

SERVICE PERSONNEL & VETERANS AGENCY

ANNUAL REPORT & ACCOUNTS

2010-2011



**Service Personnel
& Veterans Agency**
An Executive Agency of the Ministry of Defence

SERVICE PERSONNEL & VETERANS AGENCY

ANNUAL REPORT & ACCOUNTS

2010-2011

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 14th July 2011

© Crown copyright 2011

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: psi@nationalarchives.gsi.gov.uk.

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

This publication is available for download at www.official-documents.gov.uk

This document is also available from our website at <http://www.mod.uk/DefenceInternet/AboutDefence/CorporatePublications/AnnualReports/AnnualReportsAgenciesNDPBs/AnnualReportsAgenciesNdpbs.htm>

ISBN: 9780102971453

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

ID 2425285 07/11 14302 19585

Printed on paper containing 75% recycled fibre content minimum.

Contents

Management Commentary for Financial Year 2010-11

PART 1 - OPERATING REVIEW	6
Introduction	6
History	6
Mission and Strategic Intent	6
Ownership and Accountability	6
Management of the Agency	6
PART 2 - PERFORMANCE REVIEW	7
Performance against 2010-11 Priorities	7
Commentary	8
PART 3 – FINANCIAL REVIEW	11
Budgetary Structure	12
Financial Performance	12
Programme Expenditure for Financial Year 2010-11	12
Financial Administration of Managed Funds	12
Financial Monitoring and Audit of the Contract for Armed Forces Pay, Pensions and Administration Service Provision	12
Armed Forces Pension Scheme	12
Statement on disclosure of audit information	13
Policy and achievements on supplier payments	13
Pension liabilities	13
Auditors	13
REMUNERATION REPORT	14
Remuneration Policy	14
Service Contracts	14
Salary and Pension Entitlements	14
Pension Benefits	15
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011	17
Statement of Agency's and Chief Executive's Responsibilities	17
2010-11 Statement on the System of Internal Control	18
The certificate and report of the Comptroller and Auditor General to the House of Commons	22
Financial Statements for the Year Ended 31 March 2011	24
Notes to the Accounts	28
GLOSSARY OF TERMS	44

Management Commentary

Part 1 – Operating Review

Introduction

The Report and Accounts which follow cover the period 1st April 2010 to 31st March 2011 and have been prepared with the direction dated 22nd December 2010 given by the Treasury and in accordance with section 7 (2) of the Government Resources and Accounts Act 2000. Its purpose is to provide a public report on SPVA's performance and results for the Financial Year 2010-11. This will be the last such Report and Accounts following the decision that SPVA should lose its Agency status with effect from midday 16th June 2011.

History

SPVA was formed as an Executive Agency of the Ministry of Defence on the merger of the Armed Forces Personnel Administration Agency and the Veterans Agency on 1st April 2007. During 2010-11 SPVA operated from four main sites at Gosport, Glasgow, Innsworth and Norcross as well as welfare offices and the Ilford Park Polish Home. As at 31st March 2011 it employed 62 military, 867 civil servants and 766 Hewlett Packard Enterprise Services (HPES) staff in full-time equivalent terms.

Mission and Strategic Intent

SPVA's mission is:

To deliver reliable, trusted and efficient personnel services to the serving and veterans' communities.

These services include the delivery of pay, pensions and compensation, records of service, casualty and compassionate reporting, medal entitlement and veterans' welfare services, with the provision of a single point of contact for both serving personnel and veterans, facilitating access to information and advice. In seeking qualitative improvements in the delivery of personnel services, the Agency's strategic intent is the:

Dynamic delivery of appropriate, comprehensive and responsive through-life services to the serving and veterans' communities.

Ownership and Accountability

SPVA is owned by the Deputy Chief of Defence Staff (Personnel and Training) who is responsible to Ministers for the strategic direction of the Agency and, through the Owners Advisory Board (OAB) acts on behalf of the Secretary of State for Defence. The OAB monitors the Agency's progress and performance against pre-determined aims, objectives and priorities and represents the interests of the Agency's customers. There is one Non-Executive Director (NED) on the Board whose remuneration is met by the Agency. As at 31st March 2011 the membership of the Board was:

DCDS(Personnel & Training)	-	Lt Gen Sir William Rollo
Chief Executive SPVA	-	Mrs Kathy Barnes
Fleet DNPS Assistant Chief of Staff	-	Commodore Simon Williams
Director General Personnel (Army)	-	Major General G W Berragan
Air Personnel Policy Assistant Chief of Staff (RAF)	-	Air Commodore Ross Paterson
Defence Services Secretary/ACDS(Pers)	-	Air Vice Marshal David Murray
Director Analytical Services Agency	-	Mr Prabhat Vaze
Director Service Personnel Policy	-	Mr Gavin Barlow
Chairman Confederation of British Service and Ex-Service Organisations	-	Air Vice Marshal Tony Stables (Retired)
Non Executive Director	-	Ms Bronwen Curtis

Management of the Agency

The Agency Management Group is responsible for the management of the Agency, its performance, risks and partnering relationship. It provides the forum for business requiring joint consultation or agreement across the business. As at 31st March 2011 the membership of the Group was:

Chief Executive	-	Mrs Kathy Barnes
Head of Strategy & Programmes/Deputy Chief Executive	-	Commodore Ross Albon
Head Military Operations & Development	-	Air Commodore Chris Bray
Head Veterans Services	-	Mr Jon Parkin
Head Corporate Services	-	Mrs Kim Humberstone
Hewlett Packard Enterprise Services Account Executive	-	Mr Paul Couch
Hewlett Packard Enterprise Services Delivery Manager	-	Ms Lesley Grant-Pavitt
Non-Executive Director	-	Mr Alex Jablonowski
Non-Executive Director	-	Ms Bronwen Curtis

Management Commentary

Part 2 – Performance Review

Performance against 2010/11 Strategic Priorities

The Agency Management Group has used a quarterly Strategic Scorecard to help it manage all aspects of the business and has ensured that a robust risk management structure is in place to allow it to manage key business risks. Performance is also reported quarterly to the Agency Owner, DCDS (Personnel & Training). During 2010-2011, the Agency successfully achieved all six of its Priorities:

Priority 1 – To deliver timely Service pay

To make 99.9% of all pay payments by the due date. Achieved – 99.9%

Priority 2 – To deliver accurate Service pay

98.5% of all Service pay to be 100% accurate. Achieved – 99.8%
(excluding errors caused by inaccurate external inputs).

Priority 3 – To deliver timely Pensions and Compensation decisions and payments

Armed Forces Pension Scheme 99.3% by due date. Achieved – 99.9%

Armed Forces Compensation Scheme
- 98% cleared within 40 working days of availability of required medical evidence. Achieved – 99.9%

- 95% of high priority cases cleared within 20 working days of availability of
required medical evidence. Achieved – 96.9%

War Pension Scheme

- 52 working days for War Pensions. Achieved – 39.4 working days

- 19 working days for Widows' pensions Achieved – 15.6 working days

Priority 4 – To deliver accurate Pensions and Compensation decisions and payments.

99% of Armed Forces Pensions to be financially accurate. Achieved – 99.9%

98% of Armed Forces Pensions to have accurate decisions. Achieved – 99.9%

98% of Armed Forces Compensation Scheme payments to have financial and decision accuracy. Achieved – 99.3%

98% of War Pension Scheme payments to have financial and decision accuracy. Achieved – 98.7%

Priority 5 – To achieve high levels of customer satisfaction with SPVA services

Overall average of 80% satisfied or very satisfied Achieved – 83%

70% satisfied or very satisfied in every segment below (weighted for overall measure)

- 70% Serving personnel (60%). Achieved – 80%

- 70% Veterans (20%). Achieved – 93%

- 70% Corporate customers (20%). Achieved – 77%

Priority 6 – To prepare for placement of a Future Contract for the delivery of Pay, Personnel and Pensions services post-2012

100% of transition milestones to be met with implementation being within performance, Achieved – 100%
cost and time parameters agreed with the Investment Approvals Board. All project
risks must achieve a Control Rating of high within three months of identification.

Commentary

Joint Personnel Administration (JPA)

The Agency's targets in respect of the accuracy and timeliness of pay and allowances continued to be exceeded throughout the year, despite system upgrades impinging upon JPA operations. Customer satisfaction remained buoyant with notable improvements to the levels of performance, accessibility, communication and information. The JPA Optimisation and Outreach Programme has continued to provide tangible benefits, clamping down on the root causes of error and spreading best practice among the user community.

Pay Accounting

The Agency has worked closely with the single Services to improve the quality and accuracy of data supplied in support of payments, reducing the identified error rate for a third consecutive year. UK based pay and allowances were successfully migrated to the new Government Banking Service. Further improvements were made in control account reconciliations. The Agency completed the Control Framework over the end to end processes for Human Resource administration, pay and allowances and has commenced work on the Pensions Control Framework.

Change Development

Two major JPA Releases were implemented which delivered 112 updates to JPA and 27 system improvements. These were mostly legislative changes such as additional paternity pay, a new complaints process and improved support to the management of Service Wills. In addition a new JPA process was established for the management and administration of the Armed Forces redundancy programme

Two major Compensation and Pension System (CAPS) releases were implemented which delivered seven major changes including legislative, improved processes for Armed Forces Pension Scheme (AFPS) and Armed Forces Compensation Scheme (AFCS) awards, and the resolution of 62 AFPS, AFCS and combined system faults. Implementation of the new Armed Forces Compensation Scheme interim solution met the effective date of legislation.

