The Pension Service

Annual Report and Accounts 2007/08

The Pension Service

Part of the Department for Work and Pensions

The Pension Service

Annual Report and Accounts 2007/08

Presented to the House of Commons pursuant to Section 7 (2) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed 17 July 2008

HC855 LONDON: The Stationery Office £18.55

Part of the Department for Work and Pensions

ISBN:978 010295634 4

Contents

Appendices

Accounts

During 2007/08 Our Organisation Was Dedicated to:

Helping people plan and provide for their retirement so they can make the most of their later years.

Providing a service to all, but concentrating support on some of the most vulnerable members of our society.

Striving to really understand our customers and developing effective working relationships with other organisations and charities that support the elderly.

Being just a visit, call or click away.

Chief Executive’s Report

I am pleased to present The Pension Service Annual Report and Accounts for 2007/08.

This Annual Report and Accounts looks back over the last year at what we have achieved, providing a balanced and objective assessment against the objectives we set in our business plan, together with our annual accounts in accordance with the requirements placed on Government agencies.

The final year of The Pension Service has been one of major change and achievement by our staff. Their commitment and dedication has been fantastic and humbling.

The year has not been without its problems, but I am clear that we ended it as a more progressive service and much further on than we were at the beginning. In fact, despite these problems customer satisfaction increased. As we continue our transformation I don’t suppose the task will feel any easier, and, no doubt, there will be a few more challenges to deal with during 2008/09.

Our Future Pensions Division’s Pension Tracing Service team successfully hit their Public Service Agreement target a month early – a considerable achievement. The team was set a target to complete 60,000 successful traces for 2007/08; this represents a 50 per cent increase over the 2006/07 target. Every single successful trace has resulted in that person having the right information to help them plan for their retirement.

On 22 January 2008, the Permanent Secretary, Leigh Lewis announced the bringing together of The Pension Service and the Disability and Carers Service into a new Agency from 1 April 2008, to be known as the Pension, Disability and Carers Service. I believe this to be a welcome development and more about the rationale and our plans can be found in the Pension, Disability and Carers Service Business Plan for 2008/09. In short, we are determined to ensure that our new services are designed from the experience of our customers and not our own views.

As this is the final Annual Report for The Pension Service I want to pay tribute to the considerable achievement and progress it has made under the leadership of Alexis Cleveland and her senior team. They have much to be proud of, laying such strong foundations for a modern public service. We have yet to finish the journey, but I am clear that our service to customers will get even more innovative and stronger because of the work already done.

And finally I want to thank our people – we are very lucky to have such a passionate workforce.

Terry Moran
Chief Executive
1 July 2008

About The Pension Service

History

The Pension Service was launched in 2002, as an executive agency of the Department for Work and Pensions to provide a service for today's pensioners and to enable future pensioners to plan pension provision. It operated through a network of pension centres supported by a Local Service and was responsible for delivering benefits, entitlements and other services to over 12 million customers in Great Britain and abroad.

Departmental Objectives

The Department has a number of strategic objectives to which it is committed:

- to ensure the best start for all children and end child poverty by 2020;
- to promote work as the best form of welfare for people of working age[1], while protecting the position of those in greatest need;
- to combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- to improve rights and opportunities for disabled people in a fair and inclusive society; and
- to ensure customers receive a high quality service, including high levels of accuracy.

The Department has a number of associated Public Service Agreement (PSA) targets for which it is responsible; The Pension Service takes the lead on two:

- **Public Service Agreement 6 (SR04) - By 2008, to be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the Guarantee Credit.**

- **Public Service Agreement 7 (SR04) - Improve working-age individuals' awareness of their retirement provision such that, by 2007/08, 15.4 million individuals are regularly issued a pension forecast and 60,000 successful pension traces are undertaken a year.**

Principal Activities 2007/08

The Pension Service:
- Calculated customers' entitlement to State Pension and Pension Credit.
- Provided a face-to-face service in a place that was convenient for customers or in the comfort of their own home.
- Paid entitlements.
- Received questions over the phone, by post and by email.
- Advised customers how they could access other pension-related entitlements and services.
- Worked in partnership with other local organisations to deliver pension-related services.
- Provided information for future pensioners, to help them make decisions about their pension provision.

[1] The Department's employment programmes and many of its initiatives do not have specific upper age eligibility limits. This recognises that people will increasingly wish to work up to age 65 and beyond.

Performance Targets

The Pension Service's performance targets were set out in The Pension Service Business Plan 2007/08. A detailed description is provided on page 36 of this Annual Report. Future performance targets are set out in the Pension, Disability and Carers Business Plan which was published 15 July 2008.

The Pension Service's strategic objectives for 2007/08 as reported in its business plan were:

- For today's pensioners, to reduce poverty and ensure they benefit from having saved.
- For future pensioners, to provide information to help them plan for their later life.
- To deliver a more efficient, effective and customer driven service.
- For our staff, to achieve high levels of satisfaction and build an organisation that enables them to continuously learn and grow.

The vision for The Pension Service was to deliver a radically transformed and improved service to customers that was accessible to customers and available at convenient times to encourage the take-up of the service.

During 2007/08 The Pension Service delivered the following benefits and associated services:

- State Pension
- Over 80 Pension
- Winter Fuel Payments
- State Earnings-Related Pension
- Christmas Bonus Payments
- Occupational and personal pension tracing
- Additional State Pension
- Pension Credit
- Graduated Retirement Pension
- State Second Pension
- State Pension Forecasts

The Pension Service in brief..

Customers	12.3 million
State Pension customers abroad	1.1 million
Pension centres	16
Staff at 31 March 2008	10,762
Benefit expenditure	£76.8 billion

During 2007/08 The Pension Service dealt with:

- Over 11.5 million telephone calls from the public
- Over 750,000 face-to-face contacts through our Local Service
- 64,852 successful pension traces
- 12.3 million Winter Fuel Payments

More information about services we provide is available on our website at: www.thepensionservice.gov.uk or www.dwp.gov.uk/lifeevent/benefits/dcs

The Pension Service Management Board

During 2007/08 The Pension Service Management Board had a decision-making role in support of the Chief Executive.

It was responsible for:
- Setting the strategic direction of the organisation.
- Providing leadership and making decisions on the deployment of resources.
- The determination and control of investment decisions.
- Ensuring The Pension Service complied with corporate governance standards.
- Setting performance management and assurance standards.
- Deciding current and future business initiatives.

Terry Moran CB
Acting Chief Executive
(appointed to the Board 23 July 2007)

The Pension Service Management Board at 31 March 2008 consisted of:

John de Trafford
Chairperson and Non-Executive Director

Jane E Tozer MBE
Non-Executive Director

Charlie MacKinnon CB
Transformation Director

Martin Bellamy
Information Systems Director

Sarah Scullion
Human Resources Director

Simon Furse
Finance Director

Nigel Richardson
Customer and Acquisition Director

Barry Cox
Acting Centre Operations Director (appointed to the Board 24 September 2007)

Jason Feeney
Acting Business Design Director

The Pension Service Audit Committee

The Pension Service Audit Committee supported the Chief Executive by scrutinising, challenging and providing advice on delivery strategies, plans and programmes, and performance and governance arrangements.

The committee monitored, assessed, reviewed, challenged and advised on the adequacy, appropriateness and overall value for money of policies, processes, work programmes and implementation arrangements relating to the five areas of effective assurance:

- Corporate Governance
- Risk Management
- Audit
- Accounting and Reporting
- Security

Non-executive directors were independently appointed to The Pension Service Audit Committee whose objectivity, coupled with knowledge and experience gained from senior roles in a wide range of private sector organisations, complements the executive directors. The Audit Committee Chairperson is also a member of the Departmental Audit Committee.

The Pension Service Audit Committee members at 31 March 2008 consisted of:

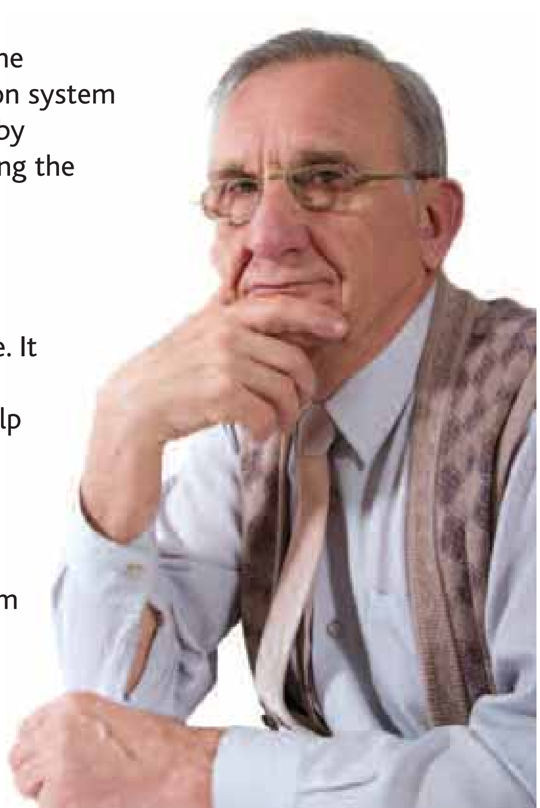
- **Jane E Tozer MBE** - Non-Executive Director (Chair)
- **George McCorkell** - Non-Executive Director (Vice-Chair)
- **Helen John** - Pensions Client Directorate Strategy, Information & Pensions Finance Director

The Pensions Client Directorate

The Pensions Client Directorate is another, closely linked, part of the Department. It focuses on delivering an improved, reformed pension system – both state and private, for today's and tomorrow's older people by introducing new policies and strategies, and monitoring and assuring the efficiency of the ongoing delivery mechanisms.

Pensions Client Directorate supports Ministers in delivering their policy objectives of combating poverty and promoting security, savings and independence for today's and tomorrow's older people. It also supports Ministers in driving forward their cross-Government agenda on active ageing which is a range of measures aimed to help older people participate in society, unhindered by unnecessary barriers.

The organisation is working closely with the Pensions Client Directorate to deliver the policies and policy changes resulting from programmes such as Pension Reform and Benefit Simplification.



The Pension Service Journey

During 2002/03 we:

- Opened 24 pension centres and recruited a further 7,500 staff.
- Trained 10,000 staff to build a solid foundation for the successful implementation of Pension Credit.
- Transferred 1.4 million of 1.8 million accounts from Social Security offices to the pension centres.
- Undertook Minimum Income Guarantee take-up marketing to contact those having a potential entitlement but not yet in receipt of Minimum Income Guarantee.
- Successfully introduced Local Service nationwide.
- Launched the Pension Credit Application Line in January 2003.

2003/04 saw us:

- Develop our telephony services within the pension centres.
- Further increase our network of pension centres to 26 along with three specialised centres in Newcastle.
- Commence the creation of Joint Teams with local authorities.
- Increase the proportion of customers receiving benefit entitlements by Direct Payment to 56.9 per cent.
- Raise the income of over 1.6 million pensioners through the successful launch of Pension Credit.
- Launch the 80+ Annual payment – a payment of up to £100 to customers aged 80 or over in addition to the Winter Fuel Payment.
- Undertake our first national customer survey. The 2003 survey reported high levels of customer satisfaction for both the service customers had received overall (81 per cent) and during their most recent enquiry (76 per cent).

In 2004/05 we:

- Committed to reduce our staff numbers by over 10,000 by March 2008 following the Secretary of State's announcement on the Department for Work and Pensions efficiency challenge.
- Divested four pension centres and re-structured Local Service, resulting in a reduction in our workforce of over 3,000.
- Paid Pension Credit to over 2.7 million households.
- Secured the necessary Government investment to transform The Pension Service to deliver improved services, efficiencies and more fulfilling jobs for our people.
- Strengthened our customer focus by appointing a Customer and Acquisition Director to the Board.
- Brought the web-based Pensions Forecasting Service on line.

During 2005/06:

- New services were introduced, simplifying the process of applying for State Pension to a single telephone call, at the end of which a customer advisor could, where possible, confirm the rate of State Pension payable.
- From December 2005, people contacting the Pension Credit Application Line to apply for Pension Credit could also apply for Housing Benefit and Council Tax Benefit in one single phone call.
- The State Pension Deferral Scheme was introduced in April 2005.
- The Department for Work and Pensions took over responsibility for the Pension Tracing Service from the Occupational Pensions Regulatory Authority in April 2005.
- E-applications for State Pension were brought on line.
- We reduced workforce numbers to 13,846.
- We reduced sick absences by 3.6 days per capita on average since the end of 2003/04.
- Completed our second national customer survey. The 2005 survey reported overall satisfaction had increased significantly from 81 per cent to 84 per cent and satisfaction with most recent enquiries had increased from 76 per cent to 79 per cent.

In 2006/07 we:

- Enabled customers to make a combined claim to State Pension, Pension Credit, Housing Benefit and Council Tax benefit, giving them access potentially to four benefits in a single telephone call.
- Met the Pension Forecast volume target 20 months early.
- Reduced our workforce numbers to 12,701.
- Divested a further two migration sites to Jobcentre Plus.

Finally in 2007/08 we:

- Launched our 'Interim Survey' to understand how people within the organisation felt about The Pension Service.
- Launched a new website 'Ways to Pay', bringing together information on methods of payment as well as extensive links to existing internet content such as corporate banking.
- Participated in the Department for Work and Pensions initiative Community 5000 giving Pension Service staff the chance to make a difference in the communities they serve.
- Launched an initiative on 15 October 2007 to divert Winter Fuel Payment calls from pension centres to a dedicated team of advisors. Pension centres can expect upwards of 100,000 – 160,000 additional Winter Fuel Payment telephone calls each month, during winter.

- Supported a high profile campaign, co-sponsored by Help the Aged and British Gas, to encourage older people to claim benefits and reduce fuel poverty. The campaign offered pensioners free thermometer cards and mailing packs containing useful telephone numbers.
- Announced that The Pension Service had delivered the Ministerial commitment to pay at least 99 per cent of all automatic Winter Fuel Payments to customers, prior to Christmas, with 99.98 per cent of all customers who could have received a payment before Christmas, actually having been paid.
- The Pension Service came runners up in the CIPFA PriceWaterhouseCoopers Public Reporting and Accountability Awards, for The Pension Service Business Plan and Annual Report and Accounts.
- The Pension Service won two awards at the Whitehall and Westminster World Civil Service Awards. The Pensions Transformation Programme won the Diversity Award for demonstrating how effectively the Pensions Transformation Programme was able to embed diversity into the design of our new services. We also won the Joined-up Government Award for our joint work with the Work, Welfare and Equality Group making it easier for Pension Credit customers to claim Housing Benefit and Council Tax Benefit.
- Were finalists in the leadership category of the Race for Opportunity Awards 2007 for improving service to diverse customers.
- The Customer and Acquisition Directorate scooped the Innovation and Progress Award at the Guardian Public Service Awards 2007. The award acknowledged the innovation that has gone into transforming the Directorate's services. This included setting up joint partnerships with local authorities to create 203 joint teams, a visiting programme for over one million customers and new processes to improve data-gathering so services can be better targeted.
- The Customer and Acquisition Directorate won the "Data - Customer Insight" award at the Institute of Direct Marketing's Business Performance Awards ceremony that took place in London on Tuesday 15 May 2007.
- Conducted our third Pension Service Customer Survey.

