The Pension, Disability and Carers Service

Annual Report and Accounts 2009/10

Part of the Department for Work and Pensions

The Pension, Disability and Carers Service

Annual Report and Accounts 2009/10

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Foreword

Welcome to our 2009/10 Annual Report and Accounts. The Annual Report and Accounts records the progress we have made during another demanding year. We believe that it represents an objective assessment of the work our people have delivered.

Continuing to deliver higher quality services with better value for money has never been more important than now. To the credit of our staff, we made good progress in meeting 11 out of 13 performance targets*. This was despite ending the year with more than 1000 less staff than at the start of it.

We continued the progress made to further modernise our services and have been testing the delivery of State Pension on-line. Subject to the evaluation of the test, and feedback from the customers who have helped us with the test, we aim to make this more widely available later in 2010/11.

We were delighted to see that the Customer Contact Association recognised the Agency for our continued high levels of service to our customers. For the second year running, we received their Global Standard Accreditation for the services we deliver by phone. The award is given where organisations demonstrate they have exceeded the highest industry standards across a raft of key areas including; customer focus, security and fraud prevention, operational effectiveness and learning and development. This is a significant achievement although more is yet to be done.

In doing all of this, the results of our quarterly satisfaction survey told us that between 91 and 92 per cent of our customers were satisfied or very satisfied with our services. Customers have repeatedly given us high praise for the staff they deal with.

Our recent 'people survey' also gave us grounds for optimism. Staff consider that senior management are more visible, more people are getting feedback on their performance and there are big improvements in our people having a sense of personal accomplishment in what they do. Nevertheless, there is still considerable scope to improve the general levels of satisfaction.

Throughout the year our service to customers has resulted in many positive outcomes. We have recorded some of them in the report, because an annual report should not just be about numbers – it needs to be about the people we serve as well. In addition many of our own people have made considerable efforts in their personal lives to make a difference too through their charitable efforts. We find their efforts inside and outside of work inspiring which gives us the confidence to think we can continue to deliver ever better and value for money services.

We now, of course, have the challenge – placed on us by the new Government – of continuing to deliver first class and improving services while at the same time contributing to reducing the overall public expenditure deficit through greater efficiency. That is going to be tough and demanding but it is a challenge we welcome and which we are determined to meet.

If you would like to know more about what we aim to achieve during 2010/11 have a look at our business plan at:
www.dwp.gov.uk/docs/pdcs-business-plan-1011.pdf

We hope that you find the Annual Report and Accounts both useful and informative.

Terry Moran CB
Chief Executive
13 July 2010

Sir John de Trafford Bt. MBE
Chair of the Board
9 July 2010

*The actual achievement of some of these targets is still subject to validation.

Our organisation

Future Pension Centre visited Granville Lodge Retirement Home. They held a quiz, served lunch and played bingo; with Future's own Trevor Brookes acting as bingo caller.

Volunteer Pat Stubbs said, "After lots of laughs and plenty of prizes won, residents said they had a fantastic time and could we come back again."

History

As an executive agency of the Department for Work and Pensions (DWP), the Pension, Disability and Carers Service (the Agency), was formed on 1 April 2008, by merging The Pension Service and the Disability and Carers Service. We provide a service for current and future pensioners, the disabled and their carer's. We work closely with Jobcentre Plus and other partner organisations across Great Britain with whom we share customers.

We operate through a network of pension and disability benefits centres that are supported by a face-to-face local service. We are responsible for delivering benefits, entitlements and associated services to over 16 million customers in Great Britain and overseas.

We support our Department's (DWP) aim, 'to promote opportunity and independence for all' and deliver this primarily by providing access to benefits and paying our customers accurately and on time.

During 2009/10 we:

Increased:

- payments to customers by 7.1 per cent from £89.9 billion to £96.3 billion.

Reduced:

- our operating costs by £13m from £973m to £960m;
- our staffing levels by 7 per cent from 15,016, to 13,967;
- our average sickness absence from 9.10 days to 8.56 days;
- expenditure on consultants from £9.5m to £3.9m; and
- cost basis of estates from 183,382 square metres to 166,561 square metres.

Based on Agency internal management information

Further information about all the Department's strategic objectives can be found in the Department's Three Year Plan 2008/11 at: **www.dwp.gov.uk/publications/corporate-publications/Three-Year-Business-Plan-2009.shtml/**

Our principal activities during 2009/10

- Accurately delivered a large range of benefits, entitlements and associated services to people of all ages.
- Provided information to future pensioners to help them to make informed decisions about their pension provision in later life.
- Provided a face-to-face service in a place that was convenient for customers or in the comfort of their own home.
- Received and answered customer queries over the phone, by post, by email and through our websites.
- Helped customers access other pension and disability related entitlements and services.
- Worked in partnership with other local organisations to deliver pension and disability related services.

Our benefits, entitlements and associated services

- Attendance Allowance
- Carer's Allowance
- Christmas Bonus Payments
- Cold Weather Payments
- Disability Living Allowance
- Occupational and Personal Pension Tracing
- Over 80 Pension
- Pension Credit
- State Pension
- Additional State Pension
- State Pension Forecasts
- Vaccine Damage Payments Scheme
- Winter Fuel Payments

During 2009/10 we:

- made over one million new awards of benefit with a value of £2.9 billion;
- improved accuracy rates across the board;
- held the lowest ever number of Disability Living Allowance/ Attendance Allowance claims pending a decision;
- improved Pension Credit average clearance times in year;
- achieved the highest ever recorded performance level for State Pension clearance times; and
- held a caseload of over 16 million customers.

Based on Agency internal management information

Our strategic imperatives

Our strategic imperatives support the Department's strategic objectives. They helped us focus our attention on delivering the right services at the right time to our customers.

In 2009/10 our strategic imperatives were:

- merging the two former agencies successfully;
- transforming the way we deliver services to our customers;
- ensuring our people are skilled, motivated and well led;
- protecting and improving performance;
- delivering our efficiency commitments; and
- building reputation and credibility with our partners and stakeholders.

We successfully merged the two former agencies and reaped the benefits of this joined up approach by:

- looking for ways to match our services to customers' needs;
- ensuring our customers receive the service that best meets their circumstances;
- improving the service we deliver to disabled pensioners; and
- working with Jobcentre Plus and other service providers to support customers more effectively.

Once we have achieved this we will continue to move forward by:

- delivering greater efficiencies for taxpayers;
- being responsive to change and identifying new opportunities;
- becoming an exemplar of service delivery, offering ways that customers can contact us; and
- using all channels effectively.

Dundee Pension Centre
Taff Davies, Dundee's favourite and possibly, only Welshman used to be a Royal Marine Commando. That being so, when he decided to go for a walk to raise money for Cancer Research, a 26 mile stroll wasn't what he had in mind. Instead, he settled on a 165 mile yomp along Glyndwr's Way and the Offa's Dyke path, taking nothing more than his backpack could hold.

Staff at Dundee Pension Centre raised £500 and, in total, Taff collected more than £6,000 in sponsorship.

Our efficiency challenges

We are privileged to manage such large amounts of taxpayers' money. Our aim was to make the most effective use of each pound we spent.

Delivering improvements and further efficiency in any organisation involves change in order to find better ways of doing the day to day business. We will always look at ways to provide better value for the taxpayer while serving our customers well, this is an everyday activity for us all.

In 2009/10 we:

- continued our efficiency drive, through employing fewer staff. From 15,016 at the start of the financial year to 13,967 at end of March;
- improved the way in which we treat our customers (see our results from an independent survey on page 20);
- maintained our overall performance – measured through the accuracy and speed of claims processing (see 'Our performance' on page 28); and
- reduced the level of 'work in hand' and focused our attention on tackling the oldest outstanding cases to the benefit of those customers.

Sustainable development

We supported the Government's sustainable development aims by applying and embedding key principles into our business.

In 2009/10 we:

- piloted document scanning in Dundee Pension Centre, reducing storage and destruction of paper;
- reduced the amount of business travel, showing a decrease of around a quarter of all travel compared with 2008/09; and
- created an Energy and Environmental Briefing Pack for our Accommodation Business Partners to help them have a better understanding of our landlord's responsibilities with regard to sustainable development.

Blackpool
Staff in Blackpool worked with a group of people with learning difficulties for a whole week and created a new garden in a cemetery in the town. It rained cats and dogs the whole time, but the volunteers and their partners ended their week buzzing and ready to do it all over again.

Seaham Pension Centre raised £418.31 for the Annual Poppy Appeal.

Glasgow Disability Benefits Centre (see below) raised £350.90 for its Annual 'Loud Tie Event' towards the 'Beating Bowel Cancer' campaign.

Our people

We understand there is a strong link between engaged employees and business outcomes. We continue to develop, motivate, and lead our people in practical and consistent ways to support them to deliver an enhanced customer service.

We have faced a uniquely challenging twelve months; focusing on areas where we could make a real difference to people's lives.

In 2009/10 we:

- introduced the Complex Case Advisory Service, a dedicated, national service to provide consistent and expert advice to line managers and employees on complex Human Resources (HR) policy issues and support in managing complex cases, including Civil Service Appeal Boards, Personal Injury claims, Employment Tribunals which Employee Service HR Advisors cannot resolve;
- worked with our HR Business Partners to define their roles and identify the skills, knowledge and behaviours needed to fulfil their strategic role;
- achieved Investors in People (IiP) accreditation, conducted a national people perception survey and addressed the issues raised; and
- continued to implement our people strategy.

Clearance of claims has broadly improved since the Agency was formed. From a headcount of just under 23,000 combined between the two agencies in 2005, at the end of March 2010 there were less than 14,000 staff. Customer satisfaction is also at its highest and in most work areas we are delivering significantly more with less!

The Carer's Allowance Unit hosted a raffle to raise funds to help the 300,000 left injured and one million left homeless by the earthquake on 12th January in Haiti. The unit raised £613.60 in a raffle to win prizes provided by the Unit Management Board. The money was donated to the DEC Haiti appeal. Staff also held a raffle and raised £419.89 for the Wishing Well House. This Preston based charity are trying to reach their initial target of £150,000 to enable them to open a school in the North West of England that will provide one-to-one education.

We continued to develop our people by:

- registering 1,323 candidates for NVQ/BTEC awards;
- introducing and embedding new people performance activities, improving the quality of key work objectives and their personal development plans;
- establishing a Head of Profession role for operational delivery;
- introducing a 'Key Skills Working Group' to look at any skill gaps across the business;
- developing and deploying training to support the implementation of Pensions Reform and the Local Service Implementation Project; and
- devising, developing and deploying the 'Management Development Academy' which through coaching and learning interventions enabled our senior managers to improve productivity, accuracy and customer service.

We continued to motivate our people by:

- ensuring they understand how our benefits and services directly affect the customer by publicising good news stories through ‘Making Lives Better’;
- continued ‘Working Together’ events to give our people an opportunity to listen and speak to our senior leaders;
- providing more opportunities to meet our Chief Executive and ask him any business related questions over lunch;
- agreeing with the Trade Unions a new framework for consultation and engagement that we jointly launched;
- continuing to support the Department’s Community 5000 programme with over 2,396 days devoted which saw staff volunteering for a day to work with charitable or community organisations;
- ensuring Health and Safety remained a priority by:
  - implementing a well-being at work programme, including an on-line well-being centre that offered a more personal and interactive experience. Benefits included tailored advice, an enhanced well-being assessment, enhanced sleep, activity, nutrition, stress and back and joint assessments and downloadable resources;
- achieving our Health and Safety targets in; personal health and safety, managers’ training, display screen equipment awareness training and workstation risk assessments; and
- continuing to ensure that our workforce reflects the diversity of the population by:
  - embedding the diversity plan within our workforce activities;
  - improving workforce diversity declaration rates and employment data through the ‘Just Tell Us’ campaign; and
  - using workforce diversity insight to regularly monitor workforce representation rates at unit and Agency levels.

Staff at Midlands Disability Benefits Centre donated items for the residents of St. Catherine’s Residential Care Home. Chief Executive Terry Moran and board members dropped by to see the goody bags being presented and chat to residents. Staff have enjoyed Community 5,000 placements with St. Catherine’s in the past, so this was an opportunity to strengthen the connection.

We continued to develop our senior managers by:

- continuing the 'back to the floor' initiative to give our senior managers the opportunity to see first hand the challenges and issues facing our frontline people;
- 'People Development Forums' aligned to our succession and resource plans;
- introducing and promoting the 'Leadership and Management Journey' which develops leaders in the Agency from entry level to board level;
- focusing on building strengths and delivering business results through excellent customer service;
- participating in the Departmental 'Making a Difference' programme. This is a major leadership and engagement programme and forms the cornerstone of the Department's investment in the skills of first line and middle managers; and
- reviewing the effectiveness of Pension, Disability and Carers Board processes.

Our values and successes

Local Service
Dennis says, "We got a letter saying we were going to get a visit and I immediately thought there must be something wrong.

But Andrea from Local Service, who came to visit, was really friendly and put us at ease right away. When she told us what we were due, we simply couldn't believe it. She even filled in the forms for us."

The couple were due £82 a week Pension Credit, backdated for 12 months. Dennis couldn't believe it when he got to the Post Office and found he had just over £4,500 arrears. Dennis says, "With the extra money we've had a new radiator fitted as my wife has circulation problems and suffers from the cold."

Values

The Department for Work and Pensions Values – Achieving the Best, Respecting People, Making a Difference and Looking Outwards – are the guiding principles for how we deliver our services to customers. They underpin our commitment to putting customers first, and focus not only on what we deliver, but how we do it.

The following examples demonstrate our values in action.

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

Department for Work and Pensions Excellence and Diversity Awards 2009
The Carer's Allowance Unit became the winners of the Achieving the Best, team award. The team embraced a culture of customer excellence, developing an understanding of customer needs, enabling them to achieve tremendous improvements to their services.

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

An elderly couple from Manchester were too proud to ask for help, but after a fall and with the gentleman's health deteriorating, Age UK (formerly Age Concern and Help the Aged) directed them to our Local Service. We helped them with paperwork and made the relevant calls, resulting in an award of Attendance Allowance. The extra money has made a real difference to their lives and they have been able to take their first holiday in years and also use the money towards the cost of a mobility scooter.

Making a difference – delivering products and services in a flexible and responsive way to improve today's and future customers' lives. We have increased our customer insight so we can begin to deliver services in a more focused and streamlined way.

A team leader from Warrington Pension Centre identified customers with communications needs were not receiving information in formats they had requested, for example Braille and large print. He developed a set of procedures for staff to follow, which ensured our customers received the forms in the format requested. This new procedure included new claims to Pension Credit and State Pension, which ensured when further notifications were issued, customers would always receive the forms in the format they wanted.

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

Our Partnership Team recently set up a cross-Government working group to look at the services provided to young disabled people and how we could improve their job prospects. They talked to organisations including the Department for Children, Schools and Families, Department of Health, Jobcentre Plus, the Office for Disability Issues, as well as several areas across our Agency. This enabled the team to use the skills and knowledge from across other Government Departments to shape its future engagement with young disabled people.

Local Service

Thomas, aged 88, was sadly recently widowed. "My income went right down too," he says. "I was really worried about how I was going to pay the bills."

Much needed help arrived in a visit from Local Service. Thomas was soon more than £100 a week better off.

Thomas said, "I was a bit scared really of dealing with the system, but the lady who called made me feel comfortable right away. It's a great help not to have to worry about bills now. I can get ready meals in and taxis when I need to do. I can also get out for a meal with the family. It all keeps me moving, rather than sitting in a chair."

Disability Benefits Helpline

Ken first heard about Attendance Allowance through his niece Alex. They were so impressed with the help they received when they rang the Disability Benefits Helpline, they sent a letter of thanks saying the £43 a week awarded would be put to good use. Ken explained, "The extra cash also means I get out to do my shopping as there's no way I can manage without taxis."

Perhaps the most important thing the money helps Ken with is care of his dog, Freddie. "Freddie means everything to me, he's more than just a pet, he keeps me company and I get to meet other dog owners."

Successes

Motherwell Pension Centre in partnership with the Department's Change Programme won the Guardian Public Service award for customer service. A dedicated bereavement team was set up to respond quickly and efficiently to the needs of their most vulnerable customers. Charlie Monaghan, Pension Centre Manager, said, "We are all proud of our achievement. The award is recognition of all the hard work and commitment shown by everyone in the centre. Above all, we are proud that our initiative has made such a difference to so many of our customers." Stephen Holt, Department for Work and Pensions Director of Change Management, said, "To have the bereavement service recognised by this award is a really great achievement. It shows what we can achieve when the Department's Change Programme works in partnership with businesses to improve our customer service."

The Future Pension Centre won the Contact Centre: Great Places to Work award at the Customer Contact Association Global Excellence Awards. This high profile awards programme celebrates organisations and individuals that are achieving excellence through innovations and are committed to driving improvements within their contact centre operations. Jill Scott, Operations Manager said, "To be short-listed against some of the best contact centres across the UK, both private and public, in a number of categories, is an incredible achievement." Marianne Shevills, Team Leader, was Highly Commended for the Professional of the Year award. Marianne said, "I was extremely honoured and flattered to be nominated and short listed. It's very rewarding to have the recognition that this nomination brings."

At the Department for Work and Pensions Excellence and Diversity Awards 2009, the Carer's Allowance Unit became finalists of the Permanent Secretary, Drivers of Change team award. Using Lean continuous improvement initiatives, they achieved a headcount reduction of 29 per cent without compromising service. The team allied with agencies like the Princess Royal Trust and Carers First and a survey showed excellent levels of satisfaction and identified areas for further improvement.

