

# *Independent Living Fund (2006) Annual Report and Accounts*

*2011-12*



**independent  
living fund**

**Making choice real for disabled people**

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



# *Independent Living Fund (2006)*

## *Annual Report and Accounts 2011-12*

Presented to Parliament pursuant to Article 3 of the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2008.

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## About us

The Independent Living Fund (ILF) is an Executive Non-Departmental Public Body of the Department for Work and Pensions (DWP). Our role is to provide a high quality service to over 19,000 disabled people across the United Kingdom (UK), supporting them to achieve positive independent living outcomes, and to have greater choice and control over their lives.

The ILF was established in 1988 and since then we have supported over 46,000 disabled people. Since 1993 we have worked in partnership with over 200 local authorities across the UK by jointly funding individually tailored care and support packages.

Operating from our central office in Nottingham we currently employ 123 dedicated people and also engage 72 self-employed social care professionals across the UK. These independent assessors visit our users in their own homes every two years to identify their needs in conjunction with local authority social services departments.

In 2010, the ILF closed to new applicants but we will continue to support our existing users until at least 2015. In the spring 2012, the Government is expected to consult on the future support for our users beyond this time.

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## *Maintaining support*

This year our focus was maintaining support to our users. However ‘maintaining support’ does not mean that we stood still. We have continued to look at new and better ways of delivering our service, new ways of improving our performance and new ways of delivering better outcomes for disabled people.

The year presented many challenges. The still demanding economic environment meant that we needed to take difficult decisions in order to run the organisation efficiently. At the beginning of 2011 we reduced our staffing levels significantly and therefore operated over the past year with a staffing complement reduced by 25%. We also looked at the value for money when renewing contracts and supplies, and we reorganised our use of office space in order to reduce the cost of our overheads. These actions ensured that a higher proportion of our available funding was targeted towards supporting users, and we are proud to have delivered our service for a total cost of two pence in every pound we spent.

We also continued to review processes and policies and introduced enhancements to our technology to streamline our performance, and these measures led to improvements in our key performance measures. These included reducing the amount of time we take to review our users’ support needs from 9.7 weeks to 9.2 weeks.

The success of the organisation has to be measured by the experience of our users and it is pleasing to be able to report that user satisfaction has improved during the period increasing from an already high figure of 95.9% to 96.4%.

We supported Government in its consideration of the future of the organisation beyond 2015 by making submissions based on our expertise and, more importantly, the lived experience of our users. We are looking forward to the start of consultation on the future of the ILF. Consultation should follow the production of the White Paper on Adult Social Care reform, and we will do all we can to support users to ensure that they are able to participate in this process. It is currently expected that consultation will take place over the summer.

The year saw the departure of two members of our senior team. Chief Executive Patrick Boyle left in order to take up a post with the Foreign and Commonwealth Office and our Strategy and Policy Director John Fuller retired. We are grateful to them both for their contribution and commitment to the ILF.

Sadly, in September, Margaret McGlade who had been a Trustee of the ILF since 2007 died after a short illness. We all miss Margaret’s wise counsel and passionate commitment to the organisation.

## Strategic aim 1

*Deliver a high quality and efficient service to our users, which is informed by their experience and assists them to achieve their independent living outcomes.*

The ILF has established performance standards agreed with the DWP.

Throughout 2011-12 we continued to meet the agreed standards. We also sought to further improve our performance by setting challenging internal performance indicators, which we were also able to achieve throughout the business.

We continued to improve management information systems through the establishment of a Performance Review Board (PRB). The information from the PRB has enabled our Trustees, the Executive Board and Department for Work and Pensions (DWP) to be appropriately assured that performance targets are being met.

During 2011-12 we evaluated our approach to user reviews. Working in partnership with users we were able to reassure ourselves that our existing system of two-yearly reviews represented the most effective process by which to evaluate the care packages for our users.

Alongside initiatives such as Right to Control trailblazers we were able to trial new ways to operate the reviews that should enable our users to fully realise the potential of a

personalised approach to care. These include the development of outcome focused reviews and shared local authority reviews. We were also able to improve the service we offer through better and more targeted analysis of the data we hold about our users.

Our independent assessors continued to work closely in partnership with both our users and local authorities, to structure care packages to further our users' individual independent living aims and outcomes.

We have always been acutely aware of the value our users place on their relationships with our assessors and staff, not only for their professionalism and support, but also for the consistency in contact, which often runs to many years.

The customer service team continued to work across all directorates to ensure that this is always considered in the development of policy and procedure. Our complaints and decision review team monitor this information to help identify improvements to practice.

Measure	Target 2011-2012	Actual 2011-2012
Clearance times of reviews	11 weeks	9 weeks
Award accuracy	98%	99%
User outcome satisfaction	92%	96%



## *Strategic aim 2*

*Engage with disabled people, their organisations and key stakeholders, ensuring their views and our combined experience influence the changing landscape of disability support and adult social care.*

Our stakeholder engagement strategy for 2011-12 was developed, through support and advice from our users and their organisations, in support of our strategic aims for 2011-12. It was designed to support the inclusion of all interested parties in discussions regarding the future of the ILF. Following Government announcements to hold a consultation to inform the future of the ILF post 2015, we have been planning to ensure the process is accessible to all of those who want to take part.

We continued to update information for our users on Directgov in line with government requirements, providing up to date literature and newsletters in accessible formats, reproducing information in community languages, on disk, in large print and Braille. We retained the Plain English Campaign 'Crystal Mark' accreditation and continued to produce our information booklets in an easy read format. We produced a monthly newsletter for our Trustees, assessors and a version for local authority contact officers. We produced an issue of our user magazine 'living', and provided media updates for a number of stakeholder groups. We currently have direct contacts in over 200 local authorities, engaging with 2,817 local offices providing social care support to our users.

Individually and collectively, our Advisory Group and local User Group have provided advice and support regarding strategic, policy and process issues. They also responded to Government consultations directly and offered advice on other organisational responses.

Our Advisory Group were asked for their input into our response for evidence on independent living to the Joint Committee on Human Rights, Caring for Our Future and benefits reform through Personal Independent Payments. They also sent a comprehensive and informed response to the Disability Strategy – Fulfilling Potential, and gave support and advice at their quarterly meetings on policy and process changes. One member of the group is also on our Equality Impact Assessment Board which ensures that we consider the impact of any changes on protected groups.

## *Strategic aim 3*

*Work in partnership with Government, local authorities and devolved administrations to inform the development of a sustainable model to support independent living.*

During the year there was a lot of interest in the future support arrangements for our users. We have worked closely with our DWP sponsor team to consider the future of the organisation. With the DWP communication team we will ensure we have clear plans in place for when an announcement on a Government consultation on the future of the ILF is made.

As one of Right to Control funding streams we are involved in all six trailblazer sites and we have given strategic support nationally through our involvement in their Advisory Group and Steering Group. In January 2012, the Secretary of State agreed to new Trust Deed flexibilities in order to support this Government initiative.

Using flexibilities and working closely with local authorities through Right to Control, we were able to review our delivery process in response to the expressed wishes of disabled people, by testing out new ways of working. In Essex we worked with assessors and local authority independent living staff to review the benefits of a single agency assessment. Feedback from the teams involved and disabled people themselves was very positive. A second phase is now being planned.

During the Dilnot Commission's review of the future of funding adult social care Trustees, Senior Managers, Advisory Group members and users met with the Commission to contribute to the process. We have continued to provide information, advice and support to Government in response to their call for evidence on the future of Adult Social Care.

We met with officials from the devolved administrations, to discuss both strategic and operational issues, and recently attended self directed support and personalisation network meetings with the Association of Adult Social Services Directors in England and Association of Social Work Directors in Scotland. We will continue this involvement to support our own plans and more generally the development for Adult Social Care.

We are also a member of the Think Local, Act Personal partnership looking at developments in personalisation and self directed support.

## Strategic aim 4

*Value and develop our people and refine our organisational structure and culture to ensure we have the capacity, skills and behaviours necessary to achieve our objectives.*

At the beginning of the year as a result of a reduction in our workload and our pursuit of greater efficiency we undertook a voluntary exit scheme (VES). By August 2011 our head count had reduced by 25%. Following this we reviewed the structure of the organisation to ensure that we continued to maintain our high standards of customer service.

A staff survey, undertaken in January 2012, showed that we have 92% employee engagement levels, well above the national average of 78%. Sickness absence levels reduced significantly to 5.9 days per person per year. We also continued to support the health and well being of our staff by offering occupational health services and counselling sessions.

Our learning and development plan demonstrated our clear commitment to invest in our staff. All our employees who moved to a new role following the VES received skills training to enable them to operate effectively in their new role. A 360-degree feedback tool was introduced to further enhance the Performance Management System and to encourage personal development and 16 employees are working towards a further education qualification.

We retained the Positive about Disabled People two-tick symbol in recognition of our positive commitments towards employing disabled people. We also launched the one-day initiative, to encourage our employees to spend a day working with disabled people in the voluntary sector to help them to understand better the needs of disabled people. This is in addition to visits to Portland College (a specialist residential college for disabled people). Three disabled people also undertook work placements at the ILF.

