

Identity and Passport Service

Annual Report and Accounts

2011-2012

Identity and Passport Service

Annual Report and Accounts 2011–2012

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to Section 7 of the Government Resources
and Accounts Act 2000.

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Chief Executive's foreword



The Identity and Passport Service's (IPS) purpose is to provide accurate and secure records of key events and trusted passport services. We are proud to be relied on and trusted by our customers and stakeholders to do just that - issuing **5.4m** UK passports, handling notifications of **1.5m** birth, death and marriage registrations and producing **1.3m** key life certificates this year alone.

But to uphold the excellent reputation we have built with our customers we must continue to improve: driving down costs, enhancing our products and services, developing and retaining talent and making best use of our resources.

Last year I set out five key principles (operational focus, trusted and secure, customer service, people and cost) which underpin everything we do. Throughout the year, those principles have kept us focussed on what is most important to IPS, in all the changes we have made and everything we have achieved.

Over the past 12 months, we have significantly restructured our operational 'heart' and supporting corporate functions, to build an organisation that is the right size and shape for the future, to make sure we continue to deliver value for money. We have downsized our workforce, closed and integrated offices - making better use of resources and space whilst maintaining continuity and the high quality of service for our customers.

This has been another challenging year of change for us all and my biggest priority has been to give our people the best possible support through this change. Our Myfuture programme, which provides coaching in CV writing, job applications and interviewing skills to those in redeployment, was identified as an outstanding example of best practice and adopted across the Home Office.

We have been working in partnership with Home Office and other government department colleagues to introduce more cost-effective and efficient shared corporate services, including a new finance and procurement management system, recruitment and learning and development tools.

One great example of working in partnership has been the successful transfer of responsibility from the Foreign and Commonwealth Office (FCO) for managing the setting of fees, policy and counter-fraud measures for UK passports issued overseas. This was followed quickly by the repatriation of printing and secure delivery of UK passports worldwide.

Completing repatriation in such a short space of time is a huge achievement, showcasing excellent team working with FCO colleagues. And, our successful partnership continues as we progress with the transfer of all passport application processing to the UK. By 2013, IPS will handle an additional 350,000 - 400,000 passport applications a year from customers worldwide.

Even with all this change our performance has continued to improve. Our new strategic approach to tackling the ever-changing and increasingly sophisticated threat of fraud has improved our rates of detection. We will continue to build on this success, developing our existing skills and capabilities and introducing enhanced techniques to do even better.

Next year our priorities include modernising and upgrading systems, processes and estates to improve the working environment for our people. We will offer customers and stakeholders new and improved secure access to our services and data. And we will progress work to deliver improvements to civil registration in England and Wales. But one continuing priority stands out for me and that is continuing to learn from, develop and broaden our people's skills, expertise and

capabilities. The dedication, enthusiasm and immense pride our people have in the great work they do, has always been, and will always continue to be, absolutely critical to everything we do. This gives me great confidence in our ability to deliver exceptionally good service in the year to come.



Sarah Rapson

Chief Executive of the Identity and Passport Service
and Registrar General for England and Wales

21 June 2012

Management Commentary

The Identity and Passport Service (IPS), an executive agency of the Home Office, came into existence on 1 April 2006. On 1 April 2008, IPS took over responsibility for the work of the General Register Office for England and Wales from the Office for National Statistics. 1 April 2011 marked another important milestone as IPS officially took responsibility from the Foreign and Commonwealth Office (FCO) for UK passports issued overseas.

2011-12 was a successful year for IPS, achieving all cost, customer service and counter fraud key performance indicators, whilst continuing with significant restructuring to improve efficiency and effectiveness, investments in modernisation of key systems, and further progress on shared corporate services with the wider Home Office.

Against a challenging wider background in relation to pay and pensions, important steps to improve staff engagement are being made.

On 23 May 2011, after a period of consultation, plans were announced to restructure our operations that bring capacity and demand into better balance. The plans are expected to result in savings over the Spending Review period, reduce estate capacity, and represent a significant part of a wider restructuring of the business.

As part of these plans, postal application processing from the Newport office ceased. This resulted in a reduction of posts in that office with 181 people leaving under voluntary terms and 152 people redeployed in Newport who now provide counter and interview services in its Customer Service Centre and a Customer Complaints, Correspondence and Enquiry Centre of Excellence.

All staff impacted who expressed an interest in staying with IPS were successful in obtaining permanent positions. The plans also involved the closure of 22 interview offices, which involved a demanding decommissioning schedule and originally affected 176 people, the vast majority of whom have been helped to find other roles in IPS or elsewhere in the Civil Service.

The operations restructuring plans also included the decision to set up 12 flexible teams across the country in locations where IPS previously had a static interview office. The introduction of the flexible teams means that IPS continues to deliver first time adult passport applicant interviews throughout the UK within reasonable travelling distance for our customers, whilst reducing the operating cost of IPS estates.

The co-location of operational passport and interview offices at seven key locations allows IPS to hand back office space to landlords and equipment to be removed to realise cost savings.

These measures place the business in a better position to focus on its key purpose, which is **'to provide accurate and secure records of key events and trusted passport services'**. This purpose is supported by a set of five clear principles:

Trusted and Secure – to maintain high standards of integrity and reliability across all IPS products, services and the data it holds.

Customer Service – IPS is proud of the service it provides to customers and will deliver a modern and affordable service that meets the needs of today's society.

Operational Focus – IPS will create a more efficient and connected organisation with operational excellence at its core.

People – IPS values the contribution of all its people, treats them with respect and supports them through change.

Cost – IPS will deliver demonstrable value for fee-payers and reduce its burden on the tax payer.

These principles are firmly embedded in everything IPS does.

Principal activities

The Agency's activities during 2011-12 were to provide civil registration services for England and Wales and passport services for British Nationals in both the UK and overseas. Note 2 to the Accounts on page 46 provides a breakdown of income and expenditure by these individual segments.

In September 2011, the programme to repatriate the printing of overseas passports was completed, and IPS is now responsible for the printing and delivery of all UK passports worldwide. The remaining phases of the programme will see IPS handling all overseas passport applications too and offering the same high levels of service to all of its customers across the globe.

Business and future developments

The scale of the operations over the past year is summarised by the following key figures:

- ~ **5.4 million** passports were issued;
- ~ **260,000** identity authentication interviews were conducted;
- ~ **1.5 million** notifications of birth, death and marriage registrations were received;
- ~ **1.3 million** birth, death and marriage certificates were produced, more than **70,000** pieces of casework were dealt with; and
- ~ **6.2 million** Passport Validation Service enquiries were processed.

Performance

IPS met its financial aims during 2011-12, in particular it was self-funded on both its passport operation and its certificate services operation. The Statement of Comprehensive Net Expenditure on page 34 reports an overall surplus of £41m (2010-11 deficit of £18m) from continuing operations.

IPS remains on course to meet its Comprehensive Spending Review target to be self-funded on core operations and has implemented plans to reduce administrative costs by 33% by the end of the four year Comprehensive Spending Review period in 2014-15.

For the first time in five years IPS met all its cost, customer and fraud key performance indicators.

The activity to reduce costs coupled with strong passport demand meant that the passport unit cost target was met as was the unit cost target for the production of certificates even though certificate demand was 4% below plan during the year.

8,947 fraudulent passport applications during the year were detected and deterred, which met the target of improving the year on year fraud detection rate.

The staff engagement measurement at 50% (established via the annual civil service wide staff survey) did not meet the target of 56%; see the staff engagement section on page 10 for further detail on measures to improve this.

Performance (continued)

Key Performance indicators

	Year end target	Year end actuals	Achieved/ Not achieved
Achieve a customer satisfaction rating of at least 90%	90%	90.8%	A
Deliver 97% of all IPS products to agreed service standards	97%	98.9%	A
Unit costs for passports	£72.98	£64.68	A
Unit costs for certificates	£11.70	£10.20	A
Detected fraud to be higher than 2010-11	8,695	8,947	A
Achieve a minimum standard of 56% on the staff engagement index	56%	50%	N

Non current assets

During the year, IPS made capital investment on its modernisation programmes of £22.6m; there was also spend of £800k on its offices.

Full details of non current assets are contained within notes 7 and 8 to the Accounts.

Funding

Passport fee receipts continue to fund passport related activity; certificate and statutory registrar services are funded by a combination of fees and Home Office funding, whilst the Home Office funds capital expenditure. The costs of central corporate services are allocated to those different activities through a cost allocation process, which ensures the integrity of the separate funding streams.

Note 2 to the Accounts on page 46 provides an analysis of these funding streams.

All receipts were paid into accounts held with the Government Banking Service (previously the Office of the Paymaster General). Note 1.14 to the Accounts on page 42 explains that these banking arrangements were transitioned during the year into a shared bank account, managed by the Home Office. Sufficient receipts were retained from this account to cover expenditure.

Outsourcing

In December 2011, IPS took a further step towards a Home Office shared services approach to corporate functions, implementing the migration of finance and procurement systems to the Oracle-based Home Office Adelphi system and with it, use of the shared service centre, in Newport.

Computer Services Corporation, the key IT supplier, has been carrying out testing of the new Application Management System (AMS), which is to replace PASS as the core system for receipt and examination of passport applications. AMS is designed to be easier to use and enable cases to be examined more efficiently.

De La Rue, the key passport supplier under a 10 year contract with an estimated value of £400m, produced 5.2m passports this year.

Corporate Governance

These accounts include a Governance Statement, which is supported by the work carried out by the Internal Audit service, as well as other internal and external reviews that cover IPS business controls.

The Internal Audit service is provided by the Home Office Internal Audit Unit under a shared service model with a service level agreement in place for the delivery of the work. Quarterly, the Head of Risk meets with the Steering Board members to review significant risks and the effectiveness of the risk management services.

The IPS Audit Committee meet quarterly to oversee all audit and assurance work.

The IPS external auditor is the Comptroller and Auditor General, who is appointed under statute, reporting to Parliament. He is supported by the National Audit Office (NAO) and IPS paid notional fees to NAO of £195k (2010-11: £206k) for the audit carried out on this report and accounts.

The Accounting Officer believes that the IPS auditors are aware of all relevant audit information. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that IPS auditors are aware of that information.

Full details of the Board for the 2011-12 financial year are included within the Remuneration Report on pages 22 to 28 and in the details of the Executive Committee report shown on pages 29 and 30.

Pension scheme

Comprehensive details of the various pension schemes available to IPS employees are contained within the Remuneration Report on page 24 and on page 48 in note 3 to the Accounts.

Value for money

IPS is committed to maximising the value for money delivered to its customers whilst delivering excellent customer service and ensuring security and integrity.

IPS contributes to the overall Home Office value for money plan; examples of recent value for money improvements delivered include: the implementation of a new, more cost-effective passport supply contract, reductions in our permanent staffing base and a significant reduction in consultancy and contractor resources. These efficiencies have been delivered whilst maintaining high standards of customer service and integrity.

Basis for preparing the Accounts

IPS, in line with all government departments and agencies, is required to produce accounts in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT), which apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Resource accounting and budgeting

The Home Office are preparing group accounts for 2011-12, which will consolidate IPS accounts.

Payment performance

A large proportion of supplier invoices have contractually agreed payment terms of 30 days, and IPS monitors its performance to ensure compliance with these terms.

Overall, IPS paid 52% of all invoices within 10 days (2010-11: 40% revised) and of these 22% of all invoices are paid within 5 days, in line with government guidance on prompt payment.

People

The IPS people principle - 'we value the contribution of all our people, treat them with respect and will support them through change' - has continued to underpin the significant structural change necessary to establish a more efficient organisation, one that is the right size and shape for the future.

Throughout, the IPS leadership with support from human resources has kept close to the people principle and provided support and guidance to those impacted by the changes. Its focus too is developing the skills required over the next few years that encourage and enable high performance.

Staff numbers

During 2011-12, overall permanent IPS staffing numbers have reduced by 9.1% with the total of full time equivalent staff falling during the year by 315.

Since April 2010, the work to restructure the organisation has seen a reduction in over 700 posts, whilst ensuring that customer service and security levels are maintained.

In 2011-12, average days lost to sickness absence provided a challenge. Having made significant improvements in 2010-11 and having met the target of 8 days, IPS set itself the stretch target of 7.5 days for 2011-12.

IPS worked hard to improve and to meet the stretched target and in some areas this was achieved, most notably in the North East region where, in addition to bettering target, the region also achieved 'Gold' recognition in the NHS better health at work initiative. However overall the IPS average days lost to sickness absence in 2011-12 was 8.08 days.

In 2012-13, IPS will promote best practice interventions and support for its people, based on experiences in the North East region, and will share and embed these across the organisation.

Supporting change

The Myfuture programme continued to provide coaching in CV writing, job applications and interviewing skills for IPS people in redeployment. IPS collaborated with the Home Office and UKBA and led on providing a new cross Home Office Myfuture in 2011. This improved both the virtual support network and products. The new programme also provided physical space in Croydon, and from October 2011, at the IPS customer service centre in Newport that has helped those impacted by organisational change to access support.

IPS took the Home Office lead in implementing a pilot redundancy-swapping scheme, which provided opportunities for staff at risk of redundancy and whose skills match a business need, to apply for work elsewhere in the organisation, swapping roles with someone not at risk, but who wants to take voluntary early severance. This activity enabled IPS to minimise compulsory redundancy measures.

As a result of these programmes, 48 people were able to move to new roles in IPS and 34 people to move to work in other government departments or in the private sector during 2011-12. A further 31 staff secured loans or secondments to other government departments.

Engagement

IPS carried forward the actions from the 2010 staff survey, which included addressing the concerns raised around leadership visibility by improved engagement across the business. Senior Leadership

Team members now meet regularly with staff in visits to IPS sites up and down the country, holding open forums and lunchtime conversations that provide staff with the opportunity to feedback and raise questions.

IPS again invited its staff to say how they feel about IPS, their work, and their development through the 2011 Civil Service People survey in October 2011. The actions that the IPS Leadership Team put in place were recognised through significant increases, from the 2010 results, over the following areas:

- increased IPS senior managers visibility;
- the belief that the Senior Leadership Team has a clear vision for the future;
- staff have a clear understanding of the IPS purpose and objectives;
- staff are treated fairly and with respect by their colleagues;
- staff are interested in their work and they have a clear understanding of what is expected of them;
- line managers are open to ideas from their staff and recognise good work; and
- line managers are considerate of their staffs' life outside work.

However, the 2011 results also showed that some IPS people feel:

- change is not well managed, and when changes are made they feel change is not usually for the better;
- less satisfied with their current workloads;
- the organisation does not motivate or inspire them to achieve their objectives;
- there are fewer opportunities for them to develop their career in IPS; and
- their pay does not adequately reflect their performance and they are not satisfied with the total benefits package.