Swansea Pension Centre became finalists of the Department's Making a Difference team award. This clerical team conceived and developed a system to capture changes reported by telephone, improving upon existing Departmental products. Using this procedure the capture and processing times have reduced from 13 to 7.5 minutes, customers encountered a better experience and security was improved.

The Disability Contact and Processing Unit 4 Team became finalists of the Permanent Secretary, 'Drivers of Change' team award. When the Disability Benefits Centre closed in 2007, it was important to ensure local partners who represent customers, were not disadvantaged. Although 150 miles away, the team were flexible and innovative with their approach, attending fundays and workshops for specialists groups. Through closer working they developed an efficient, supportive way of working with their partners.

Over 30 Disability Living Allowance and Attendance Allowance decision making staff were presented with their certificates for their Professionalism in Decision Making and Appeals award at a special ceremony at the Imperial Hotel, Blackpool, on 10 December 2009. This is a work-based programme of learning which is practical, interactive, uses lots of discussion, and supports students in developing skills and knowledge through applying them in the workplace. Students then work on real-time workplace challenges, and concentrate on how they succeed in meeting these and moving on in their practice to improve standards of service to customers.

At the Department's Excellence and Diversity Awards 2009, Jeremy Tarlow from Barnet Local Service became the winner of the Diversity, Age award. Jeremy used Community 5000 to establish the foundations of effective partnership working with Jewish Care, an organisation which provides various care services in London and the south. Harnessing this, he recommended Jewish Care as a partnership for the Pension Credit take-up programme and co-ordinated the delivery of a successful campaign.

Leeds Disability Benefits Centre raised £400 for Children in Need and Breast Cancer Haven.

The Carer's Allowance Unit and Attendance Allowance teams collected £571.69.

Walsall Pension Centre raised £793 for the Macmillan Coffee Morning.

Bootle Disability Benefits Centre raised £310.41 for Children in Need.

Burnley Pension Centre raised £400 for various charities, including the North West Air Ambulance.

Bristol Disability Benefits Centre raised £633 for Children in Need.

International Pension Centre raised £309.47 for National Aids Trust.

Transforming our services

A joint event between Local Service, our Partnership team and Support 55, (a division of South Yorkshire Housing Association), aimed to encourage vulnerable older people to take up Pension Credit, was hailed as a great success.

Gary McDonald, head of the Partnership team said, "Working with a specialist organisation such as Support 55 gives us access to vulnerable elderly customers and helps to ensure that they are getting all their benefits and entitlements, as well as working to improve their independence and wellbeing in later life."

Over the past year we:

- improved our customer services by simplifying the way in which customers contact us;
- planned for the largest State Pensions Reform programme in over 100 years; and
- ensured our customers were not affected by the merger of the two former agencies.

In 2009/10 we:

- communicated Pensions Reform changes to customers in partnership with other parts of the Department through the 'Planning and Saving for Later Life' campaign using a range of media;
- prepared our people for the Pensions Reform changes – and ensured they understood them – so they would be in a position from 6 April 2010 to answer customer enquiries effectively and process claims accurately under the new rules;
- made it easier for customers to contact us by beginning to offer them the option to claim their State Pension online;
- delivered an improved telephony service for speech and hearing impaired customers;
- rolled out new telephony into a number of our pension centres, ensuring our service is consistent with the rest of the Department's contact centres;
- trailblazed a new Department telephony service at our Disability Benefits Helpline and Carer's Allowance Unit. This has helped our staff to answer enquires from customers about different types of benefits and ensured they do not have to contact each Agency separately to get answers;
- following a successful pilot in Dundee Pension Centre, introduced document scanning across our pension centre network;

- improved our service to customers when they tell us about a bereavement removing the need to tell both Pensions and Disability Centres;
- established a 'Medical Services Portal' between our Agency and National Health Service Scotland, which allows us on-line access to medical records;
- upgraded data sharing with Her Majesty's Revenue and Customs to allow Child Trust Fund payment to disabled children from April 2010, and electronically from October 2010;
- amended the Attendance Allowance and Disability Living Allowance adult renewal claim forms, so customers do not have to tell us information we already hold about them;
- set up a Benefit Application Service on Directgov which provides customers with advice on benefits, pensions and credits they may be entitled to;
- continued to implement Lean, a continuous improvement technique, across a number of operational centres;
- enhanced the Disability Living Allowance claiming experience for parents/guardians of disabled children through user-friendly forms and improved notifications and processes;
- started electronic transfer of data for Housing Benefit/Council Tax Benefit claims to Local Authorities; and
- changed the structure within our pension centres, so customers, wherever possible, deal with people who can answer their enquiry first time.

Disability Benefits Helpline and Benefits Enquiry Line

Staff got stuck into fun and fundraising for Children in Need. Blackpool provided a Children in Need call centre. 156 volunteers, both Departmental staff and volunteers covered telephone lines from 7pm – 12.30am, taking donations and pledges totalling £80,926.61.

Martin Moore, head of the Disability Benefits Helpline and Benefits Enquiry Line says, "I am delighted by the positive and enthusiastic response from all parts of the Department to make the night a real success. Everyone has thrown themselves into the spirit of the event."

Our customers

Customers writing about the new Disability Living Allowance claim process for children.

"I would like to take the time to comment on the new and I feel greatly improved claim form. This is actually my third attempt at completing and submitting a claim. My previous attempts never made it to the post box as I found the form too daunting and too distressing to complete. Thank you so much."

"Thank you very much for processing my claim so quickly and for the decision. It will make a big difference to my life."

Customer feedback

During 2009/10 we have again asked our customers what they think about the Agency.

With the formation of the Pension, Disability and Carers Service, a new independent customer satisfaction monitor has been implemented which is now running every quarter using telephone interviews.

The survey allows for regular tracking of our performance and monitoring the impact of any changes to our services.

The results of the survey to date are based on 4,443 customer interviews carried out over the telephone between July 2009 and March 2010.

Results from the satisfaction survey show, customers continue to be impressed with our people, with respondents to the survey hailing staff as the best thing about our services.

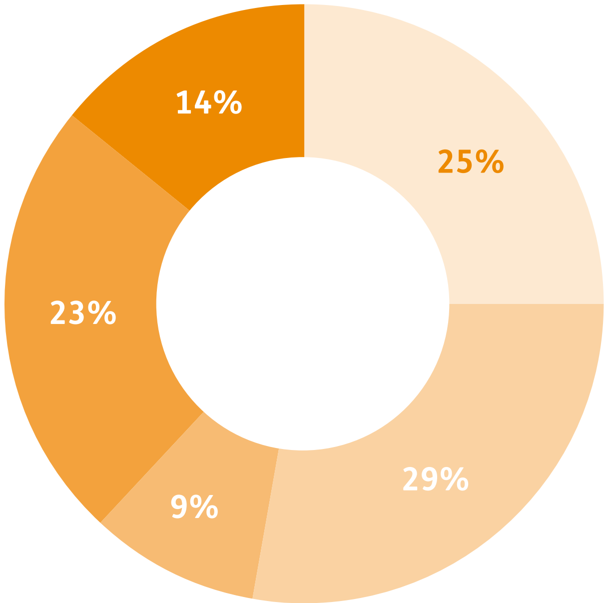
Positives to come from the survey included:

- 98 per cent of customers said our staff were polite and treated them with respect whilst 96 per cent said they also listened to what they had to say;
- 92 per cent of customers said that they were satisfied or very satisfied with our services; and
- 60 per cent of customers said they would speak highly of the Agency with 32 per cent saying they would do so without being asked.

"These kinds of results would not be possible without the hard work and commitment of staff to delivering quality services.
Chief Executive, Terry Moran"

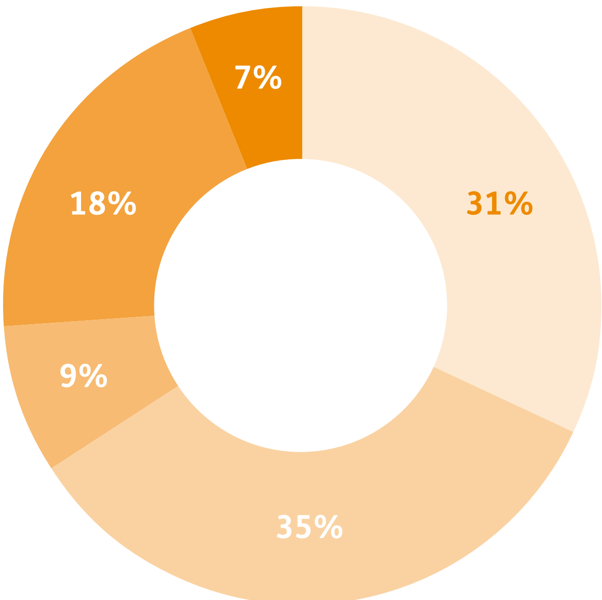
In addition to the positives above, the charts below represent the feelings of our customers towards the service they have received either from the Disability & Carers Service or The Pension Service.

Customer feelings towards service: Disability & Carers Service



- Delighted – Very satisfied and service exceeding expectations: **25%**
- Happy – Very satisfied with service meeting expectations: **29%**
- Pleasantly Surprised – Fairly satisfied with service ahead of expectations: **9%**
- Content – Fairly satisfied with service meeting expectations: **23%**
- Disappointed – Dissatisfied with service or below expectations: **14%**

Customer feelings towards service: The Pension Service



- Delighted – Very satisfied and service exceeding expectations: **31%**
- Happy – Very satisfied with service meeting expectations: **35%**
- Pleasantly Surprised – Fairly satisfied with service ahead of expectations: **9%**
- Content – Fairly satisfied with service meeting expectations: **18%**
- Disappointed – Dissatisfied with service or below expectations: **7%**

Local Service

Thousands of our customers across the North East are better off thanks to a partnership campaign to boost the uptake of Pension Credit.

Local Service joined forces with local media, charities and businesses in the North East, to make sure people knew how to claim the extra cash.

It gave our customers and their families the opportunity to chat with members of our Local Service team and charity leaders.

Improving customer service in 2009/10

While we strive to be an exemplar of public service, inevitably we do not always get it right. We take customer feedback, positive and negative, seriously. We will always look to satisfactorily resolve negative feedback at the first point of contact, but where we are unable to do so and customers remain dissatisfied, we have a clear escalation route for them to progress their issues.

In 2009/10, we cleared more than 90 per cent of negative feedback within Departmental targets.

The top 3 areas of reported negative feedback were:

- It takes too long (45 per cent).
- You've got it wrong (23 per cent).
- information given does not suit my needs (15 per cent).

We have listened to what customers have said about our service and in 2009/10 we have:

- reworded the letter that explains underlying entitlement to Carer's Allowance to make it easier to understand;
- updated guidance and reminded staff of the procedures for dealing with a request for Bereavement Allowance;
- changed our procedures so that we do not contact a next of kin for three weeks following the death of a relative; and
- made the State Pension annual advice notice clearer by only showing those benefits to which customers are entitled.

Parliamentary correspondence

In 2009/10, the volume of MP letters to our Chief Executive increased by 10 per cent from the previous year.

MP letters to Ministers – Delegated to Chief Executive for reply with 90 per cent cleared in 20 days. 1,309 replies issued with 91 per cent cleared within the target of 20 days.

MP letters direct to Chief Executive with 90 per cent cleared within 15 days. 2,394 replies issued, with 84 per cent cleared within the target of 15 days.

The Cabinet Office reporting period for Parliamentary correspondence is the calendar year January 2009 – December 2009.

Diversity and equality

Our strategy promotes and champions diversity and equality. Our aspiration is to deliver a range of services to our customers in a manner that meets their individual needs.

We aspire to have a diverse work force at all levels where everyone is treated with dignity, respect and fairness and have the opportunity to realise their full potential.

During 2009/10, we made our services more accessible to our customers by:

- introducing TexBox, a stand alone phone that uses ‘chat-room’ style technology to help staff communicate with customers with speech and hearing difficulties;
- improving our interpreting service by training more staff; and
- launching our first Partnership and External Relations Strategy, allowing us to work with our partners more effectively.

During 2009/10, we supported our people by:

- appointing diversity champions at senior civil service level;
- ensuring our leaders encourage staff to celebrate diversity throughout the year including Black History Month, World Aids Day, Work Life Balance Days, Older People’s Day and Lesbian Gay Bisexual Transgender History Month;
- launching the Department’s ‘Just Tell Us’ campaign to encourage staff to declare their disability, ethnicity and sexual orientation status. To support our aim to have a diverse work force at all levels; and
- capturing management information at key unit level and set local targets.

Glasgow Disability Benefits Centre

Tony Young from Glasgow Disability Benefits Centre, visited Castlemilk Pensioners Action Centre to provide one-to-one disability benefit advice.

The centre helps elderly people to live independently in their own homes by providing trips, classes and advice. It has 500 members and provides over 100 meals each day.

Tony says, “I met a lot of true characters on the day and would say that the centre is a really great place for the elderly to visit to keep in touch and take part in various outings and activities to keep active.”

Pensions staff "a joy to deal with"

A national newspaper journalist has praised staff who dealt with his enquiry about State Pension.

The journalist was quoted as having said, "Our staff are helpful, friendly and efficient", according to an article in his report.

Ian Thompson, New Claims Customer Advisor, received this feedback following a call to State Pension Claim-line taken in November. This is a great example of how our staff are delivering excellent customer service and how the way we handle calls can have such a positive impact on our customers.

Chief Executive Terry Moran says, "This unsolicited feedback is now typical of the experience of the majority of customers making their claim to State Pension. It just goes to show you never know whose case you are handling when we take a call. It really is fantastic recognition of both Ian Thompson's exemplary service but also of so many others. It makes me very proud to be associated with it."

Our partners and stakeholders

Local Service staff joined a range of multi-agency representatives including Jobcentre Plus, Social Services, Age UK and the Borough Council at Cockermouth's Support Centre to provide emergency assistance to the local residents following the floods in November 2009.

They provided flyers to customers with contact details and a direct line for advice to arrange urgent visits. Staff were able to talk directly to customers to ensure they knew what was available, such as emergency funding from Social Services and provided hands-on support with benefit applications.

Urgent visits were prioritised, with visiting staff from other areas pitching in to help.

We continued to consult effectively with our key stakeholders and actively engaged with our partners so we could meet more of our customers needs.

As a direct result significantly more customers received benefits or other complimentary services delivered by our partners.

As a result of partnership referrals over 260,000 customers received our benefits in 2009/10.

Over 290,000 customers received extra complimentary services as a result of the Agency making referrals to our partners. Based on Agency internal management information

In 2009/10 we:

- introduced a single point of contact for local partner organisations, so local customer service issues could be resolved more effectively. In addition, they are now told about national developments from our regional liai contacts; and
- set up a dedicated Departmental advisors site on D (see link below) making it easier to provide feedbac or make a complaint;

www.dwp.gov.uk/pdcs-advisory-forum

- set up a Partnerships and External Relations Board with senior representatives from across the Agency, the Department and external stakeholders. Their objective is to oversee the implementation of the Partnerships and External Relations strategy;
- led a cross Government working group to improve the job outcome opportunities for young people in receipt of Disability Living Allowance. This led to 44 practical improvements in processes, communications and staff training which will be implemented during the summer of 2010;
- simplified various claims processes to meet our commitment to ensuring our customers received the support they are entitled to; and
- rolled out a targeted regional Pension Credit marketing campaign, using local/regional organisations, e.g. Mecca Bingo, Women's Royal Voluntary Service and other voluntary sector groups.

The Pension, Disability and Carers Service Advisory Forum is made up of 21 national voluntary and community organisations who represent a broad range of our customers, including older customers, disabled customers of all ages and their carer's.

The forum looks at how modernisation plans will affect older people, disabled people of all ages and carer's.

It provides advice and guidance on this to the Pension, Disability and Carers Service and to the Department.

Our performance

Our Targets

Attendance Allowance

We paid £5.1 billion in payments to 1.6 million customers.

Clear new claims to Attendance Allowance in 16 days.	**14.3 days**
To achieve an accuracy rate of 94 per cent on decisions for Attendance Allowance.	**94.5%**

Attendance Allowance is a tax-free benefit paid to customers, aged 65 or over, who need help with their personal care because of an illness or disability.

Carer's Allowance

We paid £1.5 billion in payments to 0.5 million customers.

To clear new claims to Carer's Allowance within an average of 13.5 days.	**12.8 days**
To achieve a financial accuracy rate of 98 per cent for Carer's Allowance.	**99.7%**

Carer's Allowance is a benefit paid to people aged 16 or over who spend at least 35 hours per week caring for a severely disabled person.

Disability Living Allowance

We paid £11.5 billion in payments to 3.1 million customers.

To clear new claims for Disability Living Allowance within an average of 38 days.	**33.8 days**
To achieve an accuracy rate of 94 per cent for Disability Living Allowance.	**92.6%**

Disability Living Allowance is a benefit paid to customers under age 65 who need help with personal care, getting around or both because of an illness or disability. Disability Living Allowance is made up of two components: care component and mobility component.

Pension Credit

We paid £8.2 billion in payments to over 2.7 million customers.

To clear new applications for Pension Credit within an average of 15 days (measured from date all evidence is received).[1]	**14.3 days**
To deliver at least 255,000 successful new Pension Credit applications.[2]	**257,867**
To achieve an accuracy rate of 94 per cent on new claims and change of circumstances to Pension Credit.[3]	**91.4%**
To reduce the proportion of benefit overpaid due to fraud and error in Pension Credit to 4.5 per cent by March 2011.[4]	**4.4%**

Pension Credit is a tax-free payment for those aged 60 or over who live in Great Britain and is still very much seen as the key benefit for tackling pensioner poverty. In our commitment to ensuring all pensioners receive the support they are entitled to we have simplified the claim process. In addition, our customer advisors in pension centres generate new claims by targeting our activity at those eligible customers most likely to respond.

