

Annual report and accounts

2007-08



**personal accounts
delivery authority**

Advisory body to the Department
for Work and Pensions





PERSONAL ACCOUNTS DELIVERY AUTHORITY
ANNUAL REPORT AND ACCOUNTS

26 July 2007 — 31 March 2008

Presented to Parliament pursuant to paragraph 17
of Schedule 6 to the Pensions Act 2007

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▼ FOREWORD

The personal accounts scheme will help millions of people on low and moderate incomes, who do not have access to a good-quality workplace pension, save for their retirement. As a result, millions of future pensioners will benefit from an improved income in retirement.

It is widely recognised that setting up a major pension scheme, which personal accounts will be, is not a job for the Government. The skills required to build and run a scheme successfully are mainly found in the private sector. As a consequence, the Personal Accounts Delivery Authority was set up first to advise upon a design for the scheme, then to develop and launch it by 2012.

The year ahead will be an eventful one. We expect the Pensions Bill 2007–08 to receive Royal Assent, and to start the procurement of the administration services for the personal accounts scheme. There will, of course, be challenges — but we are well-placed to meet these head-on.

I would like to take this opportunity to thank all those who have worked so hard to bring the Authority to where it is now: in a strong position to move forward and establish the personal accounts scheme. I would also like to acknowledge the significant and considerable contribution made by our former Chair, Paul Myners, to the success of the Authority and its progress towards the introduction of the personal accounts scheme.



Jeannie Drake
Jeannie Drake
Acting Chair
Personal Accounts Delivery Authority
13 October 2008





SECTION ONE
ANNUAL REPORT



▼ CHIEF EXECUTIVE'S REPORT

The current programme of pension reform — including the introduction of the personal accounts scheme in 2012 — will improve the lives of most people when they retire. The reforms will help many enjoy a higher standard of living than they would otherwise. There is widespread agreement that the alternatives are unacceptable. That is why the Personal Accounts Delivery Authority must — and will — succeed.

Creating what will be Britain's largest occupational pension scheme is not a quick or easy process. There are many challenges ahead. I know I speak for everyone at the Authority when I say we are relishing the challenge. Indeed, we are already working extremely hard to fully understand the implications and challenges we face, and to address them.

Our public service mandate and commitment to low charges, for example, mean that our business model has to be lean and cost-effective. Our members simply cannot afford to pay high charges. This is why we are going to rely heavily on an internet-based delivery system.

We have developed rapidly as an organisation. Our governance arrangements are in place, we have staff in London, Leeds and Newcastle, and our workforce continues to grow as we bring in the expertise needed to deliver a project of this size and complexity.

We have a robust plan in place that will, I am convinced, allow us to deliver personal accounts by 2012. There are, of course, a number of dependencies — and not all of these are within our control. For example, delivery of the supporting legislative programme to a timescale consistent with the plan must be carefully managed to avoid additional risk.

Finally, Paul Myners has recently accepted an invitation to take an unpaid Ministerial position with HM Treasury as Financial Services Secretary, and resigned from his position as Chair of the Authority on 3 October 2008 with immediate effect. Jeannie Drake, a non-executive of the Authority, has kindly agreed to become our Acting Chair, pending the appointment of a successor to Paul.

I believe we have built a strong base in 2007–08. The challenge will be to build on this, and to take forward the introduction of personal accounts in four years' time.



Tim Jones
Chief Executive
Personal Accounts Delivery Authority
13 October 2008

ABOUT THE PERSONAL ACCOUNTS DELIVERY AUTHORITY


 The Personal Accounts Delivery Authority was established by the Pensions Act 2007 and came into being on 26 July 2007. It is a Non-Departmental Public Body (NDPB), accountable to Parliament and reporting to the Secretary of State for Work and Pensions.

2. This report and accounts is being produced in accordance with the requirements of the Act¹. The report covers the period from 26 July 2007 to 31 March 2008; although we occasionally refer to events that have taken place after 1 April 2008 where we believe it makes sense to do so. With the agreement of HM Treasury and the Department for Work and Pensions (DWP), and reflecting the Authority's transition to grant-in-aid status, the accounts primarily cover the one-month period from 1 to 31 March 2008. The move to grant-in-aid status on 1 March 2008 carries with it the transfer of responsibility to the Authority for accounting separately for its expenditure from that date forward.
3. The Pensions Act 2007² gives the Authority a statutory duty to: "do anything it thinks appropriate for preparing for the implementation of, or for advising on the modification of, any relevant proposals about personal accounts."
4. During the period covered by this report, we have carried out our duties under the Act. Our key role has been to advise the Government on the development of its policies, which include:
 - a new duty for all employers to automatically enrol all eligible employees into a pension that meets minimum standards;
 - a new duty for employers to make an employer contribution into that pension; and
 - the establishment of personal accounts, a new low-cost, national occupational pension scheme, the main features of which are outlined in **Appendix A**.

Personal accounts is a working title for the new pension scheme, pending a final decision on a suitable name.
5. Our current remit includes:
 - providing advice on the operational, technical and commercial implications of policy options for personal accounts; and
 - making recommendations for the delivery of the personal accounts scheme and associated policies.
6. Key information about the Delivery Authority and access to published documents are available on our website: www.padeliveryauthority.org.uk.

1. Pensions Act 2007, Schedule 6, paragraphs 17(1) and 19(2)

2. Pensions Act 2007, Section 21(1)



DIRECTORS' REPORT

GOVERNANCE AND ORGANISATION



Composition of the Board

7. The Pensions Act 2007³ sets out that the membership of the Board of the Delivery Authority should consist of:
 - a Chair (appointed by the Secretary of State);
 - a Chief Executive;
 - other executive directors; and
 - Non-Executive Directors.
8. The Act requires that the Secretary of State and the Authority should aim to ensure that the Board has no less than three and no more than nine members at any time⁴.
9. The Act also requires that all initial appointments are made by the Secretary of State. Any subsequent chief executive and executive directors may be appointed by the Chair and non-executive directors, subject to the approval of the Secretary of State. Subsequent non-executive directors, apart from the Chair, may be appointed by the Delivery Authority subject to approval by the Secretary of State⁵.
10. The composition of the Board complies with one of the key recommendations of the Higgs report⁶: that there should be a majority of non-executive directors on the Board.

3. Pensions Act 2007, Schedule 6, paragraphs 1(1) and 6

4. Pensions Act 2007, Schedule 6, paragraph 1(4)

5. Pensions Act 2007, Schedule 6, paragraphs 1(2) and (3) and 6(2) to (5)

6. *Review of the role and effectiveness of non-executive directors*, Derek Higgs, 20 January 2003, as commissioned by the then Secretary of State for Trade and Industry



11. Chair

Paul Myners was appointed Chair of the Personal Accounts Delivery Authority on 1 August 2007. Paul has had extensive experience in the financial sector and a wide range of interests across other industry, cultural and voluntary sectors. Paul has recently accepted an invitation to take up an unpaid Ministerial position in HM Treasury as Financial Services Secretary, and consequently resigned from his position as our Chair on 3 October 2008 with immediate effect. Jeannie Drake, a non-executive of the Authority, is our Acting Chair, pending the appointment of a successor to Paul.

