THE PENSIONS ADVISORY SERVICE

Annual Report and Accounts for the year ending 31 March 2014

HC 562

The Pensions Advisory Service
(A company limited by guarantee)
Registered no. 02459671

The Pensions Advisory Service
Annual Report and Accounts
for the year ending 31 March 2014

Presented to Parliament pursuant to Article 6 of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009.

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HC 562

Any enquiries related to this publication should be sent to us at media.enquiries@pensionsadvisoryservice.org.uk

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Contents

Company Information

Registered number:	02459671	
Directors:	**Chairman**	
	Partha Dasgupta	
	Chief Executive and Accounting Officer	
	Michelle Cracknell	From 1 October 2013
	Jonathan Kalemera[1]	From 12 July to 30 September 2013
	Marta Phillips	Up to 11 July 2013
	Non-Executive Directors	
	Alex Balfour	
	Colette Bewley	
	David Clarke	
	Bill Galvin	Resigned 31 July 2013
	Baroness Hollis of Heigham	
	Tilly Ross	
Registered office:	11 Belgrave Road Victoria London SW1V 1RB	
Auditors:	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP	
Bankers:	Lloyds Bank Plc National Clubs and Charities Centre Sedgemoor House Dean Gate Avenue Taunton TA1 2UF	

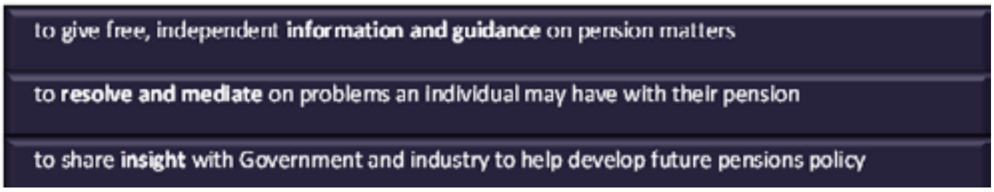
[1] Jonathan Kalemera covered the transition as Interim Chief Executive and Accounting Officer but was not a Board director.

About The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is here to give people professional, independent and impartial help with their pensions – for free.

Pensions can change people's lives. Most of us would like to be able to choose to stop work one day and choose how we live when we do. A good pension is one way to achieve that. Our vision is a future where people are empowered to make the most of their pensions savings.

We are here:



We deliver our information and guidance service through a variety of channels including a telephone helpline, web chat, written enquiries, online enquiries and our website. We also act as mediators in disputes involving public or private pension schemes or policies. Our website and leaflets provide information on all aspects of pensions in the UK.

Our service is free to the public. It is delivered by in-house pension specialists and a nationwide network of volunteer advisers who have typically worked in the pensions industry in roles that have required a high level of technical knowledge. We are an independent organisation that is funded by the Department for Work and Pensions (DWP); the funding is ultimately recouped from the General Levy raised on occupational and personal pension schemes by the Secretary of State, Department for Work & Pensions.

We do not spend money on advertising. Instead, we raise awareness of our services through traditional and social media, word of mouth recommendations, attending shows and speaking at relevant events. We are grateful for the organisations that promote us, which include Money Advice Service, Pensions Ombudsman, Citizens Advice Bureau and Financial Ombudsman Service.

The DWP corporate plan sets out the Government's priorities for retirement; "providing a firm foundation, promoting saving for retirement and ensuring that saving for retirement pays". A specific action to help deliver this objective is to help people to make proper provision for their retirement. We have a key role to support the DWP to deliver this strategic objective.

TPAS was founded in 1983 as a company limited by guarantee, registered in England and Wales, company number 02459671. It became an executive non-departmental public body in 2006.

Chairman's Review

Last year, TPAS helped over 1.7 million people find the answers to their pension questions. The demand for information has not diminished and is expected to grow as a result of the 2014 Budget announcement, the overhaul of State pensions, changes to retirement ages and the automatic enrolment of employees increasing the number of people participating in pensions.

Demand for real time access to information (telephony and web chat) saw an increase to 62,243 customers from 57,638 (8%) influenced in the last quarter by the Budget and also in response to radio and TV coverage of TPAS. The top five issues that the public contacted us about were; decisions at retirement, triviality, contract terms and eligibility, financial advice and general legal rights. We have sought to expand this coverage and awareness of our service through the media and social media. We have been using Twitter and other social media to increase our visibility with a much wider customer and stakeholder audience. Customer satisfaction with our Helpline remains very high with 90% willing to recommend our service and 86% taking direct action as the result of their call. The introduction of web chat towards the end of August 2013 brought the service new insights and also saw early channel shifts away from written correspondence to the immediacy of web chat responses. Predominantly web chat queries have displaced more traditional methods of posing written queries and with over 5,000 chats in the first six months it has contributed to a reduction in the number of written enquiries by 8,000 (40%). At the start of 2014, we started to pilot evening web chat one night per week to understand the demand for longer working hours.

The number of dispute resolution cases fell by 7% to just over 4,300 continuing the downward trend experienced over recent years. We were pleased to see the reduction, as we believe that this was mainly due to a number of potential complaints being resolved by us through our independent explanation. With the rise in defined contribution schemes, we have found that the number of dispute cases is becoming increasingly linked to the performance of the stock market – increasing when the market falls and vice versa, so the reduction in complaints has also been due to the rises in the stock market. Within this overall decrease, the number of complaints that needed additional investigation increased by 12%.

A unique aspect of the delivery of our service is the contribution made by volunteers with a professional background in pensions. We are hugely indebted to our willing and capable volunteers that enable us to deliver services way beyond our budget. The Board approved a new volunteer strategy that sets targets for broadening its volunteer recruitment base and initiatives to ensure that it is prepared to meet future patterns of demand.

TPAS expenditure for the financial year was in line with the targets agreed with Government in the Comprehensive Spending Review and we have delivered a real saving of 15% since 2010/11. Further financial efficiency has been achieved by retendering our IT contracts resulting in 60% savings, securing lower than anticipated premises costs and optimising our existing space. The benefit of our infrastructure investment programme has been realised coping with the 23% increase in call volumes with unchanged resources. These demonstrate our ability to scale our business to reflect demand and manage our cost base efficiently. One strand of our strategy refresh focussed on our digital capability. As a result, the TPAS website will be re-launched later this year in line with the changing needs of the public and the pensions industry which is reflected in their feedback.

Our vision is a future where people are empowered to make the most of their pensions savings. Two initiatives in this area were the addition of a new online tool kit and our Women & Pensions survey. We added a pension charges calculator to our suite of online toolkits to help employers and individuals understand the impact of charges on pension pots. This complements our existing toolkits on saving for retirement, annuities and understanding investments. I would like to thank the ABI for developing this new tool and the Government Actuary's Department for quality assuring it. In January we published the results of our third Women & Pensions survey. This highlighted five areas that would improve access to pensions for women: confidence to engage and plan, accessibility of pensions information, amount saved, adequacy of pensions savings and what to do when a relationship ends. We highlighted how TPAS could help women take positive action to raise awareness and address each of these issues.

Michelle Cracknell joined as Chief Executive in October 2013, succeeding Marta Phillips who stood down in the summer. The Board took the opportunity to conduct a strategy refresh and agreed that the priorities for the next three years should be: positioning us as the primary source of impartial private pensions and insight, increasing awareness of our services so that more people are better informed on pensions, delivering our services more effectively and efficiently, developing our technical and communication skills to reach and serve our target audience and growing our volunteering culture by recruiting, retaining and recognising volunteers. The Board has expressed its gratitude to Jonathan Kalemera for his leadership during the period of transition and the triennial review.

