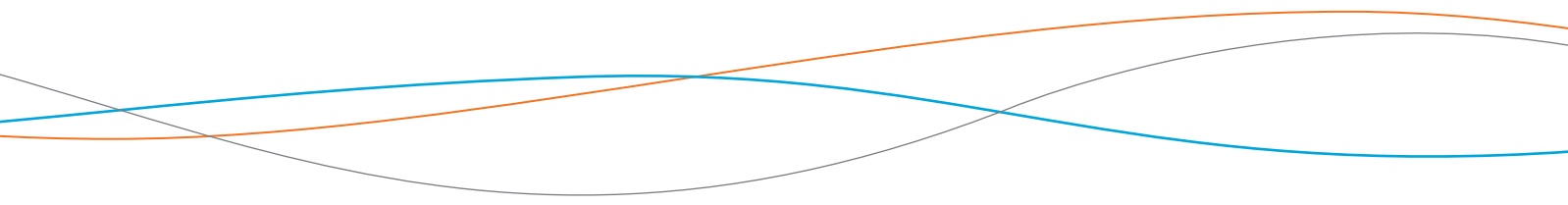


# Annual Report and Accounts

2009/10

personal accounts  
delivery authority

helping millions save  
for their retirement

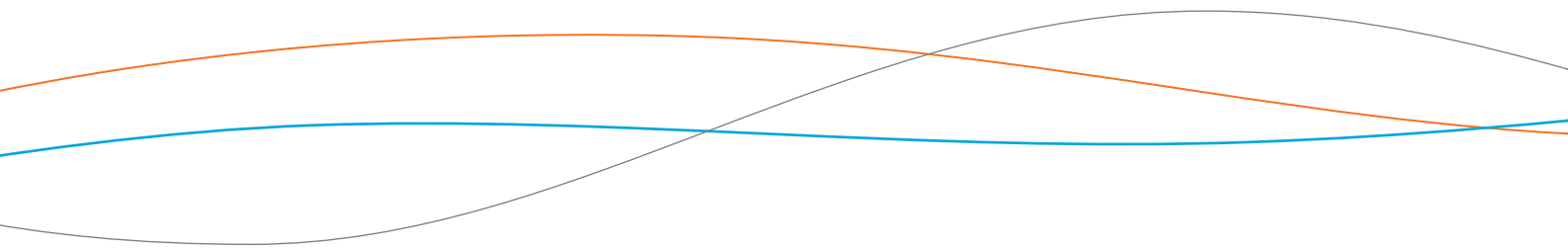




# Personal Accounts Delivery Authority Annual Report and Accounts 2009/10

Presented to Parliament pursuant to paragraph 17  
of Schedule 6 to the Pensions Act 2007

Ordered by the House of Commons to be printed on 1 July 2010



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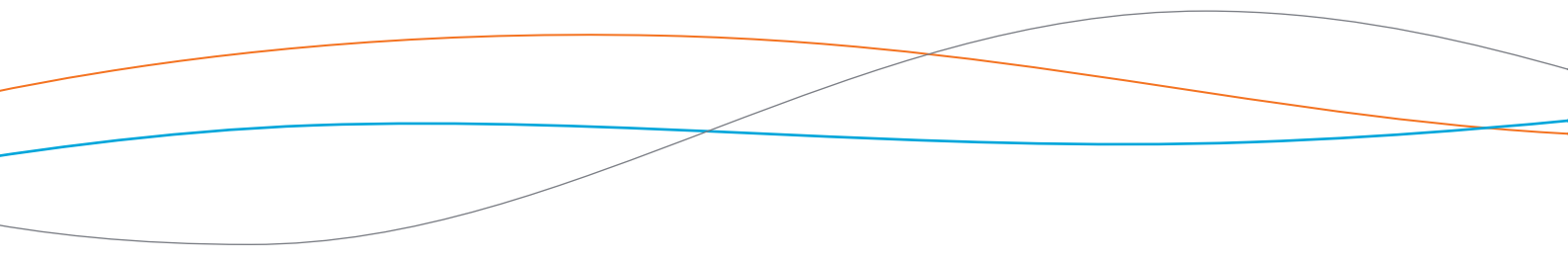
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# 1 Foreword

The Personal Accounts Delivery Authority (PADA) is responsible for designing and building NEST (National Employment Savings Trust).

Following the General Election on 6 May 2010 the Government announced an independent review of the scope of automatic enrolment and the role to be played by NEST in supporting the pension reforms. The review will take place during the summer of 2010.

PADA and NEST Corporation stand ready to lend any assistance the review team may require. To maintain progress and keep options open, PADA – and after transition - NEST Corporation, will continue to work on developing NEST during the review.

July 5 will see the end of PADA and the start of NEST Corporation, the trustee body that will oversee the NEST scheme. I want to take this opportunity to thank my colleagues on the Board and all those working at PADA. They are a highly motivated team who are fully committed to achieving our part of the reform programme.

In particular I want to thank our Non-Executive Members, Paul Hewitt, Chris Willford and Alison Wright. Their constructive challenge has been enormously valuable in ensuring that PADA staff continue to get the design of NEST right for our target market of low-to-moderate earners.

I also want to thank all those who have given their time and resources to support the continued shaping of NEST throughout the year, through our public consultations, our representative committees or via less formal engagement.

NEST Corporation is inheriting a compelling brand in NEST. The brand was developed following extensive research, meaning we can be confident it will resonate with future scheme members, their employers and advisers.

NEST Corporation will also inherit PADA's people, meaning it will benefit from retaining the knowledge, drive and experience of the team which has already taken us so far towards delivery.

This will be the last opportunity I will have to sign a report as PADA Acting Chair. I'm confident there will be the same commitment and determination at NEST Corporation as I've been proud and privileged to work amongst at PADA.



**Jeannie Drake**  
Acting Chair  
Personal Accounts Delivery Authority  
23 June 2010









## 2 Chief Executive's report

The last financial year was an exciting and challenging one for the Personal Accounts Delivery Authority (PADA). During 2009/10 we made substantial progress towards the delivery of NEST (National Employment Savings Trust).

We remain on track to deliver NEST on time and at low cost, having made significant advances throughout the year against PADA's corporate plan.

The core objectives of this plan are to establish the scheme and NEST Corporation, to provide advice and support to the Department for Work and Pensions (DWP) and to the Trustee Members of NEST Corporation, and to build an organisation that engenders confidence.

We achieved a number of major milestones throughout the year including signing the stage one contract for scheme administration services. We also created the NEST brand and developed a transition plan for NEST Corporation.

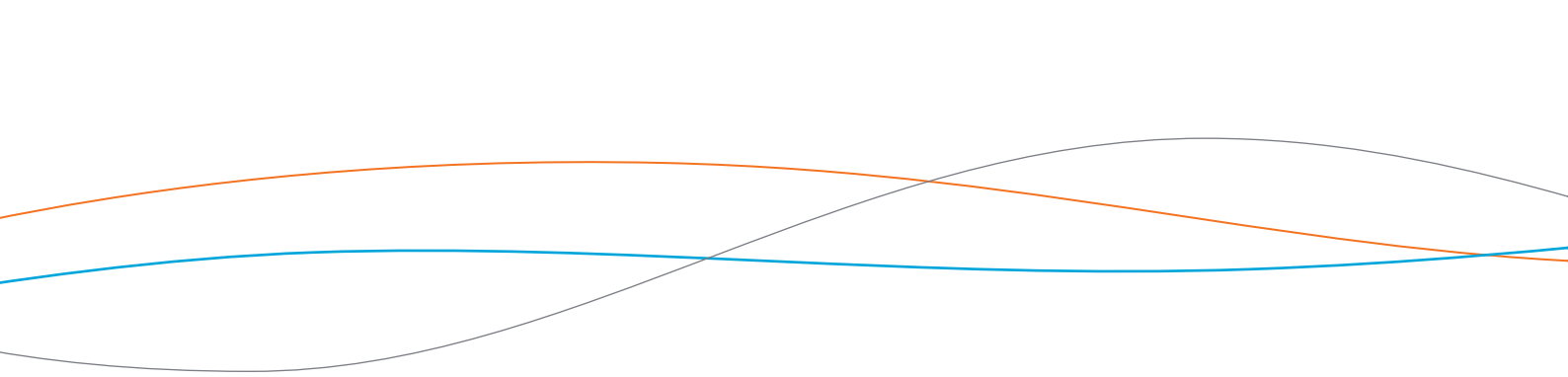
In addition, we started the procurement process for fund administration and custody services and made very good progress towards developing recommendations on NEST's investment approach. We also assisted DWP in developing the secondary legislation for the scheme.

### Establishing the scheme

In January 2010 we announced that NEST would be the brand for both the scheme and the trustee corporation overseeing the scheme. The process of creating the brand included extensive research with potential members and employers. I was delighted when the brand was so well received by a wide range of stakeholders and commentators.

Two months later, following an eleven month competitive dialogue procurement process, culminating with a rigorous evaluation, PADA awarded the contract for NEST's scheme administration services to Tata Consultancy Services (TCS) in March 2010.

The competitive dialogue process allowed us to consider in detail the proposals from the four suppliers that were selected at the *invitation-to-tender* stage of the procurement. Throughout this process, TCS progressively demonstrated innovation, economy and an ability to meet our requirements. We are confident TCS will deliver a great service to NEST members.



Supporting DWP in the finalisation of the order and rules for NEST was another landmark on the road to establishing the scheme. The order and rules were published in March 2010 and provide a solid structure for NEST Corporation.

### **Setting up NEST Corporation**

On 5 July PADA will wind up and NEST Corporation will be established. On this day, PADA's assets, liabilities and its function to deliver the scheme will be transferred to NEST Corporation.

A key achievement in establishing NEST Corporation was the appointment of NEST Corporation Chair Designate, Lawrence Churchill, by the Secretary of State for Work and Pensions. Lawrence took this position with effect from 1 February 2010.

A further eight Trustee Members Designate were recruited with effect from 1 April 2010, including Jeannie Drake as Deputy Chair Designate.

Following the end of the financial year Jeannie Drake was appointed a Labour Peer to the House of Lords. PADA has benefited enormously from the expertise Jeannie Drake has been able to bring to the organisation. Regrettably, her appointment means that she will not be able to take up her role as Deputy Chair of NEST Corporation.

### **Providing valued advice and support**

In 2009/10, PADA advised DWP Ministers on the scheme order and rules and on establishing NEST Corporation. In addition, we continued to consult with stakeholders on areas where PADA will be making recommendations to NEST Corporation. These areas included NEST Corporation's investment strategy and proposals on how scheme members will access their retirement savings.

The recommendations on investment strategy involved engagement with over one hundred organisations, taking account of a broad range of national and international views. The *summary-of-responses* document, published in November 2009, sets out the key findings and details the supporting evidence.

### **Building an organisation that engenders confidence**

To ensure PADA has a formal process to take account of stakeholder views, we established three representative committees – the Consumer Representative Committee, the Employer Representative Committee and the Scheme Management and Trustee Advisory Committee. The work of these committees is highly valued and I would like to thank the diverse range of organisations and individuals involved for their engagement and support.

The very fact that our investment consultation gave rise to such strong positive comment is testimony to the growing confidence that PADA is generating. Stakeholders have also been particularly supportive of PADA's continued commitment to seeking a broad base of expert views and of our commitment to putting the needs of future members at the very centre of our considerations.

