



The Pension, Disability and Carers Service

Annual Report and Accounts 2008/09



DWP Department for
Work and Pensions
Disability and Carers Service

Part of the Department for Work and Pensions



Staff from our Carers Allowance Unit, enjoy a placement at the Stanley Grange centre for adults with learning disabilities in Preston.

Two members of staff from Walsall Pension Centre assist Local Service with a Pension Credit campaign.



Disability and Carers Service staff re-decorate a flat in West Yorkshire for a man who had previously found himself homeless.

Motherwell Pension Centre staff get their hands dirty changing a piece of waste ground into a community garden for New Wortley Community Centre in Leeds.



The Pension, Disability and Carers Service

Annual Report and Accounts 2008/09

Presented to the House of Commons pursuant to Section 7 (2)
of the Government Resources and Accounts Act 2000

Ordered by the House of Commons
To be printed 20 July 2009



© Crown Copyright 2009

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gov.uk

A number of images have been supplied by the Office for Disability Issues (www.odi.gov.uk).

ISBN: 978-0-10-296202-4

Contents

Chief Executive's report	4
About the Pension, Disability and Carers Service	5
Our journey	8
How we performed	11
What our customers told us and how we responded	14
How we improved our service	18
Our people	20
Our leadership team	23
Effective management	26
How much we spent	27
Policy reform	30
The efficiency challenge	31
A sustainable agency	33
Management commentary	35
Remuneration report	42
Statement of the Pension, Disability and Carers Service and Chief Executive's responsibilities	50
The Pension, Disability and Carers Service Statement on Internal Control	51
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	59
Accounts	62

Chief Executive's report

I am pleased to introduce the first Pension, Disability and Carers Service Annual Report and Accounts. The past 12 months have been very challenging, exciting and progressive. In its first year, the new agency has made positive improvements in the service delivered to customers.



Through our staff much has been achieved. Their commitment continues a proud tradition of the two former agencies where we work hard to improve the impact we have on more than 15 million customers every year. Most of this happens 'behind the scenes'. Our people are committed to developing, learning and growing to meet the challenges they face.

The impact of the recession on the welfare system is significant. We will continue to play our part in the wider Department for Work and Pensions to tackle the challenges it presents.

Looking forward, I am confident that we have laid a firm foundation for our ambition to join up services around our customers. We are by no means a model of public service yet. I am nevertheless clear that we continue to progress.

Finally, during the year thousands of people from many organisations have also contributed to the agency's success and improvement. It is impossible to thank them all individually in this report. I would, however, like to pay tribute to Peter Lehmann, who was a Non-Executive Director of the agency and the predecessor Disability and Carers Service, from March 2002 until his untimely death in November 2008. He was a considerable force in the drive for continuous improvement.

I hope that you find the Annual Report and Accounts both useful and informative.

A handwritten signature in dark ink, appearing to read 'Terry Moran'.

Terry Moran
Chief Executive
8 July 2009

About the Pension, Disability and Carers Service

History

The Pension, Disability and Carers Service was launched on 1 April 2008, as an executive agency of the Department for Work and Pensions (DWP). It was formed by merging the Disability and Carers Service (DCS) and The Pension Service (TPS). We are here to provide a service for current and future pensioners, disabled people of all ages and carers. We work closely with Jobcentre Plus and other partner organisations across Great Britain with whom we share customers.



We operate through a network of pension centres and disability benefits centres supported by a face-to-face service and are responsible for delivering benefits, entitlements and other services to over 15 million customers in Great Britain and overseas.

Creating the Pension, Disability and Carers Service provided us with the opportunity to build upon the strong relationships that were already in place with our customers by continuing to listen and learn from them. We seek to make sure that our customers can access our services and their full entitlements in ways that suit their individual needs.



"Our vision is working together to make lives better."

Yvonne Burke, DLA/AA Helpline, Blackpool



"Our mission is to be an accessible, trusted and efficient service whose people feel valued and energised to respect, understand and fulfil our customers needs every day."

Katie Taylor, Resources and Performance Team, Newcastle

Departmental objectives

The DWP's strategic objectives that have directed our performance over the year are to:

- promote independence and well-being in later life, continuing to tackle pensioner poverty and implement Pensions Reform;
- promote equality of opportunity for disabled people;
- pay our customers the right benefits at the right time; and
- make the DWP an exemplar of effective service delivery to individuals and employers.

Principal activities 2008/09

We have:

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

Performance targets

Our targets were set out in our 2008/09 Business Plan; a detailed description is provided on pages 11 to 13 of this Annual Report. Future performance targets are set out in our 2009/10 Business Plan, published May 2009.





During 2008/09, we delivered the following benefits and associated services:

- Attendance Allowance
- Carers Allowance
- Christmas Bonus Payments – including a one-off Additional Christmas Bonus Payment
- Disability Living Allowance
- Occupational and Personal Pension Tracing
- Over 80 Pension
- Pension Credit
- State Pension
- Additional State Pension
- State Pension Forecasts
- Winter Fuel Payments
- Payments made under Vaccine Damage Payments Scheme
- Cold Weather Payments



PDCS in brief:

- | | |
|---|---------------|
| • Pensioners who receive our benefits | 12.1 million |
| • Disabled customers who receive our benefits | 4.6 million |
| • Carers who receive our benefits | 0.5 million |
| • Pension, disability and carers centres | 26 |
| • Staff at 31 March 2009 | 15,017 |
| • Value of benefit paid to our customers | £89.9 billion |
| • Number of people visiting our pension website | 3.9 million |
| • Number of people visiting our disability website | 4.9 million |
| • Telephone calls from the public | 17 million |
| • Referrals to our face-to-face service | 266,701 |
| • Successful pension traces | 76,282 |
| • Customers who received Winter Fuel Payments | 12.6 million |
| • Customers who received extra £60 Christmas Bonus payments | 15 million |

Our journey

Merging the two former agencies successfully

Becoming a single agency has created the opportunity to improve performance and increase productivity.

Specifically, we have been able to:

- pilot changes that will simplify our processes and services;
- identify investment opportunities to improve performance and customer experience; and
- generate a combined workforce plan that delivered efficiency savings of 200 posts.

Our business priorities for 2008/09 were:

Transforming the way we deliver services to our customers

In 2008/09 we:

- began the implementation of a new, simplified pensions operating model;
- completed changes to State Pension forecasting systems ahead of the original timescale;
- fully implemented the new 'Rapid Review' process for Pension Credit Assessed Income Period;
- introduced the latest phase of the Pensions Transformation Programme which, among other things, provides further improvements to the Housing Benefit/Council Tax Benefit application process to allow automatic transfer of claims to local authorities; and



- continued with a successful electronic document management system pilot, meaning staff can respond to customers correspondence more quickly.

Ensuring our people are skilled, motivated and well led

In 2008/09 we:

- established a new leadership team and implemented new governance arrangements;
- improved our performance on employee engagement, leadership and line management;
- ran a successful pilot to make Human Resources (HR) processes less time consuming and simpler;
- supported over 150 staff to obtain a Professionalism in Decision Making and Appeals qualification;
- conducted further work to ensure we retain Investors in People status; and
- celebrated our Carers Allowance Unit being the first site to be recognised by the new Customer Service Excellence which replaces Charter Mark as the new government standard.

Building reputation and credibility with our partners and stakeholders

In 2008/09 we:

- aligned our planning priorities and worked with Jobcentre Plus to manage effectively the impact of the recession;
- introduced a new procedure for Disability Living Allowance to reduce the number of 'nugatory' claims by making the process clearer for customers, partner organisations and stakeholders; and
- achieved over 12 external awards and accreditations, including Contact Centre Association accreditation and Louder than Words accreditation with RNID.

Protecting and improving performance

In 2008/09 we:

- successfully handled an increase in inbound telephone calls as a result of additional payments and media campaigns. Between January 2009 and March 2009, we received over 700,000 more inbound telephone calls than during the same period in 2008;
- reduced levels of work in progress by 13 per cent overall from March 2008 to March 2009; and
- achieved four out of the five of our accuracy targets (subject to validation July 2009).



Pension, Disability and Carers Service

Delivering our efficiency commitments

In 2008/09 we:

- reduced the cost of delivering our services from £1,083 million in 2007/08 to £974 million in 2008/09;
- exceeded our target in the DWP's plan to better control benefit expenditure by reducing fraud and error. We contributed £155 million to the £1 billion plan, £19 million over our target;
- exceeded our headcount reduction target, with staffing levels in the agency falling from 16,297 at March 2007/08 to 15,017 at March 2008/09;
- rationalised our estates to further reduce our cost base. We have reduced our estate from 210,787 square metres to 183,382 square metres; and
- reduced reliance on external consultants and professional fees from a planned spend of £25 million to an actual spend of £9.5 million.

How we performed

Overview

A reducing workforce, rising workloads and the early impact of the subsequent recession made our performance targets very tough. In 2008/09 we achieved 14 out of the 19 targets (subject to validation in July or October 2009), including all clearance targets.



Attendance Allowance

Attendance Allowance is a tax-free benefit paid to customers, aged 65 or over, who need help with their personal care because of an illness or disability.

We paid £4.74 billion payments to 1.6 million customers.

The 2008/09 accuracy result was 94.1 per cent against a target of 94 per cent.

The 2008/09 average clearance time was 12.3 days against a target of 16 days.

Carers Allowance

Carers Allowance is a benefit paid to people aged 16 or over who spend at least 35 hours per week caring for a severely disabled person.

We paid £1.36 billion payments to 0.5 million customers.

The 2008/09 financial accuracy result was 99.4 per cent against a target of 98 per cent.

The 2008/09 average clearance time was 12.4 days against a target of 13.5 days.

Disability Living Allowance

Disability Living Allowance is a benefit paid to customers under age 65 who need help with personal care, getting around or both because of an illness or disability. Disability Living Allowance is made up of two components: care component and mobility component.

We paid £10.53 billion payments to three million customers.

The 2008/09 accuracy result was 92.2 per cent against a target of 94 per cent.

The 2008/09 average clearance time was 29.8 days against a target of 38 days.

Pension Credit

Pension Credit is a tax-free payment for those aged 60 or over who live in Great Britain and is still very much seen as the key benefit for tackling pensioner poverty. Since its introduction, over 3.9 million customer households have received Pension Credit. Over 2.7 million customer households (3.4 million customers) are currently receiving it. To maintain the Pension Credit caseload at these levels, a target of 250,000 successful applications was set for 2008/09. Based on internal management information it is very likely that we have achieved our published target, at a value of £767 million. The actual achievement of the target is subject to validation (publication in the National Statistics in October 2009). The 2008/09 accuracy rate result was 92.1 per cent¹ against a target of 92 per cent.

The 2008/09 average clearance time was 15 days against a target 15 days.

Pension Forecasting

Pension forecasts improve working age individuals' awareness of their retirement provision. By 2008/09 15.4 million individuals were regularly issued a pension forecast.

Pension Tracing

The Pension Tracing Service can help an individual trace a pension, even if they are not sure of the previous employer and their pension scheme contact details. This year we undertook 76,282 successful pension traces.

State Pension

During 2008/09, an estimated 12.1 million customers received the basic State Pension and, in total, a planned £61.6 billion in State Pension was paid. The total number of customers receiving State Pension while living overseas was over one million.

In the year, 95.3 per cent of State Pension claims were cleared within 60 days against a target of 95 per cent.

The 2008/09 accuracy result was 98.2 per cent² against a target of 98 per cent.

State Second Pension

Over 22 million people are building up enhanced State Pension entitlement in the form of State Second Pension – including around four million people who are carers or sick/disabled. A further four million people are accruing second tier rights through an 'Appropriate Personal Pension' or an occupational pension.

¹ Subject to validation July 2009.

² Subject to validation July 2009.

State Pension Deferral

Customers are able to defer taking up their State Pension entitlement when reaching State Pension age. Figures since implementation show that around £370 million has been paid on lump sum payments, with the average payment being £6,500.

Winter Fuel Payments

Winter Fuel Payments are made to eligible customers each year to provide help with fuel bills. They are separate from Cold Weather Payments which were paid to some Pension Credit customers for periods of very cold weather to help with additional heating costs.

During 2008/09 we delivered automatic Winter Fuel Payments to over 99.9 per cent of eligible customers by the end of December and as a result over 12.5 million customers received their payment before Christmas 2008.

We also delivered an additional £150 Winter Fuel Payment to eligible customers aged 80 or over, meaning that eligible pensioner households with someone aged 80 or over received up to £400 in 2008/09.

We paid in total over £2.7 billion in Winter Fuel Payments to over 12.6 million customers.

Christmas Bonus

The Chancellor announced in his pre-budget speech, in November 2008, that an additional Christmas Bonus payment of £60 would be paid to all customers who satisfy the Christmas Bonus criteria.

We paid £1.04 billion in payments to 15 million customers during January 2009 to March 2009. As this was unplanned until the pre-budget announcement this was a significant success.

Telephony

During 2008/09, we answered over 17 million telephone calls from customers.

During 2008/09 we ensured that 91.3 per cent of our telephone calls were answered on the first attempt against a target of 93 per cent.

During 2008/09 we achieved a target of 0.9 per cent for all calls to our telephone service receiving a busy or engaged tone against a target of one per cent.