State Pension

During 2009/10, an estimated 12.4 million customers received the basic State Pension and in total £53.7 billion in State Pension was paid.

To clear 95 per cent of new claims for State Pension within 60 days.[5]	**98.3%**
To achieve an accuracy rate of 98 per cent on new claims and changes of circumstances to State Pension.[6]	**98.0%**

The total number of customers receiving State Pension while living overseas was over 1 million.

[1]This figure has not been independently validated.
[2]Based on internal Agency management information it is likely that we will achieve our public target on new Pension Credit applications. The actual achievement of this target is however still subject to validation (publication in the National Statistics in November 2010).
[3]Accuracy figures are still subject to validation.
[4]The latest figure available as at September 2009. Since April 2010 the target was amended to 3.9 per cent by March 2011.
[5]This figure has not been independently validated.
[6]Accuracy figures are still subject to validation.

Telephony

During 2009/10, we answered over 17 million telephone calls from customers.

To have at least 93 per cent of calls answered by an advisor.	**93.8%**
To have less than 1 per cent of calls receiving an engaged/busy tone.	**0.3%**

Other benefits and entitlements

Christmas Bonus

Is a tax free payment made to eligible customers before Christmas.

We paid £153.7m in payments to 15 million customers during January to March 2010.

Pension Forecasting

Pension Forecasts issued.	**4.1 million**

Pension Forecasts improve working age individuals' awareness of their retirement provision.

Pension Tracing

Successful Pension Traces.	**73,361**

Pension Tracing helps an individual trace a pension even if they are not sure of the previous employer and their pension scheme contact details.

State Pension Deferral
Customers are able to defer taking up their State Pension entitlement when reaching State Pension age. Figures since implementation show that around £1 billion has been paid on lump sum payments with the average payment being **£7,500**. As of March 2009 approximately 300,000 pensioners over State Pension age have an unclaimed entitlement.

State Second Pension
Around **19 million** people are building up enhanced State Pension entitlement in the form of State Second Pension – including around **4 million** people who are carer's or sick/disabled. A further 4 million people are accruing second tier rights through an 'Appropriate Personal Pension' or an occupational pension.

Winter Fuel Payments
Made to eligible customers each year to provide help with fuel bills.

We delivered automatic Winter Fuel Payments to over **99 per cent** of eligible customers. As a result over **12.6 million** customers received their payment before Christmas 2009.

We paid in total over £2.7 billion in Winter Fuel Payments to over 12.6 million customers.

Getting payments right

We said we would focus on paying the right amount of benefit at the right time.

Our aim is to pay the right benefit to the right customer at the right time. We are committed to increasing accuracy in all our benefits, entitlements and associated services. We aim to reduce the proportion of incorrect payments to our customers, both overpayments and underpayments as a result of error by our staff or customers, or from fraud.

Representatives from our Agency attended the Royal Welsh Show and the National Eisteddfod, giving advice and information to the public on a wide range of services and benefits. The team were kept very busy dealing with benefit enquiries and requests for pension forecasts proved to be very popular, with 167 requests being processed at the Eisteddfod alone.

Comments to the team included, 'I've been meaning to find out about my pension for a while, I'm glad I came' and 'I'd never heard of some of these benefits, it was really worthwhile attending your stand.' During the Eisteddfod week, two experienced members of the Welsh Pension Forecasting Team were on hand to deal with Pensions Reform enquiries.

These wrongly paid amounts are termed the Monetary Value of Fraud and Error.

In 2009/10 we worked on three areas:

Prevention: preventing fraud and error from entering our system at the point of payment.

During 2009/10 we:

- developed improved guidance for our staff;
- targeted cases with a greater propensity for incorrectness/error;
- simplified processes and reduced complexity; and
- introduced new disability codes for our Decision Makers to prevent inaccurate entries being input to our computer system.

Compliance: reminding our staff of their responsibilities regarding accuracy.

During 2009/10 we:

- improved accuracy checking processes; and
- introduced a series of IT design improvements to support accuracy of payments.

Correction: identifying and correcting fraud and error already in the existing payments.

During 2009/10 we:

- used cross-system data matching techniques to identify potential error cases; and
- delivered bespoke training for Pension Credit and State Pension focusing on our top error types.

The full audited estimates of Monetary Value of Fraud and Error are published in the Department's resource accounts. Estimates are also published annually, the latest available being Fraud and Error in the Benefit System: October 2008 to September 2009.

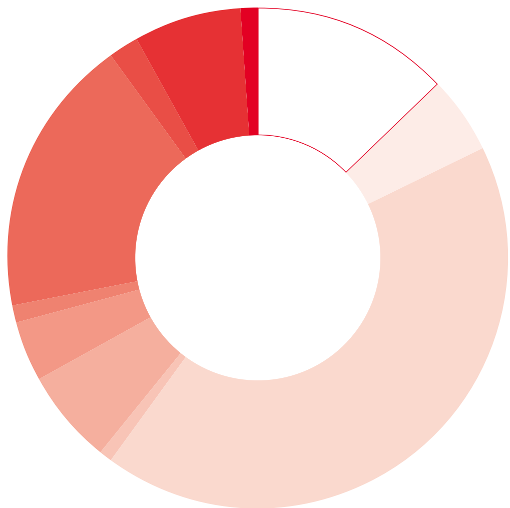
How much we spent

These accounts report on the £960.2 million operating and investment costs incurred by the Agency in 2009/10 to deliver benefits, entitlements and information accurately to our customers.

The cost of the benefits and entitlement payments we made, totalling £96.3 billion are not formally included in these accounts, but under the Department's consolidated resource account due to be published by the end of 2010.

The representative proportion of the £960 million operating and investment costs has been illustrated in the chart below.

The cost to deliver our services



- IT re-charges **(13%)**
- IT Services **(5%)**
- Staff: **(42%)**
- Staff related travel and subsistence: **(1%)**
- Depreciation charges **(6%)**
- Accommodation: **(4%)**
- Compensation payments to customers: **(1%)**
- Corporate re-charges: **(18%)**
- Rentals under operating leases: **(2%)**
- Goods and services: **(7%)**
- Other non-cash charges **(1%)**

PDCS Administration Costs are for the period from 1 April 2009 to 31 March 2010

Our leadership team

Swansea Pension Centre raised a sum of £926.05 for the Haiti appeal.

Staff at Dundee Pension Centre had a dress down day and quickly collected £567.70 for the Haiti disaster appeal.

Motherwell Pension Centre raised the sum of £1,000 for Haiti (part of a grand total of £8,042.13 raised by the centre for various good causes during 2009).

Dianne Greer and her folk in Blackpool decided to fill shoeboxes with Christmas gifts for soldiers in Afghanistan. Staff donated the contents and 281 boxes made it to the frontline (see page 50).

The Pension, Disability and Carers Service Board consists of:

- **Sir John de Trafford Bt. MBE** – Non-Executive Chair
- **Kay Allen** – Non-Executive Director (from Jan 10)
- **Neil Couling** – Benefit Strategy Director
- **Jason Feeney** – Executive Member
- **Charlie Massey** – Director for Pensions Client Group
- **Stuart McKinnon-Evans** – Executive Member
- **Terry Moran CB** – Executive Member
- **Kate Nash OBE** – Non-Executive Director
- **Nigel Richardson** – Executive Member
- **Willy Roe CBE** – Non-Executive Director
- **Sarah Scullion** – Executive Member
- **Jane Tozer OBE** – Non-Executive Director (until Jan 10)
- **Alan Woods** – Director for State Pension and State Pensions Reform, Pensions Client Group (until 1 July 2009)
- **Dr Brian Woods-Scawen CBE** – Non-Executive Director (from Dec 09)

The non-executive directors, who are independently appointed to the Board, provide objectivity coupled with knowledge and experience gained from senior roles in a wide range of public and private sector organisations.

The Executive Management Team consists of:

- **Terry Moran CB** – Chief Executive
- **John Delamore** – Information Technology Director
- **Jason Feeney** – Strategy Director
- **Vivien Hopkins OBE** – Chief Operating Officer
- **Peter Lowe** – Change and Transformation Director
- **Stuart McKinnon-Evans** – Finance Director
- **Nigel Richardson** – Customer and Partnerships Director
- **Sarah Scullion** – Human Resources Director

The Audit Committee consists of:

- **Dr Brian Woods-Scawen CBE** – Non-Executive Chair (from Dec 09)
- **Jane Tozer OBE** – Non-Executive Chair (until Jan 10)
- **Kay Allen** – Non-Executive Director
- **Paul Greening** – Head of Finance, Planning and Performance
- **George McCorkell** – Non-Executive Director
- **Kate Nash OBE** – Non-Executive Director

The committee provides independent assurance to the Chief Executive, the Agency Board and the Department's Audit Committee on the appropriateness, adequacy and overall value for money of the Agency's governance, risk management, control and associated assurance arrangements.

Members of the Executive Management Team, Risk Assurance Directorate, National Audit Office and our client directorates also attend.

Our client directorates

The Department's client directorates provide a stewardship function to ensure that performance challenges are being met in the most efficient and economic way possible.

Our client directorates comprise:

- Welfare and Wellbeing Group;
- Employment Group; and
- Strategy, Information and Pensions.

Effective management

Blackpool
Sandra Baird and Cathy Tripyear, both from Blackpool, sang their hearts out at the Royal Albert Hall in aid of Cancer Research.

Both are members of a local choir that joined forces with 1,600 other mixed voices and raised £100,000 for their charity.

Sandra said, "The highlight of the evening was probably singing 'Land of Hope and Glory' complete with waving flags!"

We operated governance arrangements designed for effective management and control. To provide clear accountability and help ensure public funds are safeguarded.

During 2009/10 we:

- complied with all relevant laws, regulations, policies and accepted recommendations of external scrutiny;
- ensured individuals were accountable for their responsibilities;
- maintained a high quality in our internal and external reporting; and
- responded appropriately to significant risks to our operational objectives.

The Department's Risk Assurance Division reports independently to the Audit Committee, providing opinions on the adequacy of our governance and risk management. To date the majority of audit work has focused on customer service and operational risks, in line with the risk profile of the Agency. Risk Assurance Division provides an overall assessment of our performance risk and control framework in-year.

For 2009/10 the overall assessment remains at a 'Reasonable' level of assurance.

Security of customer data

We aim to keep our customer data secure and what customers say to us confidential. The Data Protection Act and Social Security legislation places specific requirements on the handling and use of personal and other official information. Details of protected personal data related incidents can be found in the Management commentary on page 38.

Feedback

We welcome feedback on this document. Please send any comments to:

Strategic Reporting Team
Pension, Disability and Carers Service
Room 2E22
Quarry House
Leeds
LS2 7UA

Email: pdcs.annualreport@dwp.gsi.gov.uk

The Pension Service Website
In September 2009 The Pension Service website closed its online doors for the last time, as Directgov became the one-stop shop for Pension, Disability and Carers Service customers. We know that our customers like to access our services online as it is more convenient for them. If increasing numbers of customers choose to deal with us online rather than over the phone, it will give the Agency more time and resources to process claims and provide help to customers who need to contact us in other ways.

Management commentary

a. Statutory background

The Agency presents its accounts for the financial year ended 31 March 2010. The accounts have been prepared in accordance with the direction given by Her Majesty's Treasury in pursuance of section 7 of the Government Resources and Accounts Act 2000.

The Pension, Disability and Carers Service was established as an executive agency of the Department for Work and Pensions on 1 April 2008.

b. Funding sources

The Pension, Disability and Carers Service is a supply-financed executive agency of the Department for Work and Pensions and, as such, remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Agency's operations, along with the rest of the Department, will be accounted for within the Statement of Parliamentary Supply in the Department's Resource Account.

The Agency's work programme and expenditure plans for the year to 31 March 2010 were set out in the Pension, Disability and Carers Service Business Plan 2009/10.

The National Insurance Fund is the responsibility of Her Majesty's Revenue and Customs. However the contributory benefits funded from the National Insurance Fund are administered by the Department on behalf of Her Majesty's Revenue and Customs. The Agency incurs costs associated with the administration of these benefits. The Agency receives income from the National Insurance Fund to recover these costs and these recoveries are recorded in the General Fund as Financing from the National Insurance Fund (see Statement of Cash Flows).

c. Scope of the Pension, Disability and Carers Service accounts

These accounts relate solely to the Agency's administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform to the accruals concept and give a true and fair view of the Agency's affairs. The Agency was responsible for payment of State Pension, State Second Pension, Over 80 Pension, Pension Credit, Winter Fuel Payments, Additional State Pension, State Earnings-Related Pension, Christmas Bonus Payments, Disability Living Allowance, Attendance Allowance, Carer's Allowance and Vaccine Damage benefits which, for the year ended 31 March 2010, amounted to £96.3 billion (2008/09 £89.9 billion). This amount is provisional and the final audited expenditure for the year will be disclosed in the Departmental Resource Accounts which are expected to be published in August 2010.

As part of the Department for Work and Pensions (the Department), the Agency has to manage its business and meet its objectives within the resource constraints set by the Department. It also contributes to an administration cost and net cash requirement limit with other parts of the Department.

Parliament's primary control over the Agency's expenditure is therefore achieved through the approval of the resource estimates provision, the associated Departmental cash limit and the laying of the Agency accounts. The Agency is also subject to administrative control exercised by Her Majesty's Treasury.

The Spending Review in 2007 set the basis for the funding available for the Agency in 2009/10.

d. International Financial Reporting Standards

International Financial Reporting Standards (IFRS) have been introduced across Central Government in the 2009/10 financial year. The 2008/09 accounts and 01 April 2008 Statement of Financial Position have been restated in line with first time adoption requirements.

e. Results for the year

The Operating Cost Statement within the accounts shows the net operating cost of the Agency.

The net operating cost amounted to £960.2 million (2008/09 £972.7 million restated). Capital expenditure for the year, full details of which are given in Notes to the Accounts 8 and 9, amounted to £5.1 million (2008/09 £21.6 million restated).

The net operating cost has been calculated after including a number of notional costs which are not currently charged to the Agency but which are borne centrally by the Exchequer, as set out in Note 5.

f. Employment of disabled persons

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Agency.

g. Sickness absence data

Sickness absence data for 2009/10 is provided below, shown as full time equivalent (FTE) days. This shows the number of paid working days lost for the Agency and an average working days lost figure (AWDL) by staff for the year.

	Working days lost (FTE)	AWDL by staff for the year
The Pension, Disability and Carers Service	126,292	8.6

The Agency has reduced sickness absence by an average of 0.5 days during 2009/10. Average sickness absence in the Agency has now fallen for eight successive quarters, despite the effects of the swine flu pandemic, which added 0.5 days to the total for the year.

Musculoskeletal and mental health issues were the largest causes of sickness absence, whereas the most common occurrences of absence were coughs/colds and stomach disorders. Long term absences (28 calendar days and longer) accounted for 43 per cent of all working days lost and short-term absences 57 per cent.

Over the past 12 months the Agency has focused on reducing long term sickness absence through actions including active case management and case conferences with Occupational Health Practitioners. The Agency has focused on ensuring that managers have the necessary information and skills to help them support staff who are sick by providing a range of upskilling events and by hosting a series of Occupational Health broadcasts on health conditions that managers find challenging. In addition good practice is shared through the Managing Attendance Steering Group, which consists of representatives from all businesses in the Agency.

The Agency is committed to the continuous improvement of health and well-being for everyone by actively promoting a healthy environment and culture across the whole Agency. In 2009/10 this included rolling out the Department's live well work well initiative to staff in all business units, in conjunction with our partner organisation, Right Corecare.

h. Protected personal data incidents

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2009/10

Statement on information risk	During 2009/2010 the Agency continued to focus heavily on protecting the security of the information that we hold. We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations. The Agency's appetite for information security risk remains very low. Despite steady progress through the year in improving security (as measured through our monthly Security Index), isolated incidents, some outstanding non-compliance with clear desk policy and continued unintended disclosure of information are causes for concern. Overall, good progress has continued to be made. This nevertheless remains an issue for continued and relentless focus.			
Date of incident (month)	**Nature of incident**	**Nature of data involved**	**Number of people potentially affected**	**Notification steps**
April 2009	Loss of paper documents from outside secured Government premises	Names, dates of birth, National Insurance numbers, bank account details	145	Individuals notified by post
Further action on information risk	The Pension, Disability and Carers Service will continue to monitor and assess its information risks, in the light of the events noted above, in order to identify and address any weaknesses and ensure continuous improvement of its systems.			

Table 2: Summary of Other Protected Personal Data Related Incidents in 2009/10		
Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	**Nature of incident**	**Total**
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	0

i. Commitment to equality and diversity

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

j. Employee involvement and engagement

The Agency respects its staff as people and values their contribution. There is a strong internal communications network in place. Staff are encouraged to share information and contribute news, views and feedback. Regular news and information is provided to staff through the Agency and Departmental communication sites held on the Department's intranet as well as through regular bulletins and messages cascaded through team meetings.

Staff have access to welfare services which support staff and managers and promote well-being in the workplace.

Staff also have access to trade union membership. The Agency has procedures for consulting its trade unions and supports staff representation in the workforce by trade union representatives.

The Agency is committed to ensuring that staff at all levels can contribute towards decisions affecting its day to day business.

k. Pension liabilities

The employees of the Agency are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The Principal Civil Service Pension Scheme (PCSPS) is the main pension scheme for all Civil Servants including the Agency's employees. It is a defined benefit scheme, with benefit expenditure borne on the Civil Superannuation Vote.