The development of the NEST brand has also proved an important step in building confidence. The announcement of the brand attracted highly supportive comments from a variety of groups, including consumer and industry representatives. Many stakeholders reported that the brand will enhance the appeal of the scheme to those potential members who are yet to make provision for their retirement.

Building confidence and trust is one of the biggest challenges NEST faces. However, the way in which PADA engages with stakeholders, its strong and effective governance structures, and its high standards in communication and transparency, have all helped us meet this challenge. This is a legacy which I fully expect NEST Corporation will build upon.

I would like to take this opportunity to pay tribute to all of our staff and other stakeholders for their hard work and expertise. Also, I would like to give my personal thanks to Jeannie Drake for her leadership and guidance as Chair of PADA. It has been a challenging but rewarding time that has seen us achieve much and move closer to establishing NEST Corporation and importantly, to launching the scheme itself. None of this would have been possible without the huge wealth of talent and the commitment of those involved.

As stated in the Acting Chair's foreword there will be an independent review of the scope of automatic enrolment and the role played by NEST in supporting the pension reforms. As the review progresses, PADA – and following transition – NEST Corporation will continue to work on developing NEST, to ensure all options remain available to the Government.



**Tim Jones**  
Chief Executive  
Personal Accounts Delivery Authority  
23 June 2010



## 3 Directors' report

### 3.1 About PADA

#### 3.1.1 Background

Personal Accounts Delivery Authority (PADA) was established as a non-departmental public body (NDPB) by the Pensions Act 2007. Its initial purpose was to provide advice and make recommendations to Government on the personal accounts policy.

PADA's function was extended by the Pensions Act 2008 to include the delivery of National Employment Savings Trust (NEST – formerly referred to as the personal accounts scheme) and advise on the creation of NEST Corporation, the new trustee body that will oversee the operation of the scheme.

#### 3.1.2 Our key priorities

In 2009/10, our work was focused on procuring scheme administration services for NEST and advising the Department for Work and Pensions (DWP) on the secondary legislation relating to the scheme and the establishment of NEST Corporation.

By the end of the financial year, stage one of the scheme administration contract was signed, Parliament had passed the secondary legislation for the scheme, Ministers appointed the Chair Designate and announced that NEST Corporation would be established on 5 July 2010.

We also commenced the procurement process for fund administration and custody services and have worked with DWP colleagues on setting up NEST Corporation.

#### 3.1.3 Looking ahead

Over the course of the year we have developed and agreed a transition strategy with DWP and Ministers. This strategy concluded that the most appropriate way to manage a smooth handover would be to wind up PADA at the same time as NEST Corporation's creation. PADA will therefore cease to exist on 5 July 2010 when its principal function of delivering the scheme will transfer to NEST Corporation.

Further key information about PADA and access to published documents is available on our website: [www.nestpensions.org.uk](http://www.nestpensions.org.uk)

### 3.2 Organisational structure and governance

#### 3.2.1 Composition of the Board

The Pensions Act 2007, as updated by the Pensions Act 2008, sets out that the membership of the Board of the Personal Accounts Delivery Authority should consist of:

- a Chair who is appointed by the Secretary of State for Work and Pensions
- a Chief Executive
- Executive Directors and Non-Executive Directors.

The Act requires that the Secretary of State and PADA should aim to ensure that the Board has no fewer than three and no more than nine members at any time.

The Act also requires that the Chair and the first non-executive and executive members of PADA are appointed by the Secretary of State.

Any subsequent appointments of members, apart from the Chair, are made by PADA, subject to the approval of the Secretary of State.



The composition of the Board complies with the key recommendations of the Combined Code on Corporate Governance, in particular, that there should be a majority of non-executive directors on the Board.

### Acting Chair

**Jeannie Drake CBE**, a Non-Executive Director of PADA, became Acting Chair with effect from 6 October 2008.

Jeannie has a wealth of public sector experience. She currently serves on the boards of the Pension Protection Fund and the Employment Appeals Tribunal. Until September 2009 Jeannie served on the Board of the Equal Opportunities Commission, later the Commission for Equality and Human Rights.

Between 2002 and 2006 Jeannie served as a member of the Pensions Commission and from 2006–08 she was Chair of the Railway Pensions Commission.

Jeannie has experience in the private sector and is currently a pension scheme trustee for both O2 and Alliance & Leicester and has also held a number of trade union posts. These included Deputy General Secretary of the National Communications Union and Communication Workers Union and President of the Trades Union Congress.

Jeannie was appointed as Deputy Chair Designate of NEST Corporation with effect from 1 April 2010.

After the end of the financial year, Jeannie was appointed a Labour Peer in the House of Lords. This consequently means that Jeannie is unable to take up her role as Deputy Chair of NEST Corporation on 5 July 2010.

### Chief Executive

**Tim Jones** was appointed PADA Chief Executive on 8 October 2007. He has substantial experience in the financial sector and is currently an independent director at Investment Technology Group Inc.

Tim has held a variety of senior positions, including a non-executive directorship at Capital One Bank (Europe), Chief Executive of Retail Banking at NatWest Bank, and Chief Executive at Mondex, Purseus and Simpay.

### Non-Executive Directors

**Jeannie Drake CBE** was appointed as PADA's first Non-Executive Director on 17 September 2007. She chairs the Nomination Committee and was appointed PADA's Acting Chair with effect from 6 October 2008.

**Paul Hewitt** was appointed as a Non-Executive Director in May 2008 for an initial period of three years. He is a director of Volterra Middle East, a consulting firm.

Paul is Non-Executive Chairman of Portrait Software, The Good Care Group and Four Times Enterprises. He is also a Non-Executive Director of Collins Stewart, Kiln Group and Co-operative Financial Services, where he is Chairman of the Audit and Regulatory Compliance Committee. He was also formerly the Deputy Group Chief Executive of the Co-operative Group.

Paul was appointed as a Trustee Member Designate of NEST Corporation with effect from April 2010.

**Chris Willford** was appointed as a Non-Executive Director in May 2008 for an initial period of three years. Chris chairs PADA's Remuneration Committee and the Audit and Risk Committee.



Chris began his career at Unilever and subsequently held senior positions at British Airways, including Group Treasurer, Barclays, where he was Finance Director of the business bank and the UK retail bank, and at Bradford and Bingley where he was Group Finance Director, responsible for all aspects of financial management, as well as compliance, risk and audit.

**Alison Wright** was appointed as a Non-Executive Director in May 2008 for an initial period of three years. Alison is Strategy Director of Engine Group, a marketing services group of companies including the advertising agency WCRS and a range of direct marketing, digital, PR and sponsorship agencies.

Alison's career history includes time as Chief Marketing Officer of Egg Banking, Prudential UK and Citibank's UK consumer business.

She has also held senior positions in a number of advertising agencies advising, among others, Abbey, the AA and Alliance & Leicester on their marketing communications.

## Executive Directors

**Simon Richards** was appointed as our Business Delivery Director on 1 September 2008 for an initial period of three years.

Simon has worked extensively in the financial services industry. His previous employers include Citibank, Price Waterhouse (now PricewaterhouseCoopers), Goldman Sachs and Simpax.

He also founded and was CEO of Alpheus, a niche IT consultancy, based in London and Frankfurt.

**Helen Dean** is Managing Director of Scheme Development.

Helen is a senior civil servant on secondment from DWP. She joined PADA when it was established, as interim Policy and Product Director.

Helen was appointed to the Board of PADA in February 2009.

Before working for PADA, Helen worked in the Pension Policy division of DWP where she had responsibility for the Informed Choice initiative, and later for developing the policy on what was then known as the personal accounts scheme.

Prior to this she was responsible for a number of projects and programmes within DWP and also had a range of roles within front-line operations.

All appointments were made following an open and competitive selection process.

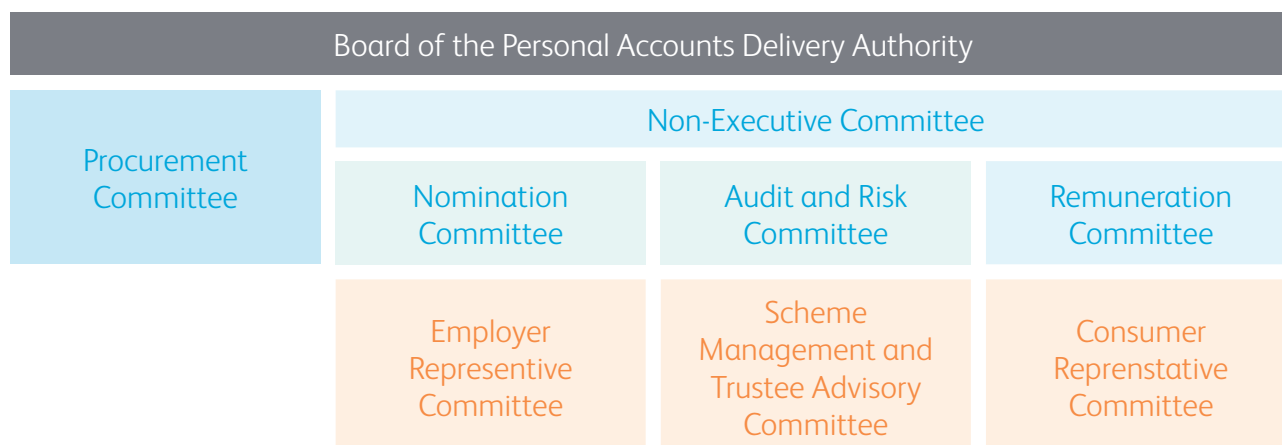
The appointment of the Chair and Non-Executive Directors complied with the Office of the Commissioner for Public Appointments (OCPA) Code of Practice for Public Appointments. Executive appointments were not subject to the OCPA code but, where appropriate, the code was observed as best practice.

### 3.2.2 Board members' interests

Members of the Board have registered any interests they hold that may create a potential conflict with their responsibilities to PADA.

A register of Board members' interests is published on our website at [www.nestpensions.org.uk](http://www.nestpensions.org.uk)

### 3.2.3 Organisation of the Board and its committees



 Represents advisory committee

#### Procurement Committee

The Procurement Committee is chaired by Tim Jones and has delegated authority from the PADA Board to direct the procurement activity being undertaken within PADA.

The Committee evaluates bids from suppliers on procurements for the operations and investment capabilities of the NEST scheme. The Committee also assures and approves procurement strategies, plans, and processes, approving any major deviations from these. It also challenges and assures recommendations brought by evaluators and negotiators of bids and consults the PADA Board primarily, and then Enabling Retirement Savings Programme (ERSP) on the decisions made.

Specifically, in this reporting year the Procurement Committee directed procurement of the scheme administration services making final recommendations to both the PADA Board and the ERSP Board.

The Procurement Committee met seven times in the year.