We introduced fortnightly management exchange briefings and quarterly full staff exchange briefings to keep our staff informed of significant changes. In addition to this we have met regularly with representatives in the Public and Commercial Services Union (PCS).

Our Performance Management System was reviewed and calibration meetings introduced to ensure that we have a consistent set of measures against which all employees' performance is reviewed.

## *Strategic aim 5*

*Deliver services that are greater value for money and achieve our financial and key performance indicators.*

We were resolutely focused on the delivery of the ministerial commitment of continuing support to our users and maintaining the viability of their financial packages. This was achieved through the application of clear policy together with strong financial management.

On a monthly basis, as part of our robust governance model, we reviewed the organisation's performance against targets and key performance indicators. Progress reports were given to the Board of Trustees who independently reviewed and challenged them. Risk management was actively undertaken with risk registers prepared at departmental level and consolidated at business level. The strategic risk register was presented quarterly to Trustee meetings and to the Audit Committee to ensure continued attention to any potential significant risk area. In addition there a number of wide ranging internal control checks that support effective operational and financial stewardship were appropriately maintained throughout the year.

The expenditure for the year was delivered within the financial budget and was regularly reported to the DWP Sponsor team. It is pleasing to report that our target of holding administration costs within 2.1% of total expenditure was achieved with a final result of 2.0%; this has been delivered through numerous efficiency measures but importantly reflects the significant decrease in staffing together with a release of a third of the estate.

The organisation's on-going effectiveness is reliant on the continued development of our IT capability. During the year we implemented 'thin client' technology that delivers increased stability of the IT platform and reduces costs.

The year also gave the opportunity to review a number of procured services not only from the value for money perspective, which in turn contributed to the lower level of administration expenditure, but also to ensure compliance with government guidelines.

# *Introducing the people behind the ILF*

## ***The ILF Trustees***

### **Stephen Jack, Chairman**

Stephen is a Chartered Accountant who has held senior management positions in a number of international financial services organisations. He is currently a Non-Executive Director of Anchor Trust, England's largest provider of care and housing for older people, and a Trustee and the Treasurer of the Greater London Fund for the Blind.

### **Professor Peter Cooke, Vice Chairman, member of the Audit Committee and the User Personal Cases Committee**

Peter is a 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. He is a governor of Motability, the charity which oversees provision of cars for disabled people. Peter was a Non-Executive Director of Remploy for seven years.

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

### **Yogi Amin, Trustee and member of the User Personal Cases Committee**

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

### **Susan Winterburn, Trustee, member of the Remuneration Committee and the User Personal Cases Committee**

Susan is a qualified social worker. She was a senior lecturer in Health and Social Care, at York College of Further and Higher Education. 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 and the member of User Personal Cases Committee**

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 the Central Council for Education and Training in Social Work and a former Director of the National Centre for Independent Living. He is currently developing SENDPO, the South East Network of Disabled People's Organisations, is a freelance consultant in disability equality and a member of Equality 2025 - the UK advisory network on disability equality.

## *Introducing the people behind the ILF*

### **Sally Sparrow Trustee, Chairman of the Remuneration Committee and Chairman of the User Personal Cases Committee**

Sally was Director of Social Care at Witham Braintree and Halstead Care Trust until March 2007. She is a qualified social worker 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, member of the Remuneration Committee and the User Personal Cases Committee**

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

### **Margaret McGlade, Trustee, member of the Audit Committee and the Remuneration Committee**

Margaret was a Trustee until September 2011. She had been a freelance consultant in social care, health and children's services and a Trustee of Nottingham's Women's Aid Integrated Services. She was previously Director of Social Services for Derby City Council and a senior manager for Nottinghamshire County Council.

## *Introducing the people behind the ILF*

### ***The Executive Team (ET)***

The ET is responsible for the strategic management of the ILF.

#### **Patrick Boyle, Chief Executive (until December 2011)**

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

#### **James Sanderson, Chief Executive<sup>1</sup>**

James reports to the Board of Trustees and is accountable for the performance and direction of the ILF. As Accounting Officer James reports on governance to DWP through senior officials and the sponsor team. Between April and December 2011, as Chief Operating Officer, James was responsible for oversight of Social Work and Operations.

#### **Steve Jarratt, Resources Director and Deputy Chief Executive<sup>2</sup>**

Steve is responsible for all aspects of financial management and control within the ILF. The role includes oversight of the organisation's key resources of staff, IT and estates plus the close liaison with internal and external audit.

#### **Jesse Harris, Strategy and Social Work Director**

Jesse is responsible for stakeholder relationships with local authorities and users. The role also includes responsibility for user appeals and management of the social work team and 77 assessors and the ILF approach to social work and independent living practices.

#### **John Denore, Head of Operations**

John is responsible for all aspects of service delivery. This includes the administration of user services, ongoing casework, the biennial review programme, payments to users and on-going customer service.

#### **Gillian Smith, Head of Human Resources**

Gillian is responsible for developing and leading the 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.

<sup>1</sup> James Sanderson became Chief Executive on 1 January 2012; he had previously been Chief Operating officer and Deputy Chief Executive.

<sup>2</sup> Steve Jarratt became Resources Director and Deputy Chief Executive on 1 January 2012; he had previously been Resources Director.

## *Introducing the people behind the ILF*

### **John Fuller, Strategic Policy Director<sup>3</sup>**

John was 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 policies.

### **Roland Knell, Head of Information and Governance**

Roland is responsible for corporate governance, risk management, the internal audit programme, information technology, data and physical security, estates and facility management. The role also includes contract management business continuity planning, records management and business planning.

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<sup>3</sup> John Fuller left the ILF on 31 December 2011.



# Management commentary

## Principal activity and historical context

The role of the Independent Living Fund (2006) ('the ILF') is to deliver discretionary cash payments to disabled people, allowing them the choice and control to purchase personal support 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 current ILF commenced operations from October 2007, continuing payments to beneficiaries of the predecessor Funds and receiving the closing assets and liabilities of those Funds. The ILF closed to applications in 2010-11 and continues to operate to support existing beneficiaries. Our strategic aims are set out on pages 6 to 10.

### External auditor

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
London  
SW1W 9SP

### Internal auditor

PricewaterhouseCoopers LLP  
1 East Parade  
Sheffield  
South Yorkshire  
S1 2ET

Fees paid to the National Audit Office were £50,250 for external audit work (2010-11: £53,750) there was no non-audit work undertaken.

### Solicitors

Harvey Ingram LLP  
20 New Walk  
Leicester  
LE1 6TX

### Bankers

Lloyds TSB Corporate  
125 Colmore Row  
Birmingham  
B3 3SF

## *Management Commentary*

### **Trustees' appointments, training and remuneration**

Following public advertisement and recruitment procedures in line with Government guidance for Non-Departmental Public Bodies, the Secretary of State appoints between three and nine Trustees for a period of five years. At such time as the current chair's term of appointment ends the Secretary of State under such guidance will also appoint the Chairman. Trustees' appointments can be extended for one further five-year term. Trustees may elect individual board members to serve on sub-committees.

Appropriate training is provided to appointed Trustees on an individual basis, following discussion with the Chairman. This includes amongst other items; an induction pack, briefings from ILF staff, observing Trustees' meetings and visiting the ILF's office in Nottingham.

The Trustees receive remuneration under arrangements agreed with the Secretary of State and are reimbursed for their out-of-pocket expenses in line with the ILF's travel and subsistence policy.

Trustees for 2011-12 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, Margaret McGlade and Susan Winterburn), the Remuneration Committee (Sally Sparrow as Chairman, Marie Martin, Margaret McGlade and Susan Winterburn) and the User Personal Cases Committee (Sally Sparrow as Chairman, Yogi Amin, Nick Danagher, Peter Cooke, Susan Winterburn and Marie Martin). Background details of Trustees are given on pages 11 and 12.

### **Relationships and related parties**

Trustees are appointed by the Secretary of State for Work and Pensions to administer the ILF. Related parties are Trustees, all parts of DWP including its agencies (representing the Secretary of State) and the Department for Social Development (DSD) in Northern Ireland which also provides funding. We received grant in aid from DWP of £328,000,000 (2010-11: £340,500,000) and DSD £10,300,000 (2010-11: £10,800,000). 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 year no other related parties, including Trustees and key management staff, have undertaken any material transactions with the ILF.

### **Operating and performance review**

ILF funding is designated within the four-year Departmental Expenditure Limit for DWP and DSD.

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 2011-12 and the results for the year were:

- clearance times of review visits on average 9.2 weeks, against an 11-week target (2010-11: 9.7 weeks)
- award processing 99.5% accuracy in all respects, amount and process – against a 98% target (2010-11: 99.4%)
- administration expenditure 2% of total ILF expenditure for the year, against a 2.1% target (2010-11: 2.5%)
- users rating their satisfaction with the outcomes they experience as ‘good’ or ‘excellent’ at a level of 96.4%, against a 92% target (2010-11: 95.9%)

An average of 113 staff (full time equivalents) 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 24 to 33. In addition, 77 self-employed assessors were engaged under contract to carry out visits to 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. The ILF successfully retained the customer services accreditation during the year fully achieving 56 out of the 57 elements. The ILF continued to engage with users through our Advisory Group and local User Group meetings.

