Postal Services Commission

Annual Report and Accounts
For the year ended 31 March 2012

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Annual Report and Accounts
(For the year ended 31 March 2012)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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About Postcomm 4
Our people 5
Our activities during the year 9
The Postal Services Act 2011 11
Being informed 12
Securing the universal service and protecting postal users 13
Licensing postal operators 14
Postal Services Act 2000 reporting requirements 18
Glossary 20
Resource Accounts 22
Introduction 22
Management Commentary 23
Governance 25
Sustainability Report 26
Remuneration Report 29
Salary and pension entitlements 30
Statement of Accounting Officer's Responsibilities 37
Governance Statement 38
The Certificate of the Comptroller and Auditor General to the House of Commons 43
The Report of the Comptroller and Auditor General to the House of Commons 45
Statement of Parliamentary Supply 47
Statement of Comprehensive Net Expenditure 48
Statement of Financial Position 49
Statement of Cash Flows 50
Statement of Changes in Taxpayers' Equity 51
Notes to the departmental resource accounts 52

About Postcomm

Postcomm – the Postal Services Commission – was the independent regulator of postal services. We were set up by the Postal Services Act 2000 as a non-ministerial government department. Our primary duty was to seek to ensure the provision of a universal postal service. Subject to this, and among other duties, we were required to further the interests of postal users in the UK, where appropriate by promoting effective competition.

The Postal Services Act 2011 ("the Act") received Royal Assent and came into effect on 13 June 2011. It provided for the privatisation of Royal Mail, a proposed solution to the historic pension fund deficit, a transfer of regulatory responsibility to Ofcom on 1 October 2011 and the abolition of Postcomm on 30 September 2011. The Act also ensured that the residual measures required to implement the 3rd Postal Services Directive were in place.

Our work was steered by a board of independent Commissioners, headed by our Chairman, Millie Banerjee. Our Commission had considerable experience of business, consumer issues, regional matters, UK and overseas mail operations, the public sector, competition and regulation.

We required Royal Mail to provide a universal postal service, and licensed a number of companies which could compete with Royal Mail. We regulated some of the prices that Royal Mail could charge and its quality of service.

We were also required to give advice and information to the Government on the post office network. We did this by producing annual reports for the Secretary of State for Business, Innovation and Skills (BIS).

This Annual Report and Accounts document covers the period from 1 April 2011 to 31 March 2012 including the transfer of responsibility for postal regulation to Ofcom on 1 October 2011.

Because no senior official from the former postal service regulator is now available to sign these closing accounts, HM Treasury has appointed Martin Donnelly, Permanent Secretary at the Department for Business Innovation and Skills as Accounting Officer for Postcomm. This took effect from 1 January 2012 and is in accordance with Section 5, subsection 6 of the Government Resources and Accounts Act (GRAA) 2000.

A list of all of the documents we published this year is available on our website, at http://www.ofcom.org.uk

Our people

Our Commissioners

Postcomm's Commissioners were responsible for setting and amending Postcomm's regulatory framework and strategy. They approved all significant regulatory proposals and decisions, licences, enforcement orders, and financial penalties. The Commission comprised executive and non-executive members and was the ultimate decision making body for all matters dealt with by Postcomm. The Commission met monthly, except that there was usually no meeting during the month of August and the April 2011 meeting was cancelled. Apart from our Chief Executive, all Commissioners, who are listed below, were non-executive Commissioners and worked part-time on Postcomm business.

The Commission also approved our business plan and monitored performance against business plan objectives. Day-to-day operational issues were delegated to the Chief Executive and Postcomm staff.

The Chairman of the Commission was appointed by the Secretary of State for Business, Innovation and Skills (BIS). Her remuneration was set out in her contract and was subject to annual review in line with awards recommended by the Senior Salaries Review Body. The Chief Executive and Accounting Officer of Postcomm was also a Commissioner and was appointed on 22 September 2008 in accordance with the guidance issued by the Civil Service Commissioners. His remuneration was set out in his contract and was subject to annual review in line with awards recommended by the Senior Salaries Review Body.

The non-executive Commissioners were appointed by the Secretary of State for Business, Innovation and Skills (BIS). Their remuneration was set out in their contracts and was subject to annual review in line with the awards made by the Senior Salaries Review Body.

Millie Banerjee was appointed as Postcomm's Chairman in January 2011 until March 2012. Millie's appointment ended on 30 September 2011 with the abolition of Postcomm. Millie is Chair of the British Transport Police Authority and a member of Newham Primary Care Trust and a Trustee of the Peabody Trust. She was also a member of the Office of Communications (Ofcom) Board from September 2002 until June 2011 and a Trustee of the Peabody Trust until November 2011. Previously she spent 25 years with BT (1970-1995), culminating at Director level in BT Products and Services Division, followed by Senior Vice President ICO Global Communications (1995-2000). She has been a member of the Strategy Board of the Cabinet Office (1998-2005) and she has held several non-executive appointments including at the Strategic Rail Authority. She was a Commissioner for Judicial Appointments from 2001-2006. She was also the Chair of Postwatch, the consumer body for postal services (2005-2008) and on the Board of Consumer Focus.

Simon Batey, MA (Oxon), FCA, was appointed as a Commissioner on 15 March 2010, for an initial three-year term. Simon's appointment ended on 30 September 2011 with the abolition of Postcomm. Simon has served as Group Finance Director with three major UK companies, AMEC, United Utilities and Thames Water. Simon currently has non-executive director positions with a number of companies including Telecity Group plc and BlackRock New Energy Investment Trust plc and has also served as a non-executive director of Arriva plc and THUS Group plc. He spent the first 12 years of his career at Armitage & Norton (now part of KPMG), latterly as a partner of the firm.

Norman Blackwell, MA MBA PhD was appointed as a Commissioner in December 2010 until March 2012. His appointment ended on 30 September 2011 with the abolition of Postcomm. Norman is Chairman of the Board at Interserve PLC, the Senior Independent Director at Standard Life, a Non-Executive Director of Halma PLC and a Board Member of Ofcom. From 1995 to 1997 Norman was head of the then Prime Minister John Major's Policy Unit, where he coordinated domestic policy development across Whitehall. He was made a Life Peer in 1997 and remains an active member of the House of Lords with a seat on the Delegated Powers and Regulatory Reform Committee. Prior to 1995 he was a partner of McKinsey & Company, international management consultants. He holds an MBA PhD in Finance and Economics from the University of Pennsylvania and an MA in Natural Sciences from Trinity College Cambridge.

Tim Brown was appointed as an executive Commissioner and Chief Executive of Postcomm in September 2008 for a period of four years. Tim's appointment as a member of the Commission ended on 30 September 2011 with the abolition of Postcomm. Prior to joining Postcomm he was Sales and Marketing Director at DHL Express. Before that he spent 11 years at Royal Mail including Business Strategy Director for the Group, and Sales and Marketing Director of Parcelforce Worldwide. Tim joined Royal Mail having worked at KPMG Management Consultants. His work at KPMG included work with both the private and public sectors including the regulators and the regulated in electricity, water and telecoms. Tim trained as an accountant, having qualified with the National Audit Office (NAO). Since September 2011 Tim has been a non-executive director on the board of Jersey Post.

Wanda Goldwag, BSc (Econ) was appointed as a Commissioner for a three year term in April 2005. Her appointment was extended until April 2011 and then extended again until March 2012. Wanda's appointment ended on 30 September 2011 with the abolition of Postcomm. With more than 25 years' experience in direct marketing, she is currently a part-time adviser to Smedvig Capital Limited on its portfolio and a non executive director of the Performing Right Society, True North Human Capital Ltd, and You at Work Ltd.

Professor Stephen Littlechild, B Com, Ph D, D Sc (Hon), D Civ Law (Hon), was appointed as a Commissioner on 1 July 2006 for three years and his appointment was extended until June 2011. He left Postcomm on 30 June 2011 on the expiry of his term of office. Stephen was the first UK director general of electricity supply and head of the Office of Electricity Regulation (OFFER) from 1989-98. Since 1999, he has been an international consultant on regulation, competition and privatisation, especially in the electricity and telecommunications sectors, and a policy advisor to governments, the World Bank, regulators and companies in many countries as well as the UK. Stephen is an emeritus professor at the University of Birmingham and Fellow of the Judge Business School, University of Cambridge.

Stuart McIntosh was appointed Commissioner in December 2010 until March 2012. Stuart's appointment ended on 30 September 2011 with the abolition of Postcomm. Stuart is Competition Partner at Ofcom and also a member of the Ofcom Board. He has also been a Strategy partner in IBM's communications practice in the US. Before that Stuart also held senior positions in PWC, where he led PWC's Telecoms Consulting Practice, and Adventis, a boutique strategy consultancy. Stuart began his career as an Economist in the UK's Government Economic Service. He also worked for BT for a period of 4 years where he held the position of Head of Business Economics.

Mike McTighe was appointed as a Commissioner in December 2010 until March 2012. His appointment ended on 30 September 2011 with the abolition of Postcomm. Mike has held a number of directorships, and is currently, Chairman of Volex Group plc, Chairman of WYG plc, Chairman of JJB Sports plc, and senior independent director of Betfair Group plc. Mike also acts as a special advisor to General Atlantic, the US based private equity firm and is a Board Member at Ofcom and Pace Plc. Previously he was Chairman and CEO of Carrier1 International SA, and before that Executive Director & Chief Executive, Global Operations of Cable & Wireless plc. Prior to these experiences, Mike spent 5 years with Philips of the Netherlands, 5 years with Motorola, and 10 years with GE.

Lucy Scott-Moncrieff was appointed as a Commissioner on 1 September 2008, for a three-year term. She left Postcomm in August 2011 on the expiry of her term of office. A solicitor, Lucy is the managing partner of Scott-Moncrieff and associates LLP, a legal aid practice. She is Vice President of the Law Society and has been elected to the office of President of the Law Society in 2012-13. She is also a part time legal president for the Mental Health Tribunal, a director of Edge Training Ltd, a company that offers training on mental health and mental capacity law to health and social services organisations, and an associate with Verita, a consultancy doing investigations in health and social services organisations.

Details of remuneration can be found in the Remuneration Report on page 29.

Our Directors

Jenny Block, Postcomm's chief legal adviser, headed our legal team. She joined Postcomm on secondment in January 2010 and was appointed to her role in November 2010, previous to this she was a partner at international law firm Simmons and Simmons.

Stephen Gibson, director of the Economic Policy team, was responsible for directing Postcomm's analysis of mail markets and its investigations into anti-competitive complaints about Royal Mail's activities, as well as leading on all economic policy issues. He was previously Principal Economist at Ofcom and Head of Economics at Railtrack. At the start of his career he worked for five years as an economist in the Post Office Group's Corporate Planning Department.

Sean O'Hara, director of the Customer, Strategy and Information team, was responsible for monitoring Royal Mail's provision of a reliable universal service and Royal Mail's compliance with its obligations to postal users and quality of service. He was also responsible for all other licensed postal operators' duties regarding the security of mail and handling of non-contract customer complaints, and post office policy. Previously he worked in other regulators in a variety of customer protection and competition policy roles.

Robin Pratt, director of the Regulatory Finance team, was responsible for the design and implementation of Royal Mail's price control and formulating some of its major policy decisions, such as appropriate access arrangements. He was seconded to Postcomm from Ofcom in April 2010 and brought with him a wealth of experience in regulatory strategy across network industries such as energy, water, transport, communications and post.

Colin Sharples, director of the Resources team was responsible for operational matters, including finance and business planning, human resources, ICT and information, corporate governance, risk management and security. He previously worked in a variety of board-level operational and change management roles in the private sector.

Our activities during the year

1 - Consultation on the new regulatory framework for 2012

In April 2011, Postcomm published an initial proposals consultation document on the scope and form of the regulation of postal services for 2012 and beyond. This document focused on what regulatory safeguards were required and in particular the question of whether there was a need for ex ante regulation of Royal Mail's prices beyond 2012. It also set out the challenging circumstances facing the postal sector and Royal Mail in particular such as the unprecedented volume decline since the current price control was implemented in 2006 and the impact this had on Royal Mail's finances including the significant gap between revenue received from customers and its cash costs. The consultation document also highlighted that for the universal service to be sustainable, it was vital that efficiency was improved. Taking into consideration the responses to this consultation document and further evidence gathered during the intervening period, Ofcom published its final proposals for this consultation in October 2011.