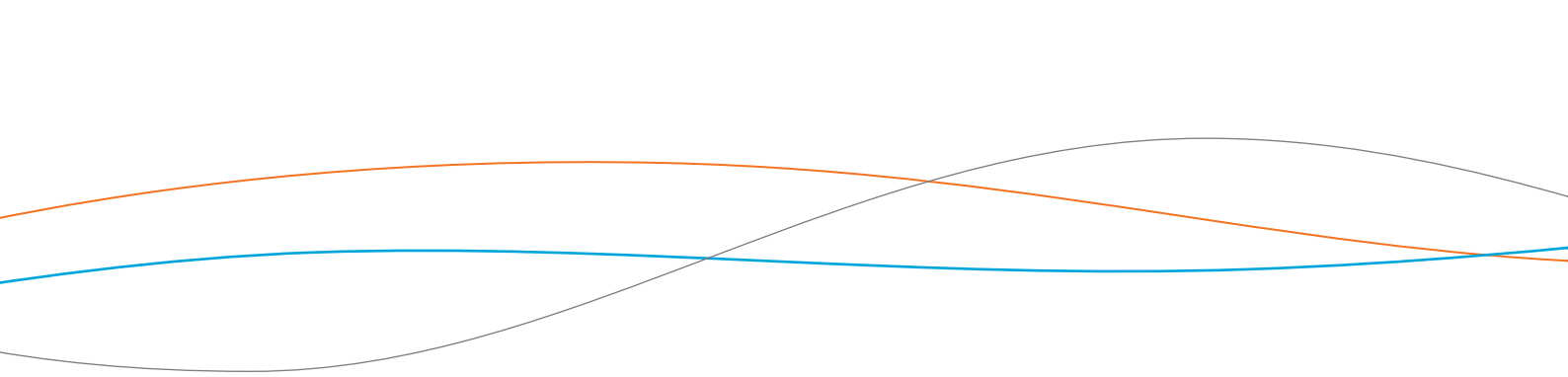
#### The Non-Executive Committee

This Committee is chaired by Jeannie Drake. It has three sub-committees: the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. Reports from each are included below.

Its remit is to provide a mechanism for the Chair and Non-Executive Directors to properly carry out their oversight and scrutiny role. It is also charged with considering matters that are most appropriately discussed without the presence of the Executive Directors or others.

The Pensions Act 2008 gives additional financial control responsibilities to the Non-Executive Committee. These responsibilities and the way in which the Non-Executive Committee has fulfilled them are set out below in the report of the Audit and Risk Committee.

The Act also gave the Committee responsibilities relating to the appointment and remuneration of subsequent executive members of PADA, with the approval of the Secretary of State. These responsibilities and the way in which the



Non-Executive Committee has fulfilled them are set out below in the reports of the Remuneration Committee and Nomination Committee.

The Committee met on the same day as every Board meeting (except one in September), and reviewed the business and decisions of those Board meetings, properly exercising their role of oversight and review of the activities and direction of the Authority. The Committee also held one further meeting on 26 June 2009.

### **Report of the Audit and Risk Committee**

The Audit and Risk Committee is a sub-committee of the Non-Executive Committee and is chaired by Chris Willford.

The Audit and Risk Committee's remit is to act independently from executive members in ensuring the interests of stakeholders and taxpayers are properly protected in relation to financial reporting and internal control.

The Committee supports the Board in its responsibilities for risk management and governance. It does this by reviewing how comprehensive the assurances are in meeting the Board and Accounting Officer's assurance needs. It also reviews the reliability and integrity of these assurances.

The Audit and Risk Committee met five times in the 2009/10 financial year. Its activities in this financial year included:

#### **Internal audit programme**

- receiving and reviewing the 2008/09 Annual Assurance Report
- commissioning and adopting the 2009/10 internal audit plan

- receiving and reviewing subsequent findings of all internal audit reviews

#### **Internal controls**

- reviewing the 2008/09 Statement on Internal Control
- considering and recommending to the Board, the approval of accounting policies and procedures for the 2010/11 financial year

#### **Risk**

- reviewing PADA's risk management process and risk register

#### **External audit**

- reviewing and approving the 2008/09 annual accounts for submission to the Board
- reviewing the 2008/09 post-certification report and audit letter recommendations and monitoring their implementation
- discussing the 2009/10 audit strategy with the National Audit Office
- reviewing the re-statement of the 2008/09 accounts in line with International Financial Reporting Standards changes

#### **Governance**

- submitting the Committee's annual report to the Board and Accounting Officer
- reviewing the Committee's terms of reference on an annual basis
- considering the Committee's own effectiveness
- completing appraisals of Committee members

## Other

- reviewing the loan agreement between DWP and PADA.

After the end of the financial year, but ahead of the publication of the Annual Report the Committee's activities included:

- reviewing and approving the 2009/10 annual accounts for submission to the Board
- reviewing the 2009/10 Statement on Internal Control
- receiving and reviewing the 2009/10 annual internal audit report.

## Report of the Remuneration Committee

The Remuneration Committee is a sub-committee of the Non-Executive Committee and is chaired by Chris Willford.

The Committee's remit is to support the Chair, the Board and the Non-Executive Committee in their responsibilities for reviewing the performance and determining the remuneration of executive Board members and other PADA staff.

The Committee also has oversight of PADA's reward strategy.

Section 84 of the Pensions Act 2008 amends the provisions of the Pensions Act 2007 in giving the Non-Executive Committee responsibility for setting the terms and conditions, including remuneration, of executive members of PADA, with the approval of the Secretary of State.

The Committee met six times in the 2009/10 financial year.

Its activities included:

- reviewing the 2008/9 performance of the Chief Executive and Executive Directors
- recommending the level of the Chief Executive's and Executive Directors' 2008/9 bonuses
- reviewing the Chief Executive's and Executive Directors' salaries and making recommendations
- considering a number of remuneration policy questions.

## Report of the Nomination Committee

The Nomination Committee is a sub-committee of the Non-Executive Committee and is chaired by Jeannie Drake. It fulfils the responsibilities, laid out in Section 84 of the Pensions Act 2008 in relation to appointments, on behalf of the Non-Executive Committee.

The Nomination Committee's remit is to lead the process for Board appointments and make recommendations to the Board.

There were no Board appointments during the year. The Committee, whose membership is entirely drawn from non-executive members of the Board, met once in 2009/10.

Details of the advisory committees to the Board can be found in Appendix A.

### 3.2.4 Details of meeting attendance

The table below presents details of meetings attended by Board members during the year.

	Board Meetings	Non-Executive Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings	13	13	5	6	1
Jeannie Drake	13	13	-	6	1
Paul Hewitt	13	13	5	6	1
Chris Willford	11	12	5	6	1
Alison Wright	11	12	-	5	1
Tim Jones	11	-	-	-	-
Simon Richards	13	-	-	-	-
Helen Dean	12	-	-	-	-

The above table presents the number of meetings individual directors have attended against the number of meetings held in the year.

### 3.2.5 Governance, internal control and risk management

The Board reviewed risks at each of its monthly meetings and received regular reports from the Chair of the Audit and Risk Committee, which itself considered risk at each meeting. PADA's Financial Policies and Procedures are reviewed by the Audit and Risk Committee and approved by the Board on an annual basis.

### 3.2.6 Report of the Non-Executive Committee

The Non-Executive Committee has periodically assured itself, by means of reviewing the work of the Audit and Risk Committee, that during the financial year 2009/10, PADA's internal financial controls have operated effectively. All members of the Audit and Risk Committee are also members of the Non-Executive Committee.

Section 84 of the Pensions Act 2008 also gives the Non-Executive Committee responsibility for appointments and setting the terms and conditions, including remuneration, of subsequent executive members of PADA, with the approval of the Secretary of State. The Non-Executive Committee has exercised this responsibility by means of the work of the Nomination Committee and Remuneration Committee. All members of the Nomination Committee and Remuneration Committee are also members of the Non-Executive Committee.

The Non-Executive Committee has reviewed the business and decisions of the Board. In this way the Chair and Non-Executive Directors have given themselves the opportunity to properly exercise their role of oversight and review.



### 3.2.7 Relationship with DWP

As a NDPB, PADA operates at arm's length from Government. However, we are accountable to Parliament through the Secretary of State for Work and Pensions. This means we operate within the terms of an agreed Framework Document which defines the roles and responsibilities in the relationship between PADA and DWP.

The Departmental Strategic Objective: *"Promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform"* has been a key element of the Government's wider pension reforms.

DWP established Enabling Retirement Savings Programme (ERSP) to deliver pension policy changes and to oversee the programme's wider agenda which is being taken forward by three delivery bodies: the Pensions Regulator (tPR), DWP and PADA.

As one of the principal project delivery organisations for ERSP, PADA has a very close working relationship with DWP, and PADA's Chief Executive is an ERSP Board member.

PADA meets regularly with Ministers and with officials from both DWP and tPR to discuss progress and ensure ongoing alignment between each of the parties.

As well as project and programme governance, PADA also has a duty to demonstrate effective performance as a public body to Ministers through the DWP Steward and their Stewardship Team.

Our Framework Document gives more detail on the arrangements for working with DWP on a day-to-day basis. This is published on our website.

DWP finances the Authority in the form of a loan and grant-in-aid funding. The loan, which is due to be repaid by 30 November 2010, is underwritten by DWP via a Letter of Comfort. As there is no reason to suggest that future financing from the Department shall not be forthcoming, this annual report and accounts is presented on a going concern basis.

### 3.2.8 Our people

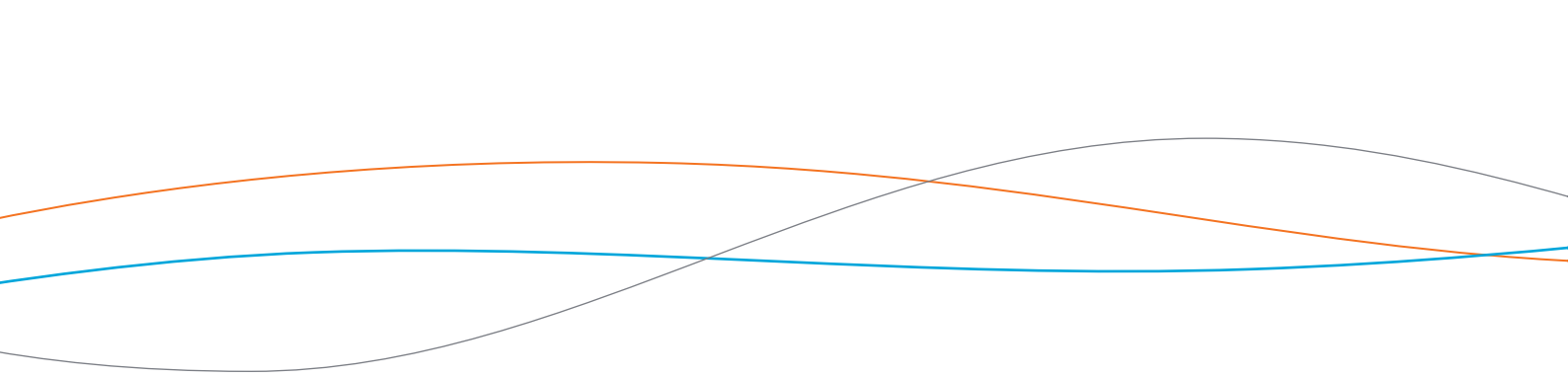
As at 31 March 2010 we had a total of 194 people working for us spread across three sites in London, Leeds and Newcastle, with 147 of these being fixed term contract employees. Over the year we have reduced both the proportion and number of secondees and interim contractors.

To deliver the scale and complexity of PADA's key objectives, we continue to employ specialists with expertise in delivering large scale financial systems.

We also employ people to support our interaction with stakeholders, suppliers and government, and those with proven capability in areas such as policy, legislation, strategy, planning, procurement, research and communications.

PADA has a strong commitment to its people and aims to create a supportive environment where individuals are highly motivated and encouraged to perform to their full potential. This has contributed to a very low rate of sickness absence. The average sick absence during 2009/10 was 4.1 days per employee (in 2008/9 the average was 1 day per employee).

The Authority operates a defined contribution pension scheme, which employees are invited to join upon appointment. The treatment of liabilities in respect of this pension scheme



is disclosed in accounting policies note 1.8, contained within the financial statements accompanying this report.

