



**People, Pay
and Pensions
Agency**

Annual Report and Accounts 2010 - 2011



MINISTRY OF DEFENCE

An Agency of the Ministry of Defence

Annual Report and Accounts 2010 - 2011



**People, Pay
and Pensions
Agency**

Presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 18th July 2011

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ISBN: 9780102973365

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

ID P002437073 07/11

Printed on paper containing 75% recycled fibre content minimum.

This document is also available for download from <http://www.official-documents.gov.uk>

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Statement by the Chief Executive



As Chief Executive of PPPA I take pleasure in presenting the following report and accounts that set out the Agency's achievements for the year 2010/11. Over the last 12 months the Agency has delivered all the Internal Measures of Performance set by the owners advisory board, met all business requirements within budget, whilst undertaking an extensive restructuring that has streamlined specific services, enhanced the range of our capabilities and improved our customer focus. Towards the end of the year we successfully ran a major Early Release Scheme (ERS) for the department that attracted unprecedented levels of demand.

During 2010/11 we enhanced the resilience of our IS systems by completing the Oracle 11 upgrade on time. We also played the lead role in developing a pan-Government resourcing system; delivering an e-resourcing system which has enabled many improvements in recruitment, generated savings across MoD and also provided a key enabler for the pan Government Civil Service Resourcing service being created under the Next Generation Human Resources (NG HR) programme.

I am please to record that the Agency achieved significantly higher levels of customer satisfaction in both HR and Payroll services compared to previous years. This reflects well on the Agency workforce and is a testament to their efforts over the year. I believe the Agency is ready and well-prepared for the future challenges that lie ahead. As we move forward we will need to continue to deliver quality services whilst generating further efficiencies to assist in meeting the MOD's financial challenges. Responding to these challenges will mean that the Agency will move later this year to become part of the Defence Business Services organisation which will combine HR, Finance and Commercial support services in a multi-functional shared service business able to extract significant synergies and efficiencies. These accounts will be the final accounts of the Agency. I have every confidence that our workforce will continue to provide quality support services to all civilians in Defence under the new management arrangements.

A handwritten signature in black ink, which appears to read 'Mark Hutchinson'.

Mark Hutchinson
Chief Executive
People, Pay and Pensions Agency
8th July 2011

Governance Structure

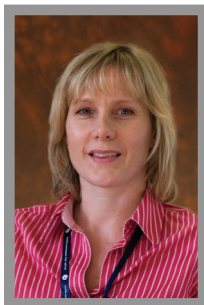
The plans and strategic direction of the People, Pay and Pensions Agency are managed by a board consisting of the Chief Executive and his heads. The primary role of the board is the identification and setting of the PPPA's key business and performance targets through the Corporate Planning process, assessment of the risks to achievement of those targets and the regular monitoring of performance targets against them. The appointment of the Agency Chief Executive is governed by the processes set out in the Civil Service Management Code. No member of the Management Board holds any directorship or has any other significant interests which may conflict with their management responsibilities.



Mark Hutchinson,
Chief Executive



Dave Wealthall
Head of Systems and
Projects



Sam Hill
Head of Performance and
Finance



Caroline Rumming
Head of Customer
Services



Margaret Savage
Non-Executive Director

Mark Hutchinson

Chief Executive is responsible for the management of the Agency and accountable to the Owner, Director General HR and Corporate Services.

Dave Wealthall

Is responsible for Business Support. This includes overseeing Project Management, Corporate Convergence, Commercial, Management Information and Business Knowledge and Training. Other responsibilities include ensuring the Agency makes best use of processes, systems and infrastructure.

Sam Hill

Is responsible for providing a range of corporate activities including Financial and Budget Management, Strategic HR, Corporate Planning, Risk and Business Continuity, Audit and Assurance, Internal Communications, Secretariat, Information Assurance and Management of the Agency DII/F Information Hub. Other responsibilities include ensuring the Agency meets external standards such as ISO.

Caroline Rumming

Is responsible for Customer Interface, Expert Services and Transactional Services. This includes delivery of our services in accordance with the individual Service Level Agreements we have with the Top Level Budgets (TLBS), a People Service Centre that provides a first point of contact for all customers, specialists business and support offices, transactional support, operational management and customer relations. Other responsibilities include liaising and communicating directly with MOD policy leads, customers and repayment customer to ensure they are informed of PPPA services and the effective resolution of customer issues and complaints.

Margaret Savage

The Non-Executive Director is responsible for providing independent advice and assurance to the Management Board. The Non-Executive Director also chairs the PPPA Audit committee.

David Bowles

In his role as Non-Executive Director to Director General Human Resources & Corporate Services (DGHR&CS) David Bowles has been invited to provide additional Governance at Agency Audit Committees.

PPPA Internal Measures of Performance 2010/2011

Internal Measure of Performance 1: Deliver our services to the standard set out in the Service Level Agreements as agreed with customers

Description: Achieve performance indicators for service availability, accuracy of salary payments, answering calls, resolution of customer complaints and enquiries.

Status: Achieved

Summary of Performance: This year the Agency had a more testing objective to resolve general enquiries within 2 working days. In previous years the target had been within 10 working days.

The achievement of all these service delivery targets demonstrates our continuing focus to make improvements to the levels of service our customers receive.

Key Target 1	Target	Actual	Comments		Trend
Service availability	97.5%	99.4%	Exceeded Target		Maintained (achieved 99.4% 09/10)
Salary Payments Accuracy	98%	99.6%	Exceeded Target	↑	Up (achieved 99.2% 09/10)
Percentage of calls answered	80%	84.3%	Exceeded target	↑	Up (achieved 84% 09/10)
Resolution of complaints	95%	95.0%	Achieved Target		A direct comparison with 2009/10 is not possible. Previously resolution of customer contacts (i.e. complaints and enquiries) was measured as one target.
Resolution of enquiries	80%	93.0%	Exceeded Target		A direct comparison with 2009/10 is not possible. Previously resolution of customer contacts (i.e. complaints and enquiries) was measured as one target.

Internal Measure of Performance 2: Increase customer satisfaction

Description: Improve customer satisfaction for HR Services from 68.1% to 72% and maintain the high level of satisfaction with pay and expenses at 82%.

Status: Achieved

Summary of Performance: The levels of customer satisfaction have improved when a like for like comparison with 2009/2010 is made.

The 2009/2010 results for Payment Services included the Pensions service previously provided by the PPPA. However, following the transfer of Pensions to MyCSP from 01 April 2010 the 2010/2011 target for maintaining satisfaction with Payment services should have been revised accordingly to remove the pensions result.

Retrospectively an independent review of the 2009/2010 results took place removing the pensions element to enable a true year on year comparison to take place. This resulted in a revised baseline figure of 76.9% for Payment services.

PPPA Internal Measures of Performance 2010/2011

The validity of the rationale for revising the figures to remove pensions has been independently verified by Defence Internal Audit.

Key Target 2	Target	Actual	Comments		Trend
HR activities	72%	72.9%	Exceeded Target	↑	Up (68% 09/10)
Payment services	Maintain 2009/2010 result (82%) (see Note)	78.6% (Restated from 76.9% due to removal of pensions element for year on year comparison)	Exceeded Target	↑	Up (76.9% 09/10)

Internal Measure of Performance 3: Deliver e-recruitment capability that meets the pan-government requirements of Next Generation HR with roll out to the MOD in July 2010.

Description: The MOD was the lead Department in the development of a pan government e-resourcing service designed to meet all Departments internal and external recruitment needs. The PPPA was responsible for initial delivery of the service which was part of the Recruitment Work stream of the wider Next Generation HR Programme.

Status: Achieved

Summary of Performance: Although the Agency was prepared for the launch of the system in July implementation of the e-resourcing project was temporarily put on hold as a result of the review of all significant IT expenditure (ICT Moratorium Review) which was introduced following the implementation of the Treasury Commitment Control Regime.