2- Analysis of Markets

The final phase of the analysis of markets work was published in May 2011, with Postcomm consulting on initial views on the UK outbound international mail markets for letter post. We provisionally identified three broad markets for outbound international mail:

- Single Piece retail market
- Contract retail market
- Contract wholesale market

We formed the initial view that Royal Mail has market power in the Single Piece market and the Contract wholesale market, but it does not have market power in the Contract retail market.

3 - Applications from Royal Mail

In addition to the work on the new regulatory framework for 2012, Postcomm also consulted on a number of applications received from Royal Mail. In September 2011, we published our decisions to approve Royal Mail's application to amend its terms and conditions in relation to compensation arrangements in respect of items sent by customers on account and aligning the amount of time that undeliverable items are held at delivery offices to 18 calendar days. We also published our decision on Royal Mail's application to run a trial for delivering mail to recipients' neighbours if the addressee is absent and the item is too large to go through the letterbox or requires a signature. We accepted the application to conduct a trial subject to:

- Allowing customers to opt out of the trial
- Royal Mail advising Ofcom and Consumer Focus of its communications plan in order to ensure that senders of items to the trial areas, and receiving customers within the trial areas, are made aware of the trial
- The right to compensation for loss and damage in relation to items delivered in trial areas will remain the same as for items delivered in the rest of the UK.

In July 2011, Postcomm consulted on an application by Royal Mail for an exemption from the publication requirements, and certain notification requirements under Condition 7 of its licence, in relation to certain large packet services contracts. In September 2011, following the consultation, and further discussions between Postcomm and Royal Mail, Royal Mail withdrew its application.

4 – Postcode address file (PAF)

Postcomm published its decisions on the September 2010 consultation on the current regulatory arrangements for the Postcode Address File (PAF). The Consultation sought views on three main issues:

- The effectiveness of the PAF Advisory Board to date and where it should concentrate its efforts in the future

- The pricing and allowable profit margin for PAF, including whether additional incentives were needed to minimise future costs for maintaining and updating the file

- Whether any of the developments over the last three years had led respondents to conclude that any element of the regulatory framework needed to be reviewed

Postcomm decided that there was no evidence to support a major revision to the regulatory arrangements established in 2007, although we did make specific recommendations with a view to strengthening the role, organisation and communications of the PAF Advisory Board. We also made recommendations on the operation of the target profit margin and incentives for PAF with a view to ensuring that the costs of maintaining and updating PAF are minimised.

5 – Force majeure

Royal Mail asked Postcomm to allow the company to adjust its end of year quality of service performance to reflect the impact of what Royal Mail considered to be force majeure, i.e. factors beyond the Royal Mail's control which caused the company to fail certain of its annual regulated quality of service targets. In particular, Royal Mail asked for force majeure to apply in respect of a drop in performance due to a volcanic ash cloud event and drops in performance due to severe weather conditions in November/ December 2010 and January 2011. Postcomm employed the services of a firm of logistics consultants to advise it on the merits of Royal Mail's application. Having considered all the evidence available, Postcomm decided to allow the application for force majeure in respect of the volcanic ash cloud and severe weather in November / December 2010 in full but only agreed to part of the application in respect of the impact of severe weather on performance in January 2011. The decision not to allow the application in full resulted in Royal Mail being liable to pay compensation to some bulk mailers under the terms of its own unregulated bulk mail compensation scheme which provides for compensation where Royal Mail's regulated bulk mail services fail to meet their regulated performance targets.

More information on all these achievements is available on our website: www.psc.gov.uk

The Postal Services Act 2011

The Postal Services Act 2011 ("the Act") received Royal Assent and came into effect on 13 June 2011. It provided for the privatisation of Royal Mail, a proposed solution to the historic pension fund deficit, a transfer of regulatory responsibility to Ofcom on 1 October 2011 and the abolition of Postcomm on 30 September 2011. The Act also ensured that the residual measures required to implement the 3rd Postal Services Directive were in place.

The Act retained the regulator's primary duty with respect to the universal service, and required Ofcom to have regard to the financial sustainability and efficient provision of a universal service. At the heart of this was a retention of the current universal service obligation requiring collection and delivery six days a week at uniform, affordable prices. To further sustain a universal service, the act put in place two additional safeguards:

- No proposal to change the minimum requirements of the universal service can be put forward until Ofcom has conducted a review of the needs of users.

- Any proposal to change the minimum requirements must be subject to a majority vote in both houses of Parliament. Any change in the minimum requirements cannot change the universal nature of the service.

The Government also made clear that it considered safeguarding the universal service to be the priority but stated that it remained committed to encouraging competition in the postal services market.

In the period leading up to the transfer of regulatory responsibility, Postcomm and Ofcom worked together to maintain regulatory stability for both postal users and operators, with a view to providing confidence and certainty for the future direction of regulation and ensuring a smooth transition. Ofcom assumed responsibility for implementing a new regulatory framework from the 1st October 2011 when the Act came into effect and up until that point Postcomm retained regulatory responsibility for the postal sector.

Being informed

We could only regulate effectively if we knew how the postal market was developing, where one market ends and another begins and who had power in each market. We were constantly monitoring the market to better understand how things were changing and to best understand when we might have needed to intervene. To support our regulation for the period ended 30 September 2011 we also continued the process of assessing the state of the market through a market study.

Market size, trends and share
Mail volumes handled by Royal Mail for the period ended 30 September 2011 continued to fall and Royal Mail reported a decline of around 4% in mail volumes during the above period. Royal Mail still delivers more than 99% of addressed mail in the UK.

Market entry to date
We issued more postal licences in the year to 30 September, in particular to smaller businesses and sole traders, bringing the number of licence holders in September 2011 to 59. The main form of competition that these operators engaged in, was downstream access, where the alternative operator collects and sorts mail from customers before transporting it to Royal Mail for final delivery. Large mail customers could set up direct access agreements with Royal Mail, inputting their own mail into Royal Mail's nationwide network at Inward Mail Centres.

Responsibility for postal regulation transferred to Ofcom on 1st October 2011 and a general authorisation regime came into force and postal operators were no longer required to have a licence

Access volumes
Between April and September 2011, Royal Mail handled around 3.5 billion items through access agreements, which now make up almost half of Royal Mail's inland addressed mail volumes. The proportion of access mail in Royal Mail's total volumes continued to grow. In 2010-11, access accounted for over 40% of Royal Mail's volumes. Around a quarter of access mail volume entered the Royal Mail network through customer direct access agreements; operator access accounts for the remainder.

Securing the universal service and protecting postal users

Our primary duty was to ensure the provision of a universal postal service. It was at the heart of all our activities.

Monitoring Royal Mail's quality of service performance

We monitored Royal Mail's quality of service performance against the targets set out in its licence[1]. The quality of service targets were for the UK as a whole (except for a postcode area target). Every quarter, Royal Mail published its quality of service results on its website[2]. In Q 1 of 2011-12 Royal Mail met three out of twelve quality of service targets. For the same Q1 period in 2010-11 Royal Mail met eight out of twelve quality of service targets and for the whole of 2010-11 Royal Mail met four out of twelve quality of service targets.

The figures below are unadjusted for any force majeure events such as disruption to air services as a result of the Icelandic volcanic ash cloud in May 2011.

Royal Mail's quality of service results

Scheduled services	Target	Cumulative performance in 2010-11	Cumulative performance to Q2 2011-12
Retail first class	93.0%	91.4%	93.2%
Retail second class	98.5%	98.2%	98.6%
Bulk first class	91.0%	89.2%	90.3%
Bulk second class	97.5%	96.5%	97.3%
Bulk third class	97.5%	98.0%	97.9%
Standard parcels	90.0%	94.3%	96.2%
European International Delivery	85.0%	93.1%	95.0%
Special Delivery Next Day	99.0%	97.8%	98.5%
Postcode area target % (delivered)	91.5% in 118 postcode areas	68 of 118	88 of 118 postcode areas
% of collection points served each day	99.90%	99.64%	99.89%
% of delivery routes completed each day	99.90%	99.39%	99.84%
% of items delivered correctly	99.50%	99.66%	99.70%

[1] While Postcomm retained the regulatory responsibility for postal services under the Postal Services Act 2000
[2] http://www.royalmailgroup.com/how-were-performing/quality-service-reports

Licensing postal operators

At the end of September 2011 there were the following 59 licensed operators, including Royal Mail, the universal service provider:

A.K. Carriers Limited
28 Hunters Way, Darland, Gillingham, Kent, ME7 3BA

A McLay & Company Limited
Longwood Drive, Forest Farm, Cardiff, CF14 7ZB

A.P.P. Logistics
Unit 3, Eastman Way, Stevenage Business Park, Stevenage, SG1 4SX

ASA Distribution Ltd
2A Pellatt Grove, London, N22 5PL

A.S.A.P. Letters (trading name of Mr Christopher Barry Adams)
11 Park Street, Uttoxeter, Staffordshire ST14 7AG

Ashton Secure Delivery (trading name of Mr Christopher Robert Ashton)
20 Beaumont Road, St Judes, Plymouth, Devon PL4 9BN

Baker Goodchild Direct Marketing Limited
257 Great King Street, Birmingham B19 3AS

Cambridge Postal Services (trading name of Mr John James Dove) (not trading during 2010/11)

CFH Total Document Management Limited
St Peters Park, Wells Road, Radstock, BA3 3UP

Citipost AMP Limited (formerly Alternative Mail and Parcels Limited)
16 Gunnery Terrace, Cornwallis Road, Royal Arsenal, London, SE18 6SW

City Cycle Couriers (trading name of Mr Kenneth Holder and Mr Rob Scott – both hold licences)
The Business Centre, 2 Cattedown Road, Plymouth, PL4 0EG

City East Post (trading name of Mr Muhammad Razan Uddin)
337 Barking Road, London, E13 8EE

City Link Post (trading name of Target Express Parcels Limited)
Woodlands Park, Ashton Road, Newton Le Willows, Warrington, WA12 0HF

CMS (trading name of Royale Research Limited)
Record House, 236 Record Street, London, SE1 1TL

Cycle 4U (trading name of Mr Stephen James Young)
Friends of the Earth Warehouse, 54-57 Allison Street, Birmingham, B5 5TH

Cycle Link (trading name of Mr Joseph Dillon)
42-46 Bethel Street, Norwich, Norfolk, NR2 1NR

D2D Distribution Limited
2-4 St Peters Street, St Albans, AL1 3LF

D G Reports Ltd
19 Thoresby Mews, Bridlington, East Yorkshire YO16 7GZ

DHL Global Mail (UK) Limited
15 The Avenue, Egham, Surrey TW20 9AB

Document Outsourcing Limited
Document House, 3 Phoenix Crescent, Strathclyde Business Park, Belshill, ML4 3NJ

DOR-2-DOR (trading name of Zone Marketing)
Clare Lodge, 41 Holly Bush Lane, Harpenden, Herts AL5 4AY

DSAPost Limited
Unit 8-9 Marshgate Business Centre, Marshgate Lane, London E15 2NH

DX Network Services Limited
DX House, Ridgeway, Iver, Bucks, SL0 9JQ

DX Secure Limited (formerly Secure Mail Services Ltd)
PO Box 390, Northampton, NN3 6YG

Enerco2 Limited
Suite 109, The Enterprise Centre, Cottingham Road, Hull, HU6 7RX

Enviropost Ltd
6a Chelsea Avenue, Blackpool FY2 0SU

FedEx UK Limited (formerly ANC Limited)
Parkhouse East Industrial Estate, Newcastle-under-Lyme, Staffordshire, ST5 7RB

First Scottish Group Limited
St David's House, St David's Drive, Dalgety Bay, Fife, KY11 9NB

Fully Franked Local (trading name of Mrs Julie Wilson)
86 Maxwell Gardens, Orpington, Bromley, Kent, BR6 9QU

Go Post! – Glasgow's Own Post (trading name of Mr Spencer Hugh Pryor)
15 Ardbeg Avenue, Burnside, Glasgow, G73 5NF

Intercity Communications Limited
64-70 Vyner Street, London, E2 9DQ

Jason Moore
42 Redmarley Road, Oakley, Cheltenham, Gloucestershire GL52 5GA

LDS Cambridge Limited
12 Garlic Row, Cambridge, CB5 8HW

Letterbox Distribution (trading name of Greatbatch Limited)
Unit 65, Lancaster Road Industrial Estate, Lancaster Road, New Barnet, Hertfordshire, EN4 8AS

Lewis Direct Mail Marketing Limited
433 Caledonian Road, London N7 9BG

Local Mail Ltd
16 Marigold Place, Old Harlow, Essex CM17 0BW

London Letterbox Marketing (trading name of Beta Distribution (South) Limited)
Richmond Bridge House, 419 Richmond Road, Richmond, Surrey TW1 2EX