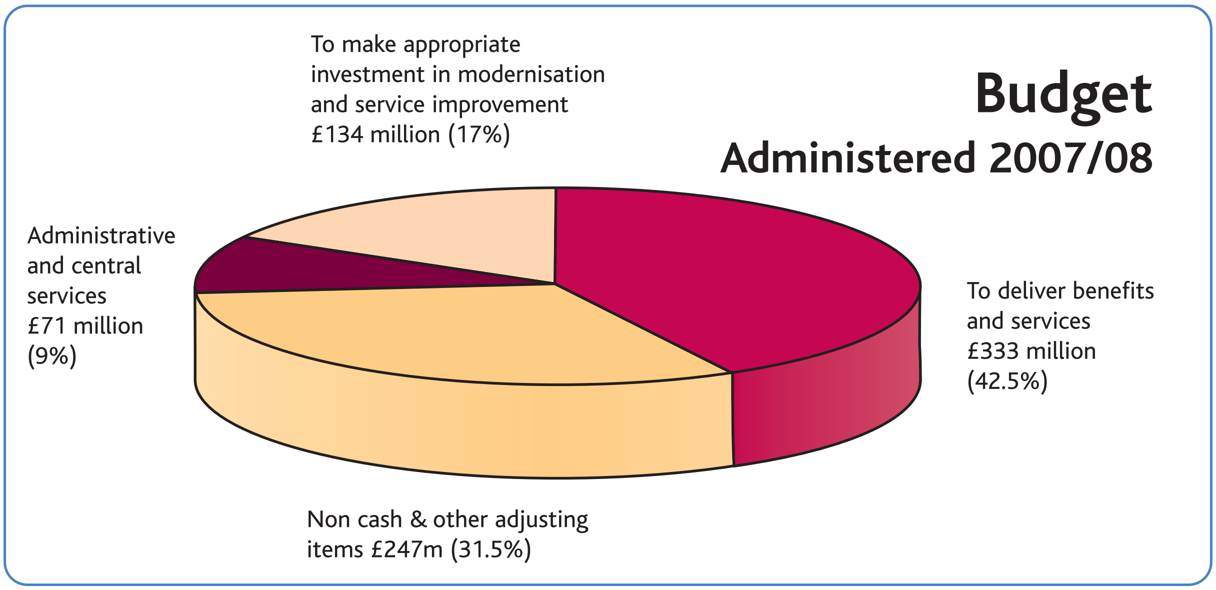
Financial & Management Summary

Financial Summary

The Pension Service operated within the framework of strategies, policies and corporate standards determined by the Department for Work and Pensions as a whole. The Pension Service also benefited from the provision of cross-department support services. These include the provision of corporate financial, human resources and information technology support, administration of major contracts and provision of pension's policy and strategy. These services are reported in the Department for Work and Pensions' Departmental Report.

The annual report is limited to an explanation of our administrative expenditure, and how we have utilised resources, in this financial year.

The Pension Service's primary focus was to reduce poverty among older people and enhance the security and independence of both today's and future pensioners.



Running Costs	2005/06	2006/07	2007/08
To deliver benefits and services	£440m	£370m	£333m
Administrative and central services	£35m	£33m	£71m
Modernisation and service improvement (investment cost)	£239m	£138m	£134m
Non cash and other adjusting items	£144m	£246m	£247m
Total	**£858m**	**£787m**	**£785m**

NOTES:
Costs relating to Administration and Central Services include £36m in 2007/08 for Early Release staff exit schemes.
Costs relating to modernisation and service improvement include projects and associated capital expenditure.

Benefit Payments

These financial statements relate solely to The Pension Service's administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform with the accruals concept and give a true and fair view of The Pension Service's affairs. The Pension Service was responsible for payment of State Pension, State Second Pension, Over 80 Pension, Pension Credit, Winter Fuel Payments, Graduated Retirement Pension, State Earnings-Related Pension and Christmas Bonus Payments, which, for the year ended 31 March 2008 amounted to £76.8 billion (2006/07 £62.8 billion). This amount is provisional and the final audited expenditure for the year will be disclosed in the Departmental Resource Accounts which are expected to be published in September 2008.

Results for the Year

The operating cost statement within the accounts shows the net operating cost of The Pension Service for the year ended 31 March 2008. The net operating cost amounted to £785.4 million (2006/07 £787.4 million). Capital expenditure for the year, full details of which are given in notes 8 & 9 to the accounts, amounted to – £44.2 million (2006/07 £56.6 million).

The net operating cost has been calculated after including a number of notional costs which are currently charged to The Pension Service but which are borne centrally by the Exchequer for example, cost of capital charge (see note 6 to the Accounts).

Prior Year Comparatives

The comparative figures have been restated to take account of agreed changes to the classification of certain non-staff costs (£6,378K) and to bring the accounting treatment for Consolidated Fund Extra Receipts in line with the Financial Reporting Manual (£21K) as shown in note 2 to the accounts.

Taxpayers Equity

Within the accounts, the Balance Sheet at 31 March 2008 shows positive Taxpayer's Equity of £135.5 million.

In common with other Government Departments, the financing of The Pension Service's liabilities is met by Grants of Supply to the Department for Work and Pensions, approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming for the combined entity of the Pension, Disability and Carers Service. A going concern basis for these financial statements is therefore adopted.

Introduction of the Euro

The Department for Work and Pensions and its agencies, continue to maintain changeover planning and preparation activities, such that, in the event of a positive decision to join the Single European Currency, the changes required to the computer systems, business systems and products will have been identified and quantified and we would be able to meet the timescales set out in the third outline National Changeover Plan (Her Majesty's Treasury, June 2003).

Our People

Our people depend on us to:

- Give them the training and personal development they need to enable them to deliver the best possible service for our customers.
- Provide them with a safe working environment.
- Provide them with '*Well-being at Work'* through, for example, a proper work-life balance, flexible working arrangements and proper child care facilities.

Health and Safety & Well-being at Work

This has been a year of significant progress on Health and Safety. Some 97 per cent of our managers have undertaken the introduction to Health and Safety for Managers Training and some 97 per cent of our staff have undertaken Personal Health and Safety Training as well as Display Screen Equipment Training and Risk Assessments. During this period we asked a representative from our health and safety team to take on responsibility for Well-being at Work. This included organising workshops for people across the business to share ideas. Staff should soon see more activity in this area which will enhance the efforts of existing groups involved in making our work environment and our staff happier and healthier. We continue to benefit from well-being policies such as the availability of flexi time, term time working, part time working or job-share arrangements as well as hearing tests, eyesight tests and the availability of an Employee Assistance programme with our partners, Right Corecare.

Sickness Absence Management

During 2007/08 we continued to work within the Department's attendance management policy to provide fair and consistent procedures for all our staff. Sickness absence however has increased in the last 12 months with the average working days lost as of March 2008 standing at 9.65 days against an in-year standard of 8.5 days (this figure is subject to validation and is based on information from The Pension Service Business Information Portal). This compares with the 2006/07 figure of 9.6 days against an in-year standard of 8 days.

Increasing Personal Development Opportunities

Over the past year we have made considerable progress in offering more effective development opportunities to people in support of individual capability development. Our transformation programme leads the way in providing innovative development options to support new job roles, processes and IT systems. In addition, new solutions have been made available to front line staff to support accuracy improvement and customer handling skills. Cognisant of our associated headcount reduction targets, we also provided development opportunities in support of those people facing redeployment to enable them to further their careers in new directions.

We have also offered new opportunities for our leaders covering both leadership and management skills and have successfully piloted a capability assessment approach to allow individuals to take ownership of their own skills and career development. New capability development opportunities for managers are also being developed to support Contact Centre Management, Change Management, Workforce Planning and Performance Management. Our approach has also extended to include a Talent Management Programme, a Management Insight Programme to identify future leaders and a Team Leader Development Programme.

By approaching personal development in this way we have raised the standards of our performance and improved levels of competency across all areas of The Pension Service. To further this achievement we have also successfully introduced an accreditation approach to recognise the contribution and skill levels of our front line staff and we are now extending this to support roles.

All of the above activity is being driven by our People Strategy which aims to identify and offer people a range of effective development opportunities that support our business objectives and the needs of our customers and we continue to use Investors in People standards as a key measure of success in all of our personal development strategies.

Our Values

The Department for Work and Pensions works by reference to four values (achieving the best, respecting people, making a difference and looking outwards) each carrying equal importance.

The Pension Service demonstrated its commitment to these values in the following ways:

Achieving the Best - learning and continuously improving in order to provide the best service to customers, actively seeking the best solutions for our business and our customers, and getting the best from our resources.

Respecting People - building effective working relationships with each other and with our customers, valuing diversity and learning from each other's different skills and experiences.

Making a Difference - delivering products and services in a flexible and responsive way to improve today's and future pensioners' lives. Knowing our customers and their needs accurately so we can deliver a streamlined service and by going the extra mile for our customers.

Looking Outwards - understanding the needs of all our customers and partners, learning about how other organisations deliver excellent service and being open to ideas and learning how to get better at what we do.

Diversity and Equality

During 2007/08 we continued to work with the Department for Work and Pensions, our people and managers to create an inclusive culture where people are encouraged to respect colleagues and customers, and maximise their potential by using their knowledge and experience to deliver a first-class service. Results of the Department for Work and Pensions Staff Survey in February 2008 show that as with 2006/07, 70 per cent of our people think that The Pension Service respects individual differences such as cultures, working styles, backgrounds and ideas. This is an improvement from 66 per cent in 2005/06 and exceeds the target of 64 per cent.

The diversity profile of our people is regularly monitored and published internally. As at March 2008, there were 65.5 per cent females, 6.2 per cent ethnic minorities and 3.5 per cent disabled staff.

Diversity and equality awareness and training continued through national and local communication channels, our All Inclusive Strategy and Department for Work and Pensions' Diversity Toolkit. We promoted the Gender Equality Duty in the internal *horizon* magazine April 2007 with an inspirational article about the experiences of the former Chief Executive and two female Directors. The extension of sexual orientation and religion or belief legislation was promoted in April 2007 through the internal communications re-launch of the Getting it Right video to raise awareness of sexual orientation in the workplace. The religion or belief module was released in August 2007 and results of an online evaluation show that overall, 82.7 per cent of the people were satisfied with the presentation.

Reasonable adjustments requested under the disability and health and safety legislation are provided and monitored quarterly. Further guidance was released in October 2007 to support line managers and assistive technology users in making reasonable and alternative arrangements.

We launched publicity campaigns in June - July 2007 and January 2008 to encourage our people to use the Childcare Salary Sacrifice Scheme for assistance with registered childcare costs.

We continue to support and engage with the Diversity Advisers Action Group. The group was refreshed and renamed as the Diversity Co-ordinators Action Group in February 2008 with membership from each business unit. The members have worked in partnership with managers and staff to raise awareness and promote diversity and equality at all levels.

The Pension Service Diversity Champions at Board level agreed new measures in January 2008 to improve the involvement of senior managers and integration of diversity and equality in normal business processes.

We have continued to raise the profile of Equality Impact Assessments for functions, policies and services. The guidance was revised in September 2007 and workshops are being delivered to key staff and managers.

The Disability, Gender and Race Equality Schemes were launched in 2006 followed by an annual update in November 2007 within the Department for Work and Pensions Disability and Gender Equality Schemes and Race Equality Scheme Progress Report. The schemes for the new Pension, Disability and Carers Service launched in May 2008 show our progress and ongoing commitment to improve the rights and opportunities for our people and customers. They also set out arrangements to make diversity and equality an integral part of our functions, policies and services. We will be looking to bring together the schemes for the former Disability and Carers Service and The Pension Service to reflect our new Agency.

Our Customers

"Vital work is underway that seeks to put the customer at the heart of our actions and I'm looking forward to working to build upon our considerable achievements to date."
Terry Moran – Chief Executive of the Pension, Disabilty and Carers Service

Customer Charter

The Pension Service Customer Charter set out the service standards that all of our customers could expect and told them what to do if things go wrong. We ensured that the Charter was relevant to customers and that standards were regularly reviewed; a new version of the Charter was published in June 2007.

Customer Feedback

Views are welcomed from customers on our service, on how we can make improvements, and details on how to do this is contained within the Customer Charter publication.

The Pension Service worked hard to promote the capture, recording, and positive use of customer feedback. Its database categorised and reported customer feedback to clearly identify and address areas of concern, enabling improvements to the services provided to customers.

- The national figure for the capture of feedback for the year to date is 18,568.
- 81 per cent of issues were cleared within the national standard of 7 working days.
- 6,667 compliments were recorded during the same period.

The top five areas of reported negative feedback (complaints) for 2007/08 were:

- Benefit Process – Decision taken too long (18 per cent of complaints).
- Benefit Process – Payment not received (12 per cent of complaints).
- Benefit Process – Information provided not used (11 per cent of complaints).
- Telephone Access – No promised call back (10 per cent of complaints).
- Information – Information incorrectly given (9 per cent of complaints).

The top five areas of reported positive feedback (compliments) for 2007/08 were:

- Staff (52 per cent of compliments).
- Information (21 per cent of compliments).
- Benefit Process (18 per cent of compliments).
- Telephone Access (3 per cent of compliments).
- Correspondence (3 per cent of compliments).

Customer Survey

Fieldwork for The Pension Service Customer Survey took place between November 2007 and February 2008. The survey measured customers' experience of, attitudes towards and satisfaction with, the service. It was based on a representative sample of customers who contacted The Pension Service by telephone, 'face to face' and by post in a given period in September 2007. Overall customer satisfaction is now 85 per cent and satisfaction with most recent enquiries is now 80 per cent. The full survey report will be published in summer 2008 with results from the survey playing an important role in improving the service delivered to customers and assisting in the future development of services.

Mystery Shopping

Mystery shopping provides an independent assessment of the quality of service provided to customers. Mystery shoppers telephone The Pension Service to ask questions using a series of scenarios, which were based on actual customer enquiries. The Mystery Shopping Programme assessed different parts of the service we provided to customers including telephone calls, other language calls, textphone calls and leaflet requests. The outcome of their experience is recorded against set questionnaires from which the standard of service can be evaluated.

The 2007/08 programme began on 16 April 2007 across all pension centres.

The programme tested the service delivery from all pension centres, including specialist centres (Future Pension Centre, Pension Direct and International Pension Centre).
Results highlight areas where we can improve our service delivery and also help to assess how well we are meeting the published standards of customer service in our Customer Charter.

