

*We've helped  
45,500 disabled  
people over the  
last 21 years  
and currently  
support 21,000  
people across  
the UK*



**Making choice real for disabled people**

The Independent Living Fund is an  
Executive Non-Departmental Public Body  
of the Department for Work and Pensions

next >



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# *Independent Living Fund (2006)*

## *Annual Report and Accounts 2008–09*

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Annual Report and Accounts presented to Parliament pursuant to the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008.

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# About us

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*The role of the Independent Living Fund (2006) (the ILF) is to deliver discretionary cash payments directly to over 21,000 disabled people across the United Kingdom (UK), allowing them the choice and control to purchase personal care and live independent lives in their communities.*

Established in 1988, the original ILF pioneered the delivery of cash payments for individually tailored care and support packages for disabled people. We have developed strong partnerships with local authorities across the UK, jointly funding care packages since 1993 and working together to provide a personalised, but nationally consistent, social care service. We now operate as an Executive Non-Departmental Public Body of the Department for Work and Pensions (DWP) and have paid almost £3 billion to over 45,500 disabled people over the past 21 years.

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**Website:** [www.ilf.org.uk](http://www.ilf.org.uk)



*“I have been treated  
with much dignity  
and respect every time  
I have phoned the ILF.”*

# Changes and challenges

A message from the Chairman

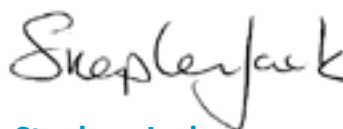
As ever we remain focused on the needs of our users, delivering added value through new financial disciplines and tighter controls. And in our first year as a fully-fledged Non-Departmental Public Body we rose to the challenge of operating within a constrained budget.

We welcomed a new Chief Executive, Patrick Boyle, at the end of the year. I would like to thank his predecessor, Elaine Morton, for building a reliable and resilient operation over her seven years with the ILF, and Gary Stephenson and the management team for running the organisation effectively before Patrick's arrival.

During 2008–09 we have explored and developed plans to play a more pro-active part in the social care agenda – putting more focus on external engagement with our users and other stakeholders, and strengthening our partnership with the DWP to ensure that our objectives are aligned.

Highlighting the unique elements of the ILF – our national reach, our successful engagement model and our consistency of delivery – has also been an integral part of many of our activities.

I would like to thank my fellow Trustees and the employees of the ILF for their continued energy and commitment, and I look forward to working with them in the year ahead in order to develop the organisation and the contribution it makes to the lives of its users.



**Stephen Jack**  
Chairman





# Shaping a new future

We achieved a lot this year – we met over 90% of our stated aims and objectives for the 2008–09 period, further developed and improved our partnership with local authorities, and continued to receive very positive responses from our users.

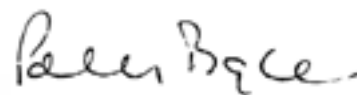
There has also been a huge amount of work done on refining the Trust Deed – important changes that have made the ILF accessible to a wider range of disabled people.

And our close relationship with our 21,000 users continues to set us apart – something that will play a key part in shaping our future.

Our users have given us some really important feedback through surveys about their real life experiences. Of those who responded, 92% have told us they are more independent and 93% say their quality of life has improved.

We have worked within Government and with other stakeholders towards the development of the DWP's Trailblazer projects around the Government's 'Right to Control' strategy. This increasingly externally focussed agenda has also seen us begin to enhance our relationship with the Department of Health.

We have already renewed our organisational structure to ensure that we are 'fit for purpose' and this will allow us to grasp the great opportunities that are ahead of us. Thank you to everyone that has contributed to our achievements.



**Patrick Boyle**  
Chief Executive





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# Achieve better outcomes for users by effectively listening and using their experiences to inform our practices

Strategic objective one

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It is incredibly important for the ILF to build close relationships with its users because, by maintaining close contact and providing ongoing support, we can provide a more personalised service, responding quickly to changes in individuals' lives and adapting the help we provide accordingly.

We have consulted with our users in a variety of ways, including debates, road shows, user forums and surveys. The feedback we received tells us what we are doing right, and where we needed to improve; it helped us measure our performance and user satisfaction levels, learn more about how people are benefiting from our support, review our policies and inform future planning to further enhance our service.

As well as the hugely successful satisfaction surveys held every two years, in 2008–09 we also introduced 'experiential' surveys to help us monitor users' experiences at key stages of our process (when they start to receive payments or undergo a case review) and improve our service and support levels.

User satisfaction is one of the primary indicators for measuring our performance and we have a current rating of 97% (users rating our services as 'satisfactory', 'good' or 'excellent').

To achieve even better levels of service provision, we have recently started to move towards a 'co-production' approach when developing our strategies, policies and procedures; actively engaging ILF users and their representatives to help us build our organisation around their needs.

During March 2009, the ILF delivered a programme of six user engagement events across Great Britain, designed specifically to open discussions on developing our future role and to help us plan our new Single Equality Scheme.

To help us present a clear vision for independent living and to act as a sounding board for Trustees and senior management, we have been planning to establish a dedicated advisory group; a panel of experts in the field of disability and social care, made up of ILF users and members of user-led disability organisations. The advisory group would also help us ensure we are connected to the right interests and expertise, and pursue the independent living agenda vigorously.

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Our new 'experiential' user surveys reveal that the ILF really does make a difference to people's lives. Money from the ILF has:

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Improved my quality of life

93%

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Enabled me to do more activities

87%

---

Enabled me to be more independent

92%

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## *Deliver effective and efficient service to users by focussing our administrative processes*

Strategic objective two

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In recognition of the high quality service we deliver, for the third year running we have successfully met the Government's Charter Mark standard for excellence in customer service.

We are always looking to become more time-efficient by maximising the capabilities of our IT infrastructure, and we work hard to keep our information and processes simple, transparent and straightforward for both ILF users and staff.

End-to-end process reviews have taken place over the last 12 months and we have improved our database so that it is more efficient, accurate and user-friendly. It now provides greater facilities for recording and retrieving casework data, reducing the time taken to deal with enquiries, and eliminating the need for excessive paper trails.

2008–09 saw the completion of our CHOICE strategy (ILF service to be Comprehensive, Highly professional, Open, Individual, Correct and Effective) ahead of schedule and, as a result of this, a number of significant improvements were made.

Last year we streamlined our ILF literature and improved its accessibility. Our 'easy-to-read' guide (a shortened version of our accessible leaflet pack for users) carries the Crystal Mark seal of approval from the Plain English Campaign – recognition that it can be easily read, understood and acted upon by our users.

The database now allows us to provide users with a clear breakdown of their full care package, financial contribution and payments. Letters have also been standardised, ensuring that users receive accessible and consistent information about their offers and responsibilities when using ILF money.

We have investigated online reporting for our self-employed assessors and new technologies that will allow us to communicate with users via SMS text messaging and email, reducing the need for paper communications and enabling us to provide a much more personal service tailored to individuals' needs and requirements.

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Percentage of our budget spent on administration

**2.6%**

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Pence in every pound that goes directly to our users

**97p**

*“Valuing and developing our staff is key to ensuring that we have the right skills and behaviours in place to achieve our objectives.”*



## *Promote the development and implementation of self-directed support across the UK as a key partner in the delivery of the social care agenda and support for disabled people*

Because of the Government's active agenda for equality and localised support, the ILF's context is now more complex.