Joint Casualty and Compassionate Centre (JCCC)

Over the past year the JCCC dealt with 198 deaths of which 92 were from Operational Theatres. In respect of casualties it managed 2,006 cases and a further 3,672 compassionate cases. There were 92,345 phone calls to/from the JCCC. In the course of the year, the JCCC moved to purpose built offices within Imjin Barracks, Innsworth, established a standby site at RAF Brize Norton, and conducted a business process review to ensure that it remains optimally placed for all eventualities. It also continued to actively support pre-deployment training to formations preparing for operations.

MOD Medal Office (MODMO)

Against a backdrop of reduced staffing levels, the MODMO received 45,558 applications for medals, resulting in 43,308 being issued. Of particular note, 1,025 Elizabeth Crosses were issued. The MODMO also relocated in the course of the year and have been busily preparing for the changes to the Accumulated Campaign Service Medal and the introduction of the Diamond Jubilee Medal.

Pay and Allowances Casework and Complaints Cell (PACCC)

PACCC output increased to a record 2,478 pay and allowance cases with 699 Service Delivery Complaints being answered. The PACCC has played a significant role with the development of the Strategic Defence and Security Review pay and allowance measures and has continued to produce reports that influence and mould future pay and allowance policy development. The PACCC has also continued to provide direct support to Service personnel and the chain of command on operations in home locations and has provided assistance to investigations into allowance fraud and irregularity.

Veterans Helpline

The Veterans Helpline received 189,301 calls providing guidance and support to callers on a wide variety of issues.

Armed Forces Pension Scheme

The AFPS continues to provide accurate and timely payments to over 400,000 ex-Service personnel or dependants each month via our service provider. Additionally, the scheme maintains pension records on nearly 400,000 preserved pensioners, and links with JPA to consider the pension liability in respect of current Service personnel who have or may accrue pension benefit.

War Pension Scheme (WPS)

All operating targets were met despite significant organisational changes and staff reductions. A project to rationalise and move 2.2 million files from the antiquated Nelson file store to the central government records storage facility at Swadlincote commenced in early 2011 and is making good progress towards its target date of April 2014, subject to resource availability.

Armed Forces Compensation Scheme

During 2010-11 SPVA made 4,953 payments under this scheme and all objectives were met. The implementation of the AFCS Review was a major focus throughout the year with extensive engagement with policy leads to ensure the legislative amendments could be effectively delivered. This involved a major programme to deliver IT change, develop revised delivery processes, and to augment the team to revisit some 12,000 previous cases by investing in an extensive training programme across the delivery team, SPVA Helpline and Veterans Welfare Service. This ensured the legislative enactment date of 9 May 2011 could be met.

Veterans Welfare Service (VWS)

This year has seen the consolidation of the VWS restructuring project which has achieved significant efficiencies and increased effectiveness. The VWS has supported the Army Recovery Capability initiative and supported a VWS presence at all Personnel Recovery Units/Centres. The VWS has provided regular advice surgeries at both Headley Court and the Queen Elizabeth Hospital and extended advice networks to support HM Forces based in Germany. Partnership arrangements have been agreed with Help for Heroes whilst continuing to work closely with a wide range of ex-Service Charities.

Information Asset Management

Information Assurance is the confidence that information systems will protect the information they handle and will function as they need to, when they need to, under the control of legitimate users. Information Asset Management Model Level 2 was achieved in March 2011 and the Level 3 preliminary assessment is set for Autumn 2011 to meet MOD's overall target of full accreditation by March 2012.

Future Contract

A healthy competitive Future Contract dialogue continues in preparation for a final decision on the successful bidder which will be announced in March/April 2012 with a proposed start date in November 2012.

Defence Information Infrastructure (DII)

SPVA migrated to the main MOD DII system at its Norcross and Innsworth sites and the remaining sites at Centurion and Glasgow will move to DII between November 2011 and February 2012.

Green issues

The JPA refresh programme (comprising of an upgrade of the JPA Oracle application to EBSv12, hardware modernisation and communications hub replacement) is supporting the wider government agenda for greener and more consolidated Data Centres by moving the JPA production and development environments to Mitcheldean Data Centre in Gloucestershire and the JPA Disaster Recovery facility to Abbey Wood, Bristol. Both decisions were taken in consultation with MOD's Chief Information Officer to reduce both operating costs and the Agency's carbon footprint.

Staff at Imjin Barracks, Innsworth moved into an eco-friendly, Innsworth House, in May 2010 and the carbon footprint at Norcross was reduced by nearly 9% over the year.

Conflicts of Interests

All SPVA employees are expected to avoid personal activities and financial interests that could conflict with their responsibilities to the Agency. SPVA employees must not seek to gain for themselves or others through misuse of their positions. All board members have completed a Register of Interests. This records details of registrable interests through employment, trade, profession, shares and membership of other bodies.

Equality and Diversity

All SPVA employees undertake equality and diversity training, including bullying and harassment. SPVA staff with line management responsibility are also required to receive training covering disability discrimination.

As at 31 March 2011 SPVA employed a total of 92 members of staff with a declared disability. Disability is recorded on the Human Resources Management System (HRMS) on a self-declaration basis. Reasonable adjustments are made as appropriate.

In common with MOD policy, SPVA operates a guaranteed interview scheme for all disabled applicants meeting the minimum recruiting criteria.

Absence

The annual working days lost due to absence target was set by the CTLB at 13.49 working days for the year 2010-11. SPVA achieved 12.15 working days lost per person.

Impact on the Community

The Agency is conscious of its impact on local communities and encourages staff at all levels to engage in activities within the local area. Many Agency personnel used their skills that they develop in the working environment to benefit local schools and voluntary groups. Earlier in the year the Agency's all-site Charity Week raised £4,305.96 shared between services related charities. The Agency is also currently developing strategies to further improve its recycling provision and to reduce its carbon footprint.

PART 3 - FINANCIAL REVIEW

Management Commentary for Financial Year 2010-11

This will be the last set of Agency accounts that SPVA will produce as SPVA surrendered its Executive Agency status at midday on the 16th June 2011. SPVA's results will continue to be part of the overall MOD accounts.

Budgetary Structure

SPVA operates as a Basic Level Budget within DCDS(Pers & Trg)'s Higher Level Budget. The Agency administers £10.0bn in Pay and Allowances plus £3.5bn in Armed Forces Pensions, £0.1bn for Armed Forces Compensation Scheme and £1.0bn in War Pensions. These payments are included in the MOD and AFPS financial statements. The breakdown of expenditure shown below details SPVA's costs in administering these payments.

Financial Performance

The gross operating costs for the year ended 31 March 2011 were £115,480k and net operating costs were £113,963k. Total net liabilities at 31 March 2011 amounted to £13,890k. Net current liabilities are shown as negative as cash is held centrally by the MOD and until this is released to pay for the creditors this has an adverse effect on the asset balance. This does not impact on the Agency's ability to conduct its business.

Programme Expenditure for Financial Year 2010-11

	Notes	FY10-11 Outturn £000	FY10-11 Budget £000
Service Pay	2	5,408	5,469
Civilian Pay	2	29,290	29,329
Travel & Subsistence	4	882	1,247
IT	4	404	3,039
Training	4	78	115
Partnering	4	57,418	54,674
Contracted costs (Consultancy)	4	3,498	4,693
Stock costs (including provisions)	4	1,422	2,075
Depreciation/Amortisation/Impairment	4	3,485	3,485
Other	3,4,5	12,078	12,859
TOTAL OPERATING COSTS		113,963	116,985

The Statement of Financial Position movement from FY 2010-11, reflects an increase in the HP Enterprise Services payables balance of 76%, reflecting a full year under the Interim Contract. The effect being that the Statement of Financial Position shows an increased net liability.

Financial Administration of Managed Funds

SPVA manages tri-Service pay and war pensions delivery, and the monies disbursed on behalf of the Department are known as Managed Funds. Data on the Managed Funds is transferred to MOD's core financial accounting system to provide information on service pay costs.

Financial Monitoring and Audit of the Contract for Armed Forces Pay, Pensions and Administration Service Provision

From November 2009 monitoring of the Interim Contract, with HP Enterprise Services, is by verification of the Cost Driver Volumes Report. The Cost Driver Volumes are checked on a 6 month rolling programme in addition to monthly selection of Cost Driver Volumes to verify any abnormalities. The results of the validation are documented for audit purposes by the Service Delivery function.

Armed Forces Pension Scheme (AFPS)

The Chief Executive of SPVA has been designated by the Departmental Accounting Officer to be the Scheme Administrator for both the AFPS and Armed Forces Compensation Scheme (AFCS). The Head of Corporate Services for SPVA has been designated by the Departmental Accounting Officer to be the Senior Finance Officer for both the AFPS

and AFCS. SPVA has an independent Resource Accounting and Budgeting (RAB) system to account for both AFPS and the AFCS system, which produces monthly management accounts as well as the year end Scheme Statements. The Comptroller and Auditor General formally audits the Scheme Statements.

In addition to the AFPS, the Chief Executive of SPVA is also the Scheme Administrator for the Non-Regular Permanent Staff Pension Scheme, The Armed Forces Compensation Scheme and the Army Career Officers Pension Scheme as well as several others. These schemes are included in the AFPS accounts.

Statement on disclosure of audit information

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

Policy and achievements on supplier payments

The Department's invoices, with the exception of some payments to suppliers made by units locally, are paid through the Financial Management Shared Services Centre (FMSSC). In the period 1 April 2010 to 31 March 2011, the FMSSC paid 99.97% of all correctly submitted invoices within 11 calendar days. This contributed to the Department's overall performance of 99.46% over the 30 calendar day cycle ensuring a high level of compliance with its statutory obligation under the Late Payment of Commercial Debts (Interest) Act 1998. Commercial debt interest paid during this period amounted to £188 (2009-10: £20,300). From May 2010 all Government Departments were asked to pay 80% of invoices from suppliers within 5 working days. The Department, including its Trading Funds, has achieved a performance of 95.23% against this target up to March 2011.

