14	10	-
Mrs D Rampling	Commercial Director	0 - 2.5 plus 0 - 2.5 lump sum	0 - 5 plus 0 - 5 lump sum	8	24	16	-
Miss C Nickles	Director of Communications	0 - 2.5 plus 5 - 7.5 lump sum	5 - 10 plus 20 - 25 lump sum	95	131	33	-

b Senior staff salary and pension allowances
Pension Benefits

Senior Staff	Title	Real increases in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/03/05 and related lump sum (£k)	CETV at 31/03/04 (nearest £k)	CETV at 31/03/05 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover - to nearest £100
Mr P Wylie	Director of Programmes (Start date April 2004)	0 - 2.5 plus 0 - 2.5 lump sum	0 - 5 plus 0 - 5 lump sum	0	18	0	-
Miss J Vickers	Director of Operational Change (Start date Jan 2005)	N/a	N/a	N/a	N/a	N/a	-
Mr R Larter	Director of Systems (Start date March 2005)	N/a	N/a	N/a	N/a	N/a	-
Ms S Rapson	Director of Operations (Start date 29 March 2005)	N/a	N/a	N/a	N/a	N/a	-

N/a = information not available prior to UKPS employment.

Cash Equivalent Transfer Values

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

The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

c Pension costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but UKPS is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

For 2004–05, employers' contributions of £5.6m were payable to the PCSPS (2003–04 £4.9m) at one of four rates in the range 12 to 18.5 per cent (2003–04: 12 to 18.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will increase from 2005–06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality money purchase stakeholder based arrangement with a significant employer contribution (partnership pension account).

(a) Classic scheme

Benefits accrue at the rate of 1/80th of pensionable pay for each year of reckonable service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On the death of a member with two or more years' qualifying service, pensions are payable to the widow(er) normally at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay (to the member's nominee) and also provides a service enhancement on computing the widow(er)'s pension. The enhancement depends on length of reckonable service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

(b) Premium scheme

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, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of reckonable service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation.

Members pay contributions of 3.5 per cent of pensionable earnings. On the death of a member with two or more years' qualifying service, pensions are payable to the widow(er) or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings (to the member's nominee(s)) and also provides a service enhancement on computing the widow(er)'s or eligible partner's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

(c) Classic plus scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic. Pensions payable under classic, premium, and classic plus are increased in line with the Retail Prices Index.

(d) Partnership pension account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% of pensionable earnings (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. The death in service lump sum benefit is three times pensionable earnings.

There were no UKPS staff retired on the grounds of ill health leading to additional liability during 2003–04 and 2004–05.

d Staff Costs

	2004–2005 £'000 Permanently Employed Staff	2003–2004 £'000 Permanently Employed Staff	2004–2005 £'000 Others	2003–2004 £'000 Others	2004–2005 £'000 Total	2003–2004 £'000 Total
Salaries	**46,806**	38,108	**4,070**	2,432	**50,876**	40,540
Earnings related National Insurance	**2,773**	2,350	**241**	150	**3,014**	2,500
Superannuation (note 7c)	**5,133**	4,574	**446**	292	**5,579**	4,866
Other	**2,863**	1,925	**249**	123	**3,112**	2,048
Total Costs *	**57,575**	46,957	**5,006**	2,997	**62,581**	49,954

* A further £2.1m has been charged to capital.
Permanent staff refers to staff directly employed by the Agency - including those seconded out to other organisations. Others refers to all other staff engaged on the objectives of the department - this will include those on secondment to the organisation and agency/temporary staff. The breakdown of permanently employed staff and other staff costs is proportioned by percentage.

e These costs have been included in the Income & Expenditure Account as follows:

	2004–2005 £'000	2003–2004 £'000
Cost of sales (note 4)	**37,561**	32,884
Administrative expenses (note 6)	**25,020**	17,070
	62,581	49,954

f The average number of employees on the Agency payroll during the period, including seasonal staff, was:

	2004–2005 Number of Permanently Employed Staff	2003–2004 Number of Permanently Employed Staff	2004–2005 Number of Others	2003–2004 Number of Others	2004–2005 Total Number	2003–2004 Total Number
Management*	**676**	616	**141**	10	**817**	626
Administration*	**253**	249	**30**	20	**283**	269
Production	**1,435**	1,411	**152**	113	**1,587**	1,524
Total	**2,364**	2,276	**323**	143	**2,687**	2,419