## *Management Commentary*

### **Governance and social responsibility**

The ILF is committed to good employee relations and recognises the Public and Commercial Services 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 two ticks symbol during the year. HR policies are regularly reviewed to ensure full compliance with employment legislation.

The ILF seeks to actively manage sickness absences and has 'return to work' meetings with staff to improve support on resumption of duties and discuss absence patterns and causes. The average number of days per annum lost to sickness absence was 5.9 days per employee against a target of 9 days (2010-11: 8.8 days).

The ILF's procurement policy ensures fair competition and value for money, with specific arrangements to encourage tenders from employers of disabled people in procurement exercises. 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, we endeavour to pay within 14 days of the receipt of the goods or services, or the presentation of a valid invoice or similar demand, whichever is later. The number of creditor days outstanding at the end of 2011-12 was 18 days (2010-11: 18 days).

The ILF has Corporate and Social Responsibility and Sustainable Development policies. The effectiveness of our social policy is demonstrated by our achievement of the Investors in People and customer service accreditations and the Positive about Disabled People two ticks symbol; plus our links with disabled people's groups.

### Financial review

The ILF is financed out of money voted by Parliament as grants in aid from DWP and DSD for the purpose of making regular grants to individuals. Grant in aid of £338.3 million, in addition to cash reserves brought forward of £4.4 million, were utilised to meet the needs of users and related administration costs.

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 monies 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. The Accounts have been prepared in compliance with International Financial Reporting Standards as adapted or interpreted for the public sector context.

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 necessary to make themselves aware of any relevant audit information and to ensure 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 Statement of Financial Position at 31 March 2012 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 2013.

There were no events after the end of the financial year that have any material effect on these Reports and Accounts.

## Management Commentary

### Sustainable development

This year we are required to comment on sustainable development, and how we engage with this work. We are committed to act in the capacity of a 'good citizen' that means we will:

- manage our resources in a responsible manner by raising awareness of environmental issues amongst our staff
- review travel plans to encourage our staff to use the most effective modes of transport
- where possible we will reduce consumption of utilities and reduce waste
- where disposal is the only option we will consult with relevant experts and do this in an environmentally friendly manner

We already have contracts in place to provide paper for our publications, envelopes and copier paper which is sourced from 100% recycled paper or from sustainable managed forests. All printer and copier toner cartridges are either refilled or at the end of their useable life recycled.

Our consumption statistics are as follows:

	Area	Non-financial indicators	Financial information
Greenhouse Gas Emissions	Scope 1 (Direct) GHG Emissions tCO <sub>2</sub> e	11	£2,960
	Scope 2 (Energy Direct) Emissions tCO <sub>2</sub> e	213	£45,315
	Scope 3 Official Business Travel Emissions	20	£56,098
	Total Emissions	245	£104,373

	Area	Non-financial indicators
Energy Consumption	Scope 1 (Direct) KWh	45,445
	Scope 2 (Energy indirect) KWh	406,910
	Total Energy KWh	452,355
	Water Consumption (m <sup>3</sup> )	545
	Water Consumption (£)	2,373
	General Waste (tonnes)	22

## *Management Commentary*

### **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 Board reviews risks and reports to the Audit Committee and Board of Trustees on a quarterly basis. Appropriate controls and action plans for risk management are put in place and these are reviewed at the risk management meetings. A separate Governance Statement is provided in this document.

We are pleased that the Minister for Disabled People has committed to support our existing Users through to the end of the current Comprehensive Spending Review (CSR) period (2011-15). We will continue to work closely with DWP in order to support their preparation for consultation on the future of support for ILF users from 2015. Subsequent to the consultation the decisions regarding the future provisions of service delivery should be addressed and clarified.

We will continue to play a role in developing independent living by maintaining our involvement in Right to Controls (RTC) Trailblazers where we add our users lived experience and our professional insights and expertise.

In the current position, with the ILF closed to new applicants, we will continue to manage and administer our existing cases.

Signed by the Accounting Officer and on behalf of the Trustees on 1 June 2012.

**James Sanderson**, Chief Executive and  
Accounting Officer

**Peter Cooke**, Vice Chairman

**Stephen Jack**, Chairman

**Mike Boyall**, Treasurer



# Statement of Accounting Officer's and Trustees' Responsibilities

The Accounting Officer is responsible for preparing the accounts in accordance with the Trust Deed and directions made by the Secretary of State 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 comprehensive net expenditure, financial position, cash flows and changes in taxpayers' equity 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:

- comply with relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments 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
- prepare the accounts on a going concern basis

The Principal Accounting Officer of DWP has appointed James Sanderson as Accounting Officer of the ILF with effect from 1 January 2012 (Patrick Boyle was Accounting Officer for the period 1 April 2011 to 31 December 2011). The Accounting Officer has the 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 Trustees are responsible for Management Statement that ensures the ILF fulfils its aims, objectives and key targets, and prepares a statement of accounts for each financial year.

Signed by the Accounting Officer and on behalf of the Trustees on 1 June 2012.

**James Sanderson**, Chief Executive and Accounting Officer

**Peter Cooke**, Vice Chairman

**Stephen Jack**, Chairman

**Mike Boyall**, Treasurer

# *Remuneration Report*

## *for the year ended 31 March 2012*

This report for the year ended 31 March 2012 deals with the remuneration of the Chief Executive, Executive Team members 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 Remuneration Committee**

The Remuneration Committee is appointed by the Board of Trustees and is established to independently review the salary of the Chief Executive. The Chief Executive informs 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:

**Sally Sparrow**, Chairman

**Margaret McGlade**, Member<sup>4</sup>

**Marie Martin**, Member

**Susan Winterburn**, Member

The terms of reference of the Remuneration Committee in relation to salary, rewards and conditions of service are:

- to ensure that the ILF Directors and staff are fairly, but responsibly rewarded for their joint and individual contributions to the ILF's management and overall performance
- to agree the Chief Executive's remuneration in discussion with the Chair of Trustees, under the terms and conditions agreed with the ILF. As a result of these discussions the Chair of Trustees in conjunction with the Head of Human Resources will make recommendations to the Remuneration Committee
- to review and where appropriate, approve the Chief Executive's proposals for the remuneration of the ILF Directors. This will include approval of the annual Treasury pay remit, setting pay bands and individual bonuses
- to review and where appropriate approve the Executive Team's remuneration proposals for all ILF staff below Director grade. This will include approval of the annual Treasury pay remit and setting pay bands and bonuses

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<sup>4</sup> Margaret McGlade resigned as a Trustee in September 2011.

## Remuneration policy

### Trustees

For the year ended 31 March 2012 the total remuneration paid to Trustees, by monthly instalments in arrears, as agreed in the Conditions of Grant Agreement were:

	2011-12 <sup>5</sup>	2010-11
Name	£	£
Stephen Jack (Chairman) <sup>6</sup>	-	13,000
Peter Cooke (Vice Chairman)	9,916	14,800
Mike Boyall (Treasurer)	10,921	16,300
Sally Sparrow	10,921	16,300
Yogi Amin	9,916	14,800
Nick Danagher	9,916	14,800
Marie Martin	9,916	14,800
Margaret McGlade <sup>7</sup>	4,958	14,800
Susan Winterburn	9,916	14,800

In line with the ILF's travel and subsistence policy a Trustee may also be reimbursed all reasonable and proper expenses incurred in carrying out their duties as a Trustee.

### The Chief Executive and Executive Team (ET)

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

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

<sup>5</sup> The Trustees volunteered to waive 33% of their remuneration with effect from 1 April 2011.

<sup>6</sup> The Chairman waived his remuneration with effect from December 2010. In 2010-11 remuneration was paid April 2010 to November 2010.

<sup>7</sup> Margaret McGlade resigned as a Trustee in September 2011.

## *Remuneration report for the year ended 31 March 2012*

The Trustees have a policy regarding the senior management remuneration 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
- to offer competitive salaries to enable the ILF to attract personnel of the required calibre to fill its senior management posts
- to align decisions in accordance with the key features and parameters of the DWP's pay policy so as to:
  - align reward with the business objectives to encourage high performance and improve the focus on the delivery of service
  - create an opportunity to earn bonuses
  - ensure reward arrangements are affordable
  - create a level of salary progression which is subject to performance expectations (performance below the expectation would mean no progression and management action would be necessary for less than adequate performance)
- establish a relativity of Executive Directors' salaries at about 65% of that of the Chief Executive

At the beginning of the financial year the Chief Executive and the ET Members have agreed objectives which are set by the Chairman of the Board of Trustees and the Chief Executive respectively.

The Chief Executive's and ET Members' performance are reviewed annually with the SMB Members' overall assessment informed by monthly one-to-one meetings.