Target	Actual
Phase 1 implemented within MOD – July 2010	Sept 2010
Phase 2 implemented within DWP - October 2010	Oct 2010

Internal Measure of Performance 4: Reduce Unit costs of our services

Description:

Achieve agreed unit costs targets for salary payments; expenses payments; internal posting; external recruitment; manpower substitution; promotion and assessments and career consultancy and development service. These targets reflect financial savings which are expected to arise from efficiency gains.

Performance Reporting:

PPPA has agreed with its owner that up to 2 Unit Costs can be shown as amber (under review) before the Agency is deemed to not be achieving its targets.

Each Performance Measure has a 10% tolerance before it is flagged up as under review (Amber).

Status Achieved

Summary of Performance: In 2010/2011 the PPPA set a target to reduce its manpower budget by 100 posts. This reduction was achieved and led to savings in each team compared to 2009/2010 however throughput has been lower in some areas compared to 2009/10 due to factors outside of the Agency such as external recruitment restrictions and reducing staff numbers. The unit cost model was fully reviewed at the beginning of the 2010 and as a result more costs have been captured in the new model which were excluded from the 2009/10 unit costs. Therefore it is not possible to make a direct comparison with 2009/10 unit costs. The targets below have been restated to reflect the reorganisation of PPPA in Oct 2010 as anticipated in the original rationale paper for 2010/11 unit costs

PPPA Internal Measures of Performance 2010/2011

Key Target 4	Target	Actual	Comments	Trend
Salary Account (Cost to pay each person over FY 10-11)	£135.78	£136.79	Costs were within target but throughput was lower due to reducing staff numbers.	Costs reported in 09/10 did not include elements now included and hence a direct comparison is not possible
Expenses Payment (Cost per expense claim submitted)	£1.41	£1.64	Costs stayed within target. Anticipated expense claims were lower than the original target due to internal restrictions on Travel and Recruitment.	
Internal Posting (Cost per Posting)	£557.56	£603.55	Throughput was lower than expected due to restrictions on recruitment	
Agency Staff Placement (Cost per Placement)	£736.50	£600.24		
Successful Band B candidate	£7,949.19	£5,662.30		
Career consultancy	£507.11	£354.38		
Learning and development	£10.19	£5.06		
Working Patterns & Leavers Service	£17.81	£20.31	Anticipated levels of staff reduction did not happen in time span expected. Uptake of the service was lower than expected.	
Occupational Welfare service	£29.19	£31.35	Costs were higher and throughput was lower due to the reducing staff numbers.	

Business Performance 2010/2011

Purpose

At the People, Pay and Pensions Agency we are committed to providing the best possible services to our customers. We provide a comprehensive integrated personnel service for Ministry of Defence civilian staff and their line managers, which is also available in whole or part to other customers on repayment. Our role is to enable managers in the MOD to manage their staff. We also enable our customers to get their entitlements and manage their terms of employment.

Financial Review

During the year the Agency consumed net resources of £44.725M (2009/10: £52.6M Restated to £51.981M following removal of costs of capital (see note 1)). This has been charged to the Agency's General Fund. The resources were consumed in meeting the Agency's obligations and commitments to the Department and to other Government Departments, which included:

- Meeting its Service Level Agreement & Memorandums of Understanding commitments to Director General Civilian Personnel as the Agency's principal customer,
- Fulfilling its obligations to Cabinet Office as an Authorised payroll provider;
- Developing new processes and business structures to support the on-going requirement to generate efficiencies and savings assumed in the MOD's Planning Round;
- Implementing the new IS systems required to improve the Agency's capacity to sustain electronic business processes across the Department and ensure resilience against systems failure.

During the period a total of £950K (of which £213K was financed by Department of Work and Pensions) was expended on new assets under construction to improve the resilience of Agency IS systems.

The accounts of the Agency represent the resources employed in delivering the payroll and HR shared services required under the Service Level Agreement with MOD and in the development of new payroll and HR service delivery processes. The accounts do not include the payroll costs of the MOD's civilian workforce, nor do they include the assets and liabilities accruing to the MOD that are a result of the operation of the payroll processes other than those employed in the delivery of the service. These costs can be found in the MOD Annual Report and Accounts. Details of the pension arrangements for the Agency's own employees are shown in the Remuneration Report and in note 1 of the attached accounts.

Business Performance Summary

During the past two years we have developed as an Agency into a strong operational delivery personnel service. We have developed and enhanced a number of our services ensuring we are in line with the ongoing change programmes that have been ongoing across the Civil Service. Delivery of new services including HR Consultancy and a reshaped resourcing team, more resilient upgraded IS systems, concentrated development of Information assurance and an overall increase in customer satisfaction have all contributed to a busy and high performing year for the Agency.

New and improved Resourcing Service

A number of major changes were experienced within civil service wide recruitment. The PPPA undertook a lot of activity to ensure it continued to deliver a high level resourcing service incorporating these changes. The PPPA were heavily involved in the successful design, build and implementation of an e-resourcing system fit for pan-government use. The PPPA continued to keep one step ahead and restructured the resourcing team in preparation of the e-resourcing system and re-aligned the focus of the resourcing project as a result of the imposed civil service external recruitment freeze. Customers saw a more customer focused delivery of services and a much more visible presence as road shows were delivered across the country for TLBS and customers. As stated in the introduction from the 1st April, this work has been transferred to the ownership of Her Majesty's Revenue and Customs Department while the 5 PPPA Staff administering the project have also transferred.

HR Services Improvement Programme

As part of our contribution to the Optimising HR Programme, the PPPA started work to remodel how we deliver HR support so that over the next two years we are able to reduce the total number of staff engaged in this work by around 50%. This work has been combined with the Agency's own Business Improvement Projects into an amalgamated programme of work which has been named as our HR Service Improvement Programme. The programme consists of specific work streams supported by some more general under-pinning work streams.

PPPA Successes and Highlights 2010/2011

PPPA Successes

Next Generation HR

The PPPA were heavily involved in the design, build and implementation of the pan-Government e-recruitment service designed to meet all Departments internal and external recruitment needs under the Next Generation HR Programme. The new resourcing system went live at the end of September 2010 and within the Department of Work and Pensions at the end of October 2010. This followed a comprehensive testing of the system from all perspectives.

Business Restructure

In October 2010 the PPPA completed a restructure of our business areas which has placed the Agency on a sound basis for the move to DBS as well as providing immediate improvements to our efficiency and effectiveness. The restructure programme focused on the identifying and implementing changes that support improvements to business efficiency, customer service and staff morale. It worked closely with other key projects, Improving customer experience and Electronic data capture, to ensure coherence and optimal improvements.

Staff Involvement

Involvement of all staff is central to the management philosophy of the Agency. Staff are kept informed through regular staff meetings, monthly team briefs, Town Hall sessions, the corporate intranet and internal corporate events. They are encouraged to contribute ideas for improvement through the MODs GEM Staff suggestion scheme, volunteering for special project work and a Junior Management Board is in place providing staff with the opportunity to take responsibility for delivering specific tasks on behalf of the Management Board. Formal and informal discussions take place with trade unions, mainly through the regular meetings of the Functional and Official Whitley Committees.



PPPA Staff proudly hold their PPPA Annual Achievement Certificate. A PPPA scheme that recognises teams and individuals outstanding contribution to the Agency.

PPPA Successes and Highlights 2010/2011

July 2010

PPPA Professional Development Scheme launched

In July 2010 The PPPA announced the launch of their Professional Development Scheme and invited staff at E,D and C2 Grades to apply for this new development opportunity. The Scheme was created following a review into ways in which the Agency could increase the level of certain key professional skills to ensure the Agency continued to improve the quality of our services. The scheme focused on delivering a clear benefit to the Agency in terms of greater capability in key skills as well as potential benefit to the individual in terms of improved prospects of developing a career path within and outside the Agency. Seven individuals were accepted on to the 24 month programme and they continue to progress through the different elements of the programme which involves – Personal study to acquire a professional qualification, short 6 month tours in developmental posts across the Agency and a package of training and mentoring to develop management competences and personal development.



November 2010

Chips Upgrade

On 1st November 2010, the CHiPs 11g upgrade to the pay system was successfully delivered after over 1 years worth of work. The upgrade was undertaken to allow the PPPA to continue to pay people. Without the upgrade the Agency would not have met particular systems criteria and would have no longer been eligible to receive critical updates to the system.

