Independent Living Fund (2006)

Annual Report and Accounts 2007-08

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HC 745

17 July 2008
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Annual Report and Accounts 2007-08

Annual Report presented to Parliament by the Secretary of State for Work and Pensions in pursuance of paragraph 3 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008 (2008 No 817) and Accounts presented to Parliament by the Secretary of State for Work and Pensions on behalf of the Comptroller and Auditor General in pursuance of paragraph 3(2) of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008 (2008 No 817).

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Trustees' Report for the period ended 31 March 2008

Reference & Administration

The Independent Living Fund (2006), known as "the 2006 Fund" is an executive Non-Departmental Public Body sponsored by the Department for Work and Pensions (DWP) located at Equinox Building, City Link, Nottingham, NG2 4UU.

The 2006 Fund was created by trust deed on 10 April 2006 to provide financial help for disabled people throughout the UK. Its awards are in the form of regular four-weekly payments to enable people to pay for qualifying support and services.

The Fund is mainly financed by central government through the provision of grants in aid and is constituted as an unincorporated private trust with a board of Trustees appointed by the Secretary of State for Work and Pensions. The Fund commenced operations on 1 October 2007. In addition to taking new applications, the Fund also took over beneficiaries of the Independent Living (Extension) Fund ("the Extension Fund") and the Independent Living (1993) Fund ("the 93 Fund"). Seven Trustees of the 2006 Fund constitute the boards of trustees of the Extension Fund and 93 Fund.

The 2006 Fund continues the operations of the Extension Fund and 93 Fund from October 2007 and took over the remaining assets and liabilities of those Funds at the end of their Specified Period on 31 December 2007. The organisation which manages all three Funds is referred to as the Independent Living Funds ("ILF").

Appointed Trustees

All Trustees have held office since 1 October 2007 when operations commenced.

Trustees marked * are also trustees of the Extension Fund and 93 Fund.

Stephen Jack*, *Chairman*

Chartered Accountant. Chief Financial Officer of Straumur, an Icelandic investment bank. Hon Treasurer of the Greater London Fund for the Blind. Has held senior financial management positions in a number of international financial services organisations.

Peter Cooke*, *Vice Chairman, Chairman of User Personal Cases Committee*

Professor of Automotive Industries Management; academic, writer and broadcaster on automotive and disability issues. International consultant on automotive industries. Former non-executive director of Remploy. Winston Churchill Memorial Fellow of 2002.

Trustees' Report for the period ended 31 March 2008 (continued)

Yogi Amin

Solicitor with specialism in Public Law and Human Rights. Partner at Irwin Mitchell Solicitors. Legal practice in a range of health, social care and other public sector areas.

Mike Boyall*, *Treasurer, Chairman of Audit Committee*

Ombudsman Financial Ombudsman Service, Qualified Accountant, Magistrate (2006). Formerly Deputy Director DTI (2002) and before that Official Receiver (1999-2002). Member of Fitness to Practise Committee, Osteopathic Profession (2005 to date), Member of Disciplinary Committee, Institute of Actuaries (2004 to date). Member of panel to consider second level domain name applications Nominet (2005 to date).

Nick Danagher*

Developed and managed local independent living schemes and organisations. Former board member of Central Council for Education and Training in Social Work (CCETSW) and National Centre for Independent Living (NCIL). Freelance consultant in disability equality and a member of Equality 2025, the UK advisory network on disability equality.

Marie Martin*

Past Chairman of Age Concern Richmond-upon-Thames, now an advisor. Chairman of Shooting Star Children's Hospice. Trustee of the Hampton Fuel Trust. Chairman of Linden Hall Day Centre. Ex-manager of social services for Hounslow & Kingston Upon Thames. Outreach worker for B N A Nursing.

Margaret McGlade*

Currently a freelance consultant in social care, health and children's services. Past Director of Social Services for Derby City Council, and senior manager for Nottinghamshire County Council. Trustee of East Nottingham Women's Refuge. Qualified registered social worker.

Sally Sparrow*, *Chairman of HR Committee*

Director of Social Care at Witham Braintree and Halstead Care Trust until March 2007. Now doing coaching and consultancy work. A qualified social worker since 1988. Previously worked in Social Care and the Voluntary Sector in a variety of posts with older people and those with physical and sensory impairments.

Susan Winterburn

Qualified as a social worker in 1975 and worked in North Yorkshire. Senior Lecturer in Health and Social Care, York. Retired Director of Family Services at Family Fund Trust – a UK wide grant making organisation. Experience of grant making criteria and developing/managing a dispersed self-employed social care workforce.

Trustees' Report for the period ended 31 March 2008 (continued)

Chief Executive appointed by the Trustees and Accounting Officer as designated by the Principal Accounting Officer for Work and Pensions

Mrs Elaine Morton

External auditor
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

Internal auditor
RSM Bentley Jennison
St Matthews House
6 Sherwood Rise
Nottingham

The only fee paid to the National Audit Office was £32,289 for the external audit.

Solicitors
Harvey Ingram LLP
20 New Walk
Leicester
LE1 6TX

Bankers
Lloyds TSB Corporate
125 Colmore Row
Birmingham
B3 2DS

Structure, Governance & Management

Trustees' appointments, training and remuneration

A minimum of three and a maximum of nine Trustees are appointed for a term of five years by the Secretary of State for Work and Pensions, following public advertisement and recruitment procedures in line with Government guidance for Non-Departmental Public Bodies. Trustees' appointments can be extended for one further five year term. Trustees may elect their own Chairman and sub-committees.

Appropriate training is provided to appointed Trustees on an individual basis, following discussion with the Chairman. This includes an induction pack, observing Trustees' meetings and visiting the Fund's offices in Nottingham.

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

Sub-committees

a) A User Personal Cases Panel consisting of Peter Cooke (Chairman), Yogi Amin, Nick Danagher, Marie Martin and Sally Sparrow considers in the first instance cases referred by the Chief Executive as she considers appropriate.

b) An Audit Committee consisting of Mike Boyall (Chairman), Yogi Amin, Peter Cooke and Sally Sparrow is responsible for ensuring operational co-operation between auditors and the Fund's Accounting Officer and staff, for assessing the outcome of external and internal audits, and dealing with risk management and corporate governance issues.

Trustees' Report for the period ended 31 March 2008 (continued)

c) A Human Resources Committee consisting of Sally Sparrow (Chairman), Marie Martin and Margaret McGlade is responsible for the matters described in the Remuneration Report.

The Trust Deed

The Trust Deed determines who is eligible for help and the maximum weekly payment to any User. Eligible groups are defined as follows:-

- Group 1 – former Extension Fund Users (weekly maximum award £785)
- Group 2 – new applicants and 93 Fund Users (weekly maximum award £455)
- Group 3 – payments to Group 1 & 2 Users after end of normal entitlement
- Group 4 – payments to Group 1 & 2 Users during DLA Appeal/review
- Group 5 – payments to Group 1 & 2 Users during temporary respite care

The Trust Deed also determines certain priorities between eligible groups and the qualifying support and services on which awards may be spent. Current recipients have the first priority, followed by new applicants in various priority categories. New applicants must have the support of their local authority to the value of at least £200 per week in direct payments and/or services (£320 per week from April 2008), must be in receipt of the highest care component of a disability living allowance, and must be aged 16-65.

Relationships & related parties

The Independent Living Fund (2006) is administered by Trustees appointed by the Secretary of State for Work and Pensions. Related parties are the Trustees, all parts of the Department for Work and Pensions including its agencies (representing the Secretary of State) and the Department for Social Development in Northern Ireland which also provides funding. The Trustees are the controlling party.

Seven Trustees also formed the board of trustees of the Extension and 93 Funds which operated up to the end of September 2007 with similar objectives in relation to the provision of financial assistance to disabled people with the costs of care. The 2006 Fund took over payments from 1 October 2007 and received the closing assets and liabilities of those Funds at 31 December 2007.

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

Trustees' Report for the period ended 31 March 2008 (continued)

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

Objectives & Activities

The Fund's objective is to make regular grants to eligible disabled individuals who require financial assistance with qualifying support and services.