IPS is committed to understanding and, where it can, addressing these concern. Across the business, teams have been developing action plans that address the issues and reinforce the improvements already in hand. Through the IPS engagement group, IPS will encourage staff to put forward ideas

and to find solutions that will make a difference and that will improve the way staff feel about working for IPS.

Overall, the IPS staff engagement index in the 2011 Civil Service People survey was 50% and this was consistent with engagement levels in 2010. This level of engagement, at a time of significant change and restructure across the organisation, provides a good basis on which to build and to improve. In 2012-13, IPS will be introducing objectives that have the specific purpose of driving comparative improvement across all IPS business areas to achieve an organisational engagement index of 53% or better.

Staff development

IPS is committed to improving the development opportunities available for its staff.

In 2011-12, IPS provided training events for 2,199 delegates and enabled 2,829 people to complete on line learning modules designed to increase understanding and to raise skills.

Civil Service Learning continues to develop products as part of the common curriculum to provide learning activities that are shared across government. IPS staff have access to this common learning, which can be completed flexibly and at the convenience of staff and in accordance with the needs of the business. In addition, in 2012-13 IPS will:

- train staff to operate the new passport application processing system, AMS, and the new on-line channel and to support the delivery of the application process for overseas passports into IPS operations during 2013 ;
- embed the Operational Delivery profession across IPS;
- establish a Learning and Development Strategy Group whose role will be to agree priorities for development linked to business needs and to purchase related services from Civil Service Learning and the Procurement Centre of Excellence; and
- where appropriate, provide training for staff to enable movement between roles and across teams, which is designed to increase the overall resilience of IPS and the Home Office.

Investing in talent

IPS has a number of outstanding individuals whom it wants to help stretch and encourage to give their very best. In 2011-12, 10 staff up to Senior Executive Officer grade were provided opportunities to undertake challenging short-term placements across the business, designed to provide them with both the experience and the confidence to support their future career choices.

IPS also provided 30 talented Grade 6 (G6) and Grade 7 (G7) staff with a bursary to invest in their development and coaching and commissioned them to work on key areas of the business, such as the leadership proposition, which will be used to underpin IPS future direction.

In 2012-13, these IPS talent schemes will continue and the Home Office, who will administer the schemes, will be setting out proposals for 2013-14. This will see the best elements of all Home Office talent schemes brought together in to a future 'One Home Office' talent offering, which delivers better value to its staff.

Equality and diversity

IPS values diversity highly and we recognise that different people bring different perspectives, ideas, opinions, histories, knowledge and culture and that this difference brings great strength.

Throughout 2011-12, IPS has continued to support the aims of the Home Office Diversity Strategy 2010-13, which are that:

- managers at all levels demonstrate effective leadership on equality and diversity;
- the potential of under-represented groups is developed, to create a representative workforce at all levels;
- an inclusive working environment where staff respect and value each other's diversity is encouraged;
- the implementation of the Home Office's statutory obligations on equality and diversity are effective; and
- services are delivered in a way that promotes equality and respects diversity.

IPS is committed to ensuring equality of opportunity and that all its systems are fair, open and objective, and visible to those inside and outside the organisation.

IPS recognise differences where they occur and is committed to being an equal opportunities employer; one where people are not discriminated against or victimised on grounds of their age, disability, gender, gender identity, race, religion or belief, sexual orientation, marriage and civil partnership status, or pregnancy and maternity.

IPS is committed to the employment and career development of disabled people; disability is not regarded as a bar to recruitment or promotion and selection is based upon the ability of the individual to do the job. IPS is committed to ensuring that disabled staff have access to the same opportunities as other staff, not only when they first join the Agency but also at all stages in their career. IPS operates the Guaranteed Interview Scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. Once in post, disabled staff are provided with any reasonable support they might need to carry out their duties.

In 2011-12 over 11% of all IPS employees declared they had a disability, with over 5% of our G6 and G7 managers declaring a disability.

Through 2012-13, it will be important that IPS maintains its strong reputation for customer service excellence. The customer focus is supported by actively engaging with many diverse communities to ensure that its services meet the needs of all members of society, as well as supporting wider government aims of promoting inclusion and social responsibility.

In order to support its people to deliver an excellent service, IPS will continue to support the aims of the Home Office Diversity Strategy and will build on the work already carried out in relation to equality and diversity; which included:-

- the Home Office being ranked as the most gay-friendly public sector employer in Stonewall's 2012 Workplace Equality Index;

- the IPS Belfast office being awarded 'Louder than Words' charter mark on 25 May 2011 by the Action on Hearing. The award was presented to IPS for its commitment to maintain and improve accessibility to services for customers and staff who are deaf or hard of hearing; and
- the IPS Senior Leadership Team sponsoring and promoting the work of The Network; HOW; HODS; SPECTRUM; a:gender; Carers and Flexible Workers. Using this relationships with representatives and to encourage its staff to speak out about discrimination.

Furthermore, in 2012-13, through the IPS Equality and Diversity Action Plan IPS will refresh, update, monitor and report progress against the five strategic Home Office objectives.

The IPS Senior Leadership Team will continue to play a prominent role by sponsoring and promoting the work of those equality groups that represent the interests, and work to improve the careers, and the wellbeing, of its people.

Investors in People

IPS is recognised as an Investor in People (IIP) and is committed to continuous improvement. What it does to invest in its people and the outcomes that show performance is improving, is a continual process. In 2011-12, IPS has been working to raise its standard from Bronze IIP accreditation and an internal review team have been interviewing people across the organisation raising awareness of the standard and promoting management good practice.

During 2012-13, IPS set the target of achieving and maintaining Silver IIP recognition as the next step towards its aim to achieve Gold by 2015 and so will continue to invest in our people, seeking to improve performance and raising standards, so that all staff will have the skills they need to fully contribute to delivering its purpose.

Health and safety

IPS is committed to maintaining the standards required by the Health and Safety at Work Act 1974, and European Union regulations relating to the health and safety of its employees and the public.

It is the responsibility of IPS as an employer to ensure a safe and healthy work environment. IPS continues to take a lead on promoting and managing health, safety and wellbeing activity through a number of channels including the appointment of safety officers, health and safety reviews, appropriate training, access to advisory and health services and provision of guidance. IPS also consults trade union safety representatives.

In August 2011, a full and comprehensive update was made to the IPS Health and Safety Policy Statement to reflect the new IPS management and operational structure and to ensure it embraced current legislation.

The Employee Assistance Programme, healthcare screening and a flu vaccination programme exist for all staff.

It is encouraging that Health and Safety awareness features high within IPS and that the number of staff both undertaking training and utilising the health and wellbeing services continues to grow. Efforts to improve matters further are planned for 2012-13 including increased staff education in best practices, the introduction of a new enhanced wellbeing service, wider utilisation of other health services, and specific actions to try to reduce the level and severity of incidents.

It is also hoped that 2012-13 will see IPS achieve the 'Louder than Words' charter mark across the whole of its business.

Corporate and community issues

IPS wants to be an active member of the communities in which it operates. For example, staff can apply for special leave with pay of up to five working days a year to work outside IPS as a volunteer on a corporate social responsibility activity. More days are available for example for staff who undertake community work as a special constable, a magistrate or a school governor.

Working with the trade unions

IPS considers that building a good working relationship with the trade unions is important, particularly during a time of significant organisational change. The Public and Commercial Services Union have been kept fully involved in business restructuring exercises through the formal consultation process.

The environment

IPS is committed to achieving the sustainable development objectives of the government 'Green Agenda' and complying with relevant environmental legislation. IPS has taken steps to rationalise its estates' carbon footprint and implemented programmes to improve sustainable performance including the move to secure telephony, which helps reduce business travel; and the rationalisation of IT and printer provisions, which helps reduce energy, paper and consumables consumption.

Fuller details can be found in the Sustainability Report on pages 70 to 77.

In summary, IPS has responded well to the challenges it has been presented with this year and I believe is in a good position for the year ahead.



Sarah Rapson

Chief Executive of the Identity and Passport Service and Registrar General for England and Wales

21 June 2012

Accounts Direction

Accounts Direction given by the Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000

1. This direction applies to the Identity and Passport Service.
2. The Identity and Passport Service shall prepare accounts for the year ended 31 March 2012 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury (“the FReM”) which is in force for 2011-12.
3. The accounts shall be prepared so as to:
 - a) give a true and fair view of the state of affairs as at 31 March 2012 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers’ equity and cash flows of the agency for the financial year then ended; and
 - b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.



Chris Wobschall

Head, Assurance and Financial Reporting Policy
Her Majesty’s Treasury
20 December 2011

Statement of the Identity and Passport Service Accounting Officer and Chief Executive's Responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000 HM Treasury has directed the Identity and Passport Service (IPS) to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of IPS and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the Accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer of the Home Office has designated the Chief Executive of the Identity and Passport Service as the Accounting Officer for the Agency.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding IPS's assets, are set out in 'Managing Public Money', published by HM Treasury.

Annual Governance Statement

Scope of responsibility

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

This has been a challenging and successful year. For example, IPS has concluded a substantial restructuring of our operations and front office network, strengthened our counter-fraud performance, restructured Civil Registration Operations, moved our finance and commercial systems into a shared service, developed a revised fees strategy and managed a complex and diverse set of programmes and supplier relationships.

Governance framework

In this period of significant change, I have implemented and reinforced a number of changes to ensure that decision making and delivery in IPS are supported by strong systems, processes, controls and data. In particular, over the year in IPS we have:

- reviewed our Purpose and Principles to ensure they are relevant to day-to-day activity and form the basis for all our planning; they demonstrate how our activities are aligned and contribute to wider Home Office agenda;

- published a governance framework consisting of appropriate decision-making boards, reporting and assurance mechanisms aligned to corporate governance standards in compliance with the UK Corporate Governance Code. This framework gives us accountability and transparency in the decisions we take;
- sharpened and focused our performance reporting to ensure that it provides timely, relevant data that allows senior management to review performance, address any weaknesses early and assess change proposals; and
- strengthened risk management within functions to support corporate level discussions of risk. This strengthening has involved better engagement between functions and the central risk team and has helped to deliver a more rigorous reporting regime, with risks actively monitored and escalated and retired according to their severity.

In making informed decisions and managing the risks to the delivery of passports and certificate services, I am supported and advised by the Steering Board. The Steering Board meets eight times a year and sets the strategic direction of the Agency. Attendance has been high, with only one board member missing more than one meeting across the year, and none missing more than two. It is chaired by and includes the Non Executive Directors and representatives from the Home Office. It approves the Business Plan and strategic proposals for change. The Board also reviews finance, performance and risk at the strategic level.

The Executive Committee meets monthly to manage operational performance and make key management decisions. The Committee reviews operational performance across the Agency, using a performance report that provides accurate operational, financial and commercial data measured against published performance targets and contractual arrangements.

The Steering Board is also supported by the Audit Committee, which meets quarterly. The Committee is composed of the Non-Executive Directors and is attended by key personnel dealing with finance, risk and internal audit. The Committee reviews risk management, finance and internal controls providing assurance that IPS is working with appropriate and proportionate controls in place. The Audit Committee is informed by a series of internal and external audits which are commissioned taking account of the risks faced by the Agency. This work informs the level of assurance that I am able to report to the Home Office and to the public about the effectiveness with which the funds delegated to the Agency are being used.

IPS reports monthly to the Home Office on the progress we have made and on any additional activity necessary to ensure the services we provide are cost effective and efficient. Our Senior Information Risk Owner attends the Home Office Risk Committee, and provides updates on risks managed by the Agency.

Within the reporting year the Internal Audit Team has reported on the processes we have in place with some of our key suppliers and have highlighted our improved performance reporting and forecasting models for passports. The work has also highlighted areas for improvement in our management of corporate information assets and data sharing. These areas for improvement have been successfully addressed over the year, with substantial input on data sharing from senior management and the Audit Committee.

The requirements of the Corporate Governance Code of Conduct in relation to the role of a nominations committee are discharged by the Executive Committee and moderated by a Non Executive Director. The Home Office's Nomination and Governance Committee's remit also extends to IPS.

Policy development

We maintain a set of operational policies to provide guidance for staff on implementing priorities. We consult across IPS and with other stakeholders to ensure that these policies are legal, practicable and represent the best use of our resources.

Operational performance and people management

We use performance indicators that set out our priorities on cost, operational performance, customer service and countering fraud. Our business planning process helps ensure that resources are deployed in the most cost effective way to deliver an efficient and high quality service; our plan is published so that all staff are aware of our plans and targets. Progress against our targets is monitored and reported on a monthly basis.

The deployment and management of our people is focussed on aligning resources with delivery of our purpose and principles. The significant restructuring activity we have undertaken has allowed IPS to meet its budgetary commitments for this year, whilst enabling us to deploy our capacity flexibly to meet demand. The restructuring of our front office services has enabled us to utilise resources more efficiently and flexibly.

We have an established passport-forecasting model and a set of capacity plans that are kept up to date. This helps ensure that operational capacity is matched to levels of customer demand and takes account of the impact of any changes being planned to our systems and processes.

Our contract management framework enables effective monitoring of our suppliers to ensure that they deliver to agreed contractual service levels.

These and other management processes have enabled us to meet our published targets and maintain the standard of services our customers expect.

We acknowledge that the overseas passport and certificate services demand models will need to be further refined to maintain these standards.

Financial management

Within the reporting period, we transitioned successfully to a new finance and commercial shared service based on the Oracle enterprise resource planning system (Adelphi) and the Shared Services Centre and Procurement Centre of Excellence (PCOE). During this transition we maintained financial control and the integrity of our core processes. Where challenges to the effectiveness of the new end-to-end procurement processes emerged our assurance and management frameworks have allowed us to respond actively, including through the work of a task force led at Senior Civil Service level with engagement from across IPS, PCOE and from Internal Audit.

Managing the risk of financial loss

Managing Risk of Financial Loss is a cross government initiative to encourage departments to embed a systematic approach to assessing the risk of financial loss arising from the operation of financial processes. We are working actively with the centre of the Home Office to embed this activity into existing processes. The implementation of systems based controls will increase individual accountability and contribute to reducing the risk of financial loss over the new financial year.

IT and systems security

IPS processes and systems are developed and implemented in line with cross government standards and accredited on an annual basis. The integrity of the systems we manage are paramount in maintaining the trusted and secure relationship we have with our customers. We ensure that only those persons that need access to our information and are entitled to this access have it and use it to facilitate the delivery of products and services to our customers.

We work closely with our partners and service providers to ensure that the standards we set are maintained and that the systems and services they provide are reliable, enabling us to deliver to our agreed standards.