December 2010

Business Continuity Live Test

On December 9th 2010 a Business Continuity live test was held at Cheadle Hulme Site to assess our reaction to the loss of IS and telephones. The test successfully demonstrated the Agency's ability to transfer key services from one site to another e.g.: all calls to the People Service Centre were managed by the Warminster Road PSC, with minimal effect to our customers. A number of lessons learned were identified and specific recommendations were agreed with the Management Board. The recommendations are being implemented and will be managed by the Business Continuity and Risk Adviser. These improvements will help ensure that should PPPA be faced with a real disaster or disruption we are able to recover quickly and continue to deliver out critical business



PPPA Successes and Highlights 2010/2011

January 2011

On 26th Jan 2011, the PPPA was announced as a runner up in the prestigious e-Government national awards for our success in designing, building and implementing an e-resourcing system fit for pan-government use. The awards, endorsed personally by the Prime Minister cover national, local government and the NHS and aim to reward the most innovative and effective uses of technology to connect the public to government services. The award recognised in particular the team work between the MoD, Department for Work and Pensions and World Careers Networks (WCN) but also the success of Cross Departmental Design group; a group led by the PPPA.

February 2011

Information Assurance and Management

Our business involves using high volumes of personal data which must be kept confidential at all times. To ensure that staff were all fully aware of their own responsibilities and the importance of Information Assurance, the PPPA Security and Information Assurance Handbook and Information Management plans were revised and relaunched to all staff. The Handbook provides the Golden rules that staff must follow to ensure that the data that we use is never put at risk. The handbook was launched together with mandatory staff training sessions across the Agency.



March 2011

Voluntary Early Release

In March 2011, the Voluntary Early Release Scheme was launched inviting individuals from across the Ministry of Defence to apply. The PPPA was responsible for providing full administrative support on all the HR issues for the scheme. The PPPA successfully processed all the applications received by the deadline and answered large volumes of customer enquiries. The Agency also provided the strategic, business-related information to the selection panels to ensure that the decisions to allow staff to leave early were based, primarily, on business needs.

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Reporting of Personal Data Related Incidents

TABLE 1 : SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2010/11

Date of incident (Month)	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification Steps
	No incidents to report for the whole year	N/A	N/A	N/A

Further action on information risk :

The Agency will continue to monitor and assess its information risks, in order to identify and address any weaknesses and ensure continuous improvement of its systems.

TABLE 2 : SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2010/11

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally are not cited in the figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

Three CDs lost during the reporting period were appropriately encrypted so are not reportable losses.

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Our policy on payment to Suppliers

The Department's invoices, with the exception of some payments to suppliers made by units locally, are paid through the Financial Management Shared Service Centre (FMSSC). In the period 1 April 2010 to 31 March 2011, the FMSSC paid 99.97% of all correctly submitted invoices within 11 calendar days. This contributed to the Department's overall performance of 99.46% over the 30 calendar day cycle ensuring a high level of compliance with its statutory obligation under the Late Payment of Commercial Debts (Interest) Act 1998. Commercial debt interest paid during this period amounted to £188.13 (2009-10: £20,300). From May 2010 all Government Departments were asked to pay 80% of invoices from suppliers within 5 working days. The Department, including its Trading Funds, has achieved a performance of 95.23% against this target up to 31 March 2011.

Our recruitment and employment policy

Recruitment into the Agency is governed by the Civil Service Order in Council 1995, and is in accordance with the Civil Service Commissioners' Recruitment Principles. In accordance with the Order and the Principles, every person appointed to a post in the Agency is selected on merit on the basis of fair and open competition or under one of the few permitted exceptions as detailed in the Principles. Facilities and special equipment are provided for disabled staff.

Staff joining the Agency from elsewhere in the Ministry of Defence or Civil Service are appointed through internal competition or managed postings following the rules and policies of the Ministry of Defence.

The appointment of Agency Non-Executive Directors (NEDs) follows the established departmental procedure. This requires a visibly fair and open recruitment and selection process, with appointment on merit, thus mirroring the Civil Service Commissioners' Recruitment Principles for permanent employees to the Civil Service. NEDs appointed to the Agency Management Board receive a Letter of Appointment setting out, amongst other things, details of the agreed remuneration.

Our policy on the environment

The Agency's policy is to protect the environment by reducing the adverse and increasing the beneficial effects from our activities, products and services. To ensure this is achieved the Agency and its Management Board contributes to the UK and MODs wider commitment to sustainable development and complies with all relevant environmental legislation, regulations, Greening Government targets and public sector requirements including maintaining certification ISO 14001 that relate to its environmental aspects. The Agency actively prevents pollution where possible and practicable by considering environmental impacts on policy decisions, improving the management of energy, resources, raw materials and emissions in all activities- especially travel. Further to this the Agency continually investigates ways to improve the management of waste through minimisation, re-use and recycling.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General under Section 7 (3) of the Government Resource and Account Act 2000. The notional cost of the statutory audit is £33,500. The Agency did not contract for any non-audit services from its external auditor. In preparing for the audit of the 2010/11 Accounts of the People, Pay and Pensions Agency I have ensured:

- There is no relevant audit information of which the auditors are unaware
- That I have taken all necessary steps to make them aware of relevant audit information
- That I have taken all the necessary steps to establish that the auditors are aware of the information

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Departmental Remuneration Report

Service Contracts

The Constitutional Reform and Governance Act 2010 require Civil Service appointments to be made on merit on the basis of fair and open competition. 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

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of senior management (i.e. Board members) of the department.

(Subject To Audit)

Officials	2010-11			2009-10		
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Mark Hutchinson – PPPA CE	85 - 90	0 - 5	-	40 – 45 Annual Equivalent 85 - 90	-	-
Caroline Rummig – Hd Customer Services	55 - 60	5 - 10	-	55 - 60	5 - 10	-
Dave Wealthall – Hd Systems & Projects	70 - 75	0 - 5	-	70 - 75	0 - 5	-
Sam Hill – Hd Performance & Finance	55 – 60	0 - 5	-	10 – 15 Annual Equivalent 55 - 60	-	-

NOTES: The Agency employed a non-executive director, Margaret Savage, on a consultancy basis to help develop the Agency's corporate governance process. Ms Savage's remuneration for the period was £4,500 (2009/10 £16,070). To further boost the governance of the Agency, Director General Human Resources & Corporate Services (DGHR&CS) non-executive director David Bowles was invited to attend management boards and audit committee's starting from 24th May 2010. Mr Bowles was not paid by the Agency he purely attended to provide additional governance to the process in his role with the HLB. From December 2010, Diana Davy, Head of FMIS attended Agency management boards as part of the future transfer of PPPA IS staff into her organisation on the 1st April 2011. Ms Davy was not paid by the Agency and attended purely in an advisory role.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK Taxation.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses paid in 2010-11 are based on performance in 2009-10

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Officials	Accrued pension at pension age as at 31/03/11 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/11 £'000	CETV at 31/03/10 ¹ £'000	Real increase in CETV £'000
Mark Hutchinson – PPPA CE	35-40 plus lump sum of 105-110	(0)-(2.5) plus lump sum of (0)-(2.5)	731	676	(3)
Caroline Rumming – Hd Customer Services	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	444	401	10
Dave Wealthall – Hd Systems & Projects	40-45 plus lump sum of 120-125	(0)-(2.5) plus lump sum of (0)-(2.5)	848	889	(8)
Sam Hill – Hd Performance & Finance	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	164	143	8

¹ The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

² Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Civil Service Pensions

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an 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 initial 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 for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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 the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

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Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

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Statement of the Accounting Officer's & Chief Executive's Responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the People, Pay and Pensions Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its net operating cost, changes in taxpayers equity and cash flows for the financial year.