The key messages from the 2007/08 Mystery Shopping Programme exercise were:

- Staff continue to be praised for treating customers professionally and were described as helpful, polite and easy to talk to, with 99 per cent of mystery shopping callers feeling they were treated with respect.
- Customers still find it easy to contact The Pension Service with 97 per cent of mystery shopping calls answered at the first attempt across all parts of the service (telephone, language, textphone and leaflet calls).
- The area for continued improvement is in the quality and accuracy of information the customer receives. This area deteriorated in 2007/08 due to the introduction of three new aspects of the service (language, textphone and leaflet requests) and the mystery shoppers now expect a higher level of service from staff.

Quality and Accuracy of Communications

We perform a series of internal checks to assure the quality and accuracy of advice and information provided to customers during face-to-face interviews and through correspondence. The quality of telephone communication is monitored through a comprehensive internal Call Quality Management process which assesses the quality of the interaction and the accuracy of the information provided, as well as our independent Mystery Shopping Programme.

The Pension Service Website

During 2007/08 over 3 million people visited The Pension Service website (www.thepensionservice.gov.uk) to access state and private pension information.

The Pension Service website offers information on all state entitlements for retired people, for those planning ahead, and information for employers and advisers. Benefits information, application forms and guides are available to read, print or order online and the site regularly posts news stories on pensions, savings and retirement.

The website also acts as a gateway to claiming State Pension, forecasting e-services, and tracing pensions online. The site provides online calculators to help people work out their State Pension age and an estimate of their Pension Credit.

Users can also find information for all the local pension centres, International Pension Centre, National Pension Centre and the Future Pension Centre.

The site is constantly being developed and enhanced, and will continue to build on its strong customer focus to help meet our targets for uptake of entitlements and information provision. The site also conforms to level AA of W3C Web Content Accessibility Guidelines 1.

Charter Mark

The Charter Mark is the Government's national standard for excellence in customer service. It is a positive force for change and customer service improvement and we have ensured that, as we transformed the service, all our transformation pension centres have achieved or maintained the Charter Mark standard.

CHARTER MARK

CUSTOMER SERVICE EXCELLENCE

Effective Management

Governance

Proper governance was fundamental to The Pension Service system of internal control, and arrangements for governance and risk management were designed to identify and prioritise the risks to the achievement of The Pension Service's policies, aims and objectives. The system was designed to manage key risks efficiently, effectively and economically.

Risk Management

Risk management is integrated within all of the key business processes. The Pension Service Business Plan identified the organisation's strategy and key deliverables, together with the associated resource implications and assumptions. Throughout the year the Planning and Performance Framework was used as a basis for a continuous cycle of strategic planning and the review of the management of risks, capacity and change.

The Risk Assurance Division Corporate Risk Management Team delivered a joint presentation with The Pension Service Risk Management Team detailing the new Department for Work and Pensions Risk Management Framework to The Pension Service Management Board. The Corporate Risk Management Team stated that "The Pension Service has over the last three years demonstrated excellent progress toward embedding and integrating risk management. Leadership and good governance have contributed to improved risk visibility and decision making. The excellent Pension Service Business Board Report is seen as an exemplar for integrating planning, performance and risk intelligence into Board reporting".

The Pension Service Management Board was committed to actively promoting an open and honest risk culture and believed risk management was the business of everyone, as it is the shared understanding and communication of risk information that leads to informed decision making. Our risk based processes and business practices have allowed The Pension Service to be flexible and responsive, contributing to its achievement in delivering key business objectives.

Security of Customer Data

We aim to keep our customer data secure and what customers say to us confidential. The Data Protection Act and Social Security legislation places specific requirements on the handling and use of personal and other official information. Customer information is only shared with other organisations where specific legislative or other authority permits.

A range of controls are in place to minimise the risk of failing to keep sensitive data secure and a review of our procedures was carried out in the light of the loss of data in other Government Departments. Nonetheless some losses have occurred usually because of human error. In agreement with Information Commissioners Office and the Departmental Security Team only one incident was considered so sensitive that formal reference to the Commissioner was necessary. The Department will be implementing any further requirements emerging from the "*Data Handling Procedures in Government*" report.

Monetary Value of Fraud and Error (MVFE)

The Pension Service is committed to reducing losses from fraud and error, with this reduction measured against the March 2002 baseline of 4.6 per cent of benefit paid. For 2007/08 a new Monetary Value of Fraud and Error target was set at 4 per cent.

A high proportion of errors in the live caseload are known to be historical. In the latest sampling exercise undertaken over 70 per cent of the errors found were attributable to the period October 2003 to September 2004, when Pension Credit was new to staff and the major focus was on the initial take-up campaign. The high value errors however, have occurred on work processed over the last 12 months.

It is against this backdrop that The Pension Service recognised the need to undertake a cleanse of the existing caseload, whilst still focusing attention on ensuring new claims were dealt with accurately at the outset using data matching techniques to identify errors at an early stage.

During 2007/08, The Pension Service put in place measures to continue to reduce losses from fraud and error in Pension Credit, including:

- Using all data matching facilities available.
- Completed focused scans.
- Providing effective feedback on performance, providing suitable training and support.
- Focused gateway intervention checks on applications known to be prone to error.
- Specific training on areas of weakness.
- Introducing an 'Excellence Process' to benchmark good performance.
- An enhanced accuracy checking process which reinforces individual agent accountability.
- Introduction of an Accuracy Support Team to provide individual coaching/mentoring to transformation sites.
- Regular newsletters alerting staff to best practices to improve performance.
- Implementation of a three year strategy to reduce official error with implementation starting on 1 December 2007.

In May 2008 a new estimate to September 2007 was published that reported Monetary Value of Fraud and Error as increasing to 5.3 per cent. There are new measures in place to address the issues that the new report has highlighted.

Modernisation

Transformation

In January 2005, the Secretary of State announced plans for a significant investment in The Pension Service aimed at modernising and transforming the organisation to deliver significantly improved customer services, whilst reducing costs and creating more fulfilling jobs for our people. This formed part of the overall public sector modernisation agenda of Government which aimed to deliver a public sector service to citizens which was fully supported by modern technology and is comparable to the best in the private sector.

Redesigned business processes and job roles, supported by enabling technology has allowed pension customers to conduct more of their business in a single contact over the telephone, eliminating the need to provide the same information more than once. Since July 2006, customers of The Pension Service have been able to make a combined claim to State Pension, Pension Credit, Housing Benefit and Council Tax Benefit, giving them access potentially to four benefits in a single telephone call.

At the start of the transformation The Pension Service had 29 pension centres. Business processes and information technology systems were fragmented, largely paper based, designed around individual benefits and susceptible to fraud and error. In line with our transformation plans, as of 31 March 2008 we had reduced the number of our pension centres to 16 with the closure of Bath and Blackpool on 28 March 2008. However, although all the staff had been divested from these two sites at 31 March 2008 we still had to complete divestment of the infrastructure and estate.

Our overall aim was to create an organisation that has the customer at the forefront of everything we do, ensuring we are better focused on their needs as individuals and so helping them to receive their full entitlements, whilst offering value for money to the taxpayer by streamlining and integrating our service delivery arrangements.

The transformation of our service will continue to put the needs of the customer first:

- We will continue to transform our service and ensure that we are accessible to our customers.
- We will collect information about our customers so that we can meet their particular needs and will ensure that this information is held securely and only shared with others that are authorised to do so.
- We will develop and implement policies and service standards that are inclusive.
- We will ensure that we understand customers' communication preferences and deal with them appropriately.
- We will ensure our staff are supported through the transformation by giving relevant training.
- We will collect information about our staff, which will help us to develop them and implement policies that are inclusive and which enable us to make reasonable adjustments where necessary to support them in carrying out their duties.

The Efficiency Challenge

The Budget Statement of 2004 outlined how in the last two spending reviews the Department for Work and Pensions had received substantial extra sums to invest in the modernisation of its office network and better IT. It re-affirmed the Department's challenge to continue to build on this investment to become a smaller, better-focused, more efficient Department with a target of reducing staff numbers by 30,000 by 2008.

The Pension Service accepted its share of this challenge and, in common with other businesses in the Department for Work and Pensions, staffing levels have changed over the past three years as The Pension Service continued to streamline and modernise its services. A major vehicle for change has been the Pensions Transformation Programme and successful delivery of this programme has ensured that we continue to deliver the service our customers expect during the Agency's own efficiency challenge.

Following the Budget statement detailed planning took place and included discussions on the future size and shape of The Pension Service. As a result of this challenge and enabled by the Pensions Transformation Programme we reduced the number of our pension centres by making these available for other uses and agencies. However we also had to close a number of sites.

Throughout this period we met our commitment to try to redeploy people where their current job role had ceased to exist and worked with our trade unions in seeking to avoid compulsory redundancies through other voluntary measures. The Agency has a specialist Redeployment Unit that has a responsibility for managing surplus staff with clear targets to redeploy people as quickly as possible and minimise the length of time people are in surplus status. The unit works closely with the Department for Work and Pensions Human Resources and Regional Change Implementation Programme Executives to redeploy staff or put exit arrangements in place where redeployment is not possible.

	2003/04	2004/05	2005/06	2006/07	2007/08
Actual headcount Whole Time Equivalent as at 31 March.	19,890	16,204	13,846	12,701	10,762

Productivity

The Department's measure of overall productivity is based on the methodology recommended by the Atkinson review into the measurement of Government Output.

The Pension Service adopted this methodology and reported a productivity index, which measured changes in the total output produced by the resources used. The measure was based on headcount or administrative expenditure and allowed managers to investigate unexpected changes in productivity and take remedial action where necessary. Over the three year period to March 2008 The Pension Service had planned to steadily reduce its headcount and with workloads expected to remain stable, productivity was forecast to increase. In the event, headcount has reduced by 31 per cent and outputs have decreased by 3.8 per cent resulting in productivity increasing by 39.4 per cent over the 3 years. Measured in year, productivity increased by 12 per cent in 2005/06, 9.5 per cent in 2006/07 and by 10.9 per cent in 2007/08 (The in year figures have been updated to reflect the change to the 2005/06 Unit Costs used in weighting the individual benefit outputs to enable aggregation to a single Pension Service output).

Policy Reform

Pension Reform

The Pension, Disability and Carers Service has a key role to play in the successful delivery of what is the most radical overhaul of the UK pensions system since 1948 and it has initiated a major delivery programme to implement the changes to the UK State Pension system included in the White Paper, "*Security in retirement: towards a new pensions system",* published in May 2006.

The bulk of these changes were included in the Pensions Act 2007 which received Royal Assent in July 2007 and are due to come into effect for people reaching State Pension age after April 2010. All Departmental customer information materials have been updated to reflect these changes and significant progress has been made in making changes to IT systems which support State Pension forecasting services, with work on schedule for completion by Autumn 2008. Whilst people reaching State Pension age before April 2010 can continue to obtain a State Pension forecast, The Pension Service has introduced a transitional service for people who reach State Pension age after April 2010. People in this category are still able to obtain personalised State Pension forecast information, including an indication of their current number of qualifying years and how many more they need to get a full basic State Pension under the new rules.

Work also began this year on the design and implementation of changes to those IT systems in both the Department for Work and Pensions and Her Majesty's Revenue and Customs which support the administration of Social Security benefits whose rules are affected by State Pension's reform and equalisation of State Pension age changes. The Pension Service also provided operational impact assessments in support of the Pensions Bill 2007, which was introduced in November 2007 and proposes changes to further simplify State Second Pension.

Customers began to receive advance publicity about these changes through a series of articles in the national media and through additional information about pensions reform included with Deficiency Notice letters, for those who received one as part of the annual Revenue and Customs Deficiency Notice exercise.

Business Excellence and Continuous Improvement

Investors in People

INVESTORS IN PEOPLE

The Pension Service was re-recognised in November 2006 as part of the overall Department for Work and Pensions accreditation. The new recognition will last for three years until November 2009, throughout which, we shall conduct annual reviews to ensure that the agency continues to demonstrate the good practices of the standard. In 2007, a new strategy was introduced, segmenting the principles of the Investors in People standard. The three principles of the standard are planning, doing and reviewing. The 2007 Investors activity focused on the doing element – 'taking action to improve the performance of the organisation'. A sample of Pension Service business units agreed to pilot the use of the Investors in People Profile which is a mechanism to go beyond the requirements of the basic standard. Profile explores deeper into the broader areas of people management to inform an organisation not only that they meet the standard and display good practices but exactly how good they are, by a rating system, and where they need to focus their efforts for further improvements. Results of the Profile pilot showed that in some areas, business units exceeded the standard requirements and this has helped us identify and share best practice.

British Quality Foundation

British Quality FOUNDATION

The Pension Service drove continuous improvement forward by using the European Framework of Quality Management as a means of bringing all activities in this area together. This provided an independent assessment of how well improvements and business objectives were being delivered and where we needed to focus our efforts to do better.

External validation through the British Quality Foundation ensured that we continually benchmarked ourselves against other public and private organisations in the pursuit of excellence.

In September 2006, The Pension Service achieved "Recognised for Excellence" status at four-star level from a possible five-star rating, the first public sector body to do so. This was maintained following a further external assessment in September 2007.

The Government's Sustainable Development Agenda

Sustainable Development is about achieving a fair balance between social, economic and environmental factors. It is about using resources wisely, minimising pollution and treating other people with respect and ensuring everyone has a decent standard of living. Where this is not possible, all practicable steps must be taken to minimise the impact of one of these factors on the others.

The Pension Service actively supports the Government's sustainable development agenda by managing our business processes to produce a positive impact on society and the environment. We have contributed towards and are committed to the Department for Work and Pension's Sustainable Development Action Plan which details how the Department's businesses will play their part in delivering the Government's national sustainable development strategy. We provide regular contribution to the work of the Department's Sustainable Development Steering and Network Groups.

We continue to develop and implement an effective sustainable development strategy, increase our staff awareness of sustainabilty and exchange best practice both within The Pension Service and across the Department for Work and Pensions. Particular emphasis this year has been given to energy reduction, less water consumption and promoting increased use of video and telephone facilities to cut down on travel, and our carbon footprint. We have rationalised our estate in line with transformation plans and subsequent work force reductions. The emerging estate supports and reflects a streamlined business and delivers efficiencies in line with Sustainable Development and Department policies. Within our estate we continue to take practical measures to minimise energy usage and water consumption (which have reduced against our 2005 baseline), as well as undertaking recycling initiatives.

The Pension Service encourages staff to take an active role in volunteering in the community for example by promoting Community 5000 - to date over 500 staff have registered in this initiative with 200 having completed their placement.

Performance

Business Priorities 2007/08

- Deliver transformation whilst maintaining high levels of customer service.
- Actively engage and support staff in new ways of working.
- Improve the quality of information provided to customers and be more secure and accurate in service delivery.