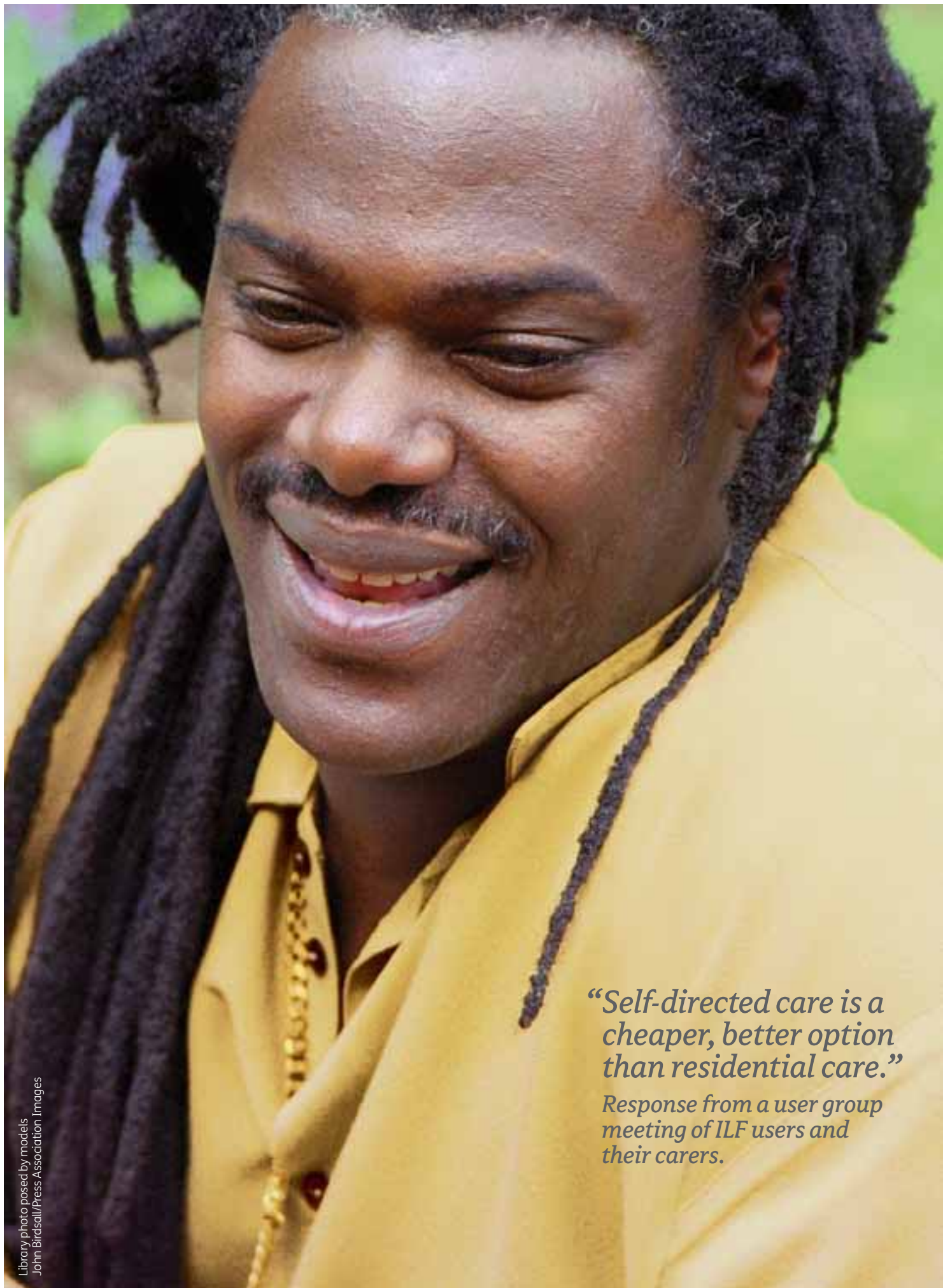
Beyond simply handing out money, we played a key role in steering people towards training and work opportunities, combating social exclusion and supporting healthy lives. We have continued to support delivery of the DWP's objectives and the Government's Public Service Agreements relating to disabled people.

We have looked at ways of working more closely with partner organisations and stakeholders, pursuing joint working agreements, and co-ordinating policies and processes where possible to ensure that disabled people receive the best collective service possible from all providers.

We have moved towards a regional structure with our service delivery teams and are planning pilots with some of the 214 local authorities we liaise with, trialling new ways of working with each other to make improvements for users – including how best to work within the emerging arrangements for self-assessment, resource allocation systems, support planning and the review of awards.

To improve transparency and accessibility, our Professional Users' Guide has been updated and, along with all user policies, is now available to view on our website, completing a comprehensive suite of ILF information at people's fingertips.

With 21 years' experience behind us, the ILF has a lot to bring to the table. New communications materials, such as our magazine: *Living – for independent people*, make it easier for us to explain our proposals, plans and ideas. But, more importantly, they also provide us with effective platforms for reaching partners, members of the public, ILF users and other stakeholders, enabling us to open up debate, share our insights, and engage with the people that matter to drive forward the independent living agenda and shape our organisation.



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John Birdsall/Press Association Images

*“Self-directed care is a cheaper, better option than residential care.”*

*Response from a user group meeting of ILF users and their carers.*



Library photo posed by models  
John Birdsell/Press Association Images



## *Increase our capacity to achieve as an organisation fit for the present; fit for the future*

### How have we performed?

To increase transparency and accountability for 2008–09, the ILF agreed six key performance indicators with DWP:

Performance indicator	Target	Result	Target for 2009–10
Application clearance	11 weeks	12.9 weeks	10 weeks (from application to offer)
Review clearance	12 weeks	12.4 weeks	14 weeks (from visit referral to review outcome)
User visit clearance	11 weeks	12.9 weeks	12 weeks (from initial contact to outcome)
Award accuracy	96%	95.9%	95% (at pre-authorisation stage)
User satisfaction	90%	90.1%	90% (rated 'good' or 'excellent')
Administration cost control	3%	2.6%	3%

Although we have 21 years of expertise behind us, it is essential that the ILF remains fresh, responsive and accountable, with the capacity to both deliver and further develop its role. It has a responsibility to users and other stakeholders to deliver efficiency, long-term sustainability, governance and value for money, all while being capable of evolving and adapting to change.

Because of increasing demand for the ILF's services, last year we had to prioritise applications in order to operate efficiently within a fixed budget. Resulting policy changes had wide-reaching effects across the organisation but we were able to continue to support existing users and accept new applications throughout the 2008–09 period, successfully maintaining a client load of over 21,000 people.

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During the last  
12 months

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**2,000**

Applications accepted

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**10,000**

Reviews completed

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**24,000**

Offers of funding made

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**275,000**

Individual cash  
payments made

We continually work hard to improve efficiency and – thanks in part to the introduction of a formal recovery procedures manual – in 2008–09 the level of grants under formal recovery did not exceed 1.3% of the value of all payments made. We also maintain a capable IT and administration infrastructure, with the last year seeing the implementation of a new IT strategy and significant upgrades being made to our databases.

During 2008–09 we continued to invest in people, embedding skilled and experienced staff throughout the organisation. And, once they got here, we made sure that they were fully trained, supported and informed at every step of the way. We did this by introducing new review, monitoring and appraisal processes for all staff and self-employed assessors. The employee sickness absence rate has also been reduced to an average of eight days per person per year (against a target of nine).

As well as providing equality training for all staff, we have brought in a more effective Single Equality Scheme and have once again met the requirements of the *Investor in People* and *Positive About Disabled People* marks.

Part of our procurement overhaul, we now routinely reserve contracts for ‘supported businesses’ (businesses where at least 50% of employees are disabled people) and awarded our first contract to a supported business in February 2009.

*“Our son is more independent, has more choices and friendships, and has developed citizenship and inclusion at a level previously not thought possible.”*



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John Birdsall/Press Association Images

*“Without the care I would lose dignity, safety and a fulfilling life contributing to society. Being able to do voluntary work makes me feel my life makes a difference to someone.”*



Office for Disability Issues

*“The ILF has given me the freedom to stay at home and enjoy my life with family and friends, something I treasure so much. Thank you.”*



Office for Disability Issues



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## *Introducing the people behind the ILF*

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### **The ILF Trustees**

Appointed by the Secretary of State for Work and Pensions, the Trustees are responsible for appointing the ILF Chief Executive, keeping accurate records and presenting the yearly accounts. They strictly monitor the payments process, ensuring that we spend money fairly and don't exceed our yearly budgets.

#### **Stephen Jack,** Chairman of the Trustees

Stephen is a Chartered Accountant. He was Chief Financial Officer of Straumur, an Iceland-based investment bank until May 2009. Since June 2009 Stephen has been Chief Financial Officer of Compagnie Financiere Tradition, a global broking business. He has previously held senior financial management positions in a number of international financial services organisations. He is a Trustee and Treasurer of the Greater London Fund for the Blind.

#### **Professor Peter N C Cooke,** Vice-Chairman

Peter is KPMG Professor and Head of the Centre for Automotive Management at the University of Buckingham Business School. He is a consultant, speaker, writer and broadcaster on automotive

and disability issues and was appointed a Winston Churchill Memorial Fellow in 2002. Peter was a Non-Executive Director of Remploy for seven years.

#### **Margaret McGlade, Trustee**

Margaret is currently a freelance consultant in social care, health and children's services. She was previously Director of Social Services for Derby City Council and Senior Manager for Nottinghamshire County Council. She is a Trustee of the East Nottingham Women's Refuge and a qualified registered social worker.

#### **Yogi Amin, Trustee**

Yogi is a solicitor with specialism in Public Law and Human Rights. He is a partner at Irwin Mitchell Solicitors and practices in a range of health, social care and other public sector areas.

**Susan Winterburn, Trustee**

Susan qualified as a social worker in 1975 and worked in North Yorkshire. She is a Senior Lecturer in Health and Social Care, York. She is a retired Director of Family Services at Family Fund Trust (a UK wide grant-making organisation) and has experience of grant-making criteria and developing/managing a dispersed self-employed social care workforce.

**Nick Danagher, Trustee**

Nick is a graduate in English and Media Studies. He has developed and managed local independent living schemes and organisations. He is a former board member of Central Council for Education and Training in Social Work (CCETSW) and former Executive Director of the National Centre for Independent Living. He is currently a freelance consultant in Disability Equality and a member of Equality 2025 – the UK advisory network on Disability Equality.