Northern Mail (trading name of The Mailing House Group Limited)
Nelson Park, Nelson Way, Cramlington, Northumberland, NE23 1JY

Parcelpoint Limited
First Floor, Skyways House, Speke Road, Liverpool, Merseyside, L70 1AB

Pedal Post (trading name of Mr Stephen Booth) (not trading during 2010/11)

Penny Farthing Post (Couriers) (trading name of Mr Stephen Richard Cooper)
Suite 8, Central House, Maltmill Lane, Halesowen, West Midlands, B62 8JA

Post 123 (trading name of Mr Aaron Leitner)
26 Roston Road, Salford, M7 4FS

Product Development Corporation UK (trading name of Product Development Corporation)
First Floor, Regency House, York Business Park, York, YO26 6RW

Racer Consultancy Management Services Limited
101 Legacy Centre, Hanworth Trading Estate, Hampton Road West, Feltham, TW13 6DH

Red Star Parcels Limited (a UPS company)
St Davids Way, Bermuda Park, Nuneaton, Warwickshire, CV10 7SD

Regional Mail Services Limited
Unit a4, PortView Trade Centre, 310 Newtownards Road, Belfast, BT4 1HE

Royal Mail Group Limited
Customer Services, Freepost, 20 Turner Road, St Rollox Business & Retail Park, Glasgow G21 1AA

Scotpost (trading name of Mr Wesley Pollock)
325 Braehead Estate, Bonhill, G83 9NF

Secured Mail Limited
Unit 4A, Bechers Drive, Aintree Racecourse Business Park, Liverpool, L9 4AY

Securipost Limited
5th Floor, Telford Plaza 2, Ironmasters Way, Telford, Shropshire, TF3 4NT

The Last Mile Post (trading name of Mr Lawrence Edward Arnold)
P O Box 16243, Tamworth B77 9LB

The MCL Group (Int) Limited
81 Eastbank Street, Southport, Merseyside PR8 1DG

The Satellite Distribution Company Limited
19 Canfield Place, Finchley Road, London, NW6 3BT

TNT Post UK Limited
Unit 1, Globeside Business Park, Fieldhouse Lane, Marlow, Berkshire, SL7 1HY

UK Mail (trading name of UK Mail Express Parcels and Mail Limited)
Express House, Wolseley Drive, Heartlands, Birmingham, B8 2SQ

Wightpost (trading name of Mr Peter Camplin)
34 Hill Street, Ryde, Isle of Wight, PO33 2QN

YellowJersey Delivery Limited
PO Box 4772, Coventry, CV7 7UZ

Zip Mail Limited
47 Chancery Lane, London, WC2A 1RF

Postal Services Act 2000 reporting requirements

Statutory reporting requirements under Section 45(2) of the Postal Services Act 2000

With the enactment of the Postal Services Act 2011, the statutory reporting requirements under Section 45(2) of the Postal Services Act 2000 no longer apply. However for completeness we have again included this information in relation to the period to 30 September 2011 below.

General survey of development

A general survey of developments over the year is given in the chapters headed: Our activities during the year, Changing the face of postal regulation, Being informed, Securing the universal service and protecting users, The everyday, Licensing postal operators and Postal Services Act 2000 reporting requirements[3].

Compliance with obligations under the Postal Services Directive

The UK's obligations under the Postal Services Directive during the period to 30 September 2011 were given effect through the Postal Services Act 2000 and conditions in the licences granted to postal operators and in particular the universal service provider, Royal Mail Group Ltd. In addition, Royal Mail has prepared and submitted accounts which comply with Article 14 of the Directive. From 1 October 2011 under the Postal Services Act 2011, UK's Directive obligations were given effect through the regulatory conditions imposed by Ofcom under an authorisation regime replacing the licensing regime.

The Third Postal Services Directive entered into force on 27 February 2008 (Directive 2008/6/EC). This Directive amends the provisions of the 1997 Directive and there was a deadline of 31 December 2010 to transpose the provisions of the new Directive into domestic law by member states. The Department for Business, Innovation and Skills did not fully implement by this transposition deadline although this only related to one part of one requirement of the Directive, in respect of consumer complaints procedures for non-licensed postal operators such as couriers, and this has subsequently been addressed in the Postal Services Act 2011.

Consumer obligations

With Consumer Focus, the consumer body that succeeded Postwatch in October 2008, Postcomm monitored Royal Mail's compliance with its licence obligations, including for services provided to meet the universal service obligation under the Directive. Postcomm worked closely with Consumer Focus to ensure that the concerns of retail customers were taken into account in its regulatory decisions.

Postcomm continued to monitor the compliance of licensees with the complaint handling regulations and the requirement to participate in the redress scheme. Postcomm also monitored how the redress scheme operated in relation to the approval criteria set by Postcomm.

[3] Under the new regime, Ofcom is required to prepare and send to the Secretary of State, a report of the carrying out of its functions during that financial year. The annual report should contain a report of Ofcom's proceedings during that year and such information relating to its financial position, and any other matters that the Secretary of State may require.

Achievement of specified standards of performance by each licence holder
As reported in previous years, only Royal Mail held a licence with detailed requirements for the setting and monitoring of standards of performance[4].

Royal Mail's performance against its standards of service is reported on its website at
http://www.royalmailgroup.com/how-were-performing/quality-service-reports

Final and provisional orders made during the year
There were no final or provisional orders made during the period to 30 September.

Penalties imposed during the year
There were no penalties imposed during the period to 30 September.

Progress of projects described in the forward work plan
Progress on the projects listed in Postcomm's forward work programme for the year is reported in the chapters headed: Our activities during the year, Changing the face of postal regulation, Being informed, Securing the universal service and protecting users, Licensing postal operators and Postal Services Act 2000 reporting requirements

Reporting pursuant to paragraph 17.5 of the guidance given by the Secretary of State under Section 43 of the Postal Services Act 2000:

Performance in relation to social and environmental aspects of Postcomm's work

- Universal service: Royal Mail continued to be able to discharge its obligations under its licence to provide a universal postal service in the UK. Postcomm kept Royal Mail's financial performance under close review throughout the period.

- Affordable prices: Competition is increasingly ensuring that prices for bulk business customers remain affordable. For individual customers, expenditure on postal services continued to be a very small proportion of their overall outgoings. The price control introduced into Royal Mail's licence ensured that universal postal services remained affordable.

- Environmental: The incentives to efficiency in Royal Mail's price control continued to be the most important means by which Postcomm contributed, indirectly, to reducing the adverse environmental effects of postal operations.

Providing postal users with clear and readily available advice and information on postal services
Responsibility for the provision of advice to postal users on postal services lay in the first instance with Customer Focus. In addition Postcomm published a number of factsheets and had a comprehensive website.

The situation of vulnerable postal users
Postal users receiving Royal Mail's free services to the blind were included in the revised retail compensation scheme for lost, damaged or delayed mail. There was no change in the licensing requirements setting standards for proximity of letter boxes and post offices to users.

[4] The Postal Services Act 2011 introduced an authorisation regime replacing the existing licences.

Glossary

Access	Allowing other companies operating in the postal market, or users of postal services, to use Royal Mail's facilities for the provision of a postal service. Access to Royal Mail's postal facilities could in principle be at any point in the pipeline activity (e.g. a mail centre or delivery office). Condition 9 of Royal Mail's licence enables mail users and postal operators to make commercial agreements with Royal Mail allowing them to use the company's facilities to carry mail for part of its journey.
Downstream	The activities of inward sortation and delivery.
Downstream access	Access to Royal Mail's distribution systems at an inward mail centre or any point in the postal activity chain after that.
Large letter	Any postal item exceeding the dimensions of a PiP Letter and equal to or less than 353mm x 250mm and 25mm thick, and below 750g in weight.
Letter	Any postal item equal to or less than 165mm x 240mm and 10mm thick.
Licensed mail area	This is the range of services for which a licence under the Postal Service Act 2000 is required, broadly to send letters weighing less than 350g and/or costing less than £1 to send
Market	A market has both a product and geographic dimension. The product dimension includes all products and/or services that are regarded as interchangeable or substitutable. The geographic dimension is the area where operators are involved in the supply and demand of the product and/or services and where the competitive conditions are reasonably similar, and are different from neighbouring areas.
Packet	Any postal item that is greater than 250mm x 353mm of any thickness or less than 250mm x 353mm but more than 10mm thick. Packets are now categorised as letter packet, flat packet, packet and bag.
Packets and Parcels Services (PPS)	Services used to convey items up to 32kg which are not within the licensed mail area, whether they are handled by mail or parcel operators, express or courier companies or any other operator. This excludes letters and large letters for services without any tracking or other premium attribute.
PiP	Pricing in Proportion.
PiP Letter	Any postal item equal to or less than 165mm x 240mm and 5mm thick and below 100g weight.
Pipeline	Stages involved in the production and distribution process

	of a good or service from the initiation of the process to the delivery of the final product. In postal services the pipeline refers to all the stages from collection to final delivery.
Pre-sorted	Products where the sender has sorted their mailing items to a predetermined level before handing them to the operator.
Retail	A postal service serving a final customer.
Universal (postal) Service	Postal products and associated minimum service standards that must be made available to all 28 million addresses in the UK.
Upstream	The activities of collection, outward sortation and trunking.
Upstream access	Access to Royal Mail's distribution systems at a point in the postal delivery chain before the inward mail centre.
Wholesale	Postal activities that are sold as intermediary products to provide a retail service.

Resource Accounts

Introduction

These Accounts have been prepared and published by the Postal Services Commission (Postcomm) and have been prepared under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000. The accounts direction required the Postcomm to prepare accounts for the period ended 31 March 2012, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM") which is in force for 2011-12.

Nature of Postcomm's Business and its Aim, Objectives and Activities

This document contains the accounts of Postcomm for the period 1 April 2011 to 31 March 2012.

Postcomm was a non-ministerial government department and was governed by the Postal Services Act 2000.

Postcomm's objectives were set out in statute and the main tasks were to:

- ensure a universal service;
- protect customers' interests;
- further the interests of customers by promoting effective competition; and
- promote efficiency and economy on the part of postal operators.

The achievement of these four goals was supported by building effective stakeholder relations and using and developing resources effectively and efficiently.

The Postal Services Act 2011, first introduced to Parliament on 13 October 2010, received Royal Assent and came in to effect on 13 June 2011. The Act provided for the privatisation of Royal Mail, a solution to Royal Mail's historic pension fund deficit, the transfer of regulatory responsibility for postal services to Ofcom, and the abolition of Postcomm on 30 September 2011.

During the period to 30 September 2011 we sought to ensure that the coming into effect of the Postal Services Act 2011 and the subsequent transfer of responsibility to Ofcom were appropriately factored into our initiatives and regulatory proposals. We worked with Ofcom to ensure a smooth transition of regulatory responsibility and we continued our work to help deliver a new regulatory framework in 2012, as set out in our Forward Work Plan and subsequent consultation and decision documents.

Management Commentary

Income

For the period to 30 September 2011, Postcomm's operating income which was intended to cover a 12 month period was £8.937m, primarily from the Royal Mail Group. £5.042m was utilised in the period to 30 September and a balance of £3.895m was deferred and passed to Ofcom with the associated cash to utilise in the regulation of postal services for the remainder of 2011-12. Details of income received can be found in Note 8 to the Resource Accounts. An additional £3.269m was collected from the Royal Mail Group on behalf of the Department for Business, Innovation and Skills (BIS) in respect of the costs of Consumer Focus. This was subsequently transferred to the Department.

Spending

Total operating costs amounted to £5.043m. Three areas of expenditure absorbed 74 per cent of the total: staff costs (32 per cent), voluntary exit programme (17 per cent) and consultancy (25 per cent)

There was no capital expenditure in the reporting period.

Finance

Postcomm's budget was approved by Parliament following a consultation process with industry and other interested parties. For 2011-12, Parliament approved a resource budget of £8.937m, a capital budget of £0.070m, and a net cash requirement of £3.144m.

In April 2011 £3.2m was drawn from the Contingency Fund, to provide short term liquidity until the receipt of licence fees. This was fully repaid in August 2011.