The Fund aims to provide financial assistance under the terms of the Trust Deed in an efficient cost-effective way that respects and supports a disabled person's requirements for support and services which enable independent living. The Trustees were actively involved in the arrangements for the introduction of the 2006 Fund and its governance documents as an executive Non-Departmental Public Body (NDPB).

The Strategic Framework for the Fund identifies four key strategic objectives.

- Listening to Users and promoting better outcomes
- Overhaul of administrative processes to improve User service
- Promoting self-directed support in a changing social care environment
- Sustaining organisational capacity to deliver now and in the future

The Business Plan for 2007-08 outlined the specific work to be undertaken in the business year to support these strategic objectives. The two key documents were published on the Independent Living Funds website (http://www.ilf.org.uk/).

Governance & Social Responsibility

The ILF is committed to good employee relations and recognises the Public and Civil Service Union as the trade union acting on behalf of staff. In recognition of the continued good standards of HR policies, staff information and consultation the ILF has successfully retained the Investors in People accreditation during 2007-08. The "Positive about Disabled People" (2 ticks) award was also given in February 2008 to recognise the ILF commitment to recruitment, retention, training and development of disabled people. HR policies are regularly reviewed to ensure full compliance with employment legislation.

The ILF procurement policy ensures fair competition and value for money, and will also introduce the specific arrangements to encourage tenders from employers of disabled people in procurement exercises from 2008-09. The Fund is committed to prompt payment of bills for goods and services received. Payments are normally made within the period specified in the contract. Where there is no contractual or other understanding, they are paid within 30 days of the receipt of the goods or

Trustees' Report for the period ended 31 March 2008 (continued)

services, or presentation of a valid invoice or similar demand, whichever is later. 90% of invoices paid in the year met this target.

The ILF has Corporate and Social Responsibility and Sustainable Development policies, and will develop links with disabled people's groups in 2008-09. The Charter Mark award for public service was retained during 2007-08.

Achievements & Performance

The equivalent of 159 full-time staff administered the three Funds, and an average of 87 self-employed ILF Assessors were engaged to carry out visit assessments for the three Funds. As well as dealing with new applications, staff and ILF Assessors provide a review process for all Users, to ensure that needs are fully reassessed at least every two years, based on current care need, costs and financial information.

Although formal targets have not been set by DWP, the ILF has developed its own performance dashboard to review performance against strategic targets across a range of measures. DWP was involved in the development of this system and has received reports throughout 2007-08. The measures are derived from internal data sources and an independent review of the performance system is planned during 2008-09. Targets and results for 2007-08 are shown in the following table together with planned targets for 2008-09.

Trustees' Report for the period ended 31 March 2008 (continued)

	Target 2007-08	Results 2007-08	Outcome	Target 2008-09
Current Results				
Processing applications from receipt to offer of assistance	12 weeks	11.9 weeks	Met	8 weeks by March 2009
Processing review visits to final outcome (eg increased offer)	13 weeks	16.6 weeks	Missed	10 weeks by March 2009
Dealing with other User requests (not involving visit)	4 weeks	3.9 weeks	Met	4 weeks
Financial accuracy of Awards (grants to Users)	95%	95.3%	Met	96%
Benefit expenditure as proportion of available budget	100% max	99.0%	Met	100% max
Administration expenditure as proportion of planned budget	100% max	86.5%	Met	100% max
Underlying Performance				
Users still receiving payments year-on-year	90%	90.6%	Met	90%
Applicants successful in getting an ILF award	70%	74.6%	Met	70%
Dealing with User complaints within three weeks	95%	86.0%	Missed	95%
User satisfaction level "good" or higher (User Survey)	85%	90%	Met	85%
Administration expenditure as proportion of total expenditure	3.0% max	2.7%	Met	3.0% max
Administration costs per User ("unit cost" of ILF service)	£419	£364	Met	£424
Risks and Controls				
Management of risk (converted to a "risk rating" from 2.5 to 6.5)	4.5 max	4.6	Met	4.5 max
Management controls – results meeting required standard	85%	59.3%	Missed	85%
Internal audit assurance – rating from 1 (limited) to 3 (substantial)	2.0	2.9	Met	2.0
Overpayments raised compared with payments made in year	1.7% max	1.6%	Met	1.7% max
Overpayment losses compared with payments made in year	1.0% max	0.6%	Met	1.0% max
Assets and Capabilities				
Staff retention year-on-year (reverse of "staff turnover")	90%	91.1%	Met	90%
Sickness absence management (avg days per staff per annum)	9 days max	10.9 days	Missed	9 days max
Training delivers effective results (rating from 1 – 10)	7.0	7.7	Met	7.0
Charter Mark assessment (from official assessment scheme)	80%	85%	Met – retained Charter Mark	80%
Maintenance of fixed assets (book value cf original cost)	50%	38.1%	Missed	50%

Financial Review

The 2006 Fund is financed mainly out of money voted by Parliament as grants in aid for the purpose of making regular grants to individuals. £141.2 million grant in aid was drawn to meet the needs of users and the related administration costs. The money is apportioned from the overall grant in aid available in 2007-08 for this Fund, the Extension Fund and the 93 Fund.

Trustees' Report for the period ended 31 March 2008 (continued)

The Statement of Accounts covers the period October 2007 to March 2008, which is the first operating period of the Fund. There are no prior year comparatives. However, in order to provide readers with full year comparisons of the three Funds operating in 2007-08 and the two Funds operating in 2006-07 an illustrative consolidated Operating Cost Statement is provided on page 12 – this page does not form part of the audited accounts for the 2006 Fund.

Grant in aid is received as unrestricted funds and drawn calendar monthly. There are no strategic reserves. The Fund's policy is to hold sufficient cash at each month end to meet cash payments made before the next funding instalment is received, within a limit agreed between Trustees and the Secretary of State.

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

The statement of accounts has been prepared in accordance with an agreement made between Trustees and the Secretary of State for Work and Pensions. All financial and other matters necessary for an effective external audit have been disclosed to the auditors. As far as the Chief Executive is aware there is no relevant audit information of which the auditors are unaware; the Chief Executive has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors are aware of that information.

The accounts are prepared on a "going concern" basis. Grant in aid is received on a cash basis to meet immediate need, and is not accrued to match liabilities. Grants to individuals are paid in arrears and the Balance Sheet at 31 March 2008 shows a net deficit. DWP has provided a letter of comfort to Trustees to confirm that grant in aid will be made available to cover the financial obligations of the Fund and to continue the Fund's activities up to March 2009.

Transfer of operations, assets and liabilities

The 2006 Fund was created with the intention of taking new applications from qualifying candidates and continuing payments to Users of both the 93 Fund and the Extension Fund. The 2006 Fund commenced operations on 1 October 2007 following the enactment of legislation to permit the Secretary of State to pay grant in aid to the Fund. Grant in aid is provided on an annual overall basis to be drawn down to each Fund according to need.

The 93 and Extension Funds drew grant in aid each month from April to September 2007 sufficient to meet User and administration expenditure for that period. The 2006 Fund drew grant in aid from October 2007 to make continuing payments to Users transferring from the 93 and Extension Funds and administration expenditure. All Users received notification of the change of operations.

Trustees' Report for the period ended 31 March 2008 (continued)

The 93 Fund held fixed assets for operating purposes only. On 1 October 2007 the fixed assets were transferred to the 2006 Fund as this Fund was continuing operations and making payments to the former Users of the 93 Fund. Depreciation was apportioned equally between the 93 Fund and the 2006 Fund.

From 1 October the 93 and Extension Funds made no further payments to Users, but continued to receive bank interest and continued to pay liabilities outstanding at 30 September 2007. At the end of the Specified Period on 31 December 2007 remaining assets and liabilities of those Funds and their User agreements were transferred to the 2006 Fund by deeds of assignment. Trustees of the 93 Fund and Extension Fund were indemnified by the Trustees of the 2006 Fund in respect of any future unidentified liabilities that might arise.