Data sharing

We share data with a range of public and private sector organisations to support crime prevention and a tightly defined set of other objectives and facilitate access to services where identity needs to be established. Over the year we have carried out a substantial review of all our existing data sharing, which has provided assurance about the legal basis for our data sharing and compliance with the Data Protection Act. We have also trained all Information Asset Owners to ensure that they understand their responsibilities for the safe and effective management of the data for which they are responsible. We are addressing a small number of remaining queries on aspects of our data sharing and are strengthening future compliance and assurance arrangements in this area.

Programmes and projects

IPS has a range of change programmes underway to improve the effectiveness with which we deliver our purpose and principles. Over the past year, programme activity has included:

- progress towards the integration of overseas passport production and processing into our core operations;
- ongoing work on the development of a new passport application management system; and
- getting under way the implementation of a new local passport printing facility in our area offices, for premium services.

Change programmes are delivered by dedicated teams who work to agreed project management standards to ensure that we design and implement changes, having taken a balanced view of the risks and of technical and business challenges.

Information assurance

IPS continues to perform well against the requirements of the cross government Information Assurance Maturity Model (IAMM). We have met the central Home Office target of level 3 maturity against the IAMM this financial year. Key actions that have helped us achieve this are:

- implementation of secure telecoms and fax facilities across IPS to reduce the risk of accidental data loss;
- holding an Information Asset Owner (IAO) community workshop to ensure all IAOs are appropriately trained;
- quarterly Information Risk Assessments;
- supplier information risk assessment using the Home Office 'Hadrian' tool, which provides us with assurance that our suppliers are managing our data appropriately;
- progress towards implementation of a more robust knowledge management framework; and
- ensuring that Passport Validation Service data sharing arrangements are covered by formal Memoranda of Understanding that set out clearly the data protection responsibilities of organisations with whom we share our data.

Resilience

The wellbeing of the people who work for IPS is fundamental to achieving our purpose and principles. We have a team of Health & Safety professionals who provide advice and support, ensuring that all of our locations are safe places to work and that where we share locations, we work with our partners to ensure high standards.

IPS has in place contingency plans to deal with risks to business continuity, which cover our core functions, operational areas and suppliers. In the event of a major incident, they would help us to recover our systems, processes and get our people back into critical roles as quickly as possible. The plans are reviewed and tested at least annually.

Risk management

To manage risks to a practical and cost effective level IPS maintains a flexible and scalable risk process, which covers all business areas and is linked to the delivery of our purpose and principles. This includes monitoring and managing risks with clear ownership, timely management of data and appropriate governance. The changes IPS implemented this year and the significant further challenges we face require the management of some inherently high risks.

Our management of these risks is based on the application of a clear framework in all functions aligned to the Home Office risk management policy. The risk team conduct regular reviews with the senior management of each function to help ensure that key risks are captured, mitigations are in place and progress is monitored with risk escalated or retired as appropriate.

This functional process feeds into monthly reviews by the Executive Committee of our 'top ten' risks. The Audit Committee also regularly reviewed our risks and risk policy to provide assurance on the adequacy of our processes and controls.

Significant in-year risks and issues

Areas of high inherent risk and the controls we have put in place in response during the year include:

- significant organisational change including downsizing, ceasing examining postal and online applications at a regional processing centre and reducing substantially the size of the Interview Office Network, all which have been concluded successfully. The downsizing requires us to become even more effective in future at capacity planning and allocating resources flexibly to areas of highest demand;

- our Commercial and Programme functions have actively managed the Business Process Infrastructure Transformation Programme throughout the year, reviewing contractual terms and domestic and overseas programme risks, to ensure that our contracted supplier successfully delivers a new Application Management System and improved online channel, with minimal business disruption;
- the repatriation of printing of overseas passports in the UK has been successfully delivered. The remaining integration activity is being implemented by a strengthened management function. We are working closely with the Foreign and Commonwealth Office (FCO), with emphasis on consistent management information and the standardisation of financial processes, supported by our FCO colleagues;
- the introduction of overseas work also brings with it new types of fraud prevention challenges; to maintain our high standards of counter fraud capability IPS is actively developing new controls; and
- a potential compromise of some passport data was experienced in an overseas embassy when it was overrun by protestors. The incident has been reported to the Information Commissioner and we are working jointly with UKBA and the FCO to address the issue.

Summary statement

Our internal audit function carries out a programme of work focused on the key risks facing the organisation and the governance arrangements that I have put in place to manage the Agency. They have so far made a number of recommendations to enhance or improve the management of risk, control and governance. The Head of Internal Audit has indicated in her annual assessment of the risk and control framework that she is able to provide me with ‘moderate’ assurance regarding the overall adequacy and effectiveness of the IPS framework; i.e. strengths in the control, risk and information management systems in place outweigh weaknesses. She has indicated that we are moving closer toward a position of ‘high’ assurance.

My own review of the Governance arrangements, taking into account the internal audit opinion, is that the Boards and Committees have the relevant information to provide sound advice and make informed decisions. The challenges and risks that IPS has faced over the past year have tested our risk management, assurance and control frameworks and their effectiveness has been a critical success factor in our ability to deliver against our key performance indicators during this period of change; but the year has also shown where we can make further improvements to our controls and assurance mechanisms and implementing those improvements is a priority for the coming year. In my opinion, I am able to provide:

Moderate Assurance based on strengths in the control, governance, risk and information management systems in place outweighing any identified weaknesses. There is a need for improvement in some areas as newly created business functions embed processes and some areas of inherent areas of risk need to be managed to an acceptable level.



Sarah Rapson

Chief Executive of the Identity and Passport Service and Registrar General for England and Wales

21 June 2012

Statement on Data Security and Integrity

Year ended 31 March 2012

The Identity and Passport Services's (IPS) core Purpose is to provide accurate and secure records of key events and trusted passport services. In delivering this purpose IPS holds personal data about British citizens. We also hold other sensitive and important data, including on commercial and operational performance. Ensuring the integrity and security of this data, in the ways that it is held and used, is a top priority and critical to our success. The rights of the individual to privacy underpin our approach alongside securing benefits, where appropriate for society as a whole and improving transparency.

Areas of activity

Over the past year we have further strengthened our information security, including through a strengthened assurance plan implemented in all of our area offices, training all IPS staff in information security and reviewing our current data sharing arrangements. IPS achieved continued accreditation against the highest benchmark in the government-wide Information Assurance Maturity Model.

Through our ongoing programme of accreditation of IT systems we have ensured that our systems and processes meet government standards for the storage and handling of personal and other data. Our Information Assurance and Security teams work with a number of external advisors, including CESG (the Government's National Technical Authority for Information Assurance), the Information Commissioner's Office and the Centre for the Protection of National Infrastructure.

The Executive Committee has provided oversight of the effectiveness of our information security controls and assurance and the Audit Committee has scrutinised the implementation of our plans.

Personal data incidents

The IPS Board take very seriously the loss of any personal data. Through regular reporting and a strengthened security and assurance programme we have increased our efforts to prevent any data losses and swiftly follow up the small number that occur. During the year a single incident has occurred which merited a joint report to the Information Commissioner's Office from UKBA, IPS and Foreign and Commonwealth Office regarding an incident on the 29 November 2011, when approximately 200 protesters overran the UK Embassy buildings in Tehran.

Remuneration Report

Year ended 31 March 2012

In accordance with the Government Financial Reporting Manual ('the FReM') IPS has prepared a Remuneration Report for the period 1 April 2011 – 31 March 2012. The objective of the Remuneration Report is to disclose fully information about IPS Senior staff in accordance with the Companies Act 2006 as interpreted for the public sector. Senior staff are defined as members of the Executive Committee and its Non-Executive directors. See below under 'The Board' for further details.

Further details on other staff, including costs, can be found in note 3 to the Accounts.

Remuneration policy

IPS employees hold substantive civil service contracts. Appointments may be terminated in accordance with the Civil Service Management Code.

The Chief Executive is a senior civil servant and her salary is set by the Home Office in consultation with the Cabinet Office. The remaining executive directors have their remuneration determined by a process consistent with Home Office and Cabinet Office rules.

The Permanent Secretary to the Home Office has delegated authority to create/abolish posts or change the mix of grades of Home Office Senior Civil Servants (SCS), including those in the Agency.

Performance pay is awarded in line with the procedures laid down and adopted across the Home Office. Additional performance-related pay, via Special Pay Awards and Minor Award schemes, are available to all civil servants. Both schemes are administered in line with Home Office policy.

All pay awards – consolidated base pay and non-consolidated bonus pay – are subject to satisfactory performance of the duties assigned.

A pay freeze has operated throughout the year and the only pay awards in the year were those awarded across the Civil Service for the most junior grades.

Remuneration committee

The salaries and performance pay of executive board members are agreed by a series of central Home Office remuneration committees. They are guided by performance assessments for each SCS employee and by the Chief Executive's recommendations.

Service contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

During 2011-12 IPS has made no salary or compensation payments to past senior managers for loss of office.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

The Board

IPS operates a Governance Framework that outlines the processes by which the organisation is managed, the most senior body is the Steering Board which advises and supports the Chief Executive on setting the strategy and direction of the Agency.

The Steering Board approves the annual and longer-term business plans, conducts quarterly reviews of overall performance, and considers the impact of cross-government change initiatives upon IPS. The Steering Board approves strategic proposals that will enhance the performance of IPS. Once a strategic proposal has been agreed upon, the Board will delegate implementation to the Executive Committee.

The Executive Committee comprises the Chief Executive, all executive directors with at least one non-Executive board member. It is this senior leadership team who are regarded as the main decision makers in IPS, and they operated as such throughout 2011-12.

Non-Executive Members

Independent non-executive members of the IPS Steering Board are recruited through fair and open competition. All non-executive members of the board are appointed by the Permanent Secretary.

Non-Executive Directors	Start date	End date
Dame Janet Finch	29 Nov 2007	31 Dec 2012
Anne Tutt	29 Nov 2007	31 Dec 2012
Linda Walton	26 Nov 2003	30 Jun 2011
Eric Gregory	1 Jul 2011	30 Jun 2014

Salaries and benefits in kind

The tables on pages 26 and 27 give details of all individuals who have acted as a member of the senior management team during the period. Salary includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no non-cash benefits in kind.

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

Employee contributions are set at the rate of:

- 1.5% of pensionable earnings for **classic**; and
- 3.5% for **premium**, **classic plus** and **nuvos**.

Increases to employee contributions apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80 of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60 of final pensionable earnings for each year of service.

Unlike **classic**, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**.

In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is up rated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. Where the individual was not in post for the full year, the CETV at 31 March 2011 represents the value as at their start date and the CETV at 31 March 2012 represents the value as at their end date.

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

Salaries and pension analysis for each member of the IPS Senior Management Team, as at 31 March 2012 (Audited)

Senior staff name	Notes	Job title	2011-12		2010-11	
			Salary	Bonus Payments	Salary	Bonus Payments
			(£'000's)*1	(£'000's)	(£'000's)*1	(£'000's)
Sarah Rapson	2	Chief Executive of Identity and Passport Service and Registrar General for England and Wales	110-115	0	105-110	10-15
Alastair Bridges		Executive Director, Finance and Corporate Services	85-90	0	85-90	0
Susan Caldwell		Executive Director, Corporate Strategy	90-95	0	90-95	0-5
Jane Carwardine		Executive Director, Human Resources and Organisational Development	110-115	0	115-120	0-5
Deborah Chittenden	2,5	Executive Director, Organisation Transformation	95-100	0	95-100	5-10
Ian Forster		Executive Director, Commercial Employed by Home Office from 1 October 2010 but remains a member of IPS Executive Committee	n/a	n/a	50-55 (Annualised to 85-90)	5-10
Paul Pugh		Executive Director, Operations Appointed to post 9 November 2010	95-100	0	20-25 (Annualised to 95-100)	n/a
Dame Janet Finch	3,6	Non-Executive Director	15-20	n/a	15-20	n/a
Eric Gregory	6	Non-Executive Director Appointed 1 July 2011	10-15 (Annualised 15-20)	n/a	n/a	n/a
Anne Tutt	4,6	Non-Executive Director	25-30	n/a	25-30	n/a
Linda Walton	6	Non-Executive Director Contract ended 30 June 2011	0-5 (Annualised 25-30)	n/a	25-30	n/a

Notes

- Salaries include, where applicable, excess fares, London weighting and gross taxable allowances.
- Sarah Rapson and Deborah Chittenden waived their bonus awards of £7,000 and £4,500 respectively which they were entitled to for the year 2011-12.
- Dame Janet Finch is a Non-Executive Director and is also Chair of the Steering Board.

Real increase/ (decrease) in pension at age 60 and related lump sum (£'000's)	Total accrued pension at age 60 at 31 March 2012 and related lump sum (£'000's)	Cash Equivalent Transfer Value (CETV) at 31 March 2011 (£'000's)	CETV at 31 March 2012 (£'000's)	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors (£'000's)
0-2.5 lump sum:(0-2.5)	15-20 lump sum:0-2.5	182	226	13
(0-2.5) lump sum:(0-2.5)	25-30 lump sum:75-80	374	402	(4)
0-2.5 lump sum:(0-2.5)	5-10 lump sum:0-2.5	24	39	11
0-2.5 lump sum:(0-2.5)	5-10 lump sum:0-2.5	98	128	18
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
0-2.5 lump sum:(0-2.5)	40-45 lump sum:70-75	617	679	8
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

4. Anne Tutt is a Non-Executive Director and is also Chair of the Audit Committee and represents IPS on the Home Office Audit Committee.

5. Deborah Chittenden is a member of a Partnership pension scheme and the total employer and employee contributions, paid by IPS to the scheme on her behalf, amounted to £ 19.3k (2010-11 £17.9k).

6. Salary includes benefits in kind to the nearest £100: Dame Janet Finch (£4,200); Eric Gregory (£1,400); Anne Tutt (£3,300) and Linda Walton (£100).

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

(Audited)	2011-12	2010-11	Percentage change
The mid-point banded remuneration of the highest-paid director in IPS	£112,500	£117,500	-4.4%
The median remuneration of the workforce	£18,989	£17,968	+ 5.6%
Ratio	5.9	6.5	

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

The table above shows that 0.6 times reduction in the ratio arises because of a combination of the 4.4% fall in mid-point banded remuneration of the highest-paid director and because the median remuneration of the workforce has increased by 5.6%; the latter being due to the reduction of employee numbers at our more junior grades.



Sarah Rapson

Chief Executive of the Identity and Passport Service and Registrar General for England and Wales

21 June 2012

Executive Committee



Sarah Rapson

Chief Executive and Registrar General

Sarah became the Chief Executive of IPS in July 2010 and was appointed Registrar General for England and Wales by HM The Queen in November 2010. Since becoming Chief Executive, Sarah has been leading IPS through a wide-ranging transformational restructuring designed to meet the anticipated future needs of government and citizens. Sarah joined IPS in March 2005 as Operations Director and in 2008 was appointed Executive Director of Service Planning & Delivery. Sarah has a background in the financial services industry and holds an MBA from the London Business School.



