

*Independent Living Fund (2006)  
Annual Report and Accounts  
2010-11*

*We've helped  
over 46,000  
disabled people  
since 1988*



Making choice real for disabled people

The Independent Living Fund is an  
Executive Non-Departmental Public Body  
of the Department for Work and Pensions



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# *Independent Living Fund (2006)*

## *Annual Report and Accounts 2010-11*

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Presented to Parliament pursuant to Article 3 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008.

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Any enquiries regarding this publication should be sent to us at

**Independent Living Fund**

Equinox House  
Island Business Quarter  
City Link  
Nottingham  
NG2 4LA

Tel: 0845 601 8815

or 0115 945 0700

Textphone: 0845 601 8816

Fax: 0115 945 0948

E-mail: [funds@ifl.org.uk](mailto:funds@ifl.org.uk)

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# About us

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The Independent Living Fund (ILF) is an Executive Non-Departmental Public Body of the Department for Work and Pensions (DWP). Our role is to deliver discretionary payments direct to over 21,000 disabled people across the United Kingdom (UK), allowing them the choice and control to purchase personal care and domestic assistance and live independent lives in their communities.

We work in partnership with over 200 local authorities, providing a nationally consistent method for delivery of social care, achieving better outcomes for disabled people and enabling high quality independent living.

We operate from our office in Nottingham, Equinox House, while also engaging over 70 self-employed social care professionals across the UK. Our assessors visit our users in their own homes to identify their needs in conjunction with local authority social services departments, and also deliver customer service visits.

Over the past 22 years the Independent Living Fund has made a significant contribution to the lives of disabled people and has paid £3.6 billion to over 46,000 disabled people.

## **Office address**

Independent Living Fund  
Equinox House  
Island Business Quarter  
City Link  
Nottingham  
NG2 4LA

**Tel:** 0845 601 8815  
or 0115 945 0700

**Textphone:** 0845 601 8816

**Fax:** 0115 945 0948

**E-mail:** [funds@ilf.org.uk](mailto:funds@ilf.org.uk)

**Website:** [www.ilf.org.uk](http://www.ilf.org.uk)

# Continuing to deliver

This year we have navigated the organisation through what has been a challenging period. In the face of significant pressures we are pleased to report that we have continued to support those users who were with us at the start of the year, managed successfully our financial position and met all of the performance targets agreed with the DWP.

After careful consideration, in June 2010 we took the difficult decision to close the ILF to new applicants and to limit increases to our existing users' packages. This decision was driven by the need to manage within a tight financial budget and was only taken after much careful thought and analysis.

We used our available budget to deliver the best possible service and support to our existing 21,000 users, who as ever remained our very first priority. We reduced our administration expenditure, taking the difficult but necessary step of launching a programme to reduce our staff numbers and this has enabled us to direct more resources directly to our users.

At the same time we strengthened our operational model and our infrastructure in order to increase our productivity and deliver more for our users, and help them achieve the independent living outcomes they seek.

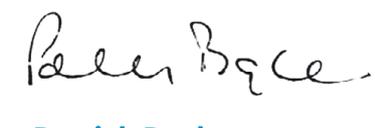
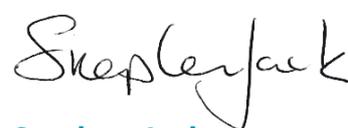
Continuing to meet the Government's Customer Service Excellence standard has demonstrated our commitment to maintain our quality of service.

Overcoming challenges has not lessened the strong contribution we make to the personalisation agenda. We have made great progress in developing outcome-based assessments with our users and playing an integral role in the Right to Control Trailblazers.

Engaging with our users through our programme of UK wide consultation events, and also through our Advisory Group has ensured we continue to represent disabled people's views within the wider debate and to Government.

We are committed to working proactively with ministers and our sponsor department on the future role of the ILF, involving our users, their carers and families, and stakeholders along the way.

We are very grateful for the support of everyone involved with the ILF during a challenging time for the organisation and the people it supports.



**Stephen Jack**  
Chairman

**Patrick Boyle**  
Chief Executive

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# Strategic aims for 2010-11

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## Strategic aim 1

**Our services:** Deliver a high quality and efficient service to meet our performance targets and customer expectations.

## Strategic aim 2

**Our users:** Work with our users to ensure their experiences inform our practices and to help them secure the independent living outcomes they seek to achieve.

## Strategic aim 3

**Our partnerships:** Work in partnership with local authorities to develop greater alignment and simplification.

## Strategic aim 4

**Our people:** Value and develop our people to ensure we have the right behaviours and skills to achieve our objectives.

## Strategic aim 5

**Our resources and governance:** Ensure all of our resources are targeted effectively and used appropriately within a well-managed system of governance and control.

## Strategic aim 6

**Our wider contribution:** Engage with our stakeholders to advance independent living opportunities for disabled people in the transformation of social care.

## *Deliver a high quality and efficient service to meet our performance targets and customer expectations*

We continued to deliver excellent customer service to our users throughout the year. Through our dedicated team in Nottingham and our nationwide network of assessors, we maintained a high standard of customer service to all our users and enabled them to maintain their awards.

We managed this even though we took difficult financial decisions during the business year.

We introduced further changes to improve our service, and our delivery against performance targets illustrates our achievements in this area:

Measure	Target 2010-11	Actual 2010-11
Clearance times of reviews	11 weeks	9.7 weeks
Award accuracy	96%	99.4%
User outcome satisfaction	90%	95.9%

We also delivered to other service standards, including the processing of all complaints to target and assuring a 99% success rate on payment accuracy checks.

During the year we undertook a number of key projects aimed at improving service provision:

- A new web-based portal for our assessors to allow them to upload their reports directly to our system;
- A new work management system, which allowed us to streamline administration and target key resources, in order to improve our customer service;
- A programme of staff visits to our users remains in place to widen staff awareness of the issues our users face;
- A new quality assurance system for our assessors, ready to be implemented early in the next financial year; and
- Using the Independent Case Examiner as an additional level of appeal for our users, ensuring any complaints can be addressed quickly and independently.

## *Work with our users to ensure their experiences inform our practices and to help them secure the independent living outcomes they seek to achieve*

During 2010-11, our network of independent assessors spent approximately 22,000 hours (equivalent to 3,039 working days) engaging directly with our users through our programme of visits.

Teams at our Nottingham office processed over 135,000 individual customer transactions. The time spent with our users ensured that they continued to receive individualised packages of support from the ILF.

We maintained active engagement with our users through our 'You Tell Us' events across the UK. This programme enabled users, their families and carers to voice their ideas, recommendations and concerns about the ILF, the service it provides and its initiatives. Through these meetings, users were able to directly contribute to a review of how we carry out our biennial reassessments.

Our complaints and decision review team ensured that complaints and appeals continued to inform the way we work and that we carry on learning from users' experiences.

The addition of the Independent Case Examiner also presented an opportunity for our processes to be independently considered and improved.

We met our duty towards equality legislation, introduced this year. Our newly formed Equality Impact Assessment Board reviewed all our user policies and any changes to our staff policies. A number of our users have been involved in the decisions of this Board and we hope to build on this success in the coming year.

Throughout the year we worked to synchronise what we do with the wider personalisation agenda in adult social care. Working with our assessors across the UK, we researched and made preparations to begin measuring our users' support in terms of the outcomes that are essential to them. We plan to continue this change over the coming year by working with our users and their local authorities to ensure people are in charge of their support.

We completed the initial stage of a research project to build a more detailed profile of our users, so we are able to make ongoing improvements to what we do. Our initial findings helped us to identify future customer service improvements.

Assessors' time spent engaging with our users

**22,000  
hours**

Customer transactions by Nottingham office

**135,000**

## *Work in partnership with local authorities to develop greater alignment and simplification*

This year has seen a necessary increase in the frequency of our strategic communications with local authorities. We used a number of methods to share the changes required with local authorities to ensure the ILF remained within budget.

By utilising our network of contact officers we ensured that messages were communicated quickly and effectively to each local authority.

We played a positive role in planning for the launch of the Right to Control Trailblazers in England. We were represented on the Right to Control Advisory Group and the Project Management Board and on the boards of each of the Trailblazer sites. This provided the opportunity for our staff, our assessors and local authority staff to work increasingly closely on training, development and understanding.

By changing the ILF governing documents, we ensured that all our existing users in the Trailblazer areas had and will continue to have the opportunity to participate in the Right to Control.

We will test out a number of potential improvements as the Trailblazers develop, with an emphasis on the best possible customer journey for users, including greater flexibility in the use of local authority funding.

We began to explore the possibility of a single assessment with one of the Trailblazer sites. Our intention is to offer users in this area a choice of representative to carry out their assessment. Two other Trailblazer areas also expressed an interest in testing similar innovative approaches.

We continued to hold regional contact officer meetings, visiting eight locations throughout the UK and meeting 108 local authority representatives. These meetings enabled us to have greater dialogue with local authorities about the changing scene of social care as well as our policies and processes.

We also met with Association of Directors of Adult Social Services (ADASS) representatives and the National Director of Personalisation from the Department of Health, and intend to further develop these relationships. This helped to ensure that we are engaged with broader changes to the adult social care system and able to contribute on behalf of our users.

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## *Value and develop our people to ensure we have the right behaviours and skills to achieve our objectives*

Strategic aim 4

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Due to a reduction in our workload and our pursuit of greater efficiency, we launched a Voluntary Exit Scheme in February 2011 to reduce our headcount, whilst ensuring that the key skills the organisation needs would be retained. This scheme will be concluded in 2011-12.

Our learning and development plan demonstrated our clear commitment to invest in our people. We completed our leadership training programmes and our coaching scheme went from strength to strength.

Many of our managers achieved or worked towards professional qualifications from the Institute of Leadership and Management, and our 13 volunteer coaches mentored and supported their colleagues. In addition, 13% of our workforce achieved or worked towards a further or higher education qualification.

We continued to help and encourage our employees to better understand the needs of disabled people, through our close partnership with Portland College (a specialist residential college for people with disabilities and learning difficulties) and our work placements initiative.

We worked hard to support the health and wellbeing of our workforce and we continued to offer occupational health services, health check days and counselling sessions. Sickness absence remained below our target of nine days per person at 8.8 days and we continued to offer a range of new activities to promote healthy living. We demonstrated our commitment to diversity and equal opportunities by delivering dignity and diversity training courses and carrying out a full equal pay audit.