Our vision and strategic goals complement the Government's intention to introduce an "at retirement guidance service". We believe that we have the experience and expertise to play a significant part in delivering this important new initiative based on our thirty-year track record of providing impartial and professional guidance to the public. We are trusted by the pensions industry that ultimately funds our activities through the pensions levy. We have demonstrated our ability to reduce costs, improve productivity and re-invest in our infrastructure to provide a flexible and scalable platform to cope with uncertain demands. We are excited to be part of the cross Government group helping to design the Service.

This is a period of transition for the Board as we welcome three new non-executive directors: Baroness Jeannie Drake, Alan Woods and Geoff Shanks. Geoff will succeed David Clarke as Audit Committee Chair and Alan will succeed Baroness Hollis as Remuneration Committee Chair. Both David Clarke and Baroness Hollis will be retiring as directors in August together with Alex Balfour. I would like to thank them all for their valuable contribution over the last four years. This is my last report as Chair since I shall also be stepping down in September to pursue pastures new. I have thoroughly enjoyed my time as Chair and would like to thank members of staff, volunteers, board members, colleagues and friends across the pensions industry.

In January the Government published its "Triennial Review of Pension Bodies" which included TPAS. The Board welcomes the report that concluded, "the functions performed by the bodies under review are necessary and that the current bodies remain best placed to deliver those functions." Nevertheless, the report recommended that the bodies should prepare for the long term. We believe that the strategic plan agreed by the Board and the opportunity presented by the new "at retirement guidance" service provides TPAS with a clear direction. TPAS has an exciting future ahead as it responds to the continued challenges of significant and unprecedented reforms to all aspects of pensions and to the public's voracious appetite for guidance about their pensions.

Partha Dasgupta
Chairman

20 June 2014

Strategic Report

Strategy and Business Model

We believe the services that the information & guidance and dispute resolution services provide are essential to help people make proper provision for their retirement. Our aim is to increase the number and diversity of customers that use our services to reflect the growing need due to the major reforms that are happening in the pensions landscape.

We see our role as making pensions accessible to the public. We do this through providing information and guidance on all private pension matters, plus mediating where there is a dispute between a pension scheme and a member. By offering both these services through one organisation, we are able to draw on a high level of pension expertise and share the technical resource and skills across both teams.

Our heritage, operating model and reputation puts us in a unique position to serve the public, the Government and the pensions industry.

- Our staff and volunteers have a high level of pension technical knowledge; pensions are very long term saving products and have a legacy of many special terms and historic legislation. It is only possible to provide correct information and guidance to people where there is deep expertise.
- We offer independent and impartial information and guidance and dispute resolution services, provided by pension specialists, which is essential to give the public the ability to secure their income position in retirement.
- We have built up a bank of customer insight from the enquiries and disputes that we handle that can help the Government and industry develop future pensions that better meet customer needs.

We are increasingly well placed to understand and identify emerging issues affecting customers thanks to our increasing ability to monitor the types of issues and events that trigger people to make contact with us. We plan to share our insights from the growing evidence base that we also use to continually develop our services and forecast our resource requirements.

Through investment in our technology infrastructure, we have increased and improved the channels that people can use to contact us. It has also strengthened our ability to monitor and manage workloads and improve efficiency.

Business Review

Each year we answer thousands of questions from members of the public about their pensions, and millions of people access pension information from our website. We also help resolve thousands of peoples' pension problems and complaints. Annually, TPAS publishes an Annual Review providing a detailed analysis of the development and delivery of its business during the financial year. The Annual Review is available on our website.
http://www.pensionsadvisoryservice.org.uk/media/949562/annualreview2013-14.pdf

Service Delivery

The table below sets out the number of enquires and disputes that we dealt with and closed during the year as well as the number of helpline enquiries received and handled and the number of visits to our website during 2013/14.

Work	2013/14	2012/13	Increase (Decrease)
Written Enquiries	12,018	19,877	(39.5%)
Written Complaints and Disputes	4,320	4,661	(7.3%)
Helpline Calls received	75,480[2]	61,426	22.9%
Helpline Calls handled	56,708[3]	57,638	(1.6%)
Web Chats	5,535[3]	–	N/A
Website Visits	1,646,830[4]	3,013,986	(45.4%)

Following the introduction of a new telephony system in April 2013, the service has worked hard to improve the customer journey for people unsure about who they should be talking to and where to go. Traditionally TPAS received a significant number of calls from people unsure about where to go and needing services from the DWP Pensions Service and others. With the introduction of new messaging systems we have been able to help redirect customers at the very outset of their calls to us. This has meant that of the 75,480 calls we received this year, we were able to redirect just over 15,000 freeing up adviser time to focus on those customers who really needed our help and services. In previous years these customers would have been included in the numbers of people our advisers spoke to and were signposted out.

In addition to the new telephony system, in August 2013 we also introduced a new delivery channel, web chat. The introduction of this service was very low key and came with certain expectations about how people would use the tool. Our experience has far exceeded our expectations with high usage rates from day one and a level of engagement that we had not anticipated. We have found that the level of anonymity that people experience from web chat increases their confidence and enables them to ask questions that they might otherwise feel unsure about. The functionality of the tool has also enabled us to share documents and website addresses with people as we chat and gets over a number of barriers that people sometimes face when struggling to understand their policy or other documentation. Web chat is increasingly a channel of choice for a large number of our customers who might otherwise have sent us an email or online query. We believe the popularity and immediacy of web chat accounts for the channel shift away from written queries and brings a number of real benefits for the service going forward, enabling us to provide an increasingly efficient and responsive service that builds on customers' motivation to understand and resolve issues.

The total number of written complaints and disputes received fell by just over 7% in 2013/14. The reduction was however in the number of cases which can be resolved by one letter. This has been a trend in recent years and we suspect improved investment performance in relation to defined contribution pension plan

[2] This includes 15,109 calls sign-posted to other organisations including DWP's Pension Service.
[3] Web Chats were introduced in the second half of 2013/14.
[4] During 2013/14, we changed our hosting arrangements; the change adversely impacted on our ability to get full web traffic information. The number is therefore an estimate based on the statistics we have.

values is one reason for the fall in numbers. We also hope that our own website and communications have played a part in managing complainant expectations and preventing them from unnecessarily escalating. However the number of cases we received which we found needed to be investigated actually increased by 12%. No single issue trend is behind this increase, although the number of complaints about mistakes, and disputes about entitlements, both significantly increased. Improved awareness of the service TPAS provides may also be a reason why more people have contacted us about substantial complaints.

Within the Information & Guidance area 2013/14 has been a year of bedding in several key infrastructure developments to our service and making them work to develop better outcomes for the TPAS team and customers. We have been delighted that our telephony work has facilitated the highest ever response rate to our customer feedback surveys and has yielded a fantastic 90% of people telling us that they are very highly satisfied or very satisfied with the service they have received on our helpline. We are also pleased that our automated messaging has built additional capacity within our helpline, enabling us to respond to 92% of calls within 30 seconds and keep the numbers of abandoned calls down to 4%. Our aspiration has been to have 95% of calls answered within 30 seconds and we will continue to work towards this, shifting resources between channels as demand requires and building upon the generous additional capacity delivered to our helpline by our helpline volunteers. Alongside our paid staff, in 2013/14, we gained additional capacity from our volunteers team with 15% of all calls to our helpline (an increase on last year of 3%) being answered by our highly skilled team of volunteer office advisers. On the issue of our written work, we are also pleased to report excellent performance against response times delivering an average case closure rate across all levels of case complexity of less than three days from receipt and we are pleased to say that this has led to us over performing by 5% on our target for 90% of all cases to be closed within 5 days. We believe improving upon our responsiveness to customers has contributed to the response we receive from our service users. Despite sometimes being the bearer of bad news, 73% of people have responded saying that they were either very satisfied or satisfied with the response they have received to their letter, referral or email. Internally our quality assurance framework and the work we do to share best practice continues to have a strong focus on how we increase satisfaction further, increase customer engagement and constructively manage some of the negative messages we sometimes have to give to customers.