Reconciliation between resource outturn to the resource budget Outturn

	2011-12 £000's	**2010-11 £000's**
Net Resource Outturn (Estimates)	(19)	1
Net Operating Costs (Accounts)	(17)	(26)
Resource Budget Outturn (Budget)	(19)	1
of which		
Departmental Expenditure Limits (DEL)	1	11
Annually Managed Expenditure (AME)	(20)	(10)

Postcomm was funded in the main by licence fees paid by Royal Mail. The market was fully liberalised in January 2006 and as new operators obtained licences, it was expected that they would also contribute through their licence fees when their turnover within the licensed area reached the set threshold. Postcomm expenditure history and summary financial information for the period ended 30 September 2011 is summarised in the table overleaf.

	2009-10	2010-11	2011-12	2011-12
	Actual outturn £000	Actual outturn £000	Budget £000	Actual outturn £000
Staff costs [1]	3,950	3,948	3,640	1,612
Agency staff/interims	729	1,415	1,128	545
Voluntary Exit Programme	-	-	-	847
Other running costs [2]	1,481	1,217	1,374	670
Outside consultants, lawyers, etc. [3]	1,620	1,850	2,535	1,257
Sub-total	**7,780**	**7,980**	**8,677**	**4,931**
Depreciation, etc. [4]	275	232	260	112
Total	**8,055**	**8,212**	**8,937**	**5,043**
Capital expenditure	107	19	70	-

The above table shows Postcomm's expenditure at a summary level. The reporting categories differ from the Statement of Comprehensive Net Expenditure; however, the totals are the same.

[1] This relates only to those staff on the payroll.
[2] These are the costs of the building, IT support, telephones, finance, payroll, etc.
[3] This is the cost of external economists, lawyers and other specialists used to supplement the in-house teams.
[4] This relates to the non-cash cost of depreciation.

HM Treasury's publication Managing Public Money states that at financial year end all unspent monies, including those derived from Postcomm's licence fee income must be surrendered to the UK Consolidated Fund. However Accounts direction (3c) given by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000 allowed Postcomm to transfer to Ofcom unspent licence fee income for 2011-12. Accordingly, because Postcomm did not spend the full licence fee for 2011-12, deferred income of £3,895m has been transferred to Ofcom for them to discharge their new role. This deferred income forms part of the negative taxpayers' equity of £168k.

Assets and liabilities as at 30 September 2011 were transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011.

There were no events between the date of transfer (1 October 2011) and 31 March 2012.

Protected Personal Data Related Incidents
Postcomm did not have any incidents of the loss of personal data up to the period to 30 September 2011.

Governance

Postcomm had a corporate governance structure with committees that had clear terms of reference. They provided the necessary structure to ensure that there was a strong framework of internal control throughout the organisation.

The Executive Board comprised Postcomm's Chief Executive and Directors. Its role was to develop regulatory recommendations before these were formally submitted to the Commission, and to take decisions on strategic operational issues. It usually met weekly. The terms and conditions of appointment of the members of the Executive Board were in accordance with the Civil Service Code. Details of remuneration can be found in the Remuneration Report detailed below.

The Programme Board's role was to provide leadership on programme and risk management in Postcomm. Further details of the Board's role are given in the Governance Statement on page 36.

The Audit Committee was chaired by Simon Batey during the period to 30 September 2011. Other members were Lucy Scott-Moncrieff and Mike McTighe. The Chief Executive, the Director of Resources, the external auditors (National Audit Office) and the internal auditors (Tribal Business Assurance) attended by invitation. The role of the Committee was to ensure the adequacy of the governance framework, review of financial statements and management effectiveness. The Committee normally met four times each year and met twice in the period to 30 September 2011.

The Staff Development and Pay Advisory Committee's role related to the pay and performance of senior Postcomm staff. Full details of the Committee's membership, role and senior staff salary and pension entitlements are given in the Remuneration Report on page 30.

Auditors

The Comptroller and Auditor General, who was appointed under statute and reports to Parliament, has audited the Resource Accounts. The notional cost of providing audit services was £26,500. There was no auditor remuneration (actual or notional) for non-audit work.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that Postcomm's auditors are aware of that information. So far as he is aware, there is no relevant information of which Postcomm auditors are unaware.

Postcomm's internal audit service provided an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit made recommendations based on the appraisal of each system reviewed. An annual assurance report was provided to the Accounting Officer. Postcomm chose to outsource the provision of internal audit service to ensure wholly independent and fully professional analysis and recommendations. Postcomm's provider with effect from 1 April 2006, following a competitive tender exercise, was Tribal Business Assurance.

Sustainability Report

Postcomm's Statutory Duties

The Postal Services Act 2000 gave the Commission social duties, the foremost of which was to exercise its functions in the manner which it considered was best calculated to ensure the provision of a universal postal service.

In addition to these social duties, the Government, in March 2001, issued social and environmental guidance to Postcomm. Under section 43(2) of the Postal Services Act 2000, Postcomm was required, in exercising any of its functions, to have regard to any guidance given by the Secretary of State. The guidance drew together relevant aspects of the Government's social and environmental policies so that the Commission could carry out its functions in a way that was alert to the wider policy picture and, where possible, supportive of it.

Environmental Policy (Internal Postcomm Operations)

Postcomm continued its efforts to improve sustainability and the energy efficiency of its offices by:

- Removing all individual desktop printers in the office so that all staff printed to two existing networked multifunction photocopiers with the capacity to act as networked printers. These two copier/printers had duplex printing and monochrome set as a default to reduce the amount of paper and colour toner we use as well as an "on device" facility to delete unwanted print jobs before printing. They are energy efficient, and went to standby switch off during periods of inactivity and automatically switched off at night. Removal of all desktop printers also reduced the amount of non-biodegradable waste;
- Using glasses instead of disposable plastic cups;
- Using an energy efficient boiler, rather than kettles to produce hot water to reduce electricity consumption;
- Setting the timers on our air conditioning controllers to switch the units off at night;
- Improving the quality of overhead lighting, to reduce the need for additional desk lamps;
- Replacing bottled water with tap water;
- Using infrared sensors to control the low energy lighting throughout the office, which automatically switched off the lights after a period of inactivity;
- Using Citrix XenApp to allow staff to securely log-on to the Postcomm's network from any location without the need for additional computer equipment
- Purchasing low grade recycled paper for everyday draft printing, with better quality paper for use on final version prints;
- Increasing the number of recycling bins for waste paper by approximately 30%; and
- Further reducing the amount of taxis the organisation used and increasing our use of public transport.

Pension Liabilities
The main pension scheme for employees was the Principal Civil Service Pension Scheme (PCSPS). The pension liabilities arising from Postcomm's membership of the PCSPS are not provided for in these accounts in accordance with Treasury instructions and are described in the Remuneration Report and Notes 1.9 and 6 to the financial statements.

Equal Opportunities
Postcomm recruited on the basis of fair and open competition and selection on merit, in accordance with the Recruitment Code laid down by the Civil Service Commissioners. Internal and external checks were carried out to ensure compliance with this code. Postcomm's Equal Opportunities Policy aimed to ensure that no eligible job applicant or employee received less favourable treatment on grounds of age, disability, sex, race, ethnic or national origin, sexual orientation, religion or religious affiliation or because the employee worked part-time.

Compared to the period April 2010 to March 2011 when Postcomm recruited 12 members of staff, there was no recruitment between April 2011 and September 2011. On 30 September 2011 excluding 8 interim staff members and our six external commissioners, Postcomm employed 45 people. The following table shows a breakdown by gender, ethnicity and disability.

	Men	Women	Total	Ethnic Minority	Disability
Chief Executive and Directors	4	1	5	-	-
Other staff	24	16	40	7	3
Total 30 September 2011	28	17	45	7	3
Total 31 March 2011	30	25	55	7	2

Days lost due to absence
Postcomm encouraged a culture where good attendance was expected and valued. However, it recognised that from time to time absences for medical reasons were unavoidable. Postcomm aimed to treat its staff who were ill with sympathy and fairness and wherever possible to provide them with support which would enable them to recover their health and attend work regularly.

In the period to 30 September 2011 the percentage of working days lost was 4 per cent or 5.16 days per annum per employee. This compares to the public sector average of 9.8 days per annum per employee.

People
In the period leading up to the transfer of regulatory responsibility to Ofcom, Postcomm ensured that it retained staff whose particular skills and experience would be needed by Ofcom for its ongoing work in relation to the regulation of postal services.

During the period Postcomm continued to give a high priority to training and developing staff to enhance their professionalism in pursuit of Postcomm's objectives. This commitment to staff training is reflected in expenditure of £58,878 during the period.

Creditor Payment, Policy and Performance

Postcomm's policy was to comply with the Better Payment Practice Code. In October 2008, the Government set a new challenge to departments to pay all suppliers within 10 working days with effect from 1 December 2008. During the period to 30 September 2011 Postcomm paid 99 per cent (2010-11 100 per cent) of undisputed bills within this deadline. In April 2010 Postcomm set itself the target to pay all suppliers within 5 working days. During the period to 30 September 2011 Postcomm paid 83 per cent of undisputed bills within this deadline (2010-11 95 per cent).

Health and Safety

Postcomm recognised and accepted its legal responsibility in relation to the health, safety and welfare of its employees and for all other people using its premises or engaged on its activities. Postcomm complied with the Health and Safety at Work Act 1974 and all other relevant legislation as appropriate. Postcomm was committed to the positive promotion of accident prevention and the elimination of incidents involving personal injury, illness or damage.

The Health and Safety policy statement described Postcomm's responsibilities and objectives and was available to all employees.

Martin Donnelly
Accounting Officer
30 August 2012

Remuneration Report

Staff Development and Pay Advisory Committee

The Staff Development and Pay Advisory Committee consisted of members of the Commission who were appointed by resolution of the Commission. The Staff Development and Pay Advisory Committee was chaired by Wanda Goldwag. The other members were Stephen Littlechild, and Stuart McIntosh. The Chairman and Chief Executive attended as observers and the Director of Resources provided a secretariat function.

The Committee's role was to review the pay awards and level of any bonus for Executive Board members and consider other matters relating to the pay and performance of senior Postcomm staff. Pay and bonus awards were made within the parameters set by the Cabinet Office for the Senior Civil Service following recommendations by the Senior Salaries Review Body. Further information about the work of the Review Body can be found at www.ome.uk.com.

Service contracts

Remuneration of members of the Executive Board was set out in their contracts and subject to annual review in line with awards recommended by the Senior Salaries Review Body or by agreement with HM Treasury.

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

Tim Brown was appointed as Commissioner and Chief Executive for a four year term commencing 22 September 2008. Compensation for early termination for the Chief Executive was as set out in his contract.

Jenny Block was appointed as Director, Legal for a one year period commencing 1 November 2010.

Each member of the Executive Board participated in a bonus scheme which was in line with Senior Salaries Review Body recommendations or agreed with HM Treasury. Bonuses, where payable, were calculated as a percentage of salary based on the individual's performance. Bonus payments were non-consolidated and non-pensionable.

Non-Executive Commissioners were on fixed term appointments. Appointments and remuneration were set by the Secretary of State for Business, Innovation and Skills after consulting the Chairman. Their remuneration for the period was set at £22,824 per annum for 3 – 4 days per month. They had no entitlement to performance related pay or pension entitlements.

Salary and pension entitlements

The following information is subject to audit.

The Commission

Remuneration

	2011-12				2010-11	
	Salary	Bonus Payments	CSCS Payments	Other Payments	Salary	Bonus Payments
	£000	£000	£000	£000	£000	£000
Millie Banerjee CBE (*Chairman* from 14/01/11 until 30/09/11)	25-30[1]	-	-	-	15-20[1]	-
Tim Brown *(Chief Executive* until 30/09/11)	75-80[2]	-	35-40	145-150[7]	155-160[3]	10-15
Simon Batey (until 30/09/11)	10-15[4]	-	-	-	20-25	-
Norman Blackwell (from 16/12/10 until 30/09/11)	5-10[5]	-	-	-	0-5[5]	-
Wanda Goldwag (until 30/09/11)	10-15[4]	-	-	-	20-25	-
Stephen Littlechild (until 30/06/11)	5-10[4]	-	-	-	20-25	-
Stuart McIntosh (from 16/12/10 until 30/09/11)	-[6]	-	-	-	-[6]	-
Mike McTighe (from 16/12/10 until 30/09/11)	5-10[5]	-	-	-	0-5[5]	-
Lucy Scott-Moncrieff(until 31/08/11)	5-10[4]	-	-	-	20-25	-

	2011-12	2010-11
Band of Highest Paid Director's Total[8] Remuneration £000	325-330	165-170
Median Total	51,500	48,299
Remuneration Ratio	6.4	3.5

[1]Full year equivalent £50-55k
[2]Full year equivalent £150-155k
[3]The Chief Executive received a payment in respect of encashment of untaken annual leave and had no pay increase in 2010-11 or in the period to 30 September 2011.
[4]Full year equivalent £20-25k
[5]Full year equivalent £10-15k
[6]This Commissioner receives no remuneration
[7]The Chief Executive received a payment (135 -140k) relating to compensation in lieu of notice (CILON) as well as a payment (10-15k) relating to untaken holiday entitlement accrued during the notice period.
[8]The figure for 2011-12 is based upon data as at 30 September 2011 (the date of abolition).