Our commitment to our people continued to be recognised both internally and externally through our Staff Awards programme and Investors in People accreditation, to the bronze standard. We also maintained the 'two tick' symbol, awarded by Jobcentre Plus to employers who make positive commitments towards employing disabled people.

Employees who achieved or worked towards further and higher education qualifications

13%

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Volunteer coaches

13

## *Ensure all of our resources are targeted effectively and used appropriately within a well-managed system of governance and control*

The year was extremely challenging in light of a difficult financial position but we continued to deliver our services within the funding available.

In April 2010, we recognised that increasing demand and price pressures, if not addressed, would result in the ILF overspending the funding allocation provided by government. As a result, we had to close to new applications, and also tighten our policy around inflationary price changes and some discretionary payments. These actions were necessary to manage within our available funding for the year and also helped to maintain and secure on-going payments for our existing users during a time when there was unprecedented pressure, nationally, on public finances.

To help alleviate the financial position we reviewed our administration costs and generated significant savings. We reduced our administration spend to only 2.5% of the total expenditure for the year and took actions to reduce the budgeted non-staff costs (excluding estates costs) by 26%.

We took the opportunity to reduce supplier costs at every contract renewal, improving value for money throughout all aspects of contract and supply chain management.

Where appropriate we ensured compliance with new additional central government procedures and sought Ministerial oversight

approval where necessary. We maintained comprehensive and robust mechanisms for both internal control and strategic risk management. The Trustees Board and Audit Committee regularly reviewed the outcome of control checks and our high level strategic risk registers. These were in addition to further risk management processes at departmental and project levels.

To further improve our IT systems, we began work to retain all data within secure centralised servers. We also progressed work towards introducing the Government Secure Intranet (GSI), which will enhance security further, particularly when exchanging data with other parts of government.

During the year our internal auditors RSM Tenon undertook a planned annual audit programme. They produced audit reports graded according to their findings and made recommendations that were reviewed by the Accounting Officer and the Audit Committee. At the year-end all significant or material findings had been agreed and implemented or were in the process of evaluation as part of ongoing organisational projects.

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## *Engage with our stakeholders to advance independent living opportunities for disabled people in the transformation of social care*

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Strategic aim 6

In 2010-11 there were a number of changes to the wider social care landscape, with the launch of the Right to Control Trailblazers, the Commission on Funding of Care and Support (the Dilnot Commission), and the consultation regarding changes to Disability Living Allowance (DLA).

We made full use of our Advisory Group, which is made up of trustees, users and representatives from disabled people's organisations. They provided information and advice on our communications with users, our planning, the issues faced by disabled people, and how these are impacted by changes in the public sector.

Working closely with the Government, we provided information and evidence to various consultations on issues affecting our users.

Following a submission by the ILF to the Dilnot Commission's call for evidence, a team of Advisory Group members, users and management also met Andrew Dilnot, Chair of the Dilnot Commission, and his officials. This gave us a great opportunity to discuss our submission and the wider concerns of disabled people and ILF users.

Our submission to the DWP consultation on reform of DLA was based on the views of our users about the proposals. We saw the impact of these views in the response made by the DWP.

We also provided a response to the Joint Committee on Human Rights' inquiry into the Implementation of the Right of Disabled People to Independent Living. This submission directly presented the views and responses of our users to the inquiry, and also incorporated comments from our Advisory Group.

We remained firmly committed to improving the contribution that we can make, in partnership with others, towards fulfilling and inclusive lives for our users. This required regular involvement from disabled people and from our partners in Local Authorities.

The DWP has committed to consultation about the ILF following the Dilnot Commission's conclusions, and we are committed to ensuring that our users and wider stakeholders have the opportunity and support to fully respond to this consultation.

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# Introducing the people *behind* the ILF

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## The ILF Trustees

Appointed by the Secretary of State for Work and Pensions, the Trustees are responsible for appointing the ILF Chief Executive, keeping accurate records and presenting the yearly accounts. They strictly monitor the payments process, ensuring that we spend money fairly and don't exceed our yearly budgets.

### **Stephen Jack, Chairman of the Trustees**

Stephen is a Chartered Accountant. He is Chief Financial Officer of Compagnie Financiere Tradition, a global broking business. He has previously held senior financial management positions in a number of international financial services organisations. He is a Trustee and Treasurer of the Greater London Fund for the Blind.

### **Professor Peter N C Cooke, Vice Chairman**

Peter is a Professor and Head of the Centre for Automotive Management at the University of Buckingham Business School. He is a consultant, speaker, writer and broadcaster on automotive and disability issues and was appointed a Winston Churchill Memorial Fellow in 2002. He is a governor of Motability, the charity which oversees provision of cars for people with disabilities. Peter was a Non-Executive Director of Remploy for seven years.

### **Margaret McGlade, Trustee**

Margaret is a freelance consultant in social care, health and children's services. She was previously Director of Social Services for Derby City Council and a senior manager for Nottinghamshire County Council. She is a Trustee of Nottingham Women's Aid Integrated Services and a qualified registered social worker.

### **Yogi Amin, Trustee**

Yogi is a solicitor with specialism in Public Law and Human Rights. He is a partner at Irwin Mitchell Solicitors and practises in a range of health, social care and other public sector areas.

### **Susan Winterburn, Trustee**

Susan qualified as a social worker in 1975 and worked in North Yorkshire. She was a senior lecturer in Health and Social Care, at York College of Further and Higher Education. She is a retired Director of Family Services at Family Fund Trust (a UK wide grant-making organisation) and has experience of grant-making criteria and developing/managing a dispersed self-employed social care workforce.

### **Nick Danagher, Trustee**

Nick is a graduate in English and Media Studies. He has developed and managed local independent living schemes and organisations. He is a former board member of Central Council for Education and Training in Social Work (CCETSW) and former Executive Director of the National Centre for Independent Living. He is currently a freelance consultant in disability equality and a member of Equality 2025 – the UK advisory network on disability equality.

### **Mike Boyall, Treasurer and Chairman of the Audit Committee**

Mike is an ombudsman at the Financial Ombudsman Service and a qualified accountant. He was formerly a Deputy Director in the DTI and Official Receiver in the Insolvency Service, managing and investigating Public Interest Insolvencies. He is also a Magistrate.

### **Sally Sparrow, Chairman of the ILF Remuneration Committee and User Personal Cases Committee**

Sally was Director of Social Care at Witham Braintree and Halstead Care Trust until March 2007. She qualified as a social worker in 1988 and previously worked in social care and the voluntary sector in a variety of posts with older people and those with physical and sensory impairments.

### **Marie Martin, Trustee**

Marie is currently a care manager for the British Nursing Association and Chairman of the Shooting Star Children's Hospice and Linden Hall Day Centre, as well as a trustee of the Hampton Fuel Trust. She has previously been a social services manager for Hounslow & Kingston Upon Thames and has also worked in the private sector.

### **The Audit Committee**

To ensure our systems and services are run effectively we are closely monitored by internal and external auditors. Our Audit Committee (made up of four Trustees) sets out a specific monitoring programme each year and closely reviews all ILF strategies and processes to ensure the organisation is run efficiently, safely and properly.

### **Mike Boyall, Chairman**

### **Peter Cooke, Member**

### **Margaret McGlade, Member**

### **Yogi Amin, Member**

### The Remuneration Committee

The Remuneration Committee oversees and reports to the Trustees on the salaries, rewards and conditions of service in place at the ILF. It also makes sure that the ILF conducts its employee relations fairly, efficiently and effectively. For more information, see the Remuneration Report on page 27.

**Sally Sparrow**, Chairman

**Margaret McGlade**, Member

**Marie Martin**, Member

**Susan Winterburn**, Member

### The User Personal Cases Committee

The User Personal Cases Committee considers cases referred by the Senior Management Panel where a user has requested that Trustees make an individual discretionary decision within their powers as set out in the Trust Deed.

**Sally Sparrow**, Chairman

**Yogi Amin**, Member

**Nick Danagher**, Member

**Marie Martin**, Member

**Peter Cooke**, Member

**Susan Winterburn**, Member

### The Senior Management Board (SMB)

The SMB is responsible for the strategic management of the ILF.

**Patrick Boyle**, Chief Executive

Patrick is accountable for all aspects of ILF performance, reporting directly to the Board of Trustees. As the Accounting Officer for the ILF, Patrick also reports directly to DWP via senior officials and the sponsor group.

**James Sanderson**, Chief Operating Officer and Deputy Chief Executive

James oversees ILF operations including service delivery, social work and performance improvement functions. He is responsible for ensuring that we continue to deliver excellent standards of service to our users. James is also heavily involved in ILF's externally focused agenda.

**Steve Jarratt**, Resources Director

Steve is responsible for all aspects of financial management and control within the ILF; including payment security, compliance and debt recovery. The role includes close liaison with internal and external audit plus the oversight of the organisation's key resources of staff, IT and estates.

### **Jesse Harris, Social Work Director**

Jesse is responsible for ensuring high standards of social work and quality assurance with regard to independent living outcomes. He is also responsible for relationships with local authorities and users, complaints, user personal case hearings and the application review process, the social work and complaints process, and biennial review programme through the management of operations teams and some 77 self-employed assessors across the UK.

### **John Denore, Operations Director**

John is responsible for service delivery and the administration of all our user services, incorporating: application processing, ongoing casework, payments to users and on-going customer service to users.

### **Gillian Smith, Human Resources Director**

Gillian is responsible for developing and leading HR strategy within the ILF. This includes employment policy, employee relations, learning and development and recruitment. Gillian ensures that HR policies are legally compliant and provides professional HR guidance and support to Trustees and senior management.

### **John Fuller, Strategic Policy Director**

John is responsible for developing options for the role and contribution of the ILF in line with Government strategy towards disabled people, and for the development and communication of policy.

### **Roland Knell, Information and Governance Director**

Roland is responsible for corporate governance, risk management, the internal audit programme, information technology, data and physical security, estates and facility management, contract management, business continuity planning, records management and business planning.



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# Management Commentary

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## Principal activity and historical context

The role of the Independent Living Fund (2006) ('the ILF') is to deliver discretionary cash payments directly to disabled people, allowing them the choice and control to purchase personal support and live independent lives in their communities. The ILF is an Executive Non-Departmental Public Body of the Department for Work and Pensions ('DWP') and receives funding in the form of grants in aid from DWP for Great Britain and from the Department for Social Development ('DSD') for Northern Ireland. The formal governance documents owned by DWP consist of a Management Statement, the Trust Deed and the Conditions of Grant Agreement.