Alastair Bridges

Executive Director, Finance and Corporate Services

Alastair joined IPS as Executive Director of Finance and Performance in June 2009. In 2010 he took responsibility for a broader set of finance and corporate services including IT operations, estates, information assurance, security and risk management. Before joining IPS Alastair worked as Finance Director for the Crime and Policing Group in the Home Office, with responsibility for ensuring affordability and value for money across £7 billion of public expenditure. He is a finance professional, qualified with CIPFA.



Susan Caldwell

Executive Director, Corporate Strategy

Susan joined IPS in 2009. She holds responsibility for strategy development, planning & performance; customer, channel & product development; policy and communications. She is an experienced corporate strategy and marketing professional with senior roles in both retail financial services and consulting sectors, both in the UK and overseas. She holds an MBA.



Jane Carwardine

Executive Director, HR & Organisational Development

Jane joined IPS in 2007. An experienced HR professional with over 20 years experience including the last 15 at Director level. Jane has worked in a range of organisations including The Law Society, Coca Cola Enterprises and Marks and Spencer. She has particular experience of employee engagement, organisational development and change and employee relations.



Deborah Chittenden

Executive Director, Organisational Transformation

Deborah joined IPS in 2007 as a Programme Director and was appointed to the IPS Management Board in 2010. Deborah is responsible for the delivery of all change projects within IPS. Prior to joining IPS, Deborah was a Partner in a global management consultancy firm and she has extensive experience specialising in the delivery of large scale complex systems integration and organisational change programmes across the financial and utilities sectors.



Ian Forster
Executive Director, Commercial

Ian joined IPS in 2000 after 17 years in financial services and was instrumental in the creation and development of the IPS Commercial Directorate. He is responsible for the commercial policy and management of IPS strategic suppliers. Ian is a member of the Home Office Commercial Senior Leadership Team leading on department wide commercial policy and procedures, supplier relationship management and the Home Office Procurement Centre of Excellence in Newport.



Paul Pugh
Executive Director, Operations

Paul joined IPS in November 2010. He is responsible for the delivery of all operations (passports and certificates). Before joining IPS, Paul was the Regional Director of the Government Office for the East of England. He has held senior Civil Service posts in the Home Office since 1995, with spells outside the department as Chief Executive of the Central Police Training Authority, HR Director at Great Ormond Street Hospital NHS Trust, and Executive Director of Organisational Development at the North West London Strategic Health Authority.

Non-Executive Directors



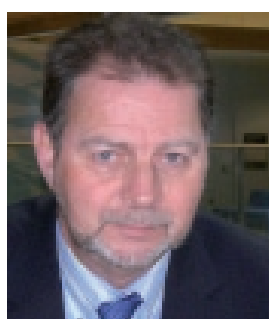
Dame Janet Finch

Janet has been a Non-Executive Director since January 2008 and is also a member of the Audit Committee. Janet has a background in Universities and is a social scientist. She was awarded a CBE in 1999 and a DBE in 2008 for services to social science and higher education. Following her retirement from her full-time position as Vice-Chancellor of Keele University, she has concentrated on a portfolio of non-executive roles in the public and private sectors.



Anne Tutt

Anne has been a Non-Executive Director since January 2008. She has been the Chair of the Audit Committee since 1 January 2010, and represents IPS at the Home Office Audit Committee. Anne has been an executive member of many private sector boards for over 25 years, mainly as Finance Director in different sectors including manufacturing and banking. Since August 2006 she has had a portfolio of non-executive directorships and financial consultancy roles across the public, private and social enterprise sectors.



Eric Gregory

Eric joined IPS as a Non-Executive Director in July 2011. He worked for the John Lewis Partnership for 25 years, where he was a Board Director for 7 years, holding all 3 principal IT Director roles before becoming Personnel Director John Lewis. He is currently Non-Executive Director and Chair of the risk committees for both CPS London and the Cabinet Office Electoral Registration Transformation Programme. He was previously Chairman of the Consumer Goods Forum IT Board, and a member of the e-skills Businesses Board for 6 years.

The 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 Identity and Passport Service for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial Statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Identity and Passport Service's affairs as at 31 March 2012 and of the net operating cost; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act ; and
- the information given in the sections of the Annual Report entitled as follows: Chief Executive's Foreword; Management Commentary ; Executive Committee; and Sustainability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

26 June 2012

Accounts for the year ended 31 March 2012

Statement of comprehensive net expenditure

For the year ended 31 March 2012

	Notes	Staff costs £'000	2011-12 Other costs £'000	Income £'000	2010-11 £'000 (Restated)*
Continuing operations					
Administration costs					
Staff costs	3	25,163			38,358
Other administrative costs	4		21,924		31,567
Operating income	1.16,6			(43,346)	(65,896)
Programme costs					
Staff costs	3	75,811			81,900
Programme costs	5		280,897		332,082
Income	6,1.16			(400,855)	(397,690)
Totals		100,974	302,821	(444,201)	20,321
Discontinued operations					
Administration costs					
Staff costs	3	-			1,237
Other administrative costs	4		-		4,021
Operating income	6			-	(2)
Programme costs					
Staff costs	3	-			446
Programme costs	5		-		21,909
Income	6			-	(155)
Totals		-	-	-	27,456
Net operating cost				(40,406)	47,777
Other comprehensive expenditure					
Net (gain)/loss on revaluation of Property plant and equipment	7			(857)	495
Net (gain)/loss on revaluation of intangibles	8			262	(2,857)
Total other comprehensive expenditure				(595)	(2,362)
Total operating (surplus)/cost for the year				(41,001)	45,415

* The comparatives have been restated due to a machinery of government transfer. Refer to notes 1.31 and 22.

The Identity and Passport Service has changed the format of its Statement of Comprehensive Expenditure in line with HM Treasury guidance to emphasise the separation of administration and programme expenditure and income.

The notes on pages 38 to 68 form part of these accounts.

Statement of financial position

As at 31 March 2012

	Notes	2012 £'000	2011 £'000 (Restated)*	2010 £'000 (Restated)*
Assets				
Non current assets				
Property, plant and equipment	1.2, 7	98,726	92,098	134,067
Intangible assets	1.3, 8	57,340	68,302	74,914
Total non current assets		156,066	160,400	208,981
Current assets				
Inventories and work in progress	1.9, 1.10 10	3,304	5,420	6,668
Trade and other receivables	11	32,690	33,200	30,069
Cash and cash equivalents	1.14, 9, 12	110	58,318	55,979
Assets held for sale	11a	-	45	-
Total current assets		36,104	96,983	92,716
Total assets		192,170	257,383	301,697
Liabilities				
Current liabilities				
Trade and other payables	13	(73,601)	(119,958)	(158,669)
Provisions	1.23, 14	(4,789)	(4,069)	(3,185)
Total current liabilities		(78,390)	(124,027)	(161,854)
Total assets less net current liabilities		113,780	133,356	139,843
Non current liabilities				
Other payables	13	(6,727)	(7,139)	(7,367)
Provisions	1.23, 14	(7,234)	(6,113)	(4,659)
Total non current liabilities		(13,961)	(13,252)	(12,026)
Net assets		99,819	120,104	127,817
Taxpayers' equity				
General fund	1.28	94,313	115,090	121,364
Revaluation reserve	1.29	5,506	5,014	6,453
Total taxpayers' equity		99,819	120,104	127,817

* The comparatives have been restated due to a machinery of government transfer. Refer to notes 1.31 and 22.

The notes on pages 38 to 68 form part of these accounts.



Sarah Rapson
Accounting Officer

21 June 2012

Statement of changes in taxpayers' equity

For the year ended 31 March 2012

Changes in taxpayers' equity for 2010-11 (Restated) *	Notes	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2010	1.28, 1.29 1.31	117,753	6,453	124,206
Machinery of government changes		3,611	-	3,611
Restated balance at 1 April 2010		121,364	6,453	127,817
Funding from Home Office	1.13, 21	85,000	-	85,000
Non-cash deemed supply funding from Home Office		48,909	-	48,909
Cash surplus due to Home Office	13, 21	(56,931)	-	(56,931)
Funding - machinery of government changes		859	-	859
Net loss on revaluation of non current assets	1.2, 1.3, 1.6, 1.29, 7, 8	-	2,928	2,928
Non-cash charges – auditor's remuneration	4	206	-	206
Non-cash charges – payroll services	4, 21	374	-	374
Transfer to other government departments		(41,281)	-	(41,281)
Realised revaluation reserve to general fund	1.2, 1.3, 1.28 1.29, 7, 8	4,367	(4,367)	-
Net operating cost for the year excluding non retainable element of passport fee for consular protection		16,129	-	16,129
Non retainable element of passport fee for consular protection	21	(63,906)	-	(63,906)
Balance at 31 March 2011		115,090	5,014	120,104
Funding to Home Office	1.13, 21	(60,277)	-	(60,277)
Net increase on revaluation of non-current assets	1.2, 1.3, 1.6 1.29, 7, 8	-	595	595
Non-cash charges – auditor's remuneration	4	195	-	195
Non-cash charges – payroll services	4, 5, 21	325	-	325
Realised revaluation reserve to general fund	1.2, 1.3, 1.28 1.29, 7, 8	103	(103)	-
Other - in year adjustments**		(1,529)	-	(1,529)
Net operating cost for the year excluding non retainable element of passport fee for consular protection.		104,646	-	104,646
Non retainable element of passport fee for consular protection	21	(64,240)	-	(64,240)
Balance at 31 March 2012		94,313	5,506	99,819

* The comparatives have been restated due to a machinery of government transfer. Refer to notes 1.31 and 22.

** In year adjustments comprise:

ABIOS and OMNIBASE correction to prior year revaluation / depreciation	(1,720)
Recognition of lease incentives - Belfast Law Society House	(410)
Recognition of prior year unwinding of discount - provision for ER	(78)
Recognition of prior year inventory purchases	679
	<u>(1,529)</u>

The notes on pages 38 to 68 form part of these accounts.

Statement of cash flows

For the year ended 31 March 2012

	Notes	2011-12 £'000	2010-11 £'000 (Restated)*
Cash flows from operating activities			
Net operating surplus/(cost) as per SOCNE		40,406	(47,777)
(Increase)/Decrease in trade and other receivables	11	555	(3,110)
(Increase)/Decrease in inventories and work in progress	1.9,1.10,10	2,116	(1,591)
Decrease in trade payables	13	(62,334)	(6,895)
Adjustments for non-cash transactions		32,795	80,638
Utilisation of provisions	14	(3,600)	(2,754)
Net cash inflow from operating activities		9,938	18,511
Cash flows from investing activities			
Purchase of property, plant and equipment	1.2, 7,13	(1,987)	(105,644)
Purchase of intangible assets	1.3, 8	(5,882)	-
Disposal of non current assets	1.2, 1.3, 7, 8	-	2
Net cash outflow from investing activities		(7,869)	(105,642)
Cash flows from financing activities			
Funding (to)/from parent	1.13, 1.14, 21	(60,277)	85,000
FCO Machinery of government change		-	4,470
Net cash inflows/(outflows) from financing activities		(60,277)	89,470
Net increase/(decrease) in cash and cash equivalents in the period		(58,208)	2,339
Cash and cash equivalents at the beginning of the period	1.14, 1.27, 12	58,318	55,979
Cash and cash equivalents at the end of the period	1.14, 1.27, 12	110	58,318
Net increase/(decrease) in cash and cash equivalents in the period		(58,208)	2,339
Of the above the discontinued operation cash flows were:			
Net cash outflow from operating activities		-	(9,754)
Net cash outflow from investing activities		-	-
Net cash inflows from financing activities		-	42,346
Net increase/(decrease) in cash and cash equivalents in the period		-	32,592
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	32,592
Net increase/(decrease) in cash and cash equivalents in the period		-	32,592

* The comparatives have been restated due to a machinery of government transfer. Refer to note 1.31 and 22.

The notes on pages 38 to 68 form part of these accounts.

Notes to the Accounts

1.0 Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context and the Companies Act 2006.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of IPS for the purposes of giving a true and fair view has been selected. The particular policies adopted by IPS are described below. They have been consistently applied in dealing with items that are considered material to the financial statements.

New standards

IAS24 – Related Party Disclosures was amended in November 2009 to become effective from January 2011. The revision of IAS 24 simplifies and clarifies the definition of a related party and provides Government-related entities with partial exemption from the disclosure requirements relating to related party transactions and outstanding balances (including commitments). IPS has applied the amended IAS24 in the accounting year 2011-12. The impact of applying this revised standard is negligible.

1.1 Accounting convention

The accounts are prepared using the historic cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.2 Property, plant and equipment

Property, plant and equipment is reported at fair value. Where held at the depreciated historical cost this is regarded as a suitable proxy for fair value.

a) Land

Includes freehold land owned by IPS. This is capitalised at cost and revalued annually. An independent valuation is undertaken every five years by external experts.

b) Buildings

Includes freehold buildings owned by IPS and improvements to its leasehold estate. This is capitalised at cost and revalued annually. Freehold buildings are also subject to an independent valuation, which is undertaken every five years by external experts.

c) Information technology

Includes electrical equipment with a value over £500 and telecommunications equipment over £750, which are capitalised at cost.

Other software development, not classified as intangible under note 1.3 is also classified as property, plant and equipment as part of the hardware on the basis that the software and hardware are intrinsically linked and cannot readily operate when separated.

d) Plant, machinery and motor vehicles

Includes the machinery and associated enabling infrastructure which forms the production line used to produce passports. Also included are those motor vehicles owned by IPS. Individual assets over a value of £500 are capitalised at cost.

e) Furniture and fittings

Furniture and fittings are capitalised at cost. There is no lower limit of capitalisation for furniture and fittings.

f) Assets under construction

All assets being developed and not in operation at year-end are capitalised as assets under construction. Once the asset is brought fully into use the asset cost is transferred to the appropriate category of non-current assets and depreciation is charged.

An annual review of any assets that have not been transferred into use is undertaken to ensure that their continued treatment and valuation as assets is still appropriate.

1.3 Intangible assets**a) Information technology and websites development**

Expenditure on software development is capitalised as an intangible asset separately from its hardware where the hardware is able to operate independently of the software itself. The hardware used is capitalised as property, plant and equipment.

Expenditure, which does not meet the criteria for capitalisation, is written off to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

b) Software licences

All IPS licences covering a period in excess of one year are capitalised at cost.

1.4 Depreciation

Depreciation is charged on all property, plant and equipment in the month following that in which the assets are brought into use. Depreciation is charged in the month of disposal.