Details of the Pension Scheme are disclosed in Note 4a and the Remuneration Report, paragraph h.

l. Payments to suppliers

The Agency is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the supplier's contract. If there is no contractual provision or other understanding, they should be paid within 10 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during the twelve month period of this account, conducted to measure how promptly the Agency pays its bills, found that 97 per cent of bills (2008/09 97 per cent within 30 days) were paid within this standard.

m. External auditors

The accounts have been audited by the Comptroller and Auditor General whose certificate and report appears on pages 62 to 64.

n. Board of management

Members of the Pension, Disability and Carers Service Board during the year were:

- **Sir John de Trafford Bt. MBE** – Non-Executive Chair
- **Kay Allen** – Non-Executive Director (from 04 January 2010)
- **Neil Couling** – Benefit Strategy Director (from 01 October 2009)
- **Jason Feeney** – Strategy Director
- **Charlie Massey** – Director for Pensions Client Group (from 29 July 2009)
- **Stuart McKinnon-Evans** – Finance Director
- **Terry Moran CB** – Chief Executive
- **Kate Nash OBE** – Non-Executive Director
- **Nigel Richardson** – Customer and Partnerships Director

- **Willy Roe CBE** – Non-Executive Director
- **Sarah Scullion** – Human Resources Director
- **Jane Tozer OBE** – Non-Executive Director (until 27 January 2010)
- **Alan Woods** – Director for State Pension and State Pensions Reform, Pensions Client Group (until 1 July 2009)
- **Dr Brian Woods-Scawen CBE** – Non-Executive Director (from 10 December 2009)

o. Details of company directorships and other significant interests held by board members

A register of Directors' business interests is held by the Finance Directorate at the following address:

Statutory Accounting Team
Resources and Performance Directorate
Pension, Disability and Carers Service
Room 405
Norcross
Thornton-Cleveleys
FY5 3TA

p. Provision of information to auditors

There is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed

Terry Moran CB
Chief Executive
13 July 2010

Remuneration report

a. Remuneration policy

The remuneration of the Agency's Board Members who were Senior Civil Servants is determined by the Department's Senior Civil Service Pay Committee chaired by the Department's Permanent Secretary and also comprising the Department's Human Resources Director, the Chief Executive of the Agency and a Non-Executive Director of the Department. The committee follows independent advice from the Review Body on Senior Salaries.

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

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

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

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

b. Service contracts

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

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

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

c. Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Pension, Disability and Carers Service board members.

d. Remuneration (audited)

Officials	2009/10			2008/09		
	Salary £'000	Taxable Expenses (to nearest £100)	Benefits in Kind (to nearest £100)	Salary £'000	Taxable Expenses (to nearest £100)	Benefits in Kind (to nearest £100) Restated
Terry Moran CB Chief Executive	145–150	35,200 [1]	–	140–145	28,400 [1]	–
Vivien Hopkins OBE Chief Operating Officer	115–120		2,000	110–115		2,000*
Jason Feeney Strategy Director	100–105		–	100–105		–
Stuart McKinnon-Evans Finance Director	110–115		–	105–110		–
Sarah Scullion Human Resources Director	130–135		3,000	120–125		1,800
Nigel Richardson Customer and Partnerships Director	120–125			115–120		–
Peter Lowe Change and Transformation Director	140–145		–	115–120 [2]		–
John Delamore [4] Information Technology Director	85–90		–	30–35 [3]		–
Charlie Massey [5] Director for Pensions Client Group (from 29 July 2009)	–		–	–		–
Neil Couling [5] Benefit Strategy Director (from 1 October 2009)	–		–	–		–
Alan Woods [5] Director for State Pension and State Pensions Reform, Pensions Client Group (until 1 July 2009)	–		–	–		–

1 Taxable travel and subsistence expenses include £21.1k (2008/09 £17k) for dual based employees where expenses are reimbursed for required work in a second location, in this instance London, and £14.1k (2008/09 £11.4k) of tax on these expenses.
2 Figure quoted for 2008/09 is for the period from 09 June 2008 to 31 March 2009. The full year equivalent was £140–145k.
3 Figure quoted for 2008/09 is for the period from 03 November 2008 to 31 March 2009. The full year equivalent was £85–90k.
4 The Department for Work and Pensions Corporate IT employs John Delamore and meets his salary costs, which are then re-charged as part of the intra Departmental charges, as he works full-time for the Agency.
5 The Department for Work and Pensions Corporate Centre employs Charlie Massey, Neil Couling and Alan Woods and meets their salary costs. They do not work full-time for the Agency and it is not possible to directly attribute their time to the Agency, therefore the Agency does not reflect any element of the cost of their salaries in this remuneration report.
*This figure has been restated to include benefits in kind which were omitted from the prior year accounts.

e. Salary

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

Within the Department, directors' bonuses are paid in July following the financial year to which they relate and are in respect of the performance during their period of service as a director during the preceding financial year, i.e. bonuses included in July 2009 salaries (2009/10) relate to the period served during 2008/09.

f. Benefits in kind

The estimated monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument. The reported benefits in kind relate to the private use of allocated cars provided under the Department's Private User Scheme.

g. Pension benefits (audited)

Officials	Real Increase in Pension at Pension Age £'000	Real Increase in Lump Sum at Pension Age £'000	Accrued Pension as at Pension Age at 31 March 2010 £'000	Accrued Lump Sum as at Pension Age at 31 March 2010 £'000	CETV at 31 March 2010 £'000	CETV at 31 March 2009 Restated £'000	Real Increase in CETV as Funded by the Employer £'000
Terry Moran CB Chief Executive	2.5–5	10–15	55–60	165–170	976	856	63
Vivien Hopkins OBE Chief Operating Officer	0–2.5	0–5	50–55	155–160	1,180	1,083*	36
Jason Feeney Strategy Director	2.5–5	5–10	30–35	95–100	547	477	41
Stuart McKinnon-Evans Finance Director	2.5–5	0–5	15–20	10–15	259	203	28
Sarah Scullion Human Resources Director	2.5–5	–	10–15	–	158	104	30
Nigel Richardson Customer and Partnerships Director	0–2.5	–	5–10	–	167	124	33
Peter Lowe Change and Transformation Director	2.5–5	–	20–25	–	380	294	52
John Delamore Information Technology Director	0–2.5	5–10	35–40	110–115	871	780	49

*This figure differs from the closing figure in last year's accounts due to retrospective changes to pensionable pay which have impacted on the pension benefit calculations.

h. Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007 civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus) or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). New entrants after 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of pensionable salary 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 calculated broadly in the same way as in Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is up-rated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum 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 3.0 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 scheme 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 3.0 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.gov.uk**

i. Cash Equivalent Transfer Value

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.

j. Real increase in Cash Equivalent Transfer Value

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.

k. Non-Executive Directors (audited)

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

	2009/10 Total Fees and Expenses £'000	2008/09 Total Fees and Expenses £'000
Kay Allen (from 04 January 2010)	4	–
George McCorkell	34	34
Kate Nash OBE	13	11
Willy Roe CBE	17	10
Jane Tozer OBE (until 27 January 2010)	28	34
Sir John de Trafford Bt. MBE	23	23
Dr Brian Woods-Scawen CBE (from 10 December 2009)	5	–

Signed

Terry Moran CB
Chief Executive
13 July 2010


2ND BATTALION
THE
E OF LANCASTER'S
REGIMENT
LIONS OF ENGLAND

Accounts

Statement of the Pension, Disability and Carers Service and Chief Executive's responsibilities

Under the Government Resources and Accounts Act 2000, Her Majesty's Treasury has directed the Agency to prepare, for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agency during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency, of its income and expenditure, statement of changes in taxpayers' equity and cash flows for the financial year.

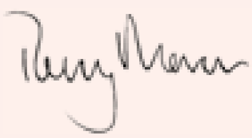
In preparing the accounts, the Principal Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Her Majesty's Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Principal Accounting Officer of the Department for Work and Pensions has appointed me as the Accounting Officer for the Agency.

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

Signed



Terry Moran CB
Chief Executive
13 July 2010

The Pension, Disability and Carers Service Statement on Internal Control 1 April 2009/ 31 March 2010

Scope of responsibility

1. The Pension, Disability and Carers Service (PDCS) is an executive agency of the Department for Work and Pensions (DWP). It administers benefits, entitlements and other allowances to pensioners, disabled adults and children, and their carers. It aims to do so in the most customer-centred and efficient way possible. I am accountable to the Department's Permanent Secretary for the secure and efficient delivery of £96.3 billion to 16 million customers.

2. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department's and Agency's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally accountable, in accordance with the responsibilities assigned to me in Managing Public Money.

3. I am accountable for the delivery of the Agency's objectives, to the standards defined in operational targets. I deliver these objectives within a framework of policies developed with Ministers, the Permanent Secretary, the Welfare and Wellbeing Client Group and Pensions Client Group as outlined in the Department's Public Service Agreement. I am responsible for developing strategies and plans to deliver the objectives using the resources allocated to the Agency.

4. The work of the Agency relies on sharing data and developing policy and practice with other Government Departments and other organisations.

5. In addition to the delivery of day to day service to customers, I am also accountable for investment activity. The Agency's investment portfolio consists of fifty change initiatives. The 4 major programmes/projects are: Pensions Reform – implementation of legislative change; Local Service – transform into a modernised Departmental wide service; Pension Transformation Programme – to deliver our pension improvement aims, and Disability and Carers Benefits Change Programme – to deliver increased service and efficiencies. The Cross Government Programme "Tell Us Once" is also within my overall accountabilities. I am the Senior Responsible Officer for 4 of the 5 major programmes. My Chief Operating Officer is the Senior Responsible Officer for the Local Service Transformation Programme.

6. As Departmental Business Continuity Director I am responsible for ensuring that our continuity planning strategies are robust and fully tested, and enable us to respond effectively to minimise disruption and continue to deliver key services to our customers, whatever the circumstances. I also have lead responsibility within the Department as Head of Profession for Operational Delivery. In practice this means driving improvements in our services by increasing professionalism, understanding more about operational delivery, enhancing leadership and management and ensuring that our people are equipped with the right skills to deliver the services our customers expect.

7. The Agency is working collaboratively with the Department's centrally managed Change Programme on 5 projects/strands; Transforming Customer Contact, Customer Transitions, Lean, Self Service and Information Management. All of the senior stakeholders are supported by a virtual team and my Strategy Director is Senior Responsible Owner for Customer Transitions. With the Chief Executive for Jobcentre Plus I jointly Chair the Departmental Change Programme Implementation Steering Group ensuring that the individual projects impacting PDCS deliver tangible operational improvements and deliver the customer service improvements and efficiencies agreed.

8. During the year I have worked with colleagues within the Departmental stewardship function in Strategy, Information and Pensions to review our Memorandum of Understanding and the principles governing how we conduct our relationship. This Memorandum of Understanding sets out how PDCS and the PDCS stewardship function, along with the Departmental corporate centre, aim to work together in their respective roles to provide a service which understands and meets the needs of both today's and future pensioners, disabled adults (including children) and their carer's.

The purpose of the system of internal control

9. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

10. I manage and provide leadership of the Agency's risks with my Executive Management Team (EMT), with support from the dedicated PDCS Risk Team.

11. In line with Departmental principles all managers have a responsibility to establish a culture which promotes consideration of risk as part of decision making processes and openness in reporting and escalating risk matters. My EMT is accountable for the identification, assessment and control of risks arising from the activities for which they have responsibility. This includes accountability for establishment of the risk appetite related to these activities.

12. Every member of staff is responsible for understanding and managing the risks they take on behalf of the Department and for ensuring that they act within the authority and accountability delegated to them, including undertaking any policy, procedural and control requirements.

13. Where business activities are outsourced to a third party (or 'in-sourced' to a shared service) the management of the commissioning business remains accountable for ensuring that attendant business risks are effectively managed by the supplier of the service.

14. My EMT considers the strategic risks to delivering the Agency's objectives and records them in the Strategic Risk Register. Executives have clear accountability to ensure that systems are in place to manage risk within their Directorates and are required to provide assurance as to the effectiveness of these risk management processes through the annual Letter of Assurance (LOA) process.

15. The Agency adopts the Departmental Risk Management Policy and strategy as its own and adheres to the standards and common language of risk in line with the Departmental Executive Team directive to support a common methodology. During the year the Agency has worked closely with Departmental risk experts to improve the quality, governance and accountability of risk management. During the coming year we will continue this collaboration to ensure that the Agency targets the right risks in the right way.

16. With my EMT, Board and Audit Committee I ensure that risk management is clearly linked to the success of our objectives and is built into our planning, management and reporting systems. Through a process of independent challenge by internal audit and the non-executive members of the Audit Committee and Board I ensure that risk management is routinely appraised. Internal audit's work programme is aligned with the strategic risks. Their quarterly reports to the Audit Committee and regular engagement with Executives help inform their future work programme, capturing key concerns on the control environment.

17. The PDCS Balanced Scorecard is the Agency's vehicle for managing the achievement of its strategic and business objectives. It is reported monthly, and a full review of the Agency's performance takes place every quarter. Investment activity is governed using the Department's overarching framework for the management of Departmental investments with recognised arrangements and risk-based reporting features regularly.

18. My EMT ensures that all people involved in the management of risks are suitably trained and have the appropriate risk management knowledge. The Agency's Change Programme has a dedicated team of trained risk practitioners. Areas of concern or threat are presented to staff on a regular basis through key messages on the Intranet, Senior Management Conferences and Leadership Events, minutes from senior management meetings and other internal communication tools.

19. Risks are formally discussed and reviewed by my EMT on a monthly basis, including the prioritisation of the top five Agency risks. The strategic risk register and mitigating activity are reviewed, challenged and revised as necessary, at each Audit Committee and Board meeting to direct any additional activity needed to manage the risks effectively.

20. The Agency's risk appetite is established via a combination of:

- The implementation of appropriate operating or management policies, standards and procedures.
- Review, discussion and treatment of identified and assessed risks.

21. Significant risks that impact on the Agency's key objectives, financial position or reputation will be reported to the Permanent Secretary and may be escalated to the Departmental risk register, Executive and Board. In year, the Agency has escalated the risk of a successful challenge to the exportability of disability & pension benefits to a Departmental level because of the impact such a decision could have on the delivery of service given the volume of cases likely to require action.

The risk and control framework

22. During the year the Agency reviewed the overarching governance framework to identify key controls against all major business processes and improve the frameworks that define and promote good governance. I have initiated work to strengthen accountabilities within the organisation and ensure that skilled and experienced people are responsible for key business processes and procedures. The risk management process is an integral part of this framework.

23. On behalf of my EMT, the PDCS Risk Team oversees the risk management process and Departmental methodology is applied to identify and assess risks, identifying the accountable owners at Executive level. Directors are responsible for refreshing their risk assessment and mitigating action on a continuous basis appropriate to the risk in hand.

24. Risks are identified at all levels of the business and are managed at the most appropriate level. Any risk that cannot be effectively managed within the business is escalated to my EMT. Risks that cannot be adequately managed by the Agency are elevated to the Departmental Executive Team.

25. My Work Performance Impacting Team and Portfolio Management Team facilitate the risk management process by providing a business impact assurance for all operational areas of the Agency, on all new products and services at each stage of development, ensuring that the final products fit with service delivery objectives. They assess and predict the Agency's operational capability to successfully deliver change whilst meeting the performance agenda; assess and

report the risks facing successful delivery of our objectives; and use business intelligence to provide comprehensive and honest analysis that will allow senior managers to make informed decisions. In this way, we better manage the risk of implementing changes while maintaining normal business.

26. My Governance Manager has worked collaboratively on the Statement on Internal Control with the other parts of the Department who provide services on behalf of the Agency to ensure that they have taken appropriate action and have effective controls in place to manage the risks associated with the provision of those services.

27. The Information Security Committee has been chaired throughout the year by the Department's Strategy, Information and Pensions Director General, in his capacity as the Senior Information Risk Owner. The Committee sets policy and oversees the major information security issues facing the Department. Comprehensive Information System Security Standards are in place and new information systems are subject to security accreditation in accordance with Cabinet Office Standards.

28. During this reporting period considerable progress has been made in addressing Cabinet Office Requirements within the Agency which has resulted in improvements in important aspects of information risk management. Key information security roles have been embedded within the Agency and there has been significant progress raising awareness, improving control over data transfers and implementing enhanced governance structures. The Information Asset Owner is now supported by an Information Asset Co-Coordinator and team, who are the expert domain on information security within the business. Information risks are highlighted, considered and reviewed throughout the process of introducing new working practices and systems. All new systems are also progressing through the security accreditation process. Information security concerns, relating to the lack of an audit trail on one of the Agency's key systems, are being addressed this year through two system releases.

Review of effectiveness

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

30. The role of the Board is to advise, challenge and support me in my role as Chief Executive. This function has been reviewed during the year to ensure that the Board continue to maximise their knowledge and expertise, adding value to the development of the Agency's strategies and plans to meet Departmental and Ministerial objectives and Public Service Agreement targets.

31. The Audit Committee works with my EMT and the Department's Risk and Assurance Division to focus on those areas of the business at greatest risk. The Audit Committee receives regular updates on actions to address previously identified weaknesses within the PDCS system of internal control. This allows them to assess the effectiveness of mitigating actions and, where appropriate, request further work to be undertaken to strengthen the control environment.

32. Risk and Assurance Division undertakes a risk-based work programme, taking into account the business requirements in collaboration with PDCS senior management, and provides a quarterly assurance report to the Audit Committee. Each Board meeting focuses on one of the Agency's most significant risks so that members can reassess the controls and mitigations in place.

33. Risk and Assurance Division provides an overall assessment of the PDCS performance risk and control framework in-year. For 2009/2010 the overall assessment remains at Reasonable Assurance which I believe to be a strong achievement given the scale of change we have undertaken throughout the year. Despite the significant progress made in tackling some important aspects of information risk management, Risk and Assurance Division continue to assess controls over Information Management and Security as an area of Limited Assurance.