In preparing the accounts, the Accounting officer is required to comply with the requirements of the Government Financial Reporting Manual (FRM) and in particular to:

- Observe the Accounts Direction issued by Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

It has been agreed with HM Treasury that, although Chief Executives of Defence Agencies are not appointed Agency Accounting Officers, analogous arrangements will apply. These responsibilities, including responsibility for the propriety and regularity of the public finances for which the Chief Executive is answerable and for keeping proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in 'Managing Public Money'.



Mark Hutchinson
Chief Executive
People, Pay and Pensions Agency
8th July 2011

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Statement on Internal Control

Scope of responsibility

As Chief Executive I have been given responsibilities analogous with those of an Accounting Officer for both the public funds delegated to me to finance the operation of the Agency and for the public funds that the Agency manages on behalf of the Department in its role as a payroll and expenses service provider to the civilian staff of the Department. These responsibilities, as set out in "Managing Public Money" and in my Letters of Designation and Delegation, require me to maintain a sound system of internal control that supports the achievement of Agency policies, aims and objectives whilst safeguarding the public funds and Departmental assets entrusted to me and for which I am personally responsible.

I am required to report regularly to the Agency's Owner on the performance of the Agency against the executive objectives set for it and on the effectiveness of the Agency's management of the Departmental Funds entrusted to it. The People, Pay and Pensions Agency (PPPA) key performance indicators and business performance targets are agreed with the Owner through the Department's corporate planning process. I am also required to report the actions I am taking to mitigate risks to the achievement of those objectives or the proper management of Departmental funds.

I have delegated to each budget holder a set of objectives and responsibilities. Each is required to provide me and the Executive with regular reports on achievement against those objectives and responsibilities, including an assessment of the risks to their achievement and the action being taken to mitigate or manage those risks. The budget holders have the authority to delegate objectives and responsibilities to managers within their areas provided the manner of the delegations accord with relevant departmental and Agency guidance.

The Bids and Investment Appraisal Committee (BIAC) oversees the approval of additional bids or business cases that were not included in either the in-year Corporate Plan business objectives or the delegated in-year budgets for Assistant Head (AH) business areas. The BIAC also considers all significant business cases (i.e. those that exceed 100k).

I chair the Management Board which meets on a monthly basis and is responsible for proposing the in-year Corporate Plan and strategic objectives, including Key Targets, which sets out how the PPPA will take forward its business. The Management Board also secures resources for the plan, monitors and evaluates strategic risks to delivery of the plan and determines what the MOD and other stakeholders want from the PPPA.

The membership of the Management Board during 2010/11 is shown in the Management Review section of the Annual Report and Accounts. The Executive Committee, which I also chair, meets on a monthly basis and oversees the in year performance of the PPPA and ensures that the strategy set by the Management Board (including the Improvement Programme) is being implemented appropriately. It is responsible for taking active steps to correct "off track" performance. Where appropriate it will approve new policies and/or changes to policy in line with the agreed strategy. Policies which represent a change to strategy will be reviewed and endorsed by the Executive Committee before being presented to the Management Board for agreement.

The external member chairs the Agency's Audit Committee and attends the Management Board, the Owner's Advisory Board, the Risk and Business Continuity Committee and the Environmental Management Review. I appointed a second Non-Executive in May 2010 to strengthen the PPPA's current compliance regime.

The Agency's Owner's Board meets at least twice a year to review the Agency's management of its most strategic risks; the achievement of current objectives and the nature of evolving plans for the future direction of the Agency.

The purpose of the system of internal control

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

This system of Internal Control draws upon a variety of resources for input, insight and information in keeping with the Central Top Level Budget (CTLB) Assurance Matrix. These include Business Continuity and Risk Management activities, In-year Financial Management, Service Level Agreement Performance Reviews, Employee and Customer Feedback; External Benchmarking and extensive Audits conducted with National Audit Office (NAO), Defence Internal Audit (DIA), and PPPA Internal Audit Teams.

The system of other internal control has been in place in the PPPA for the year ending 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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Capacity to handle risk

The risk management process is owned by the Management Board. Strategic risks are shared and discussed with the Owner's Advisory Board; and the Agency's input is sought to the identification of potential strategic risks to the successful operation of the Department's Corporate Services Higher Level Budget and CTLB. The Management Board oversees the identification, assessment and management of risks affecting the achievement of objectives and targets, and assigns responsibility for the management of risks to an appropriate officer of the Agency, taking into account their ability to influence the outcome, and the level of knowledge and expertise they possess. The Management Board and its Executive Committee are assisted in this by subsidiary groups that drive actual performance and monitor risk at a more detailed level. These include the PPPA Audit Committee, Management Information Security Forum and Risk and Business Continuity Committee.

The risk and control framework

The Agency has a risk management process in place which complies with the Department's Corporate Governance and Risk Management policies. The Agency's business level risk registers are reviewed on a monthly basis as part of the Assistant Head Performance Reviews to provide an independent check on their content and to ensure appropriate mitigations are in place or planned. A summary of these reviews, including any risks highlighted for escalation to senior management, is presented to the Management Board, Audit Committee and Risk and Business Continuity Committee.

On an annual basis, the external board member conducts an independent review of strategic and corporate risk registers, and challenges the assumptions and effectiveness of the plans to mitigate them. This independent review forms the basis for the risk based Internal Audit Programme.

Review of Effectiveness

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

Information and Data Security

I have overall responsibility for ensuring that information risks are assessed and mitigated to an acceptable level. As part of the Security Policy Framework and Data Handling Review all Government Departments are now mandated to report both Security performance and Information Assurance performance to the Cabinet Office on an annual basis. This follows the decision, by the Cabinet Office, to introduce an Information Assurance Maturity Model (IAMM). This model is designed to help Senior Information Risk Managers (SIROs) put into place an effective change programme to improve Information Risk Management.

In November 2010, the loss of a compact disk containing the Personal file details of a MOD employee was reported to my Senior Information Assurance Manager. I launched a full investigation which revealed that a further three disks were missing; one of which was recovered. A full report and lessons learned was presented to the PPPA Management Board where approval to make the necessary changes to improve the handling procedures to remove the identified weaknesses within the current processes was gained.

On 12 and 13 January 2011, the Chief Information Office Audit Team conducted a Peer Review of the Information Assurance Maturity Model (IAMM) at PPPA. The review reported that PPPA continued to make good progress to reach level 3 maturity and recognised that progress in the IAO community and risk management structures have firmly established PPPA at level 2 maturity. The Agency took forward recommendations from the review and subject to achievement of ISO27001 accreditation is expected to achieve level 3 in 2011.

The preparation for the assessment ensured the Agency achieved a high level of staff awareness and understanding. This has helped to ensure the security and protection of personal data is a key responsibility during delivery of tasks, dealing with customers and engaging with stakeholders. All employees and visitors are required to sign a Confidentiality Agreement.

In addition a Management Information Security Forum (MISF) has been established. The MISF is chaired by a Board member and is responsible for the review and approval of security policy, objectives and plans, and monitoring the effectiveness of security. New data handling protocols have been introduced to strengthen the way all types of personal data is sent to third parties.

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Business Continuity

The PPPA's Business Continuity Master Plan records business critical outputs across PPPA and the resources needed to deliver these in the event of disruption to normal service operations. The plan includes recovery processes, a communications strategy and a suite of subsidiary plans for each business area and site. The scope of these continuity plans was broadened to cover a pandemic (Swine Flu) and helped the Agency cope well with very inclement weather interruptions.

The Risk and Business Continuity Committee meets on a bi - monthly basis to monitor progress and confirm the effectiveness of Business Continuity processes within the Agency reviewing business level and site plans on a rotational basis. This includes a testing programme with feedback analysis and lessons learned.

Tests undertaken during 2010/11 included:

Live exercise at PPPA Cheadle Hulme – Scenario was the loss of IS on site which impacted on the majority of business areas across the Agency, including teams based in Bath who were able to provide cover for the delivery of critical business outputs.

Desktop exercise at PPPA Foxhill – Scenario was the loss of large numbers of staff due to strike action, which provided assurance that business areas could flex resources to ensure all critical functions were delivered.

Simulation exercise at FMSSC Walker House – This tested the reciprocal agreement established between PPPA Cheadle Hulme and FMSSC Walker House to provide alternative accommodation and tested the ability to access PPPA IS applications by a cross section of business areas.