* Includes non-permanently employed staff.

g Remuneration of the Non-Executive Directors

There are three Non-Executive Directors: Jim Michie, John Holden and Linda Walton. During 2004/05 Jim Michie received £19,600 (2003–04: £28,607), for his services as a member of the UKPS Management Board, as the Chair of the UKPS Audit Committee and for work carried on the UKPS Management Conferences. John Holden, a Non-Executive Director, received £13,022 for his services as a member of the UKPS Management Board, the UKPS Audit Committee and the UKPS Remuneration Committee (2003–04: £13,022). Linda Walton, a Non-Executive Director, received remuneration from UKPS, the total costs in the year were £32,620 (£3,722.16 related to 2003–04) of which £12,120 related to her work on the Passport Verification project (2003–04: £15,594). The Non-Executive Directors received no pension benefits or benefits in kind during the year.

8 Operating surplus

The surplus for the period is shown after charging:	**2004–2005 £'000**	2003–2004 £'000 [re-stated]
Hire of Plant & Machinery	**683**	380
Bad debts	**7**	17
Depreciation	**5,431**	4,321
Amortisation	**234**	-
Other operating lease costs	**7,356**	5,420
External audit fees *	**155**	137
External audit fees –Other assurance services*	**20**	-
Internal audit fees *	**127**	139

* The auditors have received no remuneration for non-audit work.

9 Interest on capital

A notional interest on capital charge is made, calculated in accordance with the Treasury guidelines at a rate of 3.5%.

	2004–2005 £'000	2003–2004 £'000
Cost of capital	**1,010**	1,050

10 Fixed Assets
a Tangible fixed assets

	Motor Vehicle £'000	Furniture and Fittings £'000	Electrical Equipment £'000	Telecoms Equipment £'000	Refurbishment £'000	Development* £'000	Assets Under Construction £'000	Total £'000
Cost or valuation								
At 1 April 2004	6	3,703	3,795	1,475	21,780	7,876	5,323	43,958
Additions	-	1,192	1,881	21	34	1,551	26,994	31,673
Revaluation	-	158	-	-	1,051	-	-	1,209
Diminution	-	-	(276)	(14)	-	-	-	(290)
Disposals	-	(115)	(443)	-	(101)	24	-	(635)
Transfer of assets into use	-	591	297	36	5,248	-	(6,172)	-
At 31 March 2005	**6**	**5,529**	**5,254**	**1,518**	**28,012**	**9,451**	**26,145**	**75,915**
Depreciation								
At 1 April 2004	3	2,103	2,054	926	4,461	2,144	-	11,691
On disposals	-	(46)	(437)	-	(74)	17	-	(540)
Charge for year	1	409	974	277	1,891	1,989	-	5,541
Backlog depreciation	-	39	(102)	(10)	232	-	-	159
At 31 March 2005	**4**	**2,505**	**2,489**	**1,193**	**6,510**	**4,150**	**-**	**16,851**
Net book value 31 March 2005	**2**	**3,024**	**2,765**	**325**	**21,502**	**5,301**	**26,145**	**59,064**
Net book value 31 March 2004	**3**	**1,600**	**1,741**	**549**	**17,319**	**5,732**	**5,323**	**32,267**
Asset Financing:								
Owned	2	3,024	2,765	325	21,502	5,301	26,145	59,064
Finance Leased	-	-	-	-	-	-	-	-
On Balance sheet PFI Contracts	-	-	-	-	-	-	-	-
Net book value at 31 March 2005	**2**	**3,024**	**2,765**	**325**	**21,502**	**5,301**	**26,145**	**59,064**

Additions in 2004–05 totalled £32m, the majority of this spend was concentrated on the ePassports project (£16m), Liverpool Relocation Project (£4.6m) and Electronic Applications (£4m).

* UKPS received capital grants from the Home Office in 2003–04 totalling £788k. These grants were offset against the capital expenditure programme resulting in an understatement of IT Development fixed assets, depreciation and the government grant reserve in the 2003–04 accounts. The 2003–04 accounts have been restated to show the correct accounting treatment.

b Intangible Fixed Assets

The department's intangible fixed assets comprise purchased software licences.