What our customers told us and how we responded



“Over the course of the year I have received many messages from members of the public who have been so pleased by the service that they have received that they have felt inspired to write and thank us. It is easy to get bogged down in the day-to-day detail of our jobs, but these messages remind me that what we do, whether working in direct contact with customers or not, has helped to make millions of lives better over the past year and will continue to do so. I personally take great pride in that and I hope that you do too.” Terry Moran – CEO



Customer feedback

We welcome our customers' views on our service and how we can improve.

In 2008/09 the top five areas of reported positive feedback were:

- our staff (44 per cent);
- information (19 per cent);
- advice (18 per cent);
- telephone access (3 per cent); and
- correspondence (2 per cent).

In 2008/09 the top five areas of reported negative feedback were:

- you take too long (42 per cent);
- you've got it wrong (10 per cent);

- the DWP policy is unfair – information provided not used (7 per cent);
- the information you have given me does not suit my needs (7 per cent); and
- unable to access the system (4 per cent).

Customer survey

Our surveys measure customers' attitudes towards, and satisfaction with, the service we provide.



Our disability customer survey results show that customers remain highly satisfied with the overall service they receive from us, with nearly four in five customers (78 per cent) satisfied.



Our pension customer survey (undertaken in 2007) showed that 85 per cent of customers were satisfied with the service they received.

We are looking to introduce a new Pension, Disability and Carers Service Quarterly Satisfaction Monitor later in 2009/10. This will replace the previous customer surveys.

Mystery shopping

Mystery shopping provides an independent assessment of the quality of service provided by our pension, disability and carers centres.

Our results highlight areas where we can improve and also help to assess how well we are meeting published standards of customer service.

In 2008/09:

- staff throughout the agency continue to be praised for treating customers professionally. Staff were described as helpful, polite and easy to talk to with 99 per cent of mystery shopping callers feeling they were treated with respect by pension centre staff;
- in disability benefit centres and the Carers Allowance Unit, mystery shopping callers described call agents as being respectful of callers (89 per cent) and effective at keeping the customer informed of what is happening throughout the call (91 per cent);
- disability benefits centre and Carers Allowance Unit telephone calls achieved the lowest performing scores overall and customers preferred face-to-face contact over other forms;

- a clear gap in results has developed in pension centres between telephone and leaflet assessments against languages and text phone. Callers requiring a second language in particular are receiving consistently less accurate information than any other group; and
- the completeness of information provided by pension centres improved throughout the year, giving a year to date score of 52.6 per cent – an increase of 18.4 per cent.

Improving customer service

While we strive to be an exemplar of public service, we do not always get it right. We take customer feedback, positive and negative, seriously.

In 2008/09, we aimed to reply to:

- general correspondence/enquiries from customers within 10 working days – our performance was 85 per cent; and
- negative feedback from customers within seven working days – our performance was 95 per cent.

We have listened to what you have said about our service and in 2008/09 we have:

- reworded the Winter Fuel notification to make it clearer to customers that they need to notify us of any change of circumstances;
- put a new process in place to advise widows earlier of the cessation of Widows Benefit when approaching 65; and
- introduced a new general benefits information leaflet which better clarifies the qualifying criteria for Disability Living Allowance and Attendance Allowance.

Parliamentary correspondence

During 2008/09, we got better at replying to correspondence and maintained a consistently strong level of performance against Cabinet Office targets.

The Cabinet Office reporting period for Parliamentary correspondence is the calendar year January 2008 to December 2008.



MP letters to Ministers – Delegated to Chief Executive for reply with 90 per cent cleared in 20 days. 1,178 replies issued with 98 per cent cleared in 20 days.



MP letters direct to Chief Executive with 90 per cent cleared within 15 days. 1,961 replies issued, with 98 per cent cleared in 15 days.



How we improved our service

This year further refinements have been made to the way we manage our pension, disability and carers centres to make them more effective and efficient. This involved consulting with our staff across the organisation to identify ways of processing more claims more accurately.

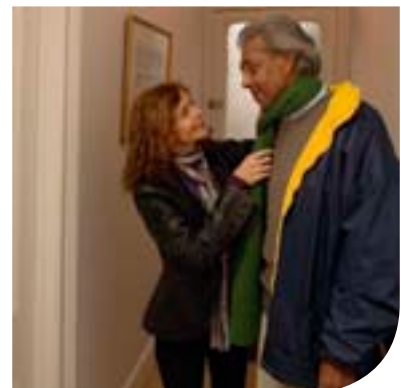


Other changes involve our people using 'Lean' methodology. This is about frontline staff getting rid of waste by, for example, reducing worksteps and hand-offs and by making better use of performance data.

In 2008/09, we:

- changed the way our pension age customers can conduct their business. Customers can now make a combined claim in a single telephone call to State Pension, Pension Credit, Housing Benefit and Council Tax Benefit (HB/CTB). Pensioners claiming HB/CTB while making an application for Pension Credit are no longer required to sign the HB/CTB claim form, and the information collected is automatically passed to the relevant local authority to assess entitlement;
- rationalised processes in the Carers Allowance Unit;
- implemented 'Lean' changes in Cardiff Disability Benefits Centre;
- started 'Lean' implementation in the Disability Contact and Processing Unit in Blackpool, and at the International Pensions Centre in Newcastle;
- trialled ways of making it much easier for Jobcentre Plus customers to transfer to this agency on their retirement;
- redesigned Disability Living Allowance (adult) and Attendance Allowance claim forms and decision notifications;
- improved processes to meet the needs of parents/carers of disabled children;
- improved medical evidence collection and the sharing of information with other departments;

- raised customer awareness of the basic entitlement process to Disability Living Allowance via the 'nugatory claims' exercise;
- introduced an Electronic Document Management System into Dundee Pension Centre. This will replace the processing of hard copy documents with the scanning, storing and electronic retrieval of electronic images;
- implemented a new Call Recording and Quality Monitoring System to improve the telephony service we provide to our customers; and
- simplified the way deaths of customers or their spouses are reported to pension centres.



Our people

In 2008/09 we supported our people by:

- continuing to equip them with the skills and knowledge to do their jobs, through over 100,000 learning and development days;
- continuing to invest in leadership and management skills (including 360 degree feedback);
- running a 'back to the floor' initiative for senior managers;
- encouraging staff to build a first hand understanding of our customers through the DWP Community 5000 initiative. This year staff spent 903 days with customers and their supporting organisations;
- undertaking staff surveys and addressing the issues they raise;
- ensuring our managers understood their role in engaging staff through the 'Making a Difference' events; and
- introducing a new Management Development Academy initiative, aimed at senior managers within our centres.



Health and Safety and well-being at work

During 2008/09, 97 per cent of our managers and staff undertook Health and Safety training, display screen equipment training and risk assessments. Our staff continue to benefit from well-being policies such as the availability of flexi time, term-time working, part-time working or job share arrangements as well as hearing tests, eyesight tests and the availability of an Employee Assistance programme with our partners, Right Corecare.

Sickness absence management

We reduced sickness absence, with the average working days lost as of March 2009 standing at 9.10 days (March 2008 was 10.15 days) against a target of 8.2 days for that period. We have reduced sickness absence by an average of one day during 2008/09. Average sickness absence in the agency has now fallen for four successive quarters.

Diversity and equality

We launched our Diversity and equality scheme in May 2008. To date we have:

- delivered a series of events to publicise our commitment to diversity and equality;
- regularly monitored and published internally our staff's diversity policy;
- launched campaigns, focusing on DWP's interpretation policy;
- worked with the DWP's new reasonable adjustments specialist team who provide advice and delivery service for staff;
- continued to support our diversity coordinators in their work; and
- raised the profile of Equality Impact Assessments for functions, policies and services.

Our values

The DWP works by reference to four values: achieving the best, respecting people, making a difference and looking outwards – each carrying equal importance.

We have demonstrated our commitment to these values in the following ways:

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

Mrs J from Oxford wrote to tell us about her experience when claiming State Pension, 'I was extremely grateful to have a named person to speak to and explain things to me to whom I did not need to explain things from beginning to end each time. I was grateful to have someone to go the extra mile for me to find out what was happening at each step of the way and to take the trouble to phone me back – even after normal office hours. I cannot find words to convey just how much of a difference you have made during what has been a very difficult time.'

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

Mr and Mrs N from Peckham are a proud couple and didn't want to be a burden on anyone as they struggled with absolutely no heating and no internal toilet. After we awarded them Pension Credit of £67 each week and an arrears payment of £730 we also ensured they were given all the help they were entitled to, including a Community Care Grant. They now have a new gas fire, carpeting and help from a number of community charities.

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

We are clearing new claims to Attendance Allowance (AA) in an average of 16 days or less and this is making a real difference in people's lives. People like Mrs H from Hull; In reply to her award of AA, Mrs H said, 'I am very grateful. It will be of great help. I would rather have my freedom of movement back and not need help, but advancing years bring their own problems. Thank you.'

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

Mrs C rang Swansea Pension Centre complaining that she was finding it hard to pay bills and was distressed. In conversation with the customer, the customer advisor soon discovered that the actual bill she was worried about was a vet's bill for her cat that was unwell. The customer advisor explained about the PDSA and sent information from the web. She wrote to thank us for the information, and to report she was feeling much less anxious.

Our leadership team

The Pension, Disability and Carers Service Board

The Board provides strategic advice; monitors and challenges performance, approving the deployment of resources and acting in a supervisory capacity. The Pension, Disability and Carers Service Board consists of:



John de Trafford
Chair of the Board and
Non-Executive Director



Terry Moran CB
Chief Executive



Kate Nash OBE
Non-Executive Director



Norman Cockett
Deputy Director and
Head of the Disability and
Carers Benefits Division
(until Oct 2008)



Willy Roe
Non-Executive Director



Jason Feeney
Strategy Director



Jane E Tozer OBE
Non-Executive Director



Peter Lehmann CBE
Non-Executive Director
(until Nov 2008)



Lucy Vause
Deputy Director and
Head of the Disability and
Carers Benefits Division
(from Nov 2008)



Stuart McKinnon-Evans
Finance Director



Alan Woods
State Pensions and
Stakeholder Relations
Director

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

The Executive Management Team

The Executive Management Team leads, motivates and directs the agency to ensure it meets the needs of its customers and achieves its objectives. Our Executive Directors at 31 March 2009 were:



Terry Moran CB
Chief Executive



Peter Lowe
Change and
Transformation Director



John Delamore
Information Systems/
Information Technology
Director



Stuart McKinnon-Evans
Finance Director



Jason Feeney
Strategy Director



Nigel Richardson
Customer and
Partnerships Director



Vivien Hopkins
Chief Operating Officer



Sarah Scullion
Human Resources
Director

The Audit Committee

The committee provides independent assurance to the Chief Executive, the Pension, Disability and Carers Service Board and the DWP Audit Committee on the appropriateness, adequacy and overall value for money of the agency's governance, risk management, control and associated assurance arrangements.

The Audit Committee consists of:

- **Jane E Tozer OBE** – Non-Executive Director (Chair);
- **George McCorkell CB** – Non-Executive Director (Vice Chair);
- **Paul Greening** – Finance Director, Strategy, Information and Pensions (from Oct 2008);
- **Helen John** – Finance Director, Pensions Client Directorate (until Sept 2008); and
- **Kate Nash OBE** – Non-Executive Director

Members of the Executive Management Team, Risk Assurance Directorate, National Audit Office and our client directorates also attend.

Our client directorates

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

Our client directorates comprise:

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

Effective management

We operate governance arrangements designed for effective management and control. We provide clear accountability and help ensure that public funds are safeguarded, in the pursuit of our business objectives. A sound system of governance makes certain that we:

- respond appropriately to significant risks to our operational objectives;
- comply with all relevant laws, regulations, policies and accepted recommendations of external scrutiny;
- ensure individuals are accountable for their responsibilities; and
- maintain a high quality in our internal and external reporting.

The DWP's Risk Assurance Division reports independently to the Audit Committee, providing opinions on the adequacy of our governance and risk management. To date, the majority of audit work has focused on customer service and operational risks, in line with the risk profile of the agency. Risk Assurance Division provides an overall assessment of our performance risk and control framework in-year. For 2008/09 the overall assessment remains at Reasonable Assurance and achieved more 'strong' assurance opinions than its two predecessor agencies in 2007/08 and no 'weak' assurance assessments.³

Risk management

Risk management is integrated within all of our key business processes. Our Executive Management Team is committed to actively promoting an open and honest risk culture and believes risk management is the business of everyone, as it is the shared understanding and communication of risk information that leads to informed decision making. Our Business Plan identified the organisation's strategy and key deliverables, together with the associated resource implications and assumptions. Our risk-based processes and business practices have allowed us to be flexible and responsive in delivering key business objectives.

Security of customer data

We aim to keep our customer data secure and what customers say to us confidential. The Data Protection Act and Social Security legislation places specific requirements on the handling and use of personal and other official information. Details of protected personal data related incidents can be found in the Management commentary on page 38.

³ Assurance Categories Strong – No action required, Reasonable – Moderate remedial action is required, Limited – Remedial action is required, Weak – Urgent and significant remedial action is required.

How much we spent

Scope of accounts

These accounts report on the £974 million operating and investment costs incurred by the agency in 2008/09 to deliver pensions, benefits, entitlements and information accurately to our customers.