Safety, Health, Environment and Fire (SHEF)

External SHEF Audits were not carried out in 2010/11, due to the re-let of the contract for ISO 14001. However, the Agency continued to conduct its own internal 6-monthly audit programme, with no major Non Conformance Reports (NCRs) raised. SHEF Advisors from CESO CTLB visited the PPPA.

Agency SHEF and Environmental Management Review (EMR) Committees are held bi-annually, with Local Site SHEF Committees conducted quarterly.

In line with Government objectives, CESO set yearly environmental targets to reduce waste, water and energy consumption across the CTLB. This year, the Prime Minister imposed an additional target (Project 10) to cut carbon emissions by 10% by May 11. To date, it is uncertain that the Agency will meet this target due to the very cold winter and increased IT usage.

Defence Internal Audit (DIA)

The PPPA's Audit Committee nominates areas of potential risk for inclusion in the DIA's forward programme of audits and monitors implementation of all their audit observations and recommendations which affect the PPPA.

DIA's 2010/2011 audit programme included:

PPPA Occupational Health Reports – The DIA found that overall, the majority of processes controlling the production of the OHR were operating as intended, however there was an issue relating to the accurate production of management information (MI). Generally the contractual specifications set to produce the OHR through Atos Healthcare were as initiated by PPPA; however issues relating to MI actually supplied by Atos coupled with the non achievement of some Key Performance Indicators (KPIs) suggested potential weaknesses in the internal control framework with a risk to the effective, efficient and economic achievement of the business objective.

Review of Controls over Civilian T&S – Advances - The review found that the majority of civilian personnel were using the advance system correctly. However DIA could only provide limited assurance with the majority of recommendations relating to weaknesses in the controls at TLB level. The PPPA Internal Audit review found 74% of advances were being recovered from subsequent claims with the remainder recovered from salary.

Pan-MOD – Civilian Staff Loans and Advances for House Purchase – Organisational changes within PPPA and the introduction of the new pay system had disrupted activities supporting loans and advances of salary. Weaknesses were exposed in the processes related to the collection and management of the repayments outside of pay, and those related to monitoring loan advance application, repayment set up, and amendments.

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Annual Assurance Statement

The Annual Assurance from DIA is regarded as being substantial - The assurance stated PPPA has in place effective processes in respect of governance, risk management and internal control. The management has continued to build the control environment and has demonstrated a widespread and ongoing commitment to internal control. While the overall picture is positive, there are opportunities to further strengthen the control environment in some areas by improving compliance.

Management Actions plans are in place to address the findings and recommendations made in all the reports progress is monitored by the PPPA Audit Committee.

BACS Approved Bureau Scheme - Triennial Inspection

The report highlighted the Bacs and Bacs related operations appeared well established, monitored and controlled and they are complemented with formalised documented procedures. The inspection regarded the PPPA as excellent in the following categories - Bureau Organisation and Financial Information, Physical Security, Computer Operations, Applications and Systems Support, Bacs Processing and Operations.

Internal Audit and Assurance

The Internal Assurance programme is conducted by the PPPA's own Internal Audit team to review the adequacy and effectiveness of a range of controls. The programme included risk based audits which arose from and independent NED review of the Agency risk registers.

A review of temporary staff costs paid via P2P involved a check of invoices submitted for work completed for the MOD by Temporary Agency Workers (Manpower Substitution) by the employment agencies for a six month period (Nov 2009 to April 2010). The reason for the check was to provide assurance that the two way matching system is working efficiently. The results of the audit gave assurance that the P2P process is working efficiently.

Activities undertaken to reduce the risk of financial loss to the department arising from our Pay and Expenses policies and processes involved working closing with DFAU, DIA. As part of the review of financial loss, PPPA took part in the pilot of the KPMG self assessment tool in payroll. We reviewed the payroll controls at a 'Gold' level of confidence and were supported by DIA.

The analysis of Civilian T&S advances, had triggered several improvements namely:

- Line manager visibility of online claims submitted by their staff;
- Improved MI on advances and an earlier formalised process to engage the DIR cell;
- The online warning of false applications has been made much more prominent;
- The form wording has been changed to direct automatic recovery.

A review of the processes which generate overpayments and our procedures for recovery was also undertaken. A full MI suite for monthly review by the PPPA management board has been developed which enabled analysis of trends across overpayments, including analysis by cause and TLB, overpayments written off and values in dispute.

Compliance reviews against the International Standards for ISO BS EN 27001 Information Security Management Systems found evidence of well organised services for Pay, Expenses and Relocations.

Significant internal control issues

Controls over Civilian Travel and Subsistence -DIA considered that the framework of governance, risk management and control did not support effective, efficient and economic achievement of the business objective and gave a limited assurance for their Pan MoD Audit.

The recommendations are being addressed and monitored through PPPA Audit Committee and the DGHRCs.

Losses and Write-offs - Values of losses and write-offs are reported to the Audit Committee each quarter. They remain relatively low given the volume of transactions within Payroll. Process failures in accruals have also been addressed following lessons learnt last year.

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Conclusion

The operation of the internal control framework during 2010/11 has afforded me considerable assurance that the management of the Agency at all levels has been of a consistently high standard. This is apparent in the rigour with which controls are reviewed, the diligence with which process improvements are sought and the manner in which Agency staff responded to and resolved risks to the continuity of business service delivery and customer satisfaction.

My review has concluded that the system of internal control within the Agency is operating effectively, therefore, and that plans are in place to address any weaknesses that have been identified, to ensure the containment of risk and continuous improvement that underpins our continuing success in delivering quality, value for money, HR services and professional support to the Department, its civilian employees and their managers.



Mark Hutchinson
Chief Executive
People, Pay and Pensions Agency
8th July 2011

Annual Report and Accounts 2010/2011

The Certificate & Report of the Comptroller & Auditor General to the House of Commons

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

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

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

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Financial Review section 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:

Annual Report and Accounts 2010/2011

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

Report

I have no observations to make on these financial statements.

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

14th July 2011

Annual Report and Accounts 2010/2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

		2010-11 £000	2009-10 £000
	Note		
Administration costs:			
Staff costs	2	26,145	31,572
Other administration costs	3	19,407	22,173
Operating income	5	(827)	(1,764)
Programme costs:			
	1		
Net Operating Costs		44,725	51,981
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of Property, Plant & Equipment	6	(240)	(65)
Net (gain)/loss on revaluation of Intangible Non-Current Assets	7	(1,503)	(112)
Receipt of Government Grant Non-Current Asset		(213)	
Depreciation of Government Grant Non-Current Asset		33	
Total Comprehensive Expenditure for the year ended 31-Mar-11		42,802	51,804

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Statement of Financial Position as at 31 March 2011

		31-Mar-11 £000	31-Mar-10 £000
	Note		
Non-current assets:			
Property, Plant and Equipment	6	1,245	2,208
Assets under Construction (Tangible Non-Current Assets)	6	91	61
Intangible assets	7	11,381	10,983
Assets under Construction (Intangible Non-Current Assets)		0	0
Total non-current assets		12,717	13,252
Current assets:			
Trade and other receivables	11	124	108
Other current assets		191	781
Total current assets		315	889
Current liabilities:			
Trade and other payables	13	(1,289)	(1,983)
Other liabilities		(1,292)	(1,394)
Total current liabilities		(2,581)	(3,377)
Assets less Liabilities		10,451	10,764
Taxpayers' Equity:			
General Fund		8,811	10,649
Revaluation Reserve		1,460	115
Government Grant Reserve		180	0
Total Taxpayers' Equity		10,451	10,764