Depreciation is calculated to write off the cost or valuation of each asset evenly over the expected useful life. The estimated useful economic lives are as follows, subject to the annual review:

Land is considered to have an infinite life and not depreciated

Buildings (including leasehold improvements)	10 to 25 years or remaining period of lease
Information technology	3 to 10 years
Plant and machinery and motor vehicles	5 to 10 years
Furniture and fittings	5 to 10 years

Expenditure on development of a product or service is capitalised if it meets the criteria specified in the 2011-12 FReM, which has been adapted from IAS 38 Intangible Assets to take account of the considerations relevant for not-for-profit entities.

An annual review of useful economic lives is undertaken based on the latest relevant factors and is adjusted as appropriate.

1.5 Amortisation

Intangible non-current assets are amortised over the expected useful life over which the service potential or other economic benefits will be delivered. The useful economic life of software development is considered to be longer than that of the host hardware which it operates upon. This judgement is based upon past experience of IPS software developments and the planned technical strategy for future software development. A review of the useful life is undertaken annually.

IPS capitalises the directly attributable costs associated with populating databases where they meet the recognition criteria of an intangible asset, the costs of populating the database are clearly separable from normal business activities and if they are held to deliver identifiable service potential or other economic benefits.

Database assets are amortised over the expected useful life over which the benefits envisaged will be delivered. The estimated useful lives, which are subjected to annual review, are as follows:

Information technology	3 to 8 years
Software licences	3 to 15 years

1.6 Revaluation

IPS adopts the revaluation model relating to its assets. It discloses non-current assets in the Statement of Financial Position at their revalued cost. IPS policy is to revalue the cost of all property, plant and equipment assets that are in use, by applying appropriate indices to each class of operational asset. Plant and equipment are revalued by indices compiled by the Office for National Statistics. Property and refurbishment assets are revalued using the PUBSEC indices provided by the Building Cost Information Services website. In addition, an external valuation of freehold land and buildings is undertaken every five years.

Assets under construction are not revalued until they become operational.

Intangible assets are revalued annually using the GDP deflator indices published on HMT website.

1.7 Non current assets impairments

IPS reviews its property, plant and equipment and intangible assets annually to assure itself that the valuation of an asset is still considered appropriate, and recorded at recoverable amount.

From 2010-11, following FReM guidance, impairment losses that arise from a clear consumption of economic benefit are taken to the Statement of Comprehensive Net Expenditure, with a corresponding transfer of any balance on the revaluation reserve (up to the level of the impairment) to the general fund. Only impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve as a revaluation decrease and to the extent that the impairment does not exceed the amount in the revaluation surplus for that asset. This guidance supersedes any guidance provided in IAS36.

1.8 Leases

Assets held under finance leases, which transfer to IPS substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the Statement of Comprehensive Net Expenditure so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the

asset and the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

Rental payments for land and buildings occupied by IPS, on the basis of operating leases or equivalent, are charged to the Statement of Comprehensive Net Expenditure. As required by IAS 17, where a lease contains pre-determined increases during its term, the impact of these increases are spread equally over the term of the lease.

IPS reviews its lease arrangements each year to confirm the appropriate classification as operating or finance. IPS currently has no finance leases.

1.9 Inventories

Inventories are valued at weighted average cost and comprise blank biometric passports, blank certificates and associated consumables.

1.10 Work in progress

a) Passports

Work in progress (WIP) is valued based on the stage which the passport application has reached in the overall production process.

Applications which have been completed and await printing are valued to include all direct costs associated with the application except for the costs of printing.

Applications that are part of the way through the examination process are valued to include an estimate of the examination costs and all costs associated with initial scanning and verification of the application.

b) Certificate services

The production and issuing process for certificates is completed within the same day and, as a result, only notional costs can be attributed to an application which has not yet been issued. These costs are not considered material and are not recorded as WIP.

1.11 Income

Turnover from continuing activities represents:

a) Passport fees

All passport activities are governed by the Consular Fees Act 1980 and considered to be one single class of business. Passport fees include an element relating to consular protection service provided by the Foreign and Commonwealth Office worldwide, which is non-retainable. See also 1.13.

b) Certificate fees

Certificate fees are collected in accordance with the Births & Deaths Registration Act 1953, section 30(2c) and are classed as one single class of business.

c) Identity cards (discontinued)

Identity card fees were collected in accordance with the Identity Card Act 2006 (Fees) Regulations 2009 and were considered one class of business.

All income is recognised when the services and goods are issued.

1.12 Capital charge

In accordance with the HMT Alignment Project, from 1 April 2010 cost of capital is removed from expenditure lines. Fees and charges will continue to include cost of capital charge as an economic cost, in the same way that other non-cash charges are included as a relevant cost incurred by Government as a whole.

Cost of capital for fees and charges is calculated at a real rate set by HMT (currently 3.5%) on an average carrying amount of all assets less liabilities except for:

- a) Property, plant and equipment and intangible assets where the cost of capital is based on opening values, adjusted pro rata for in year:
- additions at cost
 - disposals as values in opening Statement of Financial Position (plus any subsequent expenditure prior to disposal)

- impairments at the amount of the reduction in opening Statement of Financial Position value (plus any subsequent capital expenditure)
- depreciation of property, plant and equipment and amortisation of intangible assets

b) Donated assets and cash balances with Government Banking Service where the charge is nil.

1.13 Funding and Consolidated Fund Extra Receipts (CFERs)

The principal activities of IPS are funded on a net resource basis from Home Office (HO) Request for Resources.

IPS relies on the cash generated from the passport and certificate fees to fund its fee funded activities. The HO provides additional cash to help fund operating deficits, the capital programme and non fee funded activities.

From 2010-11 any excess of receipts over expenditure is recognised by IPS as in year funding. In prior years IPS would have paid this amount over to HO as a Consolidated Fund Extra Receipt (CFER).

The non-retainable element of Consular protection fees collected by IPS is remitted to HMT via the HO as a CFER on a monthly basis. That element of the passport fee is reported by IPS as both income and, when remitted as a CFER, as expenditure in these Accounts.

1.14 Bank

During 2011-12, the Agency transferred its banking processes from NatWest to the Government Banking Service (GBS) within the HO.

This has been a phased transition that has resulted in dual processes with some of the NatWest accounts remaining open as at 31 March 2012 to ensure that all remaining customer transactions are captured. These accounts remained open until the end of May 2012 when the final closing balances were swept into the HO GBS.

The cash balance shown on the Statement of Financial Position comprises the cash held in the residual IPS NatWest accounts.

Income received by IPS is banked into the HO bank account on a daily basis. The income receivable is recognised in the IPS Accounts, and the cash is recognised in the HO books. The movement between the two entities is through the reserves, and is reflected in the Accounts as Funding from HO in the Statement of Change in Taxpayers' Equity.

The main cash outgoings of the IPS are 'real time' funded through the HO GBS. For this reason the IPS element of the GBS is taken to be zero at any given time as effectively the IPS is financed in full when required.

1.15 Statement of Comprehensive Net Expenditure

IPS has changed the format of its Statement of Comprehensive Net Expenditure in line with HMT guidance, with the intention of enhancing clarity and transparency of its financial statements. The change involves separating the results between administration and programme results. There has been no change to the content of the accounts. IPS has reclassified its comparatives as a result of this change in presentation.

1.16 Programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme costs. The classification of expenditure and income as administration or as programme follows the definition of costs covered by administration budgets set out in Consolidated Budgeting Guidance 2011-12. Gross administration costs reflect the costs of running IPS. Operating income is apportioned to cover administration costs in full, with remainder reported against programme costs. Programme costs reflect non-administration costs. Previously all Income and Expenditure was reported as Programme.

1.17 Other operating income

Other operating income relates directly to the operating activities of IPS and represents miscellaneous receipts relating to Passport Validation Service (PVS) income, lease regearing, revenue funding from European Union, receipts from HMRC and DWP for consolidated payments to local authorities or for services provided, charges for services provided to UKBA and charges for use of IPS facilities and other minor services.

1.18 Deferred income

Income is deferred where a passport fee or certificate fee has been received but where the passport or certificate has not yet been issued.

1.19 Pension costs

Past and present employees of IPS are covered by the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. IPS recognises the expected cost of these elements on a systematic and rational basis over the period which it benefits the employees' services by payments to PCSPS of the amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contributions schemes, IPS recognises the contributions payable for the year.

1.20 Voluntary exit and early release schemes

Total severance and early retirement costs are expensed in full in the year in which the departure is agreed. Both offer and acceptance of the scheme conditions must be confirmed by the employee and the date agreement is reached dictates the year in which the costs are expensed.

All confirmed early severance scheme costs not actually paid for prior to year end will be accrued for at the end of the financial year.

1.21 Segmental reporting

The net operating cost reported in the Statement of Comprehensive Net Expenditure includes income and costs associated with passport, certificate, statutory and HO funded activities. For passport related activities the surplus/deficit of income over expenditure generated by IPS is intended to meet the cost of the passport and non-fee bearing consular services overseas provided by the FCO. The non-retainable element of the passport fee for consular protection is paid to HMT via the HO.

For certificate related activities, the fee covers the cost of certificate and related services provided directly to the public. In addition, central HO funding is received for statutory activities where costs are not currently recovered through the certificate or other related fees.

For HO funded activities, supply funding is drawn down from the HO and is used to fund capital and revenue expenditure as incurred. These activities relate principally to the transitional arrangements during IPS' reorganisation.

1.22 Allocation of corporate costs to operating segments

IPS undertakes passport, certificate, statutory and HO funded activities. In 2010-11 activities classed as discontinued operations were funded principally by HO. Where costs are shared between these activities they are classified as either:

a) Programme overheads

These directly support the delivery of developments and are allocated based on a management view of the number, size and complexity of projects; or

b) Strategic overheads

These are costs that directly contribute to the current and future strategy and are allocated based on a management view of the strategic activities undertaken across IPS; or

c) General overheads

These are costs that cannot easily be allocated to any other category and are allocated based on the direct staff numbers working in each activity.

1.23 Provisions

IPS accounts for any provisions in accordance with IAS 37. The Agency provides for legal or constructive obligations, which are of uncertain timing or arise at the Statement of Financial Position date on the basis of the best estimate of the expenditure required to settle the obligation.

1.24 Contingent liabilities

IPS has disclosed any contingent liabilities in accordance with IAS 37. Any possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events (not wholly within IPS control) are disclosed.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.25 Contingent assets

Any possible assets that arise from unplanned or unexpected past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events (not wholly within the control of IPS) that give rise to the possibility of an inflow of economic benefits are disclosed, in accordance with IAS 37.

1.26 Value added tax

Where input tax is chargeable on goods and services provided to IPS and is recoverable expenditure, it is stated net of recoverable VAT, otherwise this is added to the expenditure that it relates to.

Where output tax is charged on other operating income, the amounts are stated net of VAT.

With the move to the wider HO shared service arrangements IPS no longer accounts for VAT separately as these transactions are now managed under a wider VAT group basis.

1.27 Financial instruments

IPS complies with IAS 32 Financial Instruments – Disclosure and Presentation, IAS 39 – Financial Instruments – Measurement, Recognition and Derecognition, IFRS 7 Financial Instruments – Disclosure as interpreted by the FReM. All relevant disclosures are made in note 9.

1.28 Taxpayers' equity

This represents the Agency's total assets less liabilities.

1.29 Revaluation reserve

This reflects the unrealised balance of the cumulative indexation and revaluation adjustments to assets other than those funded by grants, including those from the EU.

1.30 Critical accounting judgements and key sources of estimating uncertainty

IPS is required when applying its accounting policies to make judgements, estimates and assumptions. These judgements and associated assumptions are based on historical experience and other factors that are considered appropriate from external sources.

There are no critical accounting judgments that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.31 Machinery of government changes

On 1 April 2011, responsibility for issuing British passports overseas transferred from the FCO to IPS. IPS now manages the setting of fees, policy and counter-fraud measures for British passports issued overseas.

The application handling, printing and delivery process will be gradually integrated into IPS operations from the FCO. In accordance with machinery of government principles the 2010-11 comparatives of IPS' accounts have therefore been restated to include the issuing of British passports overseas.

Note 2- Fees and charges

Business segments 2011-12

	Notes	Passports		Certificate Services		Home Office funded activities £'000	Sub total £'000	Identity cards discontinued operation £'000	Total £'000
		UK	Overseas	Statutory	Other				
		£'000	£'000	£'000	£'000				
Income	1.11	(336,794)	(47,114)	(1,604)	(15,343)	-	(400,855)	-	(400,855)
Other operating income	1.17	(43,346)	-	-	-	-	(43,346)	-	(43,346)
Cost of sales		229,606	41,690	7,623	13,549	-	292,468	-	292,468
Other expenditure		44,566	344	989	1,188	-	47,087	-	47,087
Consular protection fees	21	59,840	4,400	-	-	-	64,240	-	64,240
Operating (surplus) / deficit		(46,128)	(680)	7,008	(606)	-	(40,406)	-	(40,406)

Other Information

Non current asset additions	1.2, 1.3 7, 8	22,781	87	302	264	-	23,434	-	23,434
Total NBV of a asset base	1.2, 1.3 7, 8	155,939	(1,421)	531	1,017	-	156,066	-	156,066

IPS complies with IFRS 8 and provides an analysis of the types of services for which it charges a fee, which is set out above. Fees are agreed annually with HM Treasury in line with the fees and charges principle.

Passport

Passport activities include all services relating to the issuing of passports, where the financial objective of this activity is to break even in year. A fee is charged for all passports except for those issued to war veterans.

During 2011-12 **46,484** (2010-11: 43,906) passports were issued free of charge under the war veterans initiative.

Certificate Services

Includes all services relating to the issuing of certificates for birth, death and marriage. In addition central HO funding is provided for support functions to maintain the registers of all key life events. The financial objective is to break even after central HO funding for non fee bearing activities.