34. We made good progress in meeting 11 out of 13 performance targets, subject to validation. We have achieved in the region of a 91/92% customer satisfaction rate and we have significantly reduced levels of work available by tackling the oldest cases. We have made a significant improvement in overpayment referrals rates, achieved our lowest ever value of Fraud and Error in Pension Credit overpayments from 5.3% in March 2007 to 4.4%, successfully implemented Pensions Reform, delivered one million new benefit awards to our customers, reduced average sickness absence levels and continued to improve and simplify our services.

Significant control challenges

35. The significant control challenges identified in last year's Statement on Internal Control have been actively managed, monitored and reviewed as part of the Agency's internal control framework. My Audit Committee have reviewed activity and progress against each of these challenges throughout the year.

36. **Debt:** The levels of debt referred to the Central Debt Management Operation have a direct impact upon the Departmental Resource Account, and incomplete referrals represented a challenge for the Agency at the beginning of the financial year. Evidence has suggested that there is a considerable amount of debt that is never referred for overpayment action and a recent Risk and Assurance Division review indicated that there is more we need to do to improve the completeness of identification and referral of debt.

37. We have introduced volume indicators and targets for referral, continuing work to strengthen controls in this area and highlight the need for all overpayments to be identified and accounted for. New underpinning measures have also been developed and the indications are that our activity is having a positive impact on results. Improvements are also being driven by increasing management interventions and compliance checking of overpayment activity.

38. The Agency has not met the 95% referral target over the full financial year. However, measures have been put in place including retrospective checks of work available reports back to the beginning of this year and 100% compliance checks on new overpayments arising. As a result, the Agency has identified an additional 11,165 overpayments. We have strengthened the management focus supported by weekly performance data that is reported to all levels of management. The Agency has also introduced a reconciliation tool in pensions and with a sharper management focus has secured a much better performance in the last quarter of the year, achieving the 95% target in this period.

39. The Agency has also rolled out a referral tool to Carer's Allowance Unit and all pension centres. Together with the recent introduction of a reconciliation tool, this will provide better control of, and more robust information on, referrals.

40. **Fraud & Error:** Monetary loss through fraud and error in the Agency is a contributory factor to qualification of the Departmental Resource Account. The latest published estimates for the monetary losses for all reviewed PDCS benefits is £750m overpayments and £550m underpayments, representing 0.85% and 0.62% of total expenditure respectively.

41. Determined effort has been put into reducing the levels of fraud and error in the live case load and investment of additional resources in IT enhancements aims to reduce inaccuracy. In order to drive forward improvement activity we work with Departmental colleagues through a National Error Reduction team to introduce performance improvement initiatives. These include analysing and addressing causes of official error through enhanced information technology systems, improving the communication streams to raise the profile of error and reviewing the effectiveness of the current benefit checking regime.

42. We are reviewing our current processes, practices and initiatives to improve the accuracy of management mechanisms in operations and we have fully implemented an Improving Official Error Strategy to drive out inaccuracy. However, the Agency has not met its targets on the accuracy of payments for Pension Credit or decision-making for Disability Living Allowance this year. This was despite a sustained campaign to provide operating units with tailored information on the scale and the causes of error, and to take remedial and corrective action. Identifying and rectifying error in the caseload will take a sustained commitment and investment. As part of this programme of work we are currently reviewing customer entitlement through a series of corrective exercises and this may result in adjustments of a number of payments. Our current estimated total cost per annum to focus on case cleansing, prevention, compliance and correction of fraud and error is £4.6 million.

43. **Manual payments:** A weakness has been identified in the end-to-end process for making certain types of payment via the Department's Shared Services. I have agreed with the Finance Director General that a revised process will be introduced which will tighten control in this area.

44. **Information security:** During 2009/2010 the Agency continued to focus heavily on protecting the security of the information that we hold. We have implemented a range of information security improvements based on internal audit and Cabinet Office recommendations. The Agency's appetite for information security risk remains very low. Despite steady progress through the year in improving security (as measured through our monthly Security Index), isolated incidents, some outstanding non-compliance with clear desk policy, and continued unintended disclosure of information, are causes for concern. Overall good progress has continued to be made. This nevertheless remains an issue for continued and relentless focus.

45. **Audit Trail:** The issue raised in last year's Statement on Internal Control Letter of Assurance of an inadequate audit trail on the Disability Living Allowance and Attendance Allowance Computer System has not been resolved in 2009/2010, given other competing priorities. However, a system enhancement has been commissioned, functional and technical design has been completed and the first of a two phase implementation has delivered a partial audit trail in May. Subject to the necessary funds being made available plans are in place to ensure that a robust audit trail will be fully operational by October 2010. I therefore expect this significant control challenge will have been resolved and will no longer be reported in the Statement on Internal Control from the financial year beginning 1st April 2011. In the meantime, I have commissioned Risk and Assurance Division to undertake an urgent assessment of the risks facing the Agency should resource challenges prevent us from completing this work.

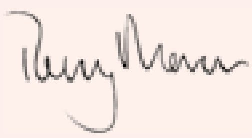
46. **RD23 notifications:** Within the 2008/09 Statement on Internal Control we reported there were discrepancies with the accurate recording of National Insurance Credits and the interfaces with the HM Revenue and Customs National Insurance Recording System (NIRS2 now re-named National Payment System or NPS). We reported issues following an earlier suspension of the automatic notifications from NPS to the Carer's Allowance Unit which are generated where National Insurance contributions from employment overlap with National Insurance credits from entitlement to Carer's Allowance. This issue has now been resolved and work to clear the remaining backlog of notifications is due to be completed by the end of 2010/2011.

47. **Accuracy of information:** Within Operations, Mystery Shopping, call listening and customer surveys are used to assess the accuracy of information given to customers. Analysis of the telephone interaction between customer advisors and customers ensures that customers receive full and accurate information. However, a Risk and Assurance Division review during the year highlighted that we need to do more to regularly review and risk assess the information in all our leaflets and that we provide over the telephone.

48. **Invalidity Addition:** Last year I highlighted an error in the calculation of the up-rated rate of State Pension for 2009/2010 whereby the planned reduction in the rate of Invalidity Addition for customers under State Pension age had been applied to State Pension. All underpayments were resolved in the first quarter of the year and all overpayment action and referral to Debt Management has been taken on appropriate cases.

49. **Duplicate payments:** Corrective action to identify duplicate payments of Disability Living Allowance and Attendance Allowance has continued throughout the year and preventative controls have been reviewed and strengthened. A work programme has been developed to identify potential gaps and IT functionality has been enhanced to improve the identification of new cases and automate the notification process. This should significantly reduce duplicate payment errors which emanate from difficulties receipting and acknowledging notifications.

Signed



Terry Moran CB
Chief Executive
13 July 2010

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

I certify that I have audited the financial statements of the Pension, Disability and Carers Service for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Pension, Disability and Carers Service, Chief Executive and auditor

As more fully explained in the Statement of the Pension, Disability and Carers Service and Chief Executive's responsibilities, the Agency and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 Pension, Disability and Carers Service circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Pension, Disability and Carers Service; and the overall presentation of the financial statements.

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

Opinion on regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Pension, Disability and Carers Service at 31 March 2010 and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and Her Majesty's 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 Our Organisation, Our Efficiency Challenges, Our Customers, Our Performance, How much we spent, Our leadership team, Effective management, the Management Commentary and the unaudited part of the Remuneration Report for the year ended 31 March 2010 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP
22 July 2010

The Pension, Disability and Carers Service Operating Cost Statement

for the year ended 31 March 2010

		2009/10 £'000	Restated 2008/09 £'000
Administration costs			
Staff costs	**4**	401,186	412,541
Other administration costs	**5**	562,316	564,296
Gross administration costs		**963,502**	**976,837**
Operating income	**7**	(3,306)	(4,187)
Net Operating Cost		**960,196**	**972,650**

All income and expenditure is derived from continuing operations.

The notes on pages 70 to 114 form part of these accounts.

Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Non-current assets				
Property, plant and equipment	**8**	14,396	13,080	14,253
Intangible assets	**9**	102,591	146,867	168,803
Trade and other receivables	**11**	63	92	147
Total non-current assets		**117,050**	**160,039**	**183,203**
Current assets				
Trade and other receivables	**11**	2,548	3,621	8,400
Cash and cash equivalents	**12**	5	15	4
Total current assets		**2,553**	**3,636**	**8,404**
Total assets		**119,603**	**163,675**	**191,607**
Current liabilities				
Trade and other payables	**13**	(43,948)	(60,998)	(75,185)
Total current liabilities		**(43,948)**	**(60,998)**	**(75,185)**
Non-current assets plus/less net current assets/liabilities		**75,655**	**102,677**	**116,422**
Non-current liabilities				
Provisions	**14**	(4,251)	(5,832)	(5,172)
Total non-current liabilities		(4,251)	(5,832)	(5,172)
Assets less Liabilities		**71,404**	**96,845**	**111,250**
Taxpayers' Equity				
General Fund		65,206	96,087	107,162
Revaluation Reserve		6,198	758	4,088
Total Taxpayers' Equity		**71,404**	**96,845**	**111,250**

The notes on pages 70 to 114 form part of these accounts.

Terry Moran CB
Chief Executive
13 July 2010

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009/10 £'000	Restated 2008/09 £'000
Cash flows from operating activities			
Net operating cost		(960,196)	(972,650)
Adjustments for non-cash transactions	**5**	369,290	354,100
(Increase)/Decrease in trade and other receivables	**11**	1,102	4,834
Less movements in receivables relating to items not passing through the OCS	**11**	(452)	(95)
Increase/(Decrease) in trade payables	**13**	(17,050)	(14,187)
Less movements in payables relating to items not passing through the OCS	**13**	2,980	5,734
Use of provisions	**14**	(4,244)	(1,132)
Net cash outflow from operating activities		**(608,570)**	**(623,396)**
Cash flows from investing activities			
Purchase of property, plant and equipment	**8f**	(3,008)	(6,709)
Purchase of intangible assets	**9f**	(5,110)	(20,671)
Net cash outflow from investing activities		**(8,118)**	**(27,380)**
Cash flows from financing activities			
Funding from the Department		289,060	321,272
Net financing from the National Insurance Fund		327,625	329,625
Payments of amounts due to the Consolidated Fund		(7)	(110)
Net financing		**616,678**	**650,787**
Net increase/(decrease) in cash and cash equivalents in the period		(10)	11
Cash and cash equivalents at the beginning of the period	**12**	15	4
Cash and cash equivalents at the end of the period		**5**	**15**

The notes on pages 70 to 114 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2008		122,272	153	122,425
Restatements – Changes in Accounting Policy	**2c**	(15,110)	3,935	(11,175)
Restated balance at 1 April 2008		**107,162**	**4,088**	**111,250**
Change in taxpayers' equity for 2008/09				
Net gain/(loss) arising on revaluation of intangible assets	**5/9**	–	(2,746)	(2,746)
Transfers between General Fund and Revaluation Reserve		584	(584)	–
Non-cash charges – cost of capital	**5**	3,982	–	3,982
Non-cash charges – auditor's remuneration	**5**	164	–	164
Non-cash charges – intra Departmental charges	**6**	305,919	–	305,919
Non-cash charges – non-cash capital additions		139	–	139
Net operating cost for the year		(972,650)	–	(972,650)
Total recognised income and expense for 2008/09		**(661,862)**	**(3,330)**	**(665,192)**
Funding from the Department		321,272	–	321,272
Funding from the National Insurance Fund		329,625	–	329,625
CFERs repayable to the Consolidated Fund		(110)	–	(110)
Balance at 31 March 2009		**96,087**	**758**	**96,845**
Change in taxpayers' equity for 2009/10				
Net gain/(loss) arising on revaluation of intangible assets	**5/9**	–	9,374	9,374
Transfers between General Fund and Revaluation Reserve		3,934	(3,934)	–
Non-cash charges – cost of capital	**5**	3,098	–	3,098
Non-cash charges – auditor's remuneration	**5**	187	–	187
Non-cash charges – intra Departmental charges	**6**	305,512	–	305,512
Non-cash charges – non-cash capital additions		(94)	–	(94)
Net operating cost for the year		(960,196)	–	(960,196)
Total recognised income and expense for 2009/10		**(647,559)**	**5,440**	**(642,119)**

Statement of Changes in Taxpayers' Equity (continued)

	Note	General Fund £'000	Revaluation Reserve £'000	Total £'000
Funding from the Department		289,060	–	289,060
Funding from the National Insurance Fund		327,625	–	327,625
CFERs repayable to the Consolidated Fund		(7)	–	(7)
Balance at 31 March 2010		**65,206**	**6,198**	**71,404**

a. The General Fund represents the total assets less liabilities of the Agency to the extent that the total is not represented by other reserves and financing items.

b. The Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

The notes on pages 70 to 114 form part of these accounts.

Notes to the Accounts
for the year ended 31 March 2010

Note 1: Statement of Accounting Policies

1.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with the 2009/10 *Government Financial Reporting Manual* (FReM) issued by Her Majesty's Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the Public Sector context.

These financial statements are the first financial statements to be prepared in accordance with IFRS and, accordingly, IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied in preparing these financial statements. Reconciliations disclosing the effect of the transition from UK GAAP to IFRS on the Agency's financial statements are shown in Note 2. Comparative figures in respect of 2008/09 have been restated to reflect these adjustments.

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

1.2 Accounting Standards, Interpretations and Amendments

Adopted in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2010, have been adopted for the first time in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

In addition, early adoption of changes to IFRS 8 *Operating Segments* has been agreed by the Financial Reporting Advisory Board for public sector bodies and therefore disclosure of total assets by operating segment is no longer mandatory unless already reported to the management board. The effective date of the revision is 1 January 2010.

Effective for future Financial Years

The following IFRSs and International Financial Reporting Interpretations Committee (IFRIC) Interpretations and Amendments applicable to the Agency have been issued, but are not yet effective, and have not been adopted early by the Agency:

International Accounting Standard (IAS) 24 *Related Party Transactions* (effective 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and is not expected to impact the current exemption allowed within the FReM. IAS 24 also extends the definition of a related party to include relationships where joint control exists.

IFRS 9 *Financial Instruments: Classification and Measurement* (effective 1 January 2013) – IFRS 9 is a replacement for IAS 39 and introduces new requirements for the classification and measurement of financial assets, together with the elimination of two categories. The Standard does not include financial liabilities. Further proposals are to be introduced during 2010 and the Agency will undertake an assessment of the impact of IFRS 9 once these are known.

Her Majesty's Treasury Clear Line of Sight Project aims to align budgets, Estimates and accounts. As a result of amendments to the budgetary regime and the FReM, there will be an impact on accounts from 1 April 2010 in respect of cost of capital charges which are to be removed from accounts in line with corresponding changes to budgets and Estimates.

Additional amendments to the FReM, effective from 1 April 2010, in respect of IAS 36 *Impairment of Assets*, require impairments of property, plant and equipment that arise from a clear consumption of economic benefits to be taken direct to the Operating Cost Statement.

1.3 Accounting convention

These accounts have been prepared under the historical cost convention modified for the revaluation of property, plant and equipment and intangible assets, as determined by the relevant International Financial Reporting Standard.

1.4 Accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Department's accounting policies. Estimates are continually evaluated and are based on historical experience and other factors that are believed to be reasonable.

The policies below highlight those areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements.

a. Impairment of Trade and Other Receivables

Impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, the calculation of which differs depending on the type of receivable.

The impairment percentage is calculated to reflect the aged profile characteristics of the receivable balances falling due within one year and the recoverability thereof.

The percentage is calculated using the prevailing recovery rates exhibited by the respective receivable profile for the Agency by receivable category type and by calculating the actual recovery rates from a recent preceding 12 month period. The calculation includes instalment payments but excludes Other Government Department receivables due within one year.

The respective impairment percentage calculations are applied to the appropriate receivable balances falling due within one year (by category) as disclosed in the Statement of Financial Position at 31 March 2010. This will ensure that assets are carried at no more than their fair value i.e. their expected recoverable (net carrying) amount.

b. Employee Leave Accrual

IAS19 requires the Agency to determine true short term employee benefit liability for employee leave. The Agency had originally been relying on a planned Resource Management system upgrade to collect data for each employee that would calculate the respective employee leave accrual figures at a specific point in time. Delays to the implementation of the upgrade have resulted in the Agency developing an interim proxy measure using a sampling approach for calculating both the restated IFRS accrual at 31 March 2009 and the year end accrual for 31 March 2010. The Department's financial representatives (including its statisticians) have worked to develop and implement the appropriate methodology that provides a statistically valid sample from the Agency, the results of which may be extrapolated across the population to establish a reliable estimate for both 2008/09 and 2009/10.