### **3.3 Organisational performance and activities**

#### **3.3.1 Board activity**

The Board held thirteen meetings during 2009/10. Twelve were regular monthly meetings, the thirteenth was called for the Board to consider its final recommendation on awarding the scheme administration services contract. Additional sessions, not called as formal meetings, were held to receive presentations and updates on particular issues as required.

The greatest part of the Board's time was spent considering issues relating to the strategic direction of PADA and its programme of work. In particular:

- The Board approved the Authority's advice to the Secretary of State on the scheme order and scheme rules, the Employer Duty Regulations and on matters relating to NEST.
- The Board considered issues relating to designing and delivering NEST in time for launch, roll-out and implementation in 2011. This included regularly examining risks to the programme.
- The Board considered various important issues relating to the characteristics and operation of the scheme itself. These included the product strategy, distribution strategy, communications strategy, the scheme brand and the development of thinking on both investment and decumulation (annuitisation).

- The Board received regular reports from the Procurement Committee and from the Chief Executive on the progress in procuring scheme administration services for NEST. In February 2010, an additional meeting was convened for the Board to consider its final recommendation. The outcome of this meeting was the recommendation that the scheme administration services contract should be awarded to TCS.

Aside from setting the strategic direction of PADA, the Board also exercised oversight and scrutiny of areas where it has numerous specific and general responsibilities. The Chief Executive provided monthly submissions to the Board on the Authority's financial performance, risk, programme management, human resources, stakeholder and media relations. PADA's budget was brought before the Board, as were key finance and employment policies. Especially worthy of note was the agreement of the terms of the loan from DWP to PADA.

During the course of the year the Acting Chair, supported by the Secretariat, arranged for the Board to carry out an assessment of its own effectiveness. This was carried out internally through anonymous questionnaires that captured both quantitative and qualitative information. The Acting Chair led a discussion on the outcomes and specific actions arising from the findings were identified and progressed. The Board also reviewed and refreshed its own Terms of Reference and Standing Orders and also those of its committees.

In line with a standing instruction, all recommendations brought before the Board included reports on compliance with PADA's principles under Section 80 of the Pensions Act 2008 and on staffing and resource implications.



The agendas included consideration and discussion of the following areas:

#### **Areas of regular Board scrutiny:**

- finance
- risk
- advice to DWP
- compliance with the PADA principles

#### **Regular reports**

- Chief Executive's report
- reports from Board committees

#### **Governance matters**

- Framework Document
- terms of reference, standing orders and Code of Conduct
- delegations to Board committees and to PADA staff
- membership of Board committees
- recruitment of senior staff
- governance effectiveness review
- stakeholder perceptions of PADA
- Register of interests

#### **Finance**

- budget
- accounting policies and procedures
- loan agreement between PADA and DWP

#### **Review of PADA corporate documents and policies**

- Organisational Strategy and Business Plan
- Corporate Strategy
- Corporate Plan
- Publication Scheme
- People Plan

#### **Discussion of strategic issues**

- procuring the scheme administrator
- investment
- scheme volumes and funding
- scheme launch, implementation and roll out
- cross-contract service delivery
- product and distribution strategies
- scheme order and rules
- NEST Corporation set up, brand and scheme communications

#### **Review of PADA consultations**

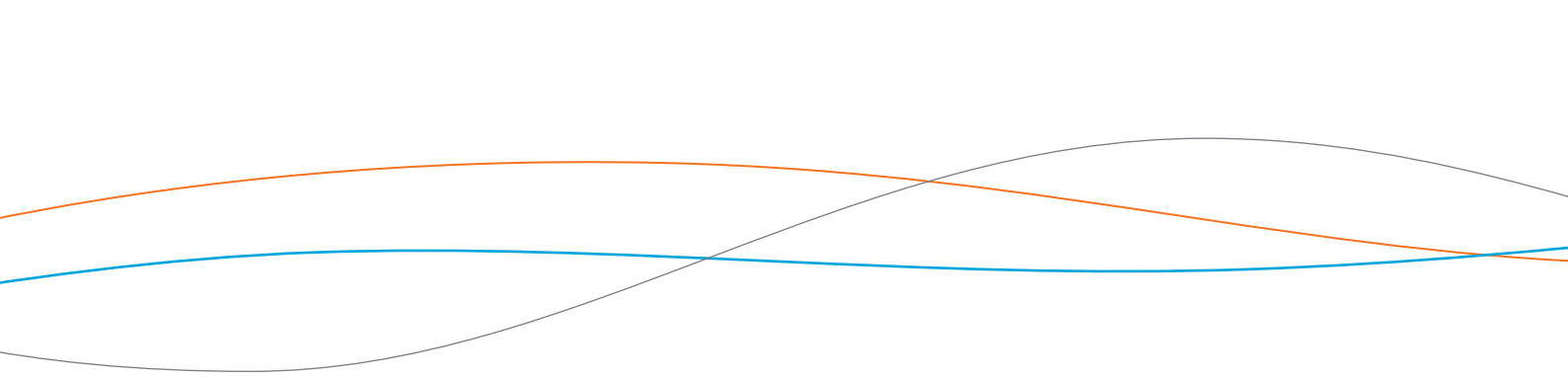
- investment
- decumulation (annuitisation).

#### **3.3.2 Performance and key achievements**

PADA's business performance during the year, referred to in the Chief Executive's report, is explained in more detail below.

We published the PADA Corporate Plan last May. This outlined our vision and strategic goals.

It also contained our annual business plan, which defined our specific business objectives and performance criteria for the 2009/10 financial year, to support us in achieving our goals.



In addition to the information provided below, Appendix B sets out a more detailed view of our achievements against each of the agreed performance measures.

The business objectives we delivered against for 2009-10 were to:

- 1.1 undertake procurement activities to acquire core services to deliver NEST
- 1.2 complete preparatory activities to enable scheme build
- 2.1 complete handover planning activities in preparation for implementation
- 2.2 design and initiate a robust organisation capable of effectively administering NEST
- 3.1 provide the Secretary of State with quality and timely advice on NEST and related matters
- 3.2 provide high quality, timely advice to strategic partners and the fledgling NEST Corporation
- 4.1 maintain effective relationships with stakeholders and suppliers to ensure PADA is viewed as a robust, professional organisation
- 4.2 operate a resilient and robust organisation capable of delivering PADA's work programme within the resources available
- 4.3 ensure robust controls are in place to effectively govern the organisation and meet obligations as a NDPB.

## **Delivering NEST**

### **Objective 1.1: Undertake procurement activities to acquire core services to deliver NEST**

PADA issued a contract notice in the Official Journal of the European Union in January 2009 for scheme administration services.

A shortlist was drawn up and four suppliers were invited to participate in a competitive dialogue beginning May 2009.

During the procurement process TCS progressively demonstrated its ability to meet PADA's requirements and emerged as a very strong bidder. We received the final bid from TCS on 5 February and started the evaluation alongside proof of solution and proof of user experience testing. A rigorous evaluation of this final bid confirmed the ability of TCS to meet PADA's requirements.

PADA recommended TCS as the scheme administrator and a contract was signed on 15 March 2010.

### **Objective 1.2: Complete preparatory activities to enable scheme build**

PADA's running of the competitive dialogue process with the qualified bidders for the scheme administration contract constituted a major piece of preparatory scheme build work.

Details of the product proposition and the resulting business requirements have been developed throughout the year. Activity underpinning this work included the development of, and consultations on, the scheme order and rules and automatic enrolment regulations.

We completed extensive research that led to the development of the scheme name and brand, culminating in its public announcement on 7 January 2010.

PADA continued to engage with stakeholders including our Employer and Consumer Representative Committees, the Scheme Management and Trustee Advisory Committee, the pension industry and employer groups. We did this alongside conducting ongoing research with prospective members and employers.

This stakeholder input made a significant contribution to the development of the investment and decumulation (annuitisation) strategies for NEST, among other areas of scheme design.

## NEST Corporation

### **Objective 2.1: Complete handover planning activities in preparation for implementation**

We examined a number of options for handover to NEST Corporation and the wind up of PADA, working very closely with colleagues in DWP and consulting with key stakeholders for their input.

The culmination of that work was the development of a comprehensive wind-up plan for PADA.

The implementation of that plan is already well underway to ensure a seamless handover to NEST Corporation on 5 July 2010.

### **Objective 2.2: Design and initiate a robust organisation capable of effectively administering NEST**

We have worked very closely with DWP throughout the financial year, providing advice and support around establishing NEST Corporation.

We engaged with a number of key stakeholders and looked at lessons learnt from previous experiences to ensure we developed a comprehensive set of business requirements for the organisation.

The outcomes were factored into development of the target operating model and transition plans. These have been refined over the year.

## Legislative support and advice

### **Objective 3.1: Provide the Secretary of State with quality and timely advice on NEST and related matters**

We continued to provide advice and assistance to DWP in developing the secondary legislation needed to support the pension reform agenda.

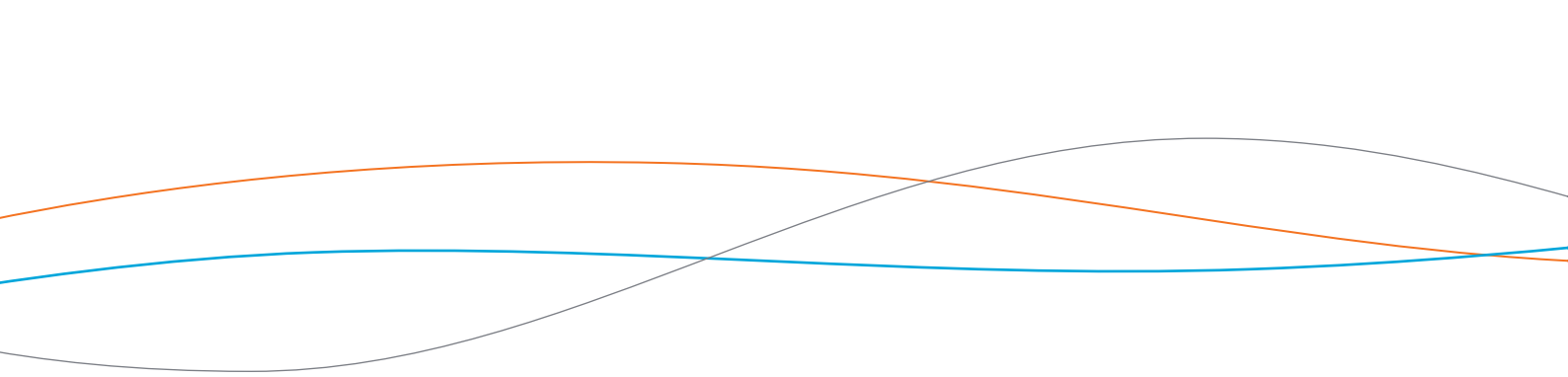
As part of this, the support needed to establish and run NEST was considered, including putting in place the scheme order and rules as well as the new employer duties.

We jointly drafted and published the order and rules consultation document with DWP and after we analysed stakeholder responses to that document, a joint response was published.

NEST's order and rules were published in March 2010.

### **Objective 3.2: Provide high quality, timely advice to strategic partners and the fledgling NEST Corporation**

PADA continued to work closely with our partners across ERSP.



We developed and carried out a comprehensive program of research to ensure that NEST will work for its target members and employers, and that our advice to DWP is based on a sound evidence base.