There were no benefits in kind.

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

The banded remuneration of the highest paid director in the financial year 2011-12 was £325k-330k (2010-11, £165k-170k). This was 6.4 times (2010-11, 3.5) the median remuneration of the workforce, which was £51,500 (2010-11, £48,299). The reason for the increase in the highest paid director remuneration, median and the remuneration ratio is due to severance payments as a result of the abolition of Postcomm.

In 2011-12 and 2010-11 no employees received remuneration in excess of the highest paid director.

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

The following information is subject to audit.

Executive Board

Remuneration

	2011-12				2010-11	
Name and Title	Salary	Bonus Payments	CSCS Payments	Other Payments	Salary	Bonus Payments
	£000	£000	£000	£000	£000	£000
Jenny Block *(Director, Legal from 01/11/10 until 30/09/11)*	55-60[1]	-	5-10	10-15[5]	45-50[1]	5-10
Stephen Gibson *(Director, Economic Policy until 30/09/11)*	40-45[2]	-	25-30	25-30[5]	85-90	0-5
Sean O'Hara *(Director,Customer,Strategy & Information until 30/09/11)*	40-45[3]	-	-	-	80-85	0-5
Colin Sharples *(Director of Resources until 30/09/11)*	40-45[3]	-	40-45[4]	20-25[4]	80-85	0-5

[1]Full year equivalent £110-115k
[2]Full year equivalent £85-90k
[3]Full year equivalent £80-85
[4]Colin Sharples is undertaking a three month assignment at Ofcom to assist the transition. The payments for CSCS, compensation in lieu of notice (CILON)(20-25k) and untaken holiday entitlement accrued during the notice period (0-5k) respectively, will be made by Ofcom and have been deferred until after the completion of this assignment. These payments have been accrued for in the accounts.
[5] Jenny Block received a payment (10-15k) relating to CILON as well as a payment (0-5k) relating to untaken holiday entitlement accrued during the notice period. Stephen Gibson received a payment (25-30k) relating to CILON as well as a payment (0-5k) relating to untaken holiday entitlement accrued during the notice period.

There were no benefits in kind.

For details of the remuneration of the Chief Executive please refer to the table titled "The Commission".

Robin Pratt was appointed interim Director of Regulatory Finance commencing 1 April 2010 on secondment from Ofcom. The total cost paid to Ofcom by Postcomm in the period to 30 September 2011 was £90,000-£95,000 (2010-11 was £175,000-£180,000).

SCS

Postcomm's analysis SCS by pay band is as follows:

SCS pay band	Number of staff
1	3
2	1

Salary

'Salary' is gross salary only.

Bonuses

Bonuses were based on performance levels attained and were made as part of the appraisal process. They were non-consolidated and non-pensionable. There were no bonuses paid or accrued relating to the period ended 30 September 2011. The bonuses accrued in 2010-11 relate to performance in 2010-11.

Civil Service Compensation Scheme

These payments relate to Postcomm's Voluntary Exit Programme and were calculated in accordance with the rules of the Civil Service Compensation Scheme.

Benefits in kind

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. None of the Commissioners or the Executive Board received any benefits in kind.

The following information is subject to audit.

The Commission
Pension Benefits

	Real increase in pension and lump sum at age 60[1]	Total accrued pension at age 60 at 30/09/11 and related lump sum[1]	CETV at 30/09/11 [2]	CETV at 31/03/11	Real increase in CETV
	£000	£000	£000	£000	£000
Tim Brown *(Chief Executive until 30/09/11)*	0-2.5	10-15	136	108	28
Tim Brown *(Chief Executive until 30/09/11)*[3]	-	0-5 plus 5-10 lump sum	40	38	-

[1] Updated accrued pension at pension age was not available from the provider at the mid-year point. Accordingly an estimate has been made of the accrued pension at pension age by reflecting the relevant accrued pensionable service for the period to the 30 September 2011; and then applying the prevailing CPI indexation (5.2%) for September 2011.
[2] CETV: Updated Cash Equivalent Transfer Value's were not from the provider at the mid-year point. Accordingly an estimate has been made of the CETV value as at 30 September 2011 by adding the relevant employer and employee pension contributions for the period to the 30 September 2011; and then applying the prevailing CPI indexation (5.2%) for September 2011.
[3] This relates to a preserved award.

The other members of the Commission do not receive any pension benefits.

The following information is subject to audit.

Executive Board
Pension Benefits

	Real increase in pension and lump sum at age 60[1]	Total accrued pension at age 60 at 30/09/11 and related lump sum[1]	CETV at 30/09/11[2]	CETV a 31/03/11	Real increase in CETV
	£000	£000	£000	£000	£000
Jenny Block *(Director, Legal until 30/09/11)*	0-2.5	0-5	26	9	17
Stephen Gibson *(Director, Economic Policy until 30/09/11)*	0-2.5	5-10	81	65	16
Sean O'Hara (*Director,Customer,Strategy & Information until 30/09/11)*	0-2.5 Plus 5-7.5 lump sum	30-35 Plus 90-95 lump sum	449	416	33
Colin Sharples *(Director, Resources until 30/09/11)*	0-2.5	5-10	78	63	15

[1] Updated accrued pension at pension age was not available from the provider at the mid-year point. Accordingly an estimate has been made of the accrued pension at pension age by reflecting the relevant accrued pensionable service for the period to the 30 September 2011; and then applying the prevailing CPI indexation (5.2%) for September 2011.
[2] CETV: Updated Cash Equivalent Transfer Value's were not from the provider at the mid-year point. Accordingly an estimate has been made of the CETV value as at 30 September 2011 by adding the relevant employer and employee pension contributions for the period to the 30 September 2011; and then applying the prevailing CPI indexation (5.2%) for September 2011.

Commissioners' Pensions
The Chief Executive is a civil servant and his arrangements are set out above. The remaining Commissioners do not receive any pension benefits.

Civil Service Pensions
Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership pension account**).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for **classic** and 3.5 per cent for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 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 per cent of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is updated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV 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. Updated Cash Equivalent Transfer Value's are not available except at the normal year-end reporting date of 31 March. Accordingly an estimate has been made of the CETV value as at 30 September 2011 by applying the prevailing CPI indexation (5.2%) for September 2011

Martin Donnelly
Accounting Officer
30 August 2012

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, Postcomm was required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by Postcomm during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Postcomm at the year end and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Martin Donnelly, the Principal Accounting Officer and Permanent Secretary of the Department for Business, Innovation and Skills as Postcomm's Accounting Officer with responsibility for preparing Postcomm's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the resource accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury and, in particular, to:

- Observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- Make judgements and estimates on a reasonable basis;

- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and

- Prepare the financial statements on a going concern basis unless it is inappropriate to do so.

The Postal Services Act 2011 provided for the transfer of Postcomm's regulatory responsibility for the postal sector and its staff to the Office of Communications (Ofcom). The Act replaced the existing licensing regime for providers of postal services with a general authorisation system, subject to regulatory conditions imposed by Ofcom, as already applies to communications providers in other sectors. Regulatory responsibility for the postal sector transferred from Postcomm to Ofcom on 1st October 2011 when Postcomm ceased to exist.

As Postcomm was abolished under the Act these accounts have been prepared on a basis other than going concern.

The relevant responsibilities of the Accounting Officer (including his responsibility for the propriety and regularity of public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding Postcomm's assets) are set out in HM Treasury's publication "Managing Public Money".

Governance Statement

1 Governance Framework

Postcomm had a corporate governance structure with committees that had clear terms of reference. They provided the necessary structure to ensure that there was a strong framework of governance and control throughout the organisation.

The Commission comprised of executive and non-executive members and was the ultimate decision making body for all matters dealt with by Postcomm. The Commission met four times in the period to 30 September 2011.

The Executive Board comprised Postcomm's Chief Executive and Directors. Its role was to develop regulatory recommendations before these were formally submitted to the Commission, and to take decisions on strategic operational issues. It usually met weekly.

The Programme Board's role was to provide leadership on programme and risk management in Postcomm.

The Audit Committee was chaired by Simon Batey during the period to 30 September 2011. Other members were Lucy Scott-Moncrieff and Mike McTighe. The Chief Executive, the Director of Resources, the external auditors (National Audit Office) and the internal auditors (Tribal Business Assurance) attended by invitation. The role of the Committee was to ensure the adequacy of the governance framework, review of financial statements and management effectiveness. The Committee normally met four times each year and met twice in the period to 30 September 2011.

The Staff Development and Pay Advisory Committee consisted of members of the Commission who were appointed by resolution of the Commission. The Staff Development and Pay Advisory Committee was chaired by Wanda Goldwag. The other members were Stephen Littlechild, and Stuart McIntosh. The Chairman and Chief Executive attended as observers and the Director of Resources provided a secretariat function.

The Committee's role was to review the pay awards and level of any bonus for Executive Board members and consider other matters relating to the pay and performance of senior Postcomm staff.

Attendance at Commission meetings and the Audit Committee for the period to 30 September 2011 was as follows:

	Commission	Audit Committee
Millie Banerjee CBE (Chairman)	4/4	
Tim Brown (Chief Executive)	4/4	
Simon Batey	4/4	2/2
Norman Blackwell	4/4	
Wanda Goldwag	3/4	
Stephen Littlechild	3/3	
Stuart McIntosh	3/4	

Mike McTighe	4/4	1/2
Lucy Scott-Moncrieff	2/3	1/1

2 Board's Performance

The Commission normally considered the effectiveness of its processes and practices each year. During the six month period leading up to the abolition of Postcomm on 30 September, the Commission did not undertake this review, instead focussing on the delivery of the 2012 Programme and transfer of regulatory responsibility to Ofcom.

3 Board Committee Reports

The Audit Committee scrutinised particular risks in detail at each of its quarterly meetings. Directors acting as 'Risk Owners' attended Audit Committee meetings to give an account of how their risks were being managed, whether the status was changing and how mitigating actions were progressing and how effective they were proving to be. The Audit Committee considered the effectiveness and comprehensiveness of these assurances and provided advice to the Accounting Officer. The Audit Committee also advised the Accounting Officer of new risks that it considered should be added to the Corporate Risk Register for the Board to manage.

4 Corporate Governance

Corporate governance is defined as the way in which organisations are directed, controlled and led. It defines relationships and the distribution of rights and responsibilities among those who work with and in the organisation, determines the rules and procedures through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance. Importantly, it defines where accountability lies throughout the organisation.

5 Risk Assessment

The Chief Executive and the Executive Board provided leadership on risk management in Postcomm. The Executive Board reviewed risk as part of the Forward Work Plan (FWP) cycle and they comprised the key 'risk owners' for strategic risks, as well as for those projects that they directly managed.

Postcomm's Executive Board provided decision-making and risk resolution for Postcomm as a whole and was responsible for all risks within Postcomm, not just those relating to projects and programmes. Postcomm's Director of Resources as 'Risk Manager' was charged with identifying good and bad practice and monitoring risk mitigation activities.

Postcomm's work was project based and risk management was an integral part of this process. All project managers received training in project management and all staff received training in risk management. Lessons learned from projects and programmes were collated through the Programme Office and disseminated to staff through project review meetings with the Programme Office and through the Intranet. Postcomm's Management of Risk (MoR) Framework was held within the Intranet, which was accessible to all staff.

Postcomm's Management of Risk Framework and risk processes were consistent with best practice set out in the Office of Government Commerce (OGC) Management of Risk (MoR): Guidance for Practitioners and H M Treasury's Managing Public Money. The framework adopted the Strategic, Programmes, Projects and Operational Model that the guidance contains.

Ownership of the MoR framework lay with the Chief Executive. The Risk Manager was responsible for the implementation, co-ordination and monitoring of the risk management process. Responsibility for risk management across the organisation rested with the Executive Board supported by the Director of Resources. The 2012 Programme Management team had a role in reviewing the 2012 Programme and project risks to identify links between projects where the impact of one or more risks could affect others.

Postcomm's MOR set out the principles for assessing risk to ensure that there was a clearly structured process in which likelihood and impact were considered and to facilitate monitoring of residual risk. The MoR guidance was designed to provide support to staff in monitoring risks.