In 2013/14 the number of complaints against schemes that we accepted for investigation was 2,213, an increase of 12%. 65% of that casework was allocated to our volunteer advisers. We closed 2,112 cases, an increase of 2%. We ended 2013/14 with 211 cases over 12 months old (16% of casework). This is a small improvement from the end of 2012/13 in which the number of cases in excess of 12 months was 228 (18% of casework). We aim to improve checks and controls during 2014/15 to improve our performance here further. We are pleased to note that customer satisfaction remained high at 88%. Our ability to provide our service relies heavily on our volunteer advisers who give their time and expertise for free. It is our ambition to increase and strengthen our volunteer network. To this aim we formulated and agreed a volunteer strategy to help attract, retain and support volunteer advisers. We are delighted to note that the number of volunteers supporting the TPAS service has increased from 342 to 384. To help support our volunteers we updated all complaint guidance which was over two years old, updated the adviser guidance notes, made available training on defined contribution plans, and on handling difficult customers and video training on SIPPs via the adviser section of our website, as well as holding our usual annual workshops in the Autumn. We have been able to continue to offer retired and non-working volunteers affiliate membership of the Pensions Management Institute to help them keep up-to-date.

Performance against Targets

Activity	% Target	Achievement 2013/14	Achievement 2012/13
Written Enquiries:			
Case cleared within			
5 working days	90	95	–
9 working days	99	99	–[5]
Disputes: Case cleared within			
6 months	65	67	71
12 months	85	89	92
Helpline Calls			
Call answered within			
30 seconds	95	92	95
60 seconds	99	95	97
Abandoned calls to be less than 10%	10	4	6
Financial			
Agreed invoices to be paid within			
10 working days of receipt	95	98	96

Satisfaction Surveys

Users satisfied with the service	% Target	Achievement 2013/14	Achievement 2012/13
Handling of written disputes against schemes – casework	85	88	87
Handling of written enquiries	85	73	81
Handling of Helpline calls	90	90	96

We continue to monitor and reflect on satisfaction rates and on how we can encourage more people to respond to our surveys. The current achievement for handling written enquiries is disappointing but based on very low response rates. In 2014/15 we will undertake an exercise to gain greater insight into customer satisfaction and outcomes.

[5] In 2012/13, the targets were 90% cases cleared with 20 days (achieved 97%) and 99% cleared within 25 days (achieved 99%).

Sustainable Development

Although we are exempt from the requirements of Greening Government commitments due to our size, we endeavour to undertake activities that are directed towards protecting the environment such as:

- recycle paper and other materials, in 2013/14 we recycled 6,770 kg (2012/13[6]: 8,390 kg) of paper, saving the equivalent of 88 (2012/13:110[7]) trees and 9,610 (2012/13: 11,900[8]) kilograms of CO_2 – we believe that the reduction is due to the reduced printing of e-mails;
- work hard to reduce energy consumption by buying equipment that has low energy consumption ratings whenever available; and
- use public transport, where possible.

Staff and Volunteer Adviser Development

We believe that our staff and volunteer advisers are our key asset. During the year our Investors in People accreditation was reviewed and was successfully renewed. This accreditation is not an end in itself, but an opportunity to use a framework that enables us to identify areas which we need to concentrate on in developing our colleagues.

Our staff have led on the work to implement the outcome of a staff survey.

Following a skills survey of our volunteer advisers, we have continued to capitalise on their vast skills in areas such as mentoring other volunteer advisers.

Staff Sickness

The average number of days for all sickness per member of staff in 2013/14 was 6.35 compared with 4.6 in 2012/13. Our average was adversely affected by a member of staff who has unfortunately been off on long term sickness. Despite this, our average compares favourably to the levels of staff sickness in the Civil Service, where the average is 7.6[9] and the rest of the public sector where the rate is around 7.9[10] for non-manual staff.

Complaints against Our Service

Despite high levels of customer satisfaction, there are occasions when people are unhappy with the service we provide. We thoroughly investigate all complaints, and use the findings to evaluate and improve our service. Often complaints were a result of the fact that customers were unhappy with what they were told, rather than the service they received.

During 2013/14 we received sixteen complaints which compares with fourteen received in 2012/13. The Senior Management Team reviews the complaints in order to learn lessons from them and to improve our service where possible. These figures should be viewed in the wider context of the fact that we helped tens of thousands of people during the year. We believe these figures illustrate an excellent customer service record.

Financial Position

Reserves are £331,709 compared with £480,939 at the end of 2012/13. Total assets have decreased by £193,735 to £581,880. The main change driver is that bank balances decreased by £202,501 to £114,279. The reductions reflect an adjustment to comply with our funding agreement which requires us to match our grant draw-down to our current needs and not to hold surplus cash. Total liabilities decreased by £44,505. The financial statements and notes provide further information.

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[6] 2012/13 revised
[7] 2012/13 revised
[8] 2012/13 revised
[9] Source: Cabinet Office website.
[10] Source: Cabinet Office website.

Looking to the Future

For the period from 2014 to 2017, the Board has agreed to focus on the following objectives:

- To position us as the primary source of impartial private pensions information and insight;
- to increase awareness of our services so that more people are better informed on pensions;
- to deliver our services more effectively and efficiently;
- to develop our technical and communication skills to reach and serve our target audience; and
- to grow our volunteering culture by recruiting, retaining and recognising volunteers.

The latest plan covering the period 2014 – 2017 is available on our website at: http://www.pensionsadvisoryservice.org.uk/publications/company-documents-and-reports#corporate

Challenges

The pensions landscape is going through a period of immense change, that means the public need to have access to independent and impartial information and guidance and access to a dispute resolution service. With the high level of changes happening in pensions and the increased requirement for personal responsibility in retirement planning, we believe that our future customer enquiries should increase. In order to meet this latent demand, we believe that we should:

- raise the profile of the service;
- identify our role clearly;
- partner with similar aligned organisations; and
- ensure that we are flagged at the trigger points when the public are making decisions about their pensions.

To meet these challenges, TPAS is putting in place a wide range of initiatives which is set out in in our 2014/17 Corporate Plan. It can be viewed at: http://www.pensionsadvisoryservice.org.uk/publications/company-documents-and-reports#corporate

Principal Risks and Uncertainties

Our approach to setting the Board's risk appetite and risk management is set out in the Governance Statement.

Signed on behalf of the Board by:

Michelle Cracknell
Accounting Officer

20 June 2014

Governance Statement

The Governance Statement sets out to provide an understanding of the control structure and stewardship of The Pensions Advisory Service (TPAS) and our resilience to challenges, risks and vulnerabilities. The statement is signed by the Chief Executive in her role as Accounting Officer, as required by HM Treasury, but it reflects the views of the Board and the Board takes joint responsibility for its contents.

Governance Framework

Governance in TPAS is the responsibility of the Board, which currently comprises five non-Executive Directors, the Chair and the Chief Executive. The Accounting Officer is personally responsible and accountable to Parliament for the use of public money and the stewardship of TPAS' assets.

TPAS is a non-departmental public body (NDPB) which is accountable to the Department for Work and Pensions (DWP) for the use of resources and performance. The relationship is set out in a Framework Document and quarterly meetings attended by TPAS and DWP senior officials are held to review performance, risks and the use of financial and other resources.