We used the responses to the consultation on investment to ensure the recommendations we will make to NEST Corporation on an investment strategy for NEST are robust.

We also developed a comprehensive induction programme in preparation for the Secretary of State's appointment of the Chair Designate and Trustee Members Designate.

## **Stakeholder engagement**

### **Objective 4.1: Maintain effective relationships with stakeholders and suppliers to ensure PADA is viewed as a robust, professional organisation**

During the year we carried out a number of consultations and discussions to access a wide body of expertise. This has enabled us to develop robust and evidence-based recommendations for NEST Corporation.

In May 2009 PADA published the responses to the public consultation on how NEST members will secure a retirement income. The consultation received more than 45 responses and was supported by two consultation events.

Also in May 2009, PADA published a discussion paper to support the public consultation process on designing an investment approach for NEST. We received 67 responses to the investment discussion paper from a wide variety of stakeholders including pension experts, financial intermediaries, representatives from investment organisations, academics, unions and employer organisations, consumer groups and existing trustees.

In total more than 100 stakeholder views were represented, either via the formal responses or through feedback at a series of stakeholder events that PADA held. The key findings from the consultation on the investment approach were published on 25 November 2009 and are available on our website.

While NEST Corporation will make the final decisions, engagement with stakeholders makes a significant contribution to PADA's continued work on designing an investment approach that will best suit scheme members.

Working with specialist external agencies over 11 months, PADA developed the long-term brand name and identity for the scheme. In January 2010 we held an event to announce the NEST brand and received a considerable amount of positive feedback from stakeholders, in particular noting the new brand's potential to engage people who have yet to seriously consider pension saving.

## **Governance and controls**

### **Objective 4.2: Operate a resilient and robust organisation capable of delivering PADA's work programme within the resources available**

We proactively reviewed our resource requirements throughout the period to ensure we remained within agreed budgets.

In addition, and with the upcoming handover to NEST Corporation in mind, we carried out a number of focused recruitment exercises to ensure we continued to employ people with appropriate expertise and specialist skills to deliver NEST.

### **Objective 4.3: Robust controls are in place to effectively govern the organisation and meet obligations as a NDPB**

We completed a review of our corporate governance. Our lifetime Corporate Plan was published in May 2009 and our 2008/09 Annual Report and Accounts were laid before Parliament before the 2009 summer recess, in line with the requirements for executive NDPBs.

We have a Board approved set of policies and procedures and a Project Management Office dedicated to the successful and timely delivery of the business objectives.

We monitored and reported on corporate performance via quarterly accountability reviews with DWP to give assurance that we continue to meet our obligations as a NDPB.

We also reviewed and updated our organisational structure to improve our ability to deliver NEST successfully.

#### **3.3.3 Financial review**

PADA incurred total net expenditure of £34.5m in 2009/10 (2008/09 – £31.0m), which was within the allocation set by DWP at the start of the financial year. This included staff costs of £15.1m (2008/09 – £13.2m) and interest on the DWP loan of £1.7m (2008/09 – £0.0m). During the year we received £1.8m grant-in-aid (2008/09 – £18.5m) and drew down loan funding of £35.4m (2008/09 – £5.6m). At 31 March 2010 the balance on the DWP loan was £41.1m (2008/09 – £5.6m).

#### **3.3.4 Conforming with the Pensions Act 2008, section 80**

PADA has a set of principles laid down in

legislation which we must have regard to in carrying out our actions to deliver the scheme.

The Acting Chair ensures that the Board has due regard for these principles and all Board papers carry a cover sheet that demonstrates how the work being presented complies with the principles.

The principles, as set out in the Pensions Act 2008, are that:

- participation in qualifying schemes should be encouraged and facilitated
- the burdens imposed on employers should be minimised
- any adverse effects on qualifying schemes and the members and future members of these schemes should be minimised
- the cost of membership of the scheme should be minimised
- the preferences of members and future members should, so far as is practicable, be taken into account in making any provision about investment choice
- diversity among members and future members of the scheme should be respected.

These principles reflect ambitions for pension reforms, including those set out in its December 2006 White Paper, *Personal accounts: a new way to save*.

#### **How PADA's principles work in action**

The examples below show how these principles have been applied in practice.

#### **Advising on scheme order and rules**

When we worked with colleagues in DWP to propose a set of recommendations that fed into



development of the scheme order and rules we:

- liaised with the PADA Consumer Representative Committee to ensure our recommendations were developed with the interests of members in mind and were designed to be attractive and beneficial to members
- regularly consulted with PADA's Employer Representative Committee, taking its views into account to ensure the proposals minimised the burden on employers
- incorporated features set out by Government to minimise adverse effects on qualifying schemes, for example, the contribution limit and the general transfers ban
- made specific recommendations designed to drive down costs and achieve low charges for members
- ensured that the recommendations about high level Order and Rules provisions reflect the diverse nature of the target group.

### **Approach to scheme launch**

NEST is currently scheduled to launch in spring 2011 ahead of the onset of employer duties scheduled for introduction in 2012.

In developing our approach to scheme launch we looked to:

- encourage the participation of employers by raising the profile of NEST ahead of the onset of employer duties
- minimise the burden on employers by learning more about the impact of the scheme as they engage with it. This means, if necessary, we can prepare a more streamlined process as we move towards the onset of employer duties

- minimise the impact on other qualifying schemes by targeting our approaches to the market
- take account of member choice by offering a range of investment options from day one of scheme launch
- respect diversity by delivering a full user experience so this can be tested and changed as necessary.

### **3.3.5 Risk management**

PADA understands the need to proactively manage risk.

In line with ERSP requirements, our risk management processes are consistent with the DWP risk methodology.

In a programme of this size and complexity, running over a number of years, the top level risks will change over time, according to the status of the programme. These risks are regularly monitored and proactively managed through project and programme management governance.

Our internal auditor has also produced an assurance plan for PADA. This provides independent assurance to PADA's Board on the effectiveness and relevance of the systems of internal control.

In addition, PADA's Audit and Risk Committee meets at least quarterly to examine the management of risks.

To help us highlight potential risks and address them at an early stage, we keep a number of operational areas under careful review:



- **Governance** – We have robust processes, both internally and through external scrutiny, to provide assurance that we operate effectively, provide value for money and achieve our objectives. We also have processes that ensure we comply fully with the requirements for a NDPB. PADA is also subject to external review by the Office of Government Commerce (OGC) and the Major Projects Review Group.
- **Stakeholder engagement and relationships** – The stakeholder management teams adopt a proactive approach that includes an ambassador programme. This means that at key milestones, senior PADA staff lead on one-to-one briefings with major stakeholders. This helps prevent any misconceptions taking hold within our stakeholder audiences.
- **Media and Public Relations (PR)** – The Media and PR Team works closely with key journalists to ensure they have the information they need about NEST and to correct misunderstandings. The team has also introduced tools to help the media and other stakeholders understand our work and keep them informed. By building advocates for the programme we have been able to encourage positive comment from leading opinion formers in public forums, including in the media. Keeping interested parties informed throughout the year builds confidence amongst the stakeholder community prior to the launch of the scheme.
- **Organisation capacity** – We have rapidly expanded our capability throughout the year and ensured we have the right mix of skills and experience needed for successful delivery of NEST.
- **Managing costs** – We have managed our resources to achieve maximum value for money within the available funding.
- **Operational delivery and planning** – The Project Management Office co-ordinates strand plans and provides project-level oversight. It reports to the Management Team and to ERSP on a regular basis to highlight anything that may impact on successful delivery of the project.
- **Environmental scanning** – We monitor and assess any strategic and long-term risks to successful delivery. This includes assessing the cross-section of political, economic, social and technological factors.
 

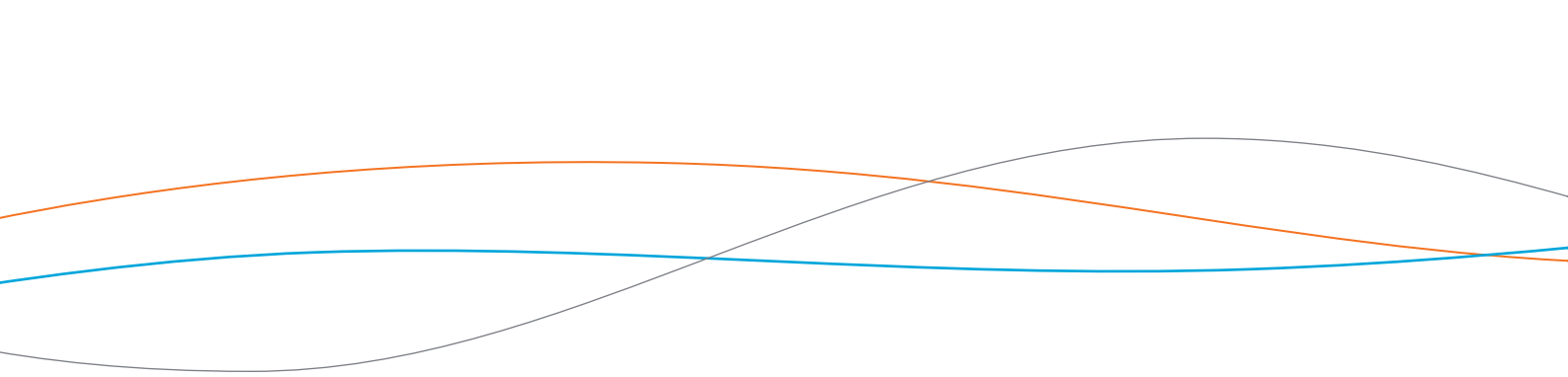
We use this information to build an understanding of potential future risks so we can manage them effectively and reduce any negative impact. Any risks identified under this heading are managed via the ERSP programme governance route.

### 3.3.6 Corporate social responsibility

Corporate social responsibility is the integration of social and environmental concerns into business operations. During 2009/10 PADA has made significant progress towards understanding our environmental impact and how to reduce this in the most workable way.

As a limited-life organisation with only a short lease on its head office, it is not appropriate to make any major capital investments. However, we have made good progress against our aspiration to minimise our environmental impact.

An internal *Green Group* was formed across PADA in the period. Its role is to create and implement new environmental initiatives and ensure that best practice is followed.



**Reduce the use of energy** – While our electricity use increased since 2008/09 as the number of people has significantly increased, the main energy plant for our head office in London was refurbished in summer 2009. This means that it is running at best efficiency for its age and gives us greater operational control.

PADA also investigated and produced a plan for the new Carbon Reduction Commitment legislation to ensure we were legally compliant in April 2010.

**Minimise the use of consumables** – Centralised stationery ordering has reduced the volume of spend per head. Where it is possible and cost effective to do so, we use green stationery goods.

**Increase recycling and re-use** – A recycling scheme was introduced in May 2009. This was an instant success with an average 60 per cent of PADA's waste being recycled.

In October 2009 we implemented a scheme which saw the amount of PADA's waste being recycled in its head office, increase to 72 per cent.

**Make best use of technology to limit our carbon footprint** – Video conferencing equipment has been installed in all our offices. Wherever possible, staff are encouraged to make use of video or conference calls, in preference to travelling.

### 3.3.7 Freedom of Information requests

The Freedom of Information Act 2000 (FoIA) gives individuals and organisations the right to request information from any public authority. In keeping with the spirit of the FoIA, we aim to release information where possible and appropriate. Where we are unable to release the information requested, we aim to provide advice and assistance in keeping with the principles of the FoIA.