The cost of the benefits and entitlement payments we made, totalling (unaudited) £89.9 billion are not formally included in these accounts, but under the DWP's consolidated resource account due to be published by the end of 2009.



The cost to deliver our service

Net operating costs

- **Direct costs to deliver our benefits and services;**
£396 million (41%)
- **Non-cash;**
£354 million (36%)
- **Indirect costs. Administrative and Central Services;**
£137 million (14%)
- **Investment in change;**
£87 million (9%)



Running costs	2007/08	2008/09
Direct costs to our business to deliver benefits and services	£407m	£396m
Indirect costs. Administrative and Central Services	£205m	£137m
Investment in change	£96m	£87m
Non-cash items	£375m	£354m
Total	£1,083m	£974m

NOTES:

1. The Pension, Disability and Carers Service was formed in 2008/09. Therefore 2007/08 data above is based on the calculation of the individual outturn position of each agency.
2. Costs relating to Administrative and Central Services include £43 million in 2007/08 for early release staff exit schemes and £0.1million in 2008/09.
3. Capital expenditure costs are not included above.
4. Administrative and Central Services is inclusive of Estates and IS/IT expenditure.
5. Non-cash items – see page 73 for details

The Operating Cost Statement is shown on page 62 of the accounts.

The net operating cost has been calculated after including a number of notional costs which are borne centrally by the Exchequer and then re-charged to the Pension, Disability and Carers Service as set out in *Notes to the accounts* – Note 3.

The net operating cost amounted to £974 million (2007–08 £1,083 million). Capital expenditure for the year has not been included in the table above. Full details of this are given in *Notes to the accounts* – Notes 6 and 7 and amount to £21.6 million (2007–08 £44.2 million).

Financial management policies

We have operated within the framework of strategies, policies and corporate standards co-determined with the DWP.

Taxpayers equity

Within the accounts, the balance sheet at 31 March 2009 shows positive Taxpayer's Equity of £109.8 million.

In common with other government departments, the financing of Pension, Disability and Carers Service liabilities is met by Grants of Supply to the DWP, approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. A going concern basis for these financial statements is therefore adopted.

Monetary Value of Fraud and Error (MVFE)

Our aim is to pay the right benefit to the right customer at the right time. We are committed to reducing the amount of benefit which is either underpaid or overpaid to customers as a

result of error by our staff or customers, or from fraud. These wrongly paid amounts are termed the Monetary Value of Fraud and Error (MVFE). To tackle this problem, in 2008/09 we worked on three fronts:

Prevention: stopping error or fraud entering our system at the point of payment, with a focus on additional controls before payment is made in cases that have a higher risk of being incorrectly paid.

Compliance: reminding both our staff and customers of their responsibilities regarding the benefits. We have accuracy checking regimes in place for all benefits, involving checks on random samples of cases. They promote good practice, and allow us to give targeted feedback and training to staff.

Correction: identifying and correcting error in existing payments. Our work includes, for example:

- Right Payment Programme – a check and, if necessary, correction, of 12,000 randomly selected Disability Living Allowance cases;
- Fraud Support Unit – a referral service to the Departmental Fraud Investigation Service (FIS). In 2008/09 we prepared 5,461 Disability Living Allowance, Attendance Allowance and Carers Allowance cases for FIS of which 1,457 resulted in a customer sanction (formal caution, administrative penalty or legal proceedings).

Our overall target for fraud and error activities was to correct 50,600 cases through the 2008/09 initiatives. Our actual achievement was 50,921 cases corrected which resulted in Annually Managed Expenditure savings of £154.8 million in 2008/09. This value represents the savings made for the cases corrected, over the anticipated life of the corrected decision.

The full audited estimates of MVFE are published in the DWP annual resource accounts. Estimates are also published annually, the latest available being Fraud and Error in the Benefit System: October 2007 to September 2008 – http://research.dwp.gov.uk/asd/asd2/fraud_error.asp

During 2008/09 we strove to improve accuracy of Pension Credit payments in particular. The latest published estimates report encouragingly that the percentage of Pension Credit benefit expenditure overpaid has decreased over one year from 5.1 per cent to 4.6 per cent, and from £380 million to £340 million. Between April and September (latest data available) we achieved our best performance since 2004/05.

We will continue our campaign to reduce losses from fraud and error.



Policy reform

Pensions Reform will from April 2010:

- make State Pension fairer and more widely available;
- reform State Pension so that it is simpler and more generous;
- make it easier for people to save more for their retirement by introducing a new scheme of personal accounts; and
- support and encourage extended working lives.

People reaching State Pension age before April 2010 can continue to obtain a State Pension forecast. We have introduced a transitional service for people who reach State Pension age after April 2010. People in this category are still able to obtain personalised State Pension forecast information, including an indication of their current number of qualifying years and how many more they need to get a full basic State Pension under the new rules.



In 2008/2009 we:

- implemented State Pensions Reform in State Pension forecasting services;
- delivered the first tranche of changes to non-State Pension forecasting in the DWP and HM Revenue and Customs IT systems;
- drew up detailed implementation plans for 2009/10;
- agreed the detailed customer communications plans for Pensions Reform;
- completed the detailed design on the Pensions Act 2007 and agreed the design requirements resulting from the Pensions Act 2008; and
- agreed our contribution to the 'extended working lives' agenda.

The efficiency challenge

The Comprehensive Spending Review 2007 (covering April 2008 to March 2011) brought greater demands on the way the DWP manages its business. It imposed a 5 per cent year on year reduction in the resources available to deliver services to our customers.



We have responded to this challenge by investing to create a more efficient operation. We have done so without levels of customer service being adversely affected during the year. The cost of delivering benefits to our customers has reduced from £1,083 million in 2007/08 to £974 million in 2008/09, a reduction of 10 per cent.

The number of staff in the agency reduced by 1,280 full-time equivalent (FTE) from 16,297 FTE at end of March 2008 to 15,017 FTE at end of March 2009. We closed Birmingham and Dearne Valley Pension Centres and Edinburgh Disability Benefits Centre as part of our continuous programme of managing overheads in line with staffing reductions. By the end of the year, we agreed plans to further rationalise our estate in line with planned reductions in staffing levels, which means that during 2009/10, we shall transfer to Jobcentre Plus the current staff and buildings in Wembley and Stockport, and the staff in Manchester (a total of about 1,100 staff).

We met our commitment to try and redeploy people where their current job role had ceased to exist, working with our trades unions to avoid compulsory redundancies through other voluntary measures. Our specialist redeployment unit supported the people affected, redeploying them as quickly as possible and minimising the length of time between one role ceasing and the next starting. The unit worked closely with the DWP Human Resource team to redeploy staff or put exit arrangements in place where redeployment was not possible.

Productivity

The DWP's measure of overall productivity is based on the methodology recommended by the Atkinson review into the measurement of Government Output.

We have adopted this methodology and created a productivity index, which measures changes in the total output produced by the resources used. In 2008/09 our headcount was forecast to reduce while workloads were forecast to increase, resulting in a required productivity increase of 9.6 per cent. In the event, headcount reduced by 7.8 per cent, workloads increased by 6.3 per cent and productivity increased by 14.9 per cent. These figures have been calculated by weighting the individual benefit processing activities in proportion to the amount of resource they consume, to give a single measure for the agency.



A sustainable agency

We actively support the Government's sustainability agenda by managing our business to produce a positive impact on society and the environment. We have contributed towards the DWP's sustainable development action plan which details how the DWP's businesses will play their part in delivering the Government's national sustainable development strategy.



In 2008/09, we have:

- encouraged staff to consistently take on board the sustainable development message. An award winning poster, designed by a member of our staff, is on display at DWP offices across the UK;
- been re-accredited with an internationally recognised standard in environmental management for our site at Tyneview Park, Newcastle; and
- increased efficiency of the use of our estate, making more effective use of the retained space, allowing us to explore the scope for more flexible working practices. This also helps reduce costs, demands on energy and emissions from the buildings we occupy.

The Peter Lehmann memorial award

Peter Lehmann was one of our Non-Executive Directors, who sadly died in November 2008. A fierce champion of sustainability, he chaired The Energy Savings Trust, the Fuel Poverty Advisory Group and Green-Works, an office furniture recycling charity.

The winner of the annual Peter Lehmann memorial award was David Raper, who has done great things on his own to try and change the behaviour of staff in Quarry House, Leeds, especially around energy consumption.

We could think of no better way than to keep Peter's lasting contribution to sustainability alive than an annual award in his name. We were delighted that Peter's wife Tara Lehmann presented the award personally.

Feedback

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

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



Management commentary

a. Statutory background

The Pension, Disability and Carers Service presents its accounts for the financial year ended 31 March 2009. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

On 22 January 2008, the Permanent Secretary, Leigh Lewis, announced the bringing together of the Disability and Carers Service and The Pension Service into a new agency from 1 April 2008, to be known as the Pension, Disability and Carers Service.

Due to this merger, the 2007/08 comparatives have been restated to reflect the aggregated balances of the two former agencies. These balances are detailed in Note 26 together with the adjustments required to align the differences in accounting treatment.



b. Funding sources

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

The Pension, Disability and Carers Service's work programme and expenditure plans for the year to 31 March 2009 were set out in the *Pension, Disability and Carers Service Business Plan 2008–2009* and form part of CM 7401, *Department for Work and Pensions Departmental Report 2009*.

The National Insurance Fund is the responsibility of HM Revenue and Customs. However, the contributory benefits funded from the National Insurance Fund are administered by the Department on behalf of HM Revenue and Customs. The Pension, Disability and Carers Service incur costs associated with the administration of these benefits. The Pension, Disability and Carers Service receives income from the National Insurance Fund to recover these costs and these recoveries are recorded in the General Fund as Financing from the National Insurance Fund (see Notes to the Accounts 12 and 14c).

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

These financial statements relate solely to the Pension, Disability and Carers Service administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform to the accruals concept and give a true and fair view of the Pension, Disability and Carers Service's affairs. The Pension, Disability and Carers Service was responsible for payment of State Pension, State Second Pension, Over 80 Pension, Pension Credit, Winter Fuel Payments, Graduated Retirement Pension, State Earnings-Related Pension, Christmas Bonus Payments, Cold Weather Payments, Disability Living Allowance, Attendance Allowance, Carers Allowance and Vaccine Damage benefits which, for the year ended 31 March 2009, amounted to **£89.9 billion (2007/08 £82.9 billion)**. This amount is provisional and the final audited expenditure for the year will be disclosed in the Departmental Resource Accounts which are expected to be published by the end of August 2009.

As part of the DWP, the agency has to manage its business and meet its objectives within the resource constraints set by the Department. It also contributes to an administration cost and net cash requirement limit with other parts of the Department. Parliament's primary control over the Pension, Disability and Carers Service' expenditure is therefore achieved through the approval of the resource estimates provision, the associated departmental cash limit, and the laying of the agency accounts. The Pension, Disability and Carers Service is also subject to administrative control exercised by HM Treasury. The Spending Review in 2007 set the basis for the funding available for the Pension, Disability and Carers Service in 2008–09.

d. International Financial Reporting Standards

International Financial Reporting Standards (IFRS) will be introduced across Central Government in the 2009/10 financial year. Although the current accounts exclude any IFRS impacts the 2008/09 accounts will be restated in accordance with IFRS principles as part of the 2009/10 accounts.

e. Results for the year

The Operating Cost Statement within the accounts shows the net operating cost of the Pension, Disability and Carers Service. The net operating cost amounted to £974 million (2007/08 £1,083.3 million). Capital expenditure for the year, full details of which are given in Notes to the accounts – Notes 6 and 7, amounted to £21.6 million (2007/08 £44.2 million).

The net operating cost has been calculated after including a number of notional costs which are borne centrally by the Exchequer and then recharged to the Pension, Disability and Carers Service, as set out in Note 3.

f. Employment of disabled persons

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Pension, Disability and Carers Service. As at the 31 March 2009, 730 staff had declared that they are disabled, which represents 4.4 per cent of our total workforce.

g. Sickness absence data

Sickness absence data for 2008/09 is provided below, shown as full-time equivalent (FTE) days. This shows the number of paid working days lost for the agency and an average working days lost figure (AWDL) by staff for the year.

	Working days lost (FTE)	AWDL by staff for the year
Pension, Disability and Carers Service	144,907	9.1

The Pension, Disability and Carers Service has reduced sickness absence by an average of one day during 2008/09. Average sickness absence in the agency has now fallen for four successive quarters. Muscular-skeletal and mental health issues were the largest causes of sickness absence, accounting for 41 per cent of all absences. The majority of these absences were recorded as long-term absence (over 28 calendar days). Long-term absences accounted for 4.8 per cent of all occurrences of absence but 52 per cent of all working days lost.

Over the past 12 months the Pension, Disability and Carers Service has focused on reducing long-term sickness absence through actions including piloting the DWP Physio Advice Line, active case management and case conferences with the Occupational Health Director of Nursing. The Pension, Disability and Carers Service has also worked with DWP's occupational physicians and psychologists to pilot the delivery of new guidance which will shift the focus of long-term absence discussions to what the employee is capable of doing and how coping mechanisms used at home can be replicated at work. This will mirror the approach adopted towards the Employment and Support Allowance customers.