Overview

Achievement of The Pension Service performance targets for the year was challenging due to a reducing workforce, the training commitments required for the continuing roll out of the Pensions Transformation Programme and the impact of industrial action. We are disappointed that we missed some of our targets for the year but pleased we met in-month performance for so many in the last few months of the year. Our quality targets remain a significant challenge.

Pension Credit

Since its introduction over 3.9 million customer households have received Pension Credit. Over 2.7 million customer households (3.3 million customers) are currently receiving Pension Credit. It had become clear for some time that we would not achieve the Public Service Agreement target of 3.2 million customer households, with over 2.1 million customer households in receipt of the Guarantee element of Pension Credit against a target of 2.2 million customer households. In order to maintain the Pension Credit caseload at the above levels a target of 235,000 successful applications to Pension Credit of which 166,000 would be for Guarantee Credit was set for 2007/08. Internal management information indicates that The Pension Service is on schedule to meet this target.

Pension Forecasting

The pension forecasting aspect of this Public Service Agreement to improve working age individuals' awareness of their retirement provision such that, by 2007/08 15.4 million individuals are regularly issued a pension forecast was met 20 months early, with 15.9 million individuals issued a pension forecast between April 2005 and July 2006, and a total of 19.1 million individuals issued a pension forecast between April 2005 and March 2008.

Pension Tracing

The pension tracing aspect of the Public Service Agreement target to ensure 60,000 successful pension traces are undertaken a year only relates to the period 2007/08. Although there was lower than expected customer uptake in the first half of the year, from September 2007 there was a significant increase in demand as a result of the marketing campaigns, such that at the end of March we had issued 64,852 pension traces, and the target was met.

State Pension

During 2007/08, an estimated 12.1 million customers received the basic State Pension and in total a planned £57.6 billon in State Pension was paid. The total number of pensioners receiving State Pension (who reside overseas) was over 1 million. Throughout 2007/08, the State Pension claims process underwent significant transformation with the tele-claims service offered to pensioners allowing for more of their business to be conducted in a single contact over the telephone.
In the year, 93.1 per cent of State Pension claims were cleared in 60 days (against a target of 95 per cent). Of the cases cleared in 60 days, approximately 50 per cent were completed within the same day.

State Second Pension

Almost 22 million people are building up enhanced State Pension entitlement in the form of State Second Pension - including around 4 million people who are carers or sick/disabled - a further 4 million people are accruing second tier rights through an Appropriate Personal Pension or an occupational pension.

State Pension Deferral

Customers are able to defer taking up their State Pension entitlement when reaching State Pension age.

The Pensions Act 2004 introduced changes to the existing arrangements for State Pension deferral. The changes were introduced in two stages, from April 2005 and from April 2006.

From 6 April 2005, the extra weekly State Pension accrued due to deferral increased from 7.5 per cent to approximately 10.4 per cent for each full year of State Pension deferral. In addition, from April 2006 a new option became available, which allows customers who have deferred their State Pension for at least 12 consecutive months after April 2005 to choose to receive a one-off taxable lump-sum payment rather than extra weekly State Pension. The lump-sum payment is made up of the deferred State Pension, plus interest added each week. The rate of return is broadly equivalent to a yearly interest rate of 2 per cent above the Bank of England base rate.

Figures up to November 2007 show that over £146 million has been paid on lump-sum payments with the average payment being £5,700.

Accuracy – Pension Credit

To improve Pension Credit accuracy our approach was to tighten up accuracy on new claims, whilst addressing the error inherent in the historical caseload. Accuracy improvements are to be achieved by a range of initiatives including:
- Embedding a new checking regime, cross-product processes and system controls through transformation of the Pension Credit claims process.
- Throughout transformation, training on the new claims process for Pension Credit has focused on the top error types, with the aim of significantly reducing these in the future.

- A more focused application of cross-system data matching techniques to identify potential error cases for correction.
- A case cleansing exercise has been undertaken up to 31 March 2008 to target historical error in the caseload.
- Introduction of an Accuracy Support Team to provide individual coaching/mentoring to transformation sites.
- Regular newsletters alerting staff to best practices to improve performance.
- Implementation of a three year strategy to reduce official error from 1 December 2008.
- Providing effective feedback on performance, providing suitable training and support.
- Focused gateway intervention checks on applications known to be prone to error.
- Bespoke training on areas of weakness.
- Introduction of an 'Excellence Process' to benchmark good performance.

Accuracy – State Pension

During 2007/08, The Pension Service put in place measures to improve State Pension accuracy performance, including:

- Completed focused scans.
- Introduction of an Accuracy Support Team to provide individual coaching and mentoring to Transformation sites.
- Specific training on areas of weakness.
- Development of simple guidance/deskaids to address top State Pension errors.
- Introduction of an 'Excellence Process' to benchmark good performance.
- Introduction of an enhanced accuracy checking process which places more emphasis on coaching.

Winter Fuel Payments

Winter Fuel Payments are made to eligible customers each year to provide help with fuel bills. They are separate from Cold Weather Payments which are paid to some Pension Credit customers for periods of very cold weather to help with additional heating costs.

During 2007/08 we delivered Winter Fuel Payments to over 99.98 per cent of eligible customers by the end of December and as a result over 12.3 million customers received their payment before Christmas 2007.

The Pension Service continued to deliver an additional £100 Winter Fuel Payment to eligible customers aged 80 or over, meaning that eligible pensioner households with someone aged 80 and over were entitled to receive up to £300 in 2007/08.

Telephony

During 2007/08, The Pension Service answered over 11.5 million calls from customers. The Pension Service's aim was to answer 80 per cent of calls in 45 seconds by an advisor. The achievement of 69.93 per cent fell short of the aim, and reflected the pressures faced by The Pension Service during the year, both in transforming its front line processes, and achieving reductions as a result of the efficiency challenge. Over 92 per cent of customer calls were answered in 2007/08.

Parliamentary Correspondence

The Cabinet Office reporting period for Parliamentary correspondence is the calendar year January 2007 - December 2007. During this period, The Pension Service achieved further performance improvements in replying to correspondence and maintained a consistently strong level of performance against Cabinet Office targets:

MP letters to Ministers – Delegated to Chief Executive for reply with 90 per cent cleared in 20 days.	690 letters received. 681* replies issued with 99 per cent cleared in 20 days.
MP letters direct to Chief Executive with 90 per cent cleared within 15 days.	1202 letters received. 1174* replies issued, with 98 per cent cleared in 15 days.

* The number of replies issued includes responses to those letters that were outstanding at the end of the previous reporting year and were carried forward into the current reporting period.

State Pension Clearance

	2005/06	2006/07	2007/08
Clear 95 per cent of non-complex State Pension claims within 60 days	97.35%	95.5%	93.11%
Clear 91 per cent of complex State Pension claims within 85 days*	92.11%	95.7%	90.10%

* Complex claims are claims to State Pension from customers who have been widowed or divorced and the spouse's National Insurance contributions are taken into consideration. Complex claims were historically dealt with by our National Pension Centre, but through the Transformation Programme, these claims will be dealt with by pension centres.

Accuracy

	2005/06	2006/07	2007/08
Achieve a State Pension claims accuracy rate of at least 98 per cent.	96.97%	96.29%	97.42%*
Achieve a Pension Credit claims accuracy rate of at least 96 per cent.	87.93%	87.44%	90.06%*

*Figures shown are the latest interim figures with final validated figures due in September 2008.

Telephony

	2005/06	2006/07	2007/08
Ensure 80 per cent of telephone calls are answered in 45 seconds by an advisor			69.93%*

*Target is applicable for 2007/08 only with data only available to August 2007 due to system changes required to measure.

Winter Fuel Payments

	2005/06	2006/07	2007/08
To issue 99 per cent of our customers, including those paid by automatic payments and those who successfully claimed their Winter Fuel Payment before 22 September 2007, their payment by Christmas 2007.	Over 99%	99.90%	99.98%

Pension Forecasting

	2005/06	2006/07	2007/08
To improve working age individuals' awareness of their retirement provision such that, by 2007/08 15.4 million individuals are regularly issued a pension forecast.	12.2 million	18.9 million	19.1 million

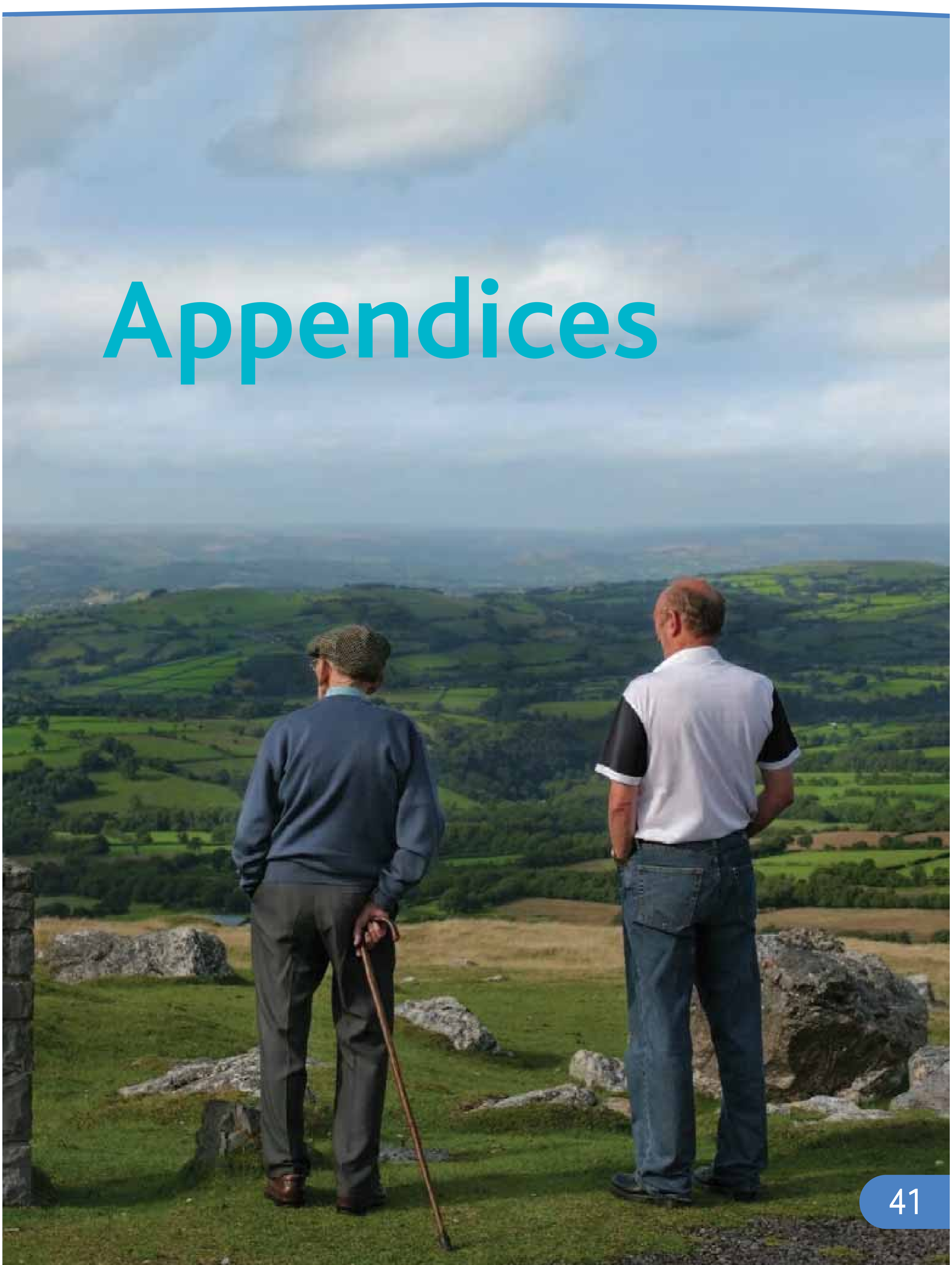
Pension Tracing

	2005/06	2006/07	2007/08
By 2007/08 to ensure 60,000 successful pension traces are undertaken a year.	30,458	40,165	64,852

Feedback

The Pension, Disability and Carers Service welcomes feedback on this document. Please send any comments to:

Strategic Reporting Team
Pension, Disability and Carers Service
Room 4C06
Quarry House
Leeds
LS2 7UA



Appendices

Appendix 1
Scope of Products and Services

The Pension Service administered the following products and services between April 2007 and March 2008. (Customer numbers included where figures are available)

Basic State Pension	We paid £46.2 billion in State Pension payments to 11.8 million customers, of whom over 1 million reside overseas.
Over 80 State Pension	We paid over £37 million in Over 80 State Pension to 2.8 million customers.
State Second Pension	We paid over £420 million in State Second Pension to 1.5 million customers.
Pension Credit	We paid over £7.4 billion in Pension Credit to 3.3 million customers.
Pension Credit Guarantee Element	We paid over £6 billion in the Guarantee element of Pension Credit to 2.5 million customers.
Winter Fuel Payments (Customers aged 60 and over)	We paid over £1.85 billion in Winter Fuel Payments to over 12.3 million customers.
80+ Annual Payments (Customers aged 80 and over)	We paid over £220 million in 80+ Annual Payments to over 2.4 million customers. This was in addition to the Winter Fuel Payment.
Graduated Retirement Benefit	We paid over £1.6 billion in Graduated Retirement Benefit to 9.7 million customers.
State Earnings-Related Pension Scheme	We paid over £9.2 billion in State Earnings-Related Pension Scheme to 9.3 million customers.
Christmas Bonus	We paid over £147 million in Christmas Bonus payments to 14.7 million customers.

These figures are provisional. They are not included in the ambit of The Pension Service's Accounts but are included in the Departmental Resource Account to be published later in the year.

The following products and services, administered by other authorities on behalf of The Pension Service were delivered to pensioner households between April 2007 and March 2008. The Pension Service works closely with other agencies such as Jobcentre Plus and local authorities, to provide the following benefits:

Housing Benefit	An estimated £5.1 billion in Housing Benefit was paid to around 1.5 million households classed as elderly (single people aged 60+ or couples where at least one partner is aged 60+).
Social Fund Budgeting Loans	£32.3 million in Social Fund Budgeting Loans was paid to 93,000 pensioner households.
Social Fund Crisis Loans	£1.5 million in Social Fund Crisis Loans was paid to 10,000 pensioner households.
Social Fund Community Care Grants	£13.5 million in Social Fund Community Care Grants was paid to 30,000 pensioner households.
Social Fund Funeral Payments	£21.6 million in Social Fund Funeral Payments was paid to 17,500 pensioner households.
Maternity Payments/ Grants	£0.22 million in Maternity Payments and Grants was paid to 168 pensioner households.
Disability Living Allowance	£3.8 billion in Disability Living Allowance was paid to 1.1 million pensioner households.
Widows/Bereavement Benefits	£100.6 million of Widows/Bereavement Benefits were paid to 23,000 pensioner households.
Widows/Bereavement Payments	£9.4 million of Widows/Bereavement Payments were paid to 4,700 pensioner households.
Attendance Allowance	£4.5 billion of Attendance Allowance was paid to 1.5 million customers.
Carer's Allowance	£1.28 billion of Carer's Allowance was paid to 460,000 customers.
Cold Weather Payments	£2.5 million in Cold Weather Payments was paid to 294,000 pensioner households.