In the period 1 April 2009 – 31 March 2010, PADA received 30 requests for information under the FoIA 2000. In 29 of these cases we disclosed some or all the information requested. One case remains outstanding.

We received two requests to review our decision not to disclose information. Where information is withheld there is a right of appeal to the Information Commissioner. Shortly after the end of the reporting year, we were notified by the Information Commissioner's Office of the receipt of a complaint relating to a response provided in the reporting year. The complaints process remains ongoing.

We have also established a publication scheme and published a guide to it on our website.

The scheme sets out what information we will routinely publish on our website.

### 3.3.8 Personal data incidents

There were no personal data incidents during the year.

### 3.3.9 Payments to suppliers

During 2009/10 we embedded a new accounting system which improved our supplier payment timescales. The average time taken to pay suppliers during the reporting period was 30 days, compared to 37 days in 2008/09. PADA remains committed to paying suppliers promptly and will continue to abide by terms of settlement with its suppliers during 2010/11, wherever possible.



### 3.3.10 Disclosure of information to auditors

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

### 3.3.11 Aims and objectives for 2010

#### Aims and objectives from April to July 2010

Our aims and objectives relating to the delivery of NEST are set out in full in our final Business Plan for April to July 2010. This is available on our website.

These aims and objectives are also summarised in the table below against each of our strategic goals.

Strategic goal	Business objectives – April to July 2010
Establish an occupational pension scheme for 2012 which delivers the best possible scheme for its members at low cost	Undertake procurement activities to acquire core services to deliver NEST  Successfully oversee the build and test of core service delivery for NEST  Complete preparatory activities to enable scheme launch to be implemented as planned
Set up NEST Corporation with an excellent governance framework, which attracts high calibre individuals, and manage a smooth and successful handover to Trustee Members	Successfully set up NEST Corporation  Implement the wind-up plan and initiate a smooth and well managed transition from PADA to NEST Corporation
Deliver valued advice and support to our strategic delivery partners	Provide the Secretary of State with quality and timely advice on NEST and related matters  Provide high quality, timely advice and support to strategic partners and the fledgling NEST Corporation
Build PADA as an organisation that engenders confidence, and is an asset in launching the new scheme	Maintain effective relationships and retain consensus with stakeholders and suppliers to ensure PADA is viewed as a robust, professional organisation  Operate a resilient and robust organisation capable of delivering PADA's work programme and preparing for handover within the resources available  Robust controls are in place to effectively govern the organisation and meet obligations as a NDPB

A summary of our key activities over this period under each strategic goal is as follows:

### **Procurement**

The focus of our efforts over the remaining months of our existence to July 2010 is on managing procurement activities for the fund administration and custody services contract. Our focus is also on working with our newly contracted scheme administration supplier, TCS.

We will also ensure that the work transfers seamlessly into NEST Corporation in July 2010.

### **NEST Corporation**

There is a considerable amount of work underway to ensure PADA is ready to hand over all ongoing activities to the newly established NEST Corporation on 5 July as planned, while maintaining business-as-usual operations.

Planned work is also focused on ensuring there is a robust organisational infrastructure and an excellent governance infrastructure in place for NEST Corporation.

We will also be providing the Chair Designate and newly appointed Trustee Members Designate with a comprehensive induction programme so they are ready to take over operations from 5 July 2010.

### **Legislation**

We will continue to provide advice and support to DWP and Ministers on the scheme's order and rules to maintain a robust legal framework for NEST.

### **Stakeholders**

Work will continue to ensure we maintain constructive relationships with key stakeholders as we move towards the handover to NEST Corporation. We are particularly focused on raising awareness and understanding of NEST's role in the reforms and of the NEST brand.

We will also continue our ongoing program of engagement with financial services intermediaries.



#### **Tim Jones**

Chief Executive  
Personal Accounts Delivery Authority  
23 June 2010

## 4 Remuneration report

Jeannie Drake is the Acting Chair of PADA, appointed to the role by the Secretary of State for Work and Pensions. She has been contracted to work five days per calendar month.

The Non-Executive Members of the Board and particularly the Acting Chair have given freely of their own time and have donated a significant number of days at no cost to PADA during the year.

The initial Board recruitment was carried out by DWP and, within the terms of the Pensions Act 2007, the remuneration of the Chair, Acting Chair, Chief Executive and Non-Executive Members was determined by the Secretary of State.

PADA's Remuneration Committee comprises three independent Non-Executive Members: Alison Wright, Paul Hewitt and the Committee Chair, Chris Willford. Heads of Department and the Board Chair may be invited to meetings of the Remuneration Committee, except on occasions when their own remuneration is being discussed.

The Remuneration Committee met six times during the year. As a minimum the Committee has a delegated responsibility for recommending remuneration for the Chief Executive and Executive Directors of PADA.

The Committee also has responsibility for determining the terms and conditions of employment for Executive Directors, subject to the approval of the Board and the Secretary of State for Work and Pensions. It also has overall responsibility for the reward strategy for all employees.

Executive Directors of the Board participate in a non-consolidated bonus of up to 15 per cent of basic salary based upon meeting a set of performance targets set by the Acting Chair and other Non-Executive Members of the PADA Board, in consultation with DWP.

The Chief Executive and Business Delivery Director also have the opportunity of securing a non-consolidated terminal bonus of up to 50 per cent of basic salary, based upon meeting a set of performance targets which will be set by the Acting Chair and other Non-Executive Members of the Board of PADA, in consultation with DWP.

Board Members are appointed for an initial period of three years.

## Remuneration

The information in the table below has been audited.

Name and position <sup>#</sup>	Contract Details			2009/10 £000		2008/09 £000		
	Contract start date	Unexpired term	Notice period	Annual salary and allowances	Paid in year	Annual salary and allowances	Paid in year	Bonuses
<b>Paul Myners<sup>1</sup></b> Chair	01 August 2007	N/A	6 months	N/A	N/A	145-150	45-50	N/A
<b>Jeannie Drake<sup>2</sup></b> Acting Chair	17 September 2007	3 months <sup>3</sup>	6 months	85-90 <sup>4</sup>	85-90	85-90	65-70	N/A
<b>Tim Jones</b> Chief Executive	08 October 2007	6 months <sup>3</sup>	3 or 6 Months <sup>5</sup>	235-240	235-240	230-235	230-235	10-15 <sup>6</sup>
<b>Simon Richards</b> Director	01 September 2008	1 year 5 months <sup>3</sup>	3 or 6 months <sup>5</sup>	200-205	200-205	195-200	115-120	10-15 <sup>6</sup>
<b>Helen Dean</b> Director	01 February 2009	3 months and 18 months <sup>7</sup>	3 months	105-110	105-110	100-105	15-20	10-15 <sup>6</sup>
<b>Paul Hewitt</b> Non-Executive Member	15 May 2008	3 months <sup>3</sup>	6 months	20-25 <sup>4</sup>	20-25	15-20	15-20	N/A
<b>Chris Willford</b> Non-Executive Member	15 May 2008	3 months <sup>3</sup>	6 months	20-25 <sup>4</sup>	20-25	15-20	15-20	N/A
<b>Alison Wright</b> Non-Executive Member	15 May 2008	3 months <sup>3</sup>	6 months	20-25 <sup>4</sup>	20-25	15-20	15-20	N/A

<sup>1</sup> Paul Myners resigned on 3 October 2008 with immediate effect. Fees for his services as Chair include VAT at 17.5%

<sup>2</sup> Appointed Acting Chair 6 October 2008.

<sup>3</sup> Tim Jones and Simon Richards are employees and will therefore transfer across to NEST Corporation on 5 July 2010, under the Transfer of Undertakings (Protection of Employment) regulations, with their existing contract end dates. The contracts for Acting Chair, Jeannie Drake and the three Non-Executive Members, Paul Hewitt, Chris Willford and Alison Wright, will automatically come to an end when PADA is wound up on 5 July 2010.

<sup>4</sup> During the reporting period, all Non-Executive Members of the Board were awarded a remuneration increase of 1.5%.

<sup>5</sup> Depending on circumstances.

<sup>6</sup> These bonus amounts were paid in 2009/10, but are related to the 2008/09 performance year. Bonuses for 2009/10 may be payable once they have been determined and agreed by PADA's Acting Chair, based on advice received from the Remuneration Committee. For 2008/09, the Remuneration Committee awarded Tim Jones a bonus at 14% of annual base salary, which equated to £30k to £35k. Given the current economic climate, Tim Jones volunteered to take a reduction and he accepted a bonus payment of £10k – £15k in this financial year.

<sup>7</sup> Helen Dean, who is seconded to PADA from DWP, will cease her secondment with PADA on 2 July 2010. DWP have agreed a new secondment to NEST Corporation from 5 July 2010 – 31 December 2011.

<sup>#</sup> During 2009/10, the Authority paid £231k (including VAT – 2008/09 £232k) to Michael Page International, a third party agency, for the services of John Crilly, interim Finance Director. John Crilly attends Board meetings, however he was not appointed by the Secretary of State as a full member of the Board.

The Chief Executive and Executive Directors are eligible to join PADA's defined contribution pension scheme. Simon Richards is a member of the scheme and during 2009/10, PADA made employer contributions totalling £16,140 towards Simon's pension fund.

Helen Dean is seconded to PADA from DWP. Helen's remuneration is agreed by the Remuneration Committee in consultation with the Department. Helen is a member of the Principal Civil Service Pension Scheme for which employer contributions are charged to PADA for the secondment period.

PADA did not provide Directors with any benefits other than those listed above.

PADA has developed a remuneration strategy for directly employed, fixed term contract staff in accordance with Section 5.30 of its current Framework Document.

The strategy applies to all directly employed staff and consists of:

- participation in a non-consolidated annual bonus scheme of up to 20 per cent of basic salary
- an invitation (upon appointment) to join PADA's defined contribution pension scheme, to which PADA contributes 8 per cent for those who participate
- 25 days paid holiday per annum
- critical illness cover
- life cover of three times salary.

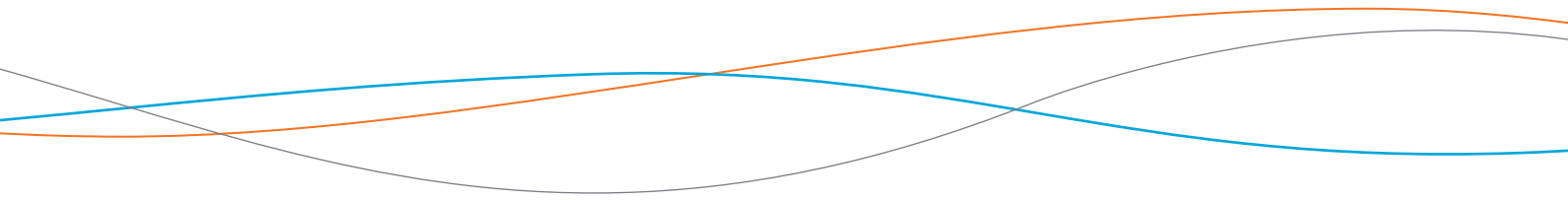


**Tim Jones**  
Chief Executive  
Personal Accounts Delivery Authority  
23 June 2010









# Appendices



# Appendix A

## Advisory committees to the Board

### 1. Consumer Representative Committee

#### 1.1 The Consumer Representative Committee's remit is to:

- provide advice and expert support backed by evidence to the Board on a range of consumer matters related to NEST and to Employer Engagement and Enforcement issues
- share research and evidence
- provide guidance and expert support to PADA's work with customer insight and focus groups.