The Pension, Disability and Carers Service is committed to the continuous improvement of health and well-being for everyone by actively promoting a healthy environment and culture across the whole agency.

h. Protected personal data incidents

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2008/09

Statement on information risk	We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations, managed through a formal project which reports to the DWP's Information Security Committee. This has included the separation of the Senior Information Risk Owner and Chief Information Officer roles, the creation of Information Asset Owners at senior level across the DWP and the development of a comprehensive Information Asset Inventory. Increased senior focus has started to drive forward improved management of information risk. We have worked hard to improve our information assurance maturity, and we are confident that we meet and in many areas exceed the Data Handling Review requirements. Our information security training and awareness campaigns have been reflected by very positive results in the recent Staff Survey. We have identified a number of areas where we can further strengthen and improve the overall management of information risk across the DWP.			
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps

No incidents have been reported to the Information Commissioner by or on behalf of the Pension, Disability and Carers Service, involving Protected Personal Data during the year.

Table 2: Summary of other Protected Personal Data related incidents in 2008/09

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

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

i. Commitment to equality and diversity

The agency is committed to providing services which embrace diversity and promote equality of opportunity. As an employer, the Pension, Disability and Carers Service is also committed to equality and valuing diversity within its workforce as set out in its 'Strategy for Diversity, Equality and Inclusion'.

The goal is to ensure that these commitments, reinforced by our values are embedded in day-to-day working practices with customers, colleagues and partners. The overall aim for diversity and equality is that the services we deliver to customers, both current and future, and the contribution of our staff, reflect and celebrate the diversity of the communities we serve.

We aim to embed diversity into everything that we do; ensuring it is part of our management processes, mainstreaming it into our policies and assessing the impact of all our decisions and changes for disproportionate diversity impact on our staff or our customers.

j. Employee involvement and engagement

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

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

Staff also have access to trades union membership. The Pension, Disability and Carers Service has procedures for consulting its trades unions and supports staff representation in the workforce by trades union representatives.

The Pension, Disability and Carers Service is committed to ensuring that staff at all levels can contribute towards decisions affecting the day-to-day business of the Pension, Disability and Carers Service.

k. Pension liabilities

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

Details of the Pension Scheme are disclosed in Note 2c.

l. Payments to suppliers

The Pension, Disability and Carers Service is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, they should be paid within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

A review of all payments made during the 12 month period of this account, conducted to measure how promptly the Pension, Disability and Carers Service pays its bills, found that 97 per cent of bills were paid within this standard.

m. External auditors

The accounts have been audited by the Comptroller and Auditor General whose certificate and report appears on pages 59 to 61.

n. Board of management

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

Terry Moran	Chief Executive
Vivien Hopkins	Chief Operating Officer
Jason Feeney	Strategy Director
Stuart McKinnon-Evans	Finance Director
Sarah Scullion	Human Resources Director
Nigel Richardson	Customer and Partnerships Director
Peter Lowe	Change and Transformation Director (from 26 August 2008, formerly IS/IT Director, from 9 June 2008 to 25 August 2008)
John Delamore	IS/IT Director (from 3 November 2008)
Martin Bellamy	Change and Transformation Director (until 22 September 2008)
Alan Woods	State Pensions and Stakeholder Relations Director
Norman Cockett	Deputy Director and Head of the Disability and Carers Benefits Division (until 31 October 2008)
Lucy Vause	Deputy Director and Head of the Disability and Carers Benefits Division (from 28 November 2008)
Peter Lehmann CBE	Non-Executive Director (until 24 October 2008)
John de Trafford	Non-Executive Director
Jane Tozer OBE	Non-Executive Director
Willy Roe	Non-Executive Director
Kate Nash OBE	Non-Executive Director
George McCorkell CB	Non-Executive Director

The current Pension, Disability and Carers Service Senior Management Team is shown above. The table below reflects certain members of the former Disability and Carers Service and The Pension Service Boards who served on the new agency Board during its transitional period in April 2008.

Sarah High	Acting Finance Director, DCS (until 27 April 2008)
Martyn Craske	Chief Operating Officer, DCS (until 27 April 2008)
Sharon Norton	Acting Business Design and Change Director, DCS (until 27 April 2008)
Jane Whitaker	Deputy Chief Operating Officer, DCS (until 27 April 2008)
Kim Archer	Customer and External Relations Director, DCS (until 27 April 2008)
Charlie MacKinnon CB	Transformation Director, Pensions (until 27 April 2008)
Simon Furse	Finance Director, Pensions (until 27 April 2008)
Barry Cox	Acting Centre Operations Director, Pensions (until 27 April 2008)

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

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

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

p. Provision of information to auditors

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

Signed



Terry Moran
Chief Executive
8 July 2009

Remuneration report

a. Remuneration policy

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



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

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

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

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

b. Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit on the basis of fair and open competition, but also includes the circumstances when appointments may otherwise be made.

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

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

c. Salary and pension entitlements

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

d. Remuneration (audited)

Officials	2008/09		Full Year Equivalent (FYE) £'000	2007/08	
	Salary £'000	Benefits in kind (to nearest £100) £		Salary £'000	Benefits in kind (to nearest £100) £
Terry Moran Chief Executive	170–175	–	170–175	155–160	–
Vivien Hopkins Chief Operating Officer	110–115	–	110–115	100–105	1,700
Jason Feeney Strategy Director	100–105	–	100–105	85–90	–
Stuart McKinnon-Evans Finance Director	105–110	–	105–110	85–90	–
Sarah Scullion Human Resources Director	120–125	1,800	120–125	105–110	–
Nigel Richardson Customer and Partnerships Director	115–120	–	115–120	115–120	–
Peter Lowe Change and Transformation Director (from 26 August 2008, formerly IS/IT Director, from 9 June 2008 to 25 August 2008)	115–120 ¹	–	140–145	–	–
John Delamore IS/IT Director (from 3 November 2008)	30–35	–	85–90	–	–
Martin Bellamy Change and Transformation Director (until 22 September 2008)	75–80	–	140–145	145–150	–
Sarah High Acting Finance Director, DCS (until 27 April 2008)	5–10	–	65–70	10–15 ²	–
Martyn Craske Chief Operating Officer, DCS (until 27 April 2008)	15–20	200	85–90	85–90	2,500

¹ The figure quoted for 2008/09 is for the period from 9 June to 31 March 2009. The emolument for the period from 9 June 2008 to 31 July 2008 was paid by another central government department. The full year equivalent is 140–145K.

² Figure quoted for 2007/08 is for the period from 22 January 2008 to 31 March 2008. The full year equivalent is £65–70K.

Officials (continued)	2008/09		Full Year Equivalent (FYE) £'000	2007/08	
	Salary £'000	Benefits in kind (to nearest £100) £		Salary £'000	Benefits in kind (to nearest £100) £
Sharon Norton Acting Business Design and Change Director, DCS (until 27 April 2008)	0–5	–	60–65	40–45 ³	–
Jane Whitaker Deputy Chief Operating Officer, DCS (until 27 April 2008)	0–5	–	60–65	35–40 ⁴	–
Kim Archer Customer and External Relations Director, DCS (until 27 April 2008)	10–15	–	75–80	65–70	–
Charlie MacKinnon CB Transformation Director, Pensions (until 27 April 2008)	20–25	–	120–125	120–125	–
Simon Furse Finance Director, Pensions (until 27 April 2008)	5–10	–	110–115	120–125	–
Barry Cox Acting Centre Operations Director, Pensions (until 27 April 2008)	10–15	200	85–90	50–55 ⁵	–
Alan Woods Director for State Pension and State Pensions Reform, Pensions Client Group ⁶	–	–	–	–	–
Norman Cockett Deputy Director, Welfare and Wellbeing Group (until 31 October 2008) ⁶	–	–	–	–	–
Lucy Vause Deputy Director, Welfare and Wellbeing Group (from 28 November 2008) ⁶	–	–	–	–	–

e. Salary

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

Within the Department, directors' bonuses are paid in July following the financial year to which they relate and are in respect of the performance during their period of service as

³ Figure quoted for 2007/08 is for the period from 23 July 2007 to 31 March 2008. The full year equivalent is £65–70K.

⁴ Figure quoted for 2007/08 is for the period from 1 August 2007 to 31 March 2008. The full year equivalent is £55–60K.

⁵ Figure quoted for 2007–08 is for the period from 24 September 2007 to 31 March 2008. The full year equivalent is £85–90K.

⁶ DWP Corporate centre employ Alan Woods and Lucy Vause for 2008/09 and employed Norman Cockett until 31 October 2008. The Pension, Disability and Carers Service do not incur any element of the cost of their salaries or pension entitlements.

a director during the preceding financial year, i.e. bonuses included in July 2008 salaries (2008–09) relate to the period served during 2007–08. Directors that are shown as being in post until 27 April 2008 have July 2008 bonus payments included in their salary totals.

f. Benefits in kind

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

g. Pension Benefits (audited)

Name	Real increase in pension at pension age £'000	Real increase in lump sum at pension age £'000	Accrued pension as at pension age at 31 March 2009 £'000	Accrued lump sum as at pension age at 31 March 2009 £'000	CETV at 31 March 2008 Restated* £'000	CETV at 31 March 2009 £'000	Real increase in CETV as funded by the employer £'000
Terry Moran Chief Executive	5.0–7.5	20–25	50–55	150–155	690	856	114
Vivien Hopkins Chief Operating Officer	5.0–7.5	20–25	50–55	150–155	878	1,093	156
Jason Feeney Strategy Director	2.5–5.0	10–15	30–35	90–95	382	477	68
Stuart McKinnon-Evans Finance Director	2.5–5.0	0–5	10–15	10–15	141	203	50
Sarah Scullion Human Resources Director	2.5–5.0	–	5–10	–	59	104	24
Nigel Richardson Customer and Partnerships Director	0–2.5	–	5–10	–	90	124	23
Peter Lowe Change and Transformation Director (from 26 August 2008, formerly IS/IT Director, from 9 June 2008 to 25 August 2008)	0–2.5	–	15–20	–	246	294	13
John Delamore IS/IT Director (from 3 November 2008)	0–2.5	0–5	35–40	105–110	736	780	2
Martin Bellamy Change and Transformation Director (until 22 September 2008)	0–2.5	–	10–15	–	135	154	14

Name (continued)	Real increase in pension at pension age £'000	Real increase in lump sum at pension age £'000	Accrued pension as at pension age at 31 March 2009 £'000	Accrued lump sum as at pension age at 31 March 2009 £'000	CETV at 31 March 2008 Restated* £'000	CETV at 31 March 2009 £'000	Real increase in CETV as funded by the employer £'000
Sarah High Acting Finance Director, DCS (until 27 April 2008)	0–2.5	–	0–5	–	40	41	1
Martyn Craske Chief Operating Officer, DCS (until 27 April 2008)	0–2.5	–	0–5	–	61	61	–
Sharon Norton Acting Business Design and Change Director, DCS (until 27 April 2008)	0–2.5	0–5	20–25	65–70	347	350	1
Jane Whitaker Deputy Chief Operating Officer, DCS (until 27 April 2008)	0–2.5	0–5	20–25	65–70	431	434	1
Kim Archer Customer and External Relations Director, DCS (until 27 April 2008)	0–2.5	0–5	25–30	80–85	472	474	–
Charlie MacKinnon CB Transformation Director, Pensions (until 27 April 2008)	0–2.5	0–5	50–55	155–160	1,180	1,186	1
Simon Furse Finance Director, Pensions (until 27 April 2008)	0–2.5	–	10–15	–	162	168	6
Barry Cox Acting Centre Operations Director, Pensions (until 27 April 2008)	0–2.5	0–5	35–40	110–115	721	725	1

*The figure may be different from the closing figure in last year's accounts of The Pension Service and the Disability and Carers Service. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

h. Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007 civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus) or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). New entrants after 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality

'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of pensionable salary 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 for service before 1 October 2002 calculated broadly in the same way as in 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 per cent of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with RPI. In all cases, members may opt to give up (commute) pension for a lump sum to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee, from a scheme 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 three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

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

Further details about the civil service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

i. Cash Equivalent Transfer Value

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

disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the 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 buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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.

j. Real increase in Cash Equivalent Transfer Value

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

k. Non-Executive Directors (audited)

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

	2008/09 Total fees and expenses £'000	2007/08 Total fees and expenses £'000
George McCorkell CB	34	33
Jane Tozer OBE	34	34
John de Trafford	23	22
Peter Lehmann CBE (until 24 October 2008)	9	13
Kate Nash OBE	11	3
Willy Roe	10	7

Signed



Terry Moran

Chief Executive

8 July 2009

Accounts

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

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Pension, Disability and Carers Service to prepare, for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Pension, Disability and Carers Service during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Pension, Disability and Carers Service, of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

The Principal Accounting Officer of the Department for Works and Pensions has appointed me as the Accounting Officer for the Pension, Disability and Carers Service.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding Pension, Disability and Carers Service assets, are set out in *Managing Public Money*, published by Her Majesty's Treasury.