Cost or valuation	Purchased Software Licences £'000
At 1 April 2004	-
Additions	641
At 31 March 2005	**641**
Depreciation	
At 1 April 2004	-
Charge for year	234
At 31 March 2005	**234**
Net book value 31 March 2005	**407**
Net book value 31 March 2004	**-**

11 Debtors *

	2004–2005 £'000	2003–2004 £'000
Trade Debtors	**39**	36
HMG Debtors	**6,073**	3,226
Staff Debtors	**166**	208
Prepayments and Accrued Income	**5,458**	5,171
Partnership Debtors **	**1,858**	2,340
	13,594	10,981

* All debtors shown above fall due within one year.

** The balance due from POL at 31 March 2005 was £1.8m (2003–04: £2.3m), see note 22.

12a Creditors: Amounts falling due within one year

	2004–2005 £'000	2003–2004 £'000
Trade creditors	**4,762**	4,121
Other creditors *	**4,504**	4,719
Deferred income	**5,781**	6,377
Accruals	**18,699**	11,182
Amounts due to Home Office general cash account	**6,569**	41,297
General Trading Bank Account	**3,551**	2,241
	43,866	69,937

* Included within Other Creditors is £4.5m which represents the non-retainable element of the passport fee for consular protection which is still owed to HM Treasury (2003–04: £4.6m).

12b Creditors: Amounts falling due after more than one year

	2004–2005 £'000	2003–2004 £'000
Deferred Income *	**3,200**	3,400
	3,200	3,400

* This represents the deferred income arising from a lease incentive received on the re-leasing of Globe House, London.

13 Provisions for liabilities and charges

	Dilapidation Costs* £'000	Post Office Ltd £'000	Early Retirement £'000	Total £'000
Balance at 1 April 2004	-	450	98	548
Amount utilised **	-	(450)	(43)	(493)
Arising in the year	773	-	3	776
Balance at 31 March 2005	773	-	58	831

* A provision has been made to meet the lease dilapidation costs for India Buildings (Liverpool) and the Belfast office.

** A total of £300k has been utilised during the year. The remaining balance has been allocated to the Income and Expenditure Account due to improvements in the POL settlement process.

14 Reconciliation of movements in Government funds:
a General fund

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Balance at 1 April 2004	**12,981**	27,784
Surplus on operating activities	**69,122**	69,780
Non-retainable element of the passport fee for consular protection	**(42,744)**	(40,650)
Transfer from Revaluation reserve	**86**	36
VAT Recovered by Home Office*	**-**	(4,153)
Non cash cost	**448**	431
Home Office funding for concessionary passports	**(5,092)**	-
Amounts owed to the Home Office	**(6,569)**	(41,297)
Cost of Capital	**1,010**	1,050
Balance at 31 March 2005	**29,242**	12,981

The UKPS made a surplus of £26.4m after deducting the non-retainable element of the passport fee.

* Amount shown in 2003–2004 represents a non-cash item, VAT is now accounted for on a cash basis and is therefore no longer shown in the General Fund.

b Revaluation reserve

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Balance at 1 April	**1,479**	1,074
Movement in Year: Fixed Assets	**1,209**	510
Stock	**89**	-
Backlog depreciation (unrealised)	**(272)**	(69)
Movement to General Fund	**(86)**	(36)
Balance at 31 March 2005	**2,419**	1,479

The revaluation reserve represents the difference between the net book value of the fixed assets on a revalued basis and on an historic cost basis where the revalued amount is higher.

c Government grant reserve

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Balance at 1 April 2004	**630**	-
Additions	**2,106**	788
Depreciation charged to Income & expenditure in year	**(179)**	(158)
Balance at 31 March 2005	**2,557**	630

In 2003–04, UKPS received two ISB capital grants from the Home Office totalling £788k i.e. £558k and £230k to support the Lost, Stolen & Recovered (LSR) and the FCO Data Sharing Omnibase projects respectively. These grants were offset against the capital expenditure programme resulting in an understatement of IT Development fixed assets, depreciation and the government grant reserve. The 2003–04 accounts have been restated to show the correct accounting treatment. All grants received to date are UK grants.
In 2004–05, UKPS received two further capital grants from the Home Office totalling £2,106k (£106k ISB funding to support the LSR project and £2m Immigration and Nationality Directorate (IND) funding to support the Replica Omnibase project).