12. Chief Executive

Tim Jones was appointed Chief Executive of the Personal Accounts Delivery Authority on 8 October 2007. His substantial experience in the financial sector includes directorships at Capital One Bank (Europe) PLC and Investment Technology Group Inc. He has held a variety of senior positions, including Chief Executive of Retail Banking at Natwest Plc and Chief Executive at Mondex, Purseus Ltd and Simpay Ltd.

‘We will work with the DWP to determine our performance framework, in light of overarching Government policy to alleviate poverty in retirement ...’

13. Non-Executive Director

Jeannie Drake was appointed the Delivery Authority's first Non-Executive Director on 17 September 2007 and was appointed Acting Chair, following the resignation of Paul Myners, with effect from 3 October 2008. Jeannie has a wealth of public sector experience. She currently serves on the boards of the Pension Protection Fund, the Equality and Human Rights Commission and the Employment Appeals Tribunal. Between 2002 and 2006, she served as a member of the Pensions Commission, and from 2006–08 she was Chair of the Railway Pensions Commission. She also has experience in the private sector, and is currently a pension scheme trustee for both O2 and Alliance & Leicester plc. Jeannie has held a number of trade union posts, including Deputy General Secretary of the National Communications Union and President of the Trades Union Congress. She recently retired from her post as Deputy General Secretary of the Communication Workers Union, which she had held since 1995, where she specialised in IT and telecommunications.

14. On 15 May 2008, following the end of the financial year, a further three Non-Executive Directors — Alison Wright, Paul Hewitt and Chris Willford — were appointed to the

Board. On 1 September 2008, Simon Richards was appointed to the Board as our Business Delivery Director. We are currently in the process of recruiting further executive directors to the Board.

15. All appointments made so far are for an initial period of three years, with an option to renew.
16. All appointments were made following an open and competitive selection process. The appointment of the Chair and non-executive directors complied with the Office of the Commissioner for Public Appointments (OCPA) *Code of Practice for Public Appointments*. Executive appointments were not subject to the OCPA code but, where appropriate, the code was observed as best practice.

Board members' interests

17. Members of the Board have registered any interests they hold that may give rise to a potential conflict with their responsibilities to the Authority. A register of members' interests will shortly be published on our website.

Organisation of the Board and its committees

18. A chart showing the organisation of the Board and its committees is at Appendix C.

Relationship with the Department for Work and Pensions and the Pensions Regulator

19. The Department for Work and Pensions (DWP) is our sponsoring department. Our relationship with the DWP is chiefly managed via the DWP Steward and his stewardship team, with the Steward being our primary point of contact with the DWP. Our roles and responsibilities are set out in our framework document, which is available on our website.
20. The Pensions Regulator will be responsible for the system that will enable employers to comply with their new duties. While we may be asked to assist in building the infrastructure to support the compliance regime, the Pensions Regulator will lead this work and ensure the regime is fit for purpose. There will be a clear separation of governance and decision-making between that relating to personal accounts and that relating to the compliance regime.
21. The DWP has overall responsibility for the Government's programme of pension reform. Part of this reform programme — the Enabling Retirement Savings Programme — will be delivered by the DWP, with support from the Pensions Regulator and the Delivery Authority. The Enabling Retirement Savings Programme aims to increase the number of people saving for retirement, and to increase pension saving in general. It encompasses the introduction of personal accounts, as well as the new employer duties to automatically enrol employees into a work-based pension and contribute to that pension. Our Chief Executive is a member of the Board of the Enabling Retirement Savings Programme.
22. We will work with the DWP to determine our performance framework in light of the Government's overarching policy to alleviate poverty in retirement, and the DWP strategic objective to "promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform".
23. During the period covered by this report, we met regularly with Ministers and with officials from the DWP and the Pensions Regulator. More frequent meetings took place at a working level. Our framework document gives more detail of the arrangements for working with the DWP on a day-to-day basis.

Our people

24. At the balance sheet date, we had 118 people working for us spread across three sites in London, Leeds and Newcastle. Our workforce provides a range of skills and expertise that will change over time. We expect the number of direct employees to grow, as we draw further on the expertise available in the private sector.

ACTIVITIES DURING THE FINANCIAL YEAR



Board activity

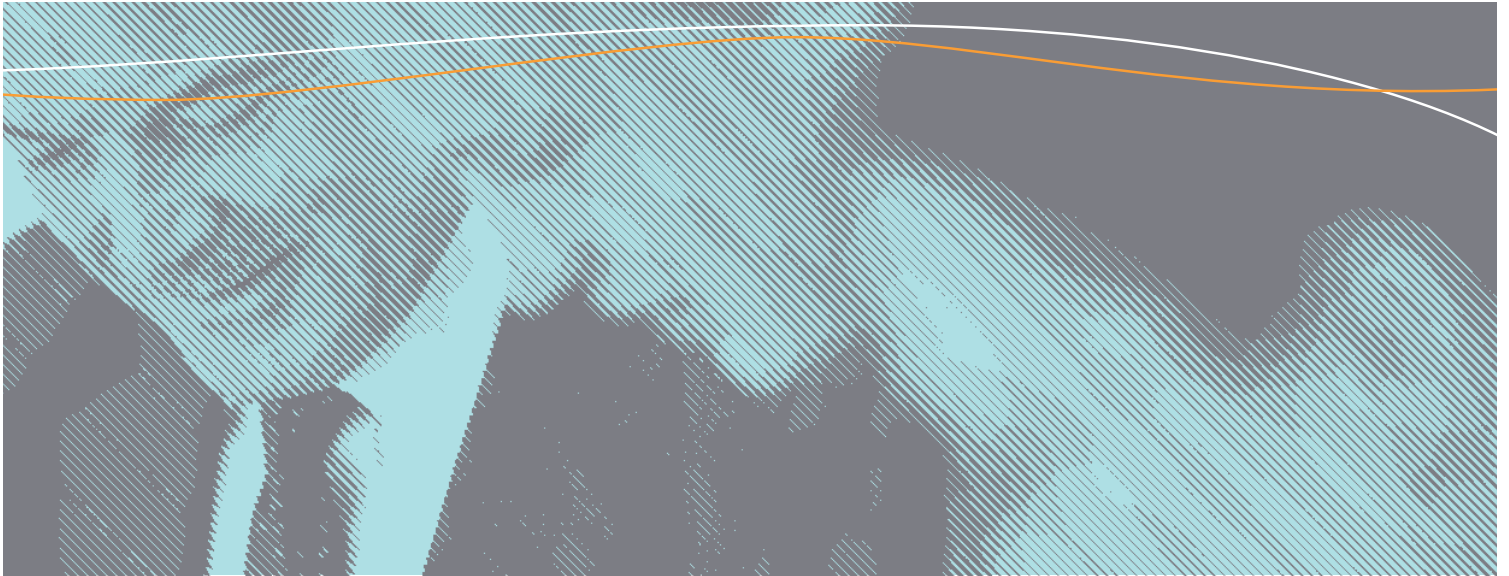
25. Following an initial workshop of Board members on 31 October 2007, the Board held four meetings during 2007–08. The agendas focused on:

- the operational implications of the Pensions Bill 2007-08;
- planning for delivery of personal accounts and the new employer duties in 2012;
- stakeholder engagement; and
- corporate governance.