All employees must have a minimum of twelve 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 ET Members**

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

## Remuneration report for the year ended 31 March 2012

	2011-12			2010-11		
	Salary	Bonus payments	Benefits in kind (to nearest £100)	Salary	Bonus payments	Benefits in kind (to nearest £100)
	£000	£000	£	£000	£000	£
Patrick Boyle, <sup>8</sup> Chief Executive	75-80 (100-105 full year equivalent)	Nil	29,900	100-105	Nil	43,800
James Sanderson, <sup>9</sup> Chief Executive	20-25 (90-95 full year equivalent)	Nil	Nil	Nil	Nil	Nil
John Denore, Head of Operations	40-45	0-5	Nil	45-50	0-5	Nil
John Fuller, <sup>10</sup> Strategic Policy Director	25-30 (35-40 full year equivalent)	Nil	Nil	35-40	0-5	Nil
Jesse Harris, Social Work Director	45-50	0-5	Nil	45-50	0-5	Nil
Steve Jarratt, Resources Director	75-80	5-10	Nil	75-80	5-10	Nil
Roland Knell, Head of Information and Governance	45-50	0-5	Nil	45-50	0-5	Nil
James Sanderson, Chief Operating Officer	55-60 (75-80 full year equivalent)	5-10	Nil	65-70	5-10	Nil
Gillian Smith, Head of HR	40-45	0-5	Nil	40-45	0-5	Nil
Gary Stephenson, <sup>11</sup> Finance and Corporate Services Director	Nil	Nil	Nil	10-15 (45-50 full year equivalent)	Nil	Nil

<sup>8</sup> Patrick Boyle left ILF on 31 December 2011.

<sup>9</sup> James Sanderson became Chief Executive on 1 January 2012. He had previously been the Chief Operating Officer.

<sup>10</sup> John Fuller left ILF on 31 December 2011.

<sup>11</sup> Gary Stephenson left the ILF on 18 July 2010.

## Remuneration report for the year ended 31 March 2012

	2011-12			2010-11		
	Salary	Bonus payments	Benefits in kind (to nearest £100)	Salary	Bonus payments	Benefits in kind (to nearest £100)
Band of highest paid ET member's total remuneration		140-145			145-150	
Median total remuneration		20,974			20,596	
Ratio		6.8			7.0	

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the ILF in 2011-12 was £140-145k (2010-11: £145-150k). This was 6.8 times (2010-11: 7.0 times) the median remuneration of the workforce, which was £21k (2010-11: £21k).

In 2011-12 no employees received remuneration in excess of the highest paid director (2010-11: none). Remuneration ranged from £14k to £98k (2010-11: £16k to £75k).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio has shown a small reduction from last year. No change was made to the remuneration of the highest paid director. As a consequence of the pay freeze salary bands for employees were only increased where the annual salary was £21,000 and below. The ratio was further impacted by the VES scheme, which saw 25% employees leave the organisation and movement of staff within the pay scales.

### Benefits in kind

As part of the loan agreement for Patrick Boyle with DWP, the ILF paid the deposit, rent and council tax on an apartment in Nottingham. In addition, a lease car was provided for which he was reimbursed for the cost of petrol for travelling from London to Nottingham. This agreement was more cost effective than paying hotel costs and travel costs for the period. The arrangement ceased on 31 December 2011.

## *Remuneration report for the year ended 31 March 2012*

### **Bonus payments**

Bonus payments for the Chief Executive and ET members are non-consolidated and are not pensionable. The ET members' bonuses can be up to 10% of salary based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2011-12 relate to performance in 2011-12 and the comparative bonuses reported for 2010-11 relate to the performance in 2010-11.

### **Service contracts**

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition and ILF policy reflects this. The recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

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

Most members of the Executive Team are employed under permanent employment contracts with two exceptions. Patrick Boyle, Chief Executive, was on loan from DWP and his loan agreement was initially for two years but was extended by one year in January 2011 to January 2012. In addition, Roland Knell, Head of Information and Governance is also on loan from DWP and his loan period commenced on 1 February 2009 and has been extended to 31 January 2013.

The Chief Executive, Chief Operating Officer, Resources Director, Social Work Director, Head of Governance and Head of Operations work 37 hours per week (full time). The Head of Human Resources works on a part-time basis of 34 hours and Strategic Policy Director worked part-time at 30 hours per week.

## Remuneration report for the year ended 31 March 2012

The notice period for the Chief Executive and all ET members is:

Length of service	Notice to be given by the ET member	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 ET members 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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a '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**.



## *Remuneration report for the year ended 31 March 2012*

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 Pensions Increase legislation. 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 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**.

Further details about the Civil Service pension arrangements can be found at <http://www.civilservice.co.uk/mycivil-service/pensions/index.aspx>

### **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 that 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 worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Remuneration report for the year ended 31 March 2012

### 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 year.

The cash equivalent transfer values as at 1 April 2011 and 31 March 2012 were:

Chief Executive and ET members	Accrued pension at pension age as at 31 March 2012 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2012	CETV at 1 April 2011	Real increase in CETV
To nearest	£000	£000	£000	£000	£000
Patrick Boyle Chief Executive	35 - 40	0 - 2.5	467	556	10
John Denore Head of Operations	5 - 10	0 - 2.5	85	60	7
John Denore Preserved award service to 26.8.05	0 - 5 plus lump sum of 0 - 5	0 - 2.5	49	8	-
John Denore Preserved award service to 30.4.95	0 - 5 plus lump sum of 10 - 15	0 - 2.5	10	40	-
John Fuller Strategic Policy Director	0 - 5	0 - 2.5	62	55	7
Jesse Harris Strategy and Social Work Director	0 - 5	0 - 2.5	70	51	12
Steve Jarratt Resources Director	10 - 15	0 - 2.5	203	171	10

## *Remuneration report for the year ended 31 March 2012*

Chief Executive and ET members	Accrued pension at pension age as at 31 March 2012 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2012	CETV at 1 April 2011	Real increase in CETV
Roland Knell Head of Information and Governance	0 - 5	0 - 2.5	19	13	6
Roland Knell Preserved award	0 - 5 plus lump sum of 5-10	0 - 2.5	31	27	-
James Sanderson Chief Operating Officer	5 - 10	0 - 2.5	97	57	17
Gillian Smith Head of HR	20 - 25	0 - 2.5	315	268	4

All tables included as part of the Remuneration Report to be audited as referred to in the Audit Certificate.

The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

### **Non-cash remuneration**

There was no non-cash remuneration during the year (2010-11: none).

### **Compensation for loss of office**

On 31 December 2011 John Fuller, Strategic Policy Director left under voluntary exit terms. He received compensation of £19,529 (during 2010-11 Gary Stephenson, Finance and Corporate Services Director left under compulsory early retirement terms receiving compensation of £9,120).

**James Sanderson**, Chief Executive and Accounting Officer

**Sally Sparrow**, Remuneration Committee Chairman

Signed by the above on 1 June 2012

# *ILF Annual Governance Statement for the year ended 31 March 2012*

## **Scope of responsibility**

As Accounting Officer for the Independent Living Fund (2006) (the ILF), I have responsibility for maintaining sound corporate governance systems that support the achievement of our policies, aims and objectives and safeguarding the public funds and assets for which I am personally responsible.

My responsibilities for managing public money, the duties assigned to me under the ILF's founding documents (the ILF Trust Deed and the Conditions of Grant Agreement (COGA), the Management Statement) and those further responsibilities delegated from the Principal Accounting Officer for the Department for Work and Pensions (DWP) have been exercised with due diligence and the appropriate professional care.

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 support and live independent lives in their communities.

In line with the Minister's commitment, affirmed in the written ministerial statement of December 2011, we are focused on the continued delivery of service to our users and maintaining the viability of their financial support packages.

In preparing my Annual Governance Statement (AGS) for 2011-12 I have incorporated the advice and guidance from HM Treasury DAO(GEN)02/12, the new Managing Public Money annex 3.1 and have applied the principles set out in the Corporate Governance Code so far as they are applicable to the ILF.

## **Sound Corporate Governance**

Our corporate governance systems are drawn from central government good practice guidance and have been strengthened through legislative and process compliance and through collaborative working with both internal and external auditors.

Our governance systems address individual and corporate accountabilities, the roles and effectiveness of our Board and our capacity to identify and effectively manage and report risk. I have referenced the NAO publication; Corporate governance in central government departments: Code of good practice 2011's Compliance checklist and applied the appropriate measures to the ILF for my Annual Governance Statement.

The ILF's strategic aims and objectives are agreed with the ILF Trustees and with our sponsor department the DWP. I attend a twice-yearly meetings with the DWP Senior Accounting Officer (the SAO) with responsibility for the ILF, to discuss issues and address any significant risks. These meetings are supported by regular operational keep in touch (KIT) meetings with our sponsor team and other DWP colleagues to ensure clarity of purpose, sound communication and effective reporting.

The Trustees Board meets no less than six times a year; all meetings are minuted and produce clear actions. The meeting are attended by Trustees, the Executive and representatives from DWP.

The Board of Trustees have a responsibility for maintaining sound systems of control to address key financial and other risks, ensuring that the requirements of the ILF's founding documents are met, that high standards of corporate governance are demonstrated, and for reviewing the effectiveness of the systems of internal control.