The original Independent Living Fund was established in 1988 and ran for five years to March 1993. In April 1993 the Independent Living (Extension) Fund was established to continue payments to the beneficiaries of the original Independent Living Fund, and the Independent Living (1993) Fund was established to take new applications. The current ILF commenced operations from October 2007, continuing payments to beneficiaries of the predecessor Funds and receiving the closing assets and liabilities of those Funds. The ILF closed to applications in early 2010-11 in order to protect funding for existing beneficiaries. The strategic aims are set out on page 6.

### External auditor

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

### Internal auditor

RSM Tenon  
The Poynt  
45 Wollaton Street  
Nottingham  
NG1 5FW

Fees paid to the National Audit Office were £53,750 for external audit work (2009-10 £66,000 including £11,000 for work on compliance with International Financial Reporting Standards).

### Solicitors

Harvey Ingram LLP  
20 New Walk  
Leicester  
LE1 6TX

### Bankers

Lloyds TSB Corporate  
125 Colmore Row  
Birmingham  
B3 3SF

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### **Trustees' appointments, training and remuneration**

A minimum of three and a maximum of nine Trustees are appointed for a term of five years by the Secretary of State for Work and Pensions, following public advertisement and recruitment procedures in line with Government guidance for Non-Departmental Public Bodies. The Secretary of State under such guidance will also appoint the Chairman, at such time as the current chair's term of appointment ends. Trustees' appointments can be extended for one further five-year term. Trustees may elect individual board members to serve on sub-committees.

Appropriate training is provided to appointed Trustees on an individual basis, following discussion with the Chairman. This includes amongst other items; an induction pack, briefings from ILF staff, observing Trustees' meetings and visiting the ILF's office in Nottingham.

The Trustees receive remuneration under arrangements agreed with the Secretary of State. The ILF also reimburses Trustees for out-of-pocket expenses.

Trustees for 2010-11 were Stephen Jack (Chairman), Peter Cooke (Vice Chairman), Mike Boyall (Treasurer), Yogi Amin, Nick Danagher, Marie Martin, Margaret McGlade, Sally Sparrow and Susan Winterburn. Sub-committees operating in the year were the Audit Committee (Mike Boyall as Chairman, Yogi Amin, Peter Cooke, and Margaret McGlade), the Remuneration Committee (Sally Sparrow as Chairman, Marie Martin, Margaret McGlade and Susan Winterburn) and the User Personal Cases Committee (Sally Sparrow as Chairman, Yogi Amin, Nick Danagher, Peter Cooke, Susan Winterburn and Marie Martin). Background details of Trustees are given on pages 13 and 14.

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## **Relationships and related parties**

Trustees appointed by the Secretary of State for Work and Pensions administer the ILF. Related parties are the Trustees, all parts of DWP including its agencies (representing the Secretary of State) and the Department for Social Development (DSD) in Northern Ireland which also provides funding. The Trustees are the controlling party.

The Chief Executive is formally nominated as the Accounting Officer for the ILF and as the Consolidation Officer for the purpose of Whole of Government Accounts. His responsibilities are set out in the Trust Deed and Management Statement. There is a Scheme of Delegated Authority approved by Trustees and the Chief Executive for day-to-day operations and responsibilities by the ILF's staff.

One Trustee is a beneficiary of the ILF and receives payments under the terms of the Fund. During the year no other related parties, including Trustees and key management staff, have undertaken any material transactions with the ILF.

## **Operating and performance review**

The ILF funding is designated within the four-year Departmental Expenditure Limit (DEL) for DWP and DSD. In order to protect funding for existing beneficiaries the Fund closed to new applicants in early 2010-11.

The key performance targets for the ILF have been reviewed by DWP and agreement has been reached on the main performance measures going forward.

These measures were in existence as ILF targets during 2010-11 and the results for the year were as follows:

- Clearance times of review visits on average in 9.7 weeks, against an 11-week target (2009-10: 10.3 weeks).
- Award processing 99.4% accurate in all respects, amount and process – against a 96% target (2009-10: 98.7%).

- Administration expenditure 2.5% of total ILF expenditure for the year, against a 3% target (2009-10: 2.8%).
- Users rating their satisfaction with the outcomes they experience as 'good' or 'excellent' at a level of 95.9%, against a 90% target (2009-10: 94.1%).

A target to monitor the average time taken to manage applications for funding was suspended during the year in light of the closure to applications.

An average of 154 staff (full time equivalents) were employed during the year. Staff receive salaries on the ILF scale and are entitled to be members of the Principal Civil Service Pension Scheme – full details are provided in the Remuneration Report on pages 27 to 37. In addition, 77 self-employed assessors were engaged under contract to carry out visits to new applicants and existing beneficiaries under the ILF's user administration policies.

The ILF has increased its engagement with a range of stakeholders as part of the ongoing involvement in the development of social care policy. The ILF held a series of events entitled 'You Tell Us' in order to continue to communicate directly with users of the Fund and other key stakeholders. The ILF is a Charter Mark organisation, and has successfully retained the accreditation during the year following reassessment against the criteria.

### **Governance and social responsibility**

The ILF is committed to good employee relations and recognises the Public and Civil Service Union as the trade union acting on behalf of staff. In recognition of the continued good standards of HR policies, staff information and consultation, the Fund has successfully retained the Investors in People accreditation and the 'Positive about Disabled People' (two ticks) during the year. HR policies are regularly reviewed to ensure full compliance with employment legislation.

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The ILF seeks to actively manage sickness absences and has ‘return to work’ meetings with staff to improve support on resumption of duties and discuss absence patterns and causes. The average number of days per annum lost to sickness absence was 8.8 days per employee against a target of 9 days (2009-10: 8.4 days).

The ILF’s procurement policy ensures fair competition and value for money, with specific arrangements to encourage tenders from employers of disabled people in procurement exercises. The ILF is committed to prompt payment of bills for goods and services received. Payments are normally made within the period specified in the contract. Where there is no contractual or other understanding, we endeavour to pay within 14 days of the receipt of the goods or services, or the presentation of a valid invoice or similar demand, whichever is later. During 2010-11 96% of invoices paid met this target (98% met the target of 30 days in 2009-10).

The ILF has Corporate and Social Responsibility and Sustainable Development policies, and has developed links with disabled people’s groups. The Customer Service Excellence award for public service was retained during 2010-11.

### **Financial review**

The ILF is financed out of money voted by Parliament as grants in aid from DWP and DSD for the purpose of making regular grants to individuals. Grant in aid of £351.3 million, in addition to cash reserves brought forward of £11.6 million, were utilised to meet the needs of users and related administration costs.

Assets are held only for the purpose of managing the ILF. The Trust Deed provides that the Trustees: (i) can borrow only with the specific agreement of the Secretary of State; (ii) cannot lend; (iii) cannot issue guarantees or indemnities; (iv) can only invest moneys in interest-bearing accounts.

The ILF requests and receives grant in aid on a monthly basis to meet its immediate cash needs. Procurement policies are designed to secure goods and services for immediate consumption during the year with best value for money at current cost, and without setting up complex financial instruments. The ILF's exposure to financial instrument risk is therefore low compared with non-public sector organisations. The policies on financial instruments are provided in the Notes to the Accounts, and appropriate disclosures are included.

The Accounts have been prepared in accordance with the Trust Deed and directions made by the Secretary of State for Work and Pensions thereunder. The Accounts have been prepared in compliance with International Financial Reporting Standards as adapted or interpreted for the public sector context.

All financial and other matters necessary for an effective external audit have been disclosed to the auditors. As far as the Chief Executive and Trustees are aware there is no relevant audit information of which the auditors are unaware; the Chief Executive and Trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Accounts are prepared on a 'going concern' basis. Grant in aid is received on a cash basis to meet immediate need, and is not accrued to match liabilities. Grants to individuals are paid in arrears and the Statement of Financial Position at 31 March 2011 shows a net deficit. DWP has provided a letter of comfort to Trustees to confirm that grant in aid will be made available to cover the financial obligations of the ILF related to DWP-funded activity and to continue the ILF's activities up to March 2012.

There were no events after the end of the financial year that have any material effect on these Reports and Accounts.

### **Future developments and organisational risks**

The ILF provides estimates of expenditure to support the requests of grant in aid. Trustees are required to take reasonable steps to ensure expenditure does not exceed available funding.

The ILF operates a robust risk management programme, identifying major risks against business objectives and implementing appropriate risk management measures. The Senior Management Board reviews risks and reports to the Audit Committee on a quarterly basis, and the Board of Trustees reviews the risks five times a year. Appropriate controls and action plans for risk management are put in place and these are reviewed at the risk management meetings. A separate Statement on Internal Control is provided in this document.

The Cabinet Office designates requirements for public bodies to provide information on personal data related incidents. During 2010-11 and up to the date of signing of these Accounts, no incidents have occurred for the ILF that would require reporting under these provisions (there were none in 2009-10).

A number of Government reviews of social care delivery are ongoing and the ILF is taking an active part in contributing to the ongoing debate and the development of initiatives. This includes the Right to Control Trailblazers, consultation on the changes to Disability Living Allowance, the Commission on the Funding of Care and Support which is considering the funding of adult social care and the Joint Committee on Human Rights inquiry into the implementation of the right of disabled people to independent living.

A Written Ministerial Statement was laid before Parliament on 13 December 2010 confirming it remained the priority of the ILF to safeguard the position of the existing recipients of the fund; to enable this the programme budget for existing recipients has been protected throughout this Parliament. Also, following the publication of the report by the Commission on the Funding of Care and Support, a formal consultation on the future of the ILF will be undertaken.

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The consultation is to inform decisions on determining how best to continue to support existing users of the ILF in to a social care system based on the principles of personalised budgets, the findings of the commission and recognising the importance of the support that ILF users have built their lives around. Disabled people, particularly current users of the ILF and their families, local authorities and other interested parties, including the devolved Administrations will be fully consulted.

Signed by the Accounting Officer and on behalf of the Trustees on 23 June 2011.

**Patrick Boyle**, Chief Executive and Accounting Officer

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

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## *Statement of Accounting Officer's and Trustees' Responsibilities*

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The Accounting Officer is responsible for preparing the accounts in accordance with the Trust Deed and directions made by the Secretary of State thereunder. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the ILF and of its comprehensive net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Comply with relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a 'going concern' basis.