The current Chairman was re-appointed by the Secretary of State for the Department for Work and Pensions, for a second three-year term of office in January 2013 although he has opted to retire in September 2014 to pursue other interests. The non-executive members of the Board were appointed through open competition in 2010 for a three year term. They comprise a group with a wide range of management skills and specialist experience in and out of the pensions sector. Following term extensions to enable an orderly transition, three Board members will retire at the end of July 2014 and two will retire at the end of July 2015. Overlapping Board appointments will provide TPAS with improved succession arrangements.

All Directors are required to complete a register of interests. A register of Board members' business interests is published on TPAS' website.

The Board has two sub-committees:

- Audit and Risk Management Committee (ARC), with three non-executive members, which reviews the completeness, reliability and integrity of the assurance framework and advises the Accounting Officer and the Board. The Chief Executive and representatives of the DWP, internal auditors and National Audit Office (NAO) attend all meetings of the Committee.
- Remuneration and Appointments Committee, which determines pay and related matters, reviews performance appraisal frameworks and assists in the recruitment of senior staff, as well as monitoring equality and other staff-related policies.

The Board's responsibilities are to:

- establish and review, in consultation with the DWP, the strategic direction for TPAS;
- ensure that the Secretary of State for Work and Pensions is kept informed of changes likely to affect our strategic direction or the attainability of targets;

- ensure that TPAS operates within its legal framework and statutory obligations;
- scrutinise the performance of the Chief Executive;
- monitor targets and take action where necessary;
- contribute personal and professional experience to benefit the organisation;
- represent TPAS externally, when appropriate; and
- add value to the organisation through mentoring, support and advice – balancing a challenging approach with being supportive to TPAS and its objectives.

The Board meets six times a year, and the attendance records for the Directors for the year ending 31 March 2014 are set out below:

Board Members	Board	Audit and Risk Management Committee	Remuneration and Appointments Committee
Number of meetings	**6**	**4**	**2**
Partha Dasgupta[11]	6	–	2
Alex Balfour	4	–	1
Colette Bewley	6	–	2
David Clarke	6	4	–
Bill Galvin[12]	2	2	–
Baroness Hollis of Heigham	6	–	1
Tilly Ross	5	4	–
Marta Phillips OBE[13]	2	2	–
Michelle Cracknell[14]	3	2	2

In discharging its responsibilities, the Board has overseen the development of a Strategic Plan and Budget for the organisation and, through management reports and Board papers, monitored performance towards the achievement of both the plan and budget. With the support of the Audit and Risk Management Committee, it ensured that appropriate controls were in place and supported the Accounting Officer to achieve this.

The Board conducted a formal Board Effectiveness Review in February/March 2014, using a self-assessment tool completed by non-executive Board members. This used a subset of questions recommended by the NAO, ranking the Board's performance in the areas of governance, risk, accountability and culture. This was followed by qualitative feedback between the Chairman and Board members. The results were positive, with issues such as the variety of board skills, achieving a strong consensus on key issues and excellent working relationships each scoring highly. A short survey

[11] Partha Dasgupta only attended the Remuneration and Appointments Committee for specific items on the Chief Executive's objectives and performance and not as a member of the Committee.
[12] Bill Galvin resigned from the Board in June 2013.
[13] Marta Phillips left the Chief Executive role in July 2013.
[14] Michelle Cracknell became Chief Executive in October 2013. The Chief Executive attends Committee meetings but is not a member.

of Board members was conducted in February and March 2014 and the results were discussed at the March 2014 Board meeting. The results indicated significant progress and there was a positive view of the state of governance of the organisation and the effectiveness of the Board.

The Chairman and the Board successfully managed the period of transition to a new Chief Executive. An Acting Chief Executive was put in place and arrangements for handing over Accounting Officer responsibilities included overlap periods to maintain good governance. This ensured that TPAS delivered its day-to-day responsibilities while also responding to the triennial review of pension bodies conducted by DWP.

During the year, the Department for Work and Pensions conducted a review of the Pensions Regulator, The Pensions Advisory Service, the Pensions Ombudsman and the Pension Protection Fund Ombudsman. It was one of a series of triennial reviews of NDPBs across Government and was conducted in line with guidelines produced by the Cabinet Office.

The review considered the following questions:

- Is the function performed by the body still a necessary one?
- Would the function be better performed within government?
- Would the function be better moved out of central government altogether?

The triennial review concluded that we should continue in our current role and should retain our NDPB status. It stated that *"TPAS depends on the specialist expertise of its staff and volunteers. It deals with individual casework which it would be inappropriate for ministers to influence or be directly responsible for. It therefore passes two of the three tests for continued delivery as an NDPB"*. The review highlighted areas of improvements on which DWP will lead, including improving customer journeys across the various bodies involved in resolving disputes and examining whether efficiencies can be achieved through shared services. The Board tasked the Executive to proactively support DWP in this role.

Looking forward, the Board has agreed to focus on five strategic areas over the next three years' planning horizon:

- to position TPAS as the primary source of impartial private pensions insight;
- to increase awareness of our services so that more people are better informed on pensions;
- to deliver our services more efficiently and effectively;
- to develop our technical and communication skills to reach and serve our target audience; and
- to grow our volunteering culture by recruiting, retaining and recognising volunteers.

Assurance

The Board relies on multiple sources of assurance that the organisation is being well managed towards the achievement of its objectives and that appropriate controls are in place and working. These are:

- management reporting and key performance indicators, together with robust enquiry and discussion at Board meetings;
- detailed policies and operating procedures being delivered by capable, well-qualified senior managers;
- regular consideration of the strategic and operational risks which TPAS faces;
- advice from the Audit & Risk Management Committee;
- a programme of Internal Audit; and
- external Audit by the National Audit Office.

The Board continued to embed the initiative by the Audit and Risk Committee to implement a new approach to the management of risk, becoming more active in the identification of strategic risk whilst delegating the management of operational risk to the senior management team. In its annual report to the Board, the Audit and Risk Committee stated that it "is satisfied that TPAS' approach to risk and control is generally sound and that the strength of its 2nd and 3rd lines of defence is both adequate and proportionate to its limited resources and the potential risks it faces".

Internal Audit produced 6 reports during the year, 4 which were rated as providing substantial assurance, 1 was rated as providing adequate assurance and the final one, the fraud health check was provided on an advisory basis and was positive about TPAS' controls. As in prior years, the financial controls audit produced a substantial assurance rating. In the independent internal audit contractor's annual report its opinion was that "The Pensions Advisory Service has adequate and effective management, control and governance processes to manage the achievement of its objectives". The external audit of the annual report and accounts did not identify any significant deficiencies or weaknesses and TPAS received a "clean" audit opinion.

Risk Management and Control

TPAS had in place throughout the year a risk management framework to identify, monitor, manage to an acceptable level and report risks or threats to the achievement of its objectives.

The Board members consider and decide on the strategic risks. The Chief Executive and Senior Management Team are responsible for assessing, monitoring and mitigating all operational risks, assisted by the Audit and Risk Management Committee.

In comparison with other areas of public service, TPAS is a low-risk organisation but, in a fluid and challenging environment, where significant change characterises pensions' policy, the Board identified five strategic risks that it monitors and holds management to account for appropriate mitigation. These are that TPAS:

- ceases to be a part of the pension architecture;
- is unable to respond to the pace of change in pensions;
- is unable to meet changing customer needs;

- fails to deliver the Government's e-enablement agenda; or
- cost effectiveness is compromised.

While actions have been taken to mitigate these risks, their strategic nature means that they will continue to be priority areas for TPAS.

Reporting of strategic and operational risk alternates half yearly, with specific aspects of risk management; resulting in risk being considered every quarter by the Board. As in prior years, significant projects have their own risk registers which are reviewed as a part of the project implementation process by the Chief Executive and the member of SMT responsible for the project.