Future developments and organisational risks

The ILF provides estimates of expenditure to inform the draw down of grant in aid. Trustees are required to take reasonable steps to ensure expenditure does not exceed available funding. During the year demand from new applications was higher than forecast assumptions and discussions were held with the Department for Work and Pensions. The result of discussions was that additional grant in aid was agreed for 2007-08 and revised estimates were provided to inform decisions for fixed cash funding for 2008-11 under new arrangements for the 2006 Fund.

The Fund operates a robust risk management programme, identifying major risks against business objectives and implementing appropriate risk management measures. The Senior Management Team reviews risks and reports to the Audit Committee on a quarterly basis and the Board of Trustees reviews risks twice a year. Appropriate controls and action plans for risk management are put in place and these are reviewed at the risk management meetings. A separate Statement on Internal Control is provided in this document – this statement provides examples of how key risks related to transfer of operations and strategic financial management for 2007-08 and 2008-09 were dealt with.

Trustees' Report for the period ended 31 March 2008 (continued)

A number of Government reviews of social care delivery are ongoing and the ILF is taking an active part in contributing to the ongoing debate. This includes plans for an ongoing engagement with local authorities and organisations of disabled people to provide an effective stakeholder involvement in Trustees future policy decisions.

Elaine Morton, Chief Executive

Stephen Jack, Chairman

Peter Cooke, Vice Chairman

Mike Boyall, Treasurer

Signed by the above on 9 July 2008

Illustrative Consolidated Operating Cost Statement

This statement provides comparative figures for 2007-08 and 2006-07 for all three Funds managed by the organisation during those financial years. It does not form part of the formal audited accounts.

	2007-08	2006-07
	£000	£000
Gross Operating Cost		
Grants to individuals	298,611	262,168
Staff costs	4,302	4,022
Non-staff costs	4,019	3,845
Net operating cost before interest and cost of capital	306,932	270,311
Interest receivable	(1,150)	(608)
Cost of capital	249	276
Net operating cost before reversal of Cost of Capital	306,031	269,703
Reverse cost of capital	(249)	(276)
Net operating cost for the year	305,782	269,427

The Extension and 93 Funds operated throughout 2006-07 and from 1 April 2007 to 30 September 2007; the 2006 Fund commenced operations on 1 October 2007.

Statement of Trustees' and Chief Executive's Responsibilities

In accordance with the Trust Deed, the Secretary of State for Work and Pensions appoints the Trustees of the Fund. The Trustees are required to appoint, with the approval of the Secretary of State, a full time official to be known as the Chief Executive.

Under the Trust Deed and the consequential agreement between the Trustees and the Secretary of State, the Trustees are required to prepare a statement of accounts for every accounting period (financial year) in the form agreed with the Secretary of State. The accounts are prepared on an accruals basis and must give a true and fair view of the income and expenditure and state of affairs of the Fund.

In preparing the accounts, the Trustees are required to:

- observe all relevant guidance given in "Managing Public Money" (formerly "Government Accounting") and the Treasury "Financial Reporting Manual" as amended from time to time;
- ensure that every statement of accounts shall meet best commercial accounting practices including Accounting Standards issued or adopted by the Accounting Standards Board, and Statements of Recommended Practice, insofar as they are appropriate to the Trust and are in force for the financial period for which the statement of accounts is prepared;
- prepare a Trustees' report (included with the statement of accounts), which confirms that the accounts have been prepared in accordance with the agreement made with the Department for Work and Pensions.

The Trustees, with the assistance of the Chief Executive, are required to apply accounting practices and financial systems to the administration of the Trust so as to enable them to:

- monitor and take reasonable steps to ensure compliance with the terms and conditions upon which money has been paid to and accepted by the Trustees as part of the Trust Fund;
- monitor and take reasonable steps to ensure that expenditure in any financial year does not exceed the programme, budgets and forecasts in respect of that financial year and the amount of public funds provided by way of grant made to the Independent Living Fund (2006) for that financial year;
- take reasonable steps to safeguard against fraud and theft;

Statement of Trustees' and Chief Executive's Responsibilities (continued)

- keep and maintain books, records and accounts and apply accountancy practices and financial systems which fully and properly record all money received and paid respectively by and on behalf of the Trustees for the purposes of the Trust.

The Trustees and the Chief Executive are responsible for effective control of the full range of issues related to corporate governance. A separate Statement on Internal Control is provided in this document.

Elaine Morton, Chief Executive

Stephen Jack, Chairman

Peter Cooke, Vice Chairman

Mike Boyall, Treasurer

Signed by the above on 9 July 2008

Remuneration Report for the period ended 31 March 2008

This report for the period 1 October 2007 to 31 March 2008 deals with the remuneration of the Chief Executive, Directors and Trustees of the Independent Living Fund 2006 ("the ILF"). Prior to 1 October 2007 the operating Fund was the Independent Living (1993) Fund. A separate remuneration report is provided for the period 1 April – 30 September 2007 in the Reports and Accounts for that Fund.

The ILF is an executive non-departmental public body, sponsored by the Department for Work and Pensions (DWP). It is wholly funded by the DWP and the Department for Social Development in Northern Ireland (DSD) and provides financial support to severely disabled people who wish to live independently in the community rather than in residential or nursing care.

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

The Human Resources (HR) Committee

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

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

Sally Sparrow	Chair
Margaret McGlade	Member
Marie Martin	Member
Peter Cooke	Member

With effect from 1 April 2008 the members were:

Sally Sparrow	Chair
Margaret McGlade	Member
Marie Martin	Member
Susan Winterburn	Member

Remuneration Report for the period ended 31 March 2008 (continued)

No one other than the Committee Chairman and members are entitled to be present at the meeting of the Committee. The Chief Executive and/or the Human Resources Director will usually be requested to attend each meeting and other Directors or senior managers may be requested to attend specific meetings as appropriate to the agenda of the meeting. The Committee may if it sees fit meet without any members of management present for the whole or part of a meeting.

The Committee will meet at least twice a year although the actual number of meetings will match the need to satisfactorily discharge the Committee's responsibilities.

The terms of reference of the HR Committee in relation to Salary, Rewards and Conditions of Service are:

- to provide assurance to the Board on the pay and reward strategy of the ILF;
- to oversee the setting of remuneration, benefits and conditions of service for the Chief Executive and consider any performance related bonus;
- to consider the recommendations of the Chief Executive on any performance related bonus for Directors;
- to be appraised by the Chief Executive on the annual pay negotiations with PCS as the recognised union under the Treasury Remit;
- to provide assurance to the Board that the ILF conducts its employee relations fairly, efficiently and effectively;
- to provide assurance to the Board of Trustees that all Corporate Governance issues have been addressed relevant to Human Resources, salary, rewards and conditions of service; and
- to consider any relevant topic referred to them by the Board of Trustees.

Remuneration Policy

Trustees

On 31st March 2008, each Trustee was paid the sum specified below according to their position within the Trust.

Position	Amount
Chairman	£9,750
Chairman of sub-committee	£8,150
Member of sub-committee	£7,400
Trustee	£6,600

Remuneration Report for the period ended 31 March 2008 (continued)

The office holders from 1 October 2007 to 31 March 2008 were:

Stephen Jack (Chairman); Peter Cooke (Vice Chairman, Chairman of UPCC and member of the HR and Audit Committees); Mike Boyall (Chairman of the Audit Committee); Sally Sparrow (Chairman of the HR Committee, member of the Audit Committee and UPCC); Yogi Amin (Member of the Audit Committee and UPCC); Nick Danagher (Member of the UPCC); Marie Martin (Member of the UPCC and HR Committee); Margaret McGlade (Member of the HR Committee); and Susan Winterburn (Board Member).

From 1 April 2008, each Trustee will be paid an annual sum as may be prescribed from time to time in the Grant Conditions or (if no such sum has been prescribed), the sum specified below, according to their position within the Trust, paid by monthly instalments in arrears.

Position	Amount
Chairman	£19,500
Chairman of sub-committee	£16,300
Member of sub-committee	£14,800
Trustee	£13,200

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

The Chief Executive and Directors

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

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

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

- to be seen to create a fair and transparent pay structure offering salaries in line with the roles and demands on the personnel in those posts; and
- to offer competitive salaries to enable the ILF to attract personnel of the required calibre to fill its senior management posts.