The Principal Accounting Officer of DWP has appointed Patrick Boyle as Accounting Officer of the ILF. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the ILF's assets, are set out in the Management Statement for the ILF issued by DWP.

The Management Statement also sets out the responsibilities of the Trustees to ensure that the ILF fulfils its aims, objectives and key targets, and prepares a statement of accounts for each financial year.

Signed by the Accounting Officer and on behalf of the Trustees on 23 June 2011.

**Patrick Boyle**, Chief Executive and Accounting Officer    **Peter Cooke**, Vice Chairman

**Stephen Jack**, Chairman

**Mike Boyall**, Treasurer

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## *Remuneration Report for the year ended 31 March 2011*

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This report for the year ended 31 March 2011 deals with the remuneration of the Chief Executive, Directors and Trustees of the Independent Living Fund (2006) ('the ILF').

The ILF is managed by a Board of Trustees appointed by the Secretary of State for Work and Pensions. The Trustees receive remuneration as post-holders and are reimbursed for out-of-pocket expenses in line with the ILF's travel and subsistence policy. They do not receive any other benefit. There are no unpaid persons or volunteers upon whose services the ILF is dependent.

### **The Remuneration Committee**

The Remuneration Committee is appointed by the Board of Trustees and is established to independently review the salary of the Chief Executive. The Chief Executive appraises the Committee of any annual pay negotiations with the Public and Commercial Services Union (PCS) to agree the salary levels for employees and Directors which will be set in accordance with the requirements of the Trust Deed and the Conditions of Grant Agreement.

Members of the Committee for the period of this report were:

**Sally Sparrow**, Chairman

**Margaret McGlade**, Member

**Marie Martin**, Member

**Susan Winterburn**, Member

The terms of reference of the Remuneration Committee in relation to salary, rewards and conditions of service are:

- To ensure that the ILF Directors and staff are fairly, but responsibly rewarded for their joint and individual contributions to the ILF's management and overall performance.
- To agree the Chief Executive's remuneration in discussion with the ILF Chair of Trustees, under the terms and conditions agreed with the ILF. As a result of these discussions the Chair of Trustees in conjunction with the Human Resources Director will make recommendations to the Remuneration Committee.

- To review and where appropriate, approve the Chief Executive's proposals for the remuneration of the ILF Directors. This will include approval of the annual Treasury pay remit, setting pay bands and individual bonuses.
- To review and where appropriate approve the Senior Management Board's remuneration proposals for all ILF staff below Director grade. This will include approval of the annual Treasury pay remit and setting pay bands and bonuses.

## Remuneration policy

### Trustees

For the year ended 31 March 2011 the total remuneration paid to Trustees, by monthly instalments in arrears, as agreed in the Conditions of Grant Agreement was:

Name	2010-11 £	2009-10 £
Stephen Jack (Chairman)	13,000 <sup>1</sup>	19,500
Peter Cooke (Vice Chairman)	14,800	14,800
Mike Boyall (Treasurer)	16,300	16,300
Sally Sparrow	16,300	16,300
Yogi Amin	14,800	14,800
Nick Danagher	14,800	14,800
Marie Martin	14,800	14,800
Margaret McGlade	14,800	14,800
Susan Winterburn	14,800	14,800

<sup>1</sup> The Chairman waived his remuneration with effect from December 2010. The remuneration paid was for the period April to November 2010.

In addition, a Trustee may be reimbursed all reasonable and proper expenses incurred by him/her in carrying out his/her duties, including travelling or other expenses incurred by him/her as Trustee.

### The Chief Executive and Directors

The Chief Executive and the Directors are employed on ILF terms and conditions.

All senior managers (Chief Executive and Directors) receive a salary and are members of the Principal Civil Service Pension Scheme (PCSPS).

The Trustees have decided to set a policy regarding the senior management pay structure as follows:

- To create a fair and transparent pay structure offering salaries in line with the roles and demands on the personnel in those posts;
- To offer competitive salaries to enable the ILF to attract personnel of the required calibre to fill its senior management posts; and
- To align decisions in accordance with the key features and parameters of the DWP's pay policy; as follows:
  - Aligning reward with the business objectives to encourage high performance and improve the focus on the delivery of service;
  - Creating an opportunity to earn bonuses;
  - Ensuring reward arrangements are affordable;
  - Creating a level of salary progression which is subject to performance expectations (performance below the expectation would mean no progression and management action would be necessary for less than adequate performance);
  - Establishing a relativity of Executive Directors' salaries at about 65% of that of the Chief Executive.

The Chief Executive and the Directors have agreed objectives which are set, by the Chairman of the Board of Trustees and the Chief Executive respectively, at beginning of the financial year.

The Chief Executive's and Directors' performance are reviewed annually with the Directors' overall assessment informed by monthly one-to-one meetings.

All employees must have a minimum of twelve months' service to be eligible for an annual salary review.

In the event of early severance, compensation would be payable in accordance with ILF terms and conditions, and paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

### Remuneration of Chief Executive and Directors

This table represents the part of the Remuneration Report to be audited as referred to in the Audit Certificate.

	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Salary	Bonus payments	Benefits in kind (to nearest £100)
	£000	£000	£	£000	£000	£
Patrick Boyle, Chief Executive	100-105	Nil <sup>2</sup>	43,800	100-105	Nil	40,200
John Denore, Operations Director	45-50	0-5	Nil	45-50	0-5	Nil
John Fuller, Strategic Policy Director	35-40	0-5	Nil	35-40	0-5	Nil
Jesse Harris, Social Work Director	45-50	0-5	Nil	45-50	0-5	Nil
Steve Jarratt, Resources Director, from 15 March 2010	75-80	5-10	Nil	0-5 (75-80 full year equivalent)	Nil	Nil
Roland Knell, Information and Governance Director	45-50	0-5	Nil	45-50	0-5	Nil
James Sanderson, Chief Operating Officer	65-70	5-10	Nil	60-65	Nil	Nil

	2010-11			2009-10		
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	Salary	Bonus payments	Benefits in kind (to nearest £100)
	£000	£000	£	£000	£000	£
Gillian Smith, HR Director	40-45	0-5	Nil	40-45	0-5	Nil
Gary Stephenson, Finance and Corporate Services Director, left 18 July 2010	10-15 (45-50 full year equivalent)	Nil	Nil	45-50	0-5	Nil

<sup>2</sup> The Chief Executive has waived his bonus entitlement for 2010-11.

### Benefits in kind

As part of the loan agreement with DWP, the ILF pay the deposit, rent and council tax on the apartment in Nottingham for Patrick Boyle. This arrangement is more cost effective than paying hotel and travel costs for the period of the loan agreement. In addition, a lease car is provided and he is reimbursed for the cost of petrol for travelling from London to Nottingham.

### Bonus payments

Bonus payments for the Chief Executive and Directors are non-consolidated and are not pensionable. These follow SCS rules for the Chief Executive. The Directors' bonuses can be up to 10% of salary based on superior performance.

### Service contracts

It is ILF policy to recruit senior managers on the basis of fair and open competition. Such appointments are 'open-ended' as the ILF does not have a default retirement age.

The Chairman of the Board of Trustees appraises the Chief Executive's performance and the Chief Executive appraises the Directors' performance. Any issue arising in connection with individual performance, including termination of appointment, would be dealt within this context.

Most members of the senior management team are employed under permanent employment contracts with the two exceptions. Patrick Boyle, Chief Executive, is on loan from DWP and his loan agreement was initially for 2 years but was extended by one year in January 2011 to 9 January 2012. In addition, Roland Knell, Information and Governance Director is also on loan from DWP and his loan period commenced on 1 February 2009 and was extended from January 2011 by one year.

The Chief Executive, Chief Operating Officer, Resources Director, Social Work Director, Information and Governance Director and Operations Director work for the ILF full time, that is 37 hours per week. The HR Director and Strategic Policy Director work on a part-time basis of 34 and 30 hours per week respectively.

The notice period for the Chief Executive and all Directors is:

Length of service	Notice to be given by the Director	Notice to be given by the ILF
Less than 4 weeks	1 week	1 week
More than 4 weeks and less than 4 years	4 weeks	5 weeks
More than 4 years	4 weeks	5 weeks, plus 1 week for every complete year of service up to a maximum of 13 weeks

## Pension benefits

The Chief Executive and all Directors are members of the Principal Civil Service Pension Scheme (PCSPS).

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**.

In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

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The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at website <http://www.civilservice.co.uk/mycivil-service/pensions/index.aspx>

### Cash equivalent transfer values

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

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

### Real increase in CETV

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

The cash equivalent transfer values as at 1 April 2010 and 31 March 2011 were:

Chief Executive and Directors	Accrued pension at pension age as at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 1 April 2010	Real increase in CETV
To nearest	£000	£000	£000	£000	£000
Patrick Boyle, Chief Executive	35 - 40	0 - 2.5	556	509	1
John Denore, Operations Director	5-10	0 - 2.5	60	49	5
John Denore, Preserved award service to 26.8.05	0-5 plus lump sum of 0-5	0 - 2.5	8	7	-
John Denore, Preserved award service to 30.4.95	0-5 plus lump sum of 10 -15	0 - 2.5	40	38	-
John Fuller, Strategic Policy Director	0-5	0 - 2.5	55	45	8

(continued over the page)

Chief Executive and Directors	Accrued pension at pension age as at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 1 April 2010	Real increase in CETV
To nearest	£000	£000	£000	£000	£000
Jesse Harris, Social Work Director	0-5	0 – 2.5	51	36	11
Steve Jarratt, Resources Director	10-15	0 – 2.5	171	134	25
Roland Knell, Information and Governance Director	0-5	0 – 2.5	13	2	8
Roland Knell, Preserved award	0-5 plus lump sum of 5 -10	0 – 2.5	27	26	-
James Sanderson, Chief Operating Officer	5-10	0 – 2.5	57	42	9
Gillian Smith, HR Director	15-20	0 – 2.5	268	245	1

This table represents the part of the Remuneration Report to be audited as referred to in the Audit Certificate.

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

### Non-cash remuneration

There was no non-cash remuneration during the year (2009-10 none).

### **Compensation for loss of office**

Gary Stephenson, Finance and Corporate Services Director, left under Compulsory Early Retirement terms on 18 July 2010. He received a compensation payment of £9,120 (there were no payments for loss of office in 2009-10).