In order to improve our approach to risk management, Audit and Risk Management Committee members and the executive attended training by NAO on risk management. This led to improvements in the work to embed a risk management culture throughout the organisation done as part of the work on communicating the corporate plan.

Risk Appetite

During the year, the Board reviewed and confirmed its appetite for operational risk, taking a minimalist approach to reputation, compliance and financial risk, but adopting a more open approach to innovation in areas including operational delivery, productivity and value for money, in order to encourage well thought-through new approaches.

The most significant operational risks facing the organisation during the year have been:

- managing the transition to the new Chief Executive;
- managing the exit of the IT Managed Service contractors; and
- managing unpredictable workloads.

The Board considers that satisfactory mitigation of these risks has been achieved by management through, inter alia, having an agreed succession plan, robust contract management and flexible management of staff resources during peaks and troughs.

Information Security

TPAS treats its data protection obligations extremely seriously and regularly reviews its security measures under the supervision of the Audit and Risk Management Committee. It completed the DWP's annual information security assessment and has policies and procedures in place appropriate to the organisation to manage the risks inherent in the business model. TPAS complies with the Government's Security Policy Framework as far as it applies to small NDPBs and the latest end of year review led by DWP indicates that we have implemented all significant actions arising from the last review.

In order to improve our security, TPAS has embarked on a phased project to enable our volunteer advisers to use TPAS IT facilities starting with using e-mail facilities, with a view to providing them with access to saving files on TPAS' servers. This is a long recognised risk area that we are now addressing by gradually implementing actions that will ensure that information held by volunteer advisers is held in a more controlled environment.

No information security breaches were reported.

Conclusion

TPAS corporate governance framework rests on a Board that comprises independent non-executive Directors, an active Audit and Risk Management Committee and a separate Remuneration and Appointments Committee. Board members are highly experienced with a good track record in identifying and implementing good practice in governance and as a consequence, governance, assurance, risk assessment and control at TPAS stands comparison with larger and more complex organisations in government.

TPAS is a small, low risk organisation but its controls work well and it has a well-earned reputation in internal and external audit opinions. It continually reviews its governance arrangements and its risk and control frameworks and has made further improvements in the past year. The Accounting Officer and Board consider that TPAS complies with those aspects of the Code of Good Practice for Corporate Governance in central government departments that are relevant to it as a non-departmental public body.

Michelle Cracknell
Accounting Officer

20 June 2014

Remuneration Report

Service Contracts

All TPAS appointments are made on merit on the basis of fair and open competition. Some officials covered by this report hold renewable fixed term contracts. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Remuneration (Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of TPAS' Board members. The total salaries paid to non-executive Board members and the Chairman are shown below. The information in these tables has been subject to audit.

Remuneration (salary)

Board member Pay	2013/14 Salary £'000	2012/13 Salary £'000
Alex Balfour	0-5	0-5
Colette Bewley	0-5	0-5
David Clarke	0-5	0-5
Bill Galvin	0-5	0-5
Baroness Patricia Hollis	0-5	0-5
Tilly Ross	0-5	0-5

All the Board members were appointed in August 2010 for a three year term. In order to manage succession arrangements, this term was extended to July 2014 for three Board members, to July 2015 for two members and a decision was taken not to replace a Board member who retired during the financial year. The Chairman, Partha Dasgupta, was reappointed for a further term of three years from 4 January 2013 but has decided to retire in September 2014 in order to pursue other interests. The post is non-pensionable. His salary and notice period are shown in the following table. The information in this table has been subject to audit.

Partha Dasgupta	Date Re-appointed	2013/14 Salary £'000	2012/13 Salary £'000	Unexpired term of contract	Notice period
Chairman	04/01/2013	25-30	25-30	1 year 9 months	N/A[15]

Executive Staff Salaries

Pay awards for senior staff fall within the remit of the Remuneration and Appointments Committee having regard to the pay remit agreed with DWP. Increases to staff remuneration are subject to DWP Secretary of State's approval. Staff can receive a performance award based on performance, providing the total bonuses do not exceed a fixed percentage (3.5%) of the total pay bill.

[15] Partha Dasgupta has already tendered his notice to step down at the end of September 2014 to pursue other interests.

The only Executive Board member is the Chief Executive, whose targets fall under the remit of the Remuneration and Appointments Committee. Other staff targets are approved by the Chief Executive.

The following section provides details of the remuneration, pension interests and notice periods of senior executives. The information in this table has been subject to audit.

Salary, Performance Award and Pensions
Single total figure of remuneration

Chief Executive	Salary banding £'000				Performance Award band £'000		Pension Benefits £'000		Total £'000	
	2013/14		2012/13		2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	Annual	Actual	Annual	Actual						
Michelle Cracknell	95-100	50-55	–	–	–	–	–	–	50-55	–
Jonathan Kalemera	90-95	75-80	–	–	0-5	–	6	–	90-95	–
Marta Phillips	90-95	30-35	90-95	90-95	–	–	3	44	35-40	90-95
Band of highest paid Executive's remuneration	95-100		90-95							
Median Total	38,800		38,239							
Ratio	2.6		2.4							

Notes:

1. None of the Executives above was entitled to any benefits in kind.
2. Michelle Cracknell joined TPAS on 1 October 2013 on a three-year contract. The unexpired term of contract is therefore 2 years and 6 months and her notice period is 3 months. She is in a partnership scheme for which no calculation has been provided by the scheme managers. TPAS contributed £8,000 and she contributed £1,200 to the scheme during 2013/14.
3. Jonathan Kalemera acted up as Chief Executive from 12 July 2013 to 30 September 2013.
4. Marta Phillips served as Chief Executive from 11 April 2010 to 11 July 2013.

Performance Awards

Performance awards are based on performance levels attained and are made as part of the appraisal process. They relate to the performance in the year in which they become payable to the individual. TPAS' performance is covered in the Strategic Report.

Executive Pension Arrangements

- Michelle Cracknell is a member of the PCSPS stakeholder scheme.
- Jonathan Kalemera is a member of the PCSPS Nuvos scheme.
- Marta Phillips is a member of the PCSPS Classic Plus scheme.

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

Further details of the pension scheme and contribution rates made in respect of all staff during the year can be found in Note 13 in the Notes to the Accounts.
The information in this table has been subject to audit.

Official	Accrued pension at pension age as at 31/03/14	Real increase in pension at pension age	CETV at 31/03/14	CETV at 31/03/13	Value of the real increase in pension
	£'000	£'000	£'000	£'000	£'000
Michelle Cracknell	–	–	–	–	–
Jonathan Kalemera	5	1	82	75	6
Marta Phillips	72	2	750	725	17

Note: Michelle Cracknell is in a partnership scheme for which no calculation has been provided by the scheme managers. TPAS contributed £8,000 and she contributed £1,200 to the scheme during 2013/14.

The Cash Equivalent Transfer Value (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Value of Real Increase in Pension

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

Michelle Cracknell
Accounting Officer

20 June 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Chief Executive is also the appointed Accounting Officer of The Pensions Advisory Service being appointed as such by the Principal Accounting Officer of DWP. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding The Pensions Advisory Service's assets, and are set out in 'Managing Public Money', published by H.M. Treasury.

Signed on behalf of the Board by:

MCracknell

Michelle Cracknell
Accounting Officer

20 June 2014

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

The Strategic Report section of this report provides a comprehensive review of the development and performance of TPAS' operations for the year ended 31 March 2014.

The Governance Statement section provides information on governance arrangements and risk management.