26. Key activities included:

- scrutiny of finances;
- scrutiny of advice to the DWP;
- approval of the framework document defining our relationship with the DWP;
- approval of programme plans;
- approving internal governance arrangements and control systems; and
- setting up key advisory committees to represent the interests of consumers and employers.

‘Much of our activity during the period covered by this report has been devoted to building our organisational capabilities.’



27. The Consumer Representative Committee is chaired by Jeannie Drake. The Employer Representative Committee will ultimately be chaired by one of our non-executive directors, but is currently chaired by Tim Jones.
28. The Consumer Representative Committee held two meetings during 2007–08, discussing a range of topics including charges for personal accounts, the employer duty and the contribution cap.
29. The Employer Representative Committee held its first meeting on 3 April 2008. Matters covered included confirmation of membership and agreement of terms of reference.
30. The membership and remit of both committees is set out in **Appendix D**. Other relevant organisations and individuals will be invited to attend the committee meetings to assist in the consideration of particular issues.
31. Subject to Royal Assent of the Pensions Bill 2007–08, the Authority will also be required to establish a non-executive committee, and arrangements for that are already underway. Other committees have been established, including the Scheme Management and Trustee Advisory Committee and Board sub-committees covering, for example, audit and risk, and remuneration.
32. The Scheme Management and Trustee Advisory Committee met for the first time on 28 April 2008. The committee is made up of representatives from those bodies that trustees and scheme managers would normally look to for advice and support for their working practices and decision-making. The membership and remit of the committee is set out in **Appendix D**.

‘We are confident that we can deliver a new pension scheme in time to support the introduction of automatic enrolment.’

Building the organisation

33. Much of our activity during the period covered by this report has been devoted to building our organisational capabilities. We have:
- appointed Board members;
 - established arrangements for discharging Board duties and responsibilities;
 - appointed staff;
 - started to build our management and control systems and processes, both clerical and supported by information technology;
 - developed relations with other public bodies and stakeholders;
 - agreed funding arrangements with the DWP for the forthcoming year; and
 - begun to develop a long-term strategy and short-term objectives.

Planning for delivery

34. On taking up his post, Chief Executive Tim Jones undertook a review to ensure the Authority had a credible set of plans to enable personal accounts to be introduced from 2012. That review demonstrated that implementation from 2012 is achievable, but there are risks associated with this start date.

At this early stage in the delivery of a major project of this scale, innovation and complexity, a certain amount of risk and uncertainty is inevitable. We are confident, however, that we can deliver a new pension scheme in time to support the introduction of automatic enrolment.

Pensions Bill 2007–08

35. We have supported both the Government and DWP during the passage of the Pensions Bill 2007–08. Our former Chair, Paul Myners, gave oral evidence to the Work and Pensions Select Committee on 17 October 2007, alongside the former Minister of State for Pensions Reform, Mike O’Brien. Both Paul Myners and Tim Jones gave oral evidence to the House of Commons Public Bill Committee on 15 January 2008. We have advised the Government on the content of the Bill, and given our perspective on a number of proposed amendments to the Bill.

Procurement

36. Most business activities for personal accounts will be administered by the private sector under contract. We have undertaken early activity to engage with private sector suppliers, to establish that there is a competitive market from which services can be procured.

Funding personal accounts

37. Our remit includes advising on options for funding the setting up of personal accounts and the scheme's operation, until the costs of setting up and running the scheme can be covered by revenue from charges. We worked closely with the Government to help demonstrate the scheme's viability prior to the introduction of the Pensions Bill 2007–08.

Consultation on a charging structure for personal accounts


38. It is crucial that the right decision is made on the charging structure for personal accounts, chiefly because the structure is likely to affect the income scheme members ultimately receive in retirement. To ensure we have as much information as possible about the various charging structure options, and to help build consensus on the most suitable option for personal accounts, we launched a public consultation on 29 January 2008. The consultation was supported by a discussion paper, *Building personal accounts: choosing a charging structure*, which is available on our website.

39. We received 46 responses to the consultation from across the financial services industry, consumer representative groups, employer groups, pension administration providers and academic bodies. A summary of the responses to the consultation was published on our website on 15 July 2008.

Research

40. We have established a strategic research and customer insight programme that aims, over time, to enable us to predict key characteristics of the wider pensions landscape into which personal accounts will be introduced. Through this programme of work, we are developing a better knowledge and understanding of:


- those employers who are likely to consider using the personal accounts scheme;
- possible scheme members, including both job-holders and the self-employed; and
- groups, such as independent financial advisors and other intermediaries, who can influence the choices people make.

- 
41. We will use the results of the strategic research and customer insight programme:
- to ensure customers are at the heart of the development of business processes and service delivery models;
 - in the development of information and promotional material for the scheme;
 - to improve and refine cost, volume and revenue assumptions; and
 - to inform the sourcing of services, and the evaluation of bids from suppliers for the resulting scheme itself.
42. Market research has been undertaken with employers to help us advise the DWP on joining processes. Key objectives included establishing likely employer reactions to the main elements of scheme processes, which include automatic enrolment, opt-out, opt-in, contribution refunds and re-enrolment.

Stakeholder engagement

43. We have a wide range of stakeholders from across the public and private sectors, including the pensions industry, consumer and employer groups, and potential suppliers. We are working closely with these groups to ensure that we understand their views where they are relevant to our work.
44. Alongside regular meetings of the Board's advisory committees, our ongoing programme of engagement has enabled us to develop constructive relationships with key stakeholders. We have already met with a wide range of interested parties including the National Association of Pension Funds, Association of British Insurers, Investment Managers Association, People's Pensions Coalition, Confederation of British Industry, Pensions Policy Institute, the Pensions Regulator and potential suppliers.

'We have established a strategic research and customer insight programme that aims, over time, to enable us to predict key characteristics of the wider pensions landscape into which personal accounts will be introduced.'



45. Representatives of the Authority have spoken at, or attended, a number of events organised by stakeholder groups, including the National Association of Pension Funds Investment Conference and the Association of Consulting Actuaries Members' Conference.

46. Stakeholders have been generally very supportive of personal accounts and of the Authority.

Employer engagement

47. We recognise that employers are among our key stakeholders. Our programme of employer engagement aims to ensure the design of the processes supporting the personal accounts scheme has regard to minimising employer burden, whilst delivering a scheme that can be provided at a low cost for its members.

48. We have already established the Employer Representative Committee, which as well as providing informed advice to the Authority, will be one of our main channels for employer consultation.

49. More specifically, we have begun market research with employers to obtain their views on, and contributions to, the processes being designed to support the scheme.

Freedom of Information and similar requests

50. The DWP has received a small number of requests for information, and the Authority has been the subject of some interest from Parliament and the media. We have provided full and accurate information to help the DWP respond to a number of Parliamentary questions and Freedom of Information requests.