**Patrick Boyle**, Chief Executive and Accounting Officer

**Sally Sparrow**, Remuneration Committee Chairman

Signed by the above on 23 June 2011.

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# *Statement on Internal Control for the year ended 31 March 2011*

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## **Scope of responsibility**

As Accounting Officer for the Independent Living Fund (2006) (ILF), I have responsibility for maintaining sound systems of internal control that support the achievement of its policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Management Statement, Trust Deed and Conditions of Grant Agreement for the ILF, and the letter of delegation received from the Principal Accounting Officer of the Department for Work and Pensions (DWP).

Strategic aims and objectives are agreed with the ILF Trustees and with DWP as the sponsor Department. There is also a meeting twice a year with the Senior Accounting Officer in DWP with responsibility for the ILF to discuss ILF issues and address significant risks related to the ILF.

The Board of Trustees also has responsibility for maintaining a sound system of control to address key financial and other risks, ensuring that the requirements of the constituting Executive Non-Departmental Public Body documents are met, that high standards of corporate governance are demonstrated, and for reviewing the effectiveness of the internal control system.

## **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 both departmental and the ILF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the ILF for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

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### **Capacity to handle risk**

Whilst every member of staff within the ILF has a responsibility to ensure that exposure to risk is minimised, overall leadership of the ILF risk management processes rests with members of the Senior Management Board (SMB) who are responsible for promoting and embedding a risk management culture within the ILF, and setting the risk management framework within which the ILF operates.

As Accounting Officer, I act as the Risk Champion for the ILF, whilst lead responsibility for ensuring that appropriate mechanisms are in place for identifying, monitoring and controlling risk, and advising SMB on the actions needed in order to comply with our corporate governance requirements rests with the Information and Governance Director.

The Trustees also consider risks at the strategic level and review the strategic risk register at least quarterly or as often as required. Given the significant challenges facing the organisation in 2010-11 the Trustees requested the strategic risk register as a standing item for quarters 2 and 3.

The ILF Risk Management Framework document, sets out the organisation's attitude to risk and provides a consistent basis to capture, monitor and report risks and to progress improvement strategies to mitigate these.

The risk management processes are embedded at senior management and middle management levels and have been audited as part of the internal audit programme. In May 2010 the Internal Audit for Risk Management reported an opinion of substantial assurance.

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## The Risk Management Framework

The ILF's risk appetite is 'risk averse'. This is demonstrated in various policies related to users (for example, payments to users, protection of vulnerable adults and consent, capacity and capability) and administration (for example, information security, control of intranet and business email and hospitality rules), in the assignment of lead risk owners at Director level, and in the management control processes.

The key strands of the ILF's risk management strategy are:

- Ensuring there is ownership and awareness of risk throughout the organisation;
- Ensuring a systematic process is in place for identifying, monitoring, reporting and controlling the key risks faced by the ILF in delivering its corporate agenda – this includes maintaining risk registers which log risks at strategic, directorate and project levels;
- Managing risk in accordance with best practice;
- Providing risk management training;
- Promoting and communicating risk awareness to staff at every available opportunity;
- Providing support and guidance to our staff and giving them the confidence and the ability to manage risks at the appropriate level within the ILF;
- Ensuring individual projects have their own distinct risk registers;
- Maintaining, reviewing, updating and testing the business continuity plans that are in place for all areas of the ILF; and
- Operating a system of annual and mid-year Stewardship Reporting whereby at the end of quarter two and quarter four, each Director formally reports to the Accounting Officer on the effectiveness of the systems of internal control and action that they have taken to manage resources and risks within their Directorate.

During the year to ensure effective risk management throughout the organisation we reviewed the strategic risk register monthly and sought greater participation from each directorate team.

Prior to year end the ILF Senior Information and Risk Owner provides an annual assurance review on the effective management and governance of data security and handling issues, and compliance with the Data Protection Act 1998 and Freedom of Information Act 2000. The report is discussed and approved at Audit Committee and subsequently signed by the Senior Information and Risk Owner and the Audit Committee Chairman.

We continued to progress our readiness for GSI, which involved “hardening” our systems, applying higher standards of security to ongoing projects (ie web portals) and reviewing both our technical safeguards and barriers and our information security policies and processes. Although our GSI works in 2010-11 have mainly been preparatory, they have improved our ICT controls and our capacity to meet and exceed the required standards for data handling and information and data security.

During the year, we upgraded our Business Continuity Plans and adopted new technologies that enhance the effectiveness of our Disaster Recovery Site, to ensure that in the event of the loss of essential facilities and services at the ILF premises, we have the capability to continue to deliver our business, to a predetermined and agreed level, from our Disaster Recovery Site. These new technologies improve the recovery times of our processes and systems by 50%.

Throughout the year we sought advice from our internal auditors on emerging best practice for Corporate Governance and our internal control mechanisms.

As an Executive Non-Departmental Public Body of DWP, our Risk Strategy and performance is reported to the DWP sponsorship team, who will refer relevant outputs to the Risk Assurance Division (RAD). RAD has the right of access to ILF premises and systems as necessary where they decide that they should audit aspects of the ILF operation.

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## 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 internal auditors and the executive managers within the ILF who have responsibility for development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Senior Management Board (SMB) and the Audit Committee have advised me on the implications of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The processes that have been put in place to maintain an effective system of internal control include:

- The SMB, which meets at least ten times a year and is comprised of the ILF Directors, is responsible for ensuring that corporate risks are identified as early as possible, are properly managed, that cross-directorate issues are considered, and that risk management receives a high profile within directorates and within individual Directorate Business Plans;
- The Operations Management Board (OMB), which meets at least ten times a year provides a sharper and more detailed focus with both ILF Operations and the overall ILF Change Management Programme including the various working groups and sub-Boards;
- The Payments Security Board, is a sub-board of SMB, which meets at least quarterly, provides additional assurance and clarity regarding the process and effectiveness of recovering unspent, overpaid or fraudulently obtained ILF monies;
- An Audit Committee, which meets at least three times a year and is responsible for ensuring, as far as possible, that appropriate systems are in place within the ILF for the assessment and management of risk and advising the Accounting Officer on the effectiveness of the systems of internal control prior to signing off the Statement on Internal Control;
- Regular reports by internal audit, to standards defined in Government

Internal Audit Standards, which includes the Head of Internal Audit’s annual report on the adequacy and effectiveness of the ILF’s system of internal control and recommendations for improvement;

- Regular reports to SMB and Trustees on progress against the ILF’s key targets and business objectives;
- An appropriate delegated budget management framework;
- A system of mid-year (Quarter 2) and year-end (Quarter 4) Stewardship Reports by Directors;
- A risk management strategy and risk management framework which comply with best practice; and a strategic risk register which is reviewed by Trustees at least quarterly; and
- The adoption of formal project management arrangements based on PRINCE2 principles for all key projects, which includes the development and maintenance of project risk registers.

The Head of Internal Audit’s Report to 31 March 2011 stated “We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Independent Living Fund’s arrangements”.

For the 12 months ended 31 March 2011, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Independent Living Fund’s arrangements for governance, risk management and control is as follows: -

	Red	Amber	Green <sup>3</sup>
<b>Governance</b> A green light has been provided for the governance process of the ILF			
<b>Risk management</b> A green light has been provided for the risk management arrangements of the ILF			
<b>Control</b> A green light has been provided for the internal control framework of the ILF			

<sup>3</sup> A Green light indicates that, taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

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### **Significant internal control issues**

Prior to the start of the financial year, the ILF Senior Management Board, in discussion with DWP Officials, highlighted the fact that based on financial forecasts demand for ILF monies would exceed the available funding allocation within the current financial year.

In consultation with the Minister and DWP Officials, a decision was taken to protect the packages of existing ILF users by closing the Fund to new applications and limiting the provision of increasing awards to our users. By taking this action, we were able to support existing users throughout the period and manage the ILF within budget.

The Minister for Disabled People announced that the Fund would remain closed to applications on 13 December 2010 and that consultation into the future of support for existing users beyond 2015 would commence during 2011-12.

ILF Grant Recovery was an area last year where I sought additional assurance. However this year the introduction of more robust internal monitoring and processes coupled with the continuing clarity and confidence provided by the Payment Security Board, have enabled consistent and substantial assurance to be provided.

This year there have been no significant control weaknesses reported within in the ILF. Our audit and internal management reporting continue to identify issues within normal day-to-day business and none of these have been identified as significant.

**Patrick Boyle**, Chief Executive and Accounting Officer  
23 June 2011

# *The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament*

I certify that I have audited the financial statements of the Independent Living Fund (2006) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Board of Trustees, Chief Executive and auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Independent Living Fund (2006)'s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Independent Living Fund (2006); and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Independent Living Fund (2006)'s affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Trust Deed and directions issued by the Secretary of State thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Trust Deed and directions issued by the Secretary of State thereunder; and
- the information given in Introducing the people behind the ILF and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

### **Amyas C E Morse**

Comptroller and Auditor General

7 July 2011

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

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Notes	2010-11 £000	Restated 2009-10 £000
<b>Expenditure</b>			
Grants to individuals	3	349,836	341,100
Staff costs	4	5,365	4,721
Depreciation/amortisation	5	329	170
Other expenditure	5	4,080	4,783
		<u>359,610</u>	<u>350,774</u>
<b>Total expenditure</b>		<b>359,610</b>	<b>350,774</b>
Interest receivable	6	(41)	(39)
		<u>359,569</u>	<u>350,735</u>
<b>Net expenditure</b>	19	<b>359,569</b>	<b>350,735</b>
Other comprehensive expenditure		-	-
		<u>-</u>	<u>-</u>
<b>Total comprehensive net expenditure for the year</b>		<b><u>359,569</u></b>	<b><u>350,735</u></b>

The notes on pages 54 to 79 form part of these accounts.

All expenditure relates to continuing operations.