Pension liabilities

Details of the pension schemes available to SPVA employees and the costs of these schemes are disclosed in the Remuneration Report on Pages 14 to 16.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General under Section 7(2) of the Government Resources and Accounts Act 2000. The fee of £88k is in respect of statutory audit work only. No other services were provided by the auditors.



Kathy Barnes
Accounting Officer
Service Personnel and Veterans Agency
6 July 2011

Management Commentary for Financial Year 2010-11

REMUNERATION REPORT

Remuneration Policy

1. The SPVA Executive Board is composed of officers of HM Armed Forces, senior civil servants and two Non Executive Directors.
2. SPVA does not have a Remuneration Committee and the salaries of all military and civilian Board members, including the Chief Executive, are determined at national level. Military Board members' salaries are recommended by the Armed Forces Pay Review Body and ratified by Parliament. The senior civil servants' remuneration is determined by the Senior Civil Service Salaries Review Body. The salaries of the Non Executive members are determined by the Chief Executive in line with Ministry of Defence guidelines.

Service Contracts

3. Military members of the Board are appointed by standard service posting procedures. MOD civilian members of the Board are appointed by MOD Civil Service standard procedures. Non Executive members of the Board are appointed on fixed 2 year contracts renewable by agreement. All other members of the Board are appointed on open ended contracts.
4. Alison Sansome left the appointment of Head of Veterans Services on 1 October 2010.
5. Jon Parkin assumed the appointment of Head of Veterans Services on 1 October 2010.
6. Air Commodore P Nash left the appointment of Head of Change on 1 April 2010.

Salary and Pension Entitlements

7. '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.
8. None of the members of the Board received any Benefits in Kind.
9. The table in para 11 below refers to remuneration during the financial year, and is subject to audit. The schedules reflect remuneration for that part of the year during which individuals were either providing services to, or employed by SPVA.
10. For 2010-11, employers' pension contributions of £5,439k were payable at rates in the range 16.7 to 40.1 percent of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

11. The salary and performance pay, which have been paid, and pension entitlements of the Executive Board of the Service Personnel and Veterans Agency for the year ended 31 March 2011 are as follows:

	Salary		Performance Pay		Salary	Performance Pay	Real increase/(decrease) in Pension and related lump sum	Total Accrued Pension at 31/03/11 and related lump sum	CETV at		Real increase / (decrease) in CETV
	2010-11	2009-10	2010-11	2009-10					31/03/10	31/03/11	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mrs K Barnes Chief Executive	95-100	5-10	95-100	10-15	95-100	0-0.5 Plus 0-0.5 lump sum	35-40 Plus 110-115 lump sum	546	516	0	
Commodore R Albon Deputy Chief Executive/Head S&P	95-100	N/A	95-100	N/A	95-100	0-0.5 Plus 0-0.5 lump sum	40-45 Plus 125-130 lump sum	518	500	1	
Mrs A Sansome Head Vet Svcs	25-30 AER 55-60	5-10	55-60	5-10	55-60	0-0.5 Plus 0-0.5 lump sum	15-20 plus 50-55 lump sum	313	292	1	
Mr J Parkin Head Vet Services	30-35 AER 65-70	N/A	N/A	N/A	N/A	0-0.5 Plus 0-0.5 lump sum	20-25 Plus 65-70 lump sum	352	373	1	
Mrs K Humberstone Head Corporate Services	75-80	0-5	75-80	5-10	75-80	0-0.5	5-10	53	67	11	
Air Commodore C Bray Head Mil Svcs	95-100	N/A	30-35 AER 95-100	N/A	30-35 AER 95-100	0-5 Plus 5-10 lump sum	30-35 Plus 100-105 lump sum	710	796	66	
Air Commodore P Nash Head Change	N/A	N/A	95-100	N/A	95-100	0	0	619	0	N/A	
Ms B Curtis Non Executive Dir	5-10	N/A	10-15	N/A	10-15	0	0	0	0	0	
Mr A Jablonowski Non Executive Dir	10-15	N/A	10-15	N/A	10-15	0	0	0	0	0	

AER = Annual Equivalent Rate.

Air Commodore C Bray was appointed to the Board on 14 November 2009.

Pension Benefits

12. Pension benefits are provided through the Armed Forces Pension Scheme (AFPS) and the Principal Civil Service Pension Schemes (PCSPS). These schemes are unfunded multi-employer defined benefits schemes therefore SPVA is unable to identify its share of the underlying assets and liabilities. An interim actuarial valuation was carried out as at 31 March 2008 for AFPS. A full actuarial valuation was carried out as at 31 March 2007 for PCSPS. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

a) Armed Forces Pension Scheme (AFPS)

AFPS is a contracted-out, unfunded, defined benefit occupational pension scheme. On 06 April 2005 the scheme, known as AFPS75 was closed to new entrants and a new scheme AFPS05 opened. Benefits in the schemes accrue unevenly throughout service and in addition a lump sum equivalent to three years' pension is payable on retirement. Those officers who took the Armed Forces Pension Scheme's Offer To Transfer transferred their benefits into the new scheme. Under the terms of the new scheme the benefits are structured differently and different actuarial assumptions are applied to the valuation of the benefits.

Employer contribution is 40.1% for Officers and 25.6% for other ranks based on pensionable salary.

b) Principal Civil Service Pension Scheme (PCSPS)

From 01 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 01 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% 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 or 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 01 October 2002 calculated broadly as classic.

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

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

13. The table shown above discloses the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. The real increase in CETV is effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

14. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS or AFPS and for which the relevant scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.



Kathy Barnes
Accounting Officer
Service Personnel and Veterans Agency
6 July 2011

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Statement of Agency's and Chief Executive's responsibilities

Under Section 7(2) of the Resource Accounts Act 2000, Treasury has directed the Service Personnel and Veterans Agency to prepare a statement of accounts for each financial year, in the form and on the basis set out in the Financial Reporting Manual.

The financial statements are to be prepared on an accruals basis and must give a true and fair view of the state of the Agency's affairs at the year end, of its net operating cost, changes in taxpayer's equity and cash flows for the financial year.

In preparing the financial statements the Agency is required to:

- observe the Accounts Direction issued by the Treasury, including 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 and financial reporting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Departmental Accounting Officer for the Ministry of Defence has appointed the Chief Executive of the Service Personnel and Veterans Agency as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Managing Public Money.

2010-11 STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Scope of responsibility

1. As Chief Executive of the Services Personnel and Veterans Agency (SPVA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the SPVA'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 Managing Public Money.
2. I am accountable directly to the Ministry of Defence Principal Accounting Officer for the propriety and regularity of SPVA's expenditure and for prudent and economical administration of the Agency in compliance with Departmental rules. As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained by SPVA.

The purpose of the system of internal control

3. 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 Agency policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SPVA for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with current Treasury guidance.

Capacity to handle risk

4. SPVA is an Executive Agency of the Ministry of Defence (MOD)¹ and its services are delivered through a combination of MOD Civilian/Service Personnel and Hewlett Packard Enterprise Services Ltd (HP) via a commercial partnering agreement. The arrangement for joint working with HP is managed via the Agency Management Group (AMG) chaired by the Chief Executive.
5. Risk and Performance Management processes within the SPVA have remained strong throughout the year. The systematic and consistent approach adopted by the Agency to manage risk, enhanced by the formation of the Assistant Heads Group (AHG) who review all risks and feed the most critical into the Operating Board (OB) and ultimately the quarterly AMG, ensures that risk registers are visible and remain current at all levels. The strategic "MOD eyes only" level risks, which have the potential to impact across the Agency, are formally reviewed and updated at the Agency Executive Board (AEB) meetings. The risk management and performance management procedures themselves are formally reviewed by the AMG on an annual basis.
6. Risk owners and risk managers are identified as part of the risk management process. Formal risk management training is provided to SPVA project and operational teams. Risk management information and guidance is available to all staff via the SPVA Intranet.
7. Agency Business and accounting operations are periodically reviewed by Defence Internal Audit (DIA)² and the National Audit Office (NAO). However, while I have direct responsibility for the pay and allowances paid to service personnel through the JPA system, the vast majority of input originates outside of the SPVA boundary; hence, I have only limited control (through the automated validation processes of JPA) over the integrity of such data. Processes and procedures relating to this are subject to regular review by the Service Assurance Teams; NAO and DIA.

The risk and control framework

8. Active management of risk is fundamental to the effective achievement of the SPVA's Vision, Mission and Strategic Objectives. The risk process and procedures give consideration to the probability and the impact on time, cost and performance against the Agency's objectives and internal measures of performance. Particular attention is also paid to the controls that are put in place to mitigate the risks based on the Agency's risk appetite. The risk policy includes procedures for the management and escalation of risks. The procedures outline the requirement to consider risks to the achievement of business and personal objectives. Agency Business Level risks are reviewed on a monthly basis by the AHG with the most critical being further reviewed by the OB. Strategic risks are linked to one of the five main Agency objectives and further reviewed on a quarterly basis by the AMG in its review of performance as detailed in the SPVA Strategic Scorecard. Strategic financial, commercial in confidence risks are reviewed at the AEB (MOD attendees only).

¹ The SPVA ceased to be an Executive Agency of the MOD on 16th June 2011

² Up until 30th April 2011 SPVA had its own Internal Assurance Team (IAT); this function was subsumed by DIA in line with recommendations of the Grimstone Review

There are further quarterly reports on Risk and Performance supplied to DCDS (Pers) which are considered at HLB Management Board meetings. Lower level risks are managed at Directorate, Project or Working Group levels and are each subject to regular review.