Trustees have aligned their decision with the Key Features of DWP’s pay policy as follows:

- aligning reward with the business objectives to encourage high performance and improve the focus on the delivery of service;

Remuneration Report for the period ended 31 March 2008 (continued)

- creating an opportunity to earn bonuses;
- ensuring reward arrangements are affordable;
- creating a level of salary progression which stops except for those showing a superior performance – superior performance would be recognition of meeting all objectives and exceeding targets in some areas whilst also showing a number of key behaviours which are regarded as high value;
- establishing a relativity of directors' salaries at about 65% of that of the Chief Executive; and
- progression will be subject to performance expectations and performance below the expectation would mean no progression and management action would be necessary for less than adequate performance.

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

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

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

In the event of early severance, compensation would be payable in accordance with ILF terms and conditions.

Remuneration Report for the period ended 31 March 2008 (continued)

Remuneration of Chief Executive and Directors

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

	Date of appointment	1.10.07 to 31.3.08[1] Salary including bonus[2]	Full year equivalent salary 2007-08	2006-07 Salary including bonus[3]
Elaine Morton Chief Executive	1.4.2001	£35,000 – £40,000	£75,000-£80,000	£75,000-£80,000
John Denore Operations Director	1.9.2005	£20,000 – £25,000	£45,000 – £50,000	£40,000 – £45,000
Jacky Fisher Social Work Director	1.4.2001	£0,000 – £5,000	£5,000 – £10,000	£35,000 – £40,000
John Fuller Strategic Policy Director	7.2.2005	£15,000 – £20,000	£35,000 – £40,000	£35,000 – £40,000
Jesse Harris Social Work Director	5.6.2007	£20,000 – £25,000	£35,000 – £40,000	N/A
James Sanderson Business Development Director	1.6.2005	£20,000 – £25,000	£50,000 – £55,000	£45,000 – £50,000
Gillian Smith HR Director	1.4.2001	£20,000 – £25,000	£40,000 – £45,000	£35,000 – £40,000
Gary Stephenson Finance and Corporate Services Director	1.4.2001	£20,000 – £25,000	£45,000 – £50,000	£40,000 – £45,000

[1] 1.4.07 to 30.9.07 covered in ILF 1993 Remuneration Report
[2] Bonus payment for 2006-07 paid in 2007-08
[3] Salaries paid by the Independent Living (1993) Fund; bonus payment for 2005-06 paid in 2006-07

Bonus Payments

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

Service Contracts

It is our policy to recruit senior managers on the basis of fair and open competition. Such appointments are 'open-ended' until they reach the ILF normal retirement age of 65.

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

The following sections provide details of the remuneration and pension interests of the Chief Executive and Directors.

All members of the senior management team are employed under permanent employment contracts.

Remuneration Report for the period ended 31 March 2008 (continued)

The Chief Executive, Finance Director, Operations Director and Business Development Director work for the ILF full time ie 37 hours per week. The HR Director and Strategic Policy Director work on a part-time basis of 34 and 30 hours respectively.

The notice period for the Chief Executive is:

Period of employment	Period of notice
Up to 4 weeks	Nil
Up to 1 year	One month
Over 1 year	One week for each complete year within a minimum of 3 months

The current Chief Executive must provide the ILF with 3 month's notice in writing.

The notice period for the Directors is:

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

Benefits in Kind

The Chief Executive and Directors received no benefits in kind during 2007-08. It is ILF policy to provide remuneration in the form of salary and bonuses rather than benefits in kind.

Pension Benefits

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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Remuneration Report for the period ended 31 March 2008 (continued)

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the ILF is unable to identify its share of the underlying assets and liabilities. The scheme's actuary valued the scheme as at 31 March 2007. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £39,667.72 were payable for the senior managers to the PCSPS (2006-07 £53,764.51) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009.) The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Remuneration Report for the period ended 31 March 2008 (continued)

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No employers' contributions were paid to one or more of the panel of three appointed stakeholder pension providers as no senior managers had opted out of the scheme during this period. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. No employer contributions of 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees because no senior managers had opted out of the scheme during this period.

Contributions due to the **partnership** pension providers at the balance sheet date were nil. Contributions prepaid at that date were £493.81

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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

Remuneration Report for the period ended 31 March 2008 (continued)

The cash equivalent transfer values for 1 October 2007 to 31 March 2008 were:

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

Chief Executive and Directors To nearest	Real increase in pension £	Real increase in lump sum £	Pension at end date £	Lump sum at end date £	CETV at Start Date £'000	CETV ay end date £'000	Employee Contributions and transfers in £	Real increase in CETV funded by employer £'000
Elaine Morton, Chief Executive	0 – 2.5	–	25 – 30	–	457	517	1291	4
John Denore, Operations Director	0 – 2.5	–	0 – 5	–	29	39	805	4
John Fuller,[1] Strategic Policy Director	0 – 2.5	–	0 – 5	–	17	23	652	5
Jesse Harris Social Work Director	0 – 2.5	–	0 – 5	–	4	10	766	5
James Sanderson, Business Development Director	0 – 2.5	–	0 – 5	–	17	24	805	3
Gillian Smith, HR Director	0 – 2.5	–	15 – 20	–	207	248	739	2
Gary Stephenson, Finance and Corporate Services Director	0 – 2.5	–	0 – 5	–	51	66	805	7

Non-Cash Remuneration

There was no non-cash remuneration during the period.

Compensation for loss of office

There were no compensation payments for loss of office during the period.

Amounts Payable to Third Party for Services as a Senior Manager

There were no payments to a third party for services as a senior manager during the year.

Payments for Loss of Office

For the senior management team early termination, other than for misconduct or severance, will be under the terms of the Principal Civil Service Pension Scheme (PCSPS).

[1] John Fuller is in receipt of his pension and is over age 60. Cabinet Office have provided disclosure spreadsheet factors

Remuneration Report for the period ended 31 March 2008 (continued)

There were no payments for loss of office during the period.

Elaine Morton, Chief Executive

Stephen Jack, Chairman

Peter Cooke, Vice Chairman

Mike Boyall, Treasurer

Signed by the above on 9 July 2008

Statement on Internal Control for period ended 31 March 2008

The detailed guidance in Annexe 3 to the Financial Reporting Manual (FReM), Annexe 4.15 of Managing Public Money and DAO (GEN) 02/08 have been followed in the production of this statement.

The Independent Living (2006) Fund, created on 10 April 2006, commenced operations from 1 October 2007 and the 1993 and Extension Funds ceased to exist on 31 December 2007 at the end of the Specified Period. The assurances provided in this statement apply to the risk management and internal control framework operated by the Independent Living (2006) Fund from 1 October 2007 up to the date of signature of the accounts.

Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Independent Living Fund's policies, aims and objectives whilst safeguarding the public funds and the Fund's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The Department for Work and Pensions (DWP) financially sponsors the Fund. The Senior Accountable Official within the Disability and Carers Directorate, part of the Work, Welfare and Equality Group of DWP, is responsible for monitoring the activities of the Fund on behalf of the Secretary of State for Work and Pensions. In addition there is accountability to the Permanent Secretary of DWP who is responsible for ensuring the financial and management controls applied by the Department and the Fund are appropriate and satisfactory.

The nature of the relationship and accountability with DWP means that some aspects of corporate governance are not directly controlled by the Fund. For example the Secretary of State for Work and Pensions produces all constituting documents (Trust Deed and Conditions of Grant Agreement), under which the Fund operates and these have been agreed by Trustees and where appropriate the Chief Executive. This structure does have some associated risks of documents being out of date if there is a delay in amendments being effected but the Fund ensures regular liaison is maintained to proactively manage the issues. However the control system operated by the Fund takes into account the impact of the relationship with DWP as well as any guidance and policies set by DWP.

The ILFs were formally listed as a Non Departmental Public Body (NDPB) in September 2005 and a revised Conditions of Grant Agreement and Management Statement including a reporting process to provide assurance that risks are being managed was introduced from 1 October 2007. A draft three-year Corporate Plan was produced in year but it was agreed that a final version would not be finalised until 2008-09.