Our Funding

The company is funded by grant-in-aid from DWP out of a share of the general levy raised by DWP's Secretary of State. In 2013/14, it also received ring-fenced programme funding from DWP to fund its automatic enrolment work. TPAS' only other form of income is bank interest and our ability to meet contractual obligations is dependent on the continued receipt of these funds. In 2013/14, the company received £3,141,000 funding from DWP. Separate funding for automatic enrolment was £212,269.

The total cost of administering TPAS was £3,299,813. This excludes capital expenditure amounting to £97,623.

During 2013/14 we received £938 from an employer to cover expenses involved in presentations on pension to their staff (2012/13: £0).

Movements in Assets and Liabilities

Changes in the level of creditors, fixed and intangible assets simply reflect the level of financial activity during the year and timing differences.

Corporate Responsibilities

Our list of Directors is shown at the front of this document on page 5.

Policy and Practice on Payment of Creditors

The company adheres to Government standards for settling accounts. The company aims to pay all properly authorised invoices in accordance with the terms of the relevant contract or, in any event, within 10 days. The company's average creditor payment period at 31 March 2014 was 10 days (2012/13 – 10 days).

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant information of which the company's auditors are unaware and they have all taken the prescribed steps to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Legal Indemnity

The company maintains errors and omissions insurance. The indemnity limit is £5 million in aggregate, including costs.

Going Concern Status

The statement of the financial position at 31 March 2014 shows net assets of £331,709 (2012/13: £480,939). Future financing of TPAS will be met by grant-in-aid from DWP, as TPAS' sponsoring department and we do not foresee any change in this arrangement in the future. Accordingly, we have adopted the going concern basis for the preparation of these financial statements.

Auditors

The Government Resources and Accounts Act (Audit of non-profit making companies) Order 2009 appointed the Comptroller and Auditor General to audit the accounts of The Pensions Advisory Service. The order applies to accounts prepared for the financial years commencing on, or after 1 April 2008 and the Comptroller and Auditor General therefore audited these accounts for the year ended 31 March 2014.

Fees due to the NAO are £18,250 (2012/13: £18,250) for external audit work.

Laying of Accounts

Under the Government Resources and Accounts Act 2000 (Audit of non-profit making companies) Order 2009, the accounts must be laid before Parliament by a Minister of the Crown.

By order of the Board

Michelle Cracknell
Accounting Officer

20 June 2014

The Certificate and Report of the Comptroller and Auditor General to the Members of The Pensions Advisory Service

I certify that I have audited the financial statements of The Pensions Advisory Service Ltd for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.
I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Strategic Report and the Directors' Report 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse **23 June 2014**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London, SW1W 9SP

Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2014

	Note	2013/14 £	2012/13 £
Administration expenditure	2	(3,299,813)	(3,359,091)
Programme expenditure		(212,269)	(173,881)
Programme Income		212,269	173,881
Other Income		938	-
Operating deficit		(3,298,875)	(3,359,091)
Interest receivable		257	197
Deficit before taxation	2	(3,298,618)	(3,358,894)
Taxation	7	(51)	(39)
Deficit for the year		(3,298,669)	(3,358,933)

This deficit is funded by grant-in-aid from DWP of £3,141,000 (2012/13: £3,324,000) which, as it is a contribution from a controlling party, cannot be treated as income.

Other Comprehensive Expenditure

	Note	2013/14 £	2012/13 £
Items that will not be reclassified to net operating costs:			
Net (loss)/gain on revaluation of Intangibles	8	(3,081)	11,333
Total Comprehensive Expenditure for the year ended 31 March 2014		(3,301,750)	(3,347,600)

The notes on pages 34 to 45 form part of these financial statements.

The Pensions Advisory Service (Registered No.2459671)

Statement of Financial Position

As at 31 March 2014

	Note	31 March 2014 £	31 March 2013 £
Non-current assets			
Intangible assets	8	105,574	98,172
Property, plant and equipment	9	177,987	202,075
Total non-current assets		283,561	300,247
Current assets			
Trade and other receivables	10	184,040	158,588
Cash and cash equivalents	11	114,279	316,780
Total current assets		298,319	475,368
Total assets		581,880	775,615
Current liabilities			
Trade and other payables	12	250,171	294,676
Total liabilities		250,171	294,676
Assets less liabilities		331,709	480,939
Reserves			
General reserve		323,457	469,606
Revaluation reserve		8,252	11,333
		331,709	480,939

The notes on pages 34 to 45 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 17 June 2014 and signed on its behalf by:

Partha Dasgupta
Chairman

Michelle Cracknell
Chief Executive

20 June 2014

Statement of Cash Flows

For the Year Ended 31 March 2014

	Note	2013/14 £	2012/13 £
Cash flows from operating activities			
Operating deficit	2	(3,298,875)	(3,359,091)
Depreciation and amortisation	8,9	107,850	116,018
(Increase)/Decrease in trade and other receivables		(25,452)	10,298
(Decrease)/Increase in trade and other payables		(46,561)	52,998
Interest received		257	197
Loss on disposal of property, plant and equipment		–	–
Taxation	12	(51)	(39)
Net cash outflow from operating activities		(3,262,832)	(3,179,619)
Cash flows from investing activities			
Purchase of property, plant, equipment and computer software		(80,669)	(91,403)
Net cash outflow from investing activities		(80,669)	(91,403)
Cash flows from financing activities			
Grant-in-aid received from DWP		3,141,000	3,324,000
Net cash inflow from financing activities		3,141,000	3,324,000
Net (decrease)/increase in cash and cash equivalents during the period		(202,501)	52,978
Cash and cash equivalents brought forward	11	316,780	263,802
Cash and cash equivalents carried forward	11	114,279	316,780

The notes on pages 34 to 45 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2014

	Revaluation Reserve £	General Reserve £	Total Reserves £
Balance at 1 April 2012	–	504,539	504,539
Changes in taxpayers' equity for 2012/13			
Deficit for the year	–	(3,358,933)	(3,358,933)
Revaluation of intangible fixed assets	11,333	–	11,333
	11,333	(3,358,933)	(3,347,600)
Total comprehensive expenditure for 2012/13	11,333	(3,358,933)	(3,347,600)
Grant-in-aid received from DWP	–	3,324,000	3,324,000
Balance at 31 March 2013	11,333	469,606	480,939
Changes in taxpayers' equity for 2013/14			
Deficit for the year	–	(3,298,669)	(3,298,669)
Revaluation of intangible fixed assets	(3,081)	–	(3,081)
Total comprehensive expenditure for 2013/14	(3,081)	(3,298,669)	(3,301,750)
Grant-in-aid received from DWP	–	3,141,000	3,141,000
Notional funding for asset transfers	–	11,520	11,520
Balance at 31 March 2014	8,252	323,457	331,709

The notes on pages 34 to 45 form part of these financial statements.

Notes to the Accounts

For the Year Ended 31 March 2014

1. Statement of Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared, on a going concern basis, in accordance with applicable International Financial Reporting Standards as adopted by the EU, the Companies Act 2006, and the accounting and disclosure requirements given in HM Treasury's Financial Reporting Manual 2013/14 ("FReM") in so far as these are consistent with the requirement of the Companies Act. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in the accounting policies below.

These accounts have been prepared under the historic cost convention and modified to account for the revaluation of property, plant and equipment and intangible assets.

International Financing Reporting Standards Amendments and Interpretations effective in 2013/14

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

There were no other new or revised Standards and Interpretations adopted in the current year.

1.2 Intangible Assets

Intangible assets consist of computer software licences held only for the purpose of managing TPAS. All intangible assets are carried at fair value in accordance with the FReM and revalued using the price index numbers for current cost accounting obtained from the Office of National Statistics.

Software licences above the capitalisation threshold of £500 are capitalised in the year of acquisition and consist of assets with indefinite and finite lives of more than one year.