9. In addition to reviewing data from the internal risk management processes, the AMG is always alert and responsive to feed-back from other groups, such as the JPA Programme Management Group (PMG) and the Customer Advisory Group (CAG) where these have bearing on the delivery of SPVA outputs. Furthermore, during the past year, SPVA has also been actively managing an increasingly high number of significant emerging risks across the whole of the business. An example of this, in the pensions and compensation area, are those presented by the implementation of the recommendations of the Boyce Review, as the implications for risk became clear. This has involved tight project management, with input from a wide range of staff from across the Agency. This proactive approach to the management of risk has led to major reductions in the level of estimated residual risk and has translated through to a growing confidence within the relevant teams that the challenging targets to complete the retrospective work in a realistic timescale should be achieved. By taking this approach, the AMG ensures that all changes in legislation and developments in the increasingly challenging economic and financial environments are considered, thereby ensuring that SPVA is best positioned to spot and manage all emerging risks to the delivery of its critical outputs.

10. The SPVA contract with HP sets out the structure for the ownership and management of risk. While HP fully supports the SPVA risk management processes, they have also developed their own internal control and risk management procedures to embrace their business objectives, that accord with ISO9001 quality standards. HP also achieved ISO270001 (Information Security) certification during this year.

11. The SPVA Audit Committee (AC)³, under the chairmanship of one of its Non Executive Directors met quarterly throughout the year. DIA and NAO attended the AC and provided advice and guidance where appropriate.

12. The IAT reviewed the systems of internal control that underpin the working practices of the SPVA to ensure that those systems operate effectively and that any MOD guidance, regulations and instructions are complied with by Agency staff.

Information Assurance

13. The Agency has made good progress within all three Information Assurance (IAMM) levels, although there remains outstanding work still to be completed around Levels 2 and 3. While strong in areas covering levels of training, reporting and integration with HP, the Agency continues to strive for improvement in other aspects such as the maintenance of an effective IA Governance Infrastructure and embedding a behavioural change strategy and programme. The Agency was awarded Level 2 status following the MOD CIO review in March. It is expected that Level 3 compliance will be achievable in the fullness of time but subject to the Agency being able to maintain its resources commitment to the IAMM programme.

Business Continuity

14. SPVA site Business Continuity (BC) Plan production has dominated 2010/2011, with all site plans either completed or at final draft stage. These plans are complemented by DIIF Disaster Recovery plans completed/updated in year for SPVA Imjin and SPVA Norcross. Critical business area and systems plans continue to be subject to update and a full schedule of recorded tests and exercises.

15. Throughout 2010/2011, because of the excellent team working of both MOD and HP, the Agency has successfully managed a number of incidents deemed a potential threat to critical SPVA outputs. Extensive work has also been undertaken to ensure Agency BC is fully prepared for changes prompted by the Future Contract (FC), through the Service Requirement Document and the FC BC schedule (31) and the introduction of DIIF to Centurion Building.

16. The challenge for 2011/2012 will be to maintain the good standards of management achieved thus far, to extend further the continuity culture through publicity and awareness and to engage in planned BC projects ensuring compliance with MOD BC strategy and JSP 503.

Review of effectiveness

17. As Chief Executive, I also 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 MOD internal auditors,

³ The final SPVA Audit Committee sat on the 27th June 2011. A new Committee (The Audit and Scrutiny Committee) is to be formed to oversee risk and internal control moving forward.

SPVA's own internal assurance team⁴ 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 Agency Board's and AC and a plan to address weaknesses and ensure continuous improvement of the system is in place.

18. In the current year the effectiveness of the system of internal control operating within my Agency has been subject to continuous review. Activities that have significantly contributed to maintaining and improving effectiveness include:

- The SPVA AEB, AMG and OB met on a regular basis in order to advise and support me in developing a strategy and overseeing plans for delivering the Agency's objectives and internal measures of performance. This year has been particularly challenging in the light of the financial pressures imposed on MOD. All of my Boards have sought to ensure that processes and procedures are taut and reflect the principles of applying value for money.
- The Agency's Non-Executive Directors were fully involved in the management of the Agency's business providing independent advice to the Centre, the AMG, the AC and the SPVA AEB.
- The AC provided advice on the adequacy of internal and external audit arrangements and on the implications of assurances provided in respect of risk, control and governance processes within the organisation. The AC monitored progress made on audit recommendations (made by IAT, DIA and the NAO) and progress with current initiatives.
- During this year DIA's original program of audits had to be postponed owing to developments in key processes within SPVA. As their activity within SPVA was limited, they have been unable to provide SPVA with an overall assurance opinion. This will be addressed for 2011/2012 when DIA, having subsumed responsibility for the SPVA IAT, anticipate undertaking a programme of work that will enable the provision of an assurance opinion. Nevertheless, significant assurance can be taken from the work of the IAT during this year. The team has undertaken a full programme of work, providing a broad assurance provision across Agency business. The Team completed a number of compliance and assurance activities in relation to both financial propriety and broader business risks, the scopes of which specifically embraced the examination of records for potential fraud. They also worked closely with business areas to assist them to develop adequate management controls.
- The Agency has a fraud focal point offering advice and guidance on fraud related matters, additionally all staff have direct access to the Defence Fraud Analysis Unit to escalate any instances of suspected fraud. The Agency continued to utilise the National Fraud Initiative (NFI) to identify potential Armed Forces Pension Scheme (AFPS) fraudulent claims and a small internal team is resourced to investigate any potential fraudulent War Pension Scheme and Armed Forces Compensation Scheme claims. The team also take forward a bi-annual overseas Life Certificate Exercise to identify potential fraud.
- The JPA Payroll, Controls and Performance Team continued to address JPA control, accounting and management information issues alongside the Single Service focal points.
- The processes in place to manage and reconcile control accounts are now working well. As a direct result of this work the majority of all control accounts are now fully reconciled month on month. An appropriate escalation procedure is now in place and operating effectively to manage un-reconciled items.
- A project to rationalise and reduce some 2.2m war pension files currently held at 3 external locations and to relocate those required to a more modern and secure single location is nearing completion. Storage will then be managed under a cross-government contract that will maximise cost benefits and possibly lead to further savings once activation is complete. Such a large transfer of personal files carries a number of risks, but these are being managed appropriately by ensuring that all parties involved are aware of the need to transfer files securely and that appropriate procedures are in place.

Significant internal control problems

19. My review of the effectiveness of internal controls has not highlighted any significant internal control problems. The external audit of AFPS has identified the need to improve the processes used by the Agency to extract membership data used to drive the calculation of the Scheme's overall liability. The Agency will review its reporting process in the light of these findings.

⁴ Up until 30th April 2011 SPVA had its own Internal Assurance Team (IAT); this function was subsumed by DIA in line with recommendations of the Grimstone Review.

20. In respect of JPA, work has continued on improving the accuracy of pay and allowances and the number of pay errors continues to decrease year on year. The military pay and allowances control framework is now in steady-state and a rolling programme of reviews is in place. Work is continuing on the Armed Forces Pension and Compensation Schemes and the War Pensions Scheme control framework reviews.

21. The following personal data related incidents occurred during 2010/2011, in respect of data for which SPVA was the custodian. While none resulted in a material loss I have highlighted them for completeness:

Month of Incident	Nature of Incident	Nature of Data Involved	Number of People Potentially Affected	Notification Steps
Apr 2010	Potential loss of a War Pension and an AFCS file in transit to a Tribunal in Leeds.	Name, service number, date of birth, financial, service history and medical information.	2	MSF submitted to CTLB WARP. Files found intact and returned to SPVA within a day of MSF being submitted.
July 2010	Potential compromise of Veterans personal details through Xafinity Paymaster (XP) mail drop.	Service identity and home addresses of veterans resident in NI.	3878	MISIRS raised and investigation conducted. Information Commissioners office closed the incident with no further disciplinary action to be taken in Sep 10.
Aug 2010	Loss of 3 Ex-Service P files in transit to the Document Handling Centre in Glasgow	Name, service number, date of birth, service history and medical information,	3	MSF submitted to CTLB WARP and JSYCC. Files not found, Customers notified of loss.
Oct 2010	Loss of 17 Medical Board documents In transit to ATOS.	Name, NI Number, date of birth, address, medical information.	17	MSF submitted to CTLB WARP and JSYCC. 3 Medical board requests were received 14 still outstanding.
Nov 2010	Loss of an encrypted memory stick in transit to Xafinity Paymaster (XP).	Residual personal information, names, NI numbers, dates of birth, financial information	c 700	MSF submitted to CTLB WARP and JYSCC. Memory stick received by XP 4/11/2010 two days after MSF submitted.
Nov 2010	Loss of encrypted memory stick following a break-in at a home worker's residence.	Dictated documents using voice activated software, names, addresses, NI numbers.	c 200	MSF submitted to CTLB WARP and JSYCC. Incident reported to local Police. Memory stick still outstanding.
May 2011	Loss of USB pen drive whilst in the custody of XP.	Personal data including name, date of birth and national insurance number.	21	MSF submitted. Investigation still ongoing.

Kathy Barnes

Kathy Barnes
Chief Executive
Service Personnel and Veterans Agency
6 July 2011

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

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

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

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

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit.
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

8 July 2011

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2011

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2011

Administration costs	Note	2010-11 £'000	2009-10 £'000 Restated
Staff costs	2	34,698	35,081
Accommodation costs	3 & 19	5,054	4,780
Other administrative costs	4 & 19	75,729	94,163
Gross operating costs		115,481	134,024
Operating income	5	(1,518)	(1,186)
Net operating costs		113,963	132,838

OTHER COMPREHENSIVE EXPENDITURE

Net (gain) on revaluation of Property Plant and Equipment	4	(64)	(15)
Notional costs	4 & 19	2,413	2,825
Auditors remuneration	4 & 19	88	88
Total Comprehensive Expenditure for the year ended 31 March 2011		116,400	135,736

All of the Service Personnel and Veterans Agency activities are continuing, but at midday on the 16th June 2011 SPVA surrendered its Executive Agency status.