For the accrual as at 1 April 2008, on the basis that the population and its structure within the Agency has not experienced any material changes to that presented for the 2008/09 sample, the employee leave accrual calculation for 2008/09 has been applied retrospectively to the population at 1 April 2008, adjusting for average salaries in total and Full Time Equivalent numbers at 1 April 2008 to provide a valid estimate.

c. Revaluation of Intangible Assets

The FReM interpretation of IAS 38 requires the Agency to revalue its intangible assets to depreciated replacement cost as a proxy for fair value. As suggested in the FReM, the Agency has applied appropriate indices to revalue internally developed software and software licence assets from 1 April 2007 (when prior year indexation ceased under UK GAAP) to 31 March 2010. The rationale to support the selection of the respective indices is detailed below:

i. Internally Developed Software

Following extensive consideration and a review of alternative indices, the Agency, in line with the Department, has selected the Average Weekly Earnings (AWE) Private Sector index to revalue its internally developed software assets. Management consider this to be the most suitable proxy to fair value for internally developed software given the labour intensive nature of software development. The main assumption held in coming to this conclusion is that the costs incurred to replace such assets are correlated to movements in the cost of labour within the private sector. Application of this index has resulted in a devaluation in 2008/09. Management believe this is in line with expectations and that the Agency would have been able to command a better price given the sensitivity of this market sector to the economic downturn and therefore increased competition. The reduction in value is more than reversed in 2009/10 with an average annual growth rate in the index used over the 3 year period of 3.2 per cent which is not materially out of line with the Retail Prices Index.

ii. Software Licences

Experts across the Department have liaised extensively to establish a considered and informed view of the most appropriate basis on which to perform the revaluation. There is a consensus of opinion that there is no index currently available that provides a flawless result and, due to organisational and pricing structure changes among software suppliers, no trend information is available on the specific licences held by the Agency. As the next best alternative, the index viewed by management as most appropriate in achieving the requirement of IAS 38 and the FReM to establish a suitable proxy for fair value is MM 17: Price Index Numbers for Current Cost Accounting – Indices PQEK Computers & other information processing equipment. The main assumption being that, although this includes movements in IT hardware as well as licence prices, it adequately reflects the movements in the costs of licences during the changing market conditions experienced over this period.

1.5 Administration expenditure

The Operating Cost Statement is analysed between administration income and expenditure. The classification of expenditure and income as administration follows the definition set out in the FReM.

Administration costs reflect the costs of running the Agency. These include both administrative costs and associated income.

1.6 Employee benefits

Short-term employee benefits, such as salaries and paid absences, are accounted for on an accruals basis over the period for which employees have provided services in the year. General staff bonuses are recognised to the extent that the Agency has a present obligation to pay this amount as a result of past service and the obligation can be measured reliably. Bonuses in relation to Senior Civil Service employees are not recognised until payments to individuals have been determined. The policy in relation to employee pensions is disclosed in Note 1.22.

1.7 Research and Development expenditure

Expenditure on research is charged to the Operating Cost Statement in the year in which it is incurred. Development expenditure is also recognised in the Operating Cost Statement when incurred unless it meets the specific criteria for capitalisation within IAS 38 *Intangible Assets*. Development costs previously recognised correctly as an expense prior to the relevant criteria being met are not subsequently recognised as an asset upon satisfaction of those criteria. However, on first-time adoption of IFRS, some expenditure has been restated due to retrospective application of IAS 38.

1.8 Value Added Tax (VAT)

Most of the activities of the Agency are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. As the Department is treated as a single entity for VAT purposes, the recoverable VAT balance is shown within the Department's Resource Account.

1.9 Insurance

The Agency does not purchase commercial insurance unless it is required under the standard terms of a service contract. Losses arising from damage to or loss of assets, employer's liability and claims form third parties are charged directly to the Operating Cost Statement.

1.10 Capital charge

A charge reflecting the cost of capital utilised by the Agency is included in expenditure. The charge is calculated at the real rate set by Her Majesty's Treasury (currently 3.5 per cent – 2008/09 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

a. cash balances with the Office of the Paymaster General (OPG), where the charge is nil; and

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

1.11 Operating income

Operating income is income that relates directly to the operating activities of the Agency. It comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work and also includes other income such as that from investments. It includes both income appropriated in aid of the Estimate and income to the Consolidated Fund which, in accordance with the FReM, is treated as operating income. Operating income is stated net of VAT (see Note 7).

1.12 Property, plant and equipment

Property, plant and equipment are stated at valuation. However, as permitted by the FReM, the Agency has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

Assets are capitalised where they have an expected useful life of more than one year and where the original cost of the item exceeds the capitalisation threshold. Computer hardware has a capitalisation threshold of £1,000. For all other property, plant and equipment, the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation limit, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset.

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

On initial recognition assets include any costs, such as installation, which are directly attributable to bringing them into working condition and any associated decommissioning costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably.

All expenditure on repairs and maintenance is charged to the Operating Cost Statement during the financial period in which it is incurred.

1.13 Land and buildings

The Agency does not include in its Statement of Financial Position, the capital value of the Land and Buildings that it occupies. The Agency has an operating lease arrangement in place with the Department for the properties, or parts thereof, which it occupies (see Note 5d).

1.14 Intangible assets

Purchased software licences and applications with a licence period of more than one year are capitalised at cost and subsequently reported at depreciated replacement cost as a proxy for fair value.

Internally developed software is capitalised in line with IAS 38 *Intangible Assets* on the basis of the costs incurred to acquire or develop the specific software and bring it into use. Directly attributable costs associated with the development of software that will generate future economic benefits are capitalised as part of the software intangible asset.

Website development costs are capitalised in line with the requirements of Standing Interpretations Committee 32 *Website Costs* and the specific criteria as determined by IAS 38 on the basis of the costs incurred to acquire or develop the specific website and bring it into use.

Expenditure on research activities which does not meet the criteria of IAS 38 is recognised as an expense in the period in which it is incurred.

Assets are subsequently revalued to fair value. Where an active market exists for the asset, it is carried at a revalued amount based on market value at the end of the reporting period. Where no active market exists, assets are revalued using appropriate indices to indicate depreciated replacement cost as a proxy for fair value.

Amortisation is calculated using the straight–line method to write assets down to their estimated residual value over the expected useful lives as follows:

Purchased software licences	5 years or period remaining on licence if shorter
Internally developed software	5 years
Websites	5 years

Amortisation is calculated from the month following acquisition. Assets under construction are not amortised but are subject to impairment reviews until the asset is available for use.

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each financial year. All items of intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use or its fair value less costs to sell.

1.15 Depreciation

Depreciation is charged on property, plant and equipment using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Depreciation commences once an asset is available for use and continues until the asset is derecognised or categorised as held for sale or written down to nil value. Property, plant and equipment are therefore depreciated from the month following acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until the asset is brought into use or reverts to the Agency.

Estimated useful asset lives are normally in the following ranges:

Information Technology	3 to 7 years
Plant and Machinery	5 to 10 years
Furniture and Fittings	2 to 15 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.16 Amortisation

Amortisation is calculated on intangible assets using the straight-line method, as this reflects the expected pattern of consumption of economic benefits. The rates used are calculated to write assets down to their estimated residual value over their expected useful lives.

Amortisation commences once an asset is available for use and continues until the asset is derecognised, categorised as held for sale or written down to nil value. Intangible assets are therefore amortised from the month following acquisition. No amortisation is charged in the month of disposal. Assets in the course of construction are not amortised but are subject to impairment reviews until the asset is brought into use.

Estimated useful asset lives are normally in the following ranges:

Software purchases	5 years
Software licences	shorter of licence period and 5 years
Internally developed software	5 years

The residual values and useful lives of intangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

1.17 Revaluation and impairment of non-current assets

Increases in value are credited to the revaluation reserve whilst decreases in value are debited to the revaluation reserve up to the level of depreciated historical cost for any asset previously revalued. Any excess devaluation is charged to the Operating Cost Statement. Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Operating Cost Statement.

Intangible assets with an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. All non-current assets are also reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.18 Financial assets and liabilities

Financial assets and liabilities are recognised when the Agency becomes party to the contracts that give rise to them. The Agency determines the classification of financial assets and liabilities at initial recognition in line with the categories designated by IAS 39 as appropriate. Financial assets are derecognised when the right to receive cash flows has expired or the Agency has transferred substantially all the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligations under the liability are discharged, cancelled or expire. It is, and has been, the Agency policy that no trading in financial instruments is undertaken.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between informed and willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost, net of any impairment. The fair value of trade receivables is usually the original invoiced amount. Any changes in value are recognised in the Operating Cost Statement. Loans and receivables are included in current assets, except for those maturing more than 12 months after the end of the reporting period, which are classed as non-current assets.

Cash and cash equivalents comprise cash in hand which is subject to insignificant changes in value.

Financial liabilities measured at amortised cost

Financial liabilities within trade payables and accruals are non-interest bearing and are initially recognised at fair value, which is deemed to be the original invoiced amount. They are subsequently carried at amortised cost.

Impairment of financial assets

The Agency assesses, at the end of the reporting period, whether there is objective evidence that financial assets are impaired as a result of events that occurred after the initial recognition of the asset and prior to the end of the reporting period. If such events have had an adverse impact on the estimated future cash flows of the financial asset they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment. For the purposes of a collective evaluation of impairment, financial assets are grouped, where they are not individually significant, on the basis of similar risk characteristics, taking into account the type of asset and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counter party's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and is recognised in the Operating Cost Statement. Future cash flows for a group of financial assets that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Additional information is provided in Note 1.4.

1.19 Inventories

The Agency also holds inventories of stationery, computer spares and similar consumable materials for its own use. Due to the nature of these items the Agency does not consider it appropriate to reflect their value in the Statement of Financial Position. Accordingly, the Agency charges all expenditure on consumable items to the Operating Cost Statement on receipt.

1.20 Provisions

Provisions are recognised when the Agency has a present legal or constructive obligation arising as a consequence of past events and where it is probable that a transfer of economic benefit will be necessary to settle the obligation. These obligations, which are of uncertain timing or amount at the end of the reporting period, are included on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by Her Majesty's Treasury (currently 2.2 per cent – 2008/09 2.2 per cent). The increase in the provision due to unwinding of the discount is recognised as an interest expense in the Operating Cost Statement.

1.21 Early departure costs

The Agency meets the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (PCSPS) benefits, in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments, discounted by the Treasury discount rate of 1.8 per cent (2008/09 2.2 per cent) in real terms. Where the Department funds early release schemes centrally then a provision is created in the Resource Account with notional costs of lump sum and annual compensation payments recharged to business units.

1.22 Pensions

The provisions of the PCSPS, details of which are described in Note 4 and the Remuneration Report paragraph h, cover past and present employees. The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The Agency recognises the expected cost of these elements, on a systematic and rational basis over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (**www.civilservice-pensions.gov.uk**).

1.23 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys the right to use the asset.

Leases of assets where substantially all risks and rewards of ownership are borne by the Agency are classified as finance leases. Leased assets are capitalised, on inception of the lease, at the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease or the fair value of the leased asset. Obligations relating to finance leases are recognised as liabilities. Lease payments are apportioned between reductions in the capital obligation included in payables and the interest element of the finance lease payment, which is charged to the Operating Cost Statement over the period of the lease.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.24 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with IFRIC 12 and IAS 17, as interpreted for the public sector.

Where the Agency does not have control over the PFI asset and the balance of risks and rewards of ownership are borne by the PFI operator, the PFI payments are recorded as an expense.

The Agency utilises services provided under capital PFI contracts held centrally by the Department. Full details of these contracts are disclosed in the Departments Resource Account.

1.25 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed, unless they are remote.

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

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 Agency entering into the agreement; and
- 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 the accounts) which are required by the FReM to be noted in the accounts.

Where the time value of money is material, contingent liabilities that 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.

1.26 Operating segments

IFRS 8 applies in full to the Agency. Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker and used to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Team.

Following the amendment to the requirements of IFRS 8, as implemented by the International Accounting Standards Board in April 2009, it has been agreed by Treasury's Financial Reporting Advisory Boards that early adoption of the proposed amendments can be taken in 2009/10. The amendment changes 'total assets' from a mandatory reporting requirement to only being required where total assets for segments are regularly reported to the chief operating decision maker. As these are not regularly reported to the chief operating decision maker, early adoption has been implemented.

Note 2: First-time adoption of IFRS

This is the first year that the Agency has presented its financial statements under IFRS.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the restated comparative information presented for the year ended 31 March 2009 and in the preparation of an opening IFRS Statement of Financial Position as at 1 April 2008, the date of transition to IFRS.

The effect of the transition on the Agency financial position, operating costs and cash flows is set out in the following tables and the accompanying notes.

(a) Impact of transition to IFRS

The most significant adjustments arising from the transition to IFRS are set out below.

i. Intangible Assets (IAS 38)

Intangible assets were previously valued at depreciated historic cost using the cost model. On application of the FReM interpretation of IAS 38 the cost option has been withdrawn and assets have been revalued, using indices, to depreciated replacement cost as a proxy for fair value.

Under UK GAAP, software purchases and capitalised software development costs were included within tangible fixed assets in the Statement of Financial Position. Under IAS 38, such items are reclassified and disclosed as intangible assets.

In addition, retrospective application of IAS 38 has resulted in both the requirement to capitalise expenditure which had been previously expensed under UK GAAP with the associated amortisation charges and the requirement to amortise from when the asset is available for use rather than in use.

ii. Lease and Service Concession Arrangements (IAS 17, IFRIC 12 and IFRIC 4)

The main impact has been the reclassification of some lease arrangements. The occupation of the Newcastle Estates Development (NED) has been determined as an operating lease arrangement with the Corporate Centre and the associated prepayment has been derecognised.

iii. Employee Benefits (IAS 19)

The Agency has recognised accruals in relation to holiday leave and flexi-leave which has been earned by employees as at the reporting date. In-year movements in the accrual are reflected within the Operating Cost Statement.

As a result of the additional capital identified from the above adjustments increased capital charges have also been incurred.

(b) Reconciliation of net operating costs for the year ended 31 March 2009

	Note 2(a) £'000	£'000
Net operating cost for 2008/09 under UK GAAP		974,025
Adjustments for:		
IAS 38 *Intangible Assets* – Revaluation	638	
IAS 19 *Employee Benefits* – Employee leave accrual	(1,231)	
IAS 17 *Leases* – Derecognition of NED prepayment	(363)	
Other adjustments – Cost of Capital	(419)	
Total Adjustments		(1,375)
Net operating cost for 2008/09 under IFRS		**972,650**

(c) Reconciliation of Financial Position as at 31 March 2008

	Note 2(a)	UK GAAP Published Accounts as at 31 March 2008 £'000	IFRS Adjustments £'000	IFRS Statement of Financial Position as at 1 April 2008 £'000
Non-current assets				
Property, plant and equipment	i	174,298	(160,045)	14,253
Intangible assets	i	4,901	163,902	168,803
Trade and other receivables	ii	7,045	(6,898)	147
Current assets				
Trade and other receivables	ii	8,763	(363)	8,400
Cash and cash equivalents		4	–	4
Current liabilities				
Trade and other payables	iii	(67,414)	(7,771)	(75,185)
Non-current liabilities				
Provisions		(5,172)	–	(5,172)
Net Assets/(Liabilities)		**122,425**	**(11,175)**	**111,250**
Taxpayers' Equity				
General Fund		122,272	(15,110)	107,162
Revaluation Reserve		153	3,935	4,088
		122,425	**(11,175)**	**111,250**

(d) Reconciliation of Financial Position as at 31 March 2009

	Note 2(a)	UK GAAP Published Accounts as at 31 March 2009 £'000	IFRS Adjustments £'000	IFRS Statement of Financial Position as at 31 March 2009 £'000
Non-current assets				
Property, plant and equipment	**i**	156,084	(143,004)	13,080
Intangible assets	**i**	3,391	143,476	146,867
Trade and other receivables	**ii**	6,627	(6,535)	92
Current assets				
Trade and other receivables	**ii**	3,984	(363)	3,621
Cash and cash equivalents		15	–	15
Current liabilities				
Trade and other payables	**iii**	(54,458)	(6,540)	(60,998)
Non-current liabilities				
Provisions		(5,832)	–	(5,832)
Net Assets/(Liabilities)		**109,811**	**(12,966)**	**96,845**
Taxpayers' Equity				
General Fund		109,658	(13,571)	96,087
Revaluation Reserve		153	605	758
		109,811	**(12,966)**	**96,845**

(e) Reconciliation of Cash Flows for the year ended 31 March 2009

	Note	UK GAAP 2008/09 £'000	IFRS Adjustments £'000	Restated 2008/09 £'000
Cash flows from operating activities				
Net operating cost	**2(b)**	(974,025)	1,375	(972,650)
Adjustments for non-cash transactions	**2(b)**	354,245	(145)	354,100
(Increase)/Decrease in trade and other receivables	**2(d)**	5,197	(363)	4,834
Less movements in receivables relating to items not passing through the Operating Cost Statement		(459)	364	(95)
Increase/(Decrease) in trade payables	**2(b)**	(12,956)	(1,231)	(14,187)
Less movements in payables relating to items not passing through the Operating Cost Statement		5,734	–	5,734
Use of provisions		(1,132)	–	(1,132)
Net cash outflow from operating activities		**(623,396)**	**–**	**(623,396)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(26,934)	20,225	(6,709)
Purchase of intangible assets		(446)	(20,225)	(20,671)
Net cash outflow from investing activities		**(27,380)**	**–**	**(27,380)**
Cash flows from financing activities				
Funding from the Department		321,272	–	321,272
From the National Insurance Fund		329,625	–	329,625
Payments of amounts due to the Consolidated Fund		(110)	–	(110)
Net financing		**650,787**	**–**	**650,787**
Net increase/(decrease) in cash and cash equivalents in the period		11	–	11
Cash and cash equivalents at the beginning of the period		4	–	4
Cash and cash equivalents at the end of the period		**15**	**–**	**15**

(f) Reconciliation of Taxpayers' Equity at 31 March 2009

	Note	Revaluation Reserve £'000	General Fund £'000	Total £'000
Taxpayers' equity at 31 March 2009 under UK GAAP		153	109,658	109,811
Adjustments for:				
IAS 38 *Intangible Assets* – Revaluation	**2(d)**	605	(133)	472
IAS 19 *Employee Benefits* – Employee leave accrual	**2(d)**	–	(6,540)	(6,540)
IAS 17 *Leases* – Recognition of Newcastle Estate	**2(d)**	–	(6,898)	(6,898)
Total Adjustments		**605**	**(13,571)**	**(12,966)**
Taxpayers' equity at 1 April 2009 under IFRS		**758**	**96,087**	**96,845**

Note 3: Analysis of net operating cost by segment

IFRS 8 requires the Agency to disclose costs and balances by operating segment as reported to the Executive Management Team.