## *Statement of Financial Position as at 31 March 2011*

	Notes	31 Mar 2011 £000	31 Mar 2010 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	482	480
Intangible assets	8	246	189
Trade and other receivables	10	834	797
		<b>1,562</b>	<b>1,466</b>
<b>Current assets</b>			
Trade and other receivables	10	407	424
Cash and cash equivalents	11	4,385	11,599
		<b>4,792</b>	<b>12,023</b>
<b>Total current assets</b>		<b>4,792</b>	<b>12,023</b>
<b>Total assets</b>		<b>6,354</b>	<b>13,489</b>
<b>Current liabilities</b>			
Trade and other payables	12	630	883
Other liabilities – grant liabilities	12	13,528	12,811
Other liabilities - VES provision	12	670	-
		<b>14,828</b>	<b>13,694</b>
<b>Total current liabilities</b>		<b>14,828</b>	<b>13,694</b>
<b>Non-current assets less net current liabilities</b>		<b>(8,474)</b>	<b>(205)</b>
<b>Assets less liabilities</b>		<b>(8,474)</b>	<b>(205)</b>

(continued over the page)

	Notes	31 Mar 2011 £000	31 Mar 2010 £000
<b>Taxpayers' equity:</b>			
Transferred assets reserve		-	32
General reserve		(8,474)	(237)
		<u>          </u>	<u>          </u>
<b>Total taxpayers' equity</b>		<b><u>(8,474)</u></b>	<b><u>(205)</u></b>

The Statement of Financial Position is in deficit because Government grants in aid are not accrued to match net current liabilities – this is per specific HM Treasury accounting guidance.

The notes on pages 54 to 79 form part of these accounts.

These accounts were approved and authorised for issue by the Trustees on 23 June 2011.

**Patrick Boyle**, Chief Executive and Accounting Officer

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

## Statement of Cash Flows for the year ended 31 March 2011

	Notes	2010-11 £000	Restated 2009-10 £000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(359,569)	(350,735)
Depreciation/amortisation	7, 8	329	170
Loss on disposal of assets		13	-
(Increase)/decrease in trade and other receivables		(20)	88
Increase in trade and other payables, grant liabilities and provisions		1,134	2,063
		<u>(358,113)</u>	<u>(348,414)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(217)	(382)
Purchase of intangible assets		(184)	(112)
		<u>(401)</u>	<u>(494)</u>
<b>Cash flows from financing activities</b>			
Grants in aid		351,300	353,200
		<u>351,300</u>	<u>353,200</u>
<b>Net (decrease)/increase in cash and cash equivalents in the year</b>		<b>(7,214)</b>	<b>4,292</b>
Cash and cash equivalents at the beginning of the year		11,599	7,307
		<u>11,599</u>	<u>7,307</u>
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>4,385</u></b>	<b><u>11,599</u></b>

The notes on pages 54 to 79 form part of these accounts.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	Transferred assets reserve £000	General reserve £000	Restated Total reserves £000
Balance at 1 April 2009	<b>118</b>	<b>(2,788)</b>	<b>(2,670)</b>
<b>Changes in Taxpayers' Equity 2009-10</b>			
Grants in Aid from departments	-	353,200	353,200
<b>Transfers between reserves:</b>			
Depreciation on transferred assets	(86)	86	-
Net expenditure	-	(350,735)	(350,735)
Balance at 31 March 2010	<b>32</b>	<b>(237)</b>	<b>(205)</b>
<b>Changes in Taxpayer's Equity 2010-11</b>			
Grants in Aid from departments	-	351,300	351,300
<b>Transfers between reserves:</b>			
Loss on disposal of transferred assets	(13)	13	-
Depreciation on transferred assets	(19)	19	-
Total transfers between reserves	(32)	32	-
Net expenditure	-	(359,569)	(359,569)
Balance at 31 March 2011	<b>-</b>	<b>(8,474)</b>	<b>(8,474)</b>

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**Transferred Assets Reserve** – relates to non-current assets transferred to the ILF from the Independent Living (1993) Fund in October 2007. Transfers are made from this reserve to general reserves to match the depreciation charge on the transferred assets. The asset values are now fully depreciated, as a result this reserve will not figure in future accounts.

**General Reserve** – relates to the ongoing operation of regular payments to individuals and the associated administration costs, financed by grants in aid. Grants in aid are not drawn in full in advance but requested each calendar month to meet estimated cash payments during the year. The ILF does not hold strategic reserves as it is dependent on public funding and seeks to minimise the cost of borrowing. The net deficit will be met by grants in aid for the following year. A letter of comfort is provided by the Department for Work and Pensions to confirm that future funding relating to Great Britain will be sufficient to meet liabilities at the end of the financial year plus the forecast net expenditure for the following year.

The notes on pages 54 to 79 form part of these accounts.

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# *Notes to the Accounts*

## *for the year ended 31 March 2011*

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### **1 Nature and purpose of the Independent Living Fund (2006)**

The Independent Living Fund (2006) (the ILF) was established on 10 April 2006 with an initial endowment of £100 from the Secretary of State for Work and Pensions. This money is held in perpetuity with any interest earned being added to the original sum. At the end of the specified period of operation of the ILF, all assets after payment of liabilities will be disposed of as directed by the Secretary of State.

The predecessor Funds consisted of the Independent Living (Extension) Fund and the Independent Living (1993) Fund. The ILF commenced operations and took over the users of the predecessor Funds on 1 October 2007. Non-current assets of the Independent Living (1993) Fund were transferred to the ILF on 1 October 2007, and other closing assets of the predecessor Funds were transferred to the ILF on 31 December 2007.

The ILF is financed by grants in aid from the Department for Work and Pensions (Great Britain) and the Department for Social Development (Northern Ireland) in order to provide assistance with the cost of qualifying support and services to disabled applicants meeting the terms of the Trust Deed and to meet the operating costs of the ILF. Funding forms part of Departmental four-year expenditure limits for the respective Departments – these limits are agreed by Parliament in the annual Appropriation Act which authorises Departments to use resources up to the amounts agreed.

### **2 Statement of Accounting Policies**

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2010-11 (the FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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The HM Treasury Clear Line of Sight Project aims to align budgets, estimates and accounts. As a result of amendments to the budgetary regime, cost of capital charges have been removed from financial statements with effect from 1 April 2010 in line with corresponding changes to budgets and estimates. The impact of this is shown in Note 19.

### **International Financial Reporting Standards Amendments and Interpretations effective in 2011-12**

No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by the ILF in these financial statements. There are no Amendments or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

#### *a) Accounting convention*

These accounts have been prepared under the historical cost convention modified for the revaluation of non-current assets.

#### *b) Property, plant and equipment*

Property, plant and equipment consists of IT hardware and equipment held only for the purpose of managing the ILF. All property, plant and equipment should be carried at valuation in accordance with the FReM. The ILF does not have land or buildings, and has taken advantage of the option available under the FReM to adopt a depreciated historical cost basis as a proxy for fair value of its plant and equipment, as these are assets that have short useful economic lives or low values (or both). The ILF believes that the useful economic life is a realistic reflection of the life of its plant and equipment, and the depreciated historical cost method provides a realistic reflection of the consumption of those assets. The ILF therefore carries plant and equipment at cost less accumulated depreciation and any recognised impairment in value.

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### *c) Depreciation*

Depreciation on property, plant and equipment is charged on a straight-line basis to write off the cost less residual values over the useful life of the asset: incepting at the purchase date or when the asset is bought into use whichever is the later. IT hardware and equipment are generally depreciated over a three- to five-year life span. Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

### *d) Intangible assets*

Intangible assets consist of bespoke software developed for the ILF and software licences held only for the purpose of managing the ILF. All intangible assets are carried at fair value in accordance with the FReM.

Bespoke software assets are capitalised in these accounts in the year of implementation. Amortisation is on a straight line basis over the estimated useful life of three years.

Software licences are capitalised in these accounts in the year of acquisition. Amortisation is on a straight line basis over the estimated useful life being the period of the software licences.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

### *e) Financial instruments*

The ILF's procurement policy is to enter into contracts and framework agreements for services and supplies at current agreed costs with annual price reviews, rather than create complex financial instruments.

Financial assets and financial liabilities are recognised in the ILF's Statement of Financial Position when the ILF becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs, assessed for recoverability where relevant). Subsequent measurement is at amortised cost, although no adjustment for the time value of money is made where the settlement period is short so there would be no significant effect.

Financial assets comprise loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash at bank, accrued bank interest and other receivables. Financial liabilities comprise grant liabilities, trade payables and accruals.

*f) Reserves policy*

Grants in aid are not drawn in full in advance but requested each calendar month to meet estimated expenditure. The ILF does not hold strategic reserves as it is dependent on public funding and seeks to minimise the cost of borrowing.

*g) Grants in aid*

Funding to cover grants to individuals and administrative expenditure is provided through grants in aid from the Department for Work and Pensions (for Great Britain) and the Department for Social Development (for Northern Ireland). Grants in aid are received on the basis of the ILF's estimated cash payments during the financial year. Grants in aid received form part of the Departmental Expenditure Limits for the respective Departments. Grants in aid are treated as financing rather than income and are directly credited to reserves.

*h) Bank interest*

Money is held in current accounts and interest is received on credit balances. Bank interest due but not received is accrued in these accounts.

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*i) Grants to individuals*

Grants to individuals are discretionary grants made within the terms of the Trust Deed. Grants are paid four-weekly in arrears on the basis of authorised awards. Amounts due but unpaid at the end of the financial year are accrued in these accounts. The accrual is calculated from the awards made by the end of the financial year but not fully paid up to the end of the financial year.

Unused grants returned by individuals in the normal course of business are recognised on receipt and there is no accrual for potential future returns of unspent grants.

*j) Formal recovery of grants to individuals*

Although grants to individuals are discretionary payments, formal recovery is sought where the provision of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose. The ILF seeks to recover all amounts where it is cost-effective to do so unless it will cause hardship to the individual. Recovery procedures appropriate to the value and circumstances of the case are used, in accordance with the ILF's guidelines and procedures.

A receivable is only recognised in the accounts when it has been agreed with the individual and there is considered to be a reasonable prospect of recovery. For the recovery of sums over £4,000, the ILF obtains a signed settlement agreement from the individual to support the existence and valuation of the amount receivable.

The receivable recognised is disclosed as a reduction to expenditure in the year in which it is recognised. Receivables are assessed at the end of each accounting period and reduced to the estimated recoverable amount where there are circumstances that indicate full recovery is uncertain. The recoverable amount is discounted to present value where material, at the standard Treasury rate of 3.5% (3.5% for 2009-10).

*k) Operating leases*

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease. The main lease is for accommodation and managed facilities under a sub-lease with the Department for Work and Pensions. Charges are set in accordance with a head lease between the Department and the service provider and are subject to annual inflation using a specified index. The ILF has no direct control of these charges.