Business segments 2010-11 (Restated)

	Notes	Passports		Certificate Services		Home Office funded activities £'000	Sub total £'000	Identity cards discontinued operations £'000	Total £'000
		UK	Overseas	Statutory	Other				
		£'000	£'000	£'000	£'000				
Income	1.11	(398,003)	(39,633)	(1,417)	(15,894)	-	(454,947)	(155)	(455,102)
Other operating income	1.17	(5,084)	-	(927)	(2)	(2,626)	(8,639)	(2)	(8,641)
Cost of sales		159,119	14,493	4,186	7,841	4	185,643	2,869	188,512
Other expenditure		154,716	25,075	5,470	8,565	19,147	212,973	4,569	217,542
Impairments		6,445	-	-	-	-	6,445	-	6,445
Loss on disposal of non current assets	1.2,1.3 7, 8	50	-	-	-	-	50	-	50
Consular protection fees	21	63,906	-	-	-	-	63,906	-	63,906
Net (surplus)/deficit		(18,851)	(65)	7,312	510	16,525	5,431	7,281	12,712
Impairments		-	-	-	-	14,890	14,890	16,238	31,128
Other termination costs		-	-	-	-	-	-	3,937	3,937
Discontinued operation and programmes - termination costs		-	-	-	-	14,890	14,890	20,175	35,065
Operating (surplus)/deficit after costs of discontinued operation		(18,851)	(65)	7,312	510	31,415	20,321	27,456	47,777
Home Office Funding									
Resource funding	1.13, 21	-	-	(7,312)	(510)	(18,846)	(26,668)	(7,281)	(33,949)
Discontinued operation operation and programmes - termination costs		-	-	-	-	(14,890)	(14,890)	(20,175)	(35,065)
Total funding		-	-	(7,312)	(510)	(33,736)	(41,558)	(27,456)	(69,014)
Operating (surplus)/deficit after funding		(18,851)	(65)	-	-	(2,321)	(21,237)	-	(21,237)
Other Information									
Total NBV of asset base	1.2, 1.3 7, 8	130,433	2,990	12,112	4,573	10,292	160,400	-	160,400

Note 3 - Staff numbers and related costs

a) Staff costs

	Notes	Permanent staff		Non permanent staff		Total all staff	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11*
		£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries		76,864	88,535	897	2,874	77,761	91,409
Social security costs		5,059	6,234	-	-	5,059	6,234
Other pension costs	1.19	13,355	15,706	-	-	13,355	15,706
Voluntary exit costs	1.20	4,799	8,592	-	-	4,799	8,592
Total gross salary costs		100,077	119,067	897	2,874	100,974	121,941

*The 2010-11 comparatives include total staff costs of £1.683m from discontinued operations.

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

For 2011-12, employer's contributions of £13.2m were payable to the PCSPS (2010-11: £15.7m) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £102.9k were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £6.66k, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Four people (2010-11: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £7.3k (2010-11: nil).

b) Average number of persons employed

	2011-12	2010-11
Permanently employed staff	3,312	3,824
Non permanently employed staff	9	19
Total staff numbers	3,321	3,843

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<£10,000	24	-	20	74	44	74
£10,000 - £25,000	9	-	85	180	94	180
£25,000 - £50,000	2	-	78	110	80	110
£50,000 - £100,000	-	-	10	48	10	48
£100,000 - £150,000	-	-	2	14	2	14
Total number of exit packages	35	-	195	426	230	426
				2011-12 £'000		2010-11 £'000
Total resource cost of exit packages				5,556		12,436

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

Note 4 - Other administrative costs

	Notes	2011-12	(Restated) Continuing operations	2010-11 Discontinued operations	Total
		£'000	£'000	£'000	£'000
IT running costs		6,372	2,893	2,628	5,521
Accommodation	1.8	3,763	5,024	69	5,093
Contracted out consultancy		3,513	10,711	187	10,898
Staff training, travel and subsistence		2,389	2,531	41	2,572
Telecoms charges		673	970	16	986
Staff healthcare and uniforms		601	878	12	890
Legal and professional services		394	593	14	607
Market research, surveys and public conferences		317	618	31	649
Other costs		279	1,363	712	2,075
Publications, stationery and printing		226	370	34	404
Distribution costs		45	33	1	34
Bank charges		21	7	-	7
Other contracted out services		16	102	73	175
Non cash costs					
Home Office payroll services	21	325	374	-	374
External audit fees*		195	206	-	206
(Profit)/loss on disposal of non current assets		227	-	(2)	(2)
Depreciation of non current assets	1.4, 7	686	2,138	178	2,316
Amortisation of intangible assets	1.5, 8	1,882	2,756	27	2,783
Total		21,924	31,567	4,021	35,588

* IPS auditors have not received any remuneration for non audit work (2010-11: £nil)

Note 5 - Programme costs

	Notes	2011-12	(Restated) Continuing operations	2010-11 Discontinued operations	Total
		£'000	£'000	£'000	£'000
Consular protection fees		64,240	63,906	-	63,906
Passport outsourcing service charges		55,943	90,462	46	90,508
Publications, stationery and printing		26,823	25,153	1	25,154
Accommodation	1.8	25,977	27,706	49	27,755
IT running costs		25,739	25,810	18	25,828
Distribution costs		21,529	18,193	28	18,221
Passport stationery		15,555	4,492	-	4,492
Call centre charges		8,432	7,829	55	7,884
Application forms		2,260	2,673	-	2,673
Other costs		1,607	3,857	4,105	7,962
Staff training, travel and subsistence		1,477	1,279	63	1,342
General Register Office payments		801	838	-	838
Other contracted out services		602	1,226	1	1,227
Bank charges		534	778	2	780
Telecoms charges		458	573	-	573
Legal and professional services		236	115	-	115
Staff healthcare and uniforms		152	203	3	206
Market research, surveys and and public conferences		18	39	17	56
Contracted out consultancy		3	463	-	463
Non cash costs					
Loss on disposal of non current assets		287	896	1	897
Depreciation of non current assets	1.4, 7	10,776	25,421	26	25,447
Amortisation of intangible assets	1.5, 8	12,786	5,939	1,290	7,229
Impairments	1.7, 7, 8	-	21,369	16,204	37,573
Provisions movements	1.23, 14	4,662	2,862	-	2,862
Total		280,897	332,082	21,909	353,991

* The comparatives have been restated due to a machinery of government transfer. Refer to note 1.31 and 22.

Note 6 - Income

	Notes 1.11, 1.17	2011-12 Continuing operations £'000	(Restated) Continuing operations £'000	2010-11 Discontinued operations £'000	Total £'000
Passport income					
UK passport income		373,747	395,728	155	395,883
Overseas passport income		47,114	39,633	-	39,633
Passport validation service		489	551	-	551
Services provided to/(from) other government departments		(576)	1,321	-	1,321
Rental income		1,241	1,241	-	1,241
Secure Mail Services fees receipts		2,207	2,267	-	2,267
Process Data Quickly fees		953	1,907	-	1,907
Other income		2,079	72	2	74
Total passport income		427,254	442,720	157	442,877
Certificate income					
Certificate services		15,011	17,310	-	17,310
Consolidated payments		816	856	-	856
Services provided to other government departments		1,112	9	-	9
Other income		8	65	-	65
Total certificate income		16,947	18,240	-	18,240
Other income					
Grant income from European Union		-	57	-	57
Services provided to other government departments		-	2,566	-	2,566
Other income		-	3	-	3
Total other income		-	2,626	-	2,626
Total income		444,201	463,586	157	463,743

This represents income by type - for segmental analysis refer to Note 2

Note 7 - Property, plant and equipment

2011-12

Notes 1.2, 1.4 1.6,1.7	Land	Buildings	Information Technology	Plant, Machinery & Motor Vehicles	Furniture & Fittings	Assets under construction*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2011	1,251	67,889	50,121	7,233	9,449	26,401	162,344
Additions	-	774	924	72	191	15,591	17,552
Disposals	-	(15,429)	(698)	(14)	(254)	(6)	(16,401)
Impairments	-	-	-	-	-	-	-
Reclassifications	-	143	12	-	-	(155)	-
Revaluations	44	1,435	(207)	214	106	-	1,592
At 31 March 2012	1,295	54,812	50,152	7,505	9,492	41,831	165,087
Depreciation							
At 1 April 2011	-	41,450	22,591	585	5,620	-	70,246
Charged in year	-	6,115	3,934	638	758	-	11,445
Disposals	-	(15,238)	(569)	(14)	(244)	-	(16,065)
Impairment	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
Revaluations	-	712	(78)	39	62	-	735
At 31 March 2012	-	33,039	25,878	1,248	6,196	-	66,361
Net book value at 31 March 2012	1,295	21,773	24,274	6,257	3,296	41,831	98,726
Net book value at 1 April 2011	1,251	26,439	27,530	6,648	3,829	26,401	92,098
Asset financing							
Owned	1,295	21,773	24,274	6,257	3,296	41,831	98,726
On-balance sheet PFI contracts	-	-	-	-	-	-	-
Net book value at 31 March 2012	1,295	21,773	24,274	6,257	3,296	41,831	98,726

A full independent valuation of GRO land and buildings was carried out in March 2010 by DTZ Limited; additionally a full Dilapidations Survey of all other IPS occupied offices was undertaken during the financial year 2010-11.

There were no major impairments during the period 1 April to 31 March 2012.

IPS reviews the useful economic lives of all of its material assets each year.

Note 7 - Property, plant and equipment (continued)

2010-11

Notes 1.2, 1.4 1.6,1.7	Land £'000	Buildings £'000	Information Technology £'000	Plant, Machinery & Motor Vehicles £'000	Furniture & Fittings £'000	Assets under construction*	Total £'000
Cost or valuation							
At 1 April 2010	1,200	65,597	68,910	49,535	9,210	54,166	248,618
Additions	-	79	136	-	223	14,990	15,428
Disposals	-	(2,231)	(18,158)	(49,478)	(293)	-	(70,160)
Impairments	-	(2,115)	(16,828)	-	(126)	(1,096)	(20,165)
Revaluations	51	2,748	(4,825)	300	80	-	(1,646)
Reclassifications	-	3,811	25,100	6,876	355	(36,142)	-
Transfers to other government departments	-	-	(4,214)	-	-	(5,517)	(9,731)
At 31 March 2011	1,251	67,889	50,121	7,233	9,449	26,401	162,344
Depreciation							
At 1 April 2010	-	35,506	32,630	41,419	4,996	-	114,551
Charged in year	-	7,626	10,659	8,627	851	-	27,763
Disposals	-	(2,201)	(18,097)	(49,478)	(268)	-	(70,044)
Revaluations	-	519	(1,728)	17	41	-	(1,151)
Transfers to other government departments	-	-	(873)	-	-	-	(873)
At 31 March 2011	-	41,450	22,591	585	5,620	-	70,246
Net book value at 31 March 2011	1,251	26,439	27,530	6,648	3,829	26,401	92,098
Net book value at 1 April 2010	1,200	30,091	36,280	8,116	4,214	54,166	134,067
Asset financing							
Owned	1,251	26,439	27,530	6,648	3,829	26,401	92,098
Net book value at 31 March 2011	1,251	26,439	27,530	6,648	3,829	26,401	92,098

* Assets under construction were previously wholly reported under Property, plant and equipment, but have been reclassified to reflect those elements that relate to intangible assets.

Note 8 - Intangible assets

2011-12

Notes 1.3, 1.5 1.6,1.7	Information Technology	Software Licences	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2011	72,785	3,251	34,370	110,406
Additions	1,240	-	4,642	5,882
Disposals	(7,932)	(146)	(93)	(8,171)
Impairment	-	-	-	-
Reclassifications	5,232	196	(5,428)	-
Revaluation	(160)	(197)	-	(357)
At 31 March 2012	71,165	3,104	33,491	107,760
Amortisation				
At 1 April 2011	39,558	2,546	-	42,104
Charged in year	15,949	441	-	16,390
Disposals	(7,916)	(63)	-	(7,979)
Reclassifications	7	(7)	-	-
Revaluation	(12)	(83)	-	(95)
At 31 March 2012	47,586	2,834	-	50,420
Net book value at 31 March 2012	23,579	270	33,491	57,340
Net book value at 1 April 2011	33,227	705	34,370	68,302
Asset financing				
Owned	23,579	270	33,491	57,340
Net book value at 31 March 2012	23,579	270	33,491	57,340

Intangible assets comprise :

Information Technology

Internally developed software and databases which are separable from the host hardware.

Software Licences

Includes licences to operate externally developed software for a period in excess of one year or more.

There were no major impairments during the period 1 April to 31 March 2012.

Transfers into use included: £4.3m BPIT.

IPS reviews the useful economic lives of all of its material assets each year.

Note 8 - Intangible assets (continued)

2010-11(Restated)

Notes 1.3, 1.5 1.6,1.7	Information Technology	Software Licences	Assets under construction*	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2010	61,787	3,181	45,800	110,768
Additions	2,137	-	51,867	54,004
Disposals	(523)	-	-	(523)
Impairment	(2,185)	-	(15,223)	(17,408)
Reclassifications	20,316	-	(20,316)	-
Revaluation	1,773	70	-	1,843
Transfers to other government departments	(10,520)	-	(27,758)	(38,278)
At 31 March 2011	72,785	3,251	34,370	110,406
Amortisation				
At 1 April 2010	33,845	2,009	-	35,854
Charged in year	9,527	485	-	10,012
Disposals	(525)	-	-	(525)
Revaluation	(1,066)	52	-	(1,014)
Transfers to other government departments	(2,223)	-	-	(2,223)
At 31 March 2011	39,558	2,546	-	42,104
Net book value at 31 March 2011	33,227	705	34,370	68,302
Net book value at 1 April 2010	27,942	1,172	45,800	74,914
Asset financing				
Owned	33,227	705	34,370	68,302
Net book value at 31 March 2011	33,227	705	34,370	68,302

* Assets under construction were previously wholly reported under Property, plant and equipment, but have been reclassified to reflect those elements that relate to intangible assets.

Note 9 - Financial instruments

As the cash requirements of IPS are met through fees and funding from the HO, financial instruments play a more limited role in creating and managing risk than would normally apply to a non-public sector body. IPS has very limited powers to borrow, invest surpluses or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Agency in undertaking its activities. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements, and the Agency is, therefore, exposed to minimal credit, liquidity or market risk. However, the FReM requires disclosure of the objectives and policies of an entity in holding financial instruments and the role financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities.

Liquidity Risk

The Agency's net revenue resource requirement is financed by Home Office funding, as is its capital expenditure. It is therefore not exposed to significant liquidity risks and, although the Agency has no need to maintain commercial borrowing facilities, it does utilise an overdraft facility.

Interest Rate Risk

The Agency has no material financial assets or financial liabilities carrying variable rates of interest and it is therefore, not exposed to significant interest rate risk.

Currency Risk

The Agency does not conduct any material business denominated in foreign currency and, therefore, is not exposed to any significant risk as a result of currency fluctuations.

Credit Risk

There are no significant concentrations of credit risk within the Agency unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the date of the Statement of Financial Position.

Total book value	Notes 1.27	2011-12 £'000	Restated 2010-11 £'000	Restated 2009-10 £'000
Financial assets				
Cash	12	110	58,318	55,979
Trade and other receivables	11	32,690	30,576	28,058
Financial liabilities				
Bank overdraft	13a	-	(1,280)	(6,610)
Trade and other payables	13	(67,839)	(112,258)	(140,393)
Total		(35,039)	(24,644)	(62,966)

The above total book value has been assessed and it has been deemed that there is no difference between total book value and fair value.