### **Capacity to handle risk**

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 Head of Information and Governance, who also acts in the capacity of the ILF Senior Information Risk Owner (SIRO).

Our systems and processes are designed to manage risk to a reasonable and appropriate level rather than to eliminate all risk; therefore it can only provide reasonable and not absolute assurance of effectiveness.

The Trustees consider risks at the strategic level and review the Strategic Risk Register (SRR) at least quarterly or as often as required, the SRR is also a standing item for the ILF Audit Committee to review.

The Senior Management Board (SMB) review risks monthly with particular emphasis on emerging trends and issues that may start to gain traction or increased importance; the outcome of these discussions are captured, reported and depending on status assigned to a member of the SMB.

Whilst every member of staff 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.

## *ILF Annual Governance Statement for the year ended 31 March 2012*

### **Managing risks**

The ILF Risk Management Framework (RMF) sets out the organisation's attitude to risk and provides a consistent basis to capture, monitor and report risks and to progress strategies to mitigate these. In assigning lead risk owners at SMB level and in the management control processes, we identify clear lines of responsibility throughout the organisation.

Our overall risk appetite is risk averse, this does not mean that we avoid opportunities to improve and modernise, however it does mean that we are rightly cautious when changes may hinder or put at risk our core business and service provision to our users.

Our risk management processes enable us to identify operational, business and financial risks, customer focus and delivery risks as well as identifying and assessing potential reputational risks and other contingent issues.

As an Executive Non-Departmental Public Body (ENDPB) of DWP, our Risk Strategy and performance is reported to the DWP sponsorship team, and we provide information for DWP's Information Assurance Team regarding data security, data management of our ICT systems and compliance with DWP and Cabinet Office mandated requirements.

Our emerging risks in 2011-12 were around clarity of strategy and the direction of policy as we move towards consultation on the future of the delivery of support to ILF users beyond 2015, the internal changes at Senior Management level with the appointment of a new Chief Executive and the retirement of our Strategy and Policy Director, the perception and reputation risk associated with under spend and we have also looked in more detail at the risk of dependency on key suppliers and contractors.

These risks have been flagged for discussion at Trustees Board, Audit Committee and at the Senior Management Board; we have attached a specific manager with a defined responsibility to ensure the risk is managed and reported from the most effective position within the ILF. Although these risks hold a high inherent value after controls and measures have been taken they all hold a medium or low residual value.

In line with reporting requirements prior to year-end the ILF SIRO provides an annual assurance review on the effective management and governance of data security and compliance with the Data Protection Act 1998 and Freedom of Information Act 2000. The report is discussed pending approval at the ILF Audit Committee and subsequently signed by the Chair of the Audit Committee and the ILF SIRO.

## *ILF Annual Governance Statement for the year ended 31 March 2012*

The Cabinet Office designates requirements for public bodies to provide information on personal data related incidents. During 2011-12 and up to the date of signing of these Accounts, no incidents have occurred for the ILF that would require reporting under these provisions (2010-11: none).

In terms of data security we have had five internally reportable instances or potential breaches in 2011-12, which were all reported and discussed at Audit Committee within the quarterly Information Security Management Systems (ISMS) Report. None of the issues constitute a significant breach of sensitive data nor are they significant enough to warrant informing the Information Commissioners Office (ICO) or the Cabinet Office.

In December 2011 we managed our data security risks by providing refresher training on data security for all ILF managers. We also provided online certificated training through the National School of Government for Protecting Information (levels 1 & 2).

This March we also completed the annual assessment for the DWP year-end information security audit, this demonstrated that we have improved our systems and the tools employed to manage our information and data.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of corporate governance, including systems of internal control. My review is informed by the work of SMB who have responsibility for development and maintenance of the internal control framework.

During quarter three in 2011 we undertook an open competition to tender for the provision of internal audit services. This resulted in us changing our internal audit provider from RSM Tenon to PricewaterhouseCoopers (PwC) in January 2012.

Our internal audit programme for this year has been limited to specific and individually commissioned pieces of work to provide assurance against effectiveness and to address specifically identified business risks. Internal audit designed and facilitated a Trustees Board effectiveness day, provided two audit reports for off-site storage and for data security and some additional specialist ICT works in connection with our Government Secure intranet project. Based on the limited scope work our previous internal auditors did not feel that they could provide a Head of Internal Audit opinion for 2011-12.

## *ILF Annual Governance Statement for the year ended 31 March 2012*

With a lack of the Head of Internal Audit's opinion for the annual report we took steps to provide additional measures of assurance to address this issue. We commissioned PwC to review our internal control framework and governance to provide support for my Annual Governance Statement (AGS) at year-end, the result of the audit was a low risk (substantial rating).

As Accounting Officer I am confident that the Board of Trustees and Audit Committee can draw significant assurance from the activity and reporting from SMB.

The internal control systems SMB have put in place include:

- Regular reports to SMB, Trustees and DWP on progress against the ILF's key targets and business objectives;
- An appropriate delegated budget management framework;
- A system of mid-year (Quarter 2) and year-end (Quarter 4) Stewardship Reports;
- A risk management strategy and risk management framework which comply with best practice; a Strategic Risk Register (SRR) which is reviewed by Trustees at least quarterly, a standing item with Audit Committee and reviewed monthly by SMB,
- The adoption of formal project management arrangements based on PRINCE 2 principles for all key programme and projects, which includes the development and maintenance of programme and project risk registers.

### **Board effectiveness & structures that support decisions**

At the start of the financial year the Trustee Board re-confirmed to uphold the seven principles of public life, our Trustees also sign a declaration of interest and the organisation's standing orders are reviewed and agreed. This process includes reviews of the terms of reference for all boards and committees and the membership and lead Trustee for each committee and working group.

Two of our Trustees have been reappointed by the Office of the Commissioner for Public Appointments, this provides continuity and stability in a time of change.

The Chair of Trustees held appraisal meetings with each Trustee as well as an Annual Board Effectiveness workshop facilitated by our internal auditors. In addition to this the Trustees and SMB attended a business planning day to ensure that the scope, responsibility and focus for the organisation going forward was discussed and agreed.



## *ILF Annual Governance Statement for the year ended 31 March 2012*

As a consequence of the effectiveness meetings the Trustees have identified and undertaken specific tasks to support the ILF. These have involved meeting with the Minister and DWP Officials, attendance at public events and supporting the staff at times of change. In the proposed transition programme, Trustees will attend meetings and provide their insights and expertise to the individual work stream meetings required.

Within the business planning process we take soundings from our Advisory Group and we also involve our staff within a range of planning activities to inform our discussions and capture insights and innovation.

Our governance processes and mechanisms to manage our boards are consistently applied to capture activities, discussions, actions and progress. These provide a basis for consistent reporting and ease of read-across to inform recommendations, actions and outcomes, our boards include;

- the Senior Management Board (SMB), which meets at least ten times a year, is responsible for ensuring that corporate risks are identified as early as possible, are properly managed, that cross-functional issues are considered, and that risk management receives a high profile in planning and delivery of our plans. The senior boards are supported by a number of sub-boards including:
  - Electronic Business Board (EBB)
  - Equality Impact Assessment Board (EIAB)
  - Joint Negotiating Committee (JNC)
  - Payment Security Board (PSB)
  - Operation Policy Board (OPB)
  - Organisation Culture & Leadership Board (OCLB)
  - Performance Review Board (PRB)
  - Working Environment Management Board (WEMB)
- 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 governance and control, leading to signing off the Annual Governance Statement (AGS);

## *ILF Annual Governance Statement for the year ended 31 March 2012*

- a Remuneration Committee which 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 page 24.
- the User Personal Case Committee (UPCC) is a sub-committee of the Trustee Board which is established to independently review appeals made by users and their representatives.

<b>Name</b>	<b>Trustee Board</b>	<b>Additional Board Meetings</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>UPCC</b>
Stephen Jack	6/6	3/3			
Peter Cooke	6/6	3/3	2/4		9/11
Mike Boyall	4/6	3/3	4/4		
Sally Sparrow	6/6	3/3		4/4	11/11
Yogi Amin	5/6	2/3	3/4		8/11
Nick Danagher	4/6	2/3			8/11
Marie Martin	5/6	1/3		3/4	7/11
Margaret McGlade <sup>11</sup>	2/2	2/2	2/2	1/1	
Susan Winterburn <sup>12</sup>	4/6	2/3	1/1	3/3	7/11

Additional board meetings include the signing of the annual report and accounts, board effectiveness day and board strategy day.

<sup>11</sup> Margaret McGlade resigned as a Trustee September 2011.

<sup>12</sup> Susan Winterburn joined the Audit Committee in January 2012.

## *ILF Annual Governance Statement for the year ended 31 March 2012*

In quarter 2 of 2011, post staff and estate reductions, we reviewed our sub-boards to ensure they were still appropriate and properly supported the organisation. In-light of this review several sub-boards were disbanded or merged and those remaining operate under a uniform governance model with written agendas, defined work streams, actions, reports and agreed minutes, recommendations and outcomes.

The success and effectiveness of our internal boards and structures can be measured within the success against all areas of our business; our success with achieving our internal and external targets, the high User satisfaction ratings, the positive (92%) engagement rating for our staff, effectively managing our budget within allocation and the low (2%) cost of administration.