Mark Hutchinson
Chief Executive
People, Pay and Pensions Agency
8th July 2011

Annual Report and Accounts 2010/2011

Statement of Cash Flows for the year ended 31 March 2011

		2010-11 £000	2009-10 £000
Cash flows from operating activities:			
Net operating cost		44,725	51,981
Adjustment for non-cash transactions	3, 4	(7,676)	(6,957)
Increase/(decrease) in trade and other receivables		(574)	(107)
Less (Increase)/decrease in non-current asset receivables		(28)	(9)
(Increase)/decrease in trade and other payables		796	2,440
Less Increase/(decrease) in non-current asset payables		64	(545)
Net Cash Outflow from Operating Activities		37,307	46,803
Cash flows from investing activities:			
Purchase of property, plant and equipment	6	82	615
Purchase of intangibles	7	619	0
Net Cash Outflow from Investing Activities		701	615
Net Financing from parent Department		(38,008)	(47,418)
Net Increase/(decrease) in case and cash equivalents in the period		0	0
Cash and cash equivalents at start of period	12	0	0
Cash and cash equivalents at end of period		0	0

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Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	General Fund £000	Revaluation Reserve £000	Government Grant Reserve £000	Total £000
Balance at 01-Apr-09	9,920	0	0	9,920
Net Parliamentary Funding - drawn down	47,418	0	0	47,418
Comprehensive Expenditure for the year	(51,981)	177	0	(51,804)
Non-Cash and Notional Charges				
IS network communicated charges	2,011	0	0	2,011
HQ charges	1,522	0	0	1,522
Accommodation communicated charges	1,260	0	0	1,260
DFTS network communicated charges	291	0	0	291
Rent and rates	113	0	0	113
Auditors' remuneration and expenses	3, 4 33	0	0	33
Transfers between reserves				
Realised element of non-current asset revaluation	62	(62)	0	0
Balance at 31-Mar-10	10,649	115	0	10,764
Net Parliamentary Funding - drawn down	38,008	0	0	38,008
Comprehensive Expenditure for the year	(44,725)	1,743	180	(42,802)
Non-Cash and Notional Charges				
IS network communicated charges	2,424	0	0	2,424
HQ charges	1,248	0	0	1,248
Accommodation communicated charges	359	0	0	359
DFTS network communicated charges	301	0	0	301
Rent and rates	115	0	0	115
Auditors' remuneration and expenses	3, 4 34	0	0	34
Transfers between reserves				
Realised element of non-current asset revaluation	398	(398)	0	0
Balance at 31-Mar-11	8,811	1,460	180	10,451

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Note 1: Statement of Accounting Policies

Introduction

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the People, Pay and Pensions Agency (PPPA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the PPPA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Statement of Comprehensive Net Expenditure is required to be analysed between administration and programme costs. Administration costs reflect the costs of running the department. Programme costs reflect the non-administration costs of the delivery of the defence programme and include, with the approval of HMT all depreciation charges. In the case of the PPPA, an entity within the administrative Corporate Services cost of the department it has decided that all costs of the Agency, including depreciation are reflected as administration costs for the purposes of the Agency's financial statements. On consolidation of the Agency's costs into the Departmental Resource Account, the HMT approved analysis of administration and programme costs is adopted.

Accounting Convention

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

Net Operating Costs

Costs are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred and matched to any related income. Costs of contracted-out services are included net of recoverable Value Added Tax (VAT). Non-cash amounts are included in the Statement of Comprehensive Net Expenditure for charges in respect of services provided from other areas of the MOD. The amount so charged is calculated to reflect the full cost of providing these services to the Agency. Any surpluses and deficits on disposal of assets no longer required by the Agency are included within Note 3 – Other Administration Costs

Income from services provided to third parties is included within operating income, net of related VAT. The Agency is not separately registered for VAT and VAT collected is accounted for centrally by the Ministry of Defence. The Agency's accounts do, however, include non-recoverable VAT attributable to its operating expenses. Income is recognised on a straight line basis in the period in which the services it relates to were delivered to the customer.

No value is attributed in the accounts to services provide to the Ministry of Defence or to its supply-funded agencies.

Non-Current Assets

For the most part, non-current assets used by the Agency are owned by the Ministry of Defence and a communicated charge for their use is included in the Agency's Statement of Comprehensive Net Expenditure. In cases where an asset is specific to the delivery of Agency services and it does not have a wider use within the Department, it will be accounted for on the Agency Statement of Financial Position as if it were owned by the Agency. The Agency's non-current assets are expressed at their fair value through the application of the Modified Historical Cost Accounting Convention (MHCA). Prospective indices, which are produced by Defence Analytical Services and Advice (DASA), are applied at the start of each financial year to the non-current assets which fall within the categories listed below. These indices, which look ahead to the Reporting Period date, are also adjusted to reflect the difference between the actual change in prices in the prior year and the earlier prediction. In the case of PPPA the indices used are those for

IT and Communications Equipment – Office Machinery and Computers.
IT and Communications Equipment – Communications Equipment

These indices are applied to both tangible and intangible non-current assets

Assets under construction are valued at cost and are subject to indexation. On completion, they are reclassified into the appropriate asset category.

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Subsequent expenditure on an asset is also capitalised where it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Intangible Non-Current Assets

Development costs are capitalised where they contribute towards defining the specification of an asset that will enter production. Those not capitalised are charged to the Statement of Comprehensive Net Expenditure. Capitalised development costs are amortised, on a straight line basis, over the planned operational life of the resultant asset. Amortisation commences when the asset type first enters operational service within the Agency.

Subsequent expenditure on an asset is also capitalised where it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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

Tangible Non-Current Assets

The useful economic lives of tangible non-current assets are reviewed annually and adjusted where necessary. The Agency capitalisation threshold is £5,000 and it is this which determines whether or not an asset is recorded on the Non-Current Asset Register (NCAR).

The principal asset categories reported by the Agency, together with their useful economic lives, are set out in the table below. All the assets are depreciated on a straight line basis.

Category	Years
IT and Communications Equipment Office Machinery	3 - 10
Communications Equipment	3 - 10

Impairment

Impairment charges to the Statement of Comprehensive Net Expenditure occur in circumstances which reduce the carrying amount of property, plant and equipment assets to their recoverable amount. All impairment losses (except for those arising from a clear consumption of economic value or service potential) are written off against the Revaluation Reserve (or Government Grant Reserve, as appropriate) until the carrying amount of the asset reaches its depreciated historic cost. Impairment losses below this amount are charged to the net operating cost section of the Statement of Comprehensive Net Expenditure. Any reversal of an impairment charge is recognised in the Statement of Comprehensive Net Expenditure to the extent that the original charge was previously recognised there. Any remaining amount is recognised in the Revaluation Reserve.

All impairment losses arising from a clear consumption of economic value or service potential should be written off to the net operating cost section of the Statement of Comprehensive Net Expenditure. Any balance on the Revaluation Reserve (up to the level of the impairment) is transferred to the General Fund.

Financial Instruments

Trade and other receivables have been classified as 'loans & receivables'. Trade and other payables, including accruals, are classified as 'other liabilities'.

The fair value of these financial assets and liabilities approximates carrying value due to their short-term nature. Provisions are only made for specific bad debts.

Provisions for Liabilities and Charges

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

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Reserves

The General Fund, The Revaluation Reserve and The Government Grant Reserve represent the balance of the Taxpayers' Equity. As part of the capitalisation of the E-Recruitment Project, the Agency received a contribution to the development of the system. To accurately reflect this the Agency has created a Government Grant Reserve.

Restatement to Reflect Removal of Cost of Capital Charge

In line with Treasury Guidance, Cost of Capital has been removed from the prior year's financial statements and restated for 31st March 2010. In line with this policy no further restatement has been made for opening balances at 1st April 2009.

This has resulted in a change to the following statements:

- Prior year notional charge for cost of capital has reduced from £362k to £0
- Prior year accommodation communicated charge balance has been reduced from £1.517m to £1.260m

The above restatement has resulted in the prior year OCS being reduced from £52.600m to £51.981m

The net impact on reserves prior to this reporting period is nil.