2009-10 figures have been restated to separately disclose notional costs and to reflect the adjustment for the cessation of the recognition of the cost of capital.

The notes on pages 28-43 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	31 March 2011		31 March 2010	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant & equipment	6	4,914		4,960	
Intangible assets	6	<u>4,145</u>		<u>5,749</u>	
Total non-current assets			9,059		10,709
Current assets					
Inventories	7	769		410	
Trade & other receivables	8	157		210	
Cash & cash equivalents	10	<u>0</u>		<u>6</u>	
Total current assets			<u>926</u>		<u>626</u>
Total assets			9,985		11,335
Current liabilities					
Trade & other payables	11	<u>(23,479)</u>		<u>(16,094)</u>	
Total current liabilities			<u>(23,479)</u>		<u>(16,094)</u>
Non-current assets less net current liabilities			(13,494)		(4,759)
Non-current liabilities					
Provisions	12	(396)		(319)	
Other payables		<u>0</u>		<u>(28)</u>	
Total non-current liabilities			(396)		(347)
Assets less liabilities			<u><u>(13,890)</u></u>		<u><u>(5,106)</u></u>
Taxpayers' equity					
General fund		(13,987)		(5,220)	
Revaluation reserve		<u>97</u>		<u>114</u>	
Total taxpayers' equity			<u><u>(13,890)</u></u>		<u><u>(5,106)</u></u>

The notes on pages 28-43 form an integral part of these financial statements.



Kathy Barnes
Chief Executive
Service Personnel and Veterans Agency
6 July 2011

STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000 Restated
Cash flows from operating activities			
Net comprehensive expenditure		(116,400)	(135,736)
Adjustment for non-cash transaction	19	7,927	9,369
Decrease in trade and other receivables		53	98
(Increase)/Decrease in inventories		(359)	33
Increase in trade payables		7,358	1,391
plus movements in payables relating to items not passing through the OCS.		<u>1,700</u>	<u>(645)</u>
Use of provisions	12	(452)	(248)
Net cash outflow from operating activities		<u>(100,173)</u>	<u>(125,738)</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(4,018)	(1,748)
Purchase of intangible assets		(994)	(1,482)
Proceeds of disposal of property, plant & equipment		10	32
Net cash outflow from investing activities		<u>(5,002)</u>	<u>(3,198)</u>
Cash flows from financing activities			
Defence Resource Accounts Payments		105,132	128,930
Defence Resource Accounts Receipts		(6)	2
Capital element of payments in respect of finance leases		43	6
Net Financing		<u>105,169</u>	<u>128,938</u>
Net increase in cash and cash equivalents in the period		<u>(6)</u>	<u>2</u>
Cash and cash equivalents at the beginning of the period	10	<u>6</u>	<u>4</u>
Cash and cash equivalents at the end of the period	10	<u>0</u>	<u>6</u>

The notes on pages 28-43 form an integral part of these financial statements.

The cash flow for 2009-10 has been restated to reflect the cessation of the recognition of the cost of capital.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2011

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2009		(1,329)	77	(1,252)
Net loss on revaluation of property, plant & equipment		0	12	12
Net gain on revaluation of inventories		0	25	25
Non cash charges – auditors remuneration	19	88	0	88
Notional costs	19	2,825	0	2,825
Net operating cost for the year		<u>(135,736)</u>	0	<u>(135,736)</u>
Total recognised income and expense for 2009-10		(132,823)	37	(132,786)
Funding from parent		128,932	0	128,932
Balance at 31 March 2010		<u>(5,220)</u>	114	<u>(5,106)</u>
Net gain on revaluation of property, plant & equipment		0	(17)	(17)
Non cash charges – auditor's remuneration	19	88	0	88
Notional costs	19	2,413	0	2,413
Net operating cost for the year		<u>(116,400)</u>	0	<u>(116,400)</u>
Total recognised income and expense for 2010-11		(113,899)	(17)	(113,916)
Funding from parent		105,132	0	105,132
Balance at 31 March 2011		<u>(13,987)</u>	97	<u>(13,890)</u>

NOTES TO THE ACCOUNTS

Note 1: ACCOUNTING POLICIES

Introduction

1.1 As directed by HM Treasury, the Agency has prepared financial statements. These financial statements have been prepared in accordance with the 2010-2011 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Service Personnel and Veterans Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Service Personnel and Veterans Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

On the grounds of materiality, HM Treasury has also agreed that the information normally required by the FReM on Fees and Charges disclosures (paragraph 7.4.32) is not required and the disclosure provided at Note 5 is sufficient.

1.2 The Operating Cost Statement consists of administration costs. Administration costs reflect the costs of running the Department. The classification of expenditure as administration follows the definition of administration costs set by HM Treasury.

Accounting Convention

1.3 These financial statements for the Service Personnel and Veterans Agency have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories to reflect their value to the business by reference to their current costs.

Net Operating Costs

1.4 Costs are charged to the Operating Cost Statement in the period in which they are incurred and matched to any related income.

1.5 Income from services provided to third parties is included within operating income, net of related VAT.

1.6 The Agency is not separately registered for Value Added Tax (VAT) as the Ministry of Defence accounts for VAT centrally. The Agency's account, include costs of contracted-out services, net of VAT, as well as costs inclusive of non-recoverable VAT attributable to its activities.

1.7 Notional amounts are included in the Operating Cost Statement for charges in respect of services provided by other areas of the Ministry of Defence. The amounts charged are calculated to reflect the full cost of providing these services to the Agency.

1.8 SPVA is not charged an audit fee by the National Audit Office. The audit fee shown represents the notional charge to the Operating Cost Statement based on the advised costs of the services provided.

Non Current Assets and Depreciation

1.9 The Agency's non-current assets are expressed at their fair value through the application of the Modified Historical Cost Accounting Convention (MHCA). Prospective indices, which are produced by Defence Analytical Services and Advice (DASA), are applied at the start of each financial year to the non-current assets which fall within the categories listed below. These indices, which look ahead to the Reporting Period date, are also adjusted to reflect the difference between the actual change in prices in the prior year and the earlier prediction.

1.10 Assets under construction are valued at cost and are subject to indexation. On completion, they are released from the project account into the appropriate asset category.

Intangible Non-Current Assets

1.11 Development costs are capitalised where they contribute towards defining the specification of an asset that will enter production. Those not capitalised are charged to the Operating Cost Statement. Capitalised development costs are amortised, on a straight line basis, over the planned operational life of the resultant asset. Amortisation commences when the asset type first enters operational service within the Agency. If it is decided to withdraw the whole class of an asset type early, then any residual unamortised development costs relating to that class are written off to the Operating Cost Statement, along with the value of the underlying tangible non-current assets.

1.12 Externally purchased software including licences (other than the operating system) are capitalised where they contribute to the provision of services or other Agency outputs for a period in excess of one year. Capitalised software is amortised, on a straight line basis, over the shorter of either the economic life or the licence period.

Tangible Non-Current Assets

1.13 The useful economic lives of tangible non-current assets are reviewed annually and adjusted where necessary. The MOD's capitalisation threshold, which SPVA follows, is £25,000 and it is this which determines whether or not an asset is recorded in the Non-Current Asset Register (NCAR). Agencies may apply a lower capitalisation threshold to those assets which form part of their Statement of Financial Position. The decision to record an asset on the NCAR normally takes place at the point of initial acquisition. Additionally, any identical assets purchased through the contract whose combined value is greater than £25,000 inclusive of VAT are also capitalised. Transport purchases of a lower value are capitalised due to their bespoke use by the Agency.

1.14 All the assets are depreciated on a straight line basis, except Assets under Construction which are not depreciated. Depreciation and amortisation on all other non current assets is calculated to write-off the cost or valuation of assets by equal instalments over their estimated useful lives, which are normally assumed to be as follows:

Asset Category	Life	
Intangible	3-5	years
Plant & equipment	15	years
Office equipment	5	years
IT equipment	3-5	years
IT assets (HP Enterprise Services owned)	3-5	years
Transport	4-10	years

1.15 Plant & equipment and IT equipment is capitalised where the Agency is the beneficial user, the useful life exceeds one year and the cost of acquisition and installation exceeds the Agency's capitalisation threshold. Plant & equipment, IT equipment assets and Assets under Construction are re-valued annually using indices in accordance with MOD policy.

1.16 Under the Agreement with HP Enterprise Services, although HP Enterprise Services holds legal title to the IT and Communications equipment assets, the Agency has continuing and exclusive use of those assets.

Impairment

1.17 Impairment charges to the Statement of Comprehensive Net Expenditure occur in circumstances which reduce the carrying value of non-current assets to their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale. All impairment losses are written off against the Revaluation Reserve (or Donated Asset Reserve, as appropriate) until the carrying value of the asset reaches its depreciated historic cost. Impairment losses below this amount are charged to the Statement of Comprehensive Net Expenditure. Any reversal of an impairment charge is recognised in the Statement of Comprehensive Net Expenditure to the extent that the original charge was previously recognised there. The remaining amount is recognised in the Revaluation Reserve.

Leased Assets

1.18 Assets held under finance leases are capitalised as non-current assets and depreciated over the shorter of the lease term or their estimated useful economic life. Rentals paid are apportioned between reductions in the capital obligations included in payables, and finance costs charged to Statement of Comprehensive Net Expenditure. Expenditure under operating leases is charged to the Statement of Comprehensive Net Expenditure in the period in which it is incurred.

Cash, Taxation and Social Security Liabilities

1.19 The Agency does not directly pay or receive money, except for transactions dealt with via the Dublin cash office and Ilford Park Polish Home. The majority of cash payments are made and receipts collected by the Ministry of Defence's central accounting organisations on behalf of the Agency. All transactions are brought to account by the Ministry of Defence in the Departmental Resource Accounts and are recorded by the Agency when charged to this account. All such transactions are disclosed in aggregate in the Statement of Cash Flows.