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

Mike is an ombudsman at the Financial Ombudsman Service and a qualified accountant.

He was formerly the Deputy Director in the DTI and Official Receiver in the Insolvency Service, managing and investigating Public Interest Insolvencies. He is also a Magistrate.

**Sally Sparrow, Chairman of the ILF Human Resources Committee and User Personal Case Committee**

Sally was Director of Social Care at Witham Braintree and Halstead Care Trust until March 2007. She qualified as a social worker in 1988 and previously worked in social care and the Voluntary Sector in a variety of posts with older people and those with physical and sensory impairments.

**Marie Martin, Trustee**

Marie is currently a care manager for the British Nursing Association and Chairman of the Shooting Star Children's Hospice and Linden Hall Day Centre, as well as a trustee of the Hampton Fuel Trust. She has previously been a social services manager for Hounslow & Kingston Upon Thames and has also worked in the private sector.

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The number of staff the ILF employs at its Nottingham office

160

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The number of self-employed regional assessors the ILF manages

90

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## The Audit Committee

To ensure our systems and services are run effectively, we are closely monitored by internal and external auditors. Our Audit Committee (made up of four Trustees) sets out a specific monitoring programme each year and closely reviews all ILF strategies and processes to ensure the organisation is run efficiently, safely and properly.

**Mike Boyall**, Chairman

**Peter Cooke**, Member

**Margaret McGlade**, Member  
(from April 2009)

**Sally Sparrow** (up to March 2009)

**Yogi Amin**, Member

## The HR Committee

The HR Committee oversees and reports to the Trustees on the salaries, rewards and conditions of service in place at the ILF. It also makes sure that the ILF conducts its employee relations fairly, efficiently and effectively. For more information, see the Remuneration Report on p36.

**Sally Sparrow**, Chairman

**Margaret McGlade**, Member

**Marie Martin**, Member

**Peter Cooke**, Member (up to March 2009)

**Susan Winterburn**, Member  
(from April 2009)

## The Senior Management Board ('SMB')

The SMB is responsible for the strategic management of the ILF. The structure below is effective from April 2009.

**Patrick Boyle**, Chief Executive  
(from 12 January 2009)

Patrick is accountable for all aspects of ILF performance, reporting directly to the Board of Trustees. As the Accounting Officer for the ILF, Patrick also reports directly to the DWP via senior officials and the WWEG sponsor group.

**James Sanderson**, Chief Operating Officer and Deputy Chief Executive  
(from 1 April 2009)

James was Business Development Director until 31 March 2009. As Chief Operating Officer, he oversees ILF operations including service delivery, social work and performance improvement functions. He is responsible for ensuring that we continue to deliver excellent standards of service to our users. James is also heavily involved in ILF's new externally focused agenda.

**Jesse Harris, Social Work Director**

Jesse is responsible for ensuring high standards of social work and quality assurance with regard to independent living outcomes. He is also responsible for relationships with local authorities and users, complaints, user personal case hearings and the application review process.

**John Denore, Service Delivery Director**

John is responsible for service delivery and the administration of all our user services, incorporating: application processing, ongoing casework, payments to users, and the biennial review programme through the management of operations teams and over 90 self-employed assessors across the UK.

**Gillian Smith,  
Human Resources Director**

Gillian is responsible for developing and leading HR strategy within the ILF. This includes employment policy, employee relations, learning and development, and recruitment. Gillian ensures that HR policies are legally compliant and provides professional HR guidance and support to Trustees and senior management.

**Gary Stephenson, Finance Director**

Gary was appointed interim Chief Executive from 31 October 2008 until 12 January 2009. Gary is responsible for all aspects of financial management within the ILF. He is also responsible for managing internal and external audit, information technology, payment security and compliance, debt recovery, facilities management and office support services, procurement, and health and safety.

**John Fuller, Strategic Policy Director**

John is responsible for developing options for the role and contribution of the ILF in line with Government strategy towards disabled people, and for the development and communication of policy.

**Roland Knell, Head of Governance  
(from 2 February 2009)**

Roland is responsible for Corporate Governance, including risk management, business continuity planning, records management, data security and data handling (Data Protection Act & Freedom of Information Act), business planning and communications.





*“Embracing diversity  
and providing equal  
opportunities for all  
are important cultural  
assets of the ILF.”*

## Management Commentary

### Principal activity and historical context

The role of the Independent Living Fund (2006) ('the ILF') is to deliver discretionary cash payments directly to disabled people, allowing them the choice and control to purchase personal care and live independent lives in their communities. The ILF is an executive Non-Departmental Public Body of the Department for Work and Pensions ('DWP') and receives funding in the form of grants in aid from DWP for Great Britain and from the Department for Social Development ('DSD') for Northern Ireland. The formal governance documents owned by DWP consist of a Management Statement, the Trust Deed and the Conditions of Grant Agreement.

The original Independent Living Fund was established in 1988 and ran for five years to March 1993. In April 1993 the Independent Living (Extension) Fund was established to continue payments to the beneficiaries of the original Independent Living Fund, and the Independent Living (1993) Fund was established to take new applications. The ILF commenced operations from October 2007, continuing payments to beneficiaries of the predecessor Funds and receiving the closing assets and liabilities of those Funds. In order to provide full year comparative information for 2007-08 an illustrative Operating Cost Statement is included at page 33.

#### 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  
NG7 6JF

Fees paid to the National Audit Office were £55,000 for external audit work and £7,000 for preparatory work on compliance with International Financial Reporting Standards from April 2009.

#### **Solicitors**

Harvey Ingram LLP  
20 New Walk  
Leicester  
LE1 6TX

#### **Bankers**

Lloyds TSB Corporate  
125 Colmore Row  
Birmingham  
B3 2DS

#### **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 ILF's offices in Nottingham.

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

Trustees for 2008–09 were Stephen Jack (Chairman), Peter Cooke (Vice Chairman), Mike Boyall (Treasurer), Yogi Amin, Nick Danagher, Marie Martin, Margaret McGlade, Sally Sparrow and Susan Winterburn. Sub-committees operating in the year were the Audit Committee (Mike Boyall as Chairman, Yogi Amin, Peter Cooke and Sally Sparrow), the Human Resources Committee (Sally Sparrow as Chairman, Marie Martin, Margaret McGlade and Susan Winterburn) and the User Personal Cases Committee (Peter Cooke as Chairman, Yogi Amin, Nick Danagher, Marie Martin and Sally Sparrow; Sally took over as Chairman from April 2009). Background details of Trustees are given on pages 21–22.

## Relationships and related parties

The ILF is administered by Trustees appointed by the Secretary of State for Work and Pensions. Related parties are the Trustees, all parts of DWP including its agencies (representing the Secretary of State) and DSD in Northern Ireland which also provides funding. The Trustees are the controlling party.

The Chief Executive is formally nominated as the Accounting Officer for the ILF and as the Consolidation Officer for the purpose of Whole of Government Accounts. His 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 ILF's staff.

One Trustee is a beneficiary of the ILF 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 ILF.

## Operating and performance review

The ILF funding moved from annually managed expenditure to inclusion in the three-year Departmental Expenditure Limit (DEL) for DWP and DSD. In order to manage expenditure within funding provided, the ILF introduced a new application prioritisation (supported by a change to the Trust Deed) and a revised application process. Existing beneficiaries continued to receive payments as a first priority, and new applicants with the highest priority were also assessed and brought into payment as provided in the ILF's policies.

The key performance targets for the ILF have been reviewed by DWP and agreement has been reached on the main performance measures going forward. These measures were in existence as ILF targets during 2008–09 and the results for the year were as follows:

- Offers to new applicants made on average 12.9 weeks after application (against an 11-week target)
- User visits cleared on average 12.9 weeks after request (against an 11-week target)

- Biannual review programme visits cleared on average in 12.4 weeks (against a 12-week target)
- Award processing 95.9% accurate in all respects (amount and process – against a 96% target)
- Administration expenditure 2.6% of total ILF expenditure for the year (against a 3% target)
- Users rating our service as ‘good’ or ‘excellent’ at a level of 90.1% (against a 90% target).

A total of 155 staff were employed during the year. Staff receive salaries on the ILF scale and are entitled to be members of the Principal Civil Service Pension Scheme – full details are provided in the Remuneration Report on pages 36 to 47. In addition, 90 self-employed assessors were engaged to carry out visits to new applicants and existing beneficiaries under the ILF’s user administration policies.

The ILF has increased its engagement with a range of stakeholders as part of the ongoing involvement in the development of social care policy, and the various Government reviews and consultations taking place during the year. The ILF is a Charter Mark organisation, retaining its accreditation in the year with a formal external assessors review indicating high levels of service.