15a Non-cash transactions

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Depreciation charges (notes 6 and 10a)	**5,431**	4,321
Amortisation of intangible assets (notes 6 and 10b)	**234**	-
Notional charges (note 6)	**448**	431
Diminution of assets (note 6)	**2,116**	201
Early retirement provision *		50
Government Grant income	**(179)**	(158)
Concessionary passport funding from Home Office	**(5,092)**	-
	2,958	4,845

* The 2004–05 total movement on provisions is now disclosed with note 15(b).

15b Movements in working capital other than cash

	2004–2005 £'000	2003–2004 £'000 [re-stated]
Decrease in stocks	**784**	619
Decrease in work in progress	**48**	91
Decrease/(Increase) in debtors (including VAT)	**(2,613)**	4,778
Decrease in creditors (excluding GTA)	**2,679**	6,275
Increase in provisions	**283**	379
	1,181	12,142

The 2003–04 VAT included in Debtors and Creditors is now shown in the above movements.

16 Analysis of movements in cash balances

	£'000	2004–2005 £'000	2003–2004 £'000 [re-stated]
Opening balance 1 April 2004		**39,356**	29,093
UKPS non-fee accounts	**(690)**		(583)
Fee accounts due to consolidated fund	**(34,728)**		10,846
Increase in cash		**(35,418)**	10,263
Closing balance		**3,938**	39,356
Balance at office of Paymaster General	**2,602**		26,990
Balance at commercial banks and cash in hand	**4,887**		14,607
Cash at Bank and in hand		**7,489**	41,597
Bank overdraft		**(3,551)**	(2,241)
Balance as at 31 March 2005		**3,938**	39,356

17 Contingent liabilities

The ten-year Public/Private Partnership Agreements with Siemens Business Services (SBS) and Secure Printing and Services Ltd (SP&SL) contain termination and expiry clauses, which if activated by the Agency would result in financial liabilities being incurred. The Agency believes that the likelihood of these liabilities materialising is remote, but as a possibility remains, they are disclosed here for completeness.

UKPS is funded centrally by the Home Office for the 'Free Passports for those born on or before 02/09/29' and the war veterans initiatives. At the end of the year there were 29,588 applications that were eligible for a refund but where the agency has not made a refund with a value of £1.2m.

18 Contingent assets

UKPS is negotiating a compensation settlement from UKPS Solicitors for errors made with the termination of the India Buildings (Liverpool) lease. This settlement amount is estimated to be between £750k and £1m. Although the settlement is highly probable, the timing is uncertain.

19 Lease obligations and other financial commitments

a The UKPS has annual commitments under operating leases which expire as follows:

	2004–2005 £'000	2003–2004 £'000
Land and Buildings	**470**	-
Expiry within one year	**1,771**	2,044
Expiry between 2006/07 and 2010/11	**4,363**	4,492
Expiry after 31 March 2011	**6,604**	6,536
Other		
Expiry within one year	**457**	-
Expiry between 2006/07 and 2010/11	**234**	967
Expiry after 31 March 2011	**848**	319
	1,539	1,286
Total Commitments under Operating Leases	**8,143**	7,822

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table above, analysed according to the period in which the lease expires.

b Other Financial Commitments

2004–05 is the seventh year of the ten-year contracts awarded under the Public/Private Partnership Initiative to Siemens Business Services and Security Printing & Systems Ltd. The total award value of the two contracts over the full ten years is estimated as £433m (2003–04: £352m).

20 Capital commitments

Contracted capital commitments as at 31st March 2005 for which no provision has been made totalled £6.0m. This includes ePassports £3.3m, 'Electronic applications' £1.8m and 'Liverpool relocation' £0.2m (2003–04: £5.3m).

21 Euro expenditure

As at 31 March 2005, the Service had incurred no direct expenditure ensuring the Service's computerised systems are compliant with the introduction of the Euro. The Service is, however, represented on the Home Office Euro Steering and co-ordinators Groups.

22 Related parties

The United Kingdom Passport Service is an Executive Agency of the Home Office and is headed by a Chief Executive who is responsible to the Secretary of State for the Home Department.