1.20 As the Ministry of Defence charges the Agency during the year with the gross payments, inclusive of PAYE and National Insurance Contributions, due to Agency employees, the Department is liable for the payment of any liabilities which may be due to HM Revenue and Customs or Department for Work and Pensions at the Statement of Financial Position date, and these are not disclosed in the Agency's Statement of Financial Position.

Going Concern

1.21 Management have considered the impact of the loss of Agency status from mid day 16th June 2011. Services will continue to be provided within the MOD and therefore the change will have no impact on the going concern basis.

Financial Instruments

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

1.23 Receivables, including trade receivables, staff loans and advances are classified Receivables and are initially measured at fair value and subsequently at amortised cost. Discounting is relevant to those receivables and loans which carry no rate of interest or a subsidised rate and will be received in excess of one year. However, the Agency's receivables that are due within 1 year are not discounted on the grounds of materiality.

1.24 Long outstanding debts are assessed on a bi-annual basis to ensure that action is taken to write off bad debts. Debts are monitored regularly in normal day to day activities. Provisions are only made for specific bad debts.

1.25 Liabilities covering trade payables, accruals and loans are classified as Other Liabilities and are initially measured at fair value and subsequently at discounted cost. This applies to those liabilities carrying a nil or a subsidised rate of interest and will be payable in excess of one year. On the grounds of materiality, the Agency's liabilities falling due within 1 year are not discounted.

1.26 The Agreement with HP Enterprise Services contains tight guidelines for the imposition of failure charges where performance levels fall below set criteria. Such charges will be raised as a reduction in the liability with HP Enterprise Services and recovered under the timescales set down in the Agreement. SPVA additionally has the right to waive part or all of these charges and in the event of this happening, write off action is required and will be reflected in the accounts.

1.27 From the start of the Interim Contract HP Enterprise Services have received a Firm Baseline Payment each month, major deviations in volumes may result during reconciliation. Such amounts if they occur are included as a reduction in the accrual.

Inventories

1.28 Inventories are recognised on the Agency's Statement of Financial Position from the point of acquisition to the point of issue for consumption.

1.29 Medal inventories are stated at the lower of current replacement cost and net realisable value. Cost comprises purchase price and includes expenses incidental to acquisition. Current replacement cost applies to stocks expected to be used or sold in the ordinary course of business and represents the cumulative revaluation of stock using the latest cost of acquisition. Net realisable value applies to stocks which are not intended to be used or sold in the ordinary course of business. Where appropriate, provision is made for obsolete, surplus and defective stock. The provision is based on 100% of the purchase price of the medals, excluding bullion scrap value, for surplus stocks.

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

1.31 Inventories written-off, included within Other Operating Costs, represent the book value of inventories which have been scrapped, destroyed or lost during the year, and also adjustments to bring the book values into line with the figures recorded on the supply systems.

Provisions for Liabilities and Charges

1.32 Provisions for liabilities and charges have been established under the criteria of IAS 37 and are based on realistic estimates of the expenditure required to settle future legal or constructive obligations that exist at the Reporting Period date.

1.33 Under IAS 19 Employee Benefits provisions are included in the accounts for future liabilities due in respect of SPVA staff that left under the Flexible or Compulsory Early Retirement Schemes. The provision is charged to the Statement of Comprehensive Net Expenditure for the year in which the obligation was made. Future costs are charged on an accruals basis against the related provision. The Agency provides in full for the cost of meeting pensions up to the minimum retirement age in respect of military and civilian personnel early retirement programmes. Pensions payable after the minimum retirement age are met by the Armed Forces Pension Scheme for military personnel and by the Civil Service pension arrangements for civilian personnel. Redundancies are provided for in full.

1.34 All long-term provisions are discounted to current prices using the rate advised by HM Treasury. The rate for financial year 2010-11 is 2.9% (3.2% for 2009-10). The discount is unwound over the remaining life of the provision and shown as an interest charge in the Statement of Comprehensive Net Expenditure.

Reserves

1.35 The Revaluation Reserve reflects the unrealised element of the cumulative balance of revaluation and indexation adjustments on non-current assets and inventories. Adjustments arising on revaluation of owned non current assets are transferred to a Revaluation Reserve or the Statement of Comprehensive Net Expenditure as appropriate.

1.36 The General Fund represents the balance of the Taxpayers' Equity.

Pensions Costs

1.37 Present and past employees are mainly covered by the Civil Service pension arrangements for civilian personnel and the AFPS for Service personnel. There are separate scheme statements for the AFPS and Civil Service pensions as a whole.

1.38 Both the AFPS and the main Civil Service pension schemes are unfunded defined benefit pension schemes, although, in accordance with the HM Treasury FReM, the Agency accounts for the schemes in its accounts as if they were defined contribution schemes. The employer's charge is met by payment of a Superannuation Contribution Adjusted for Past Experience (SCAPE), which represents an estimate of the cost of providing future superannuation protection for all personnel currently in pensionable employment. In addition, civilian personnel contribute 1.5% of salary to fund a widow/widower's pension if they are members of classic, and 3.5% if they are members of premium, classic plus or nuvos. Money purchase pensions delivered through employer-sponsored stakeholder pensions have been available as an alternative to all new Civil Service entrants since October 2002.

1.39 The pension schemes undergo a reassessment of the SCAPE contribution rates by the Government Actuary at four-yearly intervals. Provisions are made for costs of early retirement programmes and redundancies up to the minimum retirement age and are charged to the Statement of Comprehensive Net Expenditure.

1.40 Further details are included in: the Remuneration Report and on the websites of the Civil Service Pension Scheme and the Armed Forces Pension Scheme. Note 2 – Staff Costs and Numbers, gives details of pension costs in the year.

Accruals

1.41 The Agency's accruals policy is to accrue for work in progress at the year end and this is reflected in the accounts

Foreign Currency

1.42 All transactions that are denominated in a foreign currency are translated into Sterling using the General Accounting Rate (GAR) at the date of each transaction. For each currency, from 1 September 2008, the GAR is updated monthly based on spot rates; for US Dollars and Euros the GAR is based on the published spot rate in the week immediately preceding the new month. Exchange differences will arise when a currency transaction is settled at a GAR which differs from the rate used when the transaction was initially recorded. In addition, monetary assets and liabilities are translated at the mid-market closing rate applicable at the Reporting Period date and the exchange differences are reported in the Statement of Comprehensive Net Expenditure.

Contingent Liabilities

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

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

1.45 The FREM has introduced a number of changes for financial year 2010-11. The main ones applicable to the Agency are:

- The removal of the notional cost of capital charge. Because this is a notional cost the movement on reserves caused by this is £0. See note 21. This movement is not material, so three Statements of Financial Position have not been presented.
- An adoption of IAS 36, Impairment of Assets. This mandates the charging of all impairments caused by a clear consumption of economic benefits to the Statement of comprehensive net expenditure.

1.46 Following the Strategic Defence and Security Review announcements in October 2010, the MOD introduced a Department wide Voluntary Early Release Scheme (VERS) in February 2011 as a first step in achieving the 25,000 civilian head-count reductions required by 31 March 2015. The first tranche of employees will be released during 2011-12, a proportion of which will come from SPVA. As at 31 March 2011 the number of positions and associated costs relating to SPVA could not be ascertained, as these are contingent on future decisions within the Department.

Note 2: STAFF COSTS AND NUMBERS

1. The average number of whole-time equivalent employees during the year was as follows:

	2010-11	2009-10
	No.	No.
Military	62	62
Civil Service – Central Operations	709	745
Civil Service – Welfare Services	107	125
Civil Service - IPPH	61	51
Contract Staff	13	20
	952	1,003

Note 2: STAFF COSTS AND NUMBERS

2. Staff costs can be analysed as follows:

	Military Services		Veterans Services		Strategy & Programmes		Change		Corporate Services			Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11		2009-10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Salaries & Wages	5,971	4,890	15,166	15,700	2,182	847	0	1,937	3,642	3,738	26,961	27,112	
Social Security costs (ERNIC)	476	375	1,011	1,048	182	81	0	170	255	268	1,924	1,942	
Pension costs	1,533	1,068	2,658	2,707	564	266	0	597	684	696	5,439	5,334	
Contract staff costs	374	480	0	3	0	0	0	0	0	210	374	693	
Total	8,354	6,813	18,835	19,458	2,928	1,194	0	2,704	4,581	4,912	34,698	35,081	

There are no 2010-2011 figures for the Change department, which oversaw amendments and additional requirements to existing IT systems and infrastructure, as it ceased to exist and its staff and duties were re-allocated to other departments from April 2010.

Staff are covered by the provisions of the Principal Civil Service Pensions scheme (PCSPS) and the Armed Forces Pension Scheme (AFPS). Contributions are paid to the schemes at rates determined from time to time by the Government Actuary and advised by the Treasury. These contributions were charged to the Agency as a cash cost for the period of these financial statements.

The AFPS is an unfunded defined benefits scheme and the Agency is unable to identify its share of the underlying assets and liabilities. An interim actuarial valuation was carried out as at 31 March 2008. Details can be found in the accounts of the AFPS. www.mod.uk

The PCSPS is an unfunded defined benefits scheme and the Agency 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 accounts of the Cabinet Office. www.cabinetoffice.gov.uk

For 2010-11, employers' pension contributions of £5,439k (£5,334k in 2009-10) were payable at rates in the range 16.7 to 40.1 percent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2005-06 and employer contributions for the AFPS were reviewed during 2007-08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Note 3: ACCOMMODATION COSTS

	Military Services		Veterans Services		Strategy & Programmes		Corporate Services		Total	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Glasgow costs	0	0	0	0	0	0	1,379	1,343	1,379	1,343
Works Maintenance	1	(8)	(2)	23	3	0	280	380	282	395
Communicated Building Depreciation	0	0	0	0	0	0	506	765	506	765
Utilities	0	0	0	0	0	0	989	1,032	989	1,032
Rent	0	0	2	3	0	0	3,781	3,350	3,783	3,353
Total	1	(8)	0	26	3	0	6,935	6,870	6,939	6,888

Accommodation costs comprise cash costs, communicated costs and capitation rate based costs.