### **Governance and 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 and the ‘Positive about Disabled People’ (2 ticks) award during 2008–09. HR policies are regularly reviewed to ensure full compliance with employment legislation.

The ILF seeks to actively manage sickness absences and has introduced 'return to work' meetings with staff to improve support on resumption of duties and discuss absence patterns and causes. The average number of days lost to sickness absence was 8.34 days per employee (11.06 equivalent annual rate in the six-month period ending 31 March 2008).

The ILF's procurement policy ensures fair competition and value for money, and introduced the specific arrangements to encourage tenders from employers of disabled people in procurement exercises in 2008–09 with one contract being awarded to a 'supported business' (a company where at least 50% of the workforce are disabled people). The ILF 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 services, or presentation of a valid invoice or similar demand, whichever is later. 90% of invoices paid in the year met this target (90% in previous period).

The ILF has Corporate and Social Responsibility and Sustainable Development policies, and has developed links with disabled people's groups in 2008–09, in particular with a local specialist education college. The Charter Mark award for public service was retained during 2008–09.

### **Financial review**

The ILF is financed out of money voted by Parliament as grant in aid from DWP and DSD for the purpose of making regular grants to individuals. Grant in aid of £332.1 million was drawn to meet the needs of users and related administration costs. The funding available at the start of the year was £353.1 million and revised application policies were put in place designed to use the funding available. During the year fewer applications were received than anticipated resulting in an underspend against forecast; however in view of the economic problems for the UK as a whole, Trustees agreed with DWP not to make any policy changes during the year to help reduce the overall burden on public funds.

The Accounts cover the first full year of operation of the ILF and provide comparative information for the period October 2007 to March 2008, which was the first operating period of the ILF.

Assets are held only for the purpose of managing the ILF. 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 moneys in interest-bearing accounts.

The ILF requests and receives grant in aid on a monthly basis to meet its immediate cash needs. Procurement policies are designed to secure goods and services for immediate consumption during the year with best value for money at current cost, and without setting up complex financial instruments. The ILF's exposure to financial instrument risk is therefore low compared with non-public sector organisations. The policies on financial instruments are provided in the Notes to the Accounts, and appropriate disclosures are included.

The Accounts have been prepared in accordance with the Trust Deed and directions made by the Secretary of State for Work and Pensions thereunder. All financial and other matters necessary for an effective external audit have been disclosed to the auditors. As far as the Chief Executive and Trustees are aware there is no relevant audit information of which the auditors are unaware; the Chief Executive and Trustees have taken all the steps that they ought to have taken to make themselves 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 2009 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 ILF related to DWP-funded activity and to continue the ILF's activities up to March 2010.

There were no post-Balance Sheet events that have any material effect on these Reports and Accounts.

### **Future developments and organisational risks**

The ILF provides estimates of expenditure to support the requests of grant in aid. Trustees are required to take reasonable steps to ensure expenditure does not exceed available funding.

The ILF 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.

The Cabinet Office has introduced new reporting requirements on personal data related incidents for public bodies. During 2008–09 and up to the date of signing of these Accounts, no incidents have occurred for the ILF that would require reporting under these provisions.

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, contribution to the 'Care, Support and Independence' consultation led by the Department of Health, and involvement in the 'Right to Control' and other DWP initiatives.

**Patrick Boyle**, Chief Executive

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

Signed by the above on 8 July 2009.



## *Illustrative Consolidated Operating Cost Statement*

This statement provides comparative figures for 2007–08 for all three Funds managed by the organisation during that financial year. It does not form part of the formal audited accounts.

	2008–09 £,000	2007–08 £,000
Gross operating cost	333,703	306,932
Interest receivable	(559)	(1,150)
Cost of capital (credit)/charge	(85)	249
	<hr/>	<hr/>
Net operating cost before reversal of cost of capital	333,059	306,031
Reverse cost of capital	85	(249)
	<hr/>	<hr/>
Net operating cost for the year	<u>333,144</u>	<u>305,782</u>

The Independent Living (Extension) Fund and Independent Living (1993) Fund operated up to 30 September 2007; the Independent Living Fund (2006) commenced operations on 1 October 2007.

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## *Statement of Accounting Officer's and Trustees' responsibilities*

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The Accounting Officer is responsible for preparing the accounts in accordance with the Trust Deed and directions made by the Secretary of State for Work and Pensions thereunder. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the ILF and of its operating costs, recognised gains and losses, Balance Sheet and cash flows for the financial year.

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

- observe any directions issued by the Secretary of State for Work and Pensions with regard to the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a 'going concern' basis.

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The Principal Accounting Officer of DWP has appointed Patrick Boyle as Accounting Officer of the ILF. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the ILF's assets, are set out in the Management Statement for the ILF issued by DWP.

The Management Statement also sets out the responsibilities of the Trustees to ensure that the ILF fulfils its aims, objectives and key targets, and prepares a statement of accounts for each financial year.

**Patrick Boyle**, Accounting Officer and Chief Executive

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

Signed by the above on 8 July 2009.

# *Independent Living Fund (2006) Remuneration Report for the year ended 31 March 2009*

This report for the period 1 April 2008 to 31 March 2009 deals with the remuneration of the Chief Executive, Directors and Trustees of the Independent Living Fund (2006) ('the ILF').

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's 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 Deed and the Conditions of Grant Agreement.

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

<b>Sally Sparrow</b>	Chair
<b>Margaret McGlade</b>	Member
<b>Marie Martin</b>	Member
<b>Susan Winterburn</b>	Member

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

- to provide assurance to the Board of Trustees 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 of Trustees 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

For the year ended 31 March 2009 the total remuneration paid to Trustees, by monthly instalments in arrears, as agreed in the Conditions of Grant Agreement was:

Name	2008-09	Oct 07–Mar 08
Stephen Jack (Chairman)	£19,500	£9,750
Peter Cooke (Vice Chairman)	£16,300	£8,150
Mike Boyall (Treasurer)	£16,300	£8,150
Sally Sparrow	£16,300	£8,150
Yogi Ami	£14,800	£7,400
Nick Danagher	£14,800	£7,400
Margaret McGlade	£14,800	£7,400
Marie Martin	£14,800	£7,400
Susan Winterburn	£14,800	£6,600

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.

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## 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).

Elaine Morton was the Chief Executive of the ILF until 31 October 2008. From 31 October 2008 until 12 January 2009, Gary Stephenson, the ILF's Finance Director, was appointed as interim Chief Executive. Patrick Boyle was appointed as the Chief Executive, on loan from DWP, on 12 January 2009. The loan agreement enabled him to work three days per week for the ILF and two days per week for The Rent Service (an executive agency of DWP) for the period up to 31 March 2009. With effect from 1 April 2009 he was full-time with the ILF.

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

- 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;

- 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 is subject to performance expectations (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, and paid in accordance with the relevant provisions of the Civil Service Compensation Scheme.

## 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 <sup>1</sup>	Salary 2008–09 including bonus <sup>2</sup>	2007–08 Salary including bonus <sup>3</sup>	Salary from 1.10.07 – 31.3.08
Elaine Morton, Chief Executive to 31.10.08	1.4.2001	£45,000 – £50,000 <sup>4</sup>	£75,000 – £80,000	£35,000 – £40,000
John Denore, Operations Director	1.9.2005	£45,000 – £50,000	£45,000 – £50,000	£20,000 – £25,000
John Fuller, Strategic Policy Director	7.2.2005	£40,000 – £45,000	£35,000 – £40,000	£15,000 – £20,000
Jesse Harris, Social Work Director	5.6.2007	£45,000 – £50,000	£30,000 – £35,000	£20,000 – £25,000
James Sanderson, Business Development Director	1.6.2005	£55,000 – £60,000	£45,000 – £50,000	£20,000 – £25,000
Gillian Smith, HR Director	1.4.2001	£45,000 – £50,000	£40,000 – £45,000	£20,000 – £25,000
Gary Stephenson, Finance and Corporate Services Director	1.4.2001	£55,000 – £60,000	£45,000 – £50,000	£20,000 – £25,000

Elaine Morton left on 31.10.08 and received £73,798 for compensation for loss of office.

<sup>1</sup> Date of appointment includes the predecessor funds i.e. Independent Living (1993) Fund to 30.9.07.

<sup>2</sup> Includes salaries paid by the Independent Living Fund (2006).

<sup>3</sup> Includes salaries paid by the Independent Living (1993) Fund to 30 September 2008 and by the Independent Living Fund (2006) from 1.10.07 to 31.3.08; bonus payment earned for 2007–08 paid in 2008–09. Figures may differ from those displayed in 2007–08 Remuneration Report as bonuses were shown in the year paid rather than in the year earned.

<sup>4</sup> Figure quoted is for the period 1.4.08 to 31.10.08. The full year equivalent is £75,000 to £80,000.