The Home Office is regarded as a related party. Material transactions between the Home Office and the Agency which occurred during the year are as follows:

a) Amounts paid to Home Office during 2004–05 totalled £79.6m (2003–04: £66.5m) which included: £38.3m for the non-retainable element of the passport fee (2003–04: £36.1m) and £41.3m CFER transfer from 2003–04 (2003–04: £30.4m). Additionally, the UKPS payroll service is provided by the Home Office Pay and Pension Service (HOPPS) resulting in transactions amounting to £53.9m (2003–04: £45.7m). The Home Office also funded all capital acquisitions in the year.

b) Net accommodation costs paid by the Home Office during the year 2004–05 amounted to £0.645m (2003–04: £1.0m).

c) Identity Cards scheme initiative receipt of £406k.

The Foreign & Commonwealth Office (FCO) is also regarded as a related party. Prior to the fee increase in October 2003, the Agency collected £9.40 per adult standard, £2.35 per child passport and £14.10 per jumbo passport to recover the cost incurred by the FCO for providing consular protection. From October 2003, £9.65, £2.41 and £14.49 was collected respectively. The total collected in 2004–05 was £42.7m (2003–04: £40.6m).

Other Government Departments and Agencies which the UKPS transacted with in the normal course of business during the year include the Benefits Agency, the Department for Constitutional Affairs (formerly the Lord Chancellor's Department), the Department for Trade and Industry and Her Majesty's Customs & Excise, and the Foreign and Commonwealth Office. The UKPS had paid £14.4m to the Benefits Agency and Customs and Excise and had received £19.5m from other agencies, the total value amounted to £33.9m (2003–04: £26m).

Post Office Limited (POL) paid over passport fees during the period amounting to £98.3m (2003–04: £76.5m). The balance due from POL at 31 March 2005 was £1.8m (2003–04: £2.3m).

During the year none of the Board Members, key management staff or other related parties had undertaken any material transactions with the UKPS.

23 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government agencies are financed, UKPS is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The UKPS has very limited powers to borrow, invest surplus funds or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

The UKPS has no borrowings and relies primarily on funding from the Home Office for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. The fair value of cash is the same as the book value.

24 Special Payments

	2004–2005 Number of cases	2004–2005 £'000	2003–2004 £'000
Compensation to the Public	**3,196**	**145**	79
Compensation to Staff - Personal Injury	**6**	**12**	2
Compensation to Staff - Excluding Personal Injury	**13**	**52**	64
	3,215	**209**	145

There were no individual 'Special Payments' made by UKPS, exceeding £100k.

25 Intra-government balances

	Debtors: Amounts falling due within one year £'000	Debtors: Amounts falling due after more than one year £'000	Creditors: Amounts falling due within one year £'000	Creditors: Amounts falling due after more than one year £'000
Balances with other central government bodies	6,007	-	(11,186)	-
Balances with other local authorities	16	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	-	-	-	-
At 31 March 2005	6,023	-	(11,186)	-
Balances with other central government bodies	2,992	-	(46,216)	-
Balances with other local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	-	-	-	-
At 31 March 2004	2,992	-	(46,216)	-

26 Prior Year Adjustments

Government Grants received in 2003–04 to support the UKPS Capital Programme were offset against capital expenditure, thereby, understating the government grant reserve, fixed assets and depreciation accounts; see note 14c.

Although the surplus figure shown on the Income and Expenditure account remains unaffected, the impact on the Balance Sheet is as follows:

	£'000
Government Grant	630
Fixed Assets	788
Depreciation	(158)

In accordance with FRS 3, the above adjustments have been made to the 2003–04 comparator figures. No adjustment has been made to the Cost of Capital charge relating to 2003–04 on grounds of materiality.

27 Financial target - Surplus/Deficit

The UKPS achieved the target of a breakeven surplus/deficit, after FCO costs. The surplus in 2004–05 after FCO costs of £42.7m (2003–04: £40.7m), was £26.4m (2003–04: £29.1m). UKPS has repaid all past deficits to HM Treasury.