Signed



Terry Moran

Chief Executive

8 July 2009

The Pension, Disability and Carers Service Statement on Internal Control

Scope of responsibility

1. The Pension, Disability and Carers Service is part of the Department for Work and Pensions (DWP). It administers benefits to pensioners, disabled people and carers. I am accountable to the DWP Permanent Secretary for £89.9 billion of expenditure in pensions and benefits, serving 15 million customers.
2. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the agency's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.
3. I am accountable for the delivery of Pension, Disability and Carers Service objectives, to the standard defined in operational targets. I deliver these objectives within a framework of policies developed by Ministers, the Permanent Secretary, the Welfare and Wellbeing Client Group and Pensions Client Group as outlined in the Department's Public Service Agreement. I am responsible for developing strategies and plans to deliver the objectives using the resources allocated to the agency.
4. The agency works with other organisations to ensure customers receive the help and support they require. Agreements are in place with other parts of the DWP to govern our co-operation. This includes Jobcentre Plus and the Department's Shared Services organisation which delivers common employee and financial transaction services. A substantial part of Pension, Disability and Carers Service activity – including IT and other hard infrastructure, facilities management, medical services, and other office support functions – is delivered via external commercial partners. Contract management arrangements are in place and managed through the Department's Commercial Directorate, whose role is to ensure commercial activity is carried out legally and provides best value for money.
5. The work of the Pension, Disability and Carers Service relies on sharing data and developing policy and practice with other government departments and other organisations.
6. In addition to the delivery of day-to-day services to customers, I am also accountable for investment activity. The Pension, Disability and Carers Service investment portfolio included three major projects during the year, namely, Pension Transformation Programme, Pension Reform Delivery Programme and Customer Information System. The Transformation of Government Programme 'Tell Us Once' is within my overall accountabilities. I am the Senior Responsible Officer for all four programmes.

7. As the DWP Business Continuity Director I am responsible for ensuring that our emergency planning strategies are robust and fully tested, and enable us to respond effectively to disruption and continue to deliver key services to our customers, whatever the circumstances. I have lead responsibility within DWP as Head of Profession for Operational Delivery.

8. The agency is working collaboratively with the Department's centrally managed Change Programme. With the Chief Executive for Jobcentre Plus I jointly Chair the Implementation Steering Group ensuring that the projects of this programme deliver tangible operational improvements.

The purpose of the system of internal control

9. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

10. I manage and provide leadership of the agency's risks with my Executive Management Team (EMT), with support from the dedicated Pension, Disability and Carers Service Risk Team. My EMT consider the strategic risks to delivering the Pension, Disability and Carers Service objectives and report them in the Strategic Risk Register. Executives have clear accountability to ensure that systems are in place to manage risk within their Directorates and are required to provide assurance as to the effectiveness of these risk management processes through the annual Letter of Assurance (LOA) process.

11. The merger of the Disability and Carers Service and The Pension Service in April 2008 and the formation of the new agency provided an opportunity to review risk management capacity and consolidate its combined risk assessment and management.

12. Pension, Disability and Carers Service adopts the DWP Risk Management Policy and strategy as its own and adheres to the standards and common language of risk in line with the DWP Executive Team directive to support a common methodology.

13. With my EMT, Board and Audit Committee I ensure that risk management is clearly linked to the success of our objectives and is built into our planning, management and reporting systems. Through a process of independent challenge by internal audit and the non-executive members of the Pension, Disability and Carers Service Audit Committee and Board, I ensure

that risk management is routinely appraised. Internal audit's work programme is aligned with the strategic risks. Their quarterly reports to the Audit Committee and regular engagement with executives help inform their future work programme, capturing key concerns on the control environment.

14. The Pension, Disability and Carers Service Balanced Scorecard is the agency's vehicle for managing the achievement of its strategic and business objectives. It is reported monthly, and a full review of the agency's performance takes place every quarter. Investment activity is governed using the DWP's recognised arrangements and risk-based reporting features regularly.

15. My EMT ensures that all people involved in the management of risks are suitably trained and have the appropriate risk management knowledge and that the Pension, Disability and Carers Service Change Programme has a dedicated team of trained risk practitioners. Areas of concern or threat are presented to staff on a regular basis through key messages on the Intranet, Senior Management Conferences and Leadership Events, minutes from senior management meetings and other internal communication tools.

The risk and control framework

16. The agency defined and reviewed during the year the overarching management framework of systems, processes and products that allow good governance. The risk management process is an integral part of this framework.

17. On behalf of my EMT, the Pension, Disability and Carers Service Risk Team oversees the risk management process and departmental methodology is applied to identify and assess risks and identify the accountable owners at Executive level. Directors are responsible for refreshing their risk assessment and mitigating action on a continuous basis appropriate to the risk in hand.

18. Risks are identified at all levels of the business and are managed at the most appropriate level. Any risk that cannot be effectively managed within the business is escalated to my EMT. Risks that cannot be adequately managed by the agency are elevated to the DWP Executive Team. However this has not been necessary in the last year.

19. My Work Performance Impacting Team and Portfolio Management Team facilitate the risk management process by providing a business impact assurance for operations on all new products and services at each stage of development, ensuring that the final products fit with service delivery objectives. They assess and predict Pension, Disability and Carers Service operational capability to successfully deliver change while meeting the performance agenda; assess and report the risks facing successful delivery of Pension, Disability and Carers Service objectives; and use business intelligence to provide comprehensive and honest analysis that will allow senior managers to make informed decisions. In this way, we better manage the risk of implementing changes while maintaining normal business.

20. Risk is formally reviewed and challenged by my EMT on a monthly basis; including the prioritisation of the key agency risks by way of approval of the top five risks. During the year we developed a summary 'heat map' of our top risks. Risk appetite is now a mandatory consideration for all risks that are all included in our strategic risk register. The strategic risk register and mitigating activity is reviewed, challenged and refocused as necessary, at each Pension, Disability and Carers Service Board and Audit Committee meeting.

21. The **Information Security Committee** is chaired by the Department's Director General Legal Group, in his capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information security issues facing the Department. Comprehensive **Information System Security Standards** are in place and new information systems are subject to security accreditation in accordance with Cabinet Office Standards. The accreditation process was subject to an independent review and recommendations have been taken forward during 2008/09. A full risk assessment is being completed on one of our unaccredited legacy systems to confirm that residual risks are being adequately mitigated. Similar activity is now underway on the other unaccredited legacy systems. We have fully supported the Cabinet Office Data Handling Review.

22. My Governance Manager has reviewed the assurances from the other Accounting Officers in DWP who provide services on behalf of Pension, Disability and Carers Service to ensure they have taken appropriate action and have effective controls in place to manage the risks associated with the provision of those services.

Review of effectiveness

23. 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 agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by my Board and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

24. During the course of 2008/09 a detailed review was undertaken of a single benefit payment process to assess the effectiveness of existing process controls and compliance with these at a local level. Although no instances of error or financial loss were uncovered, the review did identify a need to tighten controls in a number of areas and to improve the risk awareness of operational staff. Action has already been taken to resolve the specific weaknesses identified and work is in hand to consider how best to address the longer term recommendations made on improving our overall business control environment.

25. My Security and Assurance team are working closely with the Department's Compliance and You initiative which is spearheading activity to address this issue on a phased basis, linking in with the strategic response to the Vulnerability Review.

26. The role of the Pension, Disability and Carers Service Board is to advise and support me in my role as Chief Executive. This function is being reviewed to ensure that the Board continues to add value on the development of Pension, Disability and Carers Service strategies and plans to meet Departmental and Ministerial objectives and Public Service Agreement targets.

27. The Pension, Disability and Carers Service Audit Committee works with my EMT and Risk Assurance Division (RAD) to focus on those areas of the business at greatest risk. The Committee comprises three non-executives and is chaired by Jane Tozer, a Non-Executive Director of my Board. My Audit Committee receives regular updates on actions to address previously identified weaknesses within the Pension, Disability and Carers Service system of internal control. This allows them to assess the effectiveness of mitigating actions and, where appropriate, request further work to be undertaken to strengthen the control environment.

28. RAD undertakes a risk-based work programme, taking into account the business requirements in collaboration with Pension, Disability and Carers Service senior management, and provides a quarterly assurance report to my Audit Committee. Each Pension, Disability and Carers Service Board meeting focuses on one of the agency's most significant risks so that members can reassess the controls and mitigations in place.

29. RAD provides an overall assessment of the Pension, Disability and Carers Service performance risk and control framework in year. For 2008/09 the overall assessment remains at Reasonable Assurance and achieved more 'strong' assurance opinions than its two predecessor agencies in 2007/08 and no 'weak' assurance assessments.

Significant control challenges

30. Pension, Disability and Carers Service came into being on 1 April 2008. The merger of the two former agencies, the Disability and Carers Service and The Pension Service aimed to facilitate a more coherent service to customers, strengthen collective capability and support the delivery of departmental strategic objectives. The significant control challenges identified by each of the former agencies have been monitored and reviewed as part of the new agency's internal control framework.

31. The issue raised in last year's Disability and Carers Service assurance letter of an inadequate **audit trail** on the Disability Living Allowance and Attendance Allowance Computer System has not been resolved in 2008/09. I am mindful that these risks have been present since the introduction of the computer system over 15 years ago and I have commissioned an enhancement which should ensure that our systems are more robust. This is planned for April 2010. In the meantime, the agency is undertaking a risk assessment to identify any interim controls or mitigations that can be introduced.

32. Last year's The Pension Service and Disability and Carers Service assurance letters also highlighted a control challenge with the National Insurance Recording System (NIRS) 2 system. Since NIRS 2 was introduced over 10 years ago, only a small percentage of **RD23** notifications have been received to enable the Carers Allowance Unit (CAU) to prevent and detect overpayments of benefit. As a result, Pension, Disability and Carers Service recognises that there may be cases in the CAU caseload where benefit is being paid incorrectly. A fix to NIRS2 was implemented in October 2008, but we will not be in a position to assess the full impact of the number of cases affected until we have received all past referrals from previous tax years. Estimates based on a previous review in 2002/03 indicate that around 18 per cent of working age CAU cases could generate overpayments estimated at £9 million per annum. The backlog could extend back as far as 1997/98. However, plans are in place to effectively manage the risks surrounding the backlog of referrals in CAU, once they are generated and RAD have provided a strong assurance on the progress being made.

33. Our agencies have continued to report problems with the accurate recording of National Insurance Credits and the interfaces with the HM Revenue and Customs National Insurance Recording System (NIRS2), leading to incorrect payment of benefit in some cases. Progress has been made following an enhancement to the NIRS2 system in October 2008 and we have plans to assess the full impact of cases affected by this enhancement and manage the backlog of cases once they are generated. A new DWP/HM Revenue and Customs National Insurance Credits Steering Group has been established specifically to focus on National Insurance Credit and service delivery issues. The Group is seeking assurance that the current National Insurance Credit regime is working effectively, and where it is not, is ensuring that appropriate fixes are commissioned and implemented. Its membership includes senior managers in policy, operations and information technology from both departments.

34. I have had a series of meetings with HM Revenue and Customs regarding Modernising Pay As You Earn Processes for Customers (MPPC), at Pension, Disability and Carers Service level and at the wider Departmental Business Continuity level. HM Revenue and Customs are merging two separate IT systems, **NIRS** and **PAYE** into one system. Release 3, which is the biggest component of the programme, was scheduled to go live in June 2009. It involved the cut over and migration of 49 million employment data records from the PAYE system to NIRS2 to provide a single PAYE record. DWP staff did not have access to NIRS for five days during implementation, but service has since been fully restored across the Department following a downtime period from 12pm on 19 June to 12pm on 24 June 2009. We made every effort to put effective continuity plans in place to deliver our services during the interruption in NIRS functionality.

35. During 2008/09 the Department continued to focus heavily on the **security of the information** that we hold. We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations, managed through a formal project which reports to the Information Security Committee. This has included the separation of the Senior Information Risk Owner and Chief Information Officer

roles, the creation of Information Asset Owners at senior level across the DWP and the development of a comprehensive Information Asset Inventory. The increased senior focus has already started to have an impact in driving forward improvements in the management of information risk. We have worked hard to improve our information assurance maturity, and we are confident that we meet and in many areas exceed the Data Handling Review requirements. Our information security training and awareness campaigns have been reflected by very positive results in the recent Staff Survey. We have identified a number of areas where we can further strengthen and improve the overall management of the information risk across the DWP. Although recognising that very substantial progress towards eliminating weakness has been made in 2008/09, the DSO has assessed that the overall level of assurance around security controls remains limited.

36. **Debt referral:** The levels of debt referred to the Central Debt Management Operation have a direct impact upon the Departmental Resource Account, where incomplete referrals continue to represent a significant control weakness and have been a particular problem for the agency this year. We are continuing work to strengthen controls in this area and an action plan is in place to improve performance through increased awareness and compliance with monthly site level performance monitoring. We have also continued to liaise with Departmental Debt Management colleagues to ensure accurate MI is recorded and a more efficient process is also being introduced for handling small value overpayments increasing the numbers of referrals and improving Debt Management recovery rates. We will continue to work closely with the Department to further strengthen the end to end referral process and ensure that performance does not deteriorate in 2009/10.

37. Determined effort has been put into reducing the levels of **fraud and error** in the live case load. Activities to maximize quality and drive out inaccuracies from State Pension and Pension Credit without increasing costs are improving control and this is evident by the improving accuracy rates on Pension Credit. Early indicators also show that our monetary value of fraud and error on Pension Credit is reducing and work will continue in this area with close monitoring of performance. The latest result for MVFE from the National Statistics Report for year ending September 2008 show that overall, error is at its lowest levels since 2004/05.