### **Significant internal control issues**

This year there have been no significant control weaknesses reported within the ILF, nor has any report be made externally, independently nor via the ILF Whistleblower policy.

Our audit and internal management reporting remains vigilant to ensure early identification of issues within normal day-to-day business and no significant issues have emerged.

We have managed our risks and highlighted issues with foresight and taken decisions as required; we have forecast and reported our financial position in a timely accurate manner and maintained our budget within expected parameters.

In light of the above considerations I am content that ILF has a sound system of governance and internal control.

**James Sanderson**, Chief Executive and Accounting Officer

1 June 2012

# *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 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Independent Living Fund (2006)'s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Independent Living Fund (2006); and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Annual Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Independent Living Fund (2006)'s affairs as at 31 March 2012 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Trust Deed and Secretary of State directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Trust Deed and directions issued by the Secretary of State thereunder; and
- the information given in "Introducing the People behind the ILF" and the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse** 1 June 2012  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Notes	2011-12 £000	2010-11 £000
<b>Expenditure</b>			
Grants to Individuals	3	325,978	349,836
Staff costs	4	4,001	5,365
Depreciation/amortisation	5	311	329
Other expenditure	5	3,497	4,080
Total expenditure		<b>333,787</b>	<b>359,610</b>
Interest receivable	6	(57)	(41)
Net expenditure		333,730	359,569
Other comprehensive expenditure		-	-
Total comprehensive net Expenditure for the year		<u>333,730</u>	<u>359,569</u>

The notes on pages 50 to 72 form part of these accounts.  
All expenditure relates to continuing operations.

# Statement of Financial Position

## as at 31 March 2012

	Notes	31 March 2012 £000	Restated 31 March 2011 £000
<b>Non-current assets</b>			
Property, plant and equipment	8	205	350
Intangible assets	9	467	378
Trade and other receivables	11	915	834
		1,587	1,562
<b>Total non-current assets</b>			
<b>Current assets</b>			
Trade and other receivables	11	464	407
Cash and cash equivalents	12	9,626	4,385
		10,090	4,792
<b>Total assets</b>			
		11,677	6,354
<b>Current liabilities</b>			
Trade and other payables	13	722	630
Other liabilities – grant liabilities	13	14,859	13,528
VES provision	13	-	670
		15,581	14,828
<b>Total current liabilities</b>			
<b>Non-current assets less net current liabilities</b>			
		(3,904)	(8,474)
<b>Assets less liabilities</b>			
		(3,904)	(8,474)

(continued over the page)

*Statement of Financial Position  
as at 31 March 2012*

	Notes	Restated
	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	£000	£000
<b>Taxpayers' equity:</b>		
General reserve	(3,904)	(8,474)
<b>Total taxpayers' equity</b>	<b>(3,904)</b>	<b>(8,474)</b>

The Statement of Financial Position is in deficit because the ILF accrues for future liabilities but HMT guidance does not allow the accrual of Government grants.

The notes on pages 50 to 72 form part of these accounts.

These accounts were approved and authorised for issue by the Trustees on 1 June 2012.

**James Sanderson**, Chief Executive and  
Accounting Officer

**Peter Cooke**, Vice Chairman.

**Stephen Jack**, Chairman.

**Mike Boyall**, Treasurer



# Statement of Cash Flows

## for the year ended 31 March 2012

	Notes	2011-12	2010-11
		£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure after interest		(333,730)	(359,569)
Depreciation/amortisation	8, 9	311	329
Loss on disposal of assets		2	13
Non cash adjustment		4	-
Increase in trade and other receivables		(138)	(20)
Increase in trade and other payables, grant liabilities and provisions		753	1,134
<b>Net cash outflow from operating activities</b>		<b>(332,798)</b>	<b>(358,113)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(34)	(85)
Purchase of intangible assets		(227)	(316)
<b>Net cash outflow from investing activities</b>		<b>(261)</b>	<b>(401)</b>
<b>Cash flows from financing activities</b>			
Grants in aid		338,300	351,300
<b>Net financing</b>		<b>338,300</b>	<b>351,300</b>
Net increase/(decrease) in cash and cash equivalents in the year		<b>5,241</b>	<b>(7,214)</b>
Cash and cash equivalents at the beginning of the year		4,385	11,599
<b>Cash and cash equivalents at the end of the year</b>	12	<b>9,626</b>	<b>4,385</b>

The notes on pages 50 to 72 form part of these accounts.

# Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Transferred assets reserve £000	General reserve £000	Total reserves £000
<b>Balance at 1 April 2010</b>	<b>32</b>	<b>(237)</b>	<b>(205)</b>
<b>Changes in Taxpayers' Equity 2010-11</b>			
Grants in Aid from departments	-	351,300	351,300
<b>Transfers between reserves:</b>			
Loss on disposal of transferred assets	(13)	13	-
Depreciation on transferred assets	(19)	19	-
Total transfers between reserves	(32)	32	-
Net expenditure	-	(359,569)	(359,569)
<b>Balance at 31 March 2011</b>	<b>-</b>	<b>(8,474)</b>	<b>(8,474)</b>
<b>Changes in Taxpayers' Equity 2011-12</b>			
Grants in Aid from departments	-	338,300	338,300
<b>Transfers between reserves:</b>			
Loss on disposal of transferred assets	-	-	-
Depreciation on transferred assets	-	-	-
Total transfers between reserves	-	-	-
Net expenditure	-	(333,730)	(333,730)
<b>Balance at 31 March 2011</b>	<b>-</b>	<b>(3,904)</b>	<b>(3,904)</b>

**Transferred Assets Reserve** – relates to non-current assets transferred to the ILF from the Independent Living (1993) Fund in October 2007. Transfers are made from this reserve to general reserves to match the depreciation charge on the transferred assets. The asset values are now fully depreciated; as a result this reserve will not figure in future accounts.

**General Reserve** – relates to the ongoing operation of regular payments to individuals and the associated administration costs, financed by grants in aid. Grants in aid are not drawn in full in advance but requested each calendar month to meet estimated cash payments during the year. The ILF does not hold strategic reserves as it is dependent on public funding and seeks to minimise the cost of borrowing. The net deficit will be met by grants 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 net expenditure for the following year.

The notes on pages 50 to 72 form part of these accounts.

# *Notes to the Accounts*

## *for the year ended 31 March 2012*

### **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 the Independent Living (1993) Fund. The ILF commenced operations and took over the users of the predecessor Funds on 1 October 2007. Non-current assets of the Independent Living (1993) Fund were transferred to the ILF on 1 October 2007, and other closing assets of the predecessor Funds were transferred to the ILF on 31 December 2007.

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 four-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. The grant in aid amount is approved annually and confirmed in a letter of delegation.

### **2 Statement of Accounting Policies**

These financial statements have been prepared in accordance with the Government Financial Reporting Manual 2011-12 (the FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the 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.

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 Statement of Financial Position at 31 March 2012 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 2013. In a statement dated 5 December 2011 the Minister for Disabled People reiterated her commitment to protect the packages of current users until the end of this Parliament, formal consultation on support beyond March 2015 is due to begin in 2012.

### **International Financial Reporting Standards Amendments and Interpretations effective in 2012-13**

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

#### *a) Accounting convention*

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

#### *b) Property, plant and equipment*

Property, plant and equipment consists of IT hardware and equipment held only for the purpose of managing the ILF. All property, plant and equipment should be carried at valuation in accordance with the FReM. The ILF does not have land or buildings, and has taken advantage of the option available under the FReM to adopt a depreciated historical cost basis as a proxy for fair value of its plant and equipment, as these are assets that have short useful economic lives or low values (or both). The ILF believes that the useful economic life is a realistic reflection of the life of its plant and equipment, and the depreciated historical cost method provides a realistic reflection of the consumption of those assets. The ILF therefore carries plant and equipment at cost less accumulated depreciation and any recognised impairment in value.

#### *c) Depreciation*

Depreciation on property, plant and equipment is charged on a straight-line basis to write off the cost less residual values over the useful life of the asset: incepting at the purchase date, or when the asset is available for use, whichever is the later. IT hardware and equipment are generally depreciated over a three- to five-year life span. Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

#### *d) Intangible assets*

Intangible assets consist of bespoke software developed for the ILF and software licences held only for the purpose of managing the ILF. All intangible assets are carried at fair value in accordance with the FReM.

Bespoke software assets are capitalised in these accounts in the year of implementation. Amortisation is on a straight line basis over the estimated useful life of three years.

Software licences are capitalised in these accounts in the year of acquisition. Amortisation is on a straight line basis over the estimated useful life being the period of the software licences.

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

## *Notes to the Accounts for the year ended 31 March 2012*

### *e) Financial instruments*

The ILF's procurement policy is to enter into 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 Statement of Financial Position 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). Subsequent measurement is at amortised cost, although no adjustment for the time value of money is made where the settlement period is short so there would be no significant effect.

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. Financial liabilities comprise grant liabilities, trade payables and accruals.

### *f) Reserves policy*

Grants in aid are 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.