Amortisation is charged on a straight line basis over the estimated useful life being the period of the software licences. Where an indefinite licence period has been granted the amortisation is matched to the hardware on which the software is installed. Amortisation charges are included in Administration Expenses in the Statement of Comprehensive Net Expenditure.

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

1.3 Property, plant and equipment

Property, plant and equipment consist of IT hardware and equipment together with some other furniture and fittings held only for the purpose of managing TPAS. All property, plant and equipment should be carried at valuation in accordance with the FReM. However, as permitted by the FReM, TPAS has elected to adopt a depreciated historical cost basis as a proxy for fair value of its property, plant and equipment, as these are assets that have short useful economic lives or low values (or both).

TPAS rents office space under operating leases, and does not own any land or buildings.

Non-current assets are recognised where the original cost of the item is in excess of £500 and has an expected useful life of more than one year.

1.4 Depreciation

Depreciation is charged on property, plant and equipment using the following rates and bases to write off the depreciable amounts of property, plant and equipment over their estimated useful lives.

Information Technology	33% reducing balance
Furniture & Fittings	20% reducing balance
Leasehold Improvements	Over the life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

1.5 Programme income and expenditure

Programme income is receivable from The Department for Work and Pensions (DWP) to fund the company's expenditure in respect of advisory work relating to automatic enrolment for pension schemes.

1.6 Grant-in-Aid

Grant-in-aid was received during the year from DWP to fund the company's service. Grant-in-aid received from DWP is regarded as a contribution from a controlling party giving rise to a financial interest in the residual interest of the company and hence is accounted for as financing i.e. credited directly to the general reserve.

DWP recoups the Grant-in-aid via the general levy which is collected by The Pensions Regulator on behalf of the Secretary of State for Work and Pensions.

1.7 Financial Instruments

Financial assets and financial liabilities are recognised in the company's Statement of Financial Position when it becomes party to the contractual provisions of the instrument. They are derecognised when the right to receive cash flows has expired or all the risks and rewards of ownership or control of the asset has transferred substantially. The classification of financial assets and liabilities is determined at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

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

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to a known amount of cash and which are subject to insignificant changes in value.

Financial liabilities comprise accruals and other payables; these are carried at amortised cost.

It is assessed at each year end whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the year end and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated. Impairment losses on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

1.8 Operating Leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease.

1.9 Pension Costs

The pension charge represents the contributions made by the company to pension plans during the year. This includes any charges made to make up the company's share of deficits in schemes that TPAS has participated in. Further details of the various plans are given in note 13.

1.10 Interest income

Interest income is recognised on an accruals basis.

1.11 Significant Judgements

In application of the company's accounting policies, which are described in note 1, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

We consider there to be no areas of critical judgement used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

1.12 General Reserve

The general reserve is an accumulation of surplus Grant-in-Aid funding. There are no rights, preferences or restrictions attached to the general reserve.

1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

1.14 VAT

Expenditure in the Statement of Comprehensive Net Expenditure Account and costs for capitalised non-current assets are shown inclusive of VAT, which is irrecoverable.

2. Deficit before taxation

The deficit on ordinary activities before taxation is stated after charging:

	Note	2013/14 £	2012/13 £
Staff costs – administration		2,045,532	2,096,034
Staff costs – programme		212,377	165,322
Total staff costs	3	2,257,909	2,261,356
Accommodation costs		374,745	348,417
Travel costs		12,746	12,006
Office Costs		473,418	527,693
Legal and professional fees		120,473	118,458
Auditors' remuneration		18,250	18,250
Bank charges		764	270
Other costs - administration		145,465	121,482
Other costs - programme		–	8,560
Total other costs		145,465	130,042
Depreciation	9	72,813	73,181
Amortisation	8	35,037	42,837
Operating lease rentals		462	462
Total expenditure		3,512,082	3,532,972
Programme income		(212,269)	(173,881)
Total administrative expenditure		3,299,813	3,359,091

Accommodation costs include £324,477 (2012/13: £297,652) operating lease rentals under land and Buildings.

3. Salaries and on-cost (including Board members)

	Total £	2013/14 Permanent Staff £	Temporary Staff £	2012/13 Total £
Wages and salaries	1,804,016	1,702,332	101,684	1,805,815
Social security costs	148,259	148,259	–	150,418
Pension costs	305,634	305,634	–	305,123
Total	2,257,909	2,156,225	101,684	2,261,356

Of the total wages and salaries costs, £1,636,420 (2012/13: £1,675,329) is included in administrative expenditure and £167,596 (2012/13: £130,486) is included in programme expenditure. Of the total social security costs, £133,821 (2012/13: £138,522) is included in administrative expenditure and £14,438 (2012/13: £11,896) is included in programme expenditure. Of the pension costs, £275,290 (2012/13: £282,184) is included in administrative expenditure and £30,344 (2012/2013: £22,939) is included in programme expenditure.

Temporary staff includes pay costs amounting to £23,421 (2012/13: £nil) for a DWP member of staff seconded to TPAS.

4. Employee Information

	2013/14	2012/13
The average number of employees during the year	41	39

Volunteer advisers continued to provide vital assistance in the delivery of the organisation's services during 2013/14. At the end of 2013/14 we had 384 volunteer advisers (2012/13: 342).

5. Directors Emoluments

The directors' aggregate remuneration in respect of qualifying services was:

(i) Total Directors Emoluments

	2013/14 £	2012/13 £
Total emoluments for Executive Directors	84,668	94,101
Pension contributions	16,156	22,477
Total for Executive Directors	100,824	116,578
Total emoluments for Non-Executive Directors	56,667	61,667
Total Directors' Emoluments	157,491	178,245

Non-executive Directors were also reimbursed for travel and subsistence costs of £4,035 (2012/13: £4,438).

Note: Jonathan Kalemera's salary as Acting Accounting Officer is not included here as he was not a director, but it is included in the Remuneration Report as he was part of key management personnel.

(ii) Highest Paid Director

The remuneration for the highest paid director was:

	2013/14 £	2012/13 £
Salary	50,879	92,500
Pension contributions	7,943	22,477
	58,822	114,977

6 Operating Segments

TPAS only report one operating segment internally to management for the entire organisation. As such, there is no additional segmental analysis requiring disclosure in the accounts.

7. Taxation

The taxation charge is based solely on the bank interest received in the year.

	2013/14 £	2012/13 £
UK Corporation tax 20% (2012/13: 20%) on bank interest received	51	39

8. Intangible Assets

	Software Licenses £	Total £
Cost or valuation		
As at 1 April 2013	190,490	190,490
Additions in year	45,520	45,520
Revaluation	(8,023)	(8,023)
As at 31 March 2014	227,987	227,987
Amortisation		
As at 1 April 2013	92,318	92,318
Charge for the year	35,037	35,037
Revaluation	(4,942)	(4,942)
As at 31 March 2014	122,413	122,413
Net Book Value		
As at 31 March 2014	105,574	105,574
As at 31 March 2013	98,172	98,172

9. Property, Plant and Equipment

	Leasehold Improvements £	Information Technology £	Furniture & Fittings £	Total £
Cost				
As at 1 April 2013	–	409,194	174,822	584,016
Additions in year	25,872	17,712	8,519	52,103
Adjustment (see footnote)	–	(3,378)	–	(3,378)
As at 31 March 2014	25,872	423,528	183,341	632,741
Depreciation				
As at 1 April 2013	–	215,882	166,059	381,941
Charge for the year	1,453	67,752	3,608	72,813
As at 31 March 2014	1,453	283,634	169,667	454,754
Net Book Value				
As at 31 March 2014	24,419	139,894	13,674	177,987
As at 31 March 2013	–	193,312	8,763	202,075

Included within current year additions to information technology are £11,520 of computer equipment that has been donated to The Pensions Advisory Service by the Department for International Development for which no consideration has been paid. During the year the company negotiated a final settlement of costs incurred in the previous year which resulted in a reduction in the cost of computer equipment of £3,378.