Appendix 2
Remuneration Report

Remuneration Policy

The remuneration of The Pension Service Management Board members, who were Senior Civil Servants, was determined by the Department for Work and Pensions Senior Civil Service Pay Committee. The committee is chaired by the Department's Permanent Secretary, and also comprises the Department's Human Resources Director, the Chief Executive of Jobcentre Plus and a Non-Executive Director of the Department. The committee follows independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff.
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services.
- The funds available to departments as set out in the Government's departmental expenditure limits.
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.co.uk

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated on page 45 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 Commissioners can be found at www.civilservicecommissioners.gov.uk

Salary and Pension Entitlements (Audited Information)

The following sections provide details of the remuneration and pension interests of the most senior officials of The Pension Service during 2007/08.

Remuneration

	2007/08		2006/07	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
	£'000	£	£'000	£
Terry Moran[1] Acting Chief Executive from 23 July 2007	120-125	0	N/A	N/A
Alexis Cleveland[2] Chief Executive to 20 July 2007	50-55	0	165-170	0
Janet Grossman[3] Centre Operation Director to 21 September 2007	50-55	0	110-115	0
Barry Cox[4] Acting Centre Operations Director from 24 September 2007	50-55	0	N/A	N/A
Charlie MacKinnon CB Transformation Director	120-125	0	120-125	0
Nigel Richardson Customer and Acquisition Director	115-120	0	100-105	0
Martin Bellamy Information Systems Director	145-150	0	135-140	0
Jason Feeney[5] Acting Business Design Director	85-90	0	65-70	0
Simon Furse Finance Director	120-125	0	110-115	0
Sarah Scullion[6] Human Resources Director	105-110	0	60-65	0

1 Figure quoted is for the period from 23 July 2007 to 31 March 2008. The full year equivalent is £155 - 160K.
2 Figure quoted is for the period from 1 April 2007 to 20 July 2007.
3 Figure quoted is for the period from 1 April 2007 to 21 September 2007.
4 Figure quoted is for the period from 24 September 2007 to 31 March 2008. The full year equivalent is £95 - 100K.
5 Figure quoted for 2006/07 is for the period 12 June 2006 to 31 March 2007. The full year equivalent is £80 - £85K.
6 Figure quoted for 2006/07 is for the period 4 September 2006 to 31 March 2007. The full year equivalent is £105 - £110K.

Salary

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

This presentation is based on payments made by the Agency and thus recorded in these accounts when the individuals concerned served on The Pension Service Management Board.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument.

Pension Benefits

Remuneration	Accrued pension at age 60 as at 31/03/08 and related lump sum	Real increase in pension and related lump sum at age 60	Cash Equivalent Transfer Value at 31/03/08	Cash Equivalent Transfer Value at 31/03/07 Restated	Real increase in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000
Terry Moran Acting Chief Executive from 23 July 2007	40-45 plus 125-130 lump sum	2.5-5 plus 12.5-15 lump sum	747	572	84
Alexis Cleveland[1] Chief Executive to 20 July 2007	45-50 plus 145-150 lump sum	0-2.5 plus 2.5-5 lump sum	895	940	22
Janet Grossman[2] Centre Operation Director to 21 September 2007	5-10	0-2.5	89	79	11
Barry Cox Acting Centre Operations Director from 24 September 2007	35-40 plus 110-115 lump sum	0-2.5 plus 5-7.5 lump sum	754	617	40
Charlie MacKinnon CB Transformation Director	50-55 plus 150-155 lump sum	0-2.5 plus 2.5-5 lump sum	1,242	1,081	24
Nigel Richardson Customer and Acquisition Director	5-10	0-2.5	96	58	25
Martin Bellamy Information Systems Director	5-10	0-2.5	146	102	24
Jason Feeney Acting Business Design Director	20-25 plus 70-75 lump sum	0-2.5 plus 0-2.5 lump sum	410	350	Nil
Simon Furse Finance Director	5 - 10	0 – 2.5	171	121	28
Sarah Scullion Human Resources Director	0 - 5	2.5 - 5	65	19	26

1 Classed as 'in post' until 20 July 2007.

2 Classed as 'in post' until 21 September 2007.

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 changes in the Retail Prices Index. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium.

In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Retail Prices Index. 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent 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 www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value 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 Cash Equivalent Transfer Value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. Cash Equivalent Transfer Values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in Cash Equivalent Transfer Values

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

Non-executive Board Members

Fees and expenses were paid to the following non-executive Board members:

	2007/08 Total Fees and Expenses	2006/07 Total Fees and Expenses
	£'000	£'000
George McCorkell	33	35
Jane E Tozer MBE	34	33
John de Trafford	22	22
Mike Sommers[1]	9	25

1 Mike Sommers was a non-executive director of The Pension Service from 1 April 2007 to 14 August 2007.

Signed

Terry Moran
Chief Executive
1 July 2008

Appendix 3
Other Information

Statutory Background

The Pension Service presents its Annual Report and Accounts for the financial year ended 31 March 2008. The accounts have been prepared in accordance with the direction given by Her Majesty's Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Pension Service was established as an Executive Agency of the Department for Work and Pensions in April 2002.

Our Role within the Department for Work and Pensions

The Department for Work and Pensions exists to promote opportunity and independence for all. It provides help to individuals and supports the country's economic growth and social cohesion. The Department set out what it expected The Pension Service to deliver in return for the funding which was provided. The Pension Service made a significant contribution to supporting the Department in delivering its Public Service Agreement objectives and targets, which are set by the Secretary of State on advice from the Strategy and Pensions Director General. These targets helped The Pension Service focus on key priorities and assess progress towards achieving its stated objectives. The Pension Service, and its Chief Executive, also played a major role in the corporate management and leadership of the Department as a whole.

Principal Activities

The principal activities of The Pension Service were set out in the Departmental Framework, published in December 2005. The financial statements contained in this document relate solely to The Pension Service's administrative expenditure, derived from the Department's Vote, supplemented by additional information to conform with 'the accruals concept' and give a true and fair view of The Pension Service's affairs.

Parliamentary Funding

The Pension Service was a supply financed Executive Agency of the Department for Work and Pensions and, as such, remained subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of The Pension Service's operations, along with the rest of the Department, will be accounted for within the Department's Resource Account.

The Pension Service's work programme and expenditure plans for the year were published in The Pension Service's Business Plan for 2007/08.

The National Insurance Fund

The National Insurance Fund is the responsibility of Her Majesty's Revenue and Customs. However, the contributory benefits funded from the National Insurance Fund are administered by the Department on behalf of Her Majesty's Revenue and Customs. The Pension Service incurred costs associated with the administration of these benefits. The Pension Service received income to recover these costs and these recoveries are recorded in the General Fund as Financing from the National Insurance Fund. (See note 14 of the accounts)

Employment of Disabled Persons

The overall disability representation remained at 3.5 per cent in February 2008. We currently do not meet any of the 2008 targets for disability. In January to December 2007 line managers cleared 68.3 per cent of reasonable adjustments requested by disabled staff. Actions are progressing to provide the outstanding ones. The Pension Service was involved in the Department for Work and Pensions Reasonable Adjustment Lean Initiative to develop a streamlined and more efficient process.

Commitment to Equality and Valuing Diversity

The Agency is committed to providing services which embrace diversity and promote equality of opportunity. As an employer, The Pension Service also committed to equality and valuing diversity within it's workforce as set out in its 'Strategy for Diversity, Equality and Inclusion'. The goal was to ensure that these commitments, reinforced by our values were embedded in day-to-day working practices with customers, colleagues and partners. The overall aim for diversity and equality was that the services we deliver to customers, both current and future, and the contribution of our staff, reflect and celebrate the diversity of the communities we serve. We aimed to embed diversity into everything that we did; ensuring it was part of our management processes, mainstreaming it into our policies and assessing the impact of all our decisions and changes for disproportionate diversity impact on our staff or our customers.

Employee Involvement

The Pension Service respected its staff and valued their contribution, with a strong internal communications network in place where staff were encouraged to share information and contribute news, views and feedback. Regular news and information was provided to staff through The Pension Service and Department for Work and Pensions' communication sites on the intranet, as well as through regular bulletins and messages cascaded down through team meetings.

Staff had access to an Employee Assistance Programme; which supports staff and managers and promotes well-being in the workplace.

Staff also had access to trade union membership. The Pension Service had procedures for consulting its trade unions and supported staff representation in the workforce by trade union representatives.

The Pension Service was committed to ensuring that staff at all levels could contribute towards decisions affecting the day-to-day business of The Pension Service.

Pension Liabilities

The employees of The Pension Service were Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments applied. The Principal Civil Service Pension Scheme is the main pension scheme for all Civil Servants including Pension Service employees. It is a defined benefit scheme, with benefit expenditure borne on the Civil Superannuation Vote.

Details of the Pension Scheme are disclosed in the Remuneration Report on page 47 and in note 3 of the accounts.

Payments to Suppliers

The Pension Service was committed to the prompt payment of bills for goods and services received. Ninety-seven per cent of payments were made during 2007/08 as specified in the suppliers' contract and no interest was paid as a result of late payments. If there was no contractual provision or other understanding, payments would be made within 30 days of receipt of goods or services, or presentation of a valid invoice or similar demand, whichever is later.

Company Directorships and Other Significant Interests Held by Board Members

A register of Directors' business interests and related party transactions is held and may be accessed at the following address:

Chief Executive's Office
Pension, Disability and Carers Service
Room 204
Richmond House
79 Whitehall
London
SW1A 2NS

External Audit

The accounts in Section 2 have been audited by the Comptroller and Auditor General whose certificate and report appears on pages 64 and 65.

The Pension Service's principal auditor for the 2007/08 accounts was the National Audit Office, the fee for their services being £82,000. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work during 2007/08.

Post Balance Sheet Events

On the 1 April 2008 the Agency merged with the Disability and Carers Service to form the Pension, Disability and Carers Service and I was appointed Chief Executive of the new agency.

In July 2008 the Agency will restructure its IS/IT function and is planning to transfer approximately 379 staff to the Department for Work and Pensions Corporate IT.

There are no further material post balance sheet events that require disclosure in these accounts.

Provision of Information to Auditors

As Accounting Officer I confirm that:

- There is no relevant audit information of which the auditors to The Pension Service are unaware.
- I have undertaken all the steps I ought to ensure that the said auditors are aware of relevant audit information, and
- I have taken all the steps I ought to establish that the said auditors are aware of such information.

Signed

Terry Moran
Chief Executive
1 July 2008

Accounts

Statement of The Pension Service's and Chief Executive's Responsibilities

Under the Government Resources and Accounts Act 2000 section 7 (2), Her Majesty's Treasury has directed The Pension Service to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction detailing the resources acquired, held, or disposed of during the year and the use of resources by The Pension Service during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of The Pension Service, of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts The Pension Service is required to comply with the Government Financial Reporting Manual prepared by Her Majesty's Treasury, and in particular to:

1. observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
2. make judgements and estimates on a reasonable basis;
3. state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
4. prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.
5. The Pension Service and the Disability and Carers Service were brought together as a continuing operation on 1st April 2008, known as the Pension, Disability and Carers Service.

The Principal Accounting Officer of the Department for Work and Pensions has appointed me as the Accounting Officer for The Pension Service. My relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding The Pension Service's assets are set out in 'Managing Public Money' published by Her Majesty's Treasury.

Additionally, I can confirm that, so far as I am aware, there is no information relevant to the audit of the accounts of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed

Terry Moran
Chief Executive
1 July 2008

Statement on Internal Control

The Pension Service

1. Scope of responsibility

1.1. As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of The Pension Service's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I have been personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

1.2. I have acted as principal adviser on operational matters, supporting Ministers and involving them in the development and provision of the Agency's services. I also actively supported the delivery of Ministerial commitments and performance against Public Service Agreements and other published targets.

1.3. As a member of the Departmental Executive Team, I have been jointly responsible for agreeing the operational priorities of the Department and its Executive Agencies. I also had the following personal accountabilities as a member of the Departmental Executive Team:

- Departmental Business Continuity Director, responsible for ensuring that effective Business Continuity arrangements are in place across the Department.
- Departmental Data Security Director, responsible for ensuring that arrangements are in place for protecting the security of customer information across the Department.
- Departmental Gender Champion, responsible for supporting initiatives to help drive forward and embed the principles of gender equality across the Department.
- Senior Responsible Officer for the Tell Us Once Programme and representation of this programme on the Cabinet Office Delivery Council.

1.4. My Management Board have supported me in the management of strategic risks. Any critical risk that could not be controlled within the Agency has been escalated to the Departmental Executive Team. In turn, if the Executive Team would have been unable to manage a risk, a process was in place to bring it to the attention of Ministers.

2. The purpose of the system of internal control

2.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, The Pension Service policies, aims and objectives. It should also evaluate the likelihood of those risks being realised, the impact should they be realised, and manage them efficiently, effectively and economically. The system of internal control has been in place in The Pension Service for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Her Majesty's Treasury guidance.

3. Capacity to handle risk

3.1. My Management Board considered the strategic risks to delivering the organisation's business objectives and these were recorded on The Pension Service Strategic Risk Register. The new Departmental Risk Management Framework was used to identify and assess the risks. Individual Board members were assigned responsibility for managing each risk, ensuring mitigation plans were in place and these plans were communicated throughout the business. On a monthly basis the Board reviewed a risk summary contained within the Board Business Report and agreed the profile, mitigation activity and appetite for each risk. Risk owners provided a detailed analysis of their risks on a priority basis.

3.2. Key staff were equipped to manage risk appropriately in the areas in which they work. There is an on-line risk management overview package for all staff and a specific two-day training course, which has been attended by directorate risk practitioners. The Pension Service had in place a range of guidance and awareness products relating to risk, which continue to be widely available. My Risk Management Team and nominated Risk Managers promoted awareness of the new Departmental Risk Management Framework and the sharing of best practice throughout the business ensuring staff were equipped and informed to manage risks efficiently and effectively.

3.3. The Pension Service had Business Continuity arrangements in place at all agreed levels. My Business Continuity Teams' approach has been aligned to the Business Continuity Institute Good Practice Guidelines and British Standard 25999. All Business Continuity arrangements proved effective in maintaining delivery of critical business activities to an agreed and acceptable level. My central Business Continuity Team ensured all Business Continuity Managers completed a Business Continuity Assurance Certificate (undertaken on an annual basis).