Note 10 - Inventories and work in progress

	Notes	2011-12 £'000	Restated 2010-11 £'000	Restated 2009-10 £'000
Passport and certificate inventories	1.9	2,194	5,146	6,175
Work in progress	1.10	1,110	274	493
Total inventories and work in progress		3,304	5,420	6,668

Note 11 - Trade receivables and other current assets

a) Trade receivables and other current assets	2011-12 £'000	2010-11 £'000	2009-10 £'000
Current			
Trade receivables	22,296	7,319	6,574
Deposits and advances	257	324	375
HMRC	-	17,105	14,074
Prepayments and accrued income	10,137	8,452	9,046
Total trade receivables and other current assets excluding assets held for sale	32,690	33,200	30,069
Assets held for sale	-	45	-
Total trade receivables and other current assets	32,690	33,245	30,069

There were no Trade receivables and other current assets due after more than one year.

IPS has reclassified current receivables by incorporating Partnership receivables (2011-12 - £7.7m : 2010-11 - £4.7m) and HM Government receivables (2011-12 - £13.7m : 2010-11 - £2.6m) within Trade receivables. To maintain comparability of periods the comparatives have also been reclassified.

IPS consider that the new classification provides users with more reliable and relevant information. The reclassification is not the result of a change in accounting policy or a correction of an error.

Note 11 - Trade receivables and other current assets (continued)

b) Intra-government balances	2011-12 £'000	2010-11 £'000	2009-10 £'000
Current			
Balances with other central government bodies	13,651	26,043	26,027
Balances with Local Authorities	107	886	242
Balances with NHS Trusts	139	-	-
Balances with public corporations and trading funds	16,138	-	1
Intra-government balances	30,035	26,929	26,270
Balances with bodies external to government	2,655	6,316	3,799
Total at 31 March	32,690	33,245	30,069

IPS has no non-current asset intra-government balances.

Note 12 - Cash and cash equivalents

	Notes 1.14,9	2011-12 £'000	2010-11 £'000	2009-10 £'000
Balance at 1 April		58,318	55,979	22,451
Net change in cash and cash equivalent balances		(58,208)	2,339	33,528
Balance at 31 March		110	58,318	55,979

The following balances at 31 March were held at:

Office of HM Paymaster General	-	-	25,172
Commercial banks and cash in hand	110	58,318	30,807
Balance at 31 March	110	58,318	55,979

During 2011-12, IPS transferred its banking processes from NatWest to the Government Banking Service (GBS) within the HO.

This has been a phased transition that has resulted in dual processes with some of the NatWest accounts remaining open as at 31 March 2012 to ensure that all remaining customer transactions are captured. These accounts are to remain open until the end of May 2012 whereby the final closing balances will be swept into the HO GBS.

Note 13 - Trade payables and other current liabilities

a) Trade payables and other current liabilities	Notes	2011-12 £'000	Restated 2010-11 £'000	Restated 2009-10 £'000
Current				
Trade payables		1,608	9,188	8,270
Surplus supply funding from Home Office consolidated fund	21	-	56,931	48,909
Accruals and deferred income	1.18	45,397	41,528	48,494
Capital accruals		26,596	11,031	46,386
Bank overdraft		-	1,280	6,610
Total trade payables and other current liabilities		73,601	119,958	158,669

IPS has reclassified current payables by incorporating Payables Due to other government departments (2011-12 - £nil : 2010-11 - £7.3m) within Trade payables. To maintain comparability of periods the comparatives have also been reclassified. IPS considers that the new classification provides users with more reliable and relevant information. The reclassification is not the result of a change in accounting policy or a correction of an error.

Non Current

Other payables, accruals and lease incentives		6,727	7,139	7,367
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b) Intra-government balances		2011-12 £'000	Restated 2010-11 £'000	Restated 2009-10 £'000
Current				
Balances with other central government bodies		2,741	69,504	63,211
Balances with Local Authorities		137	3	1
Balances with public corporations and trading funds		608	217	1,970
Intra-government balances		3,486	69,724	65,182
Balances with bodies external to government		70,115	50,234	93,487
Total at 31 March		73,601	119,958	158,669

Non current

Balances with bodies external to government		6,727	7,139	7,367
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IPS has no non-current liability intra-government balances.

Note 14 - Provisions for liabilities and charges

2011-12

Notes 1.23	Legal costs	Dilapidation costs	Early departure costs	Other costs	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2011	247	3,175	4,222	2,538	10,182
Provided in the year	848	1,565	170	3,117	5,700
Provisions not required written back	(33)	(11)	(106)	(370)	(520)
Provisions utilised in the year	(200)	(278)	(954)	(2,168)	(3,600)
Unwinding discount	-	105	156	-	261
Balance at 31 March 2012	862	4,556	3,488	3,117	12,023

Analysis of expected timing of discounted flows

Not later than one year	862	-	810	3,117	4,789
Later than one year and not later than five years	-	1,825	2,355	-	4,180
Later than five years	-	2,731	323	-	3,054
Total of flows	862	4,556	3,488	3,117	12,023

Legal costs

Provisions have been made for various legal claims against IPS. The provision reflects all known claims where the legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated.

Dilapidation costs

IPS makes provision to cover its obligations for reinstatement of its leasehold buildings to their original state before its occupation. A full Dilapidations Survey of IPS occupied offices was undertaken during the 2010-11 financial year by DTZ Limited. IPS provides in full for this obligation when it becomes binding and utilises the provision as costs are incurred. The provision has been discounted to present value using the real discount rate prescribed by HM Treasury.

Early departure costs

IPS meets the additional costs of benefits beyond the PCSPS in respect of employees who retire early. IPS provides in full for this obligation when it becomes binding and utilises the provision each year as costs are incurred. The provision has been discounted to present value using the real discount rate prescribed by HM Treasury.

Other costs

In October 2010 IPS announced the proposal to rationalise its Interview Office Network estate and in March 2011 it was announced that thirty-nine offices would be closed to the public in June 2011. As a result, a provision of £1,068k was raised to meet the estimated decommissioning costs of IT and telephony equipment and £1,376k for the onerous lease commitments from June until the expiry of the lease in September 2011. The £3,117k provided in the year includes circa £2.4m in relation to an ongoing commercial discussion with a supplier that is likely to result in a payment. The remaining £700k has been provided because changes to some key contractual arrangements may result in a changed VAT status and irrecoverable VAT.

Note 14 - Provisions for liabilities and charges (continued)

2010-11

	Notes 1.23	Legal costs	Dilapidation costs	Early departure costs	Other costs	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010		505	4,213	1,352	1,774	7,844
Provided in the year		159	772	3,968	2,538	7,437
Provisions not required written back		(165)	(1,810)	(370)	-	(2,345)
Provisions utilised in the year		(252)	-	(728)	(1,774)	(2,754)
Unwinding of discount		-	-	-	-	-
Balance at 31 March 2011		247	3,175	4,222	2,538	10,182

Analysis of expected timing of discounted flows

Not later than one year	247	275	1,009	2,538	4,069
Later than one year and not later than five years	-	1,580	2,669	-	4,249
Later than five years	-	1,320	544	-	1,864
Total of flows	247	3,175	4,222	2,538	10,182

Note 15 - Capital commitments

Contracted capital commitments at 31 March not otherwise included in these accounts	2011-12	2010-11
	£'000	£'000
Property, plant and equipment		
Not later than one year	2,156	3,142
Later than one year and not later than five years	4,159	4,159
Later than five years	-	-
Total property, plant and equipment capital commitments	6,315	7,301
Intangible assets		
Not later than one year	5,524	8,947
Later than one year and not later than five years	125	339
Later than five years	-	-
Total intangible asset commitments	5,649	9,286
Total capital commitments		
Not later than one year	7,680	12,089
Later than one year and not later than five years	4,284	4,498
Later than five years	-	-
Total capital commitments	11,964	16,587

Note 16 - Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.	Notes	2011-12	2010-11
		£'000	£'000
Buildings	1.8, 4, 5		
Not later than one year		15,089	15,522
Later than one year and not later than five years		36,371	42,515
Later than five years		17,687	37,456
Total		69,147	95,493
Other			
Not later than one year		-	162
Later than one year and not later than five years		-	-
Total		-	162
Total commitments under leases		69,147	95,655

* Facilities management costs have been removed as IPS is not contractually committed in the event of breaking a lease.

IPS has entered into a Memorandum of Terms of Occupation (MOTO) arrangement with the HO. On 1 April 2010 IPS sublet the 5th and 6th floors of Globe House to the HO, who, in turn, have sublet space in the 2 Marsham Street (2MS) building to IPS, enabling IPS to decant staff from Allington Towers to Globe House and 2MS.

Note 17 - Commitments under PFI contracts

There were no commitments under PFI contracts at 31 March 2012 (2010-11: £Nil).

Note 18 - Other financial commitments

	2011-12	2010-11
	£'000	£'000
Not later than one year	84,394	92,921
Later than one year and not later than five years	267,358	267,670
Later than five years	151,339	190,630
Total other financial commitments	503,091	551,221

The Agency has entered into non-cancellable contracts (which are not leases or PFI contracts) for provision of contracted out services for passport production, cashiering and application scanning, administration of IT systems, secure delivery and the provision of a telephone contact centre. The payments to which the Agency is committed, analysed by the period during which the obligation becomes due, is given in the table above.

Note 19 - Contingent liabilities

There were no contingent liabilities at 31 March 2012.

Note 20 - Losses and special payments

Cases over £250k	2011-12	2010-11
	£'000	£'000

Cancellation of Identity cards

Closure costs of Identity card programme, comprising contractual payments on early termination of commercial contracts and programme closure costs

Closure costs of the identity cards programme (Loss)	-	20,175
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Halt of second biometric programmes

The government decision to halt work on the fingerprint biometric passport meant that the benefit to IPS of two programmes - National Identity Assurance Service (NIAS) and Public Key Infrastructure System (PKISS) - ended and the programmes and associated assets were transferred to UKBA. Prior to transfer the associated assets were reduced by impairment to fair value.

Impairment NIAS assets (Loss)	-	12,878
Impairment PKISS assets (Loss)	800	2,012
Impairment of assets (Loss)	800	14,890

Contract reset

To ensure flexibility, value for money and delivery capability, IPS renegotiated the contract with Computer Services Corporation (CSC) for the delivery of its major IT systems:

Payment for the production environment before Go Live (Fruitless Payment) and termination costs	-	4,238
--	---	-------

Restructure of the Interview Office Network (ION)

IPS rationalised its estate, closing the majority of its interview offices, incurring onerous lease and closure costs.

Decommissioning and onerous lease costs (Loss)	-	2,444
Losses and special payments over £250k	800	41,747

Cases under £250k

	Number of cases		
Compensation for suppliers' additional costs New Passport Programme (Loss)	-	-	990
Compensation to public and staff (Loss)	1,742	93	153
Waiving of contractual entitlements New Passport Programme (Loss)	627	116	750
Losses and special payments under £250k		209	1,893
Total losses and special payments		1,009	43,640

Note 21 - Related-party transactions

The Identity and Passport Service (IPS) is an executive agency of the Home Office (HO). The HO is regarded as a related party. Material transactions between the HO and IPS which occurred during the year are as follows:

- a) Amounts paid to the HO during 2011-12 included £71.5m (2010-11: £63.2m) from passport sales, which was remitted to HMT for FCO provided Consular Services.
- b) IPS payroll service is provided by the HO Pay and Pensions Service (HOPPS).
- c) Accommodation costs - IPS has entered into an arrangement with HO. IPS has sublet the 5th and 6th floors of Globe House to HO who, in turn, have sublet part of 2MS to IPS.
- d) During 2011-12 the HO provided funding to IPS for capital expenditure and non fee-funded certificate services. In 2010-11 the HO also provided funding for operational deficits and HO funded activities. IPS generates its own cash resources.

FCO is regarded as a related party. The UK passport fee includes an element to recover the cost incurred by FCO for providing consular protection abroad; this element of the passport fee is remitted through the HO to HMT. IPS collects £15.62 per adult standard passport, £4.28 per child and £23.18 per jumbo passport (for passports issued both in the UK and overseas). The total collected during the year for consular protection abroad was £64.2m (2010-11: £63.9m). The total paid over to HO during the period was £71.5m (2010-11: £63.2m) and the amount owing to the HO as at the balance sheet date is £nil (2010-11: £7.3m).

UKBA is regarded as a related party. During 2011-12 IPS has provided support by delivering interviews for the registration of foreign nationals.

Other government departments and agencies with which IPS transacted in the normal course of business during the year include the HM Revenue and Customs, Driver and Vehicle Licensing Agency, Department for Work and Pensions, Office for National Statistics, National School of Government, Department for Education, Department of Health, Department for Transport, HM Prisons, Treasury Solicitors and the Central Office of Information.

Board members and key senior management staff are subject to a standard annual interests review. It is confirmed that no Board members, key managers or other related parties have undertaken any material transactions with IPS during the financial year. Information on key management compensation is provided in the Remuneration Report.

All related party transactions are conducted on an arms length basis.

Note 22 - Machinery of Government changes

On 1 April 2011 the Foreign and Commonwealth Office (FCO) transferred responsibility for overseas passports to IPS as part of a machinery of government change.

The 2010-11 comparatives of these accounts have been restated to include results for FCO - Overseas Passports.

	2010-11 £'000 FCO - Overseas Passports	2010-11 £'000 Impact on IPS
Operating costs		
Income	(39,633)	(39,633)
Other costs	39,568	39,568
Total	(65)	(65)
Intangible assets	2,991	2,991
Inventories	2,699	2,699
Trade and other payables	(1,155)	(1,155)
Total assets and liabilities	4,535	4,535
General fund	4,535	4,535
Total taxpayers' equity	4,535	4,535

	2009-10 £'000 FCO - Overseas Passports	2009-10 £'000 Impact on IPS
Intangible assets	2,132	2,132
Inventories	2,839	2,839
Trade and other payables	(1,360)	(1,360)
Total assets and liabilities	3,611	3,611
General fund	3,611	3,611
Total taxpayers' equity	3,611	3,611

Note 23 - Events after the reporting period

After the end of the reporting period there were no events that were required to be mentioned in this report. The Chief Executive duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.

Annex

Sustainability Report (unaudited)

Introduction

It is now mandatory for all central government bodies that produce Annual Reports and Accounts in accordance with the Government Financial Reporting Manual (FRoM) to include a discrete section of sustainability information and related costs.

This is our first sustainability report. It forms part of the Home Office (HO) consolidated report in the HO Annual Report and Accounts.

Our report focuses on the environmental challenges that most affect our estate, official travel and supply chain. This includes the environmental impact of our energy and water use, travel, waste generation and recycling together with the costs associated with each of these.

Our priority is to reduce our carbon dioxide emissions. Improving our sustainability performance is closely linked to our efforts to achieve greater value for money and efficiency.