10. Trade and other receivables

	31 March 2014 £	31 March 2013 £
Amounts falling due within one year:		
Prepayments and accrued income	149,067	121,867
Other receivables	34,973	36,721
	184,040	158,588

There are no intra government balances.

11. Cash and cash equivalents

	2013/14 £	2012/13 £
Balance at 1 April	316,780	263,802
Net change in cash and cash equivalent balances	(202,501)	52,978
Balance at 31 March	114,279	316,780

The following balances were held at:	31 March 2014 £	31 March 2013 £
Commercial banks and cash in hand	114,279	316,780

12. Trade and other payables

	31 March 2014 £	31 March 2013 £
Amounts falling due within one year:		
Trade payables	37,881	50,748
Taxation	51	39
Social security and other taxation	252	83
Accruals and deferred income	211,987	243,806
	250,171	294,676

Included in accruals and deferred income is £52,727 (2012/13 revised: £44,652) due to other Government bodies. There are no payables falling due after more than one year (2012/13: £nil).

13. Pension Commitments

(i) Pension Schemes

Since 1 January 2007, the company has been eligible to join the Principal Civil Service Pension Scheme (PCSPS). As a result of this for new employees the company now provides access to only the PCSPS. Existing staff had the right to remain in their existing schemes if they chose to. During 2012/13 the last member of staff in the Black Rock scheme transferred to the PCSPS.

The table below shows a breakdown of the contributions made by the company to the PCSPS and Black Rock plans totalling £305,634 (2012/13: £305,123).

Pension Scheme	2013/14 Contributions Paid £	2012/13 Contributions Paid £
PCSPS	305,634	302,004
BlackRock	–	3,119
	305,634	305,123

At the end of March 2014, 40 (2012/13: 43) TPAS staff were covered by the provisions of the PCSPS, which is a defined benefit scheme. The PCSPS is an unfunded multi-employer defined benefit scheme, but TPAS is unable to identify its share of underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 2007. Details can be found in the accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

Prior to 30 July 2007, employees were offered access to the PCSPS Premium scheme option. From 30 July 2007, this was closed to new entrants, and employees are now provided with access to the PCSPS Nuvos scheme option, which is a defined benefit scheme. Both schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

During 2013/14 employee contributions to both the Premium and Nuvos schemes were set at rates ranging from 3.5% to 8.25% (2012/13: 3.5% to 5.9%) of pensionable earnings. The Premium scheme is a final salary scheme where benefits accrue at the rate of 1/60th of pensionable salary for each year of service. Pensions payable under Premium are increased in line with changes in the Consumer Price Index (CPI). Pension age is 60 for Premium scheme members.

Nuvos is a career average scheme in which a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March 2014) the member's pension account is credited with 2.3% (2012/13: 2.3%) of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is up rated in line with CPI. Pension age is 65 for Nuvos scheme members.

In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Employer contributions in both schemes range from 16.7% to 24.3% (2012/13: 16.7% and 24.3%) based on salary bands. The PCSPS Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013/14, to be paid when the member retires and not the benefits paid during this period to existing pensioners. For the year commencing 1 April 2014, the rates will be in the range of 16.7% to 24.3%.

Instead of the Nuvos scheme, employees can choose to open a Partnership Pension Scheme. Four employees have opted to do so (2012/13: 2). The Partnership Pension Account is a stakeholder pension arrangement through PCSPS. The employer makes a basic contribution of between 3% and 12.5% (2012/13: between 3% and 12.5%), (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers.

The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% (2012/13: 3%) of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% (2012/13: 0.8%) of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

(ii) Outstanding or Prepaid Defined Contribution Scheme Payments

There are no outstanding or prepaid contributions in respect of defined contribution schemes. (2012/13: £nil)

14. Liabilities of Members

The company is limited by guarantee and has no issued share capital. Every member, in pursuance with Article 2 of the Articles of Association, undertakes to contribute a sum not exceeding £1 in the event of the company being wound up whilst they are a member. Any surplus on winding up, in pursuance of Clause 3(iii) of the Memorandum of Association, will be repaid to any body which has contributed grants or other funding to the company. The retained surplus carried forward does not, therefore, represent funds attributable to members.

15. Operating Lease Commitments

The total future minimum lease payments under operating leases are given below analysed according to the period in which the payments fall due:

Land and Buildings

Obligations under operating leases comprise:–	31 March 2014 £	31 March 2013 £
Not later than one year	220,119	50,045
Later than one year and not later than five years	494,162	–
	714,281	50,045

The figures above relate to two operating leases in Belgrave Road. They are calculated based on the period left to the next lease break clause date which is June 2018 (2012/13: June 2013). An element of the commitment is estimated by the lessor in advance and actual costs may vary slightly.

16. Related-Party transactions

TPAS is a Non-Departmental Public Body sponsored by DWP. DWP is regarded as the ultimate controlling related party. The company submits quarterly grant-in-aid bids to DWP. Once DWP has approved the quarterly bid, the agreed amount is released to the company.

The ultimate source of TPAS's grant-in-aid is the pension scheme levy.

During the year, the company received grant-in-aid amounting to £3,141,000 (2012/13: £3,324,000) from DWP. The company also received programme funding amounting to £212,269 (2012/13: £173,881) from DWP. At 31 March 2014 no amounts were outstanding (2012/13: £nil).

The company's 5th floor accommodation and basement storage space at Belgrave Road is provided by HMRC under a Memorandum of Terms of Occupation (MOTO) arrangement.

During the year, the company paid rent to HMRC amounting to £176,642 (2012/13: £150,146). At 31 March 2014 no amounts were outstanding (2012/13: £nil).

All transactions with directors are disclosed in the Directors' Emoluments Note 5. No Directors had any other transactions with TPAS during the year.

During the year, The Secretary of State for International Development (DFID) transferred assets to the value of £11,520 to the company for no consideration.

17. Financial instruments and associated risks

It is, and has been, TPAS' policy that no trading in financial instruments is undertaken.

TPAS does not face the degree of exposure to financial risk that commercial businesses do. In addition, financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing TPAS in undertaking its activities. TPAS relies upon DWP for its cash requirements, having no power itself to borrow or invest surplus funds. The short-term liquidity and interest rate risks are therefore slight. TPAS does not have and has not had an exposure to foreign currency risk.

The fair values of TPAS' financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

Financial Assets by category

	31 March 2014 Loans and receivables £	31 March 2013 Loans and receivables £
Cash and cash equivalents	114,279	316,780
Other receivables	34,973	36,721
	149,252	353,501

Financial Liabilities by category

	31 March 2014 Financial Liabilities £	31 March 2013 Financial Liabilities £
Trade payables	37,881	50,748
Accruals	166,996	195,734
	204,877	246,482

The above figures exclude statutory payables which relate to tax due to HMRC. The 2012/2013 accruals figure has been revised to exclude elements which are not financial liabilities.

18. Contingent liabilities

The company had no contingent liabilities outstanding at the year end (2012/13: £nil.)

19. Events after the reporting date

No material events have occurred since the reporting date that have an effect on the accounts.

20. Grant-in-Aid from the Department for Work and Pensions

The total grant-in-aid received from the Department for Work and Pensions in 2013/14 was £3,141,000 (2012/13: £3,324,000). Of that £86,103 was applied to capital expenditure leaving £3,054,897 to be applied to revenue expenditure.

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