Statement on Internal Control for period ended 31 March 2008 (continued)

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

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the ILF for this Fund from 1 October 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Risk management is considered at strategic, corporate and operational level.

The Board of Trustees now considers the overarching strategic level risks facing the organisation using the framework from the draft 3 year Corporate Plan which provides leadership to the process.

The leadership for managing corporate and operational risk comes from the initial formulation of plans by the senior managers, endorsed by the Chief Executive and subsequently recommended to the Audit Committee and then shared with the Board of Trustees.

Risk Management is an integral part of the strategic and business planning process as the key aims and objectives from the Fund's Business Plan are assessed for risks against potential achievement.

Senior Managers, as individual risk owners, have the authority to manage the risk directly or through others. Therefore a significant element of the strategy for risk management is to translate strategic aims into practical plans. This is achieved at the operational level of the management of the risk with action plans and key work objectives for relevant managers.

Communication and learning are recognised as an essential element of the Fund's risk management processes. Staff are made aware of the key risk areas in their own areas through face-to-face briefings and discussions on outcomes from the control check system within their own areas.

Statement on Internal Control for period ended 31 March 2008 (continued)

However the understanding of the risk management in terms of all staff knowing the wider perspective outside their own direct area continues to be embedded further. This has been achieved by presentations to all staff on the business plan led by senior managers explaining the links between risk and operational activity designed to mitigate risk. These discussions have helped staff to understand the environment and context in which risks have to be managed.

Corporate communications with staff are presented with the emphasis on the link to business risk where possible. To ensure focus and consistency in cascade of information to all, Risk Management team briefing material is produced.

The Fund recognises the need for continuous improvement in the approach to risk management. An evaluation of the ILF risk management methodology took place during the year using accredited external consultants. As an example of the emphasis on learning from good practice the strategic level risk register based on Trustees' discussions was designed during the year and will continue into the next year as a key platform for risk process development and management.

The Risk and Control Framework

The elements of the risk management strategy cover risk identification, assessment, evaluation and response, controls, reviews and reporting which provides a continuous cycle of improvement.

As part of the approach to risk management the Fund identifies external risk factors, together with a consideration of operational and specific risks related to any change programme. The scope of each risk is then considered to determine what influence the risk may have on the Fund's Business Plan. This same process of risk consideration impacts on the outcomes and activity outlined in each Directorate's business plan to support the overall organisation's plan.

Senior managers recognise that the risk environment is always changing so continue to consider risk management on a quarterly basis using the organisational wide risk register, collating and documenting progress on managing the key risks through the mitigation plans. At the same time new activities are assessed for risk and added to the risk register.

Separately, as part of an identified improvement area, six monthly horizon scanning exercises are scheduled to begin as part of the Trustees' strategic review early in the next year.

The Fund recognises that certain risks are either inherent or at an acceptable level of risk in the context of activity within the Business Plan. Therefore, at a particular moment, no active mitigation may be the appropriate response. This approach has prioritised the assessment of risk to ensure resources available for mitigation are directed appropriately.

Statement on Internal Control for period ended 31 March 2008 (continued)

The Senior Management Team and Trustees further consider risk appetite on the basis of agreeing where an acceptable tolerance level exists. If a risk, based on the impact assessment and likelihood of materialising is outside the acceptable risk tolerance, then an appropriate risk response is considered.

Risks are evaluated using a range of different factors. As an organisation providing a service to users with high support needs, risks which impact on service delivery are rated as priority.

Consideration is always given to those areas where the Fund's credibility with key stakeholders including the sponsoring Department is involved. With a cash limited budget and as a publicly funded organisation, financial and payment security risk issues are also important. During the year there was an additional risk caused by budget constraints for which a number of potential solutions were designed then risk assessed. Although the resolution was from extra funding being provided by HM Treasury, the organisation effectively risk managed the situation.

As an example of forward risk planning, the announcement in year of a different funding basis from 2008-09 resulted in further revisions to strategic risk assessments for the 2006 Fund. An appropriate operational level response was both designed and delivered in the year to be operational from April 2008. The impacts of the policy changes planned during the year will be monitored in the next year as part of ongoing strategic and operational risk evaluation.

Relationships with other stakeholders such as local authorities are also an important area as they directly contribute to our capacity to deliver our service as we rely on information from them.

The management of risk within the partnership with local authorities has been actively considered this year and will continue to be a key area for focus next year with an emphasis on communication about risk issues.

The organisational register of risk assessed a key risk area this year as technological with the need to maximise the use of Information Technology as an effective resource in terms of infrastructure and systems development to match the programme of change.

The organisation recognises that there are information risks which must always be effectively assessed and managed. In year the Fund undertook a comprehensive review of the risks involved in processing, storing and moving personal data both internally and externally, designing and documenting a strong audit trail. As a consequence the risks are clearly understood and appropriately evaluated. As an example of the leadership provided in the organisation quarterly senior manager meetings dedicated to Information Security have been set up and will continue in the next year. External expertise on Information Security using government

Statement on Internal Control for period ended 31 March 2008 (continued)

accredited specialists has also been introduced into the organisation to strengthen the quality of management checking in this area, quality assuring the approach to Information Security and creating a security forum to ensure that this priority risk area continues to be appropriately managed, further embedding risk management activity in the organisation.

The report on the periodic review of the 1993 and Extension Funds was published in March 2007 and a specific risk relating to the future strategic positioning of the 2006 Fund was identified for this year.

The developing changes to the context of social care delivery resulted in new risks being identified, relating to the need to address the future strategic position of the organisation and for a different external communications strategy. This has been developed for continued delivery in the next year, directly linking operational delivery to risk management mitigation.

The Fund recognises all risks impact on the overall reputation and the ultimate effectiveness of the organisation.

In year the Trustees agreed to refocus one of their subcommittees to be a discrete Human Resources Committee to ensure that there was a strengthened assurance process for reporting on the organisational risks associated with personnel management policies. The Trustees also created a new User Personal Cases Committee to ensure full Board meetings could better focus on the key strategic risk areas of financial management, policy and future direction of the organisation.

A specific significant change in risk assessment relevant for the year was the transition from the Extension Fund and 1993 Funds to the 2006 Fund to ensure all legal, governance, accounting, processes and communication risks were addressed. This was effectively achieved through a specific project plan and careful management of detailed documentation with the final legal document scheduled to be completed early in 2008-09.

The risk control environment is comprised of a number of different but interrelated elements. Control structures include the Trustees' main Board, sub committees' and Senior Management meetings as well as assurance measures agreed with the sponsor Department. Control documents include those relating to key governance such as the Trust Deeds as well as those for the provision of benefits administration. Control measures represent day-to-day processes and systems which underpin the control environment. This framework of management processes includes policies, management information, financial regulations, administrative procedures and a system of appropriate delegation and accountability. Regular reporting and progress updates are provided to the Senior Management team to ensure compliance.

Statement on Internal Control for period ended 31 March 2008 (continued)

As an example of risk evaluation being an integral part of operational management and to ensure risk in overall governance requirements was minimised, a number of staff have gained external accreditation in Information Security and Management, Fraud and Compliance, Procurement, Health and Safety and Human Resources. In addition the Finance and Corporate Services Director has begun an external qualification in risk management which will provide further strengthening of the assurance on the Fund's approach to risk management.

Similarly a continued emphasis on a quality assurance process for policy development for users and staff and for the governance transition to a new Fund from the Fund's legal advisors provides an extra control process as the Fund recognises the need to meet the required legislative requirements.

The overpayment prevention strategy continued to provide additional controls in its focus on minimising the risk of loss of public funds. The organisational development of a refocused compliance team has helped to strengthen preventative measures against irregularity and further develop effective measures against user fraud with the creation of a revised risk-based draft anti-fraud strategy, response plan and procedures manual. Having been through a rigorous quality assurance process with legal advisors and the sponsor Department this will be introduced in 2008-09.