*l) Pension costs*

Pension benefits are provided through the Principal Civil Service Pension Scheme, which is an unfunded, multi-employer defined benefit scheme, and as such the ILF is unable to identify its share of the underlying assets and liabilities. Pension costs are charged to expenditure as payments fall due to be made.

*m) Significant estimates and judgements*

The preparation of financial statements requires management to make estimates and assumptions in certain circumstances that affect reported amounts, and for this organisation such estimates are principally in assessing the recoverability of grants to individuals.

Where the estimated period of recovery of a grant is under 10 years, it is assumed that the full amount will be recovered. Where the period is over 10 years only the amount likely to be recovered within 10 years is included.

*n) Reporting segments*

IFRS 8 requires entities to provide information relating to the components of the entity that management uses to make decisions about operating matters. A segmental financial analysis is not considered necessary for the ILF, as no separate components are used for operating decisions made by the Senior Management Board.

### *o) Provisions*

Provisions are recognised when there is a present obligation (legal or constructive) as a result of an event that occurred in the past and the settlement of that obligation will result in an outflow of resources, but the timing or amount of the settlement is uncertain. The amount recognised as a provision is the best estimate of the consideration which will be required to settle the obligation.

### **3 Grants to individuals**

	2010-11 £000	2009-10 £000
Payments made in year	361,147	350,627
Grant liabilities at start of year	(12,811)	(11,185)
Grant liabilities at end of year	13,528	12,811
Grant returns received in year	(11,971)	(11,202)
Grant receivables at start of year	1,054	1,103
Grant receivables at end of year	(1,111)	(1,054)
	<hr/>	<hr/>
Grants payable for year	349,836	341,100
	<hr/> <hr/>	<hr/> <hr/>
Number of individuals in receipt of payments	22,059	23,193

Grants to individuals are paid four-weekly in arrears. Grant liabilities consist of the accrued amounts from awards made by the end of the financial year but not fully paid up to the end of the financial year (see note 2i).

Returns received comprised £9,217,000 in respect of unused funds returned by individuals, and £2,754,000 received under formal recovery arrangements (£8,540,000 and £2,662,000 respectively for 2009-10).

Grant receivables are other amounts in the process of formal recovery by lump sum, regular instalments or deductions from ongoing payments and are therefore recognised as income in the period. The value of expected refunds is discounted to present value. Further information on formal recovery is provided in note 10.

#### 4a Staff numbers and related costs

	2010-11 £000	2009-10 £000
Directly employed staff:		
Wages and salaries	3,730	3,806
Social security costs	261	274
Other pension costs (see below)	619	634
Provision for Voluntary Exit Scheme (VES)	670	-
	<hr/>	<hr/>
Total directly employed staff costs	5,280	4,714
Agency staff costs	85	7
	<hr/>	<hr/>
Total staff costs	<u>5,365</u>	<u>4,721</u>

The VES provision is an estimate of the cost, based upon predicted staff uptake, of the Voluntary Exit Scheme that the ILF had committed to and that was in progress at 31 March 2011. The scheme was subsequently completed in May 2011 and the economic outflows will be substantially completed by September 2011.

The agency staff engaged were professionally qualified accountants to strengthen financial management within the organisation.

	2010-11 Number	2009-10 Number
Average number of whole-time equivalent persons directly employed:		
on permanent contract	151	150
on loan from DWP	2	2
on fixed-term contract	1	16
	<hr/>	<hr/>
	<u>154</u>	<u>168</u>

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## 4b Pension commitments

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and as such the Independent Living Fund is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2010-11, employers' contributions of £581,000 were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2009-10 £591,000 in a range of 16.7% to 24.3%) From 2011-12, the rates will be in the range 16.7% to 24.3%. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £35,000 (£40,000 in 2009-10) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,000, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees (£3,000 and 0.8% in 2009-10).

Contributions due to the pension providers were £60,000 at 31 March 2011 (nil at 31 March 2010). Contributions prepaid were nil at 31 March 2011 (nil at 31 March 2010).

#### 4c Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1	0	1
Total number of exit packages	<u>1</u>	<u>0</u>	<u>1</u>
	£	£	£
Total resource cost	<u>&lt;10,000</u>	<u>0</u>	<u>&lt;10,000</u>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the ILF has agreed early retirements, the additional costs are met by the ILF and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

In addition, provision has been made for the estimated cost of the Voluntary Exit Scheme which was in progress at the year end. Details for the staff involved were not finalised at that time, and so are not included in the above table.

## 5 Other expenditure and non cash items

	2010-11 £000	2009-10 £000
Running costs:		
Independent Assessor fees and expenses	1,245	1,409
IT and information security costs	315	378
Rates, utilities, and other estates costs	281	401
Legal and professional costs	243	220
Services, training, recruitment, travel and subsistence	195	411
Trustees' costs	180	186
Communication and engagement	141	243
Postage costs	132	123
Printing costs	113	199
Auditor's remuneration	54	66
Loss on disposal of plant and equipment	13	-
Consultancy costs	-	64
	<hr/>	<hr/>
Total running costs	2,912	3,700
	<hr/>	<hr/>
Rentals under operating leases	1,168	1,083
	<hr/>	<hr/>
<b>Total other expenditure</b>	<b>4,080</b>	<b>4,783</b>
	<hr/> <hr/>	<hr/> <hr/>
Non-cash items		
Depreciation	202	109
Amortisation	127	61
	<hr/>	<hr/>
<b>Total non-cash items</b>	<b>329</b>	<b>170</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6 Interest receivable

	2010-11 £000	2009-10 £000
Bank interest	41	39
	<hr/> <hr/>	<hr/> <hr/>

## 7 Property, plant and equipment

	Information Technology £000	Assets under construction £000	Total £000
<b>Cost</b>			
Balance at 1 April 2010	891	-	891
Additions in year	85	132	217
Disposals in year	(258)	-	(258)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2011	718	132	850
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
Balance at 1 April 2010	411	-	411
Charge for the year	202	-	202
Disposals in year	(245)	-	(245)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2011	368	-	368
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>at 31 March 2011</b>	<b>350</b>	<b>132</b>	<b>482</b>
at 31 March 2010	480	-	480
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Information Technology £000	Assets under Construction £000	Total £000
<b>Cost</b>			
Balance at 1 April 2009	543	-	543
Additions in year	382	-	382
Disposals in year	(34)	-	(34)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2010	891	-	891
	<hr/>	<hr/>	<hr/>

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	Information Technology £000	Assets under Construction £000	Total £000
<b>Depreciation</b>			
Balance at 1 April 2009	336	-	336
Charge for the year	109	-	109
Disposals in year	(34)	-	(34)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2010	411	-	411
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
at 31 March 2010	<b>480</b>	<b>-</b>	<b>480</b>
at 31 March 2009	207	-	207
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All assets are owned by the ILF. Assets under construction relate to the introduction of the Government Secure Intranet.

## 8 Intangible assets

	Total £000
<b>Cost or valuation</b>	
Balance at 1 April 2010	295
Additions in year	184
	<hr/>
Balance at 31 March 2011	479
	<hr/>
<b>Amortisation</b>	
Balance at 1 April 2010	106
Charge for the year	127
	<hr/>
Balance at 31 March 2011	233
	<hr/>

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	Total £000
<b>Net book values at 31 March 2011</b>	<b>246</b>
at 31 March 2010	189
	<hr/> <hr/>
<b>Cost or valuation</b>	
Balance at 1 April 2009	183
Additions in year	112
	<hr/>
Balance at 31 March 2010	295
	<hr/>
<b>Amortisation</b>	
Balance at 1 April 2009	45
Charge for the year	61
	<hr/>
Balance at 31 March 2010	106
	<hr/>
<b>Net book values at 31 March 2010</b>	<b>189</b>
at 31 March 2009	138
	<hr/> <hr/>

Intangible assets mainly comprise bespoke software, plus software licences.

There is no significant difference between historic cost and fair value.

## 9 Financial instruments and associated risks

As the majority of the ILF's cash requirements are met through grants in aid, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to purchase non-financial items in line with the ILF's expected usage requirements, so the ILF is exposed to little credit, liquidity or market risk.

### Financial assets – loans and receivables

	31 Mar 2011	31 Mar 2010
	£000	£000
Grants under formal recovery	1,111	1,054
Cash and cash equivalents	4,385	11,599
Other receivables	5	7
	<u>5,501</u>	<u>12,660</u>

**Grants under formal recovery:** For individual amounts over £4,000, a signed settlement agreement is held to minimise the risk of non-recovery. Further details of the risks related to grants under formal recovery are provided in note 10.

**Cash and cash equivalents:** Represents money with Lloyds TSB held in current accounts to minimise the risk.

**Other receivables:** Represents moneys due in the short term and generally expected to be received within three to six months.

Receivables are used to offset the amount of grant in aid required for the following month. The ILF is therefore not exposed to risks related to non-receipt whilst there is sufficient funding to meet the expected cash requirements throughout the year. Forecast cash payments are monitored actively in year to ensure demand remains within the available funding.

### Financial liabilities

	31 Mar 2011 £000	31 Mar 2010 £000
Grant liabilities	13,528	12,811
Trade payables and accruals	630	883
	<u>14,158</u>	<u>13,694</u>

**Grant liabilities:** Represents awards authorised but unpaid at the year end, which are due to be paid within one to two months out of the cash grant in aid provision in the following year; a letter of comfort is provided by the Department for Work and Pensions to confirm that funding is available to meet payments due.

**Trade payables and accruals:** Represents amounts payable in the short term, to be met out of cash held at the year-end.

### 10 Trade and other receivables

	31 Mar 2011 £000	31 Mar 2010 £000
<b>Due within one year</b>		
Grants under formal recovery	277	257
Prepayments	125	160
Other receivables - bank interest	5	7
	<u>407</u>	<u>424</u>
<b>Due after more than one year</b>		
Grants under formal recovery	834	797
<b>Total due</b>	<u>1,241</u>	<u>1,221</u>

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Formal recovery is managed by a specialist team within the ILF and amounts with repayment arrangements in place are recorded for debt management purposes. Unspent monies are returned outside the formal recovery process. Unspent monies are not considered overpayments, these arise predominantly as a consequence of periods of time when care is not required or occasions when the award is not fully expended and are surrendered voluntarily in line with the ILF policy.

Grants under formal recovery comprise amounts originally paid to individuals, that are now under formal recovery, mostly by instalments or deductions from ongoing payments. Recoveries are profiled over the expected repayment period, and the amounts are discounted to present day value. Impairment is also considered, in particular where there is a probability that recovery arrangements may not be sustained for a prolonged period.