Annex (a) – Meet the Management Team

Bernard L Herdan, MA(Cantab), CEng, MIEE, DMS

Chief Executive, 57 years old

Bernard has had a varied career in the private and public sectors in the UK and continental Europe. During the last 12 years, he was Commercial Director at the Meteorological Office and Chief Executive of the Driving Standards Agency. He joined the UKPS as Chief Executive in September 1999.

Kevin Sheehan

Chief Operating Officer, 57 years old

Kevin joined the UKPS as Director of Planning and Resources in November 1992. He became Director of Operations in November 1996 and this year has taken on the role of Chief Operating Officer. He has extensive management and policy experience within the Home Office.

Alistair Cook, BA(Hons), CPFA

Director of Finance, 38 years old

Alistair joined the UKPS in 1994 after several years working for the National Audit Office.

John Davies

Director of Systems, 59 years old

John joined the Civil Service in 1972 and specialises in systems development and project management. John was replaced by Richard Larter in March 2005.

Richard J Larter, BSc(Hons), BPhil

Director of Information Systems, 52 years old

Richard has over 25 years' experience working in a variety of information systems roles mainly in senior management positions in both the private and public sectors. Prior to joining the UKPS in March 2005 Richard was the Group Information Systems Director for Autobar, a pan-European manufacturing and distribution company.

Ruth Pearson, MBA, BA(Hons), FCIPD

Director of Human Resources, 47 years old

Ruth joined the UKPS in November 2002. She has held a series of Board roles with a career spanning local government, the university sector and private industry.

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Diane Rampling, BA(Hons), ACIS, MCIPS

Commercial Director, 50 years old

Diane has a career background of senior Procurement and Commercial positions in both the public and private sectors and joined the UKPS in September 2003.

Alan Wilkes, MBA, BSc(Hons)

Director of Strategic Planning, 34 years old

Alan joined the UKPS in September 2003. He has previously held positions with international strategic and environmental consultancies, together with undertaking scientific research in the natural gas industry.

Sarah Rapson, MBA, BSc(Hons), ACIB

Operations Director, 38 years old

Sarah joined the UKPS in March 2005. Her prior experience is in financial services, designing and managing distribution networks and implementing global client services for Woolwich, Barclays Bank and American Express. She has an MBA from London Business School.

Joanna Vickers

Operational Change Director, 35 years old

Joanna joined the UKPS in February 2005 from a secondment to the Home Office where she worked in the Identity Cards scheme. Joanna was responsible for developing the solution for delivering the Identity Cards scheme and planning the transition into a new Executive Agency. Prior to that Joanna worked as a management consultant advising and supporting public sector organisations through significant business change.

Christine Nickles, DMS

Director of Marketing and Communications, 54 years old

Christine joined the UKPS in April 2000, following four years with the Driving Standards Agency. Her career has also encompassed local government, charities and the private sector.

Paul Wylie, BSc(Hons)

Director of Programmes, 52 years old

Paul joined the UKPS in 2004 after a long career as a senior manager in the Royal Mail delivering major change programmes. Additionally Paul is a member of the Association of Project Managers.

Rob Bowley, BA(Hons)

Director – Identity Projects, 56 years old

Rob joined the UKPS as the Peterborough Regional Manager in 1987. He has previously held Home Office posts in the Prison Service and civil defence, and also spent some time as an immigration officer.

Non-Executives

Jim Michie, CA

Non-Executive Director, 61 years old

Jim retired as a Director of Littlewoods Plc in October 2001. During the year he held a non-executive role with the Criminal Records Bureau.

John Holden, MA(Cantab), FICM

Non-Executive Director, 59 years old

John concluded his 'first career' in the oil industry as manager of BP's European Lubricants and Bitumen Business. He subsequently spent six years as Registrar of Companies and Chief Executive of Companies House, a DTI Agency.

Linda Walton, BA(Hons), MCIPS, ACIB

Non-Executive Director, 50 years old

Linda is a freelance consultant with a background in financial services, operations, outsourcing and supplier management. She has held executive and board level positions in banking and the credit card industry, and has held public sector non-executive positions since 1994.