38. We are progressing our top ten policy simplification measures and have identified our top ten IT fixes that will help to reduce the level of fraud and error and improve accuracy. Of these, seven will be in place by the end of 2009.

39. The timescale to undertake a case-cleanse exercise to identify and correct high value overpayments has been extended due to the agency supporting Jobcentre Plus. The work restarted on 5 May 2009 and will have an impact on reducing error on the live load for 2009/10.

40. An error was identified in the calculation of the uprated rate of State Pension for 2009/10 whereby the planned reduction in the rate of **Invalidity Addition** for customers under State Pension age had been applied to State Pension. The age addition payable to Incapacity

Benefit customers is being paid at a lower rate from April 2009 to start to bring Incapacity Benefit into line with the Employment and Support Allowance. It was possible to correct the cases paid by the Pension Strategy Computer System before April 2009 and, where incorrect notifications had already been issued to customers, revised notifications have been issued. For around 77,000 cases where State Pension is paid with Pension Credit it was not possible to correct these cases by April 2009. All affected cases are being reviewed with priority being given to those cases which will be underpaid from April 2009, and any arrears issued.

41. The Chancellor announced a one-off increase in the **2008 Christmas Bonus** payment in the Pre-Budget Report Statement of 24 November 2008. The first payment was in early January, but included payment to people starting their State Pension between the qualifying week and this date. The timing of the announcement, change in the qualifying week, and the short timescales to issue payments to the first tranche of customers (12 million), mainly pensioners, meant that some overpayments were made. These payments are not recoverable from the customer. Out of a total of 15 million payments it is estimated that up to 50,000 may have been overpaid, totalling up to £3 million.

42. The provision of **accurate information** remains a priority for Pension, Disability and Carers Service and has been reviewed as part of the transition to the new agency. A Risk and Assurance Division review in 2008/09 examined the governance systems and processes in place to ensure accuracy. It reported a reasonable level of assurance over the controls designed to prevent inaccurate information being provided to Pension, Disability and Carers Service customers. More recently, a follow-up review has focused on Pension Credit new claim controls and highlighted where the agency can improve the robustness of its checking mechanisms and accuracy controls.

43. Options for reducing the risks associated with the storage, movement of and access to paper based information in Warbreck House were developed, and we will be introducing more secure storage and further reductions in the movement of material during 2009/10.

44. Corrective action to identify **duplicate payments** of Disability Living Allowance and Attendance Allowance has continued throughout the year and preventative and corrective controls have been reviewed and strengthened. However, there is a need to continue to improve the preventative controls to stop further duplicate payments being made and a number of technical and procedural enhancements are currently being tested.

Signed



Terry Moran

Chief Executive

8 July 2009

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

I certify that I have audited the financial statements of the Pension, Disability and Carers Service for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 agency, the Chief Executive and Auditor

The agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises About the Pension, Disability and Carers Service, Our journey, How we performed, Our people, Our leadership team, Effective management, How much we spent, The efficiency challenge, A sustainable agency, Management commentary and the unaudited part of the Remuneration Report included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the agency's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the agency's affairs as at 31 March 2009 and of the net operating cost, recognised gains and losses, and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises About the Pension, Disability and Carers Service, Our journey, How we performed, Our people, Our leadership team, Effective management, How much we spent, The efficiency challenge, A sustainable agency, Management commentary and the unaudited part of the Remuneration Report included within the Annual Report, is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
16 July 2009

Accounts

The Pension, Disability and Carers Service Operating Cost Statement

for the year ended 31 March 2009

	Note	2008/09		2007/08 Restated	
		£'000	£'000	£'000	£'000
Administration costs					
Staff costs	2	413,772		496,753	
Other administration costs	3	564,440		596,622	
Gross administration costs		978,212		1,093,375	
Operating income	5	(4,187)		(10,107)	
Net operating cost			974,025		1,083,268

All income and expenditure is derived from continuing operations.

The notes on pages 65 to 92 form part of these accounts.

The Pension, Disability and Carers Service Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008/09 £'000	2007/08 £'000
Net gain on revaluation of tangible fixed assets	13	–	–
Recognised gains and losses for the financial year		–	–

The notes on pages 65 to 92 form part of these accounts.

The Pension, Disability and Carers Service Balance Sheet

as at 31 March 2009

	Note	31 March 09 £'000 £'000		31 March 08 Restated £'000 £'000	
Fixed assets					
Tangible assets	6	156,084		174,298	
Intangible assets	7	3,391		4,901	
			159,475		179,199
Debtors: Amounts falling due after one year	8		6,627		7,045
Current assets					
Debtors: amounts falling due within one year	8	3,984		8,763	
Cash in hand	9	15		4	
		3,999		8,767	
Current liabilities					
Creditors: amounts falling due within one year	10	(54,458)		(67,414)	
Net current liabilities			(50,459)		(58,647)
Total Assets less Current Liabilities			115,643		127,597
Provisions for liabilities and charges	11		(5,832)		(5,172)
			109,811		122,425
Financed by:					
Taxpayers Equity:					
General Fund	12		109,658		122,272
Revaluation Reserve	13		153		153
			109,811		122,425

The notes on pages 65 to 92 form part of these accounts.



Terry Moran

Chief Executive

8 July 2009

The Pension, Disability and Carers Service Cash Flow Statement

for the year ended 31 March 2009

	Note	2008/09 £'000	2007/08 Restated £'000
Net cash outflow from operating activities	(14a)	(623,396)	(709,757)
Capital expenditure and financial investment	(14b)	(27,380)	(46,457)
Net financing from the Consolidated Fund	(14c)	321,272	393,325
Net financing from the National Insurance Fund	(14c)	329,625	362,894
Payments of amounts to the Consolidated Fund		(110)	(26)
Increase/(Decrease) in cash in the period	9	11	(21)

The notes on pages 65 to 92 form part of these accounts.

Notes to the accounts

for the year ended 31 March 2009

Note 1: Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2008/09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the agency for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Pension, Disability and Carers Service are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

From 2009/10, the financial statements will be prepared using International Financial Reporting Standards (IFRS), as adapted for the public sector.

Machinery of Government changes which involve the merger or the transfer of functions or responsibilities of one part of the public service to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Income and Expenditure Account, Balance Sheet, Statement of Recognised Gains and Losses, Cash Flow Statement and associated Notes to the accounts. The Income and Expenditure Account and Balance Sheet have been restated, as shown in Note 26.

a. Accounting convention

These accounts have been prepared under the historical cost convention modified to include the fair valuation of certain assets and liabilities, as disclosed in the accounting policies below. As the merged Pension, Disability and Carers Service agency did not exist in 2007/08 due to the merger on 1 April 2008, prior year comparatives have had to be collated from the former Disability and Carers Service and The Pension Service agency accounts. Therefore, where this has happened the prior-year column is shown as 'restated'.

b. Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. All computer hardware and software is treated as capital assets. For other tangible assets, the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset. On initial recognition assets are measured at cost, including any costs, such as installation, directly attributable to bringing them into working condition.

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

Internally developed software is capitalised if it meets the criteria specified in the FReM which are adapted from SSAP 13 to take account of the not-for-profit context. Costs are classified as assets under construction until the asset is brought into service. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

With the publication of HM Treasury's RABIG 32/(2006) letter, which gave departments more flexibility in revaluing assets, where the revaluation was proven to be immaterial in comparison to the total asset base or total value of the Balance Sheet, the Department opted to cease revaluing its assets using indices from 1 April 2007. Hence, there is no indexation adjustment in this year's financial accounts.

Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund. On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

c. Land and buildings

The Pension, Disability and Carers Service does not include in its Balance Sheet capital values of the land and buildings that it occupies. All properties are leased, the majority under a Private Finance Initiative (PFI) contract with Telereal Trillium.

d. Depreciation

Depreciation is applied on all tangible fixed assets using the straight-line method, at rates calculated to write off, in equal instalments, the current replacement cost (less any estimated residual value) of each asset over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal.

Tangible fixed assets are depreciated over the following estimated useful lives:

IT	3 to 7 years
Plant and machinery	5 to 10 years
Furniture and fittings	7 to 15 years
Software development	5 years (or the life of the software if less)

e. Intangible fixed assets

Expenditure on purchased computer software licences covering a period of more than one year is capitalised at cost as intangible fixed assets. Expenditure on annual software licences is charged to the Operating Cost Statement. Should the Department purchase licences in advance they are only subject to amortisation once they are brought into use.

In view of the large number of software licences purchased across the Department, those capitalised are accounted for on a pooled basis with any items/pools amounting to over £100,000 identified individually. The licences are amortised, on a straight line basis, over the shorter of the licence period or five years.

Costs associated with the maintenance of software are recognised as an expense when incurred.

f. Stocks

The Pension, Disability and Carers Service hold stocks of stationery, free publications, computer spares and similar consumables. Due to the nature of these items, the agency does not consider it appropriate to reflect their value in the Balance Sheet and all expenditure on consumables is charged to the Operating Cost Statement.

g. Provisions

The Pension, Disability and Carers Service provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent – 2007/08 2.2 per cent).

h. Administration expenditure

Administration costs reflect the direct costs of running the Pension, Disability and Carers Service as defined under the administration cost control regime.

i. Operating income

Operating income is income which relates directly to the operating activities of the Pension, Disability and Carers Service. It principally comprises of fees and a charge for services provided on a full-cost basis to external customers as well as public repayment work. It includes both income appropriated in aid of the estimate and income to be surrendered to the Consolidated Fund which in accordance with the FReM is treated as operating income (see Note 5). Operating income is stated net of VAT.

j. Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 2c. The defined benefit scheme is unfunded and is non-contributory except in respect of dependents' benefits. The Pension, Disability and Carers Service recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Departments meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined contributions schemes, the Pension, Disability and Carers Service recognise the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

k. Early departure costs

The Pension, Disability and Carers Service meets the additional costs of benefits beyond the normal PCSPS benefits, in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this cost in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 2.2 per cent (2007/08: 2.2 per cent) in real terms (see Note 11). Where the DWP funds early release schemes centrally, then a provision is created in the Departmental Resource Account with notional costs of lump sum and annual compensation payments recharged to the Pension, Disability and Carers Service.

l. Capital charge

A charge, reflecting the cost of capital utilised by the Pension, Disability and Carers Service is included in Other Administration Costs (Note 3). The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent – 2007/08 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- a. cash balances with Office of Paymaster General, where the charge is nil; and
- b. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge will be at nil rate.

m. Operating leases

Operating lease rentals are charged to the Operating Cost Statement on a straight line basis over the lease term (Note 3 and Note 16).

No finance leases are recorded in the accounts as fixed assets, as no such assets are held where substantially all risks and rewards of ownership are borne by the Pension, Disability and Carers Service.

n. Value Added Tax (VAT)

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

o. Insurance

The Pension, Disability and Carers Service do not purchase commercial insurance unless it is required under the standard terms of a service contract. Losses arising from damage to or loss of assets, employers' liability and claims from third parties are charged directly to the Operating Cost Statement.

p. Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with HM Treasury's Technical Note No.1 (Revised), entitled 'How to Account for PFI Transactions' as required by the FReM.

Where the balance of the risks and rewards of ownership are borne by the PFI operator, the PFI payments are recorded as operating cost, details of which, and the committed contractual payments, are detailed in Note 17.

The Pension, Disability and Carers Service utilises services provided under PFI contracts held centrally by the DWP. Full details of these contracts are disclosed in the DWP Resource Account.

q. Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Pension, Disability and Carers Service discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the agreement; and

- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts), which are required by the FReM to be noted in the resource accounts.

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

r. Financial assets and liabilities

Financial assets and liabilities are recognised when the agency becomes party to the contracts that give rise to them. The agency determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by FRS 26 as appropriate. They are derecognised when the right to receive cash flows has expired or the agency has transferred substantially all the risks and rewards of ownership or control of the asset. It is, and has been, the agency's policy that no trading in financial instruments is undertaken.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale.

Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade receivables is usually the original invoiced amount.

Cash at bank and in hand comprises cash in hand which is subject to insignificant changes in value.

Financial liabilities measured at amortised cost

Trade creditors and accruals are non-interest bearing and are stated at amortised cost.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Impairment of financial assets

The agency assesses at each balance sheet date whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the balance sheet date. If such events have had an impact on the estimated future cash flows of the financial instrument they are impaired. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk

characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counter party's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Additional information is provided in Note 19.

Note 2: Staff numbers and related costs

a. Staff costs

	2008/09			2007/08 Restated
	Total £'000	Permanently employed staff £'000	Others £'000	Total £'000
Wages and salaries	335,242	323,639	11,603	366,973
Employers' National Insurance	21,194	21,081	113	23,445
Superannuation and pension costs	57,336	57,313	23	106,335
Total staff costs	413,772	402,033	11,739	496,753
Less recoveries in respect of outward secondments	(264)	(264)	–	(449)
Total	413,508	401,769	11,739	496,304

b. Average number of persons employed

The average number of full-time equivalent persons employed (including senior management, staff on secondment or loan into the agency and agency/temporary staff, but excluding staff on secondment to other organisations) during the year was as follows:

	2008/09			2007/08 Restated
	Total	Permanently employed staff	Other	Total
Total	16,036	15,628	408	17,717

The average staff figure includes a total of 204 FTE (Full-Time Equivalent) staff on loan to Jobcentre Plus as at March 2009. A total of £987k has been recharged to Jobcentre Plus accounts to cover these salary costs and are not included in the staff cost note above.

c. Pensions

Superannuation and pension costs have dropped from £106 million in 2007/08 to £57 million in 2008/09. This is due to the fact that in 2007/08 the agency incurred an additional £43 million in pension payments that were paid to staff leaving on early release schemes.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, which prepares its own scheme statements, but the Pension, Disability and Carers Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensions.gov.uk).