Of the recoveries due over one year, £575,000 is expected to be received within the next two to five years and £259,000 is expected to be received within the next five to ten years (£510,000 and £257,000 respectively at 31 March 2010).

Formal recovery includes a number of processes, such as factual investigation, identification of a presumed receivable, negotiation to achieve acknowledgement of a formal receivable, civil proceedings for recovery, and repayment in full or by agreed instalment schedule. A receivable is only recognised in the accounts when it is probable that economic benefits will flow to the ILF.

## 11 Cash and cash equivalents

	2010-11 £000	2009-10 £000
Balance at 1 April 2010	11,599	7,307
Net cash (outflow)/inflow	(7,214)	4,292
	<hr/>	<hr/>
Balance at 31 March 2011	4,385	11,599
	<hr/> <hr/>	<hr/> <hr/>

The following balances at 31 March 2011 were held:

	31 Mar 2011 £000	31 Mar 2010 £000
Benefit account	4,325	11,412
Administration account	60	187
	<hr/>	<hr/>
	4,385	11,599
	<hr/> <hr/>	<hr/> <hr/>

Cash and cash equivalents comprise bank balances which are held in current accounts in a UK commercial bank.

## 12 Current liabilities

(a) Amounts falling due for payment within one year

	31 Mar 2011 £000	31 Mar 2010 £000
Grant liabilities	13,528	12,811
Trade payables	176	533
Other taxation and social security	79	-
Accruals	375	350
Provision for Voluntary Exit Scheme (VES)	670	-
	<hr/>	<hr/>
	14,828	13,694
	<hr/> <hr/>	<hr/> <hr/>

(b) The VES provision is an estimate of the cost, based upon predicted staff uptake, of the Voluntary Exit Scheme that the ILF had committed to and that was in progress at 31 March 2011. The scheme was subsequently completed in May 2011 and the economic outflows will be substantially completed by September 2011.

	31 Mar 2011 £000	31 Mar 2010 £000
Balance at 1 April 2010	-	-
Additional provision during the year	670	-
	<hr/>	<hr/>
Balance at 31 March 2011	670	-
	<hr/> <hr/>	<hr/> <hr/>

(c) There were no amounts falling due for payment after one year (2009-10 none).

### 13 Losses and special payments

Although grants to individuals are discretionary payments, formal recovery is sought where the provision of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose.

Where recovery is deemed to be unachievable, a loss is recorded. 234 losses with a total value of £1,196,000 were recorded in 2010-11 (347 losses with a total value of £1,151,000 for 2009-10). Losses relate to payments originally made by the ILF and cases transferred from the Independent Living (1993) Fund and the Independent Living (Extension) Fund on 1 October 2007.

These are losses that are recorded when it becomes evident that there are no practical avenues remaining by which to pursue recovery, and therefore no further action is taken by the specialist team. Being past payments that were recorded as costs when originally advanced they do not represent a further cost now they are deemed irrecoverable.

No other losses have been incurred by the ILF that require reporting in this note.

No special payments, which fall to be reported under the disclosure requirements of the FReM, were made during 2010-11 (2009-10 none).

#### 14 Operating leases

There is a sub-lease for accommodation and facilities with the Department for Work and Pensions that expires on 31 March 2018. The charges to the ILF are set in the head lease between the Department and Land Securities Trillium. The facilities element is calculated quarterly and may be abated by penalties for failure to deliver the agreed service level.

There is a software licence with Ceridian Centrefile Ltd for a HR payroll system which expires on 2 March 2014.

There is an operating lease for a car for the use of the Chief Executive as part of his loan agreement; allowable petrol costs are claimed as expenses in accordance with ILF travel and expenses policy.

Total future minimum lease payments under operating leases for each of the following periods were:

	31 Mar 2011 £000	31 Mar 2010 £000
<b>Land and buildings (Equinox House)</b>		
within one year	1,154	1,068
within two to five years	4,618	4,272
after five years	2,309	3,204
	<u>8,081</u>	<u>8,544</u>
	<u><u>8,081</u></u>	<u><u>8,544</u></u>
	31 Mar 2011 £000	31 Mar 2010 £000
<b>Other leases</b>		
within one year	24	15
within two to five years	37	30
after five years	-	-
	<u>61</u>	<u>45</u>
	<u><u>61</u></u>	<u><u>45</u></u>

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## **15 Trustees' remuneration, interests and indemnities**

The Trustees receive remuneration from the Department for Work and Pensions, which passes costs on to the ILF. The total remuneration paid to nine Trustees was £134,000 for 2010-11 and further information is provided in the Remuneration Report (£141,000 for 2009-10). Trustees received reimbursement for travel and subsistence expenses amounting to £9,000 for 2010-11 (£11,000 for 2009-10). For 2009-10 and 2010-11, one Trustee was a beneficiary of the ILF and received payments in accordance with the objects of the Fund; a procedure is in place to manage actual or perceived conflicts of interest.

The Chairman took a personal decision to waive his salary, with effect from December 2010, for the residual months of the year.

No other transactions were undertaken in which any Trustee or person connected with any Trustee had a material interest.

There are no policies of insurance against loss arising from the neglect or default of the Trustees, nor any policies providing an indemnity for Trustees in respect of the consequences of any such loss.

By the terms of the Trust Deed, the Secretary of State for Work and Pensions provides that Trustees are not personally liable for any loss to the ILF other than that arising from wilful and individual fraud, wrongdoing or omission on the part of a Trustee who is found to be liable.

## **16 Related party transactions**

The ILF is administered by Trustees appointed by the Secretary of State for Work and Pensions. Related parties are the Trustees, all parts of the Department for Work and Pensions including its agencies (representing the Secretary of State), and the Department for Social Development in Northern Ireland. The Trustees are the controlling party.

For 2009-10 and 2010-11 one Trustee was a beneficiary of the ILF and received discretionary grants in accordance with the objects of the Fund. An appropriate procedure is in place to manage actual or perceived conflicts of interest.

No other related parties, including the Trustees and key management staff, have undertaken any transactions with the ILF during 2009-10 or 2010-11.

### 17 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 March 2011 (none at 31 March 2010).

### 18 Endowment Trust Fund

The ILF was created by Trust Deed between the original Trustees and the Secretary of State on 10 April 2006, who paid £100 into an endowment trust fund on 13 April 2006. The original endowment is held on trust as explained in note 1. The following statement is **not** in £000.

	2010-11	2009-10
	£	£
Balance at 1 April	114	113
Bank interest added in the year	-	1
	<hr/>	<hr/>
Balance at 31 March	114	114
	<hr/> <hr/>	<hr/> <hr/>

## 19 Restatements

Restatement of Statement of Comprehensive Net Expenditure at 31 March 2010, Statement of Cash Flows at 31 March 2010 and Statement of Taxpayers' Equity at 31 March 2010.

### (i) Statement of Comprehensive Net Expenditure

	Published Accounts as at 31 March 2010 £000	Change of Accounting Policy (a) £000	Restated at 31 March 2010 £000
<b>Expenditure</b>			
Grants to individuals	341,100	-	341,100
Staff costs	4,721	-	4,721
Depreciation/amortisation	170	-	170
Other expenditure	4,783	-	4,783
	<hr/>	<hr/>	<hr/>
<b>Total expenditure</b>	<b>350,774</b>	<b>-</b>	<b>350,774</b>
Cost of capital (credit)	(50)	50	-
Interest receivable	(39)	-	(39)
	<hr/>	<hr/>	<hr/>
<b>Net expenditure</b>	<b>350,685</b>	<b>50</b>	<b>350,735</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(ii) Statement of Cash Flows**

	Published Accounts as at 31 March 2010 £000	Change of Accounting Policy (a) £000	Restated at 31 March 2010 £000
<b>Cash flows from operating activities</b>			
Net expenditure after interest	(350,685)	(50)	(350,735)
Depreciation/amortisation	170	-	170
Cost of capital	(50)	50	-
Decrease in trade and other receivables	88	-	88
Increase in trade and other payables and grant liabilities	2,063	-	2,063
	<hr/>	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(348,414)</b>	<b>-</b>	<b>(348,414)</b>
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment	(382)	-	(382)
Purchase of intangible assets	(112)	-	(112)
	<hr/>	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	<b>(494)</b>	<b>-</b>	<b>(494)</b>
	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Grants in Aid	353,200	-	353,200
	<hr/>	<hr/>	<hr/>
<b>Net financing</b>	<b>353,200</b>	<b>-</b>	<b>353,200</b>
	<hr/>	<hr/>	<hr/>

(continued over the page)

	Published Accounts as at 31 March 2010 £000	Change of Accounting Policy (a) £000	Restated at 31 March 2010 £000
Net increase in cash and cash equivalents in the year	<b>4,292</b>	-	<b>4,292</b>
Cash and cash equivalents at the beginning of the year	7,307	-	7,307
Cash and cash equivalents at the end of the year	<b>11,599</b>	-	<b>11,599</b>

### (iii) Statement of changes in Taxpayers' Equity (Total Reserves)

	Published Accounts as at 31 March 2010 £000	Change of Accounting Policy (a) £000	Restated at 31 March 2010 £000
Balance at 1 April 2009	<b>(2,670)</b>	-	<b>(2,670)</b>
Changes in Taxpayers' Equity			
Grant in Aid from departments	353,200	-	353,200
Transfers between reserves:			
Depreciation on transferred assets	-	-	-

(continued on next page)

	Published Accounts as at 31 March 2010 £000	Change of Accounting Policy (a) £000	Restated at 31 March 2010 £000
Net expenditure after cost of capital and interest	(350,685)	(50)	(350,735)
Non-cash - cost of capital reversed	(50)	50	-
	_____	_____	_____
Net expenditure	(350,735)	-	(350,735)
	_____	_____	_____
<b>Balance at 31 March 2010</b>	<b>(205)</b>	<b>-</b>	<b>(205)</b>
	=====	=====	=====

(a) The change of accounting policy relates to the removal of the cost of capital credit under the HM Treasury Clear Line of Sight Project in accordance with the Government Financial Reporting Manual. This has no effect on the General Fund balance as at 31 March 2010.

## 20 Events after the reporting period

There have been no events which affect these accounts since the reporting date. IAS 10 requires the ILF to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General. The authorised date for issue is 2011.







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