PRIORITIES FOR THE YEAR AHEAD



Aims and objectives

51. Our aims and objectives — in the context of delivering personal accounts within the remit from Government — will be published on our website, along with our business plan for 2008–09.

Legislation

52. We will continue to provide advice to Ministers and the DWP on the Pensions Bill 2007–08 as it progresses through Parliament. We will advise the DWP on the content of secondary legislation and will work with the DWP to develop the detail of personal accounts.
53. Subject to the Pensions Bill 2007–08 receiving Royal Assent, our remit will be expanded to include delivery of personal accounts. This will be reflected in a revised framework document, which will be available on our website in late 2008.

Principles

54. The Pensions Bill 2007–08 includes a number of principles to which the Authority must have regard when carrying out its new functions under the Bill. Those principles are:
- participation in qualifying schemes should be encouraged and facilitated;
 - the burdens imposed on employers should be minimised;
 - any adverse effects on qualifying pension schemes, and members and prospective members of those schemes, should be minimised;
 - the cost of membership of the personal accounts scheme should be minimised;
 - the preferences of prospective members should, so far as practicable, be taken into account in making any provision about investment choice; and
 - diversity among members and prospective members of the scheme should be respected.



Subject to the Pensions Bill receiving Royal Assent, our remit will be expanded to include delivery of personal accounts.

These principles reflect the Government's ambitions for pension reforms, including those set out in its White Paper, *Personal accounts: a new way to save*, published in December 2006.

55. The principles aim to focus the design of personal accounts on the scheme's target market of low and middle income earners without existing access to good-quality workplace pension provision.
56. In carrying out our current remit and preparing for our future role, we are considering the impact of these principles. When carrying out our new functions, we will have regard to the principles. Future annual reports will detail how the principles have informed our work and decision-making.

Consultations

57. Investment

We will publish a public consultation on the investment functions of the personal accounts scheme, covering such issues

as the design of the default fund, lifecycle asset allocation, governance, and wider investment choices, such as socially-responsible investment. We will invite feedback from a range of stakeholders including, but not limited to, the investment industry and finance professionals, pension fund managers, consumer organisations and trade unions.

58. Scheme order and rules

The key provisions of the personal accounts scheme will be set out in the scheme order and rules. The scheme order is analogous to the trust deed in other trust-based schemes, and establishes the trust. Together, the order and rules provide the legal framework for the practical operation of the scheme, including details of such things as:

- employer participation;
- member eligibility;
- contribution definitions; and
- retirement and death benefits payable.

‘We will ... continue to build our workforce, employing high-calibre staff with the mix of skills and expertise required to deliver ... ’

We plan to undertake a joint consultation, with the DWP, on the order and rules for the personal accounts scheme, early in 2009.

59. Accessing pension savings at retirement

We will facilitate a public consultation on the arrangements for accessing pension savings at retirement within the personal accounts scheme, covering issues such as the links with the investment lifecycle asset allocation, what information the scheme should provide to support members' choices, and governance arrangements. We will invite feedback from a range of stakeholders including, among others, the insurance industry and finance professionals, consumer organisations and trade unions. The results of this consultation will be used to inform the drafting of the scheme order and rules.

Research

60. During the year ahead, we plan two key pieces of research: the *Member insight and segmentation research* and *Employer insight and segmentation research*.
61. The member insight research aims to help us further understand people's attitudes to saving for later life. The findings will inform a communications plan and marketing strategy, which will aim to minimise inappropriate opt-out, increase retention and encourage increased contributions.
62. The objective of the employer insight research is to inform planning for a successful launch of personal accounts. The research will help inform the design of the scheme, plans for implementation and production of relevant marketing activity. The findings will also help to inform our volumes modelling.

Procurement

63. Subject to the Pensions Bill 2007-08 receiving Royal Assent, work will begin in the coming 12 months to let contracts with the private sector to support the administration of the scheme. We plan to issue a notice in the *Official Journal of the European Union*, to begin the formal procurement process, early in 2009.
64. Before the procurement stage, we have to address a number of areas, including:
- agreeing a funding strategy for setting up personal accounts;
 - defining the requirements of the scheme; and
 - finalising a procurement strategy.
65. Like all major public sector projects, the Enabling Retirement Savings Programme is subject to the Government review and approvals process. Starting in October 2008, the programme will undergo a review by HM Treasury's Major Project Review Group. We will play a substantial role in supporting the DWP through this process.

Recruitment

66. Over the next 12 months, we intend to complete our Board with the recruitment of further executive directors. We will also continue to build our workforce, employing high-calibre staff with the mix of skills and expertise required to deliver the programme of work within agreed timescales, while directly reducing the dependence on external resources.



Tim Jones

Chief Executive
Personal Accounts Delivery Authority
13 October 2008



REMUNERATION REPORT

REMUNERATION REPORT

Our Chair was contracted for the equivalent of two days per week, and the Non-Executive Directors for 15 days per year.

The relevant terms and conditions of appointment are outlined in the Pensions Act 2007⁷. The Chair and other Non-Executive Directors may resign by notice in writing to the Secretary of State. If the Chair or other Non-Executives leave, other than on expiry of their term of office, and it appears to the Secretary of State that there are special circumstances that justify the payment of compensation⁸, a payment may be made as determined by the Secretary of State.

The Chief Executive's remuneration package includes a non-consolidated annual bonus of up to 15 per cent of basic salary and a terminal bonus (after three years) of up to 50 per cent of basic salary, both based on meeting his performance targets.

The Chief Executive will also be eligible to join the Authority's pension scheme.

The Authority did not make any pension contributions during 2007–08, and none of the directors received benefits in kind during 2007–08.

The Authority is developing a remuneration strategy for staff members, in accordance with Section 4.14 of its framework document. More information on this strategy will be included in future annual reports.

The initial Board recruitment was undertaken by the DWP and — within the terms of the Pensions Act 2007⁹ — the remuneration of the Chair, Chief Executive and Non-Executive Director was determined by the Secretary of State.

The remuneration packages payable to directors are:

Name and position	Basic remuneration (per annum)	Remuneration 2007–08 (to nearest £1000)	2007–08 performance bonus (to nearest £1000)	Pension contributions	Contract start date	Contract length	Notice period
Paul Myners Chair	£150,000 ¹⁰	£100,000	0	N/A	1/8/2007	3 years	6 months
Tim Jones Chief Executive	£230,000	£105,000	£14,000	None	8/10/2007	3 years	3 months or 6 months ¹¹
Jeannie Drake Non-Executive Director	£20,000	£12,000	0	N/A	17/9/2007	3 years	6 months

The information contained in this table has been subject to audit.