**Note:** Gary Stephenson assumed the role of Chief Executive and Accounting Officer in the period from 31 October 2008 to 12 January 2009. Patrick Boyle was appointed as Chief Executive from 12 January 2009 on loan from DWP for three days per week. His remuneration for the period is disclosed in the Remuneration Report for The Rent Service. Details of benefits in kind, and the amounts payable to The Rent Service regarding Patrick Boyle, are set out below.



### **Benefits in kind**

The outgoing Chief Executive (Elaine Morton to 31 October 2008) and Directors received no benefits in kind during 2007–08 or 2008–09. It is ILF policy to provide remuneration in the form of salary and bonuses rather than benefits in kind.

As part of the loan agreement with DWP, the ILF pay the deposit, rent and council tax on the apartment in Nottingham of Patrick Boyle (Chief Executive from 12 January 2009). In addition, a lease car is provided and he is reimbursed for the cost of petrol for travelling from London to Nottingham. From 12 January 2009 to 31 March 2009 the Chief Executive received £8,600 (to the nearest £100) in benefits in kind.

### **Amounts payable to third party for services as Chief Executive**

A payment of £20,789 gross pay including employer's National Insurance Contributions (NIC) and pension was made to The Rent Service. This was in respect of the three days per week Patrick Boyle was the Chief Executive of the ILF for the period from 12 January 2009 to 31 March 2009. Details of his remuneration for the year are provided in The Rent Service's Remuneration Report for 2008–09.

### **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 ILF 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 with the exception of Patrick Boyle, Chief Executive, who is on a two-year loan from DWP with effect from 12 January 2009. Gary Stephenson (Finance Director) assumed the role of Chief Executive and Accounting Officer for an interim period following Elaine Morton's departure and up to Patrick Boyle's appointment.

The Chief Executive, Finance Director, Operations Director and Business Development Director work for the ILF full time, that is 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 Elaine Morton when Chief Executive (up to 31 October 2008) was three months.

The notice period for the Chief Executive from 12 January 2009 and all 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

## 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).

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) their pension for a 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

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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 PCSPS is an unfunded multi-employer defined benefit scheme and as such 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](http://www.civilservice-pensions.gov.uk)).

For 2008–09, employers' contributions of £570,379 were payable to the PCSPS (£295,306 for 1 October 2007 to 31 March 2008) for all staff 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 2009–10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008–09, to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £36,892 in 2008–09 (£18,174 for 1 October 2007 to 31 March 2008) were paid to one or more of the panel of three appointed stakeholder pension providers. 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. In addition, employer contributions of £2,803, 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.

Contributions due to the **partnership** pension providers at the Balance Sheet date were nil. Contributions prepaid at that date were nil.

### **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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **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.

The CETV for 1 April 2008 to 31 March 2009 were:

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

Chief Executive and Directors	Accrued pension at pension age as at 31.03.09 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.3.09	CETV at 1.4.08 <sup>5</sup>	Real increase in CETV
To nearest	£'000	£'000	£'000	£'000	£'000
Elaine Morton, Chief Executive to 31.10.08	30 – 35	0 – 2.5	516	477	4
John Denore, Operations Director	0 – 5	0 – 2.5	46	35	7
John Denore, Preserved award service to 26.8.05	0 – 5 plus lump sum of 5 – 10	No real increase in pension and related lump sum at pension age	41	39	–
John Denore, Preserved award service to 30.4.95	0 – 2.5 plus lump sum of 0 – 5	No real increase in pension and related lump sum at pension age	8	8	–
John Fuller, Strategic Policy Director	0 – 5	0 – 2.5	31	22	7
Jesse Harris, Social Work Director	0 – 5	0 – 2.5	23	10	11
James Sanderson, Business Development Director	0 – 5	0 – 2.5	31	21	7
Gillian Smith, HR Director	15 – 20	0 – 2.5	239	222	1
Gary Stephenson, Finance and Corporate Services Director	5 – 10	0 – 2.5	99	62	31
Gary Stephenson, Preserved award service to 31.5.96	5 – 10 plus lump sum of 20 – 25	No real increase in pension and related lump sum at pension age	188	178	–

<sup>5</sup> The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

**Note:** Gary Stephenson assumed role of Chief Executive and Accounting Officer until Patrick Boyle was appointed on 12 January 2009. CETV details for Patrick Boyle are disclosed in the Remuneration Report of The Rent Service.

### **Non-cash remuneration**

There was no non-cash remuneration during the period.

### **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 PCSPS.

There has been one payment for loss of office in the year (refer to Remuneration of CEO and Directors on page 40).

**Patrick Boyle**, Chief Executive

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

Signed by the above on 8 July 2009.

# *ILF Statement on Internal Control for the year ended 31 March 2009*

## **Scope of responsibility**

As Accounting Officer for the Independent Living Fund (2006) ('the ILF'), I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Management Statement, Trust Deed and Conditions of Grant Agreement for the ILF, and the letter of delegation received from the Principal Accounting Officer of the Department for Work and Pensions ('DWP').

Strategic aims and objectives are agreed with the ILF Trustees and with DWP as the sponsor Department. There is also a meeting twice a year with the Senior Accounting Officer ('the SAO') in DWP with responsibility for the ILF to discuss ILF issues and address significant risks related to the ILF.

There were two changes of Accounting Officer for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts. Mrs Elaine Morton was the Accounting Officer for the period from April 2008 to October 2008; Gary Stephenson was the Accounting Officer for the period from October 2008 to January 2009, and Patrick Boyle became Accounting Officer from January 2009. Appropriate steps were taken to ensure an effective handover of responsibility, including specific advice on any significant accountability issues for the ILF.

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 Non-Departmental Public Body ('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 departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the ILF for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

Whilst every member of staff within the ILF has a responsibility to ensure that exposure to risk is minimised, overall leadership of the ILF risk management processes rests with members of the Senior Management Board ('SMB') who are responsible for promoting and embedding a risk management culture within the ILF, and setting the risk management framework within which the ILF operates.

As Accounting Officer, I act as the Risk Champion for the ILF, whilst lead responsibility for ensuring that appropriate mechanisms are in place for identifying, monitoring and controlling risk, and advising SMB on the actions needed in order to comply with our corporate governance requirements rests with the Finance Director. The Trustees also consider risks at the strategic level and review the strategic risk register twice a year.

An important part of our risk management framework is to ensure that staff have the appropriate skills, knowledge and understanding to discharge their risk management responsibilities. During the year we provided the necessary support to our managers and project workers by updating our risk register and providing both formal and informal advice to individual managers. The ILF internal auditor also carried out a risk maturity review and reported the results to the Finance Director and the Audit Committee. Various recommendations were made to help the process of continual improvement in risk management.

## The risk and control framework

The key strands of the ILF's risk management strategy are:

- to ensure that there is ownership and awareness of risk throughout the organisation;
- to ensure that a systematic process is in place for identifying, monitoring, reporting and controlling the key risks faced by the ILF in delivering its corporate agenda – this includes maintaining risk registers which log risks at strategic and corporate level;
- to manage risk in accordance with best practice;
- to provide risk management training;
- to promote and communicate risk awareness to staff at every available opportunity;
- to provide support and guidance to our staff and give them the confidence and the ability to manage risks at the appropriate level within the ILF;
- to maintain, review, update and test the business continuity plans that are in place for all areas of the ILF; and
- to operate a system of annual Stewardship Reporting whereby at the end of each financial year, each Director formally reports to the Accounting Officer on the effectiveness of the systems of internal control and action that they have taken to manage risk within their Directorate.

The ILF's risk appetite is 'risk averse'. This is demonstrated in various policies related to users (for example, application selection, definition of qualifying support and services, unspent moneys, backdating) and administration (for example, control of intranet and business email, travel, subsistence and hospitality rules), in the assignment of lead risk owners at Director level, and in the management control processes.

Action taken during the year to ensure effective risk management throughout the organisation included risk awareness sessions for new staff, risk assessment reports from various project managers (including on IT system developments implemented during the year), refresher sessions for all staff on business continuity arrangements, and a specific risk assessment and monitoring of the effect of application prioritisation arrangements introduced in April 2008.

For 2008–09 an additional report was required from the person nominated as Senior Information and Risk Owner; this provides additional assurance on the effective management and governance of data security and handling issues, and compliance with the Data Protection Act 1998 and Freedom of Information Act 2000. The report was discussed and approved at the Audit Committee and subsequently signed by the Senior Information and Risk Owner and the Audit Committee chairman.

During the year, we have maintained and updated our Business Continuity Plans, and tested the effectiveness of our Disaster Recovery Site to ensure that in the event of the loss of essential facilities and services at the ILF premises, we have the capability to deliver our business, to a predetermined and agreed level, from the Disaster Recovery Site.

Throughout the year we sought advice from our internal auditors on emerging best practice for Corporate Governance and our internal control mechanisms.