In preparation for the new Deed a revised scheme of delegated authority was drafted in year and it will be introduced in 2008-09 providing a comprehensive system of internal accountabilities which will be notified to all staff together with a system for regularly reviewing compliance with the delegations.

Control checks are specific measurable checks across a wide spectrum of key areas including financial control, payment security, Health and Safety, IT, propriety, process accuracy, customer service and general security. Management reporting, on a quarterly basis, ensures regular assessment of the effectiveness of the operation but also assesses the inherent design of a control to ensure continued relevance to the control framework. In year some checks have been discontinued whilst, some have been refocused in response to a changing risk environment.

Effective reporting assists within the control environment to maintain focus. Regular reports are made by managers, who have responsibility for the development and maintenance of the internal control framework, on steps taken to manage risk in their own areas of responsibility including progress on key business projects.

The risk register, ongoing progress reports in managing risk and identifying new risk are discussed with the Audit Committee and then with the full Board on a six monthly basis with any interim reports on an exception basis.

Statement on Internal Control for period ended 31 March 2008 (continued)

Relevant DWP staff receive a copy of the risk register so are aware of the ILF organisational risks and mitigation plans. In addition they have been present when the full Board discusses risk management. Where DWP actions are directly linked to the mitigation of any ILF identified risk, proactive liaison takes place to ensure appropriate actions are taken and progress reported to the Board of Trustees. For example, in year there has been significant work with the sponsor Department in relation to work designed to minimise risks within key governance documents. Further work has been identified in year to be taken forward in 2008-09.

The development of the NDPB governance framework will further strengthen the reporting of the control environment to the sponsor Department.

A review of the overall control framework was completed in year for external publication early in 2008-09 covering strategic and business planning, risk management, control, business continuity and the scheme of delegated authority.

External assurance on the positive impact of business practices and management control whilst mitigating any reputational risk has been increased in the year with the successful re application for accreditation for Charter Mark and the award of Positive about Disabled People which confirms good practice in relation to Human Resource processes and disabled people.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the ILF who have responsibility for the development and maintenance of the internal control framework, comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement is in place.

Reports on internal control checks include assurance statements that errors made have been corrected. In addition there are strategic discussions on any trends or underlying causes to control check results.

To further strengthen the management reporting of control each Directorate has for this year produced an assurance report outlining the approach to meeting governance document requirements, propriety requirements, operational planning, control measures, lines of Accountability, control checks, Information Security, policy application and work processes including control of audit recommendations identifying any areas for improvement. This will be continued in future years.

Statement on Internal Control for period ended 31 March 2008 (continued)

Internal auditors provide independent assurance and classify the degree of assurance within the reports into substantial, adequate or limited. The results of their reports are discussed with the senior managers collectively and with the staff in the area being audited. Internal audit have produced 6 reports during this year. Four reports on consultation and external communications, strategic development, payments and policy development and communication were prepared and these aspects of our business received the opinion of substantial assurance. Two reports on project management on transition to the new Deed and customer complaints and satisfaction received an opinion of adequate assurance. The internal audit annual report for the year has provided a positive assurance giving an opinion that the Funds has adequate and effective risk management, control and governance processes to manage the achievement of the organisation’s objectives.

The internal audit report on recommendation tracking confirmed there was good management following up of the points raised through the audit reports 2006 and 2007. The Audit Committee regularly reviews the work of internal audit including clearance of outstanding recommendations.

The Funds can access the services of DWP Risk Assurance Division (RAD) and the Department can arrange for them to carry out an internal audit if required. During the year the Department did not ask DWP RAD to conduct any audit activity.

The external auditors also consider the control processes and actively review progress.

In summary the reports provided by internal and external audits have not recorded any significant adverse conclusion. There are plans to address those areas meriting some attention ensuring a system of continuous improvement is in place.

The control framework has been strengthened by regular attendance of internal and external audit at the Audit Committee meetings. In addition senior managers meet with internal and external auditors on at least an annual basis to ensure that the assurance process achieves maximum effectiveness from their activities.

In addition evaluation criteria and an annual report to consider the effectiveness of the internal auditors’ work has been prepared for the Audit Committee to consider. There is also an additional annual evaluation of the work of external audit. The evaluation process includes written assurance from auditors on levels of skill and quality assurance processes together with qualitative judgements on service provided.

The Audit Committee actively monitors and comments on the appropriateness of the risk management and assurance process in place. At each Audit Committee auditors are given an opportunity to discuss any issue relating to their reports on

Statement on Internal Control for period ended 31 March 2008 (continued)

internal control or risk management matters without senior management present. The documented responses show that none of the auditors had any issue to raise on this basis during the year. In addition on an annual basis, the Committee formally meets the auditors without the presence of senior management to discuss the nature and effectiveness of management control systems. The HR Committee has received an annual assurance review report on the HR policies. Separately the Audit Committee receives an end of year governance report and operates an annual process of assessing their effectiveness in relation to their terms of reference with an audit of supporting documentation. These items contribute to providing an additional assurance that the emphasis on effective governance and the risk environment is being monitored.

The Board of Trustees is ultimately accountable for the system of internal control and for reviewing its effectiveness. It has established some key procedures and policies to review the effectiveness of the system of internal control. The Board remains committed to maintaining good internal control practices looking at areas which are within the exclusive remit of the Trustees but also ensuring active liaison is maintained in those areas where the Fund is impacted but does not directly control outcomes. In judging the effectiveness of the Fund's controls, the Board of Trustees monitors the reports of management, HR, UPCC and Audit Committees with the Chairman of each Committee reporting the outcome of their Committee meetings to the Board and the Board receiving the minutes of all the meetings. The Board also reviews financial information monthly and key performance indicators quarterly. The Board approves projects with high risk and/or high financial costs. Those decisions are informed by analysis of risk, value for money and affordability.

Without diminishing its own responsibilities the Board has delegated certain processes to the Audit Committee and these include:

- initially reviewing the effectiveness of the risk management process agreeing a register of the organisation's main risks and updates on progress prior to six monthly reports to the Board of Trustees;
- reviewing the internal, external audit and DWP RAD work plans;
- considering quarterly reports from management on the operation of the internal control framework;
- considering reports from internal audit, DWP RAD and external audit on the system of internal control and material weaknesses highlighted in their management letters; and

Statement on Internal Control for period ended 31 March 2008 (continued)

- discussing with management the actions to be taken on any control weaknesses identified by the Audit Committee or in internal, external or DWP RAD audit or governance reports.

During the year there have been no significant internal control problems.

Elaine Morton, Chief Executive

Stephen Jack, Chairman

Peter Cooke, Vice Chairman

Mike Boyall, Treasurer

Signed by the above on 9 July 2008

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

I certify that I have audited the financial statements of the Independent Living Fund (2006) for the period from 1 October 2007 to 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and Chief Executive, as Accounting Officer, are responsible for preparing the Trustees Report, the Remuneration Report and the financial statements in accordance with Government Resources and Accounts Act 2000 and the agreement made thereunder between the Trustees and the Secretary of State for Work and Pensions, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Trustees' and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and the agreement made thereunder between the Trustees and the Secretary of State for Work and Pensions. I report to you whether, in my opinion, the information in the Trustees' Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Independent Living Fund (2006) has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Independent Living Fund (2006)'s compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Independent Living Fund (2006)'s corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Independent Living Fund (2006)'s circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and the agreement made thereunder between the Trustees and the Secretary of State for Work and Pensions, of the state of the Independent Living Fund (2006)'s affairs as at 31 March 2008 and of its net operating costs for the period then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and the agreement made thereunder between the Trustees and the Secretary of State for Work and Pensions; and
- information contained in the Trustees' Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
11 July 2008

National Audit Office
151 Buckingham Palace Road
Victoria, London, SW1W 9SS

Statement of Accounts

Net Operating Cost Statement for 1 October 2007 to 31 March 2008

	Notes	£,000
Gross operating cost	4	157,738
Less: miscellaneous income	5	(14,209)
Net operating cost before Interest and Cost of Capital		143,529
Interest receivable		(430)
Cost of Capital (credit)	9	(16)
Net operating cost before Reversal of Cost of Capital		143,083
Reverse Cost of Capital		16
Net Operating Cost for the period		143,099

The net operating cost arises wholly from continuing activities

Statement of Total Recognised Gains and Losses

Transfer of fixed assets from Independent Living (1993) Fund	325

The notes on pages 41 to 51 form part of these accounts

Statement of Accounts (continued)

Balance Sheet as at 31 March 2008

	Notes	£,000
Fixed Assets		
Tangible fixed assets	10	322
Current Assets		
Debtors	11	158
Cash at bank and in hand	12	7,970
		8,128
Current Liabilities		
Liability to Users	6	(9,593)
Other amounts falling due within one year	13	(409)
Net Current Liabilities		(1,874)
Total Assets less Current Liabilities		**(1,552)**
Reserves:		
Special fixed assets reserve	14	241
General reserves	14	(1,793)
		(1,552)

The Balance Sheet is in deficit because Government Grant in Aid is not accrued to match net current liabilities – this is per specific HM Treasury accounting guidance.