7. Pensions Act 2007, Schedule 6

8. Pensions Act 2007, Schedule 6, paragraph 4(2)

9. Pensions Act 2007, Schedule 6, paragraphs 4(1) and 7(1)

10. The Chair has not drawn any remuneration in respect of his work for the Authority during the period covered by this report

11. Depending on circumstances



Tim Jones
Chief Executive
Personal Accounts Delivery Authority
13 October 2008



APPENDICES

APPENDIX A



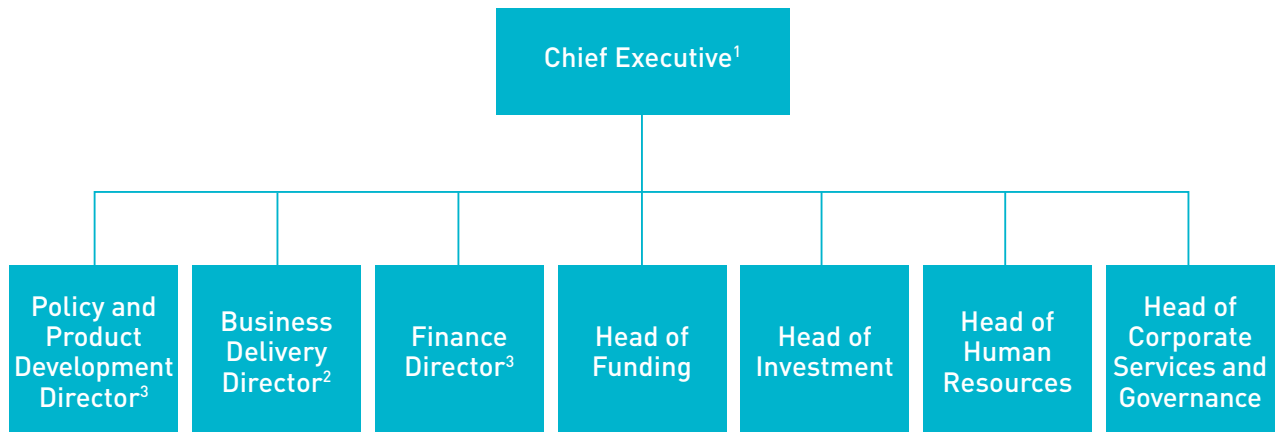
About personal accounts

1. The basic outline of personal accounts was established in the Pensions Act 2007, and the scheme framework is set out in the Pensions Bill 2007–08.
2. Employers must automatically enrol all employees aged 22 and over, who ordinarily work in Great Britain and earn in excess of £5,035 per year, into a qualifying scheme that meets minimum standards set out in the draft legislation. Employees will contribute a minimum of 4 per cent of gross earnings, employers 3 per cent and the Government approximately 1 per cent, in the form of tax relief on yearly earnings between £5,035.01 and £33,540 (although this may be calculated per pay period).
3. The personal accounts scheme will be one of the qualifying schemes and is intended to provide a workplace pension for those that currently don't have access to one.
4. Membership of a qualifying pension scheme is voluntary. Although the Pensions Bill 2007–08 introduces a duty on employers to automatically enrol employees into a qualifying workplace pension scheme, employees will have the right to opt out.
5. In addition to those people who will be automatically enrolled, the personal accounts scheme will be available to those who are:
 - self-employed;
 - not in work, provided they already have a personal account;
 - aged under 22; or
 - earn £5,035 and below.

The only people in these groups, however, who will benefit from the mandatory employer contribution are those aged under 22.
6. The personal accounts scheme will be similar to other occupational defined contribution schemes but, to ensure that the scheme reaches its target audience of low and middle income earners who do not currently contribute to a pension, it has some unique features. There will be an annual contribution limit and a restriction on transfers into and out of a personal account. Most importantly, the scheme will accept everyone whose employer offers the personal accounts scheme and who wants to be a member, irrespective of whether it is economic to do so.

APPENDIX B

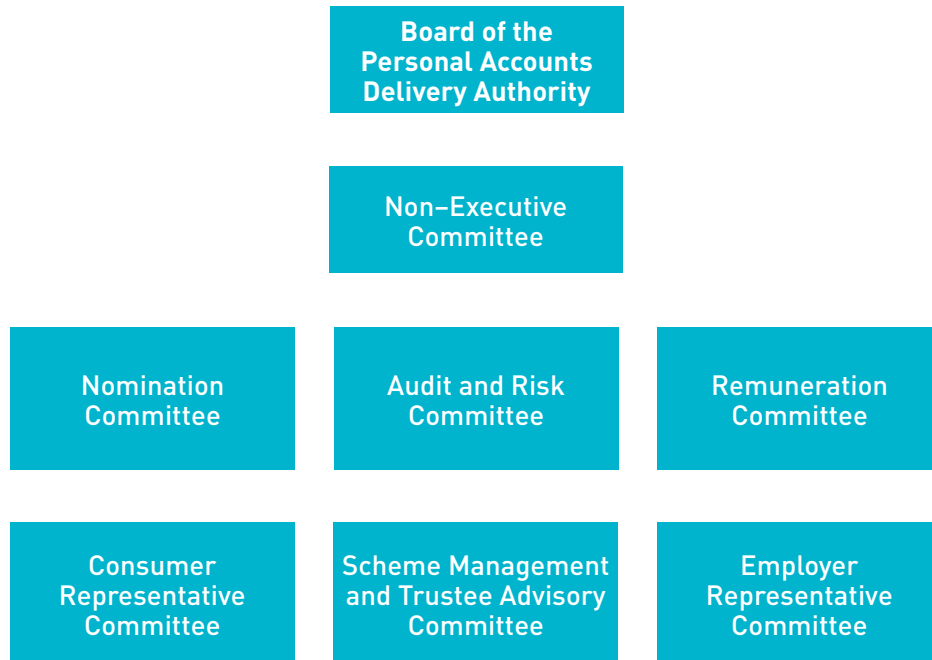
Personal Accounts Delivery Authority interim organisation chart



1. Tim Jones appointed 8 October 2007
2. Simon Richards appointed 1 September 2008
3. The Authority is currently recruiting for these senior positions

APPENDIX C

Organisation of the Board and its Committees



APPENDIX D

Advisory committees to the Board

Consumer Representative Committee

The committee's remit is to:

- provide advice and expert support to the Board of the Authority on a range of consumer matters related to personal accounts and employer engagement and enforcement issues;
- share research and evidence; and
- provide guidance and expert support for work with customer insight and focus groups.

Membership includes representatives from:

- Age Concern
- Help the Aged
- Trades Union Congress
- Equality and Human Rights Commission
- Financial Services Authority's Consumer Panel
- Which?
- Pensions Advisory Service
- Citizens Advice

Employer Representative Committee

The committee's remit is to:

- provide advice and expert support to the Board of the Authority on a range of employer matters related to personal accounts and employer engagement and enforcement issues;
- share research and evidence; and
- provide guidance and expert support for work with employer insight and focus groups.

Membership includes representatives from:

- British Chambers of Commerce
- Business Application Software Developers' Association
- Chartered Institute of Personnel and Development
- Confederation of British Industry
- Engineering Employers' Federation
- Federation of Small Businesses
- Institute of Chartered Secretaries and Administrators
- Institute of Directors
- Institute of Payroll Professionals

Scheme Management and Trustee Advisory Committee

The committee's remit is to:

- provide advice and expert support to the Board of the Authority on a range of matters that will be of interest to the trustee corporation of the personal accounts scheme;
- provide input to ensure that high-quality accounting, reporting and overall scheme governance arrangements have been put in place for the trustee corporation;
- provide guidance, expert support and quality assurance to the Authority's work in developing the scheme provision;
- provide insight from a scheme management and trustee perspective;
- consider and review proposals for how the trustee will discharge its duties and meet its responsibilities; and
- champion the interests of the trustee corporation and future members of the scheme.