The following tables show the analysis of spend according to the operating segments as reported to the Executive Management Team.

	Operations £'000	Investment £'000	Central £'000	2009/10 Total £'000
Gross Administration costs	382,947	75,634	195,824	654,405
Administration income	(2,903)	(106)	(297)	(3,306)
Net Operating Cost	**380,044**	**75,528**	**195,527**	**651,099**

	Operations £'000	Investment £'000	Central £'000	2008/09 Total £'000
Administration costs	396,741	84,220	140,218	621,179
Administration income	(2,137)	(1,315)	(735)	(4,187)
Net Operating Cost	**394,604**	**82,905**	**139,483**	**616,992**

The Segments chosen reflect the structure of the Agency and its funding categories. Operations mainly consists of the benefit processing teams responsible for the decision making, maintenance and review of Disability Living Allowance, Attendance Allowance, Carers Allowance and Pension awards and is controlled by the Chief Operating Officer.

The Investment segment includes investment activities from both Core funded and Change Programme funded initiatives.

Central includes all support directorates like Human Resources, Finance, IT, and those centrally held budgets that are managed therein, including estates and from 2009/10 devolved non cash budgets for items such as depreciation.

£309.1m in 2009/10 and £355.7m in 2008/09 represents the element of non cash charges not yet devolved to the budgetary control of the Agency and are not included in the tables above. See Note 5 for a full analysis of non-cash charges.

Note 4: Staff numbers and related costs

(a) Staff costs

Staff costs comprise:

	2009/10			Restated 2008/09
	Permanently Employed Staff £'000	Others £'000	Total £'000	Total £'000
Wages and salaries	315,241	13,105	328,346	334,011
Employers' National Insurance	20,301	124	20,425	21,194
Superannuation and pension costs	52,402	13	52,415	57,336
	387,944	**13,242**	**401,186**	**412,541**
Less: recoveries in respect of outward secondments	(89)	–	(89)	(264)
Total net costs	**387,855**	**13,242**	**401,097**	**412,277**

PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the Scheme as at 31 March 2007. Details are published in the resource accounts of the Cabinet Office: Civil Superannuation (**www.civilservice.gov.uk**).

For 2009/10, employers' contributions of £52.1 million were payable to the PCSPS (2008/09 £56.0 million) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Outstanding contributions amounting to £4.7 million (2008/09 £6.0 million) were payable to the Civil Superannuation Vote at 31 March 2010 and are included in payables (See Note 13).

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £142k (2008/09 £124k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent 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 £9k (2008/09 £9k), 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 or ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £13k (2008/09 £11k). Contributions prepaid at that date were £nil.

In 2009/10 19 persons (2008/09 28 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £37k (2008/09 £37k). These liabilities are not the responsibility of the Agency but are to be paid by the Civil Superannuation Vote.

(b) Average number of persons employed

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

	2009/10			2008/09
	Permanent Staff	Others	Total	Total
	14,458	**490**	**14,948**	**16,036**

Note 5: Other administration costs

	Note	2009/10 £'000	2009/10 £'000	Restated 2008/09 £'000	Restated 2008/09 £'000
Goods and Services	**5a**		66,252		60,579
IT Services	**5b**		45,428		69,491
Accommodation costs	**5c**		39,072		40,683
Rentals under operating leases:					
Hire of plant and machinery		363		653	
Other operating leases	**5d**	17,820		18,369	
			18,183		19,022
Staff related travel and subsistence			13,128		14,059
Compensation payments to customers	**5e**		10,963		6,362
Non-cash charges:					
Intra-Departmental charges	**6**		305,512		305,919
Depreciation of non-current assets	**8c**		4,178		2,213
Amortisation of non-current assets	**9b**		52,265		39,696
(Profit)/Loss on disposal of non-current assets	**8d**		934		–
Impairment of intangible assets	**5f**		1		239
Provisions:					
Movement in year	**14**	2,616		1,759	
Unwinding of discount	**14**	47		33	
Movement in receivables impairment	**11**	452		95	
			3,115		1,887
Notional charges:					
Cost of capital charges		3,098		3,982	
Auditor's remuneration – statutory audit	**5g**	187		160	
Auditor's remuneration – IFRS (non-statutory audit)	**5h**	–		4	
			3,285		4,146
			562,316		**564,296**

a. Goods and Services relate to a number of different costs which include medical services, contracted out services, telephone and postage, consultancy and printing and stationery.

b. The IT Services costs related to costs that the Agency pays directly (such as desktop services), these differ from the figure in Note 6 due to their direct nature. The IT costs within Note 6 are those recharged to the Agency from central IT contracts.

c. Total accommodation costs include property maintenance costs paid directly by the Agency and property rates and utilities paid to Telereal Trillium in respect of accommodation provided under a centrally held PFI contract.

d. The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation. As part of this provision, the Agency has an operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which they occupy. A similar arrangement is in place for properties held under the Newcastle Estates Accommodation Agreement.

e. The Agency compensates those customers whose cases have been badly handled. The Agency will exceptionally consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint.

f. On transition to IFRS, the Agency has applied appropriate indices to revalue internally developed software and software licence assets from 1 April 2007 to 31 March 2010. Overall, application of the indices results in a downwards revaluation of intangible assets in 2008/09. The devaluation in 2008/09 was in excess of previous increases in value taken to the revaluation reserve, resulting in a charge to the Operating Cost Statement of £239k.

g. The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General.

h. Non-statutory audit work during 2008/09 of £4k related to activity to confirm the Agency's preparedness for adopting International Financial Reporting Standards, which have been adopted in line with Her Majesty's Treasury directions. During 2009/10, this work is classified as statutory audit activity and included within the statutory audit costs.

Note 6: Intra Departmental charges

The Department is regarded as a related party. During the year, the Agency has had a significant number of material transactions with the Department, the nature and value of which are summarised in the following table. The most significant transactions with the Department occur with Corporate and Shared Services and these are highlighted separately.

	Note	2009/10		Restated 2008/09	
		£'000	£'000	£'000	£'000
Charges received					
Corporate Services:					
Corporate services	**6a**	170,671		179,848	
IT Services	**6b/6c**	124,527		118,677	
Early departure scheme	**6d**	549		57	
Other Business Units		10,380		7,581	
			306,127		306,163
Services provided					
Corporate services:					
Accommodation		–		(139)	
Other Business Units		(615)		(105)	
			(615)		(244)
			305,512		**305,919**

a. The charge of £170.7 million (2008/09 £179.8 million) covers services provided by other Departmental Business Units. The main elements are Employee Services and Financial and Debt Recovery Services supplied by the Department for Work and Pensions Shared Services of £31.0 million (2008/09 £37.4 million), encashment services provided by Post Office Counters Limited and Alliance and Leicester Commercial Bank via a Departmental arrangement of £72.2 million (2008/09 £100.1 million) and Corporate IT charges of £23.5 million (2008/09 £16.1 million).

b. The Department has a central contract with Hewlett Packard Enterprise Services for the provision of a wide range of IT hardware, software and associated maintenance services. The Agency receives its share of these services via a rental arrangement in place with the Corporate Centre, which is charged on a notional basis.

c. The Department has a contract with BT Syntegra for a fully serviced IT and telephony network. The assets used to provide the service are an integral part of a network serving Departmental sites across the country and are recognised at Departmental level. The Agency receives service charges for its use of these assets.

d. Provisions in respect of the Departmental Early Release Scheme have been created within the Department's Resource Account. The costs of lump sum payments and Annual Compensation Payments (ACPs) have been recharged to the Agency on a notional basis, pro-rata to the number of surpluses declared by each Departmental entity. Where departures are funded by the Agency they are provided for within these accounts and shown in Note 14.

Note 7: Operating income

	2009/10 £'000	Restated 2008/09 £'000
Administration		
Income from external customers	1,355	1,116
Income from other Government Departments	1,951	3,071
	3,306	**4,187**

None of the above income relates to services for which a fee is charged. Consequently, a further analysis for Fees and Charges purposes is not required.

Note 8: Property, plant and equipment

	Note	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2009 Restated		21,401	713	2,708	–	24,822
Additions	**8b**	(11)	40	(2)	–	27
Transfers		(21)	–	–	–	(21)
Disposals	**8d**	(819)	–	(2,098)	–	(2,917)
Reclassifications	**8e**	6,401	–	–	–	6,401
At 31 March 2010		**26,951**	**753**	**608**	**–**	**28,312**
Depreciation						
At 1 April 2009 Restated		9,815	663	1,264	–	11,742
Charged in year	**8c**	3,892	16	270	–	4,178
Transfers		(21)	–	–	–	(21)
Disposals	**8d**	(642)	–	(1,341)	–	(1,983)
At 31 March 2010		**13,044**	**679**	**193**	**–**	**13,916**
Net Book Value at 31 March 2010		**13,907**	**74**	**415**	**–**	**14,396**
Net Book Value at 31 March 2009 Restated		**11,586**	**50**	**1,444**	**–**	**13,080**

	Note	Information Technology £'000	Plant and Machinery £'000	Furniture and Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2008 Restated		8,804	713	2,533	11,896	23,946
Cost Adjustment		(87)	–	–	–	(87)
Additions	**8b**	14	–	184	777	975
Transfers		8	–	(9)	–	(1)
Disposals	**8d**	(11)	–	–	–	(11)
Reclassifications	**8e**	12,673	–	–	(12,673)	–
At 31 March 2009 Restated		**21,401**	**713**	**2,708**	**–**	**24,822**
Depreciation						
At 1 April 2008 Restated		8,052	641	1,000	–	9,693
Depreciation Adjustment		(89)	–	1	–	(88)
Charged in year	**8c**	1,928	22	263	–	2,213
Transfers		(65)	–	–	–	(65)
Disposals	**8d**	(11)	–	–	–	(11)
At 31 March 2009 Restated		**9,815**	**663**	**1,264**	**–**	**11,742**
Net Book Value at 31 March 2009 Restated		**11,586**	**50**	**1,444**	**–**	**13,080**
Net Book Value at 31 March 2008 Restated		**752**	**72**	**1,533**	**11,896**	**14,253**

All assets in the above table are owned by the Agency.

a. Property, plant and equipment are stated at valuation, which is obtained by the use of appropriate indices. However, as permitted by the FReM, the Department has elected to adopt a depreciated historical cost basis as a proxy for fair value where non-property assets have a short useful life or are of relatively low value. This therefore applies to most IT hardware, motor vehicles, plant and machinery and furniture.

b. Total additions in the year were £27k (2008/09 £975k restated).

c. Total depreciation in the year was £4.2 million (2008/09 £2.2 million restated).

d. The loss on sale of property, plant and equipment charged to the Operating Cost Statement in the year is £934k (2008/09 £nil). For further information, see Note 20.

e. Expenditure incurred on software (see Note 9) is initially classed as assets under the course of construction until they are brought into use. Once in use they are reclassified under the appropriate asset heading.

f. Cash Flow Reconciliation

	Note	2009/10 £'000	Restated 2008/09 £'000
Capital payables and accruals at 1 April	**13a**	2,981	8,715
Capital additions	**8b**	27	975
Capital payables and accruals at 31 March	**13a**	–	(2,981)
Purchases of Property, Plant and Equipment as per Statement of Cash Flows		**3,008**	**6,709**

Note 9: Intangible assets

Intangible assets comprise software purchases, purchased software licences, internally developed software and assets under construction.

	Note	Software Purchases £'000	Purchased Software Licences £'000	Internally Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2009 Restated		293	8,492	212,102	39,606	260,493
Additions	**9a**	–	–	–	5,110	5,110
Transfers		–	(101)	–	–	(101)
Revaluation	**9c**	(20)	1,651	16,721	–	18,352
Reclassifications	**9e**	–	–	26,722	(33,123)	(6,401)
At 31 March 2010		**273**	**10,042**	**255,545**	**11,593**	**277,453**
Amortisation						
At 1 April 2009 Restated		285	5,355	107,986	–	113,626
Charged in year	**9b**	1	1,620	50,644	–	52,265
Transfers		–	(8)	–	–	(8)
Revaluation	**9c**	(19)	1,056	7,942	–	8,979
At 31 March 2010		**267**	**8,023**	**166,572**	**–**	**174,862**
Net book value at 31 March 2010		**6**	**2,019**	**88,973**	**11,593**	**102,591**
Net book value at 31 March 2009 Restated		**8**	**3,137**	**104,116**	**39,606**	**146,867**

	Note	Software Purchases £'000	Purchased Software Licences £'000	Internally Developed Software £'000	Assets Under Construction £'000	Total £'000
Cost or valuation						
At 1 April 2008 Restated		248	8,707	160,232	75,979	245,166
Cost Adjustment		–	75	(1)	–	74
Additions	**9a**	–	446	6	20,219	20,671
Revaluation	**9c**	45	(736)	(4,727)	–	(5,418)
Reclassifications	**9e**	–	–	56,592	(56,592)	–
At 31 March 2009 Restated		**293**	**8,492**	**212,102**	**39,606**	**260,493**
Amortisation						
At 1 April 2008 Restated		189	3,884	72,290	–	76,363
Charged in year	**9b**	52	1,846	37,798	–	39,696
Revaluation	**9c**	44	(375)	(2,102)	–	(2,433)
At 31 March 2009 Restated		**285**	**5,355**	**107,986**	**–**	**113,626**
Net book value at 31 March 2009 Restated		**8**	**3,137**	**104,116**	**39,606**	**146,867**
Net book value at 31 March 2008 Restated		**59**	**4,823**	**87,942**	**75,979**	**168,803**

All intangible assets are owned by the Agency.

a. Total additions in the year were £5.1 million (2008/09 £20.7 million restated).

b. Total amortisation in the year was £52.3 million (2008/09 £39.7 million restated).

c. The FReM interpretation of IAS 38 requires the application of the revaluation model for measurement of asset values. Assets have been revalued from 1 April 2007 to 31 March 2010 using appropriate indices to indicate depreciated replacement cost as a proxy for fair value. By comparison, the carrying value for these assets using depreciated historic cost would have been £1k for software purchases at 31 March 2010 (31 March 2009: £8k, 1 April 2008: £60k), £1.8m for purchased software licences at 31 March 2010 (31 March 2009: £3.4m, 1 April 2008: £4.9m) and £83.3m for internally developed software at 31 March 2010 (31 March 2009: £103.4m, 1 April 2008: £84m). Following revaluation, the balance on the revaluation reserve is £6.2m, £153k of which relates to the historical application of indices to 1 April 2007, the rest relates to intangible assets.

d. Intangible assets include the recognition of additional expenditure to be capitalised and the associated amortisation charges as part of the IFRS restatement of the Accounts. The largest intangible asset on the Agency Statement of Financial Position relates to software development to support the Pensions Transformation Project (PTP). The carrying value of the PTP asset is £38.7m as at 31 March 2010. The remaining amortisation period of the asset is 61 months.

e. Assets under construction relate to software development costs mainly in respect of work to support the Local Service Integration Project and the Pensions Transformation Project. Expenditure is initially classed as assets under construction until assets are ready for use. Once in use they are reclassified and amortisation applied accordingly. For subsequent measurement of asset values, depreciated replacement cost is used as a proxy for fair value in line with the FReM requirements.

f. Cash Flow Reconciliation

	Note	2009/10 £'000	Restated 2008/09 £'000
Capital payables and accruals at 1 April	**13a**	–	–
Capital additions		5,110	20,671
Purchases of Intangible Assets		**5,110**	**20,671**

Note 10: Financial instruments

(a) Financial Instruments by Category

	31 March 2010	
	Loans and Receivables £'000	Total £'000
Financial assets		
Trade receivables	480	480
Amounts due from other Government Departments and other Department agencies	1,279	1,279
Other receivables	450	450
Deposits and advances	217	217
Cash and cash equivalents	5	5
Total	**2,431**	**2,431**

	31 March 2009		1 April 2008	
	Loans and Receivables £'000	Total £'000	Loans and Receivables £'000	Total £'000
Financial assets				
Trade receivables	265	265	936	936
Amounts due from other Government Departments and other Department agencies	1,780	1,780	4,816	4,816
Other receivables	322	322	790	790
Deposits and advances	808	808	681	681
Cash and cash equivalents	15	15	4	4
Total	**3,190**	**3,190**	**7,227**	**7,227**

	31 March 2010	31 March 2009	1 April 2008
	Financial Liabilities at Amortised Cost £'000	Financial Liabilities at Amortised Cost £'000	Financial Liabilities at Amortised Cost £'000
Financial liabilities			
Trade payables	971	3,417	5,126
Accruals	31,260	43,815	53,776
Amounts due to other Government Departments and other Department agencies	249	41	1,041
Other payables	59	624	812
Total	**32,539**	**47,897**	**60,755**

(b) Fair value of financial instruments

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The book values of the Agency financial assets and liabilities at 31 March 2010 are not materially different from their fair values. They have accordingly not been shown separately.

(c) Exposure to Risk

Due to the largely non-trading nature of its activities and the fact that the cash requirements of the Agency are met through the Estimates process, the Agency is not exposed to the degree of financial risk faced by commercial business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Minimal deposits are held with commercial banks.

The Agency exposure to credit risk is limited due to the majority of administrative related receivables being with other Government Departments.

Liquidity risk

The net resource requirements of the Agency are financed by resources voted annually by Parliament. It is not, therefore, exposed to significant liquidity risk.