Pensions

Present and past employees are mainly covered by the Civil Service pension arrangements. The main Civil Service pension scheme is an unfunded defined benefit pension scheme, although, as the Agency is unable to identify its share of the underlying assets and liabilities of the scheme, the Agency accounts for the scheme in its accounts as if it were a defined contribution scheme. The employer's charge is met by payment of a Superannuation Contribution Adjusted for Past Experience (SCAPE), which represents an estimate of the cost of providing future superannuation protection for all personnel currently in pensionable employment. In addition, civilian personnel contribute 1.5% of salary to fund a widow/widower's pension if they are members of classic, and 3.5% if they are members of premium, classic plus or nuvos. The Agency's Statement of Financial Position will only include a payable in respect of pensions to the extent that the contributions paid to the pension funds in the year fall short of the SCAPE and widow/widower's pension charges due. Money purchase pensions delivered through employer-sponsored stakeholder pensions have been available as an alternative to all new Civil Service entrants since October 2002.

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

The disclosure for the main pension scheme is included in the Remuneration Report and on the website of the Civil Service Pension Scheme.

Employee Benefits

A charge is made in these accounts for the value of employees' annual leave entitlements earned, but not yet taken, at 31st March each year. This has been valued by reference to Agency average staff costs by grade and based on a 365 day year, thus equating to the MOD policy on payment for untaken leave.

A charge has also been made for the value of performance bonuses due to be paid to staff for performance during the year 2010/11, but not payable until August 2011. The cost of these bonuses has been assessed as 2.7% of the cost of basic pay and allowances plus the cost of the associated Social Security charges.

A charge has also been made for the value of untaken flexi leave earned but not yet taken at 31st March 2011.

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Note 2: Staff numbers and related costs

Staff costs comprise:

	2010-11 £000	2009-10 £000
Wages and Salaries	23,630	25,257
Less Cost of Staff paid by MyCSP	(2,416)	0
Social security costs	1,349	1,595
Other pension costs	3,564	4,271
Costs of locally employed temporary staff	18	449
Total net costs	26,145	31,572

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but People, Pay & Pensions Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2011. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

2 persons (2009-10: 1 person) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,210 (2009-10: £5,528).

Transfer of Staff to MyCSP

On April 1 2010, as a result of a review by the Cabinet Office, responsibility for the administration of all Civil Service Pensions was vested in a new organisation, MyCSP. MyCSP is part of the Department for Work and Pensions. On 1 April 2010, PPPA transferred all pensions administration staff (115 Staff in total) to the new organisation along with any extant Service Level Agreements with repayment customers.

Staff Costs include a figure of £2,416,473 paid to former PPPA Pension staff that continued to be paid by PPPA from 1st April - 31st January when they transferred to MyCSP payroll. PPPA has recovered £2,416,473 from MyCSP on a monthly basis to ensure this is cost neutral to the Agency.

Average number of persons employed:

The average number of whole-time equivalent persons employed during the year was as follows:

	2010-11 No.	2009-10 No.
Directly Employed Permanent Staff	839	1,086
Other	0	24
Total	839	1,110

* 2009-10 Figure of 1,086 includes 115 posts that have transferred to MyCSP

The Agency monitors staff sickness absence as part of its health and safety processes. The Management Board receives data monthly and discusses potential risks arising from any patterns that are identified. During 2010-11 there were 10,076 days lost to sickness absence (average 12.01 days per employee). Of these 10,076 days over 5,000 days were due to long term sick absence.

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Note 2.1: Reporting of Civil Service and other compensation schemes - exit packages

Non Disclosure of compensation packages paid to staff

Treasury informed agencies last year about the requirement to disclose exit packages awarded to staff. This information is detailed within the MOD Annual Report & Account. However the information used to build this submission does not allow the Agency to accurately reflect any payments made to its staff. In previous years PPPA staff have left on exit packages, however these payments would have been funded at TLB level and should not be included in any PPPA disclosure.

Based on this information and in the knowledge that PPPA have run no internal exit schemes over the past FY, the Agency are not able to disclose this information.

Note 3: Other Administrative Costs

	2010-11 £000	2009-10 £000
Non Cash Items:		
Depreciation of tangible non-current	1,291	1,227
Revaluation of tangible non-current assets	(64)	(211)
Amortisation of intangible non-current assets	2,000	1,612
Government Granted asset amortisation - Release of reserve	(33)	0
Revaluation of intangible non-current assets	0	(901)
Auditors' remuneration and expenses	34	33
Notional costs:		
IS network communicated charges	2,424	2,011
HQ charges	1,248	1,522
Accommodation communicated charges	359	1,260
DFTS network communicated charges	301	291
Rent and rates	115	113
Cash costs:		
IS and Telecomms	7,476	9,631
Administration	2,804	3,128
Utilities (Gas, Water, Fuel, Electricity)	638	627
Travel and movement	487	1,121
Training	193	515
Works maintenance	128	185
Medical	4	7
Bank charges	2	1
Catering	0	4
Rent and rates	0	(3)
Foreign currency losses	0	0
Total	19,407	22,173

From 1 April 2009 an element of the Defence Fixed Telecommunications System (DFTS) network has been accounted for centrally by the Department. The amount of £301,000 shown above is the notional charge to the Agency for that element of the cost of the DFTS network. In 2009-10 this element was valued at £291,000.

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Note 4: Programme costs

As set out in Note 1: Accounting Policies, the Agency is considered to have no programme costs.

Note 5: Income

All income earned by the Agency is for the provision of HR services.

	2010-11 £000	2009-10 £000
Income from services provided to Ministry of Defence Trading Funds	315	678
Income from services provided to Other Government Departments	130	546
Income from other customers	382	540
Total	827	1,764

All new repayment services priced by the Agency in 10/11 were on a full cost basis. The only new SLA negotiated within that timeframe with Department of Work and Pensions allowed for the costs to be split equally. This was a true reflection on the relationship agreed within the SLA.

This information is provided for Fees and Charges purposes, not for IFRS 8 purposes.

Last years value for income (£1,765) included pension service income now undertaken by MyCSP, this explains the significant drop off in Agency income from 09-10 - 10-11.

Note 6: Property, plant and equipment

For the year	2010-11	Information & Technology £000	Assets Under Construction £000	Total £000
Cost or Valuation				
At	01-Apr-10	6,018	61	6,079
Additions		0	92	92
Disposals		0	0	0
Reclassification		28	(65)	(37)
Revaluation		819	3	822
At	31-Mar-11	6,865	91	6,956
Depreciation				
At	01-Apr-10	3,810	0	3,810
Charge for the year		1,291	0	1,291
Disposals		0	0	0
Revaluation Adjustment		519	0	519
At	31-Mar-11	5,620	0	5,620
Net Book Value at	31-Mar-11	1,245	91	1,336
Net Book Value at	01-Apr-10	2,208	61	2,269
Asset financing:				
Owned		1,245	91	1,336
Net Book Value at	31-Mar-11	1,245	91	1,336

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For the year	2009-10	Information & Technology £000	Assets Under Construction £000	Total £000
Cost or Valuation				
At	01-Apr-09	5,534	0	5,534
Additions			61	61
Disposals				0
Reclassification				0
Revaluation		484		484
At	31-Mar-10	6,018	61	6,079
Depreciation				
At	01-Apr-09	2,375		2,375
Charge for the year		1,227		1,227
Disposals				0
Reclassification				0
Revaluation Adjustment		208		208
At	31-Mar-10	3,810	0	3,810
Net Book Value at	31-Mar-10	2,208	61	2,269
Net Book Value at	01-Apr-09	3,159	0	3,159
Asset financing:				
Owned		2,208	61	2,269
Net Book Value at	31-Mar-10	2,208	61	2,269

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Note 7: Intangible Assets

Intangible Assets comprise software applications, including licence and contract costs, developed for use in the Agency's business that are not provided through the DII(F) Infrastructure

For the year	2010-11	Software £000	Assets Under Construction £000	Total £000
Cost or Valuation				
At	01-Apr-10	15,456	0	15,456
Additions		0	858	858
Disposals		0	0	0
Reclassification		900	(863)	37
Revaluation		2,108	5	2,113
At	31-Mar-11	18,464	0	18,464
Amortisation				
At	01-Apr-10	4,473	0	4,473
Charged in year		2,000	0	2,000
Disposals		0	0	0
Revaluation		610	0	610
At	31-Mar-11	7,083	0	7,083
Net Book Value at				
Net Book Value at	01-Apr-10	10,983	0	10,983
Net Book Value at	31-Mar-11	11,381	0	11,381

The Agency's holdings of intangible non-current assets at 31 March 2011 comprise software and associated development costs of eight assets. Two assets have been determined to have a useful life of five years subject to technological change or changes to the Agency's operating environment and are being amortised over this period. A third asset, the software element of the CHIPS payroll system, which accounts for £10.224M of the net book value of intangible non-current assets, has been determined to have a useful life of ten years of which, currently, six years remain. The fourth asset, the software element of the E-Recruitment project includes costs for DWP as a Government granted asset. These costs comprise £213k of the £458k gross cost total. The other four assets are software upgrades to the CHRIS system and presently have an out of service date of November 2013

Intangible non-current asset revaluation surpluses account for £1.336M of the balance of £1.460M in the Revaluation Reserve.