The notes on pages 41 to 51 form part of this account

These accounts were approved and authorised for issue by the Trustees on 9 July 2008

Elaine Morton, Chief Executive
Stephen Jack, Chairman
Peter Cooke, Vice Chairman
Mike Boyall, Treasurer

Statement of Accounts (continued)

Cash Flow Statement for the period 1 October 2007 to 31 March 2008

	Notes	£,000
Operating activities		
Operating receipts	15a	14,301
Operating cash payments	15b	(147,855)
Net cash outflow from operating activities		**(133,554)**
Financing		
Grants in Aid		141,222
Returns on investments and servicing of finance		
Interest received	15c	383
Capital Expenditure and Financial Investment		
Acquisition of fixed assets		(81)
Increase in cash and cash equivalents		**7,970**

Reconciliation of Increase in cash and cash equivalents to movement in net funds

	£,000
Increase in cash and cash equivalents	7,970
Net funds at 1 October	nil
Net funds at 31 March	**7,970**

The notes on pages 41 to 51 form part of these accounts

Notes to the Accounts

1. Nature and purpose of funds

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

The main source of funding is grants in aid from the Department for Work and Pensions (Great Britain) and the Department for Social Development (Northern Ireland). This funding is given under the terms of an annual conditions of grant agreement between the Secretary of State and the Trustees, in order to provide assistance with the cost of qualifying support and services to disabled applicants meeting the terms of the Trust Deed and to meet the operating costs of the Fund. Funding forms part of Departmental three-year expenditure limits (DEL).

2. Accounting convention

The accounts are prepared under the modified historical cost convention, and in the form agreed between the Trustees of the Fund and the Secretary of State. Without limiting the information given, the accounts also meet the applicable requirements of the accounting standards issued and adopted by the Accounting Standards Board, and supplementary guidance on public sector accounting issued from time to time by Her Majesty's Treasury. The accounts comply with the generally accepted accounting practice of the UK. International Accounting Standards are not yet applicable.

3. Accounting policies

The following policies have been used consistently in dealing with items which are considered material to the Fund's accounts:

a) Grants in aid received

Funding to cover grants to individuals and management and administration expenses is provided through grants in aid from the Department for Work and Pensions and the Department for Social Development. Grants in aid are received on the basis of the Fund's estimated cash payments during the financial year. Grant in Aid received forms part of Departmental Expenditure Limits (DEL). No capital DEL Grant is Aid was received for the period.

In accordance with HM Treasury guidance in the Financial Reporting Manual grant in aid is treated as financing rather than income. Grant in aid is taken into account in the financial year for which it is allocated from public funds and there is no accrual of grant in aid against the assets and liabilities of the Fund.

Notes to the Accounts (continued)

b) Grants to individuals

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

Where grants are returned in whole or in part, the refunds are brought to account at the date of receipt. Grants to individuals are shown net of refunds in these accounts. Procedures are in place to recover grants which were based on incorrect information. Where recovery is not deemed to be achievable, the amount is recorded as a loss under arrangements agreed with the Department for Work and Pensions.

c) Administration expenditure

Administration expenditure is financed from grant in aid. There is no separate grant in aid allocation and trustees agree the annual administration budget. Grant in aid for administration (including capital expenditure) is drawn to a separate bank account as required by the Conditions of Grant Agreement. Administration expenditure is shown in the accounts on an accruals basis and liabilities and assets at the financial year end are explained in accounting notes.

d) Fixed assets and depreciation

All assets are held as grouped assets, and are held only for the purpose of managing the Fund. Assets are capitalised in these accounts in the year of acquisition, and are valued under modified historical cost accounting using the appropriate indices. An assessment is carried out to see whether a material restatement is required in comparison with historical cost. Assets are recorded individually in a fixed assets register to facilitate proper control and accounting. Depreciation is charged on a straight line basis over the estimated useful life of each asset.

Assets consist of IT hardware and software and are depreciated over an expected 3-5 year life span.

e) Capital expenditure

Funding for capital acquisitions is included in the grants in aid. In accordance with SSAP 4 and Financial Reporting Manual guidance, grant in aid is only excluded from the Income and Expenditure account where it has been obtained under specific capital project bidding and public financing. The normal operation of the Fund does not include such project expenditure.

Notes to the Accounts (continued)

f) Leases

Leases are accounted for on an accruals basis. The main lease is for accommodation and managed facilities under a sub-lease with the Department for Work and Pensions. Charges are set in accordance with a head lease between the Department and LandSecurities Trillium and the Fund has no direct control of these charges. Other leases are subject to approval by the Department for Work and Pensions where they would exceed £40,000 per annum in total.

g) Cost of capital charge/credit and reversal

A notional cost of capital is shown in accordance with HM Treasury rules to reflect the fact that the Fund receives grant in aid in advance and there is therefore a borrowing cost to public funds. The cost of capital is calculated as 3.5% of the average of opening and closing Balance Sheet net current assets for each year. The notional charge or credit is then reversed in the Income and Expenditure account in accordance with the guidance.

h) Reserves policy

Grant in aid is not drawn in full in advance but is drawn down each calendar month to meet estimated expenditure. Each funding request is accompanied by a month-end report and under the administrative arrangements, funding is received on the 7th working day of the month for which it is requested. The Fund does not hold strategic reserves as it is dependent on public funding and seeks to minimise the cost of borrowing. The Conditions of Grant Agreement normally permits a month-end cash balance of no more than 5% of the original UK funds voted by Parliament. The Fund’s policy is to hold sufficient cash to remain in credit overall with the bank, taking into account the timing of receipts as explained above.

i) Banking services and bank interest

Banking services are acquired by competitive tendering and the value for money of the services is fully reviewed at least every five years. Money is held in current accounts and interest is received on credit balances.

j) Pension costs

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

Notes to the Accounts (continued)

4. Gross operating costs

	Oct'07 – Mar'08
	£,000
Grants to individuals (see note 6)	153,381
Staff costs (see note 7)	2,245
Non-staff running costs	2,112
Total incoming resources	**157,738**

5. Miscellaneous income

	Oct'07 – Mar'08
	£,000
Transfers from Independent Living (1993) Fund	10,495
Transfers from Independent Living (Extension) Fund	3,714
Total incoming resources	**14,209**

As provided in their respective trust deeds the closing assets of the Independent Living (1993) Fund and Independent Living (Extension) Fund were transferred to this Fund after the end of their specified periods (31 December 2007). Deeds of assignment and addition were signed between the respective trustees and Government officials to effect the transfer.

6. Grants to individuals (see note 3b)

	Oct'07 – Mar'08
	£,000
Payments made in year	147,300
Returns received in year	(3,512)
Creditors at 31 March	9,593
Grants payable for year	**153,381**
Number of individuals in receipt of payments	20,715

Notes to the Accounts (continued)

7. Staff costs

	Oct'07 – Mar'08
	£,000
Directly employed staff:	
Wages and salaries	1,815
Social security costs	111
Pension costs (see note 17)	316
Total direct payroll costs	2,242
Agency staff	3
Total staff costs	**2,245**

The equivalent of 159 staff were employed during the year, of whom 3.5 were on fixed term contract and 155.5 were on permanent contract (all figures stated as full-time full-year equivalents).