For 2008/09, employers' pension contributions of £56.0 million (2007/08: £61.6 million) were payable to the PCSPS, at one of four rates in the range 17.1 per cent to 25.5 per cent (2007/08, 17.1 per cent to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2008/09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £6.0 million (2007/08: £5.9 million) were payable to the Civil Superannuation Vote at 31 March 2009 and form the Superannuation creditor (see Note 10).

Employees joining after 1 Oct 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £124k (2007/08: £130k) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent (2007/08: 3 per cent to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. Contributions due to the partnership pension providers at 31 March 2009 were £11k (2007/08: £12k). Contributions prepaid at 31 March 2009 were £nil (2007/08: £nil).

In 2008/09: 28 (2007/08: 23) persons retired on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £37k (2007/08: £35k). These liabilities are not the responsibility of the agency but are to be paid by the Civil Superannuation Vote.

Note 3: Other administration costs

	Note	2008/09		2007/08 Restated	
		£'000	£'000	£'000	£'000
Accommodation costs	3a		20,934		21,132
PFI service charges (off balance sheet contract)	3b		38,118		40,324
Rentals under operating leases:					
Hire of plant and machinery			653		555
Compensation payments to customers	3c		6,362		3,715
Goods and services:					
IT services	3d	69,499		63,915	
Contracted out services		50,469		48,096	
Publicity and other		600		1,178	
Consultancy and professional fees		9,502		23,116	
			130,070		136,305
Staff related:					
Travel, subsistence and hospitality		11,773		13,852	
Other	3e	2,285		3,346	
			14,058		17,198
Non-cash items:					
Intra-departmental charges	4	305,919		334,025	
Depreciation – tangible fixed assets	6b	39,480		32,978	
Notional cost of capital	3f	4,401		4,057	
Amortisation – intangible fixed assets	7	2,031		1,368	
Amortisation of prepayments	8	363		363	
Loss on disposal of fixed assets	6b,7	–		–	
Provisions:					
Movement in year	11	1,759		4,384	
Unwinding of discount	11	33		18	
Notional auditors' remuneration	3g	164		159	
Impairment charge	8	95		41	
			354,245		377,393
Total			564,440		596,622

a. Accommodation

Total accommodation costs include property maintenance costs paid directly by the Pension, Disability and Carers Service and property rates and utilities paid to Telereal Trillium in respect of accommodation provided under a centrally held PFI contract.

b. PFI service charges

The PFI charge is for the Private Sector Resource Initiative for the Management of the Estate (PRIME) rental and variable costs paid to Telereal Trillium in respect of accommodation provided under a centrally held PFI contract.

c. Compensation payments to customers

The Pension, Disability and Carers Service compensate those customers whose cases have been badly handled. The Pension, Disability and Carers Service will exceptionally consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint. There has been a £2.6 million increase in special payments from 2007/08 and this is as result of two special exercises; Widows Non-Guaranteed Minimum Pension and The Reinstatement of Deficiency Notices Project (RDNP).

d. IT services

The IT services costs related to costs that the agency pays directly (such as desktop services), these differ from the figure in Note 4 due to their direct nature. The IT costs within Note 4 are those recharged to the agency from Central IT Contracts.

e. Other staff related

This includes staff training costs, membership fees to professional bodies and permanent transfer expenses in respect of employees posted to a new location at the agency's expense.

f. Notional cost of capital

Notional cost of capital has been calculated on a monthly basis by applying the HM Treasury Cost of Capital Charge of 3.5 per cent to the average of the opening and closing balances of assets less liabilities, excluding cash balances held at Paymaster and amounts due from, or due to be surrendered to, the Consolidated Fund.

g. Notional auditors' remuneration

The National Audit Office's fees reflect the notional cost of undertaking the audit of the statutory accounts. These accounts have been audited by the Comptroller and Auditor General. The audit fee represents the cost of the audit of the financial statements carried out by the Comptroller and Auditor General. There were £3.5k fees in respect of IFRS work during 2008/09.

Note 4: Intra departmental charges

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

Intra departmental charges	Note	2008/09 £'000	2007/08 £'000
Services received			
Corporate Services Directorate:			
Corporate Services	a	179,848	168,307
IT	b	118,677	121,210
Early Departure Scheme	c	57	30,353
Other		7,582	16,421
		306,164	336,291
Services provided			
Corporate Services Directorate		(245)	(2,266)
		(245)	(2,266)
Total		305,919	334,025

a. Corporate services

The charge covers services provided by other DWP Business Units. The main elements are Employee Services, Financial and Debt Recovery Services supplied by DWP Shared Services (£37.4 million) and encashment services provided by Post Office Counters Ltd and Alliance and Leicester Commercial Bank PLC (£100.1 million).

b. IT

The IT recharge reflects costs met centrally by DWP Corporate IT under the Transformation of EDS Services (TREDSS) contract and recharged to the agency.

c. Early departure scheme

Provisions in respect of the new Early Release Schemes have been created within the DWP Resource Account. The costs of lump sum payments and Annual Compensation Payments (ACPs) have been recharged to the Pension, Disability and Carers Service on a notional basis, pro-rata to the number of surpluses declared by each agency.

Note 5: Operating income

The net operating cost is stated after deducting the following income:

Operating income analysed by classification and activity as follows:

	2008/09 £'000	2007/08 Restated £'000
Administration income		
Income from external customers	742	1,595
Income from other government departments	3,335	8,454
Income not appropriated in aid	110	58
Total administration income	4,187	10,107

Analysis of administration income

	2008/09 £'000	2007/08 £'000
Fees and charges to external customers		
Miscellaneous administration income	315	1,140
Consolidated Fund extra receipts	110	58
Mortgage lenders	427	455
	852	1,653
Fees and charges to other government departments		
Secondments	264	449
Other	3,071	8,005
	3,335	8,454
Total	4,187	10,107

Income from other government departments includes £1.6 million (2007/08 £1.6 million) from the Department of Health in respect of medical benefits paid.

Note 6: Tangible fixed assets

	Note	IT £'000	Plant and machinery £'000	Furniture and fittings £'000	Developed software £'000	Assets under construction £'000	Total £'000
Cost or valuation:							
At 1 April '08 restated		9,061	713	2,533	153,062	87,875	253,244
Cost adjustment		(87)					(87)
Additions	a	14	–	184	6	20,996	21,200
Transfers – net with other business units		8	–	(9)	–	–	(1)
Disposals		(11)	–	–	–	–	(11)
Reclassification	e	12,673	–	–	56,591	(69,264)	–
At 31 March '09		21,658	713	2,708	209,659	39,607	274,345
Less depreciation:							
At 1 April '08 restated		8,250	641	1,000	69,055	–	78,946
Depreciation adjustment		(89)	–	–	–	–	(89)
Charged in year	b	1,979	22	264	37,215	–	39,480
Transfers – net with other business units		(65)	–	–	–	–	(65)
Disposals		(11)	–	–	–	–	(11)
At 31 March '09		10,064	663	1,264	106,270	–	118,261
Net book value at 31 March '09		11,594	50	1,444	103,389	39,607	156,084
Net book value at 31 March '08		811	72	1,533	84,007	87,875	174,298

a. Total additions in the year were £21.2 million (2007/08: £42.1 million).

b. Total depreciation charged in the year was £39.5 million (2007/08: £33.0 million).

c. The Pension, Disability and Carers Service does not include in its Balance Sheet capital values of the land and buildings that it occupies. All properties are leased, the majority under a PFI contract with Telereal Trillium.

d. The Pension, Disability and Carers Service owns all of the assets detailed in the table above.

e. Expenditure incurred on software is initially classed as assets under the course of construction until they are brought into use. Once in use they are reclassified under the appropriate asset heading.

f. Cash flow reconciliation.

	Note	2008/09 £'000	2007/08 £'000
Capital creditors and accruals b/fwd	10	8,715	10,927
Capital additions	6a	21,200	42,101
Capital creditors and accruals at 31 March	10	(2,981)	(8,715)
Purchases of tangible fixed assets as per Note 14b		26,934	44,313

Note 7: Intangible fixed assets

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

	£'000
Cost or valuation	
At 1 April 2008 restated	8,910
Cost restatement	75
In year additions	446
Disposals	–
At 31 March 2009	9,431
Less amortisation:	
At 1 April 2008 restated	4,009
In year charge	2,031
At 31 March 2009	6,040
Net book value	
At 31 March 2009	3,391
At 1 April 2008	4,901

a. Cash flow reconciliation

	Note	2008/09 £'000	2007/08 £'000
Capital creditors and accruals b/fwd	10	–	–
Capital additions		446	2,144
Capital creditors and accruals at 31 March 2009	10	–	–
Purchases of intangible fixed assets as per Note 14b		446	2,144

Note 8: Debtors

a. Analysis by type

	31 March 2009 £'000	31 March 2008 Restated £'000
Amounts falling due within one year		
Trade debtors	265	936
Other debtors	322	441
Other government departments	1,780	4,816
Other Department for Work and Pension agencies	–	349
Accommodation prepayment	363	363
Deposits and advances	716	534
Prepayments and accrued income	769	1,460
Impairment charge	(231)	(136)
	3,984	8,763
Amounts falling due after one year		
Accommodation prepayment	6,535	6,898
Deposits and advances	92	147
	6,627	7,045
	10,611	15,808

Deposits and advances due within one year includes £13k (2007/08: £17k) of house purchase advances due from 12 (2007/08: 16) members of staff. Those due after more than one year is £92k (2007/08: £147k) being house purchase advances due from 11 (2007/08: 14) members of staff.

b. Intra-government balances

The following table identifies balances with other types of public sector organisation within an analysis of total debtors.

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008/09 £'000	2007/08 Restated £'000	2008/09 £'000	2007/08 £'000
Balances with other departmental bodies	–	349	–	–
Balances with local authorities	21	–	–	–
Balances with other central government bodies	1,759	4,816	–	–
Intra-government balances	1,780	5,165	–	–
Balances with bodies external to government	2,204	3,598	6,627	7,045
Total debtors at 31 March	3,984	8,763	6,627	7,045

Note 9: Cash in hand

	2008/09 £'000	2007/08 Restated £'000
Opening balance at 1 April	4	25
Net change in cash balances	11	(21)
Closing balance at 31 March	15	4

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

Note 10: Creditors

a. Analysis by type

	2008/09 £'000	2007/08 Restated £'000
Amounts falling due within one year		
Taxation and social security	7,125	8,501
Trade creditors	3,417	5,126
Other creditors	624	812
Other Department for Work and Pension agencies	–	–
Amounts due to other government departments	41	1,041
Accruals and deferred income	34,294	37,290
Capital accruals	2,981	8,715
Superannuation	5,976	5,929
Closing balance at 31 March	54,458	67,414

b. Intra-government balances

The following table identifies balances with other types of public sector organisation within an analysis of total debtors.

	Amounts falling due within one year	
	2008/09 £'000	2007/08 Restated £'000
Balances with other departmental bodies	–	–
Balances with local authorities	616	156
Balances with public corporations and trading funds	42	27
Balances with other central government bodies	14,905	15,288
Intra-government balances	15,563	15,471
Balances with bodies external to government	38,895	51,943
Total creditors at 31 March	54,458	67,414

There are no creditors falling due after more than one year.

Note 11: Provisions for liabilities and charges

	2008/09 £'000	2007/08 £'000
Early retirement provision	2,310	1,581
Other administration provision	3,522	3,591
	5,832	5,172

Early retirement provision	2008/09 £'000	£'000
Balance as at 1 April 08		1,581
Utilised in year (cash)		(944)
Provided in the year:		
New entrants	1,598	
Uplift	46	
Unwinding of discount	30	
Other changes to provision	(1)	
		1,673
Balance as at 31 March 09		2,310
Payable within one year		901
Payable after more than one year		1,409
		2,310

Where departures are funded by the agency, the Pension, Disability and Carers Service is required to provide for the estimated future early departure costs of employees, discounted at the HM Treasury discount rate of 2.2 per cent in real terms, in these accounts. The provision for departures funded centrally by the DWP is recorded in the Departmental Resource Account.

Other administration provisions – industrial injuries	2008/09 £'000	£'000
Balance as at 1 April 08		135
Utilised in year (cash)		(6)
Provided in the year:		
New entrants	–	
Uplift	4	
Unwinding of discount	3	
Other changes to provision	1	
		8
Balance as at 31 March 09		137
Payable within one year		10
Payable after more than one year		127
		137

This provision represents the expected future costs of Industrial Injuries Benefit permanent allowance payments to staff injured at work and unable to perform their job as a result. The amount provided for each individual is based on life expectancy taken from the Interim Life Tables produced by the Government Actuary's Department, and discounted at the HM Treasury discount rate of 2.2 per cent in real terms.