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Annex (b) – Glossary of Terms

AbI	Authentication by Interview
ACAS	Advisory, Conciliation and Arbitration Service
BMD	Births, Marriages and Deaths
BME	Black and Minority Ethnic
CRB	Criminal Records Bureau
DfES	Department for Education and Skills
DVLA	Driver and Vehicle Licensing Agency
EU	European Union
FCO	Foreign and Commonwealth Office
FIUs	Fraud Intelligence Units
FR	Facial Recognition
FRS	Finance Records System
GRO	General Registry Office
HR	Human Resources
ICAO	International Civil Aviation Organisation
ICP	Integrated Change Programme
IiP	Investor in People
IND	Immigration and Nationality Directorate
IS	Infrastructure
LSR	Lost, Stolen and Recovered database
MMT	MM Teleperformance
NAO	National Audit Office
NCIS	National Criminal Intelligence Service
ONS	Office of National Statistics
PASS	Passport Application Support System
PCS	Public and Commercial Services Union
PFI	Pass for Issue
PIP	Personal Identity Project
PRA	Passport and Records Agency
PVS	Passport Verification Service
RAM	Resource Accounting Manual
SBS	Siemens Business Services Ltd
SMS	Secure Mail Services Ltd
SPSL	Security Printing and Systems Limited
UKPS	UK Passport Service
VBF	Valued Behaviours Framework

Annex (c) – UKPS Publication Scheme

The Publication Scheme provides a route map so you can find information held by the Passport Service quickly and easily. In light of the Freedom of Information Act, the UKPS are currently reviewing the Publications Scheme. If you cannot find the information you are looking for at http://www.passport.gov.uk/publications.asp, or you would prefer a printed version, please write to the designated contact point at: UK Passport Service, Globe House, 89 Eccleston Square, London, SW1V 1PN

Class	Description	Format/Availability
Policy Manual	Guidance to UK Passport Service staff on dealing with passport applications	Printed version from the Policy Manager
Race Equality Scheme	Promoting Race Equality – a statement of the Passport and Records Agency actions to promote race equality	Electronic version from www.passport.gov.uk
UKPS Greening Government Strategy	The UKPS Greening Government Strategy, including green transport policy	Electronic version from www.passport.gov.uk
Passports: Information and Guidance	Information on the services available and guidance on making an application for a passport including an online passport application form	Electronic version from www.passport.gov.uk UKPS Adviceline 0870 521 0410
Passports: Information and Guidance	Leaflets: - Passport for Children - Passports for Newly-weds - The History of the British Passport - Information for new Members of the House of Lords - Applying for a Passport. A guidance for customers with Special Needs - UKPS services and standards - What to do if your passport is lost or stolen - Passport Photographs - Essential information about your new passport	Printed version from the Communications Manager Electronic version from www.passport.gov.uk
Framework Document 2003	The Framework document outlines the objectives, services, accountability, governance and reporting regime under which the UKPS operates. It is updated every three years (or at times of material change) and is formally signed-off by the Home Secretary.	www.passport.gov.uk Printed versions are available from the Head of Business Planning

Class	Description	Format/Availability
Biometric Trial Reports	Description: - Enrolment Trial Report - Enrolment Trial Management Summary	www.passport.gov.uk
Complaint Procedures	The procedures for making and handling complaints relating to the UK Passport Service	www.passport.gov.uk
Customer Surveys	The results of regular surveys of UK Passport Service customers	Printed version from the Communications Manager
Job Opportunities	Recruitment opportunities in the UK Passport Service	www.passport.gov.uk
Welsh Language Scheme	The UK Passport Service Welsh Language Scheme	Printed version from the Communications Manager
Press Notices	Press Notices from December 2002 relating to the UK Passport Service	www.passport.gov.uk
Contracts Advertised	Notices of UK Passport Service contracts awarded above £100,410 from November 2002	Supplement to the Official Journal of the European Communities. Website at: www.eurpoa.eu.int/eur-lex/en/seach/seach_oj.html
Contracts Awarded	Notices of UK Passport Service contracts awarded above £100,410	Supplement to the Official Journal of the European Communities. Website at: www.eurpoa.eu.int/eur-lex/en/seach/seach_oj.html
Corporate and Business Plans	The Corporate Plan sets out the operating environment and the strategies the UK Passport Service intends to pursue. The Corporate Plan also outlines what the UK Passport Service will do to manage risk and uncertainty for the next five years. The Business Plan sets out the top-level performance indicators and targets the organisation has been set for the next 12 months in pursuance of its longer-term strategies. Indicative targets for a further four-year period are also shown	www.passport.gov.uk Printed versions are available from the Head of Business Planning