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For the year	2009-10	Software £000	Assets Under Construction £000	Total £000
Cost or Valuation				
At	01-Apr-09	14,213		14,213
Additions				0
Disposals				0
Reclassification				0
Revaluation		1,243		1,243
At	31-Mar-10	15,456	0	15,456
Amortisation				
At	01-Apr-09	2,631		2,631
Charged in year		1,612		1,612
Disposals				0
Reclassification				0
Revaluation		230	0	230
At	31-Mar-10	4,473	0	4,473
Net Book Value at	31-Mar-10	10,983	0	10,983
Net Book Value at	01-Apr-09	11,582	0	11,582

Note 8: Financial Instruments

Because of the largely non-trading nature of its activities and the way in which government Agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of a private company. Financial assets and liabilities are generated by day-to day operational activities and are not held to change the risks facing the Agency in undertaking its activities, or for trading. The fair values of all the Agency's financial assets and liabilities approximate to their book values. There are no embedded derivatives that require separation from its host contract and measurement at fair market value through profit or loss, as required by IAS 39. It has been the Agency's policy throughout the year that no trading in financial instruments shall be undertaken.

Categories of financial instruments

Trade receivables have been classified as loans and receivables. Trade and other payables including accruals are classified as other liabilities. The fair value of these financial assets and liabilities approximates carrying value due to the short-term nature of these financial instruments.

Credit risk

The Agency's exposure to credit risk is low. 41.7% (31.5% in 2009/10) of debtors are non-UK government or Trading Funds. There are no overdue dates on outstanding debts. The Agency does not have a bad debt provision. The maximum exposure to credit risk is £195K (330k in 2009/10) of which £130K (£225k in 2009/10) is with Government departments or Trading Funds and hence the risk is zero.

Interest rate risk

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

Currency risk

The Agency does not hold assets or liabilities denominated in a foreign currency, and income and expenditure denominated

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in a foreign currency is negligible. The Agency is therefore not exposed to significant currency risk. The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

Liquidity risk

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

Note 9: Impairments

The Agency has charged no impairments in 2010-11

Note 10: Inventories

The Agency does not hold stocks or work in progress

Note 11: Trade receivables and other current assets

	31-Mar-11 £000	31-Mar-10 £000
Amounts falling due within one year:		
Trade receivables:		
Balances with Central Government Departments	23	4
Balances with Non-government customers	65	104
Balances with MOD Trading Funds	36	0
Prepayments and Accrued Income	191	781
Total	315	889

Note 12: Cash and cash equivalents

The Agency has no balances of cash or cash equivalents.

Note 13: Trade payables and other current liabilities

	31-Mar-11 £000	31-Mar-10 £000
Amounts falling due within one year:		
Trade payables	488	659
Accrued operating expenses	801	1,324
Accrued staff benefits (annual leave)	633	752
Accrued staff benefits (performance bonuses)	610	642
Accrued staff benefits (flexi leave)	49	0
Total	2,581	3,377

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Note 14: Provisions for liabilities and charges

The Agency has made no provisions for liabilities and charges.

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

Note 15: Capital commitments

The Agency has no capital commitments

Note 16: Commitments under leases

The Agency has no commitments under leases

Note 17: Commitments under PFI and other service concession arrangements contracts

The Agency has no commitments under PFI contracts

Note 18: Other financial commitments

The Agency has no other financial commitments

Note 19: Contingent liabilities disclosed under IAS 37

The Agency has no contingent liabilities

Note 20: Losses and special payments

The Agency has written off a number of small sums relating to cancelled rail journeys and hotel bookings to a value of less than £1000. All these sums are included in Note 3: Other Administration Costs. There were no other reportable losses or special payments.

Note 21: Related party transactions

The People, Pay & Pensions Agency is an Executive Agency of the Ministry of Defence. The Ministry of Defence is regarded as a related party. During the period 1 April 2010 to 31 March 2011 and prior years, the People, Pay & Pensions Agency has had various material transactions with the Ministry of Defence and with other entities for which the Ministry of Defence is regarded as the parent department. These entities were The Meteorological Office, The Hydrographic Office, the Defence Science and Technology Laboratory and the Defence Support Group. During the period of these accounts the People, Pay & Pensions Agency also had transactions with a number of other government departments or their agencies. Most of these transactions were with the Department for International Development, DEFRA and its agencies and the Office for National Statistics. During this and the previous year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the People, Pay & Pensions Agency

Note 22: Third-party assets

The Agency holds no assets of this nature

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Note 23: Operating Segments

Products and Services

PPPA engages in only a single business activity and only within a single economic environment. Internal segmentation is on the basis of functional management which represents components of this single business activity – the provision HR, pay and pensions services to the Ministry of Defence, MOD Trading Funds and other Central Government Departments.

Geographical Areas

The Agency operates in the United Kingdom, but provides HR services to MOD employees based in establishments overseas.

Major Customers

The Agency's principle customers include US Visiting Forces, DSTL, DSG, Met Office, and UKHO. Together, these customers represent more than 80% of total Agency income as reported in Note 5.

Note 24: Events post the reporting period

Defence Business Services

From the 1st of July 2011 PPPA will become a part of the new Defence Business Services Organisation (DBS). It is planned that the creation of DBS will bring together the four core corporate functions within MOD – civilian and military HR, Finance, Security Vetting and Information Services. To get full value from the concept and deliver early efficiencies, the department has decided to remove Agency status from the existing bodies and replace them with a new single budgetary structure. A paper seeking formal approval to remove Agency status from the PPPA was submitted to the 9th May meeting of the PPPA Owner's Board.

On 6th July 2012 The Parliamentary Under-Secretary of State for Defence announced that with immediate effect the People, Pay and Pensions Agency will cease to have the status of executive agency of the Ministry of Defence (MOD).

As a result of this change, this will be the final annual report and accounts produced by the PPPA.

Transfer of PPPA Staff into Civilian & Financial Information Systems (CFIS) Organisation

On the 1st April 2011 95 PPPA Staff transferred into the new CFIS organisation (previously Financial Management Information Systems (FMIS)). This transfer moved all IS Staff working in PPPA into one IS focused organisation that will sit within the new DBS organisation. These staff will continue to provide the services previously undertaken within PPPA, however priorities and workloads will now be balanced across all of DBS.

E-Recruitment

Following a successful bid to government, HMR&C won the right to further develop and continue administering the E-Recruitment Tool set up by PPPA. From the 1st April 2011 5 staff within PPPA transferred across to HMR&C. As part of this management HMR&C took ownership of the existing tool set up by PPPA to continue running E-Recruitment across the MOD and seek further business.

Transfer of HR Staff

With the anticipation of Defence Business Services standing up (see above) on the 1st of July, over 300 Human Resource Staff across MOD (the balance of HR staff not currently in PPPA) were transferred across to the PPPA. These staff are being placed around 8 regional hubs each designed to provide a singular best practice HR service across all of MOD. Upon the completion of DBS these staff, 50 Subject Matter Experts (SMEs) held by the process owner and the remaining PPPA staff will be the only staff providing HR service to the MOD.

These accounts have been authorised for issue by the Accounting Officer on the same date as the C&AGs audit certificate.

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ISBN 978-0-10-297336-5