As a business unit for DWP, our Risk Strategy and performance is reported to the sponsorship team, who will refer relevant issues to the Risk Assurance Division ('RAD'). RAD has the right of access to ILF premises and systems as necessary where they decide that they should audit aspects of the ILF operation.

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

The processes that have been put in place to maintain an effective system of internal control include:

- the SMB, which is comprised of the ILF Directors, is responsible for ensuring that corporate risks are identified as early as possible, are properly managed, that cross-directorate issues are considered, and that risk management receives a high profile within directorates;
- an Audit Committee, which meets at least three times a year and is responsible for ensuring, as far as possible, that appropriate systems are in place within the ILF for the assessment and management of risk and advising the Accounting Officer on the effectiveness of the systems of internal control prior to signing off the Statement on Internal Control;
- regular reports by internal audit, to standards defined in Government Internal Audit Standards, which includes the Head of Internal Audit's annual report on the adequacy and effectiveness of the ILF's system of internal control and recommendations for improvement;
- regular reports to SMB and Trustees on progress against the ILF's key targets and business objectives;
- an appropriate delegated budget management framework;
- a system of year-end Stewardship Reports by Directors;
- a risk management strategy, risk management framework and guidance which comply with best practice; and

- a Strategic Risk Register which is reviewed by Trustees twice a year, and a Corporate Risk Register which is reviewed by the SMB on a periodic basis (at least quarterly).

The effectiveness of control systems was demonstrated in the review of the formal recovery of grants to individuals which took place during the preparation of the 2008–09 Accounts. This work is carried out by a specialist recovery team, working to ILF principles, policies and procedures including specific authority levels for write-off or irrecoverable amounts. The team has access to legal advice on civil recovery where appropriate. All amounts under formal recovery were recorded as a separate data set to support the calculation of the debtor disclosed in the Balance Sheet and the related provisions for discounting and doubtful recovery.

The Head of Internal Audit Report for the year ended 31 March 2009 stated: *“We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Independent Living Fund’s arrangements.”* All internal audit assignments in 2008–09 provided substantial assurance on the areas examined, and the Head of Internal Audit’s annual opinion was positive in respect of governance, risk management and control.

### **Significant internal control problems**

During the year there have been no significant control weaknesses reported within the ILF. Our audit and internal management reporting continue to identify issues to be addressed within normal day-to-day business and none of these have identified significant control weaknesses.

**Patrick Boyle**, Chief Executive and Accounting Officer

**Stephen Jack**, Chairman

**Peter Cooke**, Vice Chairman

**Mike Boyall**, Treasurer

Signed by the above on 8 July 2009.

# *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 year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Balance Sheet, the Cash Flow Statement and Statement of 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, Chief Executive and auditor**

The Board of Trustees and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report, and the financial statements in accordance with the Trust Deed and directions made by the Secretary of State thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's and Trustees 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 Trust Deed and directions made by the Secretary of State thereunder. I report to you whether, in my opinion, the information which comprises the Management Commentary and the unaudited part of the Remuneration Report, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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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 HM Treasury 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's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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 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.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Trust Deed and directions made by the Secretary of State thereunder, of the state of the Independent Living Fund (2006)'s affairs as at 31 March 2009 and of its net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Trust Deed and directions made by the Secretary of State thereunder; and
- information, which comprises the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

## Opinion on regularity

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

## Report

I have no observations to make on these financial statements.

## Amyas C E Morse

Comptroller and Auditor General

16 July 2009

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



## *Independent Living Fund (2006)* *Operating Cost Statement*

	Notes	2008–09 £,000	Oct 07–Mar 08 £,000
Gross operating cost	3	333,703	157,738
Less: miscellaneous income	22	-	(14,209)
		333,703	143,529
Net operating cost before interest and cost of capital		333,703	143,529
Interest receivable		(559)	(430)
Cost of capital (credit)	7	(85)	(16)
		333,059	143,083
Net operating cost before reversal of cost of capital		333,059	143,083
Reverse cost of capital		85	16
		333,144	143,099
Net operating cost for the year/period	12b	333,144	143,099

The Independent Living Fund (2006) commenced operations on 1 October 2007, taking over from the former Independent Living (Extension) Fund and the Independent Living (1993) Fund.

The operating cost arises wholly from continuing activities.

## *Statement of Recognised Gains and Losses*

	2008–09 £,000	Oct 07–Mar 08 £,000
Transfer of fixed assets from Independent Living (1993) Fund	-	325
		325

The notes on pages 60 to 78 form part of these accounts.

## Independent Living Fund (2006) Balance Sheet

	Notes	31 Mar 09 £,000	31 Mar 08 £,000
Tangible fixed assets	8	334	322
Intangible assets	8	11	-
		<u>345</u>	<u>322</u>
<b>Current assets</b>			
Debtors (includes £614,000 due over one year (nil at 31 March 2008))	9	1,309	158
Cash at bank and in hand	10	7,307	7,970
		<u>8,616</u>	<u>8,128</u>
<b>Current liabilities</b>			
Liability to users	11	(11,185)	(9,593)
Other amounts falling due within one year	11	(388)	(409)
		<u>(11,573)</u>	<u>(10,002)</u>
<b>Net current liabilities</b>		<u>(2,957)</u>	<u>(1,874)</u>
<b>Total assets less current liabilities</b>		<u>(2,612)</u>	<u>(1,552)</u>
<b>Reserves</b>			
Special fixed assets reserve	12	118	241
General reserves	12	(2,730)	(1,793)
		<u>(2,612)</u>	<u>(1,552)</u>

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 60 to 78 form part of these accounts. These accounts were approved and authorised for issue by the Trustees on 8 July 2009.

**Patrick Boyle**, Chief Executive  
**Stephen Jack**, Chairman  
**Peter Cooke**, Vice Chairman  
**Mike Boyall**, Treasurer

## *Independent Living Fund (2006)* *Cash Flow Statement*

	Notes	2008–09 £,000	Oct 07–Mar 08 £,000
Net cash outflow from operating activities	13	(333,178)	(133,554)
<b>Financing</b>			
Grants in aid		332,084	141,222
<b>Returns on investments and servicing of finance</b>			
Interest received		603	383
<b>Capital expenditure</b>			
Payments to acquire fixed assets		(172)	(81)
(Decrease)/increase in cash and cash equivalents		<u>(663)</u>	<u>7,970</u>

### **Reconciliation of (decrease)/increase in cash and cash equivalents to movement in net funds**

		2008–09 £,000	Oct 07–Mar 08 £,000
(Decrease)/increase in cash and cash equivalents		(663)	7,970
Net funds at 1 April/1 October		<u>7,970</u>	<u>nil</u>
Net funds at 31 March	10	<u>7,307</u>	<u>7,970</u>

The Independent Living Fund (2006) commenced operations on 1 October 2007, taking over from the former Independent Living (Extension) Fund and Independent Living (1993) Fund.

The notes on pages 60 to 78 form part of these accounts.

# Notes to the Accounts

## 1 Nature and purpose of the Independent Living Fund (2006)

The Independent Living Fund (2006) ('the ILF') 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 of operation of the ILF all assets after payment of liabilities will be disposed of as directed by the Secretary of State.

The predecessor Funds consisted of the Independent Living (Extension) Fund and Independent Living (1993) Fund. The ILF commenced operations and took over the users of the predecessor Funds on 1 October 2007 so the prior period figures in these accounts relate to the period 1 October 2007 to 31 March 2008. Fixed assets of the predecessor funds were transferred to the ILF on 1 October 2007 (note 12). Other closing assets of those funds were transferred to the ILF on 31 December 2007 (note 22).

The ILF is financed by grants in aid from the Department for Work and Pensions (Great Britain) and the Department for Social Development (Northern Ireland) 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 ILF. Funding forms part of Departmental three-year expenditure limits for the respective Departments – these limits are agreed by Parliament in the annual Appropriation Act which authorises Departments to use resources up to the amounts agreed.

## 2 Statement of accounting policies

These financial statements have been prepared in accordance with the 2008–09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply Financial Reporting Standards (FRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ILF for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ILF are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

*a) Accounting convention*

These accounts have been prepared under the historical cost convention modified for the revaluation of fixed assets.

*b) Tangible fixed assets and intangible assets*

All assets are held as grouped assets, and are held only for the purpose of managing the ILF. 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.

Fixed assets consist of IT hardware and equipment (referred to as 'IT hardware'), bespoke software developed for the ILF and software licences. Software licences are categorised as intangible assets, whilst hardware and bespoke software are categorised as tangible fixed assets.

*c) Depreciation and amortisation*

Depreciation on tangible fixed assets is charged on a straight-line basis over the useful economic life of the asset. IT hardware assets are generally depreciated over a three to five year life span and IT software assets are generally depreciated over three years. Intangible assets are amortised over the period of the software licences.

*d) Financial instruments*

The ILF's procurement policy is to agree contracts and framework agreements for services and supplies at current agreed costs with annual price reviews, rather than create complex financial instruments.