Class	Description	Format/ Availability
Corporate Governance	Corporate Governance – the UK Passport Service statement of commitment	Printed version from the Business Assurance Manager
Investor in People (IiP)	The UK Passport Service Action Plan to retain Investor in People (IiP) recognition	Printed version from the Human Resources Manager
Meetings of Management and Advisory Boards	Agendas, minutes and associated papers of the UKPS Management Board and the Consultative Panel of Passport Users	Printed version from the Private Office Manager

UKPS: Personal policies and guidance to managers and staff	- Strategy for People
	- Diversity Strategy
	- Training and Development Strategy
	- Training Review
	- Training Plans
	- Policy Documents:
	  - Discipline
	  - Grievance
	  - Sickness Absence Management
	  - Equal Opportunities
	  - Harassment, Bullying and Discrimination
	  - Recruitment and Selection
	- Human Resources Service level Agreement
	- Pay and Pension Services Service Level Agreement
	- Staff Handbook
		Printed versions from the Human Resources Manager

Passport Offices Business Plans	The Business Plans for the seven regional offices	Printable versions are available from the Head of Business Planning
Staff Surveys	The result of UK Passport Service Staff Surveys	Printable versions are available from the Human Resources Manager
Vital Signs Reports	Monthly report showing UK Passport Service performance against targets	Printable versions are available from the Finance Manager

Annex (d) – Diversity Actions

The following table details employment figures for black and minority ethnic (BME) staff within the UKPS by grade; in total the UKPS employs 13.89% BME staff. The UKPS is disappointed that it just fell short of the Government target for HEO grades as it has done in previous years. To understand the reasons why and to strengthen our commitment to diversity actions we have upgraded the role of our Diversity Manager and will be providing additional resources to these tasks.

Grade	Government target for employment of BME staff	UKPS	Difference
All grades	Unspecified	13.89%	N/a
HEO	11.0%	8.89%	-2.1%
SEO and Grade 7	3.5%	11%	7.5%

The breakdown by gender is:

Grade	Female	Male
All Grades	65.1%	34.9%
HEO	59.5%	50.5%
SEO and Grade 7	42.7%	57.3%

The organisation values its staff and makes an effort to be as flexible as possible, within operational constraints. The following summary statistics provide evidence of this:

Childcare vouchers 104 staff members used childcare vouchers regularly throughout the financial year

Part-time staff 309 staff work part-time

Adoption leave 19 members of staff have used this during the year

Flexible working 80% of staff work flexible hours

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Feedback Form

ANNUAL REPORT AND ACCOUNTS 2004–05

The UKPS is interested in your views, whether positive or negative, on this document. Any comments made on this questionnaire will be used to improve our next Annual Report.

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Informative	☐	Interesting	☐	Useful	☐
Clearly written	☐	Easy to understand	☐	Complicated	☐
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Q3. What do you like/dislike about the report? (Please tick as many as appropriate)

	Like	Dislike		Like	Dislike		Like	Dislike
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Comments

Q4. How easy did you find the Report to read? (Please tick one box)

Very easy	☐	Easy	☐	Acceptable	☐
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Comments

Q5. How easy did you find the Accounts to read? (Please tick one box)

Very easy	☐	Easy	☐	Acceptable	☐
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Comments

Q6. We would appreciate any other comments you have regarding this report. For example, what improvements would you like to see made, and/or what additional information would you like to see featured in the report?

Comments

Thank you for taking time to fill in this questionnaire

We would be grateful if you could provide us with your name and organisation details, but there is no obligation.

Name:

Organisation:

Please return to: Corporate Strategy, Globe House, 89 Eccleston Square, LONDON, SW1V 1PN, Fax: 020 7901 2468, or e-mail: businessplanning@ukpa.gsi.gov.u

Contact

If you wish to receive further information on any of the issues in this document or have any questions relating to the services provided by the UK Passport Service, please contact:

Marketing and Communications Directorate
UK Passport Service
Globe House
89 Eccleston Square
London SW1V 1PN

Or via the Passport Service website:

www.passport.gov.uk

You can also contact the Passport Adviceline (24 hours a day, 7 days a week)
0870 521 0410
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