### *g) 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. Grants in aid received form part of the Departmental Expenditure Limits for the respective Departments. Grants in aid are treated as financing rather than income and are directly credited to reserves.

### *h) 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.

## *Notes to the Accounts for the year ended 31 March 2012*

### *i) Grants to individuals*

Grants to individuals are discretionary grants made within the terms of the Trust Deed. Grants are paid four-weekly in arrears on the basis of authorised awards. Amounts due but unpaid at the end of the financial year are accrued in these accounts. The accrual is calculated from the awards made by the end of the financial year but not fully paid up to the end of the financial year. We have included an additional element to this accrual this financial year, reflecting the commitment owed to users who submit invoices for reimbursement and are paid outside the routine four weekly payment cycle.

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.

### *j) 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 case are used, in accordance with the ILF's guidelines and procedures.

In accounting for recoveries we have adhered to the Conceptual Framework for Financial Reporting which gives guidance that an asset should not be recognised in the statement of financial position when the expenditure has been incurred for which it is considered improbable that economic benefits will flow. Therefore a receivable 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 individual to support the existence and valuation of the amount receivable.

The receivable recognised is disclosed as a reduction to expenditure in the year in which it is recognised. Receivables are assessed at the end of each accounting period and reduced to the 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 3.5% (3.5% for 2010-11).

## *Notes to the Accounts for the year ended 31 March 2012*

### *k) Operating leases*

Operating leases are charged to the Statement of Comprehensive Net Expenditure 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.

### *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.

Where the estimated period of recovery of a grant is under 10 years, it is assumed that the full amount will be recovered. Where the period is over 10 years only the amount likely to be recovered within 10 years is included.

### *n) Reporting segments*

IFRS 8 requires entities to provide information relating to the components of the entity that management uses to make decisions about operating matters. A segmental financial analysis is not considered necessary for the ILF, as no separate components are used for operating decisions made by the Senior Management Board.

### *o) Provisions*

Provisions are recognised when there is a present obligation (legal or constructive) as a result of an event that occurred in the past and the settlement of that obligation will result in an outflow of resources, but the timing or amount of the settlement is uncertain. The amount recognised as a provision is the best estimate of the consideration which will be required to settle the obligation.

The Voluntary Exit Scheme (VES) was provided for in 2011 as the liability was recognised when the scheme was launched. Had there been insufficient volunteers further redundancy schemes would have followed.



*Notes to the Accounts  
for the year ended 31 March 2012*

**3 Grants to individuals**

	<b>2011-12</b>	<b>2010-11</b>
	£000	£000
Payments made in year	335,141	361,147
Grant liabilities at start of year	(13,528)	(12,811)
Grant liabilities at end of year	14,859	13,528
Grant returns received in year	(10,396)	(11,971)
Grant receivables at start of year	1,111	1,054
Grant receivables at end of year	(1,209)	(1,111)
	<u>325,978</u>	<u>349,836</u>
Grants payable for year	<u>325,978</u>	<u>349,836</u>
Number of individuals in receipt of payments	20,540	22,059

Grants to individuals are paid four-weekly in arrears. Grant liabilities consist of the accrued amounts from awards made by the end of the financial year but not fully paid up to the end of the financial year, an additional element not previously accrued amount to £394,000 (see note 2i).

Returns received comprised £7,946,000 in respect of unused funds returned by individuals, and £2,450,000 received under formal recovery arrangements (£9,217,000 and £2,754,000 respectively for 2010-11).

Grant receivables 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 11.

*Notes to the Accounts  
for the year ended 31 March 2012*

**4a Staff numbers and related costs**

	<b>2011-12</b>	<b>2010-11</b>
	£000	£000
Directly employed staff		
Wages and salaries	3,182	3,730
Social security costs	231	261
Other pension costs (see below)	517	619
Provision for Voluntary Exit Scheme (VES)	-	670
	<hr/>	<hr/>
Total directly employed staff costs	3,930	5,280
Agency staff costs	71	85
	<hr/>	<hr/>
Total staff costs	4,001	5,365
	<hr/> <hr/>	<hr/> <hr/>

The Voluntary Exit Scheme provision was an estimate of the cost, based upon predicted staff uptake, of the Voluntary Exit Scheme that the ILF had committed to and that was in progress at 31 March 2011. The Voluntary Exit Scheme was underpinned by redundancy schemes should there have been insufficient volunteers therefore a liability was recognised from the date the scheme was launched. The scheme was subsequently completed in May 2011 and the economic outflows were completed by January 2012.

	<b>2011-12</b>	<b>2010-11</b>
	Number	Number
Average number of whole-time equivalent persons directly employed:		
on permanent contract	110	151
on loan from DWP	2	2
on fixed-term contract	1	1
	<hr/>	<hr/>
	113	154
	<hr/> <hr/>	<hr/> <hr/>

## *Notes to the Accounts for the year ended 31 March 2012*

### **4b Other pension costs**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and as such the Independent Living Fund is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2011-12, employers' contributions of £490,000 were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2010-11 £581,000 in a range of 16.7% to 24.3%) From 2012-13, the rates will be in the range 16.7% to 24.3%. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 £25,000 (£35,000 in 2010-11) 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 £2,000, 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 or ill health retirement of these employees (£3,000 and 0.8% in 2010-11).

Contributions due to the pension providers were £48,000 at 31 March 2012 (£60,000 at 31 March 2011). Contributions prepaid were nil at 31 March 2012 (nil at 31 March 2011).

*Notes to the Accounts  
for the year ended 31 March 2012*

**4c Reporting of Civil Service and other compensation schemes - exit packages**

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£10,000	- (2010-11: 1)	10 (2010-11: Nil)	10 (2010-11: 1)
£10,000 - £25,000	- (2010-11: Nil)	34 (2010-11: Nil)	34 (2010-11: Nil)
£25,000 - £50,000	- (2010-11: Nil)	1 (2010-11: Nil)	1 (2010-11: Nil)
	- (2010-11: 1)	45 (2010-11: Nil)	45 (2010-11: 1)
	£	£	£
<b>Total resource cost</b>	- (2010-11: 9,120)	616,338 (2010-11: Nil)	616,338 (2010-11: 9,120)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the ILF has agreed early retirements, the additional costs are met by the ILF and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

*Notes to the Accounts  
for the year ended 31 March 2012*

**5 Other expenditure and non cash items**

	2011-12 £000	2010-11 £000
Running costs:		
Independent Assessor fees and expenses	1,040	1,245
IT and information security costs	356	315
Rates, utilities, and other estates costs	247	281
Legal and professional costs	226	243
Services, training, recruitment, travel and subsistence	147	195
Trustees' costs	91	180
Communication and engagement	89	141
Postage costs	60	132
Printing costs	39	113
Auditor's remuneration	50	54
Loss on disposal of plant and equipment	2	13
Total running costs	<u>2,347</u>	<u>2,912</u>
Rentals under operating leases	<u>1,150</u>	<u>1,168</u>
Total other expenditure	<b><u>3,497</u></b>	<b><u>4,080</u></b>
Non-cash items		
Depreciation	176	202
Amortisation	135	127
Total non-cash items	<b><u>311</u></b>	<b><u>329</u></b>

**6 Interest receivable**

	2011-12	2010-11
Bank interest	<u>57</u>	<u>41</u>

*Notes to the Accounts  
for the year ended 31 March 2012*

**7 Analysis of Net Expenditure by Programme and Administration budget**

	Programme	Administration	Total 2011-12 £000	Programme	Administration	Total 2010-11 £000
<b>Expenditure</b>						
Grants to Individuals	325,978	-	325,978	349,836	-	349,836
Staff Costs	-	4,001	4,001	-	5,365	5,365
Running Costs	-	2,455	2,455	-	2,822	2,822
Independent Assessor Costs	1,040	-	1,040	-	1,245	1,245
<b>Non Cash Items:</b>						
Depreciation	-	176	176	-	202	202
Amortisation	-	135	135	-	127	127
Profit/Loss on disposal of property, plant and equipment	-	2	2	-	13	13
<b>Income</b>						
Interest Receivable	-	(57)	(57)	-	(41)	(41)
<b>Net Expenditure after Interest</b>	<b>327,018</b>	<b>6,712</b>	<b>333,730</b>	<b>349,836</b>	<b>9,733</b>	<b>359,569</b>

*Notes to the Accounts  
for the year ended 31 March 2012*

**8 Property, plant and equipment**

	Information Technology £000	Restated Total £000
<b>Cost</b>		
Balance at 1 April 2011	718	718
Additions in year	34	34
Disposals in year	(107)	(107)
Balance at 31 March 2012	645	645
<b>Depreciation</b>		
Balance at 1 April 2011	368	368
Charge for the year	176	176
Disposals in year	(104)	(104)
Balance at 31 March 2012	440	440
<b>Net book value at 31 March 2012</b>	205	205
at 31 March 2011	350	350

*Notes to the Accounts  
for the year ended 31 March 2012*

	Information Technology £000	Restated Total £000
<b>Cost</b>		
Balance at 1 April 2010	891	819
Additions in year	85	85
Disposals in year	(258)	(258)
Balance at 31 March 2011	718	718
<b>Depreciation</b>		
Balance at 1 April 2010	411	411
Charge for the year	202	202
Disposals in year	(245)	(245)
Balance at 31 March 2011	368	368
<b>Net book value at 31 March 2011</b>	350	350
at 31 March 2010	480	480

All assets are owned by the ILF.