Membership includes representatives from:

- the actuarial profession (Institute of Actuaries and Faculty of Actuaries)
- Association of Pensions Lawyers
- Society of Pension Consultants
- National Association of Pension Funds
- Institute of Chartered Accountants in England and Wales
- Pensions Management Institute

Membership of advisory committees will be kept under review.

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SECTION TWO FINANCIAL REPORT

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Schedule 6 (part 3, paragraph 19) of the Pensions Act 2007, the Authority is required to prepare, for each financial year, a statement of accounts in the form of, and on the basis set out in, the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Authority and of its income, expenditure, recognised gains and losses and cash flows for the financial period.

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

- observe the accounts direction issued by the Secretary of State, 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 financial statements; and
- prepare the financial statements on a going-concern basis.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware and the Accounting Officer has taken all the steps that he ought to have taken to make him aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer of the Department for Work and Pensions (DWP) has designated the Chief Executive of the Authority as Accounting Officer for the Authority. The responsibilities of the Authority's Accounting Officer include the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records, and safeguarding the Delivery Authority's assets. The responsibilities of an Accounting Officer are set out in *Managing Public Money*, issued and published by HM Treasury on its website at: http://documents.treasury.gov.uk/mpm/mpm_whole.pdf

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

I was appointed Accounting Officer of the Personal Accounts Delivery Authority on 1 March 2008. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Authority's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in HM Treasury's *Managing Public Money*.

The Authority is a new Non-Departmental Public Body (NDPB) established on 26 July 2007 under section 20 of the Pensions Act 2007, to advise the Government on its policy relating to personal accounts. The Authority is sponsored by the Department for Work and Pensions (DWP) and its working relationship with the Department is set out in the framework document agreed between both parties on 1 March 2008.

Prior to 1 March 2008, the Authority was treated as an integral part of the DWP and operated under the Department's system of internal control, where the DWP Permanent Secretary is the Accounting Officer.

A framework document and memorandum of understanding have been agreed between the Authority and DWP, and became effective from 1 March 2008. This framework provides that the Authority is accountable to the Department's Principal Accounting Officer. It also provides for the Authority to work with the Departmental Steward to deliver Ministerial objectives and provide the Department with reports on performance, finance and risk, primarily through regular review meetings.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control accords with HM Treasury guidance and has been in place in the Authority for the period ended 31 March 2008 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Authority has a structured risk management process and responsibility for the identification, assessment and management of risks lies with the Board. The capacity to handle risk is managed by means of detailed, integrated plans, a comprehensive risk management function and internal audit work.

The risk and control framework

The Authority operates within a risk aware framework, where risks, including any risks to information and data, are actively managed and mitigation plans developed. This is embedded across the Authority

and the executive team has conducted an assessment of all risks and the actions in place to mitigate them.

The Authority's information technology services are provided through the DWP's information technology systems. Consequently, the Authority relies substantially on the controls in the DWP information technology environment in order to mitigate risks to information and data. However, the Authority's own risk and control framework provides assurance that all information used for operational and financial reporting processes is captured and processed accurately and to an appropriate standard.

A full-time risk manager has been appointed, and weekly management meetings are held where risks are discussed, graded and assigned to an individual manager. Where necessary, risks are escalated to ensure all the Authority's teams pro-actively develop and manage their risks.

This framework ensures that through the regular review of risks any change in status is rapidly picked up. I have also commissioned the Authority's internal auditors to review the effectiveness of risk management processes.

As at the balance sheet date, the Authority's Audit Committee had not met. However, the Authority is building up its governance arrangements with the recruitment of additional non-executive directors and the subsequent formation of an Audit Committee which held its first meeting on 11 July 2008.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system will be put in place.

Prior to the implementation of this plan, where any weaknesses in the system of controls are identified through the Authority's day-to-day operating activity, the Authority will take remedial action to strengthen the control environment and address these weaknesses.

Significant control issues

No significant control issues have been identified.



Tim Jones
Chief Executive,
Personal Accounts Delivery Authority
13 October 2008

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Personal Accounts Delivery Authority for the period ended 31 March 2008 under the Pensions Act 2007. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive, as Accounting Officer, is responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Pensions Act 2007, and directions made thereunder by the Secretary of State for Work and Pensions, and for ensuring the regularity of financial transactions. These responsibilities are set out in the statement of the 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 the Pensions Act 2007 and directions made thereunder by the Secretary of State for Work and Pensions.

I report to you whether, in my opinion, the information, which comprises the Foreword, the Chief Executive's Report, 'About the Personal Accounts Delivery Authority', the Directors' Report and the unaudited parts 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 Personal Accounts Delivery Authority 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 Personal Accounts Delivery Authority'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 form an opinion on the effectiveness of the Personal Accounts Delivery Authority'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. This other information comprises the Foreword, the Chief Executive's Report, 'About the Personal Accounts Delivery Authority', the Directors' Report and the unaudited parts of the Remuneration Report. 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 Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Personal Accounts Delivery Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements 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 Pensions Act 2007, and directions made thereunder by the Secretary of State for Work and Pensions, of the state of the Personal Accounts Delivery Authority's affairs as at 31 March 2008 and of its net operating cost for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Pensions Act 2007 and directions made thereunder by the Secretary of State for Work and Pensions; and
- information included within the Annual Report, which comprises the Foreword, the Chief Executive's Report, 'About the Personal Accounts Delivery Authority', the Directors' Report and the unaudited part of the Remuneration 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.

T J Burr

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria, London SW1W 9SS
Date: 17 October 2008

FINANCIAL STATEMENTS 2007–2008



This report covers the eight-month period from 26 July 2007 to 31 March 2008. The Authority achieved grant-in-aid status on 1 March 2008 and has accounted for its own expenditure from this date. The financial statements therefore consist primarily of transactions relating to the one-month period from 1 March 2008 to 31 March 2008.

Personal Accounts Delivery Authority: Income and Expenditure Account for the period to 31 March 2008

	Note	Period to 31 March 2008	
		£000	£000
Income			
Other income	2		7
Operating costs			
Staff costs	3	(1,074)	
Other administration costs	4	(922)	
Gross operating cost			(1,996)
Operating deficit for the year			(1,989)
Reversal of cost of capital	4a		(3)
Net Operating Cost			(1,992)

Statement of Total Recognised Gains and Losses

There were no recognised gains or losses in the period, other than those stated above.

Personal Accounts Delivery Authority: Balance Sheet as at 31 March 2008

		31 March 2008	
	Note	£000	£000
Fixed assets			
Tangible assets	5	0	
Intangible assets	6	0	
			0
Current assets			
Debtors: amounts falling due within one year	7	7	
Cash at bank and in hand	8	3,285	
		3,292	
Current liabilities			
Creditors: amounts falling due within one year	9	(1,984)	
Net current assets/(liabilities)			1,308
Provisions for liabilities and charges			0
Total assets less liabilities			1,308
Financed by			
General Fund	10		1,308
Revaluation Reserve	11		0
			1,308

The Board of the Personal Accounts Delivery Authority approved these accounts on 2 October 2008 and authorised the Accounting Officer to sign this Balance Sheet.