3.4. My Centre of Excellence business analysts engaged with new initiatives, projects and programmes ensuring compliance with the Departmental Risk Management Framework. Risks were logged on either the Project or Directorate risk register as appropriate. Risk registers were discussed at monthly project risk reviews, or Directorate management team meetings respectively; and risk management activity identified and monitored in line with the Framework.

4. The risk and control framework

4.1. The Pension Service has implemented and adheres to the Departmental Risk Management Framework. Our risk strategy has been set out in The Pension Service Risk Management Guide and is updated regularly and reviewed annually. All directorates adhere to the strategy.

4.2. My Management Board have contributed to the maintenance of the system of internal control. Executive Directors, their direct line reports and pension centre managers produced annual and mid year certificates of assurance, reporting on their systems of internal control.

4.3. Each Directorate has maintained a risk register, with clearly defined escalation routes to The Pension Service Management Board. Key Performance Indicators for the business had agreed tolerance levels that demonstrated The Pension Service risk appetite. The Pension Service Finance Director is a member of the Departmental Planning Performance and Risk Committee and has attended quarterly meetings to identify and review any cross-cutting risks and recommend escalation of risks to the Department for Work and Pensions Executive Team where appropriate.

4.4. All senior governance forums involved independent governance members. These forums monitored key issues such as risks and performance, providing the necessary assurance that the appropriate business controls and checks were embedded within The Pension Service.

4.5. Risk has been an integral part of the planning process, with risks being identified throughout the planning cycle. The Business Delivery Plan was developed and agreed via the Senior Planning and Performance Group. All critical milestones within the Business Delivery Plan were monitored on a quarterly basis. A process has been in place where, if a risk to service delivery was identified, an assessment of cross-business impact was made. Re-planning activities were identified and escalated to the Pension Service Management Team via the monthly Performance Summary Report.

4.6. I have received assurances from those other Government departments who provide services on behalf of The Pension Service that they have taken appropriate action and have effective controls in place to manage the risks associated with the provision of those services.

5. Review of effectiveness

5.1. 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 was 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 Pension Service Board and The Pension Service Audit Committee. A plan to ensure continuous improvement of the system is in place.

5.2. The Pension Service Audit Committee has been in place to plan, monitor, assess, review, challenge and advise on the adequacy, appropriateness and overall value for money of policies, processes, work programmes and implementation arrangements relating to five areas: Corporate Governance; Risk Management and Operational Control; Audit; Accounting and Reporting; and Security. The committee has provided independent assurance to The Pension Service Management Board and the Departmental Audit Committee as to the appropriateness, adequacy and overall value for money of the governance, risk, control and associated assurance process that have been in place in The Pension Service covering, but not limited to, the above five areas.

5.3. Important control risks highlighted in Risk Assurance Division quarterly reports were monitored throughout the year by The Pension Service Audit Committee and The Pension Service Management Board. Progress against the reports and recommendations has been tracked through the Integrated Assurance Management System database by my Finance Directorate. Recommendations made in the National Audit Office Management Letter were also tracked at Departmental level with input from my staff.

6. Significant internal challenges 2007/08

6.1. Although we worked with determination to address areas for improvement identified in the 2006/07 Statement on Internal Control, the following areas continued to feature as significant internal challenges during 2007/08:

- Fraud and Error
- Debt
- Protection of Customer Information
- Accuracy of Information

6.2 Fraud and Error

6.2.1. A high proportion of errors in the live caseload are known to be historical. In the latest sampling exercise undertaken over 70 per cent of the errors found were attributable to the period October 2003 to September 2004, when Pension Credit was new to staff and the major focus was on the initial take-up campaign.

6.2.2. Determined effort has been put into reducing the levels of fraud and error in the live case load. An 'Improving Official Error' plan was developed to maximize quality, driving out inaccuracies from State Pension and Pension Credit without increasing costs. The plan involves 38 new initiatives or projects to improve the controls in this area. An Accuracy Task Force (which was subsumed into the Error Reduction Group in January 2008), was set up to maintain and improve levels of performance throughout transformation. An Accuracy Support Team was set up, which visits pension centres to provide coaching, mentoring and bespoke remedial training to staff where appropriate.

6.2.3. Although fraud and error is reducing as a significant challenge, continuing effort is required to prevent and reduce error in the live caseload. Further work to increase accuracy and reduce error includes policy and legislative simplifications, IT fixes and scans (using all available data matching facilities) to identify and correct cases with error in the caseload. It is also planned that the 'case cleansing' exercise to identify and correct high value overpayment errors will recommence in 2008/09.

6.2.4. The plan to improve official error is expected to bring about improvements over the next three years and all activity will be closely monitored.

6.3 Debt

6.3.1. In 2006/07 significant amounts of State Pension and Pension Credit overpayment debt were not being appropriately referred to Debt Management for recovery. A new debt referral process has since been put in place in all pension centres to ensure that debt is being identified and referred to Debt Management for appropriate action. Although this process was not in place for the whole of 2007/08, it has been instrumental in improving the quality of our referrals and exceeding the debt referral target. Debt assurance levels determined by Risk and Assurance Division have subsequently risen from 'Nil' (November 2006) to 'Substantial' (March 2008). It is therefore hoped that debt will no longer feature as a significant challenge in future years.

6.4. Protection of Customer Information

6.4.1. Protection of customer information remains a challenge. Actions taken in previous periods to protect customer data continue to be relevant and further work to improve this area is planned or underway.

6.4.2. Over the year we have received 177 fictitious claims to Pension Credit. The claims were recognised as being made using stolen identities and no payments were made. Investigation is continuing.

6.4.3. There have been several incidents of clerical documents containing customer information being lost or mislaid when sent by courier to another location. A Security Notice was sent to relevant staff to clarify data transit processes but this proved open to interpretation. My Risk Management, Security and Assurance Team (in Operations) is working with Departmental Commercial, Financial and Security colleagues to improve the security of customer information sent through the courier service and to produce more definitive guidance for staff. Discussions have taken place with the Information Commissioners Office to draw up criteria against which to judge whether to report an incident to the Information Commissioners Office. In the light of these discussions, only one incident was considered so sensitive that formal reference to the Commissioner was necessary. This involved State Pension cheques being sent to the wrong customers.

6.4.4. My Risk Management, Security and Assurance Team (in Operations) is continuing to ensure that we meet the requirements of checking through the Customer Information System and continues to improve the approach to system access checks to better target resources while detecting and deterring internal abuse.

6.4.5. Since the misdirection of State Pension uprating notifications and miscollated cheque incidents my Risk Management, Security and Assurance Team (in Operations) have pursued recommendations made. In consultation with the Department's Corporate Information Technology Team, activity has been carried out with the supplier involved (EDS) to apply the remedies available to the Department under the terms of the relevant service contracts and UK law.

6.4.6. Work has continued to address the problem of bogus callers attempting to illegally obtain customer information. We are continuing with a programme of vulnerability testing to assess pension centres' awareness and ability to detect and deter bogus callers. Lessons learned from the testing are being communicated to managers and their staff. We have already made and will continue to make improvements to the quality of security questions available to customer advisors to verify customer identity.

6.4.7. The Information Commissioner's Office has undertaken a programme of awareness visits to pension centres to further improve security awareness.

6.5. Accuracy of information

6.5.1. The provision of accurate information remains a significant challenge and further work needs to be done to minimise the risk of providing inaccurate information to the public.

6.5.2. One of my Senior Operating Officers was appointed at the turn of the calendar year to lead on the improvement of the provision of accurate information and a new programme for improvement was drawn up in March 2008.

6.5.3. Assurance that we are providing accurate information is obtained through:

- Team Leaders check of free text letters
- Mystery Shopping
- The provision of leaflets
- Call Recording and Quality Monitoring check

6.5.4. Reviews undertaken by Risk Assurance Division during the year indicated limited application of the mandatory team leader checks of 'free text' written correspondence across the pension centres reviewed. Risk Assurance Division made specific recommendations to each pension centre concerned and were of the opinion that securing more widespread and sustained compliance with existing checks and controls will be key to bringing about improvements. My Customer and Acquisition Directorate are considering appropriate remedial actions to support improvement.

6.5.5. The system of mystery shopping was changed in April 2007 so a direct comparison with performance in previous years is not advisable. For 2007/08 there was an apparent dip in performance in the first nine months of the year, with signs of recovery in the final quarter. The overall quarterly mystery shopping national figures are shown below (based on scores across the four scenarios of responsiveness, accessibility, quality of interaction and product quality). The target was to achieve 80 per cent by year end.

- Quarter 1: 78.3%
- Quarter 2: 61.9%
- Quarter 3: 62.3%
- Quarter 4: 69.1%

6.5.6. In previous years all pension centres issued leaflets themselves from their own stock of leaflets. Leaflet requests received within pension centres are now routed through a centralised Leaflet Line, reducing the risk of customers receiving the wrong leaflet. However, there have been instances where out of date, obsolete or replaced leaflet stock has been used by individual pension centres throughout the year. My Customer Service Team in conjunction with my Business Improvement and Assurance Team will jointly continue to raise awareness of and promote compliance with the centralised leaflet ordering procedures.

6.5.7. Team leaders and Accuracy Officers in pension centres are required to monitor quality of interaction and accuracy of information of customer calls via Call Recording and Quality Monitoring checks. Due to the pressures on pension centres and as part of the programme to embed Pensions Transformation Programme Wave 1 processes, authority was given to ease the number of Call Recording and Quality Monitoring checks and these remain in place. Most centres are therefore performing the check but at a reduced level. New Call Recording and Quality Monitoring tools and processes have been distributed to all Transformation sites. Call Recording and Quality Monitoring will be consistently applied by Transformation sites from April 2008. Every team leader will monitor two calls per month per customer facing staff and accuracy checkers will also conduct checks on calls.

7. Other issues not regarded as significant internal challenges

7.1. RD23 notifications enabled The Pension Service to identify discrepancies in customers' National Insurance records and therefore prevent or detect overpayments of State Pension. There is a possibility that pension centres did not receive all RD23 notifications required from Her Majesty's Revenue and Customs National Insurance Records System (NIRS2). The potential impact of this is that a small proportion of customers may have incorrect State Pension awards. Departmental Audit Committee commissioned a piece of work in April 2008, the results of which will establish the full nature and extent of this issue and inform any remedial action required. Additionally, an enhancement to the NIRS2 system so that it recognises discrepancies in customers' paid and credited NI contributions is planned for October 2008.

7.2. There has also been a Department for Work and Pensions/ Her Majesty's Revenue and Customs issue relating to National Insurance Credits where customers have received more than one benefit. In some of these cases, National Insurance credits were under or over allocated and therefore may have impacted on some State Pension awards. A pan-Department for Work and Pensions task force is addressing this problem.

7.3. During the year, a data matching scan identified that some customers were receiving duplicate payments of Disability Living Allowance or Attendance Allowance, paid by both The Pension Service and Disability and Carers Service. An exercise to remedy these duplicate payments has been completed successfully. Processes have also been developed and implemented to identify any further errors at an early stage and guidance has been issued to all relevant staff. A recent Risk and Assurance Division review resulted in a substantial assurance.

8. Overall Assurance

8.1. The overall level of assurance provided by Risk Assurance Division as a result of their work programme to examine the control systems and operations in The Pension Service in 2007/08 was a Substantial Assurance. A substantial assurance is defined as 'Basically sound risk management, governance arrangements or control systems established, but they are not fully developed or consistently applied'.

8.2. I confirm that the key areas for improvement will be regularly monitored during the year to ensure that progress is made.

Signed

Terry Moran
Accounting Officer
12 June 2008

Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of The Pension Service for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 Agency, Chief Executive and auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and Her Majesty's Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Her Majesty's Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Financial and Management Summary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by Her Majesty's Treasury regarding remuneration and other transactions is not disclosed.

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

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Her Majesty's Treasury, of the state of the Agency's affairs as at 31 March 2008, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Her Majesty's Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information, which comprises the Financial and Management Summary, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and
Auditor General
16 July 2008

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

Operating Cost Statement

for the year ended 31 March 2008

	Note	2007/08 £'000	2006/07 Restated £'000
Administration Costs			
Staff costs	3	343,073	333,402
Non-staff administration costs	4	452,243	459,392
Gross Administration Costs		**795,316**	**792,794**
Operating Income	7	(9,920)	(5,374)
Net Operating Cost		**785,396**	**787,420**

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	Note	2007/08 £'000	2006/07 Restated £'000
Net gain on revaluation of tangible fixed assets	15	0	67
Total		**0**	**67**

The notes on pages 68 to 91 form part of the accounts.

Balance Sheet

As at 31 March 2008

		31 March 2008		31 March 2007	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8	174,231		166,521	
Intangible assets	9	4,900		4,124	
			179,131		**170,645**
Debtors falling due after more than one year	10		**6,976**		**7,347**
Current assets					
Debtors falling due within one year	10	8,169		3,029	
Cash at bank and in hand	11	5		25	
			8,174		3,054
Current liabilities					
Creditors falling due within one year	12	(54,256)		(58,132)	
Net Current Liabilities			**(46,082)**		**(55,078)**
Total assets less current liabilities			**140,025**		**122,914**
Creditors falling due after more than one year		0		0	
Provisions for liabilities and charges	13	(4,491)		(1,260)	
			(4,491)		**(1,260)**
			135,534		**121,654**
Taxpayers' Equity					
General fund	14		135,388		121,489
Revaluation reserve	15		146		165
			135,534		**121,654**

The notes on pages 68 to 91 form part of the accounts.

Signed

Terry Moran
Chief Executive
1 July 2008

Cash Flow Statement

for the year ended 31 March 2008

	Note	2007/08 £'000	2006/07 £'000
Net cash outflow from operating activities	**16 (i)**	(496,410)	(455,311)
Capital expenditure and financial investment	**16 (ii)**	(46,457)	(45,729)
Net Financing from the Consolidated Fund	**16 (iii)**	179,953	135,915
Financing from the National Insurance Fund	**16 (iii)**	362,894	365,139
(Increase/(Decrease) in cash in the period		**(20)**	**14**

The notes on pages 68 to 91 form part of the accounts.

Notes to the accounts

for the year ended 31 March 2008

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2007/08 Financial Reporting Manual issued by Her Majesty's Treasury. The accounting policies contained in the Financial Reporting Manual follow UK Generally Accepted Accounting Practice for companies to the extent that it is meaningful and appropriate to the Public Sector. Where the Financial Reporting Manual permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of The Pension Service for the purpose of giving a true and fair view has been selected. The Pension Service's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount.

During 2005/06 the Agency entered into a new IS/IT contract, Transformation of EDS Services (TREDSS), for provision of the majority of it's computer hardware and software, and a new telephony contract, Integrated Communication Network Services, for provision of its telephony assets. The Agency does not include capital values for these items in its Balance Sheet.