Greening Government Commitments (GGC)

The GGC commenced on 1 April 2011 and replaced the Sustainable Operations on the Government Estate targets. The GGC requires departments to take action to significantly reduce their own impact on the environment by 2015 (compared to a 2009-10 baseline). These commitments can be found here

<http://sd.defra.gov.uk/gov/green-government/>.

IPS is making good overall progress against the GGC.

Highlights

In the last 12 months

- the two offices we occupy in London (Marsham Street and Globe House) and staff working there, contributed to a programme of measures to reduce CO2 emissions from HO sites as part of the Prime Minister's pledge to cut energy use by 10% across central government in 12 months. By May 2011 HO had exceeded this target, achieving a 17.6% reduction.
- IPS signed up to the HO Shared Service initiative to provide incentive to its FM suppliers (Amey and Interserve) to deliver energy savings via 'gain-share' arrangements. Across the reported buildings the significant, balanced savings identified will arise once properties have been efficiently restacked and retained on longer terms.
- the Agency also improved the efficiency of IT and accommodation use. We support the cross Government Green ICT (Information, Communications and Technology) Strategy, the best practice identified in the Government Green ICT Workbook. Sustainability is a key driver in consolidating our accommodation through the ongoing HO estates strategy. HO Group have published a common Green ICT message for printing and power guidance.

Summary of our reported performance

Area	Metric	2011-12	2010-11	2009-10
Total (Greenhouse gases) GHG	Amount (tonnes CO ₂ e)	5,960	5,247	5,194
Net GHG (GHG less accredited carbon offsets)	Amount (tonnes CO ₂ e)	2,582	3,778	5,194
Building energy	Amount (tonnes CO ₂ e)	5,253	4,969	5,194
	Amount (kWh)	12,280,880	12,428,244	12,363,318
	Expenditure (£k)	1,105	991	977
All travel	Amount (tonnes CO ₂ e)	-	-	-
	Amount (km)	-	-	-
	Expenditure (£k) (excludes GCOF)	1,555	2,593	4,409
Office waste	Amount (tonnes)	832	514	377
	Expenditure (£k)	121	14	51
	Total recycled (tonnes)	779	478	327
Water consumption	Expenditure (£k)	34	38	26

About our data

There are limitations to the accuracy of our financial and non-financial sustainability data and we continue to improve the quality of our internal controls for example through internal audit. For energy and water use this report covers all locations occupied by IPS where we pay for utilities directly. Note where IPS cedes space to other government departments via a MOTO arrangement it reports utility data though does not directly have influence on how the space is occupied.

Similarly, in such buildings it is difficult to accurately report the number of FTE occupiers (i.e. training suites which consume utilities but which have few, if any, staff associated). In all reported buildings IPS cedes a significant component of space (via government funded asset arrangement) to its third party contractors. Work is in progress to accurately calculate the number of occupants which in all cases exceeds the reported civil servant full time equivalent numbers.

One reported site is a secure production facility, which significantly skews the reported data as it is a large volume consumer of all utilities although it has a relatively small number of occupants. Future reports should consider how best to normalise the impact this one building has against the reported estate.

Travel data includes travel by all our staff regardless of their location. Owing to changes in suppliers and financial reporting systems, travel metrics, other than actual costs incurred against specific categories, are not reported.

The following assumptions and estimates apply:

Gas	March 2010-11 data for comparative month 2011-12;
Air travel	Cost data only, not able to separate data. Will do so in future
Rail travel	Cost data only, not able to separate data. Will do so in future
Grey fleet and Taxis	Cost data only, not able to separate data. Will do so in future
Hire cars	Cost data only, not able to separate data. Will do so in future
Fleet	No Fleet
Carbon Reduction Commitment (CRC)	This data is included in HO's

Normalised performance

The reporting of normalised data has been omitted for the following reasons:

- a significant number of occupants within the IPS estate are third party contractors. IPS has no contractual means of establishing the average contractor occupancies, though have requested suppliers to provide data for future reports.
- the number of buildings reported is very small. One property is not of standard office function, size or density of occupation. Data incorporated from this one property significantly skews overall performance.

Other requirements

Supply chain impacts and Government Buying Standards

We request that our suppliers demonstrate a strong commitment to supporting the delivery of GGC and support wider sustainability ambitions. We do this through the incorporation of sustainable practices into their provision of goods and services. We work closely with suppliers, and measure their sustainability and corporate social responsibility (CSR) through the "CAESER" (<https://nqc.com/>) online self-assessment tool. HO is also playing a key role in developing a cross government strategy for CSR (and Information Assurance) that will report supply chain (outsourced) emissions from key government suppliers. This exercise is being led by the Government Procurement Service.

Paper

Since September 2011, IPS has sourced all paper via the HO's closed loop procurement with the supplier Banner Business Services. Restricted waste paper is recycled via a specialist contractor post shredding, non-restricted waste paper is recycled via onsite FM arrangements. Future reports will include data on paper usage.

Information, communication and technology

We have improved the efficiency of IT and sustainability is a key driver for our continued work on IT-rightsizing and flexible working and rationalising our IT arrangements.

Sustainable construction

In 2011, IPS relocated its area office in Belfast. Using framework suppliers IPS undertook its Category B design and fit-out to Building Research Establishment Environmental Assessment Method (BREEAM) excellence standards, ensuring the overall BREEAM rating of the facility was improved to 'Very Good'. Wates, the appointed contractor, met framework Waste Resources Action Plan (WRAP) targets.

Procurement of food and catering services

IPS has a single sourced catering service at Smedley Hydro, supplied by Interserve. Our contract with Interserve contains a requirement upon them to demonstrate sustainable sourcing of ingredients.

CRC Energy Efficiency Scheme

IPS participated as part of the HO in the CRC Energy Efficiency Scheme.

Carbon footprinting

The HM Treasury guidance encourages departments to extend reporting beyond the minimum requirements. For IPS our priority is to measure energy used in our buildings that are paid for through a landlord service charge and determining through our supply chain operational travel in addition to the business travel that we currently report on. This would be an important element of calculating a full carbon footprint for the HO. Operational travel impacts arising from the restructuring of IPS plus changes in operational processes will be reviewed to assess whether IPS' overall carbon footprint is increasing or decreasing.

Mainstreaming Sustainable Development (SD)

We are awaiting guidance from Defra on mainstreaming SD in policy making and their work on supplementary guidance to the Green Book. Current Treasury guidance includes whole life policy appraisals and referred to considerations of economic, social and environmental aspects.

This year's IPS and HO business plans contain a commitment to this agenda.

Biodiversity and natural environment

Biodiversity is not material for the IPS estate and we do not undertake data collection on this aspect of sustainability.

People

IPS supported Earth Hour and Climate Week. An e-learning package for staff on sustainability and energy awareness is now available. IPS has sustainability champions based in each area network who are responsible, via their local committees, for a range of sustainability and community based support.

Our governance and standards

Progress against the commitments is monitored by the HO Sustainable Development Team with data being provided to the HO Sustainability Implementation Group of which IPS is a member. The Group reports to the Estates and Sustainability Board chaired by the Director General Financial and Corporate Services Group, meets at least quarterly and ensures that necessary action is taken to meet the commitments.

About our reporting

More detailed HO performance information, when it is available, will be linked from or provided at: <http://www.homeoffice.gov.uk/about-us/non-personal-data/energy-use/>

Contact

You can find out more by contacting the following address: sustainabilityenquiries@homeoffice.gsi.gov.uk

Detailed performance data year by year

Carbon Dioxide emissions		2011-12	2010-11	2009-10
Non Financial indicators (CO ₂)	Gross emissions for scopes 1 & 2 (tonnes)	5,253	4,969	5,194
	Gross emissions scope 3 business travel (tonnes)	708	279	-
	Total Emissions (tonnes)	5,960	5,247	5,194
	CRC Registration and Licence Expenditure (£k)	-	-	-
Financial indicators (£k)	Expenditure on accredited offsets (e.g. GCOF) (£k)	3.4	1.5	-
	Expenditure on official business travel (£k)	1,675	2,769	4,765

Performance commentary

Due to an anomaly in the reporting, carbon dioxide emissions from buildings show a rising trend against the 2009-10 baseline. This is because in 2010-11 IPS closed 54 of its non-reported properties reducing its estates footprint by 31%. But the office functions and staff were relocated into the reported office, which therefore shows a commensurate increase in utility consumption.

Many of the assets from the offices closed were of high quality and were successfully redeployed throughout IPS' estate and with other government departments.

An increase in overseas travel (both air and rail) is directly attributable to delivery of a programme that will repatriate the production of passports overseas from FCO consulates to IPS in the UK. The spike in travel activity in 2011-2012 is expected to be short term with future overseas travel returning to historic low volumes.

Targets

IPS is on target to meet the Greening Government Commitments, which require us to reduce:

- a greenhouse gas emissions from a 09/10 baseline; and
- a business-related transport and cut domestic business travel flights by 20% by 2015 from a 2009-10 baseline.

Controllable impacts commentary

Over 90% of our reported carbon dioxide emissions are from the use of buildings. Existing property controls potentially constrain IPS' ability to improve efficiency across aged sections of estate, particularly where these are subject to increasing occupation densities.

Managing energy use from buildings		2011-12	2010-11	2009-10
Non Financial indicators				
Energy consumption (kWh)	Electricity: Non-Renewable	6,831,953	5,897,966	5,931,519
	Electricity: Renewable	1,959,704	1,981,136	2,135,556
	Gas	3,489,223	4,549,142	4,296,242
	Other (Oil)	-	-	-
	Total kWh	12,280,880	12,428,244	12,363,318
Total Energy expenditure (£k)		1,101	941	977

Performance commentary

Energy consumed from our buildings has fallen against the 2009-10 baseline, even though our estate rationalisation has increased densities of occupation. This was achieved by investment in energy saving infrastructure and tighter controls on heating, cooling and lighting.

IPS supply contracts are now aligned with the Government Procurement Service's supplier framework and are therefore constrained by the levels of renewable energy offered.

The increase in energy expenditure is wholly in line with the rise in the market rate of energy consumables.

Controllable impacts commentary

Further investment in energy saving technology (e.g. PIR Lighting, energy efficient pumps) is planned.

Ongoing staff communications highlight the importance of personal responsibility in driving down energy usage.

Description of terms, scope and data quality

We only report energy use in buildings where we are directly billed and responsible for the payment.

For electricity we have reported on:

- seven sites in 2009-10;
- six sites 2010-11; and
- seven sites in 2011-12.

For gas we have reported on:

- five sites in 2009-10;
- four sites 2010-11 ; and
- four sites in 2011-12.

Managing water use		2011-12	2010-11	2009-10
Non Financial indicators				
Water consumption (m ³)	Abstracted	-	-	-
Financial indicators				
Invoiced water supply costs (£k)		36	26	26

Performance commentary

A direct comparison between the three years has not been included because it is misleading as data for 2010-11 from a reserve/production facility significantly skews the metric.

Targets

From 1 April 2011, new targets (GGC) require us to reduce water consumption from a 2009-10 baseline, and report on office water use against best practice benchmarks.

- a) ≥6 m³ water consumption per FTE poor practice
- b) 4m³ to 6m³ per FTE good practice
- c) ≤4m³ per FTE best practice
- d) % offices meeting best/good/poor practice benchmark.

Controllable impacts commentary

Water use is almost exclusively from washrooms and drinking. Water disposal costs for surface drainage are notably higher at IPS' production site owing to the large roof expanse.

Overview of influenced impacts

Water usage by our suppliers is being reviewed in 2011-12 through CAESER our supply-chain on-line assessment tool.

Description of terms, scope and data quality:

We only report water use in buildings where we are directly billed and responsible for the payment. We have reported on

- four sites in 2009-10;
- three sites 2010-11 ; and
- four sites in 2011-12.

Managing office waste		2011-12	2010-11	2009-10
Non Financial indicators (t)				
Total waste		832	514	377
Non hazardous waste	Landfill	53	37	49
	Reused/Recycled	779	478	327
Financial indicators (£k)				
Total disposal cost		121	14	51
Landfill		4	3	4
Reused/Recycled		117	11	47

Waste performance commentary

The increase in number of sites reporting explains the uplift in waste data.

Targets

From 1 April 2011 new targets (GGC) require us reduce the amount of waste we generate by 25% from a 2009-10 baseline, cut paper use by 10% in 2011-12 and ensure that redundant ICT equipment is re-used (within government, the public sector or wider society) or responsibly recycled.

Controllable impacts commentary

The main impacts are from office waste, and construction or refurbishments following estate changes and consolidation. Office waste includes shredded and un-shredded paper, dry mixed recycling, food waste and packaging. Strategies are in place to reduce waste and increase recycling. 2010-2011: IPS delivered the fit-out of its new area office in Belfast against the WRAP agenda.

IPS has no reported hazardous waste disposal.

Overview of influenced impacts

Suppliers waste management arrangements have been reviewed in 2011-12 through CAESER our supply-chain on-line assessment tool.

Description of terms, scope and data quality

We only report our waste in buildings where we receive data from a waste management company.

We have reported on

- two sites in 2009-10;
- four sites 2010-11; and
- eight sites in 2011-12.

Glossary

BPIT	Business Process and Infrastructure Transformation
CESG	Government National Technical Authority for Information Assurance
CETV	Cash Equivalent Transfer Value
CFER	Consolidated fund extra receipts
CRC	Carbon Reduction Committee
CSC	Computer Sciences Corporation
CWIC	Critical Workers Identity Card
DWP	Department for Work and Pensions
FCO	Foreign and Commonwealth Office
FReM	Financial Reporting Manual
IFRS	International Financial Reporting Standard
GFA	Government Funded Asset
GRO	General Register Office
HR	Human Resources
IAS	International Accounting Standard
ICO	Information Commissioners Office
liP	Investors in People
ION	Interview Office Network
IPS	Identity and Passport Service
IT	Information technology
MOTO	Memorandum of Terms of Occupation
MOU	Memorandum of Understanding
NAO	National Audit Office
NBIS	National Biometric Information System
NIS	National Identity Service
ONS	Office of National Statistics
PCS	Public and Commercial Services Union
PCSPS	Principal Civil Service Pension Scheme
PFI	Public Finance Initiative
RON	Registration Online
TSO	The Stationery Office
UKBA	UK Border Agency
VAT	Value Added Tax

Contact

If you wish to receive further information on any of the issues in this document or have any questions relating to the services provided by the Identity and Passport Service, please contact:

Corporate Strategy
Products and Channels Demand Team
Identity and Passport Services
2 Marsham Street
London SW1P 4DF

Or via the Identity and Passport Service website:
www.homeoffice.gov.uk/ips

You can also contact the Passport Adviceline from 7.00 – 23.00
0300 222 0000
Calls are charged at the national rate

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