Tim Jones
Accounting Officer
13 October 2008

The accounting policies and notes on pages 44 to 55 form part of these financial statements.

Personal Accounts Delivery Authority: Cash Flow Statement for the period 1 March 2008 to 31 March 2008

	Note	£000
Net cash outflow from operating activities	a	(15)
Financing	b	3,300
Increase in cash	c	3,285

a. Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities

Operating surplus/(deficit) on ordinary activities		(1,992)
Depreciation		0
Transfers from Government Capital Grants Reserve		0
Devaluation of fixed assets		0
Increase in debtors		(7)
Increase in creditors	9	1,984
Increase/(decrease) in provisions		0
Net cash (outflow)/inflow from operating activities		(15)

	£000
b. Gross cash flows	
Interest received	0
Capital expenditure	
Payments to acquire tangible assets	0
Payments to acquire intangible assets	0
Financing	
Receipts of government grant	3,300
	3,300

**c. Analysis of movement in cash and investments
for the period 1 March 2008 to 31 March 2008**

	1 March 08 £000	Cash Flow £000	31 March 08 £000
Cash in hand and at bank	0	3,285	3,285
Total	0	3,285	3,285

Cash at bank represented the only funds held at 31 March 2008.

NOTES TO THE ACCOUNTS

1 Statement of accounting policies

The Authority's accounts have been prepared in a form directed by the Secretary of State for Work and Pensions, with the approval of HM Treasury, and in accordance with the *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the FReM follow generally accepted accounting practice for companies (UK GAAP) to the extent that is meaningful and appropriate to the public sector. The particular accounting policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Basis of accounting

These accounts follow the accruals concept of accounting and have been prepared under the historical cost convention.

Going concern

The future financing of the Authority is to be met through future supply to the Department for Work and Pensions, to be approved annually by Parliament. Such approval for amounts 2007-08 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements. However, while these accounts have been prepared under the going concern concept, they have been

modified to the extent that the Authority will continue until 2012, with the business focusing on the delivery of a scheme of personal accounts. The accounting approach has therefore been impacted as appropriate.

Period covered by the financial statements

This report covers the eight-month period from 26 July 2007, when the Personal Accounts Delivery Authority was established under the Pensions Act 2007, to 31 March 2008. The Authority achieved grant-in-aid status on 1 March 2008 and has accounted for its own expenditure from this date. The financial statements therefore cover the one-month period from 1 March 2008 to 31 March 2008, but also the costs of the Chairman, Chief Executive and Non-Executive Director from their dates of appointment. During the seven-month period from 26 July 2007 to 29 February 2008, work within the Authority was undertaken with resources provided by the Department for Work and Pensions. Costs relating to this work, other than those relating to the Board, were internal to the Department for Work and Pensions and have been reflected in the Department's own financial statements and not in the Authority's.

Comparative figures

As the Authority became a grant-aided, Non-Departmental Public Body on 1 March 2008, this is the first year of existence and consequently the financial statements do not reflect any comparative figures.

Assets and depreciation

During the reporting period the Authority did not own any fixed assets. The approach for treating expenditure as capital expenditure on tangible and intangible fixed assets, or groups of such related assets, is subject to a materiality threshold of £1,000.

Tangible fixed assets

Tangible fixed assets are valued at the lower of replacement cost (calculated by applying the appropriate Office for National Statistics indices to the historic cost of each asset) and net realisable value. Any surplus on revaluation of tangible fixed assets is credited to the Revaluation Reserve. Any permanent diminution in the value of fixed assets on revaluation is charged to the Income and Expenditure Account when it occurs.

Intangible fixed assets

Subject to the above materiality threshold, expenditure on purchased computer software licences covering a period of more than one year is capitalised as intangible fixed assets. Capitalised software licences are amortised over the shorter of the licence period or five years, with amortisation commencing in the month following acquisition. Capitalised software licences are not re-valued. Expenditure on annual software licences is charged to the Income and Expenditure Account.

Depreciation

Provision will be made for depreciation on fixed assets at rates calculated to write down the cost or valuation (less any estimated

residual value) of each asset on a straight-line basis evenly over its expected useful life, or, if shorter, over the terms of the Authority's continued existence, as follows:

- information technology and telecoms equipment — 3–5 years;
- furniture and office equipment — 2–5 years;
- leasehold improvements — the shorter of 10 years or the remainder of the lease term; and
- major software licences and software development — 3 years.

Depreciation will be calculated from the month following that of acquisition. No depreciation will be charged in the month of disposal.

Assets will not be depreciated until they are commissioned or brought into use.

Expenditure

All expenditure is recognised on an accruals basis.

Income

The Authority is funded by the Department for Work and Pensions through the mechanism of grant-in-aid. All grant payments are treated as capital injections, are credited to the General Fund and are considered contributions from a controlling party. Any other income is recognised on a receivable basis and is reflected in the Income and Expenditure Account.

Notional costs

Certain expenses included in these accounts have not involved actual payments. These concern notional interest on capital employed (notional interest has been calculated at HM Treasury's standard rate of 3.5 per cent applied to the average value of total assets less liabilities, with the exception of balances held with the Office of HM Paymaster General). These costs are included in the accounts to ensure that the results reflect the full economic costs of the Authority and are reversed out of the Income and Expenditure Account below the result for the year.

Leases

The Authority did not enter into any operating or finance leases during the reporting period.

VAT

The Authority is not registered for VAT.

2 Income

The only income which the Authority received during the accounting period was interest on its cash balances. The Authority's main resources are provided by the Department for Work and Pensions and this resource is treated as an injection of capital. During the period the Authority received grant-in-aid of £3.3m from the DWP to cover its ongoing operations.

3 Staff numbers and related costs

a. Staff costs

The Authority is a new Non-Departmental Public Body and, as of 31 March 2008, it had only two direct staff members and was staffed primarily by a combination of civil servants seconded from the Department for Work and Pensions, and interim staff. One of the two staff members was the Chief Executive, the costs for whom are included in those for directors and appear in the Remuneration Report. It is expected that during 2008-09, the number of direct staff members will grow.

	31 March 2008	
	£000	£000
Permanently-employed employees		
Wages and salaries	2	
Social security costs	1	
Pension costs	0	
Staff benefits	0	
Sub Total		3
Short-term contract staff		
Wages and salaries	506	
Social security costs	0	
Pension costs	0	
Staff benefits	0	
Sub Total		506
Inward secondments		
Wages and salaries	249	
Social security costs	9	
Pension costs	48	
Staff benefits	0	
Sub Total		306
Directors		
Wages and salaries	231	
Social security costs	28	
Pension costs	0	
Staff benefits	0	
Sub Total		259
Total employment costs		1,074

The above staff costs include Board costs for the period prior to 1 March 2008. Details of the directors' remuneration are provided in the Remuneration Report.

Pension arrangements

During the period, the only staff for whom the Authority has paid pension costs are those inwardly-seconded civil servants who are members of the Principal Civil Service Pension Scheme.