Note 4: OTHER ADMINISTRATIVE COSTS

	Military Services		Veterans Services		Strategy & Programmes		Change		Corporate Services		Total	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
HP Enterprise Services Contractual costs	55,286	52,863	1,127	1,413	655	974	0	10,698	350	341	57,418	66,289
Paymaster	0	0	0	1,648	0	0	0	0	0	0	0	1,648
Net Write offs (Note 18)	69	3,225	0	0	0	0	0	0	0	0	69	3,225
Loss/(Gain) on Disposal of Fixed Asset	(2)	0	0	0	0	0	0	0	1,414	(33)	1,412	(33)
IT equipment, maintenance and software	16	1,218	2	36	377	144	0	2	9	46	404	1,446
Consultancy	1,731	2,467	1,131	971	530	450	0	(29)	106	121	3,498	3,980
Travel and subsistence	150	299	510	792	66	57	0	71	156	29	882	1,248
MOD Staff Overheads	130	123	302	417	40	18	0	52	62	83	534	693
Training	0	0	27	82	0	(2)	0	0	51	193	78	273
Office supplies	5	0	209	0	0	0	0	0	189	198	403	198
Audit fee	0	0	0	0	0	0	0	0	88	88	88	88
Miscellaneous	106	155	33	25	5	(10)	0	(5)	14	30	158	195
Funeral costs	1,593	2,389	0	0	0	0	0	0	0	0	1,593	2,389
Telecommunications	6	365	101	97	235	(7)	0	0	23	11	365	466
Currency charges	0	0	(2)	3	0	0	0	0	0	0	(2)	3
IT & Communications equipment depreciation	0	0	0	0	0	0	0	0	1,836	3,838	1,836	3,838
IT & Communications equipment impairment	0	0	0	0	0	0	0	0	0	408	0	408
Asset Under Construction impairment	0	0	0	0	0	0	0	0	0	130	0	130
Plant and equipment depreciation	0	0	0	0	0	0	0	0	7	45	7	45
Communicated Costs Plant and Equipment	0	0	0	0	0	0	0	0	0	24	0	24
Intangible asset amortisation	0	0	0	0	0	0	0	0	1,642	1,331	1,642	1,331
Plant and Equipment Impairment	0	0	0	0	0	0	0	0	0	(28)	0	(28)
Intangible asset impairment	0	0	0	0	0	0	0	0	0	601	0	601
Stock provisions	(6)	(15)	0	0	0	0	0	0	0	0	(6)	(15)
Stock consumption	1,427	1,887	1	0	0	0	0	0	0	0	1,428	1,887
Provisions movement	0	0	0	0	0	0	0	0	529	165	529	165
Medical adjudication	0	2	1,806	2,065	0	0	0	0	0	0	1,806	2,067
Rental under operating lease	1	0	12	18	0	0	0	0	36	39	49	57
Bank charges	298	406	565	739	0	0	0	0	0	0	863	1,145
Postal and administration services	406	363	420	463	0	3	0	0	252	142	1,078	971
Admin claims – special services	0	0	113	185	0	0	0	0	3	0	116	185
Publicity	0	0	15	19	0	0	0	0	18	15	33	34
	61,216	65,747	6,372	8,973	1,908	1,627	0	10,789	6,785	7,817	76,281	94,953

There are no 2010-2011 figures for the Change department, which oversaw amendments and additional requirements to existing IT systems and infrastructure, as it ceased to exist and its staff and duties were re-allocated between Military Services and Strategy & Programming Directorates from April 2010.

Asset impairment, depreciation and amortisation costs include communicated costs, which do not form part of Note 6. 2009-10 figures have been restated to separately disclose notional costs and to reflect the adjustment for the recognition of the cost of capital.

Note 6: NON CURRENT ASSETS

	Intangible Assets		Plant & Equipment		Information Technology		AUC		Total Plant & Equipment Assets		Total Non Current Assets	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Cost or valuation												
At 01 April	7,048	10,312	189	384	4,499	5,017	3,449	6,416	8,137	11,817	15,185	22,129
Additions	649	465	81	0	39	1,546	2,625	1,426	2,745	2,972	3,394	3,437
Revaluations	(93)	1,083	(3)	28	18	336	(120)	0	(105)	364	(198)	1,447
Impairments	0	0	0	0	0	0	0	197	0	197	0	197
Transfers	798	4,590	0	0	954	0	(1,752)	(4,590)	(798)	(4,590)	0	0
Disposals	(2,496)	(9,402)	(26)	(223)	(4,195)	(2,400)	0	0	(4,221)	(2,623)	(6,717)	(12,025)
At 31 March	5,906	7,048	241	189	1,315	4,499	4,202	3,449	5,758	8,137	11,664	15,185
Depreciation and Amortisation												
At 01 April	1,299	7,778	116	243	3,061	958	0	0	3,177	1,201	4,476	8,979
Amount in year	1,562	1,969	11	30	1,896	4,382	0	0	1,907	4,412	3,469	6,381
Revaluations	(18)	201	0	15	(26)	146	0	0	(26)	161	(44)	362
Impairments	0	(325)	0	0	0	(73)	0	0	0	(73)	0	(398)
Disposals	(1,082)	(8,324)	(21)	(172)	(4,193)	(2,352)	0	0	(4,214)	(2,524)	(5,296)	(10,848)
At 31 March	1,761	1,299	106	116	738	3,061	0	0	844	3,177	2,605	4,476
Net Book Value												
At 01 April	5,749	2,534	73	141	1,438	4,059	3,449	6,416	4,960	10,616	10,709	13,150
At 31 March	4,145	5,749	135	73	577	1,438	4,202	3,449	4,914	4,960	9,059	10,709

Note 7: INVENTORIES

	2010-11	2009-10
	£'000	£'000
Medals inventories owned by SPVA	912	559
Less Obsolescence Provision	(143)	(149)
Net Inventory Value	<u>769</u>	<u>410</u>

Note 8: TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2010-11	2009-10
Trade receivables: Other	135	210
Prepayments	22	0
	<u>157</u>	<u>210</u>

Included within trade receivables is a specific bad debt provision of £28k (£10k in 2009-10) in respect of Pension Sharing on Divorce.

Note 9: INTRA GOVERNMENT BALANCES

Receivables	2010-11	2009-10
	£'000	£'000
Other Government Departments	32	59
Local Authorities	2	8
External to Government	123	143
	<u>157</u>	<u>210</u>

Payables	2010-11	2009-10
	£'000	£'000
Other Government Departments	604	552
Public Corporation	184	87
External to Government	22,691	15,455
	<u>23,479</u>	<u>16,094</u>

Note 10: CASH AND CASH EQUIVALENTS

	2010-11	2009-10
	£'000	£'000
Balance at 01 April	6	4
Net Changes in cash balances	(6)	2
Balance at 31 March	<u>0</u>	<u>6</u>
The following balances at 31 March were held at :		
Commercial banks and cash in hand	<u>0</u>	<u>6</u>

Note 11: TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year	2010-11		2009-10	
	£'000	£'000	£'000	£'000
Trade payables: Other		371		305
Accruals: HP Enterprise Services	15,783		8,945	
Accruals: Other	7,325		6,844	
		<u>23,108</u>		<u>15,789</u>
		<u>23,479</u>		<u>16,094</u>

Note 12: PROVISIONS FOR LIABILITIES AND CHARGES

Early Retirement Provision	2010-11	2009-10
	£'000	£'000
Opening Balance at 01 April	319	402
Provided in year	520	156
Utilised in year	(452)	(248)
Unwinding of discount	9	9
Closing Balance at 31 March	<u>396</u>	<u>319</u>
Analysis of expected timing of discounted flows		
Between 2010 and 2014	0	0
Between 2011 and 2015	285	223
Between 2012 and 2016	0	0
Between 2016 and 2021	146	122
Between 2017 and 2022	0	0
	<u>431</u>	<u>345</u>

Note 13: RELATED PARTY TRANSACTIONS

SPVA is an Executive Agency of the Ministry of Defence. The Ministry of Defence is regarded as a related party. Due to the partnering relationship that exists between SPVA and HP Enterprise Services, three members of the HP Enterprise Services Management team sit on the Agency Management Group (AMG) alongside the SPVA Executive Board. These senior managers oversee the partnering agreement, contributing and reviewing on a regular basis major activities of the Agency.

During the period 01 April 2010 to 31 March 2011, SPVA has had a significant number of material transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Department for Work and Pensions, the Post Office ® Ltd. and the Foreign and Commonwealth Office. SPVA also receives supplies from Royal Mint, a Public Corporation, also regarded as a related party.

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with SPVA.

Note 14: COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	2010-11	2009-10
	£'000	£'000
Not later than one year	19	50
Later than one year and not later than five years	0	24
	<u>19</u>	<u>74</u>

Note 15: FINANCIAL COMMITMENTS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2011 the Agency was committed, under the Interim Contract with HP Enterprise Services, to make payments totalling £105.459m up to the end of the contract in 2012. At contract termination, due to take place in November 2012, SPVA has an option to buy back the IT equipment (excluding DII(F) IT equipment) that is being utilised by HP Enterprise Services at Fair Market Value.

Note 16: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as stated below:

Useful Lives of Intangibles, Plant and Equipment and Information Technology

The Agency estimates the useful lives of intangibles, plant and equipment and information technology based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates, due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the intangibles, plant and equipment and information technology would increase the recorded expenses and decrease the non current assets.