8. Non-staff running costs

	Oct'07 – Mar'08
	£,000
Trustees' remuneration and expenses	91
Auditor's remuneration	32
Computer running costs	133
Postage, printing and stationery	224
Accommodation and utilities	610
ILF Assessors' fees and expenses	699
Legal costs	60
Services, communications, training, etc	179
Depreciation	84
Total non-staff running costs	**2,112**

Running costs include £512,763 on the operating lease (land and buildings) for the Equinox Building, and £3,788 on the operating lease (software) for a supported HR system (see note 18). The Fund is exempt from paying Corporation Taxation under the provisions of paragraph 505 of the Income and Corporation Taxes Act 1988.

Notes to the Accounts (continued)

9. Cost of Capital (see note 3g)

The cost of capital is calculated at 3.5% of the average opening and closing Balance Sheet net current assets. For the operating period October 2007 to March 2008 in these Accounts the charge is calculated for the half-year.

	Oct'07 – Mar'08
	£,000
Opening balance 1 October 2007	–
Closing net current assets 31 March 2008	(1,874)
Average net current assets	(937)
Cost of capital at 3.5% for 6 months	**(16)**

The closing net current assets is in deficit because of the combination of a number of policies. Grants to individuals are made four-weekly in arrears and as explained in note 3b, grants authorised but not paid at the year end are accrued for in these Accounts. The reserves policy (note 3h) is to hold only sufficient cash to meet payments expected before the next instalment of funding is due to be received (rather than sufficient to meet all net liabilities). This means that the creditor for grants to individuals (see note 6) exceeds the current assets at the year end.

10. Fixed assets

	IT hardware	IT software	Total Oct-07-Mar'08
	£,000	£,000	£,000
COST			
Transfers on 1 October	688	132	820
Additions in period	24	57	81
Balance at 31 March	**712**	**189**	**901**
DEPRECIATION			
Transfers on 1 October	437	58	495
Charge for the period	65	19	84
Balance at 31 March	**502**	**77**	**579**
NET BOOK VALUES			
At 31 March	**210**	**112**	**322**

The Fund received the operating fixed assets from the Independent Living (1993) Fund on 1 October 2007. The assets were transferred at current Cost, Depreciation and Book Values, and taken to a special reserve (see note 14).

Notes to the Accounts (continued)

11. Debtors

	31 Mar 08
	£,000
Accrued bank interest	47
Other debtors	1
Prepayments	110
	158

All debtors are due within one year.

12. Cash at bank

	Oct'07-Mar'08
	£,000
Balance at 1 October	–
Net cash inflow	7,970
Balance at 31 March	7,970

Apportioned to:	31 Mar 08
	£,000
Benefit Account	7,773
Administration Account	197
	7,970

See note 21 concerning the original endowment trust fund and cash flows before 1 October 2007.

13. Liabilities (trade creditors and accruals)

	31 Mar 08
	£,000
(a) Amounts falling due for payment within one year	
Trade creditors	321
Accruals	88
	409

(b) There were no amounts falling due for payment after one year.

Notes to the Accounts (continued)

14. Movement of reserves

		Oct'07-Mar'08
		£,000
(a)	Special fixed assets reserve	
	Transfer of fixed assets from Independent Living (1993) Fund	325
	Depreciation on transferred asset	(84)
	Reserves carried forward	241
(b)	General reserves	
	Grants in Aid from Departments	141,222
	Net operating costs	(143,099)
	Add back depreciation charged to special fixed assets reserve	84
	Reserves carried forward	(1,793)

15. Reconciliations to cash flow statement

		Oct'07-Mar'08
		£,000
(a)	Reconciliation of miscellaneous income to operating cash receipts	
	Miscellaneous income	14,209
	Liability for audit fees	92
	Operating receipts	14,301
(b)	Reconciliation of gross operating costs to operating cash payments	
	Gross operating costs	157,738
	Audit fees for other Independent Living Funds	92
	Less: Increase in User creditor	(9,593)
	Less: Depreciation	(84)
	Less: Increase in creditors and accruals	(409)
	Plus: Increase in other debtors and prepayments	111
	Other operating cash payments	147,855

Audit fees for the Independent Living (1993) Fund and Independent Living (Extension) Fund for 2006-07 were still unpaid at 31 December 2007 and are payable by this Fund out of the moneys transferred at that date.

Notes to the Accounts (continued)

		Oct'07-Mar'08
		£,000
(c)	Reconciliation of bank interest to interest received	
	Bank interest	430
	Increase) in accrued interest	(47)
	Interest received	383

16. Losses (see note 3b)

Although payments to individuals are discretionary grants, action has been taken to recover payments which were found to be based on previously supplied incorrect information. Where recovery is deemed to be unachievable a loss is recorded. 405 losses with a total value of £528,991 were recorded as losses from October 2007 to March 2008. Losses relate to payments originally made by this Fund and by the Extension and 93 Funds before October 2007:-

Fund	No	Total
2006 Fund	**62**	£12,037
93 Fund	**269**	£206,813
Extension Fund	**74**	£310,140

17. Pension commitments

The pension scheme is described in the remuneration report on pages 15 to 24. Pension contributions due but not paid over at 31 March 2008 were £57,213 (amounts related to March salaries).

18. Leases and hire purchase

There is a sub-lease for accommodation and facilities with the Department for Work and Pensions. The charges to the Fund are set in the head lease between the Department and LandSecurities Trillium, and the Fund is not able to control or verify the amounts charged. The facilities element is calculated quarterly and may be abated by penalties for failure to deliver the agreed service level. There is a software licence with Ceridian Centrefile Ltd for a HR payroll system.

Notes to the Accounts (continued)

Operating lease rentals due within the next year on leases expiring within:

	£
One year	–
Two to five years (software – HR system)	7,575
More than five years (land & buildings – Equinox Building)	1,040,988

19. Trustees' interests and indemnities

The Trustees receive remuneration from the Department for Work and Pensions which passes costs on to the Fund. The total remuneration paid to nine Trustees was £70,400 and further information is provided in the Remuneration Report. Trustees received reimbursement for travel and subsistence expenses amounting to £2,582. One Trustee is a beneficiary of the Fund and receives payments in accordance with the objects of the Fund; a procedure is in place to manage actual or perceived conflicts of interest. No other transactions were undertaken in which any Trustee or person connected with any Trustee had a material interest.

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

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

20. Related party transactions

The Independent Living Fund (2006) is administered by Trustees appointed by the Secretary of State for Work and Pensions. Related parties are the Trustees, all parts of the Department for Work and Pensions including its agencies (as representing the Secretary of State) and the Department for Social Development in Northern Ireland. The Trustees are the controlling party.

One Trustee is a beneficiary of the Fund and receives discretionary grants in accordance with the objects of the Fund. An appropriate procedure is in place to manage actual or perceived conflicts of interest.

Seven Trustees also form the boards of trustees of the Independent Living (Extension) Fund and the Independent Living (1993) Fund which operated up to the end of September 2007, with similar objectives in relation to the provision of financial assistance to disabled people with the costs of care.

Notes to the Accounts (continued)

During the year no other related parties, including the Trustees and key management staff, have undertaken any material transactions with the Independent Living Fund (2006).

21. Financial instruments and associated risks

The Fund has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. The Fund also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk. All liabilities are due for payment within one year (see note 10).

22. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 March 2008.

23. Endowment Trust Fund

The Fund was created by trust deed between the original trustees and the Secretary of State on 10 April 2006, who paid £100 into an endowment trust fund on 13 April 2006. The original endowment is held on trust as explained in note 1. As there was no other financial or operating activity before 1 October 2007 no formal accounts were produced for the period before that date. The following statement is not in £,000. The figures do not impact the main accounts.

	£
Opening balance 13 April 2006	100.00
Bank interest added April 2006 to September 2007	6.62
Balance at 1 October 2007	106.62
Bank interest added October 2007 to March 2008	2.72
Balance at 31 March 2008	109.34

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