Market risk

Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in achieving its objectives.

Interest rate risk

The Agency has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates. The interest profile of the Agency's financial assets and liabilities has therefore not been disclosed.

Foreign currency risk

The Agency does not have any significant exposure to foreign currency risk.

(d) Aged Analysis of Financial Assets

Financial Assets that are past due but not impaired are analysed and set out below:

	0–30 Days Past Due £'000	30–60 Days Past Due £'000	60–90 Days Past Due £'000	90–180 Days Past Due £'000	180–360 Days Past Due £'000	Total £'000
Trade receivables	22	6	3	20	32	83
Amounts due from other Government Departments	38	32	1	–	74	145
Other receivables	–	–	–	–	–	–
As at 31 March 2010	**60**	**38**	**4**	**20**	**106**	**228**

Note 11: Trade and other receivables

(a) Analysis by type

Administration Receivables	Note	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Amounts falling due within one year				
Trade receivables		480	265	936
Deposits and advances	**11a**	154	716	534
Amounts due from other Government Departments		1,279	1,780	4,816
Other receivables		450	322	441
Other Department for Work and Pension agencies		–	–	349
Gross receivables		**2,363**	**3,083**	**7,076**
Less: provision for impairment		(683)	(231)	(136)
Net receivables		**1,680**	**2,852**	**6,940**
Prepayments and accrued income		868	769	1,460
		2,548	**3,621**	**8,400**
Amounts falling due after more than one year				
Deposits and advances	**11a**	63	92	147
		63	**92**	**147**

a. Deposits and advances due within one year includes £10k (2008/09: £13k, 2007/08: £17k) of house purchase advances due from 8 (2008/09: 12, 2007/08: 16) members of staff. Those due after more than one year include £63k (2008/09: £92k, 2007/08: £147k) due from 7 (2008/09: 11, 2007/08: 14) members of staff.

(b) Intra-Government Balances

The following tables analyse total trade and other receivable balances across the categories shown:

	Note	Amounts Falling Due Within One Year		
		31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Balances with other central Government bodies		1,224	1,759	4,816
Balances with local authorities		44	21	–
Balances with other Departmental bodies		–	–	349
Balances with public corporations and trading funds		11	–	–
Intra-Government balances		**1,279**	**1,780**	**5,165**
Balances with bodies external to Government		1,269	1,841	3,235
Total trade and other receivables at 31 March/1 April		**2,548**	**3,621**	**8,400**

	Note	Amounts Falling Due After One Year		
		31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Balances with other central Government bodies		–	–	–
Balances with local authorities		–	–	–
Balances with public corporations and trading funds		–	–	–
Intra-Government balances		–	–	–
Balances with bodies external to Government		63	92	147
Total trade and other receivables at 31 March/1 April		**63**	**92**	**147**

Note 12: Cash and cash equivalents

	Note	2009/10 £'000	Restated 2008/09 £'000	Restated 2007/08 £'000
Balances at 1 April		15	4	25
Net change in cash		(10)	11	(21)
Balances at 31 March		**5**	**15**	**4**

Bank balances are reported in the Department's Resource Accounts in line with the treatment of bank accounts in all other executive agencies of the Department. The above figures represent the petty cash holdings of the offices in the Pension, Disability and Carers Service organisation.

Note 13: Trade and other payables

(a) Analysis by type

	Note	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Amounts falling due within one year				
Taxation and social security		6,683	7,125	8,501
Superannuation		4,726	5,976	5,929
Trade payables – non capital		971	3,417	5,126
– capital	**8f/9f**	–	–	–
Amounts due to other Government Departments		248	41	1,041
Other payables		59	624	812
Accruals and deferred income		31,260	40,834	45,061
Capital accruals	**8f/9f**	–	2,981	8,715
CFERs due to be paid to the Consolidated Fund – received		1	–	–
		43,948	**60,998**	**75,185**

(b) Intra-Government balances

The following tables analyse total payables across the categories shown:

	Note	Amounts Falling Due Within One Year 31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balances with other central Government bodies		11,649	14,905	15,288
Balances with local authorities		–	616	156
Balances with public corporations and trading funds		8	42	27
Intra-Government balances		**11,657**	**15,563**	**15,471**
Balances with bodies external to Government		32,291	45,435	59,714
Total payables at 31 March/1 April		**43,948**	**60,998**	**75,185**

Note 14: Provisions for liabilities and charges

(a) Administration provisions

	Early Departure Provision (Note 14a) £'000	Industrial Injuries Provision (Note 14b) £'000	Other £'000	Total £'000
Balance at 1 April 2009	2,310	137	3,385	**5,832**
Provided in year: New entrants	206	–	–	**206**
Uplift	36	4	–	**40**
Other provisions: Provided in year	–	–	2,500	**2,500**
Utilised in year	(933)	(6)	(3,305)	**(4,244)**
Unwinding of discount	44	3	–	**47**
Other changes to provision	(60)	10	(80)	**(130)**
Balance at 31 March 2010	**1,603**	**148**	**2,500**	**4,251**

	Early Departure Provision (Note 14a) £'000	Industrial Injuries Provision (Note 14b) £'000	Other £'000	Total £'000
Balance at 1 April 2008	1,581	135	3,456	**5,172**
Provided in year: New entrants	1,598	–	–	**1,598**
Uplift	46	4	–	**50**
Other provisions: Provided in year	–	–	187	**187**
Utilised in year	(944)	(6)	(182)	**(1,132)**
Unwinding of discount	30	3	–	**33**
Other changes to provision	(1)	1	(76)	**(76)**
Balance at 31 March 2009	**2,310**	**137**	**3,385**	**5,832**

a. Where departures are funded by the Agency, there is a requirement to provide for the estimated future early departure costs of employees, discounted at Her Majesty's Treasury discount rate, in these accounts. The discount rate used is 1.8 per cent (2008/09 2.2 per cent). The provision for departures funded centrally by the Department is recorded in the Departmental Resource Account.

b. This provision represents the expected future costs of Industrial Injuries Benefit permanent allowance payments to Agency staff injured at work and unable to perform their job as a result. The amount provided for each individual is based on life expectancy taken from the Interim Life tables produced by the Government Actuary's Department, and discounted at Her Majesty's Treasury discount rate of 1.8 per cent (2008/09 2.2 per cent) in real terms.

Other administration provisions

	Pension Centres Closure (a) £'000	Manchester Disability Benefits Centre (a) £'000	Clear Desk Policy (b) £'000	Atlantic Quay Glasgow (c) £'000	Total £'000
Balance at 31 March 2009	3,198	60	127	–	3,385
Utilised in year	(3,118)	(60)	(127)	–	(3,305)
Provided in the year	–	–	–	2,500	2,500
Other changes to provision	(80)	–	–	–	(80)
Balance as at 31 March 2010	**–**	**–**	**–**	**2,500**	**2,500**

a. The provisions for the closure of three pension centres and Manchester DBC were utilised in 2009/10.

b. The provision for lockable storage facilities was also utilised in 2009/10.

c. A new provision of £2.5m has been raised and this relates to the Agency vacating 3 Atlantic Quay, Glasgow. The provision represents Unavoidable Costs (UACs) payable to Telereal Trillium i.e. a contractual payment, payable on the vacation of either core or flexi core facilities. They compensate the landlord for the loss of an expected income stream where the Department has indicated occupancy will terminate earlier than the contract period. The provision has been calculated by the Department's Commercial Directorate Estates.

(b) Analysis of expected timing of discounted flows

	Early Departure Provision £'000	Industrial Injuries Provision £'000	Other £'000	Total £'000
In the remainder of the Spending Review period (to 2011)	1,223	13	2,500	3,736
Between 2012 and 2016	380	30	–	410
Between 2017 and 2021	–	28	–	28
Thereafter	–	77	–	77
Balance at 31 March 2010	**1,603**	**148**	**2,500**	**4,251**

Included in the amounts not expected to be called until after 2021 are:

	Early Departure Provision £'000	Industrial Injuries Provision £'000	Other £'000	Total £'000
Amounts not expected to be called until the period beginning 2021	–	77	–	77
Amounts not expected to be called until the period beginning 2061	–	–	–	–
Amounts not expected to be called until the period beginning 2086	–	–	–	–

Note 15: Capital commitments

Capital commitments at 31 March 2010 amounted to £nil (31 March 2009: £1,489,767, 31 March 2008: £nil).

Note 16: Commitments under non-Private Financial Initiative contracts

Operating Leases

Total future minimum lease payments under operating leases are given in the table below, analysed according to the period in which the lease expires:

	31 March 2010			Restated 31 March 2009		
	Land £'000	Buildings £'000	Other £'000	Land £'000	Buildings £'000	Other £'000
Not later than 1 year	6,329	9,683	1,985	7,383	11,014	1,585
Later than 1 year and not later than 5 years	–	–	2,668	7,382	11,014	2,712
Later than 5 years	–	–	–	–	–	–
	6,329	**9,683**	**4,653**	**14,765**	**22,028**	**4,297**

	Restated 1 April 2008		
	Land £'000	Buildings £'000	Other £'000
Not later than 1 year	7,134	10,697	953
Later than 1 year and not later than 5 years	14,267	21,395	1,782
Later than 5 years	–	–	–
	21,401	**32,092**	**2,735**

Details of the most significant contracts assessed under IAS 17 *Leases* and determined as an operating lease are provided below.

Private sector Resource Management of the Estate (PRIME)

The Department has a contract with Telereal Trillium for the provision of fully serviced accommodation until 2018. Within the accommodation provision, the Agency has a separate operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which it occupies. This is provided by means of an Occupation Agreement which includes a maximum commitment of 3 years for the Agency. The amounts shown reflect this commitment for the 3 year period beginning 1 April 2008.

Newcastle Estates Accommodation

The Department entered into an arrangement for the provision of accommodation on the Newcastle Estate from 1 April 1999. Within the accommodation provision, the Agency has a separate operating lease arrangement in place with the Corporate Centre for the properties, or parts thereof, which it occupies. This is provided by means of a Memorandum of Terms of Occupation.

Fleet Contract

The Agency has an arrangement in place with Inchcape, via a Departmental contract, for the use and associated maintenance of motor vehicles over a four year period.

Photocopiers

The Agency has an arrangement in place with Ricoh, via a Departmental contract, for the use and maintenance of photocopiers over a three year rental period. From March 2010, the current photocopiers are being replaced with multi-function devices on a rolling basis. The contract with Ricoh has therefore been temporarily extended to cover the rollout period. The figures included above reflect the reduced commitments as photocopiers are removed from the estate.

Note 17: Commitments under Private Financial Initiative contracts

The Agency has not entered into any contracts under the Private Financial Initiative. However, the Agency continues to utilise the services provided under PFI contracts held centrally by the Department. Full details are available in the Department's Resource Account.

Note 18: Other financial commitments

The Agency has not entered directly into any non-cancellable contracts which are not leases or PFI contracts.

Note 19: Contingent liabilities

The contingent liabilities within The Pension, Disability & Carers Service arise from possible compensation payments that may become due as a result of benefit payment activity that the DWP continually review. Four areas for which possible compensation payments may arise have been identified:

Deficiency Notices

Each tax year, an exercise is performed to identify customers who have not paid, or been credited with, enough National Insurance contributions to provide entitlement towards State pension for that year. Those customers of working age who are affected are issued with an invitation (Deficiency Notice), by Her Majesty's Revenue and Customs, to pay contributions on a voluntary basis in order to make up any deficiency. Deficiency Notices were not sent out for the tax years 1996–97 to 2001–02. Between September 2004 and March 2010, The Pension, Disability and Carers Service contacted pensioner customers affected by the suspension of Deficiency Notices. Customers who reached State Pension age between 6 April 1998 and 24 October 2004 (inclusive) were invited to consider paying voluntary contributions to provide them with the opportunity to improve their basic State Pension or qualify for one for the first time.

As at 31 March 2010, compensation of £11.9 million had been paid out in relation to State Pension arrears of £117.3 million. Although the amounts are uncertain and the liability does not crystallise until customers make contact, current estimates expected compensation of £4.5 million with possible payments of State Pension arrears of £21.1m.

Underpayment of Extra Amount of Severe Disability

Extra Amount for Severe Disability (EASD), is payable if a customer receives Attendance Allowance or the middle or higher rate of the care component of Disability Living Allowance (DLA). The criteria also require that they live 'alone'. Underpayments have been identified for some customers, where DLA/AA and Pension Credit are in payment but no record of the DLA/AA claim exists on the Income Support Computer System, therefore EASD has not been awarded. From a possible caseload of approximately 17,000 cases, a pilot of 1,000 cases has calculated by extrapolation possible further compensation payments of £1.2 million on possible underpayments of £19 million which will be dealt with during the period from May 2010 to March 2011.

Home Responsibilities Protection Error

Home Responsibilities Protection (HRP) reduces the number of qualifying years required for a full basic State Pension if the person was getting child benefit for a child under the age of 16. HRP should be recorded automatically on the child benefit payee's account on the National Insurance Recording system (NIRS) by means of a data feed from the Child Benefit Computer system. It emerged that there had been a significant weakness in the system in that many cases will have had to have been matched onto NIRS clerically because neither the individual's National Insurance number nor date of birth were included in the Child Benefit details. The errors mainly affected women. As a result the correct number of HRP years will not have been included in NIRS records for some customers and this will have an impact on State Pension entitlement. This weakness has now been removed for new claims to child benefit from 2000 where the person is required to provide their national insurance number.

A special exercise commenced in July 2009 to correct existing State Pension awards for women and this is due to be completed by June 2011. As at 31 March 2010, State Pension arrears of £18.1 million had been paid out in relation to this exercise, plus compensation of £0.4 million. The remaining future expected payments cannot be reliably measured because the exercise to date has focused on certain customer age cohorts that are not necessarily representative of the total qualifying population. For those customers in the age cohort (65–80) who were most likely to have entitlement to ChB for the qualifying period, the figures are still to be assessed by the HRP Project. Possible estimated payments on this exercise prior to its completion in June 2011 are in the order of £5.4 million compensation on £64.1 million State Pension arrears, although there remains a significant degree of uncertainly in respect of this estimate.

Additional Pension Errors

Her Majesty's Revenue & Customs (HMRC) have identified a small number of cases with errors in the calculation of Additional Pension resulting in an incorrect payment of State Pension. Pension Disability & Carers Service (PDCS) are planning to correct these cases and customers who are underpaid due to an incorrect calculation of their Additional Pension will have their award corrected and arrears/compensation paid where appropriate. Investigations are currently ongoing and therefore it is not possible to estimate the value of any liability at this stage.

Note 20: Losses and special payments

(a) Summary of Losses and Special Payments

	Note	2009/10		2008/09	
		£'000	Cases	£'000	Cases
Losses					
Administration Losses					
Cash losses	**20(i)**	196	1,049	51	152
Other losses (Non-current Assets)	**20b**	758	53	–	–
Total Administration Losses		**954**	**1,102**	**51**	**152**
Special Payments					
Administration Special Payments					
Payments to Staff/Contractors		120	343	117	271
Compensation payments to members of the public	**5e**	10,963	31,983	6,362	19,939
Total Special Payments		**11,083**	**32,326**	**6,479**	**20,210**

i. Administration Debt Losses

During 2009/10 the Administration Debt Process Owner initiated a thorough review of the policy, processes, controls and recoverability status of the debt stock as a result of increasing levels of Administration Debt within the Department. The objective was to establish a framework to define how Shared Services and the Department should operate in the Administration Debt area, developing an environment where the business is pro-active in seeking recovery.

Extensive activity has taken place in respect of the aged debt stock, seeking recovery wherever possible. Where debt more than one year old has been deemed irrecoverable, the Agency has written balances off. This amounts to £196k relating to some 1,049 cases. A key element of the work has been to identify the root causes of the build up of debt stock and develop appropriate remedial action to prevent recurrence, providing the tools and clear accountabilities to ensure debt is managed effectively.

This activity has been undertaken in full consultation with Risk Assurance Division and incorporates implementation of all their audit recommendations in this area. Shared Services have provided their full support and co-operation to ensure best practice is embedded in every aspect of the management of Administration Debt. Policy Groups, the agencies and Commercial Directorate are also contributing to addressing the audit recommendations.

(b) Administration Related Losses Statement

Details of cases over £250,000	2009/10 £'000	2008/09 £'000
Non-current Asset Write Off Losses The non-current asset administrative write off loss relates to a review of the Agency's asset register during 2009/10. This amount related to the net book value of furniture assets which could not be supported by documentation and has been taken to the General Fund in 2009/10.	758	–

Note 21: Related party transactions

The Pension, Disability and Carers Service is an executive agency of the Department for Work and Pensions (the Department). The Department and its agencies are regarded as related parties to the Pension, Disability and Carers Service. During the year, the Pension, Disability and Carers Service has had a significant number of material transactions with the Department and its agencies (see Note 6).

Details of transactions between directors of the Agency or their close family members and third party organisations with which the Agency has a business relationship are held in a register that may be accessed at the address on page 43. No board member or senior official has undertaken any material transaction with the Agency during the year.

In addition, the Agency had a number of material transactions with other Government Departments and other central Government bodies.

Note 22: Late payment of commercial debt

The 'Late Payment of Commercial Debts (Interest) Act 1998' which came into effect from 1 November 1998 and the 'Late Payment of Commercial Debts Regulations 2002' which came into force on 7 August 2003 provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

In 2009/10, £nil of interest (2008/09 £nil) was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Note 23: Events after the reporting period

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Agency provides to employees.

There have been no other events after the reporting period that require disclosure in these accounts.

IAS 10 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date of the Certificate and Report of the Comptroller and Auditor General.

The authorised date for issue is 22 July 2010.

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