Computer hardware and owned software, where out of the scope of the new contract and over the capitalisation threshold of £100 are treated as capital assets. For plant and machinery assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation level, but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a capital asset. On initial recognition assets are measured at cost, including any costs such as installation directly attributable to bringing them into working condition.

During this accounting period, the Department entered into a new contract with a third party (Inchcape) for the provision of fleet management services. This covers running the fleet, maintenance of the fleet and lease of the vehicles. In August 2007 on signing of the contract the Department sold all its vehicles to the new service provider and leased vehicles from them. These vehicles do not belong to the Department and hence are not declared as fixed assets on the Balance Sheet.

For furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered to be prohibitive and therefore these items are recorded on a pooled basis.

'Off the shelf' software packages are capitalised as tangible fixed assets. Software internally developed is capitalised where agreed criteria are met.

With the publication of Treasury's RABIG 32/(2006) letter, which gave Departments more flexibility in revaluing assets, where the revaluation was proven to be immaterial in comparison to the total asset base or total value of the Balance Sheet, the Department opted to cease revaluing its assets using indices from 1st April 2007. Hence there is no impairment in this year's financial accounts. (See notes 5 & 15)
Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the Revaluation Reserve to the General Fund.

On disposal of a previously revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

1.3 Intangible fixed assets

Expenditure on purchased computer software licences covering a period of more than one year is capitalised as intangible fixed assets. Expenditure on annual software licences is charged to the Operating Cost Statement. Should The Pension Service purchase licences in advance they are only subject to amortisation once they are brought into use.

In view of the large number of software licences purchased across The Pension Service, those capitalised are accounted for on a pooled basis with any items/pools amounting to over £100,000 identified individually. The licences are amortised, on a straight-line basis, over the shorter of the licence period or 5 years. Software licences are not revalued.

1.4 Land and buildings

The Pension Service does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the Private Sector Resource Initiative for Management of the Estate and Newcastle Estates Development contracts. In accordance with Financial Reporting Standard 5 the contracts have been treated as an operating sale and leaseback, as the risks and rewards of ownership have been substantially transferred to the contractor.

The Pension Service has accounted for the deferred benefit which will result from reduced accommodation charges from the Newcastle Estates Development contract by establishing a prepayment which will be released annually, over the 30 year period of the contract, to the Operating Cost Statement on a straight line basis (see Note 10).

1.5 Depreciation

Depreciation is provided on all tangible fixed assets, using the straight line method, at rates calculated to write off, in equal instalments, the current replacement cost (less any estimated residual value) of each asset over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal.

Tangible fixed assets are depreciated over the following estimated useful lives:

Information Technology	3 to 5 years
Plant and Machinery	5 to 10 years
Furniture and fittings	7 to 10 years
Motor vehicles	4 to 7 years
Purchased Software packages	5 years
Internally developed software	5 years or life of software if less

1.6 Stocks

The Pension Service holds stocks of stationery, computer spares and similar consumable materials. Due to the nature of these items, The Pension Service does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly, The Pension Service has charged all expenditure on consumable items to the Operating Cost Statement.

1.7 Administration expenditure

Administration costs reflect the costs of running The Pension Service. These include both administration costs and associated income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

1.8 Operating Income

Operating income is income which relates directly to the operating activities of The Pension Service. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes both income appropriated in aid of the Estimate but also income to be surrendered to the Consolidated Fund which, in accordance with the Financial Reporting Manual, is treated as operating income (see Note 7). Operating income is stated net of VAT.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by The Pension Service, is included in operating costs (see Note 6). The charge is calculated at the real rate set by Her Majesty's Treasury (currently 3.5 per cent (2006/07 - 3.5 per cent)) on the average carrying amount of all assets less liabilities, except for:

a. intra departmental balances,

b. cash balances with the Office of Her Majesty's Paymaster General, where the charge is nil, and

c. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge will be at a nil rate.

1.10 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme, details of which are described in Note 3. The defined benefit scheme is unfunded and is non-contributory except in respect of dependant's benefits. The Pension Service recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the Principal Civil Service Pension Scheme. Departments meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined Contribution Schemes, The Pension Service recognises the contributions payable for the year. There is a separate scheme statement for the Principal Civil Service Pension Scheme as a whole. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

1.11 Early departure costs

The Pension Service meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefits in respect of employees who retire early by paying the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date. The Pension Service provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

1.12 Operating leases

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the term of the lease on a straight line basis.

1.13 Private Finance Initiative transactions

Private Finance Initiative transactions have been accounted for in accordance with Technical Note No.1 (Revised) entitled 'How to account for Private Finance Initiative transactions' as required by the Government Financial Reporting Manual. Where the balance of the risks and rewards of ownership of the Private Finance Initiative asset are borne by the Private Finance Initiative operator, the Private Finance Initiative payments are recorded as an operating cost. Where The Pension Service has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the Private Finance Initiative contract.

1.14 Value Added Tax

Most of the activities of The Pension Service are outside of the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The outstanding balance of net VAT recoverable is reported as a debtor in the Department for Work and Pensions Resource Account.

1.15 Provisions

The Pension Service provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by Treasury (currently 2.2 per cent).

2 Transfer of Functions and Restatements

Restatement of Balance Sheet and Operating Cost Statement at 31 March 2007.

Balance Sheet

	Published accounts at 31 March 2007	Analytical Restatement	CFER's Restatements	Restated at 31 March 2007
	£'000	£'000	£'000	£'000
Fixed Assets				
Tangible assets	166,521	0	0	166,521
Intangible assets	4,124	0	0	4,124
Investments	0	0	0	0
Debtors falling due after more than one year	7,347	0	0	7,347
Current assets				
Debtors	3,029	0	0	3,029
Cash at bank and in hand	25	0	0	25
Creditors falling due within one year	(58,132)	0	0	(58,132)
Provisions for liabilities and charges	(1,260)	0	0	(1,260)
Net Assets	**121,654**	**0**	**0**	**121,654**
Taxpayers Equity				
General Fund	121,489	0	0	121,489
Revaluation Reserve	165	0	0	165
Government Grant reserve	0	0	0	0
	121,654	**0**	**0**	**121,654**

Operating Cost Statement

Administration costs				
Staff costs	327,024	6,378	0	333,402
Non-staff administration costs	465,770	(6,378)	0	459,392
Gross Administration costs	**792,794**	**0**	**0**	**792,794**
Operating income	(5,353)	0	(21)	(5,374)
Net Administration costs	**787,441**	**0**	**(21)**	**787,420**
Programme costs				
Grant-in-Aid payments	0	0	0	0
Net Programme costs	**0**	**0**	**0**	**0**
Net Operating cost	**787,441**	**0**	**(21)**	**787,420**

Analytical Restatement
Ventura costs have been reclassified as staff costs.
CFERs
Consolidated Funds Extra Receipts (CFERs) have been re-stated to comply with the Government Financial Reporting Manual.

3 Staff numbers and related costs

(a) Staff costs

Staff costs consist of:	Permanently Employed staff	Others	Ministers	Special Advisors	2007/08	2006/07 Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	239,460	9,402	0	0	248,862	266,404
Employers National Insurance	15,766	109	0	0	15,875	17,477
Superannuation and Pension costs	78,253	63	0	0	78,316	49,503
Sub Total	333,479	9,574	0	0	343,053	333,384
Inward Secondments	20	0	0	0	20	18
Total	333,499	9,574	0	0	343,073	333,402
Less recoveries in respect of Outward Secondments	(320)	0	0	0	(320)	(206)
Total Staff Costs	**333,179**	**9,574**	**0**	**0**	**342,753**	**333,196**

Superannuation and Pension costs include £36.1 million (2006/07 £3.0 million) in respect of early release lump sum payments.

The Principal Civil Service Pension Schemes are unfunded multi-employer defined benefit schemes, but The Pension Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year to March 2008, normal employer contributions of £41.1 million (2006/07 £45.5 million restated) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 17.1 - 25.5 per cent (2006/07: 17.1 - 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007/08, the salary bands have been revised and will remain the same. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred and reflect past experience of the scheme.

Outstanding contributions amounting to £4.1 million (2006/07 £4.6 million) were payable to the Civil Superannuation Vote at 31 March 2008 and are included in creditors (See Note 12).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £105k (2006/07 £113k) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent (2006/07 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay were payable to the Civil Service Pension Scheme to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £10k (2006/07 £10k restated). Contributions prepaid at that date were nil.

14 persons (2006/07 24 persons) retired on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £21k (2006/07 £38k). These liabilities are not the responsibility of The Pension Service but are to be paid by the Civil Superannuation Vote.

(b) Average number of persons employed

The average number of whole-time equivalent persons employed during the year (excluding staff on secondment to other organisations) is shown in the table below.

2007/08 Number

	Permanently employed staff	Others	Total
Objective 3:			
To combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners	11,556	336	11,892
Total	**11,556**	**336**	**11,892**

2006/07 Number (Restated)

	Permanently employed staff	Others	Total
Objective 3:			
To combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners	13,143	413	13,556
Total	**13,143**	**413**	**13,556**

4 Non-staff administration costs

	Note	2007/08 £'000	2006/07 Restated £'000
Goods and services	4a	40,811	46,036
Staff Related	4b	14,799	16,167
Bad Debt Written Off		45	70
Accommodation costs		16,181	15,200
Rentals under operating leases:			
Hire of Plant and Machinery		169	156
Other operating leases		(5)	222
Non-cash items	5	296,412	310,143
Compensation to customers	4c	3,162	4,189
PFI service charges - Off Balance Sheet contracts		19,682	17,960
IT services		60,987	49,249
		452,243	**459,392**

a. Goods and services expenditure is mainly in respect of contracted out office services, telephone costs, general postage, professional services and printing and stationery.

b. Staff Related expenditure is mainly in respect of travel and subsistence and staff training.

c. The Pension Service compensates those customers whose cases have been badly handled. The Pension Service has extended its policy on redress and will, exceptionally, consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint.

5 Non-staff administration costs: Non-cash items

		2007/08		2006/07	
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Notional costs	**6**		258,096		275,505
Depreciation/Amortisation of fixed assets	**8/9**		34,125		33,195
Impairment of fixed assets	**8**		0		328
Amortisation of prepayments	**10**		363		363
Movement In Year on Bad Debt Provision			34		1
Provisions:					
Movement in year	**13**	3,778		731	
Unwinding of discount	**13/5a**	16		20	
			3,794		751
			296,412		**310,143**

a. The unwinding of the discount represents the effect of recalculating the present value of the provision before the impact of the uplift has been taken into account.

6 Notional administration costs

Certain services are provided and received by The Pension Service without the transfer of cash. Amounts are included in the net operating cost of £258.1 million (2006/07 £275.5 million) to reflect these costs and are comprised as follows:

		2007/08		2006/07	
	Note	£'000	£'000	£'000	£'000
Cost of Capital charge			4,478		1,458
Auditors remuneration and expenses	6a		82		69
Inter Business Unit Charges:					
Services provided and costs incurred by other Departmental business units on behalf of The Pension Service	6b	254,083		275,193	
Less:					
Services provided and costs incurred by The Pension Service on behalf of other Departmental business units		(547)		(1,215)	
			253,536		273,978
			258,096		**275,505**

a. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work during 2007/08 (2006/07 nil).

b. Services provided by other business units on behalf of The Pension Service include:

£131.3 million (2006/07 £154.8 million) corporate recharges from Department for Work and Pensions for encashment services provided by Post Office Counters Ltd and Girobank plc, finance, personnel and assurance.

The basis of apportionment for recharges of Corporate Centre costs have been updated in 2007/08 following a thorough review, in order to more accurately reflect the level of service/goods received by the Agencies. New bases have been introduced where previous ones have been deemed inappropriate and the most up to date available data has been used.

7 Income

	Note	2007/08 £'000	2006/07 Restated £'000
Administration income			
Income from Other Government Departments	7a	(8,299)	(4,599)
Other income from external customers	7b	(1,621)	(775)
		(9,920)	**(5,374)**

a. Income from Other Government Departments includes £1.6 million (2006/07 £1.5 million) from the Department of Health in respect of medical benefits paid and £5.4 million (2006/07 £1.8 million) which relates to work carried out by the Customer Information System project on behalf of the Biographic Identity Project (£3.4m), NISSA (£0.6m), Identity and Passport Service (£0.8m), Her Majesty's Revenue & Customs (£0.4m) and the Department for Children, Schools and Families (£0.2m).

b. Other income includes £455k (2006/07 £500k) from mortgage lenders in respect of service charges for mortgage interest settled by The Pension Service and £1.1m relating to work carried out by the Customer Information System project on behalf of BT.

An analysis of income from services provided to external and public sector customers is as follows:

	2007/08			2006/07 Restated		
	Income	Full cost	(Surplus)/ deficit	Income	Full cost	(Surplus)/ deficit
	£'000	£'000	£'000	£'000	£'000	£'000
Fees and charges to external customers						
Income from mortgage lenders	(455)	455	0	(482)	482	0
Sundry income	(1,166)	1,166	0	(293)	293	0
Fees and charges to other departments						
Department of Health	(1,579)	1,579	0	(1,520)	1,520	0
Other Government Departments	(6,400)	6,400	0	(2,873)	2,873	0
Secondments	(320)	320	0	(206)	206	0
	(9,920)	**9,920**	**0**	**(5,374)**	**5,374**	**0**

Income information is provided to meet Her Majesty's Treasury's Fees and Charges requirements and not for SSAP 25 purposes.