Risk appetite and tolerances were determined by the Executive Board and it was their responsibility to review this regularly.

The Risk Manager and the Resources team provided support to this process and held the corporate, operational and finance risk registers centrally. The corporate risk register was reviewed as part of the business planning cycle. The Risk Manager and/or the 2012 Programme Management team reviewed 2012 Programme and project risks to identify links between projects where the impact of one or more risks could affect others. Serious project risks were escalated as and when necessary by the Risk Manager or the 2012 Programme Office team to the Chief Executive, Programme Board or the Executive Board, depending on the proximity and severity of the risk. The Risk Manager submitted a quarterly report to the Audit Committee setting out any risks that had changed status, new risks identified, or risks that had closed over the period.

2012 Programme risks and their assessment were the responsibility of the Programme Board.

Project risks and their assessment were the responsibility of individual project managers.

Operational risks, finance risks and their assessment were the responsibility of the Director of Resources.

The Corporate Risk Register was reviewed in full by the following Boards / Committees:

- The Programme Board or Executive Board on a monthly basis;
- The Audit Committee on a quarterly basis; and
- The Commission on an annual basis.

As part of the preparation of the 2010-12 Forward Work Plan, a new corporate register was created. This incorporated some of the risks escalated from the 2012 Programme risk register. The new corporate risk register was discussed at the Executive Board in February 2010 and subsequently on a regular basis. Risks identified include those around the financeability of the universal service, transparency of Royal Mail's costs and the suitability of the current regulatory framework for a changing mail market. Postcomm's 2010-12 Forward Work Plan had been designed to mitigate and address these as far as Postcomm was able.

Postcomm took account of risks to all stakeholders through the business planning process, formal consultation, informal discussions and public meetings.

Postcomm takes information risk seriously and is committed to maintaining the confidentiality, integrity and availability of its information assets. Postcomm has defined its Information Risk Policy which sets out control measures for managing information risk. Implementation of this policy has ensured that the management of information risk is strategically placed within Postcomm's Operational Risk Register.

A number of policies, procedures and measures are in place to ensure all sensitive and personal data held by Postcomm is protected and secured at all times from unlawful access, modification or deletion. These controls are assessed and tested on an annual basis.

To date, there have been no recorded security incidents involving mishandled personal protected data reported to the Cabinet Office and the Information Commissioner. Each year Postcomm carries out a review of its security arrangements to ensure compliance with the Security Policy Framework and completes a Security Risk Management Overview for Cabinet Office.

Postcomm's response time to statutory information requests was as follows:

PE 30/09/11	Number of requests	Within statutory time limits
Freedom of Information (FOI)	11	11 or 100%
Data Protection Act (DPA)	0	N/A

The Postal Services Bill 2011 received Royal assent on 13 June 2011 and this gave rise to the transfer of the staff and regulatory responsibility for postal services from Postcomm to Ofcom on 1 October 2011. Postcomm's Chairman and three Commissioners were also members of the Ofcom Board. The Postcomm Executive team worked closely with their counterparts at Ofcom to ensure that there was a smooth transfer of regulatory responsibility and that the operational aspects of the transfer were handled efficiently and effectively. An Integration Steering Group made up of senior management from Postcomm and Ofcom met each month. Members of Ofcom's management team attend Postcomm's Executive Board and joint Postcomm-Ofcom project teams worked on the 2012 Programme to put in place a new regulatory framework. A register for risks associated with the operational aspects of the transfer was opened. Just before Postcomm's abolition the corporate risk register was handed to Ofcom for incorporation into their risk management process and for them to consider if any of the risk warranted inclusion in their own corporate risk register.

During the period after Postcomm's abolition, from 1 October 2011 to 1 December 2011, appropriate separation of duties and authorisation and approval of transactions continued to be maintained. Two former members of Postcomm's finance staff worked, under the supervision of Postcomm's former Director of Resources, to conclude operational matters relating to Postcomm and to prepare the Annual Report and Accounts for the period ended 30 September 2011. This work was carried out in close consultation with Ofcom finance staff so as to ensure an accurate transfer of assets and liabilities to Ofcom. The former Director of Resources also had specific responsibility for ensuring that Postcomm's data and information was securely transferred to Ofcom and that any HR and governance issues relating to Postcomm were concluded appropriately.

6 Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and control, which is informed by the work of the internal auditors, the Risk Manager, Commissioners and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of governance and control by the Executive Board and Audit Committee. A plan to address weaknesses identified through internal or external audit, and to ensure continuous improvement of the system, was in place up to the point at which Postcomm was abolished.

The Commission, which met monthly during the year, advised, supported and encouraged Postcomm Senior Management to manage risk, by drawing on their experience. The Commission received reports on a monthly basis as part of the Executive Board Report.

Postcomm's Programme Board monitored progress on all projects and took action as necessary to ensure delivery of Postcomm's business plan objectives.

With the exception of the £20,000 breach of the Annually Managed Resource Expenditure limit which led to a qualified opinion I confirm no significant governance problems had arisen during the period to 30 September 2011.

Internal Audit operated to standards defined in the Government's Internal Audit Standards and submitted regular reports, including an annual opinion on the adequacy and effectiveness of our governance framework. The annual opinion of Internal Audit was that Postcomm had adequate and effective control processes in place.

Martin Donnelly
Accounting Officer
30 August 2012

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

I certify that I have audited the financial statements of the Postal Services Commissionfor the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply 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 Accounting Officer'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, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified Opinion on regularity
Parliament authorised a limit for Annually Managed Resource Expenditure of minus £20,000 for the Department. Outturn against this limit was nil, meaning that the authorised limit was breached by £20,000 as shown in the Statement of Parliamentary Supply. I have therefore qualified my regularity opinion on the Department's financial statements in this regard.

Qualified Opinion on regularity

In my opinion, except for the excess described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2012 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

More details of the reasons for my qualified audit opinion are set out in my report on pages 45 to 46.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Annual Report, Management Commentary and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

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

3 September 2012

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

Introduction
The Postal Services Commission (The Department) was set up in 2000 following the passing of the Postal Services Act 2000. Its aim was to ensure the on-going provision of a universal postal service. The Department was closed and its responsibilities transferred to Ofcom on 30 September 2011 following the passing of the Postal Services Act 2011.

In the period to 30 September 2011, The Department incurred expenditure of £5m (2010-11 full year £8m). The Department is a token vote body with a net Departmental Resource Expenditure Limit of £1,000.

The Department is required to prepare its financial statements in accordance with the Government Financial Reporting Manual (FReM). Under the FReM, the Department is required to apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Purpose of Report
The net expenditure of government departments is authorised by Acts of Parliament[5]. These Acts set a series of annual limits on the net expenditure which the department may not exceed and on the total overall cash they can use. Where these limits are breached, I qualify my regularity opinion on the financial statements. HM Treasury (HMT) then prepares a statement of all such excesses in the year and requests that the House of Commons authorise the expenditure by passing an additional Act of Parliament, which is part of the Supply and Appropriations (Anticipation and Adjustments) Act.

For the 2011-12 financial year, these authorised limits were aligned to those used by HM Treasury to control public expenditure. Further detail on the authorised limits can be found within the Main Supply Estimates for 2011-12[6]

The Department have a net negative resource annually managed expenditure of £20,000 and an outturn of £nil. This is therefore a breach of the resource annually managed expenditure parliamentary control total.

I have qualified my regularity opinion on The Department's financial statements in this regard.

[5] The Supply and Appropriations (Main Estimates) Act 2011 and the Supply and Appropriations (Anticipation and Adjustments) Act 2012

[6] The Supply and Appropriations (Main Estimates) Act 2011

Explanation for Qualified Audit Opinion
HM Treasury usually requires the creation of provisions to be charged against Annually Managed Resource Expenditure. When these provisions are utilised they should be reversed from Annually Managed Expenditure and charged against the Departmental Expenditure Limit.

However HM Treasury agreed in October 2011 that this treatment would not be required by licence funded bodies subject to a token vote (including the Postal Services Commission). They advised, therefore, that the Department request a supplementary estimate through the Parliamentary process to remove the Department's negative Annually Managed Expenditure limit.

The Department was closed and its assets and liabilities were transferred to Ofcom on the 1 October 2011. As the Department had closed on the 30 September a supplementary estimate was not submitted. The final accounts of the Department report net Annually Managed Resource Expenditure of nil against an estimate of minus £20,000. Consequently the net outturn of expenditure is more than the control total.

Had HM Treasury taken the decision not to change the treatment of provisions for licence-funded bodies then the Department would have accounted for the utilisation of its provisions as a credit to Annually Managed Resource Expenditure and would not have breached this limit. Instead it would have incurred a breach of the Departmental Resource Expenditure Limit and I would have needed to qualify my regularity opinion in this respect.

Basis of Preparation
I draw attention to Note 1 of the financial statements. The Postal Services Act 2011 received Royal Assent in June 2011 and The Department ceased operations on 30 September 2011. All assets and liabilities were transferred to Ofcom at that date. As a consequence, the financial statements have been prepared on a basis other than going concern. Details of the impact of this on the financial statements are provided in Note 1 to the financial statements. My opinion is not qualified in this respect.

Amyas C E Morse
Comptroller and Auditor General

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

3 September 2012

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn for the year ended 31 March 2012

£000								2011-12	2010-11
		Estimate			Outturn			Net outturn compared with Estimate: saving / (excess)	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Net Total
Departmental Expenditure Limit									
- Resource		1	-	1	1	-	1	-	1
- Capital		70	-	70	(36)	-	(36)	106	14
Annually Managed Expenditure									
- Resource	2	(20)	-	(20)	-	-	-	(20)	-
- Capital		-	-	-	-	-	-	-	-
Total Budget		51	-	51	(35)	-	(35)	86	15
Non-Budget									
- Resource	2	-	-	-	-	-	-	-	-
Total		51	-	51	(35)	-	(35)	86	15

- Total Resource		(19)	-	(19)	1	-	1	(20)	1
-Total Capital		70	-	70	(36)	-	(36)	106	14
Total		51	-	51	(35)	-	(35)	86	15

Net Cash Requirement 2011-12

£000	Note	2011-12 Estimate	2011-12 Outturn	2011-12 Outturn compared with Estimate: saving/ (excess)	2010-11 Outturn Total
	4	3,144	(2,061)	5,205	-

Administration Costs 2011-12

£000	2011-12 Estimate	2011-12 Outturn	2010-11 Outturn
	1	1	1

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.
Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.
The notes on pages 52 - 71 form part of these accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2012

		2011-12		**2010-11**	
		£000	**£000**	**£000**	**£000**
	Note				
Administration costs					
Staff costs	6	3,004		4,913	
Other administration costs	7	2,039		3,299	
Gross administration costs			**5,043**		**8,212**
Income	8		(5,042)		(8,211)
Net operating costs for the year to 31 March			**1**		**1**

There is no other comprehensive expenditure.

Statement of Financial Position

as at 31 March 2012

	Note	31 March 2012 £000	31 March 2012 £000	30 Sep 2011 £000	30 Sep 2011 £000	31 March 2011 £000	31 March 2011 £000
Non-current assets:							
Property, plant and equipment	9	-		-		-	
Intangible assets	10	-		-		-	
Total non-current assets			**-**		**-**		**-**
Current assets:							
Property, plant and equipment	9	-		11		130	
Intangible assets	10	-		-		29	
Trade and other receivables	11	-		124		214	
Cash and cash equivalents	12	-		5,205		494	
Total current assets			**-**		**5,340**		**867**
Total assets			**-**		**5,340**		**867**
Current liabilities							
Trade and other payables	13	-		(5,340)		(3,987)	
Provisions	14	-		(168)		(181)	
Total current liabilities			**-**		**(5,508)**		**(4,168)**
Total assets less current liabilities			**-**		**(168)**		**(3,301)**
Non-current liabilities							
Provisions	14	-		-		-	
Total non-current liabilities			**-**		**-**		**-**
Assets less liabilities			**-**		**(168)**		**(3,301)**
Taxpayers' equity:							
General fund			-		(168)		(3,386)
Revaluation reserve			-		-		85
Total taxpayers' equity			**-**		**(168)**		**(3,301)**

All our assets and liabilities as at 30 September 2011 have been transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011.