#### 1.2. The Consumer Representative Committee's membership consists of:

- Age UK
- Citizens Advice
- Equality and Human Rights Commission
- Financial Services Authority's Consumer Panel
- The Pensions Advisory Service
- Trades Union Congress
- Which?

### 2. Scheme Management and Trustee Advisory Committee

#### 2.1. The Scheme Management and Trustee Advisory Committee's remit is to:

- provide advice and expert support, backed by evidence, to the Board on a range of matters that will be of interest to NEST Corporation
- provide input to ensure that high quality standards of administration, accounting, reporting and overall scheme governance arrangements have been put in place for NEST Corporation
- provide guidance, expert support and quality assurance to PADA's work in developing the scheme provision and provide insight from a scheme management and trustee perspective
- advise the Board from the perspective of NEST Corporation and future members of the scheme.



## **2.2. The Scheme Management and Trustee Advisory Committee's membership consists of:**

- Actuarial Profession (Institute of Actuaries and Faculty of Actuaries)
- Association of British Insurers
- Association of Pension Lawyers
- Institute of Chartered Accountants in England and Wales
- National Association of Pension Funds
- Pensions Management Institute
- Society of Pension Consultants.

## **3. Employer Representative Committee**

### **3.1. The Employer Representative Committee's remit is to:**

- provide advice and expert support backed by evidence to the Board on a range of employer matters related to NEST and to Employer Engagement and Enforcement issues
- share research and evidence
- provide guidance and expert support to PADA's work with employer insight and focus groups.

## **3.2. The Employer Representative Committee's membership consists of:**

- British Chambers of Commerce
- British Computer Society Payroll Group
- Business Application Software Developers' Association
- Chartered Institute of Personnel and Development
- Confederation of British Industry
- EEF, the manufacturers' organisation
- Federation of Small Businesses
- Forum of Private Business
- Institute of Chartered Accountants in England and Wales
- Institute of Directors
- Institute of Payroll Professionals
- National Association of Pension Funds
- Recruitment and Employment Confederation.

# Appendix B

## PADA Performance 2009/2010

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
1. Establish an occupational pension scheme for 2012 which delivers the best possible scheme for its members at low cost.	1.1 Undertake procurement activities to acquire core services to deliver NEST.	1.1.1 <sup>1</sup> Pre-qualification questionnaire (PQQ) evaluation report for scheme administration procurement complete.	Yes	
		1.1.2 Competitive dialogue 1 with potential suppliers for scheme administration procurement commenced.	Yes	
		1.1.3 Evaluation 1 – <sup>2</sup> Outputs Based Specification competitive dialogue complete.	Yes	
		1.1.4 Outcomes of evaluation 2 ( <sup>2</sup> OBS C) competitive dialogue available.	N/A	This product was removed by project change request. The milestone therefore became invalid.
		1.1.5 Issue call for final bids to provide instructions and requirements for bidders receiving an invitation to provide a final bid.	Yes	
		1.1.6 Complete an Internal readiness review to demonstrate that the project is ready to proceed to the next stage of procurement. The resulting report summarises the activities that have taken place to reach this point and the risks and issues going forward.	Yes	The Major Projects Review Gate (C) was completed ahead of schedule. Outcomes from that review informed the internal review to obtain approvals to proceed to the final stages of procurement for the scheme administrator contract.
		1.1.7 Begin evaluation of final bids in preparation for award of the scheme administration contract.	Yes	Under an accelerated timeline, the evaluation began on 5 February resulting in PADA's recommendation to appoint TCS as scheme administrator. The contract was signed on 15 March 2010.

<sup>1</sup> A report that summarises the information received from bidders, the evaluation of that information and recommendations for the next steps.

<sup>2</sup> The Output Based Specification document (OBS) is issued to guide and inform bidders and, as applicable, other public bodies, of the requirements of the specific services that need to be sourced for the relevant contract set. Bids are evaluated against the requirements contained within that document.

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
	1.2 Complete preparatory activities to enable scheme build.	1.2.1 Updated volumes modelling completed, to support the next release of the volumes log, which provides the latest estimates of participation volumes and modelling for the programme.	Yes	
		1.2.2 Baseline cost modelling, detailing the latest scheme development cost estimates to support the full programme business case, complete.	Yes	
		1.2.3 <sup>3</sup> Requirements Control Framework v4.0 agreed.	Yes	
		1.2.4 Scheme name and brand developed in order to differentiate the product in the market place and enable clear choice amongst employers and retention amongst members.	Yes	The NEST brand was launched on 7 January 2010.
		1.2.5 Strategy for decumulation, outlining the approach for scheme members to access their savings upon retirement, based on results of research and consultation, agreed.	Yes	
		1.2.6 Refined volumes modelling completed to support the next release of the volumes log, which provides the latest estimates of participation volumes and modelling for the programme.	Yes	Milestone was moved to allow for more comprehensive modelling to take account of revisions in the approach to staging.  Modelling is now complete.
		1.2.7 Requirements Control Framework v5.0 agreed	N/A	The product was removed via a project change request. Milestone is no longer valid.
		1.2.8 Approach to investment model, defining details on the intended approach to investment management, signed off.	Yes	
		1.2.9 Complete work to refine the detailed approach for scheme members to access their savings upon retirement.	N/A	Milestone was removed via a project change request. Outcomes of the work will inform development of the Decumulation Implementation Strategy.

<sup>3</sup> The Requirements Control Framework (RCF) acts as the single and authoritative source of requirements for personal accounts, its structures, services and deliverers, aligning with legislative requirements and best practice to support successful procurement.

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
2. Set up a trustee corporation with an excellent governance framework, which attracts high calibre trustees, and manage a smooth and successful handover to the trustees	2.1 Complete handover planning activities in preparation for implementation	2.1.1 Complete the detailed planning exercise to provide a central point of reference for the handover from PADA to NEST Corporation.	Yes	The draft plan tracks progress across all necessary activities to ensure PADA wind up is managed effectively and completed in alignment with establishment of NEST Corporation.  The PADA Board approved the wind-up order in advance of submission to Ministers, as planned.  This evolved into the approach to a programme of familiarisation for Trustee Members Designate. Phase one was completed in March for the Chair Designate. Phase two is currently in implementation.
		2.1.2 Update and complete planning for handover to NEST Corporation, refining timescales and setting out the high level processes for successful handover.	Yes	
		2.1.3 PADA draft composite wind up plan developed in liaison with DWP.	Yes	
		2.1.4 PADA Board approves wind-up order.	Yes	
		2.1.5 Trustee Member handover strategy v1.0 complete.	Yes	
	2.2 Design and initiate a robust organisation capable of effectively administering NEST.	2.2.1 Develop a target model for business operations, providing a central point of reference for the design of the NEST Corporation ensuring that there is clear coherence.	Yes	Awarded the contract for IT Services for NEST Corporation.
		2.2.2 Complete work to refine and update the detail of the target operating model for NEST Corporation.	Yes	
		2.2.3 Business definition v1.0 developed	Yes	
		2.2.4 Technical platform procurement complete	Yes	
3. Deliver valued support and advice to strategic delivery partners.	3.1 Provide the Secretary of State with quality and timely advice on the personal accounts scheme and related matters.	3.1.1 Provide advice to DWP to support establishment of the legal framework for NEST.	Yes	We provided high quality advice on an ongoing basis with due regard to the PADA Principles. This culminated in the smooth passage of the scheme order and rules.
		3.2 Provide high quality, timely advice to strategic partners and the fledgling NEST Corporation.	3.2.1 Provide advice on developing the draft investment strategy and Statement of Investment Principles for NEST Corporation.	Yes

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
4. Build the Personal Accounts Delivery Authority as an organisation that engenders confidence, and is an asset in launching the new scheme.	4.1 Maintain effective relationships with stakeholders and suppliers to ensure PADA is viewed as a robust, professional organisation.	4.1.1 Consult with stakeholders on decumulation and publish a summary of responses to the consultation.	Yes	The response to the consultation was published on 27 May 2009.
		4.1.2 Consult (jointly with DWP) on scheme order and rules.	Yes	The joint consultation with DWP ran from the end of April to 20 July 2009.
		4.1.3 Consult with stakeholders on investment and publish a summary of responses to the consultation.	Yes	The consultation on designing an investment approach was completed in August 2009. The outcomes informed development of the approach to investment modelling.
	4.2 Operate a resilient and robust organisation capable of delivering PADA's work programme within the resources available.	4.2.1 Live within PADA's allocated budget for 2009/10, monitoring adherence to target on a quarterly basis.	Yes	We achieved significant savings through prudent financial management during the year. The resulting outturn expenditure was substantially less than the original allocation.
		4.2.2 Develop and publish the PADA Corporate Plan, incorporating the PADA Business Plan for 2009/10.	Yes	PADA Corporate Plan was published on 29 May 2009.
	4.3 Robust controls are in place to effectively govern the organisation and meet obligations as a NDPB	4.3.1 Annual Report and Accounts laid before Parliament.	Yes	Annual Report and Accounts for 2008/09 was laid before Parliament on 20 July 2009.
		4.3.2 Respond to Freedom of Information (FOI) requests within agreed timeframe.	No	We achieved a 96.7% clearance rate within agreed timeframes i.e. 29 out of the 30 FOI requests received were answered within agreed timeframes.
		4.3.3 Respond to Parliamentary Questions (PQ) timeously.	Yes	All PQ responses met Parliamentary timescales.
		4.3.4 Auditors give at least a "reasonable" rating on financial management and controls.	Yes	
		4.3.5 Provide DWP with monthly reports containing the latest management accounts and financial performance information.	Yes	

## Statement of Accounting Officer's responsibilities

Under Schedule 6 (part 3, paragraph 19) of the Pensions Act 2007, the Personal Accounts Delivery Authority is required to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Personal Accounts Delivery Authority and of its net operating cost, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State, 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer for the Department for Work and Pensions has designated the Chief Executive as Accounting Officer of the Personal Accounts Delivery Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Personal Accounts Delivery Authority's assets, are set out in *Managing Public Money*, published by HM Treasury.



**Tim Jones**  
Accounting Officer  
Personal Accounts Delivery Authority  
23 June 2010



# Statement on Internal Control

## Scope of responsibility

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

## Background

The Personal Accounts Delivery Authority (PADA) was established on 26 July 2007, under Section 20 of the Pensions Act 2007, to advise the Government on its policy relating to personal accounts. Following enactment of the Pensions Act 2008, the Authority's functions and powers were extended to establish the infrastructure to support the development of personal accounts. PADA is sponsored by the Department for Work and Pensions (DWP) and its working relationship with the Department is set out in a framework that was agreed between both parties on 1 October 2009.