Financial assets and financial liabilities are recognised in the ILF's Balance Sheet when the ILF becomes party to the contractual provisions of the instrument. Financial assets and liabilities are recognised at fair value (the transaction price plus any directly attributable transaction costs, assessed for recoverability where relevant).

Financial assets comprise loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise cash at bank, accrued bank interest and other receivables; these are included in current assets. Financial liabilities comprise the liability to users, trade creditors and accruals.

*e) Reserves policy*

Grant in aid is not drawn in full in advance but requested each calendar month to meet estimated expenditure. The ILF does not hold strategic reserves as it is dependent on public funding and seeks to minimise the cost of borrowing.

*f) Grants in aid*

Funding to cover grants to individuals and administrative expenditure is provided through grants in aid from the Department for Work and Pensions (for Great Britain) and the Department for Social Development (for Northern Ireland). Grants in aid are received on the basis of the ILF's estimated cash payments during the financial year. Grant in aid received forms part of the Departmental Expenditure Limit for the respective Departments. Grant in aid is treated as financing rather than income and is directly credited to reserves.

*g) Bank interest*

Money is held in current accounts and interest is received on credit balances. Bank interest due but not received is accrued in these accounts.

*h) 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.

Unused grants returned by individuals in the normal course of business are recognised on receipt and there is no accrual for potential future returns of unspent grants.

*i) Formal recovery of grants to individuals*

Although grants to individuals are discretionary payments, formal recovery is sought where the provision of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose. The ILF seeks to recover all amounts where it is cost-effective to do so unless it will cause hardship to the individual. Recovery procedures appropriate to the value and circumstances of the debt are used, in accordance with the ILF's guidelines and procedures.

A debtor is only recognised in the accounts when it has been agreed with the individual and there is considered to be a reasonable prospect of recovery. For the recovery of sums over £4,000 the ILF obtains a signed settlement agreement from the debtor to support the existence and valuation of the debt.

The debt recognised is disclosed as a reduction to expenditure in the year in which it is recognised. Debt is assessed at the end of each accounting period and reduced to its estimated recoverable amount where there are circumstances that indicate full recovery is uncertain. The recoverable amount is discounted to present value where material, at the standard Treasury rate of 2.2%.

This accounting policy was introduced from April 2008 to reflect the formal recovery process established for the Independent Living Fund (2006). Prior period figures have not been restated because the work required to provide management estimates is not considered to be cost-effective and the amounts involved are not likely to be material to the Accounts.

*j) Operating leases*

Operating leases are charged to the Operating Cost Statement on a straight line basis over the term of the lease. 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 the service provider and are subject to annual inflation using a specified index. The ILF has no direct control of these charges.

*k) Cost of capital charge/credit*

A charge, reflecting the cost of capital utilised by the ILF, is included in the Operating Cost Statement to reflect the fact that the ILF receives grant in aid in advance and there is therefore a borrowing cost to public funds. The charge or credit is calculated at the real rate set by HM Treasury (currently 3.5%) on the average of opening and closing Balance Sheet net assets for each year. The notional charge or credit is then reversed in the Operating Cost Statement.

*l) Pension costs*

Pension benefits are provided through the Principal Civil Service Pension Scheme which is an unfunded multi-employer defined benefit scheme, and as such 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.

*m) Significant estimates and judgements*

The preparation of financial statements requires management to make estimates and assumptions in certain circumstances that affect reported amounts, and for this organisation such estimates are principally in assessing the recoverability of grants to individuals.



**3 Gross operating costs**

	2008-09 £,000	Oct 07-Mar 08 £,000
Grants to individuals (see note 4)	324,961	153,381
Staff costs (see note 5)	4,487	2,245
Non-staff running costs (see note 6)	4,255	2,112
	<u>333,703</u>	<u>157,738</u>

**4 Grants to individuals**

	2008-09 £,000	Oct 07-Mar 08 £,000
Payments made during the year	333,474	147,300
Grant creditors at start of year	(9,593)	-
Grant creditors at end of year	11,185	9,593
Grant returns received during the year	(9,002)	(3,512)
Grants under formal recovery	(1,103)	-
	<u>324,961</u>	<u>153,381</u>
Number of individuals in receipt of payments	<u>23,208</u>	<u>20,715</u>

Returns received comprised £6,432,000 in respect of unused funds returned by individuals, and £2,570,000 received under formal recovery arrangements (£2,704,000 and £808,000 respectively for October 2007 to March 2008). Grants under formal recovery are other amounts in the process of formal recovery by lump sum, regular instalments or deductions from ongoing payments and are therefore recognised as income in the period. The value of expected refunds is discounted to present value. Further information on formal recovery is provided in note 9.

## 5 Staff costs

	2008-09 £,000	Oct 07-Mar 08 £,000
<b>Directly employed staff</b>		
Wages and salaries	3,632	1,815
Social security costs	253	111
Pension costs (see note 15)	602	316
	<hr/>	<hr/>
<b>Total direct payroll costs</b>	4,487	2,242
<b>Agency staff</b>	-	3
	<hr/>	<hr/>
<b>Total staff costs</b>	4,487	2,245
	<hr/> <hr/>	<hr/> <hr/>

The equivalent of 155 (159 during October 2007 to March 2008) staff were employed during the year, of whom four (four during October 2007 to March 2008) were on fixed-term contract and 151 (155 during October 2007 to March 2008) were on permanent contract – all stated as full-time full-year equivalents.

**6 Non-staff running costs**

	2008-09 £,000	Oct 07-Mar 08 £,000
Trustees' costs	184	91
Auditor's remuneration	62	32
Computer running costs	358	133
Postage, printing and stationery	412	224
Accommodation and utilities	1,240	610
ILF assessors' fees and expenses	1,308	699
Legal costs	174	60
Services, communications, training, etc.	368	179
Depreciation	149	84
	<hr/>	<hr/>
Total non-staff running costs	4,255	2,112
	<hr/> <hr/>	<hr/> <hr/>

Running costs include £1,109,000 (£513,000 for October 2007 to March 2008) on the operating lease (land and buildings) for the head office (Equinox House), and £8,000 (£4,000 for October 2007 to March 2008) on the operating lease (software) for a supported HR system (see note 16).

Trustees' costs included £18,000 (£9,000 for October 2007 to March 2008) for meeting venues, £11,000 (£3,000 for October 2007 to March 2008) expenses, £142,000 (£71,000 for October 2007 to March 2008) remuneration and £13,000 (£8,000 for October 2007 to March 2008) National Insurance costs for office holders.

Auditor's remuneration included £55,000 for the external audit and £7,000 for audit of preparation work on introduction of International Financial Reporting Standards from April 2009 (external audit only for previous period).

**7 Cost of capital**

The cost of capital is calculated at 3.5% of the average opening and closing Balance Sheet net assets. The credit for 2008-09 was £85,000 and for the six months from October 2007 to March 2008 was £16,000.

The closing net 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 2h, grants authorised but not paid at the year end are accrued for in these Accounts. The reserves policy (note 2e) 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 4) exceeds the assets at the year end.

## 8 Tangible fixed assets and intangible assets

	Tangible fixed assets (IT equipment and software)	Intangible assets (IT licences)
	£,000	£,000
<b>Cost</b>		
Balance at 1 April 2008	901	–
Additions during the year	161	11
Disposals	(347)	–
	<hr/>	<hr/>
<b>Balance at 31 March 2009</b>	<b>715</b>	<b>11</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Depreciation/amortisation</b>		
Balance at 1 April 2008	579	–
Charge for the year	149	–
Disposals	(347)	–
	<hr/>	<hr/>
<b>Balance at 31 March 2009</b>	<b>381</b>	<b>–</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Net book values</b>		
at 31 March 2009	334	11
at 1 April 2008	322	–
	<hr/> <hr/>	<hr/> <hr/>

**9 Debtors**

	31 Mar 09 £,000	31 Mar 08 £,000
<b>Due within one year</b>		
Grants under formal recovery	489	–
Other debtors	8	1
Prepayments	195	110
Accrued bank interest	3	47
	<u>695</u>	<u>158</u>
<b>Due over one year</b>		
Grants under formal recovery	<u>614</u>	<u>–</u>
<b>Total debtors</b>	<u>1,309</u>	<u>158</u>

Formal recovery is managed by a specialist team within the ILF and amounts with repayment arrangements in place are recorded for debt management purposes. Where unspent moneys are returned by individuals in the normal course of business (see note 2h), those amounts are not included in the formal recovery system as there has been no inappropriate payment.

Grants under formal recovery comprise amounts originally paid to individuals which are now under formal recovery, mostly by instalments or deductions from ongoing payments. Recoveries are profiled over the expected repayment period, and the amounts are discounted to present value. Impairment is also considered, where there is a probability that recovery arrangements may not be sustained for a prolonged period.