Martin Donnelly
Accounting Officer
30 August 2012

Statement of Cash Flows

for the year ended 31 March 2012

	Note	2011-12 £000	2010-11 £000
Cash flows from operating activities			
Net operating costs		(1)	(1)
Adjustments for non-cash transactions	7	144	280
Decrease in trade and other receivables	11	89	18
Less movements in trade and other receivables relating to items not passing through the SoCNE		-	-
Increase/(decrease) in trade payables and other current liabilities	13	1,353	(1,431)
Less movements in trade payables relating to items not passing through the SoCNE		494	1,676
Use of provisions	14	(18)	(27)
Net cash inflow from operating activities	4	**2,061**	**515**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	-	(9)
Purchase of intangible assets	10	-	(10)
Net cash flow from investing activities	4	**-**	**(19)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		**3,144**	**-**
Advances from the Contingency Fund		3,200	3,200
Repayments to the Contingency Fund		(3,200)	(3,200)
Net financing		**3,144**	**-**
Net increase in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		**5,205**	**496**
Amounts collected in year[1]		3,269	2,937
Amounts paid over in year[1]		(3,269)	(2,937)
Excess cash		(494)	(2,172)
Net decrease in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		**(4,711)**	**(1,676)**
Cash and cash equivalents at the beginning of the period	12	**494**	**2,170**
Cash and cash equivalents at 30 September 2011	12	**5,205**	**-**
Transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011		(5,205)	-
Cash and cash equivalents at 31 March		**-**	**494**

[1] Amounts received from Royal Mail during the period to 30 September 2011 and paid over to the Department relate to Consumer Focus costs.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2012

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance as at 31 March 2010		**(2,941)**	**85**	**(2,856)**
Changes in taxpayers' equity for 2010-11				
Actuarial gain relating to pension liabilities	14	12	-	12
Non-cash charges – auditor's remuneration	7	38	-	38
Transfers between reserves		-	-	-
Net operating cost for the year		(1)	-	(1)
Total recognised income and expense for 2010-11		**49**	**-**	**49**
Net Parliamentary Funding – drawn down		-	-	-
Net Parliamentary Funding – deemed		-	-	-
Excess cash		(494)	-	(494)
Balance as at 31 March 2011		**(3,386)**	**85**	**(3,301)**
Changes in taxpayers' equity for the period ended 30 September 2011				
Actuarial loss relating to pension liabilities	14	(1)	-	(1)
Non-cash charges – auditor's remuneration	7	27	-	27
Transfers between reserves		49	(49)	-
Loss on disposal of property, plant and equipment	9	-	(21)	(21)
Loss on disposal of intangible assets	10	-	(15)	(15)
Net operating cost for the period		(1)	-	(1)
Total recognised income and expense for the period ended 30 September 2011		**74**	**(85)**	**(11)**
Net Parliamentary Funding – drawn down		3,144	-	3,144
Balance as at 30 September 2011		**(168)**	**-**	**(168)**
Transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011		168	**-**	168
Balance as at 31 March 2012		**-**	**-**	**-**

Notes to the departmental resource accounts

1. Statement of accounting policies

The financial statements have been prepared in accordance with accounts direction issued on 21 March 2012 and the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The assets and liabilities, including the cash balance, have been disclosed as transferred to Ofcom in accordance with the Accounts Direction issued on 21 March 2012 by HM Treasury.

In addition to the primary statements prepared under IFRS, the FReM also requires Postcomm to prepare one additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention on a basis other than going concern due to the abolition of Postcomm on 30 September 2011 following Royal Assent for the Postal Services Act 2011.

1.2 Going Concern

The Postal Services Act 2011 received Royal Assent and came into force on 13 June 2011. This provided for the abolition of Postcomm on 30 September 2011. Therefore these Accounts have been prepared on a basis other than going concern.

The assets and liabilities, including the cash balance, have been disclosed as transferred to Ofcom in accordance with the Accounts Direction issued on 21 March 2012 by HM Treasury.

Those assets that were not transferred to Ofcom have had their depreciation accelerated to ensure that the net book value of those assets was written down to a nil balance by the transfer date.

1.3 Property, plant and equipment

Postcomm does not own any land or buildings.

As permitted by the FReM, property, plant and equipment are not revalued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current value as this realistically reflects consumption of the asset. Revaluations would not cause a material difference to the carrying value of non - current assets.

The minimum level for capitalisation of a non-current asset is £1,000. An assessment is also made as to whether this misses certain groups of assets. If a group, which is materially relevant, is identified, those assets will be grouped and included in the asset register as one asset.

1.4 Depreciation

Depreciation is provided at rates calculated to write off the valuation of tangible non -current assets by equal instalments over their estimated useful lives as follows:

Office equipment	5 years
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	30 September 2011 (the date of transfer to Ofcom)

Postcomm depreciated capitalised leasehold improvement costs over their actual tenure of the building. The asset life of the leasehold improvements has been revised so that it had a nil value as at 30 September 2011 on the basis it has no future use for Ofcom.

Such assets (including computer equipment) that have been transferred to Ofcom, have not had their lives revised and had a de minimus carrying value on transfer.

1.5 Intangible assets

Purchased computer software licences are capitalised as intangible assets where expenditure of £1,000 or more is incurred. As permitted by the FReM, intangible assets are not revalued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current value as this realistically reflects consumption of the asset. Revaluations would not cause a material difference to the carrying value of non-current assets. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.6 Operating income

Operating income is income that related directly to the operating activities of Postcomm. It comprised principally the licence fee from Royal Mail Group plc (see Notes 5 and 8).

Postcomm's policy was to implement full cost recovery to comply with the Treasury Fees and Charges guide. Since all costs were recovered via the licence fees, and these were invoiced in advance based on estimated costs, any over recovery was treated as deferred income within payables and any under recovery as accrued income within receivables.

1.7 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure only contains administration costs. The classification of expenditure and income as administration follows the definition of administration costs set by HM Treasury.

1.8 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Postcomm's former Chairmen have a separate pension arrangement that is broadly analogous with the PCSPS. The arrangements provide for a defined benefit, unfunded scheme. However, unlike the PCSPS, a pension liability is included in the accounts as required under IAS 37.

In accordance with IAS19, Postcomm has recognised the gain/loss arising from its pension liability as part of the General Fund.

1.10 VAT
Most of the activities of Postcomm were outside the scope of VAT and in general output tax does not apply and input tax on purchases was not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.11 Leases
Rentals due under operating leases are charged to the Statement of Comprehensive Net expenditure over the lease term on a straight-line basis, or on the basis of actual rentals which fairly reflects usage. Future payments, disclosed at Note 16, "Commitments under operating leases", are not discounted. Disclosures have been made to reflect that Postcomm is not a going concern to the extent that there are no lease commitments.

1.12 Contingent Liabilities
In addition to contingent liabilities disclosed in accordance with IAS 37, Postcomm disclosed for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote.

These comprise:

- Items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- All items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

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.

1.13 Costs for Consumer Focus
Under the Postal Services Act 2000, Postcomm had a fee collection responsibility for Consumer Focus, the independent consumer representative. Monies were collected and directly paid over to BIS in respect of the costs of Consumer Focus and Consumer Focus legacy Postwatch net property costs.

1.14 Provisions
Postcomm made provision for liabilities and charges where, at the statement of financial position date, a legal or constructive liability existed (i.e. a present obligation from past events exists), where the transfer of economic benefits was probable and a reasonable estimate could be made.

Where the time value of money was material, Postcomm discounted general provisions to its present value using a discount rate of 2.2 per cent, the Government's standard rate. Each year the financing charges in the Statement of Comprehensive Net Expenditure included the adjustments to amortise one year's discount and restate liabilities to current price levels.

1.15 The Statement of Parliamentary Supply and Operating Segments
The information contained in the Statement of Parliamentary Supply and associated notes is based on the Request for Resources information that formed part of parliamentary approval processes.

Postcomm's internal management reporting and financial statements were based on one operating segment therefore the disclosures required by IFRS 8 are not required.

2 Net Outturn

2.1 Analysis of net resource outturn by section

	2011-12 Outturn							2011-12 Estimate		2010-11
	Administration			Programme						
	Gross	Income	Net	Gross	Income	Net	Total	Net Total Estimate	Net Total Outturn compared with Estimate saving/ (excess)	Outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit										
Voted										
A Ensuring the provision of a universal postal service	5,043	(5,042)	1	-	-	-	1	1	-	1
Non-voted	-	-	-	-	-	-	-	-	-	-
Annually Managed Expenditure										
Voted										
B Provisions	-	-	-	-	-	-	-	(20)	(20)	-
Non-voted								-	-	-
Non-budget	-	-	-	-	-	-	-	-	-	-
Total	5,043	(5,042)	1	-	-	-	1	(19)	(20)	1

2.2 Analysis of net capital outturn by section

	2011-12 Outturn			2011-12 Estimate		2010-11
	Gross	Income	Net	Net	Net Total Outturn compared with Estimate saving/ (excess)	Outturn
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limit						
Voted						
Ensuring the provision of a universal postal service	**-**	**(36)**	**(36)**	**70**	**106**	14
Non-voted	**-**	**-**	**-**	**-**	**-**	-
Annually Managed Expenditure						
Voted	**-**	**-**	**-**	**-**	**-**	-
Non-voted	**-**	**-**	**-**	**-**	**-**	-
Non-budget	**-**	**-**	**-**	**-**	**-**	-
Total	**-**	**(36)**	**(36)**	**70**	**106**	14

3 Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	2011-12 Outturn	2010-11 Outturn
		£000	£000
Net Resource Outturn in Statement of Parliamentary Supply	2	**1**	1
Net Operating Cost in Statement of Comprehensive Net Expenditure		**1**	1

3.2 Outturn against final Administration Budget

		2011-12 Outturn	2010-11 Outturn
		£000	£000
Administration costs	6,7	**5,043**	**8,212**
Income relating to administration costs	8	**(5,042)**	**(8,211)**
Net outturn - administration costs		**1**	1
Administration costs limit – Estimate		**1**	**1**

4. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	2011-12 Outturn £000	2010-11 Outturn £000
Net cash requirement	(2,061)	-
From the Consolidated Fund (Supply) – current year	(3,144)	-
From the Consolidated Fund (Supply) – prior year		
Amounts due to the Consolidated Fund received and not paid over	-	494
Amounts due to the Consolidated Fund received in prior year and paid over	(494)	(2,172)
Amounts paid to Ofcom	5,205[1]	
Other	-	2
Increase/(decrease) in cash	**(494)**	**(1,676)**

[1] Cash balance transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011.

5. Analysis of income payable to the Consolidated Fund

In addition to the income retained by the department, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2011-12 Outturn		2010-11 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Operating income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	-	-	494	-
Total income payable to the Consolidated Fund	-	-	**494**	**-**

6. Staff numbers and related costs

Staff costs comprise

			2011-12	**2010-11**
			£000	**£000**
	Permanently employed staff	Others	Total	Total
Wages and salaries	1,245	545	**1,790**	**4,171**
Social security costs	123	-	**123**	**257**
Other pension costs	244	-	**244**	**485**
Voluntary exit costs	847		**847**	**-**
Total costs*	**2,459**	**545**	**3,004**	**4,913**

* Of the total no charge has been made to capital

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

For the period to 31 March 2012 employers' contributions of £243,623 were payable to the PCSPS (2010-11 £484,216) at one of four rates in the range 17.1 to 25.5 per cent (2009-10 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The contribution rates reflect benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,389 (2010-11 £1,534) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £334 (2010-11 £529), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were nil. Contributions prepaid at that date were nil.

0 persons (2010-11: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2010-11 £nil).

Average number of persons employed

The average number of whole-time equivalent persons employed during the period is shown in the table below.

Objective	Permanently employed staff	Other non permanent staff	2011-12 Total	2010-11 Total
Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition	47.2	4.6	**51.8**	**57.3**
Total	**47.2**	**4.6**	**51.8**	**57.3**

6.1 Reporting of Civil Service and other compensation scheme – exit packages

Exit package cost band	Number of Compulsory redundancies 2011-12	2011-12 Number of other departures agreed	Total number of exit packages by cost band	2010-11 Total number of exit packages by cost band
<£10,000	-	2	2	-
£10,000 – £25,000	-	6	6	-
£25,000 – £50,000	-	6	6	-
£50,000 – £100,000	-	4	4	-
£100,000 – £150,000	-	-	-	-
£150,000 – £200,000	-	-	-	-
£200,000 – £250,000	-	1	1	-
Total number of exit packages	**-**	**19**	**19**	**-**
Total resource cost £000	**-**	**847**	**847**	-

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 the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

7. Other administration costs

	Note	2011-12 £000	2010-11 £000
Rental under operating leases:			
Hire of office equipment		3	6
Other operating leases		79	168
		82	174
Non-cash items:			
Auditors' remuneration and expenses[1]		27	38
Depreciation	9,10	112	232
Loss on disposal of property, plant and equipment	9	-	5
Interest cost		5	8
Past service cost		-	(15)
Provision provided in year	15	-	12
		144	280
Other expenditure:			
Consultants costs		1,257	1,850
Learning and development		59	66
Building costs		100	192
IT services		83	192
Human resources		35	97
Transitional[2]		69	-
Office supplies		27	65
Contracted out services		106	150
Communications		11	79
Information		24	66
Utilities		17	31
Other		7	14
		1,795	2,802
Travel and subsistence		18	40
Hospitality		-	3
		18	43
Total		**2,039**	**3,299**

[1] There was no auditor remuneration for non-audit work.