2008/09 Other administration provision – other	Pension Centres Closure (a) £'000	Edinburgh DBC Closure (a) £'000	Exportability (b) £'000	Manchester DBC (c) £'000	Clear Desk Policy (d) £'000	Total £'000
Balance as at 1 April 08	3,198	98	160	–	–	3,456
Utilised in year	–	(22)	(160)	–	–	(182)
Provided in the year	–	–	–	60	127	187
Other changes to provision	–	(76)	–	–	–	(76)
Balance as at 31 March 09	3,198	–	–	60	127	3,385

- a. In 2007/08 the two former agencies served closure notices on three pension centres and one disability benefit centre and provisions for these closures were posted in the 2007/08 accounts. These provisions related to penalty charges incurred for the early termination of contracts and the costs associated with building work and IT changes that are required for the relocation of work. The provision for Edinburgh Disability Benefits Centre has now been utilised, but the bills for the pension centre closures are not expected until May 2009 and therefore the provision has been carried forward.

- b. The provision of £160k relates to the ruling from the European Court on 18 October 2007 which states in certain circumstances Disability Living Allowance (care component), Attendance Allowance and Carers Allowance will have to be paid to some people who move from the UK to live in other member states of the European Economic Area. The provision was posted in the 2007/08 accounts and was based on the staff costs required to process the additional workload. The provision has been fully utilised this year.
- c. A new provision of £60k has been raised and this relates to the closure of Manchester Disability Benefits Centre, and represents the costs associated with building work and IT changes that are required for the relocation of work.
- d. A new provision of £127k has been raised and this relates to the installation of lockable storage facilities so the agency can implement a Clear Desk Policy.

Note 12: General Fund

The General Fund represents the total assets less liabilities of the agency to the extent that the total is not represented by other reserves and financing items.

	Note	2008/09		2007/08 Restated	
		£'000	£'000	£'000	£'000
Balance at 1 April			122,272		113,286
Net Parliamentary funding:					
Financing – current year	14c		321,272		393,325
National Insurance Fund:	14c		329,625		362,894
Net transfer from operating activities:					
Net operating cost		(974,025)		(1,083,268)	
CFER repayable to Consolidated Fund	5	(110)		(58)	
			(974,135)		(1,083,326)
Non-cash charges:					
Cost of capital	3	4,401		4,057	
Auditors' remuneration	3	164		159	
Non-cash capital additions		140		(2,080)	
Notional charges	3	305,919		334,025	
			310,624		336,161
Transfer from Revaluation Reserve	13		–		26
Prior year adjustment	26		–		(94)
Balance as at 31 March			109,658		122,272

Note 13: Reconciliation of movements in Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. Movements in the Revaluation Reserve were as follows:

	2008/09 £'000	2007/08 £'000
Balance as at 1 April	153	179
Arising on revaluation during the year	–	–
Transfer to General Fund in respect of realised element of Revaluation Reserve	–	(26)
Balance at 31 March	153	153

Note 14: Notes to the cash flow statement

a. Reconciliation of operating cost to operating cash flows

	Note	2008/09 £'000	2007/08 Restated £'000
Net operating cost		(974,025)	(1,083,268)
Adjustments for non-cash transactions	3	354,245	377,393
(Increase)/Decrease in debtors	8	5,197	(4,627)
Less movements in debtors relating to items not passing through the Operating Cost Statement		(459)	(396)
(Decrease)/Increase in creditors	10	(12,956)	(273)
Less movements in creditors relating to items not passing through the Operating Cost Statement		5,734	2,178
Use of provisions	11	(1,132)	(764)
Net cash outflow from operating activities		(623,396)	(709,757)

b. Analysis of capital expenditure and financial investment

	Note	2008/09 £'000	2007/08 £'000
Tangible fixed asset additions	6f	(26,934)	(44,313)
Intangible fixed asset additions	7	(446)	(2,144)
Net cash outflow from investing activities		(27,380)	(46,457)

c. Analysis of financing

	2008/09 £'000	2007/08 Restated £'000
From the Consolidated Fund (Supply) – current year	321,272	393,325
From the National Insurance Fund	329,625	362,894
Net financing	650,897	756,219

Note 15: Capital commitments

Capital commitments at 31 March 2009 amounted to £1,489,767 (31 March 2008 – £nil).

Note 16: Commitments under non-Private Finance Initiative contracts**Operating leases**

The Pension, Disability and Carers Service has entered into operating lease contracts for the provision of photocopiers. At 31 March the agency was committed to making the following payments during the next year, analysed according to the period in which the lease expires:

	31 March 2009 £'000	31 March 2008 £'000
Expiry within 1 year	32	160
Expiry after 1 year but not more than 5 years	86	237
Net financing	118	397

Note 17: Commitments under Private Finance Initiative contracts

The Pension, Disability and Carers Service has not entered into any contracts under the Private Finance Initiative. However, the agency continues to utilise the services provided under PFI contracts held centrally by the Department. Full details are available in the DWP Resource Account.

Note 18: Other financial commitments

The Pension, Disability and Carers Service has not entered directly into any non-cancellable contracts which are not leases or PFI contracts.

The Department for Work and Pensions, on behalf of the Pension, Disability and Carers Service and other departmental agencies, has entered into the following non-cancellable contracts (which are not leases or PFI contracts):

- The TREDSS contract came into effect during 2005/06. The Department has determined that TREDSS does not meet the criteria to be disclosed as a PFI contract. Details of other financial commitments under this arrangement are given in the Department's Resource Account.
- Similarly, the Department has determined that the Integrated Communications Network Services (ICONS) contract (created following the consolidation of two existing BT contracts during 2005/06) does not constitute a PFI arrangement. Details of other financial commitments under this arrangement are given in the DWP Resource Account.

Note 19: Financial instruments

19.1 Financial instruments by category

Financial assets	2008/09		2007/08	
	Loans and receivables £'000	Total £'000	Loans and receivables £'000	Total £'000
Trade debtors	265	265	936	936
Other debtors	322	322	441	441
Other government agency debtors	1,780	1,780	5,165	5,165
Cash and cash equivalents	15	15	4	4
Total	2,382	2,382	6,546	6,546

Financial liabilities	2008/09		2007/08	
	Financial liabilities at amortised cost £'000	Total £'000	Financial liabilities at amortised cost £'000	Total £'000
Trade creditors	3,417	3,417	5,126	5,126
Accruals	34,294	34,294	37,290	37,290
Capital accruals	2,981	2,981	8,715	8,715
Other creditors	624	624	812	812
Taxation and social security	7,125	7,125	8,501	8,501
Amounts due to other government departments	41	41	1,041	1,041
Superannuation	5,976	5,976	5,929	5,929
Total	54,458	54,458	67,414	67,414

19.2 Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The book values of the agency's financial assets and liabilities at 31 March 2009 are not materially different from their fair values (see notes 8 and 10). They have accordingly not been shown separately.

19.3 Exposure to risk

As the cash requirements of the agency are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a commercial organisation of a similar size. Financial instruments that relate to contracts to buy non-financial items in line with the agency's expected purchase and usage requirements expose the agency to little credit, liquidity or market risk.

a. Credit risk

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

The agency's exposure to credit risk is limited due to the majority of administrative-related debt being with other government departments.

b. Liquidity risk

Each financial year, the Parliament makes provision for the use of resources by the agency for revenue and capital purposes in the annual Appropriation Act (the Act). Resources may be used only for the purposes specified and up to the amounts specified in the Act. The Act also specifies an overall cash limit for the financial year. The Estimates process offers further opportunities throughout the year to amend funding levels and purposes. The agency is not therefore exposed to significant liquidity risks.

c. Market risk

The agency has no powers to borrow or invest surplus funds and its bank accounts are maintained centrally with DWP. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the agency in achieving its objectives.

(i) Interest rate risk

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

(ii) Currency risk

The agency's exposure to foreign currency risk is not significant.

19.4 Aged analysis of Financial Assets

An analysis of the ageing of the non impaired past-due Financial Assets is shown below:

	0–30 days £'000	30–60 days £'000	Over 60 days £'000	Total £'000
Financial Assets	14	24	467	505
As at 31 March 2009	14	24	467	505

Note 20: Contingent assets and liabilities

Deficiency Notices

Each tax year, an exercise is performed to identify customers who have not paid, or been credited with, enough National Insurance contributions to provide entitlement towards State Pension for that year. Those customers of working age who are affected are issued with an invitation (Deficiency Notice), by HM Revenue and Customs, to pay contributions on a voluntary basis to make up any deficiency.

Deficiency Notices were not sent out for the tax years 1996/97 to 2001/02. Between April 2007 and March 2009, The Pension Service contacted pensioner customers affected by the suspension of deficiency notices. Customers who reached State Pension age between 6 April 1998 and 24 October 2004 (inclusive) were invited to consider paying voluntary contributions to provide them with the opportunity to improve their basic State Pension or qualify for one for the first time.

As at 31 March 2009, State Pension arrears of £87.8 million had been paid out in relation to the pensioner exercise, plus interest of £7.6 million.

Note 21: Losses and special payments

a. Losses Statement. In 2008/09 The Pension, Disability and Carers Service paid out a total of £51K to 152 loss cases (2007/08: £60K to 77 cases).

b. Special Payments. In 2008/09 The Pension, Disability and Carers Service paid out a total of £6,479k to 20,210 special payment cases (2007/08: £4,052k to 13,529 cases).

There are no individual Special Losses or Special Payments that require separate disclosure in the accounts (i.e. individual cases over £250k).

Note 22: Related party transactions

The Pension, Disability and Carers Service is an executive agency of the Department for Work and Pensions (the Department).

The Department and its agencies are regarded as related parties to the Pension, Disability and Carers Service. During the year, the Pension, Disability and Carers Service have had a significant number of material transactions with the Department and its agencies (see Note 4).

Details of transactions between directors of the Pension, Disability and Carers Service or their close family members and third party organisations with which the Pension, Disability and Carers Service has a business relationship are held in a register that may be accessed at the address on page 42. No board member or senior official has undertaken any material transaction with the Pension, Disability and Carers Service during the year.

In addition, the Pension, Disability and Carers Service had a number of material transactions with other government departments and other central government bodies.

Note 23: Late payment of commercial debt

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

In 2008/09 £nil (2007/08: £204) of interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998. This is included in other administration costs (Note 3).

Note 24: Charitable donations

The Pension, Disability and Carers Service made no charitable donations during the year.

Note 25: Post balance sheet events

There have been no material post balance sheet events that require disclosure in these accounts.

The Pension, Disability and Carers Service' financial statements are laid before the Houses of Parliament by the Secretary of State of the DWP. FRS 21 requires the Pension, Disability and Carers Service to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Pension, Disability and Carers Service' management to the Secretary of State of the DWP.

The authorised date for issue is 16 July 2009.

Note 26: Prior year restatement

Balance Sheet	TPS published accounts at March 2008 £'000	DCS published accounts at March 2008 £'000	Consolidation of TPS and DCS £'000	Prior-period adjustment £'000	Restated accounts at March 2008 £'000
Fixed assets	179,131	68	–	–	179,199
Debtors: Amounts falling due after more than one year	6,976	69	–	–	7,045
Current assets					
Debtors: amounts falling due within one year	8,169	583	105	(94)	8,763
Cash at bank and in hand	4	0	–	–	4
	8,173	583	105	(94)	8,767
Current liabilities					
Creditors: amounts falling due within one year	(54,256)	(13,053)	(105)	–	(67,414)
Net current assets/(liabilities)	(46,083)	(12,470)	–	(94)	(58,647)
Total assets less current liabilities	140,024	(12,333)	–	(94)	127,597
Provisions for liabilities and charges	(4,491)	(681)	–	–	(5,172)
	135,533	(13,014)	–	(94)	122,425
Taxpayers equity:					
General Fund	135,388	(13,022)	–	(94)	122,272
Revaluation Reserve	145	8	–	–	153
	135,533	(13,014)	–	(94)	122,425

- Consolidation of The Pension Service and Disability and Carers Service relates to reclassification of debtors and creditors due to merger of Disability and Carers Service and The Pension Service.
- Prior period adjustment relates to changes to Departmental Policy on impairment. As a result adjustments have been made to reflect fair value changes as a consequence of the new standards and the impairment calculation review.

Note 26: Prior year restatement (continued)

Operating Cost Statement	TPS published accounts at March 2008 £'000	DCS published accounts at March 2008 £'000	Consolidation of TPS and DCS £'000	Restated accounts at March 2008 £'000
Administration costs				
Staff costs	343,073	153,571	109	496,753
Other administration costs	452,243	144,360	19	596,622
Gross administration costs	<u>795,316</u>	<u>297,931</u>	<u>128</u>	<u>1,093,375</u>
Operating income	(9,920)	(59)	(128)	(10,107)
Net operating cost	<u>785,396</u>	<u>297,872</u>	<u>–</u>	<u>1,083,268</u>

Design Corporate Document Services www.cds.co.uk WP:503388

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID6195998 07/09

Printed on Paper containing 75% recycled fibre content minimum.



Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401



INVESTOR IN PEOPLE



Produced by the Pension, Disability and Carers Service, part of the Department for Work and Pensions.

ARA0809PDCS

ISBN 978-0-10-296202-4



9 780102 962024