Of the recoveries due over one year £415,000 is expected to be received within the next two to five years and £199,000 is expected to be received within the next five to 10 years.

Formal recovery includes a number of processes, such as factual investigation, identification of a presumed debtor, negotiation to achieve acknowledgement of a formal debt, civil proceedings for recovery, and repayment in full or by agreed instalment schedule. A debtor is only recognised in the accounts when all the steps of the process have been completed and it is probable that economic benefits will flow to the ILF.

Amounts under formal recovery which are not included in debtors include £653,000 secured by charges on property, £2,042,000 with ILF solicitors for advice and consideration of civil proceedings, and £4,179,000 at other stages of processing by the specialist team. These are the maximum possible additional amounts that might be eventually recovered, but which do not currently meet the criteria to be included as debtors.

## 10 Cash at bank

	2008-09 £,000	Oct 07-Mar 08 £,000
Balance at 1 April/1 October	7,970	-
Net cash (outflow)/inflow	(663)	7,970
	<u>7,307</u>	<u>7,970</u>
Balance at 31 March	<u>7,307</u>	<u>7,970</u>
AppORTIONED TO:	<b>31 Mar 09</b> £,000	<b>31 Mar 08</b> £,000
Benefit Account	7,302	7,773
Administration Account	5	197
	<u>7,307</u>	<u>7,970</u>

Bank balances are held in current accounts in a UK commercial bank.

**11 Current liabilities**

	31 Mar 09 £,000	31 Mar 08 £,000
(a) Amounts falling due for payment within one year		
Trade creditors	219	321
Accruals	169	88
	<u>388</u>	<u>409</u>
Liability to users (grant creditors)	11,185	9,593
	<u>11,573</u>	<u>10,002</u>

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

## 12 Movement of reserves

	2008–09 £,000	Oct 07–Mar 08 £,000
(a) Special fixed assets reserve		
Balance at 1 April/1 October	241	–
Transfer of fixed assets from the Independent Living (1993) Fund	–	325
Depreciation on transferred assets	(123)	(84)
	<u>118</u>	<u>241</u>
Reserves carried forward	<u>118</u>	<u>241</u>
(b) General reserves		
Balance at 1 April/1 October	(1,793)	–
Grants in aid from Departments	332,084	141,222
Net operating costs	(333,144)	(143,099)
Add back movements in special fixed assets reserve	123	84
	<u>(2,730)</u>	<u>(1,793)</u>
Reserves carried forward	<u>(2,730)</u>	<u>(1,793)</u>

The special fixed asset reserve relates to assets transferred at nil cost from the Independent Living (1993) Fund on 1 October 2007, as explained in note 1.

Grants in aid are received on the basis of the ILF's estimated cash payments during the financial year. The net deficit in reserves will be met from grant in aid for the following year. A letter of comfort is provided by the Department for Work and Pensions to confirm that future funding relating to Great Britain will be sufficient to meet liabilities at the end of the financial year plus the forecast operating cost for the following year.



**13 Reconciliation of net operating cost to net cash outflow**

	2008-09 £,000	Oct 07-Mar 08 £,000
Net operating cost	333,144	143,099
Increase in user creditors	(1,592)	(9,593)
Depreciation	(149)	(84)
Decrease/(increase) in creditors and accruals	21	(409)
Increase in other debtors and prepayments	1,151	158
Interest received	603	383
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>333,178</u>	<u>133,554</u>

**14 Losses and special payments**

Although grants to individuals are discretionary payments, formal recovery is sought where the provisions of incorrect information has led to incorrect payment or where the grants have not been used for the intended purpose.

Where recovery is deemed to be unachievable a loss is recorded.

395 losses with a total value of £559,000 were recorded in 2008-09 (405 losses with a total value of £529,000 for October 2007 to March 2008). Losses relate to payments originally made by the ILF and cases transferred from the Independent Living (1993) Fund and the Independent Living (Extension) Fund on 1 October 2007.

These are losses that are recorded when it becomes evident that there are no practical avenues remaining by which to pursue recovery, and therefore no further action is taken by the specialist team. They do not relate to amounts included in debtors at note 9 and, being past overpayments that were recorded as costs when originally advanced, do not represent a further cost now they are deemed irrecoverable.

No other losses have been incurred by the ILF that require reporting in this note. One special payment of £73,798 was made during the year, being a compensation payment which falls to be reported under the disclosure requirements of the Financial Reporting Manual.

## 15 Pension commitments

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and as such 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](http://www.civilservice-pensions.gov.uk)).

The scheme's actuary reviews employer contributions every four years following a full scheme valuation, and the last valuation was in March 2007. For 2008–09, employers' contributions of £570,000 were payable to the PCSPS (£296,000 for October 2007 to March 2008) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. From 2009–10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008–09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £37,000 were paid in 2008–09 to one or more of the panel of three appointed stakeholder pension providers (£18,000 for October 2007 to March 2008).

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. The ILF also matches employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,000 (0.8% of pensionable pay) were paid 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 (£1,000 for October 2007 to March 2008).

Contributions due to the partnership pension providers at 31 March 2009 were nil (£57,000 at 31 March 2008). Contributions prepaid at 31 March 2009 were nil (nil at 31 March 2008).

## 16 Operating leases

There is a sub-lease for accommodation and facilities with the Department for Work and Pensions. The charges to the ILF are set in the head lease between the Department and Land Securities Trillium, and the ILF 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.

Operating lease rentals due within the next year on leases expiring within:	2008-09 £,000	Oct 07-Mar 08 £,000
Two to five years (software – HR system)	8	8
More than five years (land and buildings – Equinox House)	1,109	1,041

## 17 Trustees' remuneration, interests and indemnities

The Trustees receive remuneration from the Department for Work and Pensions which passes costs on to the ILF. The total remuneration paid to nine Trustees was £135,000 (£70,000 to nine Trustees in October 2007 to March 2008) and further information is provided in the Remuneration Report. Trustees' remuneration became payable for the first time from October 2007 when the ILF commenced operations. Trustees received reimbursement for travel and subsistence expenses amounting to £11,000 (£3,000 in October 2007 to March 2008). One Trustee is a beneficiary of the ILF 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 ILF other than that arising from wilful and individual fraud, wrongdoing or omission on the part of a Trustee who is found to be liable.

### 18 Related party transactions

The ILF 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. The Trustees are the controlling party.

One Trustee is a beneficiary of the ILF 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.

During the year no other related parties, including the Trustees and key management staff, have undertaken any transactions with the ILF.

### 19 Financial instruments and associated risks

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

#### Financial assets – receivables

	31 Mar 09	31 Mar 08
	£,000	£,000
Grants under formal recovery	1,103	–
Cash and cash equivalents	7,307	7,970
Trade and other receivables	11	48
	<u>8,421</u>	<u>8,018</u>

**Grants under formal recovery:** For individual amounts over £4,000 a signed settlement agreement is held to minimise the risk of non-recovery. Further details of the risk related to grants under formal recovery are provided in note 9.

**Cash:** Represents money with Lloyds TSB held in current accounts to minimise the risk.

**Trade and other receivables:** Represents moneys due in the short term and generally expected to be received within 3-6 months.

Receivables are used to offset the amount of grant in aid required for the following month. The ILF is therefore not exposed to risks related to non-receipt whilst there is sufficient funding to meet the expected cash requirements throughout the year. Forecast cash payments are monitored actively during the year to ensure demand remains within the available funding.

### Financial liabilities

	31 Mar 09	31 Mar 08
	£,000	£,000
Grants due to individuals	11,185	9,593
Trade and other payables	388	409
	<u>11,573</u>	<u>10,002</u>

**Grants due to individuals:** Represents awards authorised but unpaid at the year end, which are due to be paid within 1-2 months out of the cash grant in aid provision in the following year; a letter of comfort is provided by the Department for Work and Pensions to confirm that funding is available to meet payments due.

**Trade and other payables:** Represents amounts payable in the short term, to be met out of cash held at the year end.

## 20 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 March 2009 (none at 31 March 2008).

## 21 Endowment trust fund

The ILF 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.

	2008–09	Oct 07–Mar 08
	£	£
Balance at 1 April (1 October)	109	106
Bank interest added in period	4	3
	<hr/>	<hr/>
Balance at 31 March	113	109
	<hr/> <hr/>	<hr/> <hr/>

## 22 Miscellaneous income (October 2007 – March 2008)

As described in note 1 and as provided in their respective trust deeds, £10,495,000 closing assets of the Independent Living (1993) Fund and £3,714,000 closing assets of the Independent Living (Extension) Fund were transferred to the Independent Living Fund (2006) on 31 December 2007. Deeds of assignment and addition were signed between the respective trustees and Government officials to effect the transfer.

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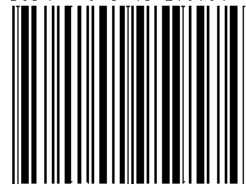
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