[2] During the period, Postcomm incurred costs relating to both transfer of staff and the responsibility for regulation of the postal industry to Ofcom.

8. Income

	2011-12	2010-11
	£000	£000
Licence fees	5,042	8,211
Other Income	-	-
Total	**5,042**	**8,211**

9. Property, plant and equipment

	Leasehold improvements	Office equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2011	914	102	472	298	1,786
Additions	-	-	-	-	-
Disposals [1]	(914)	(98)	(339)	(277)	(1,628)
At 30 Sep 2011	**-**	**4**	**133**	**21**	**158**
Depreciation					
At 1 April 2011	828	97	461	270	1,656
Charged in year	87	2	5	4	98
Disposals [1]	(915)	(95)	(339)	(258)	(1,607)
At 30 Sep 2011	**-**	**4**	**127**	**16**	**147**
Carrying amount at 30 Sep 2011	**-**	**-**	**6**	**5**	**11**
Carrying amount at 31 March 2011	**86**	**5**	**11**	**28**	**130**
Asset financing:					
Owned	-	-	6	5	11
Carrying amount transferred at 30 Sep 2011	**-**	**-**	**6**	**5**	**11**
Transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011	-	-	(6)	(5)	(11)
Carrying amount at 31 March 2012	**-**	**-**	**-**	**-**	**-**

	Leasehold improvements	Office equipment	Information Technology	Furniture and fittings	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost or valuation					
At 1 April 2010	914	106	573	311	1,904
Additions	-	-	9	-	9
Disposals	-	(4)	(110)	(13)	(127)
At 31 March 2011	**914**	**102**	**472**	**298**	**1,786**
Depreciation					
At 1 April 2010	778	96	504	249	1,627
Charged in year	50	5	67	29	151
Disposals	-	(4)	(110)	(8)	(122)
At 31 March 2011	**828**	**97**	**461**	**270**	**1,656**
Carrying amount at 31 March 2011	**86**	**5**	**11**	**28**	**130**
Carrying amount at 31 March 2010	**136**	**10**	**69**	**62**	**277**
Asset financing:					
Owned	86	5	11	28	130
Carrying amount at 31 March 2011	**86**	**5**	**11**	**28**	**130**

[1] Following the enactment of the Postal Services Act 2011, items of property, plant and equipment transferred to Ofcom, were transferred on 30 September 2011 with a carrying value of £11k. All remaining items of property, plant and equipment on the asset register were disposed of.

10. Intangible assets

	Software
	£000
Cost or valuation	
At 1 April 2011	456
Additions	-
Disposals [1]	(456)
At 30 Sep 2011	**-**
Amortisation	
At 1 April 2011	427
Charged in year	14
Disposals [1]	(441)
At 30 Sep 2011	**-**
Carrying amount at 30 Sep 2011	**-**
Carrying amount at 31 March 2011	**29**
Asset financing:	
Owned	-
Carrying amount at 31 March 2012	**-**

	Software
	£000
Cost or valuation	
At 1 April 2010	527
Additions	10
Disposals	(81)
At 31 March 2011	**456**
Amortisation	
At 1 April 2010	427
Charged in year	81
Disposals	(81)
At 31 March 2011	**427**
Carrying amount at 31 March 2011	**29**
Carrying amount at 31 March 2010	**100**
Asset financing:	
Owned	29
Carrying amount at 31 March 2011	**29**

[1] Following the enactment of the Postal Services Bill 2000, those items of software which were needed by Ofcom, were transferred on 30th September 2011 with a carrying value of £NIL. All remaining items of software on the asset register were disposed of.

11. Trade receivables and other current assets

11(a) Analysis by type

	31 March 2012	30 Sep 2011	31 March 2011
	£000	£000	£000
Amounts falling due within one year:			
Trade receivables – excluding items that relate to Consolidated Fund Extra Receipts	-	1	-
Trade receivables – including items that relate to Consolidated Fund Extra Receipts	-	-	-
Deposits and advances	-	15	18
Prepayments and accrued income	-	-	77
HM Revenue and Customs (VAT)	-	108	119
	-	**124**	**214**

Deposits and advances include loans outstanding of £2,880 (2010-11 £13,649) which relates to season ticket loans for four employees.

11(b) Intra-government balances

	31 March 2012	30 Sep 2011	31 March 2011
	£000	£000	£000
Amounts falling due within one year			
Balances with other central government bodies	-	109	119
Balances with local authorities	-	-	-
Balances with public corporations and trading funds	-	-	-
Balances with bodies external to government	-	15	95
	-	**124**	**214**

12. Cash and cash equivalents

	31 March 2012 £000	30 Sep 2011 £000	31 March 2011 £000
Opening balance	-	494	2,170
Net change in cash and cash equivalent	-	4,711	(1,676)
Balance at period end	**-**	**5,205**	**494**

	31 March 2012 £000	30 Sep 2011 £000	31 March 2011 £000
The following balances at 31 March are held at:			
Government Banking Service	-	5,205	494
Commercial banks and cash in hand	-	-	-
Balance at period end	**-**	**5,205**	**494**

13. Trade payables and other current liabilities

13(a) Analysis by type

	31 March 2012	30 Sep 2011	31 March 2011
	£000	£000	£000
Amounts falling due within one year:			
Taxation and social security payable	-	299	115
Trade payables	-	266	66
Other payables		-	4
Staff payables	-	25	210
Deferred licence fees	-	3,895	2,918
Accruals	-	855	180
Excess cash		-	494
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:			
received	**-**	-	-
receivable	-	-	-
	-	**5,340**	**3,987**

	31 March 2012	30 Sep 2011	31 March 2011
	£000	£000	£000
Amounts falling due within one year			
Balances with other central government bodies	-	317	613
Balances with local authorities		-	-
Balances with public corporations and trading funds	-	3,895	2,918
Balances with bodies external to government	-	1,128	456
	-	**5,340**	**3,987**

14. Provisions for liabilities and charges

14(a) Pension liabilities

	31 Mar 2012	30 Sep 2011	2010-11
	£000	£000	£000
Provision at 1 April	-	166	192
Current service cost	-	-	-
Interest cost	-	5	8
Actuarial (gain)/loss	-	1	(12)
Past service cost	-	-	(15)
Less benefits paid	-	(4)	(7)
Provision at period end	**-**	**168**	**166**

Analysis of expected timing of discounted flows	31 Mar 2012	30 Sep 2011	2010-11
	£000	£000	£000
No later than one year	-	10	7
Later than one year and not later than five years	-	40	28
Later than five years	-	118	131
Balance at period end	**-**	**168**	**166**

Net movement in year (excluding actuarial gain)	-	(14)

History of experience losses

	PE 30 Sep 2011	2010-11
	£000	£000
Experience (gains)/losses arising on the scheme's liabilities	1	(3)
Amount recognised as a percentage of present value of scheme liabilities	0.9%	(2.1)%
Total amount recognised in statement of total recognised gains and losses	1	(12)
Percentage of present value of the scheme liabilities	0%	(7.2)%

The pensions provision is in respect of the unfunded pension liabilities which fell to Postcomm for the past Chairmen. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Postcomm. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

An actuarial valuation was carried out by the Government Actuary's Department (GAD) at 30 September 2011. The major assumptions used by the actuary were:-

	At 30 Sep 2011	At 31 March 2011
	% (per annum)	% (per annum)
Inflation assumption	2.65	2.65
Rate of increase in salaries	4.90	4.90
Investment return in excess of price increases	2.9	2.9
Rate of increase for pensions in payment and deferred pensions	2.65	2.65

Analysis of Actuarial (gain) loss

	2011-12	2010-11
	£000	£000
Changes in assumptions underlying the present value of scheme liabilities	-	(9)
Experience (gains)/losses arising on the scheme liabilities	1	(3)
Per statement of changes in taxpayers' equity	1	(12)

The relevant 2.9 per cent discount rate is reflected in the valuation of the pension scheme liability as at 30 September 2011.

14(b) Early retirement

	2011-12	**2010-11**
	£000	**£000**
Provision at 1 April	3	23
Provided in the year	-	-
Borrowing costs	-	-
Provisions not required written back	-	-
Provisions utilised in year	(3)	(20)
Provision at period end	**-**	**3**

14(c) Contract liabilities

	2011-12	**2010-11**
	£000	**£000**
Provision at 1 April	12	-
Provided in the year	-	12
Borrowing costs	-	-
Provisions not required written back	-	-
Provisions utilised in year	(12)	-
Provision at period end	**-**	**12**

Any outstanding provisions at 30 September 2011 were transferred to Ofcom.

15. Capital commitments

	2011-12	2010-11
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made.	-	-

16. Commitments under leases

Operating leases

Total future lease payments under operating leases are given in the table below for each of the following periods.

	2011-12	2010-11
	£000	£000
Obligation under operating leases comprise:		
Land and buildings:		
Expiry within 1 year	-	77
Expiry after 1 year but not more than 5 years	-	-
Expiry thereafter	-	-
	-	**77**
Other:		
Expiry within 1 year	-	3
Expiry after 1 year but not more than 5 years	-	-
Expiry thereafter	-	-
	-	**3**

COI, Postcomm's landlord at Hercules House, agreed, in anticipation of Postcomm's abolition, to a rolling three month notice period for the lease. There is no further liability for lease or dilapidation payments after 31 March 2012.

17. Other financial commitments

Postcomm had not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2012.

18. Contingent liabilities

As at 31 March 2012 there were no contingent liabilities requiring disclosure. (31 March 2011 – nil)

In 2001-02 the Department of Trade and Industry (now Department for Business, Innovation & Skills) laid a Minute before Parliament notifying them of an indemnity to the members of the Postal Services Commission. The indemnity means that the Commissioners would be indemnified against civil liability arising from their work in regulating the UK postal market, so long as they acted honestly, in good faith and without recklessness. It is not possible to quantify a figure for the potential liability, but if the liability is called, then provision for any payment will be sought through the normal Supply procedure.

From time to time Postcomm will be subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of the postal industry. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of current proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

19. Losses and special payments

19.1 Losses Statement

	2011-12		2010-11	
	No. of cases	£000	No. of cases	£000
Total Fruitless payments and constructive losses	3	21	-	-

20. Financial instruments

As the cash requirements of Postcomm were met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments related to contracts to buy non-financial items in line with Postcomm's expected purchase and usage requirements and the Department was therefore exposed to little credit, liquidity or market risk.

21. Related party transactions

None of the Senior Management Team, key managerial staff or other related parties has undertaken any material transactions with the Postal Services Commission during the year.

Postcomm collected £3.269m from Royal Mail Group, on behalf of the Department for Business, Innovation & Skills (BIS) in respect of the costs of Consumer Focus. This was remitted directly to the Department.

Postcomm was a tenant of the Central Office of Information (COI), received financial and payroll services from Office of Gas and Electricity Markets (Ofgem) and consultancy services and a secondment from Ofcom. Expenditure in year was £173,528 (2010-11 £345,896) to COI, £42,761 (2010-11 £71,494) to Ofgem and £299,259 (for consultancy services) £93,600 (for a secondment) to Ofcom. An amount of £178,251 was owing to Ofcom at the period end and is included in the figure for payables.

22. Events after the reporting period

IAS 10, Events after the Reporting Period, requires disclosure of the date on which the financial statements were ’authorised for issue’ and who gave that authorisation. The financial statements were authorised for issue on the 30 August 2012.

All our assets and liabilities as at 30 September 2011 have been transferred to Ofcom in accordance with the Postal Services Commission (Office of Communications) Transfer Scheme 2011. There were no reportable events after the reporting period between the Statement of Financial Position and the date when the statements were certified.

The value of the assets and liabilities transferred to Ofcom on 1 October 2011 amounted to an overall net liability of £168k.

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