*Notes to the Accounts  
for the year ended 31 March 2012*

**9 Intangible assets**

	Information Technology £000	Restated Assets under Construction £000	Restated Total £000
<b>Cost or valuation</b>			
Balance at 1 April 2011	479	132	611
Additions in year	117	110	227
Disposals in year	-	(3)	(3)
Balance at 31 March 2012	596	239	835
<b>Amortisation</b>			
Balance at 1 April 2011	233	-	233
Charge for the year	135	-	135
Balance at 31 March 2012	368	-	368
<b>Net book values</b>			
At 31 March 2012	<b>228</b>	<b>239</b>	<b>467</b>
At 31 March 2011	246	132	378
<b>Cost or valuation</b>			
Balance at 1 April 2010	295	-	295
Additions in year	184	132	316
Balance at 31 March 2011	479	132	611
<b>Amortisation</b>			
Balance at 1 April 2010	106	-	106
Charge for the year	127	-	127
Balance at 31 March 2011	233	-	233

(continued on next page)

*Notes to the Accounts  
for the year ended 31 March 2012*

	Information Technology £000	Restated Assets under Construction £000	Restated Total £000
<b>Net book values</b>			
At 31 March 2011	<b>246</b>	<b>132</b>	<b>378</b>
At 31 March 2010	189	-	189

Assets under construction relate to the introduction of the Government Secure intranet. Upon review these assets have been reclassified from property plant and equipment, where they were presented last year, to intangibles as this represents a more accurate presentation of the assets which are primarily software licenses and related configuration costs.

Intangible assets mainly comprise bespoke software and software licences.

There is no significant difference between historic cost and fair value.

### **10 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 – loans and receivables**

	31 March 2012 £000	31 March 2011 £000
Grants under formal recovery	1,209	1,111
Cash and cash equivalents	9,626	4,385
Other receivables	7	5
	<u>10,842</u>	<u>5,501</u>

## *Notes to the Accounts for the year ended 31 March 2012*

**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 risks related to grants under formal recovery are provided in note 11.

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

**Other receivables:** Represents moneys due in the short term and generally expected to be received within three to six 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 in year to ensure demand remains within the available funding.

### **Financial liabilities**

	31 March 2012	31 March 2011
	£000	£000
Grant liabilities	14,859	13,528
Trade payables and accruals	722	630
	15,581	14,158
	15,581	14,158

**Grant liabilities:** Represents awards authorised but unpaid at the year end, which are due to be paid within one to two 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 payables and accruals:** Represents amounts payable in the short term, to be met out of cash held at the year-end.

*Notes to the Accounts  
for the year ended 31 March 2012*

**11 Trade and other receivables**

	31 March 2012 £000	31 March 2011 £000
<b>Due within one year</b>		
Grants under formal recovery	294	277
Prepayments	163	125
Other receivables - bank interest	7	5
	<hr/> 464	<hr/> 407
<b>Due after more than one year</b>		
Grants under formal recovery	<hr/> 915	<hr/> 834
<b>Total due</b>	<hr/> <hr/> 1,379	<hr/> <hr/> 1,241

Formal recovery is managed by a specialist team within the ILF and amounts with repayment arrangements in place are recorded for debt management purposes. Unspent monies are returned outside the formal recovery process. Unspent monies are not considered overpayments, these arise predominantly as a consequence of periods of time when care is not required or occasions when the award is not fully expended and are surrendered voluntarily in line with the ILF policy.

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 day value. Impairment is also considered, in particular where there is a probability that recovery arrangements may not be sustained for a prolonged period.

Of the recoveries due over one year, £602,000 is expected to be received within the next two to five years and £313,000 is expected to be received within the next five to ten years (£575,000 and £259,000 respectively at 31 March 2011).

All receivables relate to bodies external to Government.

*Notes to the Accounts  
for the year ended 31 March 2012*

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

**12 Cash and cash equivalents**

	2011-2012 £000	2010 -2011 £000
Balance at 1 April	4,385	11,599
Net cash inflow/(outflow)	5,241	(7,214)
Balance at 31 March	<u>9,626</u>	<u>4,385</u>

The following balances at 31 March were held:

	31 March 2012 £000	31 March 2011 £000
Benefit account	9,202	4,325
Administration account	424	60
	<u>9,626</u>	<u>4,385</u>

Cash and cash equivalents comprise bank balances which are held in current accounts in a UK commercial bank.

*Notes to the Accounts  
for the year ended 31 March 2012*

**13 Current liabilities**

(a) Amounts falling due for payment within one year

	31 March 2012 £000	31 March 2011 £000
Grant liabilities	14,859	13,528
Trade payables	182	176
Other taxation and social security	61	79
Accruals	479	375
Provision for Voluntary Exit Scheme (VES)	-	670
	15,581	14,828
	15,581	14,828

Other than tax payable to HMRC, all payables relate to bodies external to Government.

(b) The VES provision was an estimate of the cost, based upon predicted staff uptake, of the Voluntary Exit Scheme that the ILF had committed to and that was in progress at 31 March 2011. The scheme was subsequently completed in December 2011 and the economic outflows were substantially completed by September 2011.

	31 March 2012 £000	31 March 2011 £000
Balance at 1 April 2011	670	-
Provisions utilised in year	(616)	-
Provisions not required written back	(54)	-
Provision during the year	-	670
	-	670
Balance at 31 March 2012	-	670

(c) There were no amounts falling due for payment after one year (2010-11: none).

*Notes to the Accounts  
for the year ended 31 March 2012*

**14 Losses and special payments**

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.

Where recovery is deemed to be unachievable, a loss is recorded, 233 losses with a total value of £1,531,000 were recorded in 2011-12 (234 losses with a total value of £1,196,000 for 2010-11). 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.

Losses 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. As these payments were recorded as costs when originally advanced they do not represent a further cost once deemed irrecoverable.

No other losses have been incurred by the ILF that require reporting in this note.

No special payments, which fall to be reported under the disclosure requirements of the FReM, were made during 2011-12 (2010-11: none).

**15 Operating leases**

There is a sub-lease for accommodation and facilities with the Department for Work and Pensions that expires on 31 March 2018.

The charges to the ILF are set in the head lease between the Department and its accommodation supplier. 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 which expires on 2 March 2014.

*Notes to the Accounts  
for the year ended 31 March 2012*

There was an operating lease for a car for the use of the Chief Executive as part of his loan agreement; allowable petrol costs are claimed as expenses in accordance with ILF travel and expenses policy.

Total future minimum lease payments under operating leases for each of the following periods were:

	31 March 2012 £000	31 March 2011 £000
<b>Land and buildings (Equinox House)</b>		
within one year	871	1,154
within two to five years	4,724	4,618
after five years	1,573	2,309
	<u>7,168</u>	<u>8,081</u>

	31 March 2012 £000	31 March 2011 £000
<b>Other leases</b>		
within one year	18	24
within two to five years	18	37
after five years	-	-
	<u>36</u>	<u>61</u>



*Notes to the Accounts  
for the year ended 31 March 2012*

**16 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 £76,380 for 2011-12 and further information is provided in the Remuneration Report (£134,400 for 2010-11). Trustees received reimbursement for travel and subsistence expenses amounting to £11,000 for 2011-12 (£9,000 for 2010-11). For 2010-11 and 2011-12, one Trustee was a beneficiary of the ILF and received payments in accordance with the objects of the Fund; a procedure is in place to manage actual or perceived conflicts of interest.

The Chairman took a personal decision to waive his salary, with effect from December 2010, for the residual months of the year, and throughout 2011-12.

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.

**17 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 (DWP) including its agencies (representing the Secretary of State), and the Department for Social Development in Northern Ireland (DSD). We received grant in aid from DWP of £328,000,000 (2010-11: £340,500,000) and DSD £10,300,000 (2010-11: £10,800,000). The Trustees are the controlling party.

For 2010-11 and 2011-12 one Trustee was a beneficiary of the ILF and received discretionary grants in accordance with the objects of the Fund. An appropriate procedure is in place to manage actual or perceived conflicts of interest.

No other related parties, including the Trustees and key management staff, have undertaken any transactions with the ILF during 2010-11 or 2011-12.

## *Notes to the Accounts for the year ended 31 March 2012*

### **18 Capital commitments and contingent liabilities**

There were no capital commitments or contingent liabilities at 31 March 2012 (none at 31 March 2011).

### **19 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. The following statement is **not** in £000.

	2011-2012	2010 -2011
	£	£
Balance at 1 April	114	114
Bank interest added in the year	-	-
	<hr/>	<hr/>
	114	114
	<hr/> <hr/>	<hr/> <hr/>

### **20 Events after the reporting period**

There have been no events which affect these accounts since the reporting date. IAS 10 requires the ILF to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General. The authorised date for issue is 1 June 2012.





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