8 Tangible fixed assets

	Note	Information Technology	Purchased Software	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Developed Software	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2007		17,852	248	451	2,280	2,238	153,062	46,073	222,204
Prior year additions	8a	0	0	0	(25)	2	0	0	(23)
In year additions	8a	21	0	0	278	0	0	41,802	42,101
Transfers in	8b	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	(13)	0	0	(13)
Transfers out	8b	(9,728)	0	(4)	0	(2,227)	0	0	(11,959)
Revaluations	8d	0	0	0	0	0	0	0	0
Impairments	8d	0	0	0	0	0	0	0	0
Reclassification		0	0	0	0	0	0	0	0
As at 31 March 2008		**8,145**	**248**	**447**	**2,533**	**0**	**153,062**	**87,875**	**252,310**
Depreciation									
At 1 April 2007		14,792	143	366	770	1,169	38,443	0	55,683
Prior year depreciation	8c	0	0	0	0	(37)	0	0	(37)
Charged in year	8c	1,666	50	30	230	169	30,612	0	32,757
Transfers in	8b	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	(13)	0	0	(13)
Transfers out	8b	(9,019)	0	(4)	0	(1,288)	0	0	(10,311)
Backlog Depreciation	8d	0	0	0	0	0	0	0	0
Impairments	8d	0	0	0	0	0	0	0	0
As at 31 March 2008		**7,439**	**193**	**392**	**1,000**	**0**	**69,055**	**0**	**78,079**
Net book value 31 March 2008		**706**	**55**	**55**	**1,533**	**0**	**84,007**	**87,875**	**174,231**
Net book value 1 April 2007		3,060	105	85	1,510	1,069	114,619	46,073	166,521
Asset Financing									
Owned		706	55	55	1,533	0	84,007	87,875	174,231
Finance leased		0	0	0	0	0	0	0	0
On-balance-sheet		0	0	0	0	0	0	0	0
Private Finance Initiative contracts		0	0	0	0	0	0	0	0
Private Finance Initiative residual interests		0	0	0	0	0	0	0	0
Net book value 31 March 2008		**706**	**55**	**55**	**1,533**	**0**	**84,007**	**87,875**	**174,231**

a. Total additions in the year were £42.1 million (2006/07 £55.4 million). The increase this year in assets under construction relates almost entirely to the development of systems to support the future roll-out of waves 2a and 2b of the Pensions Transformation Programme. Go-live of these systems is not expected to occur until 2008/09.

b. There are no transfers in of assets (2006/07 £31.6 million which relates, in the main, to assets which were purchased by Pensions projects during 2006/07). Transfers out with a net book value of £1.6 million (2006/07 £1.9 million) include transfers to other departmental agencies or core departments which are made on a gross basis i.e. at depreciated replacement cost together with any related balance on the revaluation reserve.

c. Total depreciation charged to the operating cost statement in the year was £32.8 million (2006/07 £31.9 million).

d. The net increase in asset values arising from the revaluation of fixed assets is nil (2006/07 £67k which was transferred to the Revaluation Reserve). The impairment in fixed assets arising from the permanent decrease in value is nil (2006/07 £0.3 million in excess of previous revaluation and was charged to the Operating Cost Statement (see Note 5)).

e. **Cash Flow Reconciliation.**

		2007/08	2006/07
	Note	**£'000**	**£'000**
Capital Creditor and Accruals at 1 April	**12**	10,927	0
Capital additions		42,101	55,380
Capital Creditor and Accruals at 31 March	**12**	(8,715)	(10,927)
Purchases of Tangible fixed assets per Cash Flow Statement		**44,313**	**44,453**

9 Intangible fixed assets

		Software Licences
Cost or valuation	**Note**	**£'000**
At 1 April 2007		6,763
Additions	9a	2,144
Transfers in		0
Disposals		0
Transfers out		0
Revaluations		0
Impairments		0
As at 31 March 2008		**8,907**

Amortisation	**Note**	**£'000**
At 1 April 2007		2,639
Charged in year	9b	1,368
Transfers in		0
Disposals		0
Transfers out		0
Revaluations		0
Impairments		0
As at 31 March 2008		**4,007**
Net book value 31 March 2008		**4,900**
Net book value 1 April 2007		4,124

a. Total additions in the year were £2.1 million (2006/07 £1.3 million).

b. Total amortisation in the year was £1.4 million (2006/07 £1.3 million).

c. **Cash Flow Reconciliation.**

	Note	2007/08 £'000	2006/07 £'000
Capital Creditor and Accruals at 1 April	**12**	0	0
In Year Capital additions		2,144	1,276
Capital Creditor and Accruals at 31 March	**12**	0	0
Purchases of Intangible fixed assets per Cash Flow Statement		**2,144**	**1,276**

10 Debtors

	Note	31 March 2008 £'000	31 March 2007 £'000
Amounts falling due within one year:			
Deposits and advances		373	142
Other Government debtors	**10a**	4,806	1,395
Intra Department for Work and Pensions		347	317
Other debtors		252	199
Trade Debtors		901	312
Provision for Bad and Doubtful Debts		(34)	(1)
Prepayments and accrued income		1,161	302
Accommodation prepayment		363	363
		8,169	**3,029**
Amounts falling due after more than one year:			
Deposits and advances		78	86
Accommodation prepayment	**10b**	6,898	7,261
		6,976	**7,347**

Intra-Government Balances

The following table analyses total debtor balances across the categories shown:

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007/08	2006/07	2007/08	2006/07
	£'000	£'000	£'000	£'000
Balances with intra Departmental bodies	347	317	0	0
Balances with other central Government bodies	4,806	1,395	0	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to Government	3,016	1,317	6,976	7,347
	8,169	**3,029**	**6,976**	**7,347**

a. The amount outstanding with other central Government bodies includes £3.4 million (2006/07 nil) owed by the Biographic Identity Project and £0.8 million (2006/07 £34k) owed by the Identity and Passport Service.

b. The reduction in accommodation prepayment is due to amortisation.

11 Cash at bank and in hand

	Note	31 March 2008	31 March 2007
	Note	**£'000**	**£'000**
Balance at 1 April		25	11
Change in cash balances		(20)	14
Balance at 31 March		**5**	**25**
The following balances at 31 March are held at:			
Commercial banks and cash in hand	**11a**	5	25
		5	**25**

a. The current Departmental policy is to hold all operational bank accounts centrally due to Vote funding requirements. The Corporate Centre is the custodian of the Department's bank accounts and, as such, holds balances on behalf of The Pension Service.

12 Creditors

	Note	31 March 2008 £'000	31 March 2007 £'000
Amounts falling due within one year:			
Taxation and social security		(5,457)	(5,937)
Superannuation		(4,065)	(4,553)
Trade creditors - non capital		(4,640)	(7,794)
Trade creditors - capital		0	0
Amounts due to other Government Departments		(171)	(123)
Intra departmental		0	0
Other creditors		(636)	(549)
Accruals and deferred income - non capital		(30,572)	(28,249)
Accruals and deferred income - capital		(8,715)	(10,927)
		(54,256)	**(58,132)**

Intra-Government Balances

The following table analyses total creditor balances across the categories shown:

	Amounts falling due within one year		Amounts falling due after more than one year	
	2007/08	2006/07	2007/08	2006/07
	£'000	£'000	£'000	£'000
Balances with intra Departmental bodies	0	0	0	0
Balances with other central Government bodies	(9,654)	(10,613)	0	0
Balances with local authorities	(14)	0	0	0
Balances with NHS Trusts	0	0	0	0
Balances with public corporations and trading funds	(25)	0	0	0
Balances with bodies external to Government	(44,563)	(47,519)	0	0
	(54,256)	**(58,132)**	**0**	**0**

13 Provision for liabilities and charges

	Note	2007/08		2006/07	
		Gross Provision		Gross Provision	
		£'000	£'000	£'000	£'000
Early departure and pension commitments					
Balance at 1 April			1,126		811
Amounts utilised in year			(557)		(423)
Increase in provision:					
New entrants		793		663	
Uplift		20		57	
Unwinding of the discount		13		11	
Other		(237)		7	
			589		738
Balance at 31 March			**1,158**		**1,126**
Other Provisions - Industrial Injuries			**£'000**		**£'000**
Balance at 1 April			134		127
Amounts utilised in year			(6)		(6)
Increase in provision:					
New entrants		0		0	
Uplift		3		4	
Unwinding of the discount		3		9	
Other		1		0	
			7		13
Balance at 31 March			**135**		**134**
Other Provisions - Building Exit			**£'000**		**£'000**
Balance at 1 April			0		0
Amounts added in year	**13a**		3,198		0
Amounts utilised in year			0		0
			3,198		**0**
Balance at 31 March			**4,491**		**1,260**

a. This year the agency served closure notices on three of its estates. A provision of £3.2m relates to penalty charges which will be incurred for early termination of these lease contracts.

14 Reconciliation of net operating cost to changes in General Fund

		2007/08		2006/07 Restated	
	Note	£'000	£'000	£'000	£'000
Net operating cost for the year		(785,396)		(787,420)	
Income not appropriated in aid payable to Consolidated Fund - CFERs		(33)		(21)	
			(785,429)		(787,441)
Parliamentary funding: Financing from Consolidated Fund - current year			179,953		135,915
Financing from National Insurance Fund			362,894		365,139
Non-cash charges:					
Non-cash capital adjustments			(1,634)		49,859
Notional Charges	6		258,096		275,505
Transferred to General Fund in respect of realised element of revaluation reserve	15		19		3
Net movement in General Fund			**13,899**		**38,980**
General Fund at 1 April					
Prior year adjustment			121,489		82,509
General Fund at 31 March			**135,388**		**121,489**

15 Reserves

		2007/08	2006/07
	Note	£'000	£'000
Revaluation Reserve			
Balance at 1 April		165	104
Arising on revaluation during the year (net)		0	67
Transfer in from other Business Unit		0	(3)
Transferred to General Fund in respect of realised element of revaluation reserve	14	(19)	(3)
Balance at 31 March		**146**	**165**

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

16 Notes to the Cash Flow Statement

	Note	2007/08 £'000	2006/07 Restated £'000
(i) Reconciliation of operating cost to operating cash flows			
Net operating cost		(785,396)	(787,420)
Adjustment for non-cash transactions	5	296,412	310,143
(Increase)/Decrease in Debtors	10	(4,769)	1,037
Less movements in debtors relating to items not passing through the OCS	10	(396)	(364)
Increase/(Decrease) in Creditors	12	(3,876)	32,670
Less movements in creditors relating to items not passing through the OCS		2,178	(10,948)
Use of provisions	13	(563)	(429)
Net cash outflow from operating activities		**(496,410)**	**(455,311)**
(ii) Analysis of capital expenditure and financial investment			
Purchases of tangible fixed assets	8	(44,313)	(44,453)
Purchases of intangible fixed assets	9	(2,144)	(1,276)
Proceeds from disposal of fixed assets		0	0
Net cash outflow from investing activities		**(46,457)**	**(45,729)**
(iii) Analysis of financing			
Financing from the Consolidated Fund	14	179,953	135,915
Financing from the National Insurance Fund	14	362,894	365,139
Net financing		542,847	501,054
(iv) Reconciliation of net cash requirement to increase/(decrease) in cash			
Net cash requirement		(179,973)	(135,901)
From the Consolidated Fund - Current Year	14	179,953	135,915
Increase/(Decrease) in Cash		**(20)**	**14**

17 Capital commitments

Contracted capital commitments at 31 March 2008 - nil (31 March 2007 - £633,394).

18 Commitments under non-Private Finance Initiative leases

Operating Leases

	31 March 2008		31 March 2007	
	Land & Buildings	Other	Land & Buildings	Other
	£'000	£'000	£'000	£'000
At 31 March The Pension Service was committed to making the following payments during the next year, analysed according to the period in which the lease expires:				
Expiry within 1 year	0	49	0	27
Expiry after 1 year but not more than 5 years	0	96	0	246
Expiry thereafter	0	0	0	0
	0	**145**	**0**	**273**

19 Commitments under Private Finance Initiative contracts

Charge to the Operating Cost Statement and future PFI commitments

In 1998, the Department entered into a PFI Partnership Agreement under which the former Department of Social Security transferred ownership and management of its Estate to a private sector partner, in exchange for the provision of fully serviced accommodation. This continues to be classed as a Private Finance Initiative arrangement and details are disclosed within the Department for Work and Pensions Corporate Accounts.

20 Other financial commitments

The Pension Service has not entered into any non-cancellable contracts which are not leases or Private Finance Initiative contracts.

21 Contingent liabilities disclosed under Financial Reporting Standard 12

The agency has a contingent liability in the form of the 'Carson Case'. The European Court of Human Rights will consider an appeal to up-rate State Pensions paid to claimants living in certain foreign countries where our current policy is to freeze the rate. There is no indication of when a decision may be reached and there are several potential outcomes. Additional operational costs may be incurred if the agency is required to administer backdated payments and compensation.

22 Related party transactions

The Pension Service is an Executive Agency of the Department for Work and Pensions (the Department).

The Department is regarded as a related party. During the year, The Pension Service has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent department, viz.: Jobcentre Plus, the Child Support Agency and the Disability and Carers Service.

In addition, The Pension Service has had a significant number of material transactions with other Government Departments and other central Government bodies.

23 Financial instruments

Financial Reporting Standard 13, *Derivatives and Other Financial Instruments,* requires disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Agencies are financed, The Pension Service 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 the listed companies to which Financial Reporting Standard 13 mainly applies. The Pension Service has very limited powers to borrow or invest surplus funds and 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.

As permitted by Financial Reporting Standard 13, debtors and creditors which mature or become payable within 12 months from the Balance Sheet date have been omitted from the disclosures below.

Liquidity risk

The Pension Service's net revenue resource requirements are financed by resources voted annually by Parliament, as is its capital expenditure and by recoveries from the National Insurance Fund. The Pension Service is not, therefore, exposed to significant liquidity risks.

Foreign currency risk

The Pension Service does not carry out transactions in foreign currencies and all material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

Interest rate risk

All of The Pension Service's financial assets and liabilities carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk. The interest profile of The Pension Service's financial liabilities and asset has therefore not been disclosed separately.

Financial Liabilities

As at 31 March 2008 The Pension Service's gross financial liabilities totalled £0.9 million (31 March 2007 - £0.8 million), all of which related to non-interest bearing financial liabilities. The weighted-average period to maturity was 7.8 years (31 March 2007 - 8.5 years).

Financial Assets

As at 31 March 2008 gross financial assets totalled nil (31 March 2007 - nil).

Fair Values

The book values of The Pension Service's financial assets and liabilities at 31 March 2008 are not materially different from their fair values. They have accordingly not been shown separately.

24 Post Balance Sheet Events

The Pension Service's financial statements are laid before the House of Commons by the Secretary of State of the Department for Work and Pensions. Financial Reporting Standard 21 requires The Pension Service to disclose the date on which the accounts are authorised for issue.

The authorised date for issue is 16 July 2008.

From 1 April 2008 the Agency merged with the Disability and Carers Service to form the Pension, Disability and Carers Service. Terry Moran has been appointed Chief Executive of the new agency.

In July 2008 the Agency will restructure its IS/IT function and is planning to transfer approximately 379 staff to DWP Corporate IT.

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5847439 08/08

Printed on Paper containing 75% recycled fibre content minimum.

www.thepensionservice.gov.uk

Want to know more? Then take a look at our website
www.thepensionservice.gov.uk

We welcome your feedback. Please send any comments, questions or views about anything in our Annual Report and Accounts by post to:

Strategic Reporting Team
The Pension Service
Room 4C06, Quarry House
Quarry Hill
Leeds
LS2 7UA

If you would like a copy of The Pension Service Annual Report and Accounts 2007/08 in Braille please contact 0113 232 7774

TSO
Information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
E-mail: customer.services@tso.co.uk
Textphone: 0870 240 3701

TSO Shops
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX

TSO@Blackwell and other Accredited Agents

INVESTORS IN PEOPLE

The Pension Service

ISBN 978-0-10-295634-4