Modified Historical Cost Accounting

Modified historical cost accounting (MHCA) expresses non current assets at actual or estimated current (replacement) values through the application of indices. These indices, which look ahead to the reporting period date, are adjusted to reflect the difference between the actual change in prices in the prior year and the earlier prediction. Any changes in the indices will affect the carrying value of the non current asset, together with any associated carrying value in the revaluation reserve or the expense recorded in the operating costs statement.

Note 17: DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial Instruments

FRS 29 Financial Instruments: Agencies are required to provide disclosures in respect of the role of financial instruments on performance during the period, the nature and extent of the risks to which the Agency is exposed and how these risks are managed. For each type of risk arising from financial instruments, the Agency is also required to provide summary quantitative data about its exposure to the risk at the reporting date.

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 non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little liquidity risk.

The Agency is subject to some credit risk. The carrying amount of receivables, which is net of impairment losses, represents the Agency's maximum exposure to credit risk, £135k at 31 March 2011. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable including the probability that the customer will enter bankruptcy or financial reorganisation, that the customer is facing financial difficulties or that economic conditions are likely to lead to non-payment. An analysis of receivables details those past their due date and the impairment is shown in the table below:

	0-3 months	3-6 months	6-12 months	Over 12 months
	£'000	£'000	£'000	£'000
Receivables past due date – not impaired	23	18	23	0
Receivables past due date - impaired	0	0	0	9
	23	18	23	9

The remainder of receivables have no due date.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in Note 1 to the financial statements.

Categories of Financial Instruments

Details of the Financial Instruments, by category, were

	Carrying value at 31 March 2011	Carrying value at 31 March 2010
	£'000	£'000
Financial Assets		
Loans and Receivables (including cash and cash equivalents)	157	216
Financial Liabilities		
Payables and Accruals	23,479	16,094

The net gains and losses in respect of Financial Instruments are taken through the Statement of Comprehensive Net Expenditure.

Interest Rate Risk Management

The Agency has no financial assets and liabilities on which interest is earned or paid, and is therefore not exposed to significant interest rate risk.

Foreign Currency risk

The Agency only holds assets denominated in a foreign currency, and income and expenditure denominated in a foreign currency is negligible. The Agency does, however, bear the foreign exchange costs of payments made in local currencies to Service personnel serving overseas. Once calculated these are transferred to Headquarters LAND Command. The Agency is therefore not exposed to significant currency risk.

The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts for Euros and the US dollar annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account, these contracts are not held by SPVA.

Liquidity risk

The Agency is not exposed to significant liquidity risk, as the liquidity requirements are met by financing from the Ministry of Defence Resource Account, and it has no borrowing facilities. The Department's resource requirements are voted annually by Parliament.

Embedded Derivatives

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the Statement of Comprehensive Net Expenditure in accordance with IFRS 7. The Agency operates a commercial framework whereby it does not currently hold financial risks of this nature and places restrictions on doing so in the future.

Fair Value of Financial Instruments

Details of the financial instruments by valuation method are shown in the table below:

	Carrying value at 31 March 2011	Carrying value at 31 March 2010
	£'000	£'000
Financial Assets		
Historic Cost	157	216
Financial Liabilities		
Historic Cost	23,479	16,094

The valuation difference when measuring at historic cost rather than amortised cost is not considered material.

Note 18: LOSSES STATEMENT

Under the Interim Contract between SPVA and HP Enterprise Services a Failure Charge could be deducted from the monies payable to HP Enterprise Services. Failures were defined as being where performance against a specified and agreed Service Level had not been achieved. Under the charging mechanism in place, a maximum charge that could be invoked is calculated. Discretion existed for a lesser sum to be charged in instances where the maximum charge is deemed inappropriate (e.g. when the reason for a service delivery failure could not be apportioned solely to HP Enterprise Services). Additionally, the charge could be abated in total, for example when a Service Delivery Failure was adjudged to be as a consequence of circumstances outside HP Enterprise Services' control. Under the terms of Government Accounting the Agency has to apply to HM Treasury for overall authority to abate the charge after its calculation. During the Financial Year 2010-11 the total calculated adjusted sum under the Interim Contract was £97k, compared to the total of £3,189k in 2009-10. The £97k is part of the net £69k figure declared in the write offs in the Other Administrative Costs at Note 4. The £28k balance is due to the difference between the declared write off of £3,189k in 2009-10 and the actual loss being £3,132k (resulting from the finalised ATP figure being unavailable at the year end) plus the Pension Sharing on Divorce bad debt provision.

Note 19: NON CASH AND NOTIONAL COST ITEMS

The notional cost elements, included under the headings of Accommodation Costs (note 3), and Other Administrative Costs (note 4), are as follows:

	2010-11 £'000	2009-10 £'000 Restated
NON CASH COSTS:		
IT depreciation	1,836	3,838
IT Impairment	0	408
Asset under Construction Impairment	0	130
Loss/(Gain) on Disposal of Non Current Asset	1,412	(33)
Plant & Machinery Depreciation	7	45
Plant & Machinery Impairment	0	(28)
Intangibles Amortisation	1,642	1,331
Intangibles Impairment	0	601
Increase in Provisions	529	164
Notional costs	2,501	2,913
	<u>7,927</u>	<u>9,369</u>

2009-10 figures have been restated to reflect the adjustment for the cessation of the recognition of the cost of capital.

	2010-11 £'000	2009-10 £'000
NOTIONAL COSTS:		
Glasgow costs	1,379	1,343
Communicated Building Costs	506	765
MOD Overhead costs	534	693
Plant and Machinery Comm Costs	(6)	24
Audit fee	88	88
	<u>2,501</u>	<u>2,913</u>

Note 20: CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<£10,000	-	4	-	-	-	4
£10,000 - £25,000	-	4	-	1	-	5
£25,000 - £50,000	-	2	-	1	-	3
£50,000 - £100,000	2	2	-	-	2	2
Total Number of Exit Packages	2	12	-	2	2	14
	£'000	£'000	£'000	£'000	£'000	£'000
Total Resource Cost	182	327	-	49	182	376

The figures above include payments under the Civil Service Compensation Scheme (CSCS), payments under any other compensation schemes where applicable (eg some NDPBs) and any other payments made (special severance payments).

Note 21: PRIOR YEAR RESTATEMENT

The FREM for financial year 2010-11 introduced the removal of the notional cost of capital charge. The value of this adjustment is shown below.

	£'000
Comprehensive net expenditure for 2009-10	135,624
Adjustment for cost of capital	<u>112</u>
Restated comprehensive net expenditure for 2009-10	<u>135,736</u>
	£'000
General Fund Reserve	5,220
Less increase in SOCNE	<u>(112)</u>
	5,108
Plus adjustment to General Fund opening balance	<u>112</u>
Restated General Fund Reserve	<u>5,220</u>

Note 22: EVENTS AFTER THE REPORTING PERIOD

These accounts have been authorised for issue by the Accounting Officer on the same date as the signing of the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The status of SPVA as a separate Agency has been under review. A statement was made by Ministers on 16 June 2011 in a written statement to confirm that SPVA's activities will continue within the Department but it will cease to have the status of an Executive Agency of the Ministry of defence from midday on 16 June 2011.

Services will continue to be provided within the MOD and therefore the change will have no impact on the going concern basis.

Glossary of Terms

AC	Audit Committee
AEB	Agency Executive Board
AFCS	Armed Forces Compensation Scheme
AFPS	Armed Forces Pensions Schemes
AHG	Assistant Heads Group
AMG	Agency Management Group
AUC	Assets Under Construction
BC	Business Continuity
CAG	Customer Advisory Group
CAPS	Compensation and Pensions System
CE	Chief Executive
CETV	Cash Equivalent Transfer Value
CIO	Chief Information Officer
CTLB	Centre Top Level Budget
DASA	Defence Analytical Services and Advice
DCDS(Pers & Trg)	Deputy Chief of Defence Staff (Personnel and Training)
DCE	Deputy Chief Executive
DIA	Defence Internal Audit
DII	Defence Information Infrastructure
DR	Disaster Recovery
DRAc	Departmental Resource Accounts
DWP	Department of Work and Pensions
ERNIC	Earnings Related National Insurance Contributions
FC	Future Contract
FReM	HM Treasury Financial Reporting Manual
GAR	General Accounting Rate
HLB	Higher Level Budget
HPES	Hewlett Packard Enterprise Services
IAMM	Information Assurance Maturity Model
IASB	International Accounting Standards Board
IAT	Internal Assurance Team
IC	Interim Contract
IFRS	International Financial Reporting Standards
IPPH	Ilford Park Polish Home
IT	Information Technology
JCCC	Joint Casualty and Compassionate Centre
JPA	Joint Personnel Administration
JSYCC	Joint Security Co-ordination Centre
MHCA	Modified Historical Cost Accounting
MODMO	MOD Medal Office
MSF	Mail Summary File
MSIRS	Information Retrieval System for Multi-Structured Data
NAO	National Audit Office
NCAR	Non Current Asset Register
NED	Non-Executive Director
NFI	National Fraud Initiative
OAB	Owners Advisory Board
OB	Operating Board
PACCC	Pay and Allowance Casework and Complaints Cell
PAYE	Pay As You Earn
PCSPS	Principal Civil Service Pension Scheme
PMG	JPA Programme Management Group
RAB	Resource Accounting and Budgeting
SCAPE	Superannuation Contribution Adjusted for Past Experience
SIC	Statement of Internal Control
SPVA	Service Personnel and Veterans Agency
TLB	Top Level Budget
VAT	Value Added Tax
VWS	Veterans Welfare Service
WPS	War Pensions Scheme
XP	Xafinity Paymaster



information & publishing solutions

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

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-297145-3