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme is an un-funded, multi-employer, defined benefit scheme, but the Personal Accounts Delivery Authority is unable to identify its share of the underlying assets and liabilities. The Scheme's actuary, Hewitt Associates from Hewitt Bacon Woodrow, reviews employer contributions every four years following a full Scheme revaluation. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

From 1 October 2002, civil servants and others approved by the Cabinet Office, including certain designated staff of the Personal Accounts Delivery Authority, may be in one of three statutory based 'final salary', un-funded, multi-employer defined benefit schemes (Classic, Premium, and Classic Plus). The schemes are un-funded, with the cost of benefits met by monies voted by Parliament each year. Entrants after 1 October 2002 may choose to join a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account). Pensions payable under Classic, Premium, and Classic Plus are increased annually in line with changes in the Retail Prices Index. Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium and Classic Plus.

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 (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. 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. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 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 existing schemes closed to new members in July 2007. Existing members retained membership and existing benefits. A new scheme, Nuvos, was established for new members from that date, which allows staff to earn 2.3 per cent of their pensionable earnings towards their pension each year. Again there is no automatic lump sum but like Premium, members may opt to give up part of their pension for a lump sum which will usually be tax-free.

During the period covered by these financial statements, employer contributions of £48,128 were payable to the scheme.

Band	2007-2008		From 1 April 2008	
	Salary Band (£)	Rate of charge	Salary Band (£)	Rate of charge
Band 1	19,000 and under	17.1%	19,500 and under	16.7%
Band 2	19,001 to 39,000	19.5%	19,501 to 40,500	18.8%
Band 3	39,001 to 66,500	23.2%	40,501 to 69,000	21.8%
Band 4	66,501 and over	25.5%	69,001 and above	24.3%

31 March 2008

b. Staff numbers	Full-time equivalents
Permanently-employed staff	2
Civil Service secondees	71
Interims	45
Total staff (full-time equivalents)	118

4 Other administration costs

		31 March 2008
	Note	£000
Accountancy, payroll and supplier payment services		8
Auditor remuneration		8
Information technology costs		6
Legal fees and expenses		13
Non-cash items	4a	(3)
Other administrative costs		18
Professional advice and support		629
Staff recruitment costs		188
Staff training		7
Telecommunications		6
Travel and subsistence		42
		922

The auditors did not receive any remuneration for non-audit work.

4a. Other administration costs: non-cash items, notional costs and recharges

	31 March 2008
	£000
Notional costs — cost of capital	(3)
	(3)

Cost of capital has been calculated with reference to HM Treasury's standard rate of 3.5 per cent and applied to average net assets/liabilities (less cash on deposit with the Office of HM Paymaster General). Cost of capital is a notional charge and, in accordance with HM Treasury guidelines, is reversed from the Income and Expenditure Account, below the result for the year.

The Department for Work and Pensions provided some administrative services to the Authority free of charge, including office accommodation, desktop information technology and internal audit. The estimated fair value of the services provided during the accounting period, based upon information provided by the Department for Work and Pensions, is £68,000.

5 Tangible fixed assets

The Authority held no tangible fixed assets during the period.

6 Intangible fixed assets

The Authority held no intangible fixed assets during the period.

7 Debtors

The Authority's only debtor at the Balance Sheet date was the Office of HM Paymaster General, in respect of interest owing on its cash balance.

8 Cash at bank and in hand

	31 March 2008
	£000
Opening balance in period	0
Net change in cash balances	3,285
Balance at 31 March 2008	3,285

The following balances were held at 31 March 2008:

Office of HM Paymaster General	3,285
Other banks and cash in hand	0
	3,285

9 Creditors

9a. Analysis by type		31 March 2008
	Note	£000
Amounts falling due within one year:		
Other taxation and social security		13
Superannuation		0
Trade creditors — non capital		0
— capital		0
Amounts due to other Government Departments	9b	595
Intra-departmental		0
Other creditors		0
Accruals — non capital		1,376
— capital		0
		1,984

9b. Intra-Government balances

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

		31 March 2008
	Note	£000
Amounts falling due within one year:		
Balances with other central Government bodies	9a	595
Total		595

10 Reconciliation of net operating cost to changes in the General Fund

	31 March 2008
	£000
Net operating cost for the period	(1,992)
Income not appropriated-in-aid, payable to Consolidated Fund	0
Financing from Consolidated Fund — grant-in-aid (current year)	3,300
Non-cash capital additions	0
Transfers to General Fund of realised element of Revaluation Reserve	0
Net movement in General Fund	1,308
General Fund opening balance	0
Prior year adjustment	0
General Fund as at 31 March 2008	1,308

Notes to the Cash Flow Statement reconcile the funding from the Consolidated Fund to the net change in cash balances given in note 8.

11 Revaluation Reserve

The Authority did not make any revaluations during the period.

12 Related party transactions

The Personal Accounts Delivery Authority is a Non-Departmental Public Body accountable to the Secretary of State for Work and Pensions. The Department for Work and Pensions (DWP) is the Authority's sponsoring department and the two bodies are regarded as related parties. During the period the Authority has had a number of significant transactions with DWP. This relationship includes:

- a) provision of grant-in-aid funding by DWP to the Authority,
- b) supply of information technology services (including telephony), office accommodation and internal audit services by DWP to the Authority,
- c) supply of payroll services by DWP to the Authority in respect of DWP staff on secondment to the Authority, and
- d) supply of supplier payment services by DWP to the Authority.

These transactions are set out in note 4. The fair value of those services provided to the Authority by the DWP free of charge is set out in note 4.

DWP is also the Authority's primary Government creditor.

During the period no other related parties, including the Authority's Board members and senior management, had undertaken any material transactions with the Authority.

13 Capital commitments

There are no amounts contracted for but not provided for in the accounts.

14 Financial instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of its activities and the way in which it is financed, the Personal Accounts Delivery Authority is not exposed to the degree of financial risk faced by some business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies to which FRS 13 mainly applies. The analysis of risk excludes short term debtors and creditors. The Personal Accounts Delivery Authority has very limited powers to borrow or invest funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Personal Accounts Delivery Authority in undertaking its activities.

Liquidity risk

The Personal Accounts Delivery Authority's net revenue resource requirements are funded by grant-in-aid from its sponsor department. Any capital expenditure is also financed through grant-in-aid. The Personal Accounts Delivery Authority is consequently not exposed to significant liquidity risks.

Interest rate risk

The Personal Accounts Delivery Authority is not exposed to any interest rate risk. The Authority receives interest on its cash balances held at the Office of HM Paymaster General, but any interest received is offset against the grant payments from the Department for Work and Pensions so that any variation in interest rates does not affect the total resources available to the Authority.

Foreign currency risk

There is no foreign currency risk as the Personal Accounts Delivery Authority does not deal in foreign currency.

15 Post balance sheet events

On accepting an invitation to take up an unpaid Ministerial position in HM Treasury as Financial Services Secretary, Paul Myners resigned from his position as Chair of the Personal Accounts Delivery Authority on 3 October with immediate effect.

These accounts are authorised to be issued on 17 October 2008.

HOW TO CONTACT US



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