## The purpose of the system of internal control

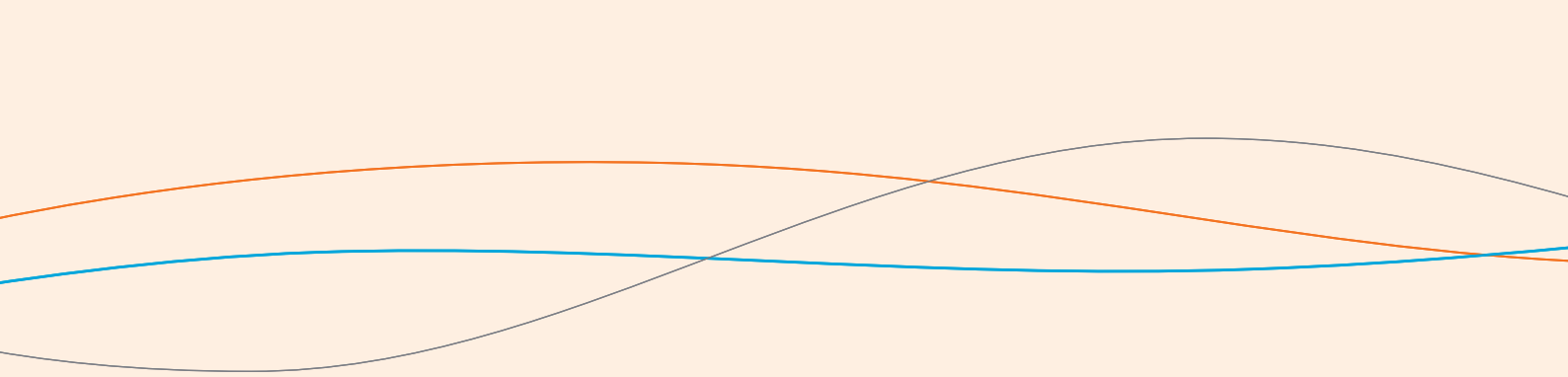
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing 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 in PADA 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.

## Control environment

During the reporting period, PADA's responsibilities as a delivery organisation, and the environment in which it operates, did not change significantly. Consequently, our system of internal control for identifying and managing risks to the achievement of the Authority's objectives has remained structurally similar to the system which existed at the end of 2008/09. We have, however, made a number of changes to improve the robustness of the system and to best position PADA for its future development and transition to NEST Corporation. These changes are:

- The staged replacement of external consultant/ interim resources in PADA's Project Management Office (PMO) with PADA employees to construct a more self-sufficient and permanent risk management and control capability.
- The development of robust governance structures for the scheme (including governance of the scheme administration supplier) and for NEST Corporation. These structures have been developed during the reporting period for implementation in the year from 1 April 2010.

- 
- The clear identification, management and reporting of those risks, which may continue to be present for the full life of the scheme, and distinguishing these risks from those relating to the implementation of the scheme.

### **Capacity to handle risk**

The Authority has a structured risk management process and responsibility for the identification, assessment and management of risks lies with the Board as advised by the Audit and Risk Committee. The capacity to handle risk is managed by means of detailed, integrated plans, a comprehensive risk management function and internal audit work.

Each PADA team is supported by a specific PMO planner. Part of their role is to ensure the appropriate identification and management of risks, including escalation where necessary. The central management of team planners, supported by centrally available guidance, ensures common standards are applied. Good practice is developed and shared in regular cross-strand risk workshops managed by the PMO.

### **The risk and control framework**

Risk management in PADA is a formal, ongoing activity managed at each level of the programme and overseen by the PMO. It is considered a business-as-usual activity and risk management is seen as a core element of project management within PADA.

In keeping with the structure of PADA, risk management is aligned to the strands of work within the organisation, with team planners responsible for coordinating risk management activity. Each team planner is provided with guidance outlining risk management processes and is given training and support by experienced risk practitioners.

When a risk is recognised, it is raised and recorded at team level and the team lead is responsible for monitoring and mitigating the risk.

If a risk is considered so severe that it threatens the success of the project or impacts areas across more than one team, the team lead escalates the risk to the Executive Team who will report the risk to the Audit and Risk Committee and Board and manage it on their behalf. The Executive Team is responsible for implementing measures to mitigate the risk. However, risks may be de-escalated to a lower level within PADA as the result of agreed decisions, actions or re-assignment.

When a risk is considered by the Executive Team to be so severe that the success of the wider Enabling Retirement Savings Programme (ERSP) might be impacted, that risk is brought to the attention of the ERSP Principal Senior Responsible Owner (SRO) who will report this to the ERSP Board.

The Principal SRO will draw Ministers' attention to risks associated with PADA, as necessary.

During the reporting period, PADA has developed an approach to the identification, management and reporting of those risks that are likely to be present for the life of the scheme. Each risk has been assigned to an accountable executive who has responsibility for managing the risk and its mitigations. Specific responsibility for managing this process is held by PADA's General Counsel.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed

by the work of the internal auditors and the executive managers within the Authority 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 and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**The Board** – The Board reviewed risks at each of its monthly meetings and has received regular reports from the Chair of the Audit and Risk Committee.

**Audit and Risk Committee** – The Audit and Risk Committee is chaired by a Non-Executive Member of the Board and is scheduled to meet four times per annum. During 2009/10, the committee met five times. It is composed entirely of Non-Executive Members and follows a work plan in line with that recommended by the HM Treasury Audit Committee Handbook. The Committee directs the work programme of the internal audit function which includes a consideration of systems of internal control. Both internal and external auditors have a right of direct access to the Committee.

**Internal audit** – Risk Assurance Division (RAD – the in-house internal audit function of DWP) provides an internal audit service to the Authority on an arm’s-length basis. Internal audit has direct access to the Authority’s Accounting Officer and the Audit and Risk Committee and operates to Government Internal Audit Standards. The annual audit plan is risk-based and approved by the Audit and Risk Committee, to whom internal audit makes regular reports. All work undertaken is

subject to internal quality assurance processes. For each assignment, internal audit provides an opinion on the adequacy and effectiveness of the system of internal control and makes recommendations for improvement where appropriate. Recommendations arising from audits are followed up promptly to ensure that appropriate action is taken and improvements in the risk management, governance and internal control processes are achieved where necessary. At the end of the year, the Head of Internal Audit produces an annual report which is presented to the Audit and Risk Committee. This report summarises the work completed during the year and identifies any significant issues which may impact upon the effectiveness of the Authority’s control environment. The overall opinion provided by RAD on the adequacy and effectiveness of the Authority’s systems of internal control, based on the audits undertaken, was ‘reasonable assurance’.

### **Other explicit review/assurance mechanisms include:**

- Policies covering a wide range of issues, providing part of an effective control framework across a range of risks including, *inter alia*: human resource (HR) matters; workforce strategy; finance; procurement; information technology; and regularity, propriety and authorisation of expenditure. Guidance on related arrangements is set out in codes and other instructions.
- A system of internal controls designed to manage HR and workforce strategy risks. This includes a system for providing robust people data which facilitates budget forecasting and HR reporting. The Authority also has a number of HR framework documents in place to ensure full compliance with current employment law.

- 
- During the reporting period the Authority's IT services were provided through DWP's information technology systems. Consequently the Authority relied substantially on DWP controls. From 5 July 2010, after PADA ceases to exist and NEST Corporation is established, NEST Corporation will be responsible for maintaining its own systems and for implementing its own controls. The provision of IT services will in part be managed by a supplier. The framework under which IT services are implemented and managed will be defined by compliance with our own Information and Security Management System, which will be a critical component of achievement of ISO 27001 which has recently been accepted by DWP as an acceptable operating model for NEST Corporation.
  - The Authority's own risk and control framework includes a security policy which adheres to Cabinet Office security standards. The security policy sets out specific measures to effectively control and manage information and mitigate the risk of information loss. Following an internal audit review of our security policy, we have implemented recommendations for improvement. The Authority has also appointed a senior staff member to the role of Senior Information Risk Owner (SIRO). Cabinet Office guidelines require the SIRO to be a Board level representative, however, the Authority is non-compliant with this requirement. This departure was highlighted by our internal auditors during their information security audit. After careful consideration it was decided that it is not appropriate to reassign the role of SIRO for the remaining limited lifetime of PADA. To overcome the potential for conflict of interest, the Authority has put in place processes for the SIRO to report directly to the Audit and Risk Committee and to the Board, thus acting as a direct advocate for information risk away from the normal management reporting line.
  - Regular reports to the Authority's Board and Executive Team on progress against the Authority's key milestones and targets.
  - The establishment of an appropriate delegated budget management framework, including budget setting, forecasting, monthly management accounts, periodic CEO-led expenditure reviews and continuous forecasting of outturns.
  - Progress against budget is reported monthly to the Board. Updates of year-to-date performance are provided and forecast issues are considered. Remedial action is agreed and monitored where necessary.
  - A comprehensive *Financial Policy and Procedures* document signed off by the Board in February 2008, with revisions and updates approved by the Board in January 2009 and March 2010. This policy draws heavily on HM Treasury's publication *Managing Public Money* and DWP's financial policies, with an emphasis on value for money and proper stewardship of public funds. The document also covers the system of internal financial controls, including those associated with procurement and payment. During the year we acted upon internal audit recommendations to improve financial guidance and subsequent compliance.
  - During the financial year, PADA as part of the ERSP programme, was reviewed by the Major Projects Review Group and the Office of Government Commerce. PADA passed both reviews and was approved to progress.

- A process requiring all Executive Team Members to assess the effectiveness of controls operating in their business area and to put in place plans to address any deficient controls by means of a *letter of assurance* process.

### **The 2009/10 Head of Internal Audit's opinion stated:**

'Based on the scope and results of the assurance work undertaken during 2009-10 and summarised within this report, in my opinion the PADA governance, risk management and control arrangements provide Reasonable Assurance that material risks are identified and managed effectively.

In my opinion, where remedial action has been recommended to address control weaknesses, I am satisfied that appropriate action has been taken or is planned to effect reasonable management of risks within an acceptable period of time.'

### **Significant internal control issues**

There are no significant internal control issues to report.



#### **Tim Jones**

Accounting Officer  
Personal Accounts Delivery Authority  
23 June 2010



# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Personal Accounts Delivery Authority for the year ended 31 March 2010 under the Pensions Act 2007. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit 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 Personal Account Delivery Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Personal Accounts Delivery Authority; 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 financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Personal Account Delivery Authority's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Pensions Act 2007 and Secretary of State for Work and Pensions 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 Secretary of State for Work and Pensions directions issued under the Pensions Act 2007; and
- the information which comprises the Foreword, Chief Executive's report, Directors' report and the unaudited part of the Remuneration report 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
- 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 HM Treasury's guidance.

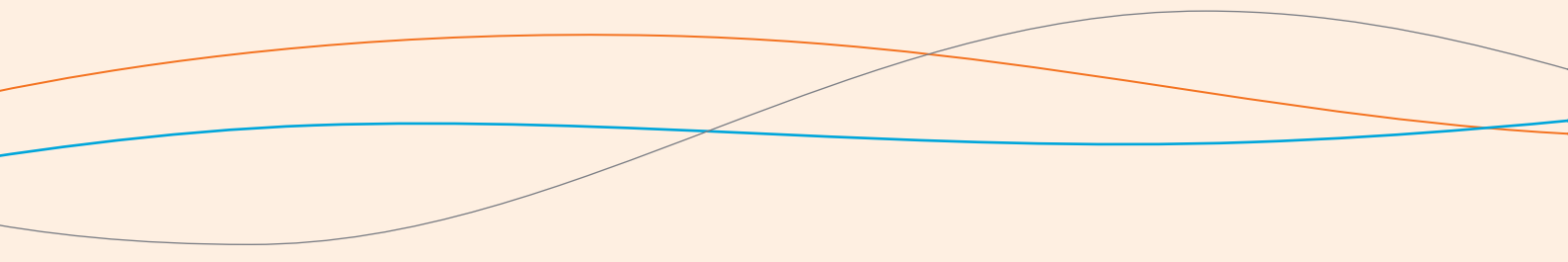
## Report

I have no observations to make on these financial statements.

### **Amyas C E Morse**

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

Date: 28 June 2010





# Financial statements 2009/10

## Personal Accounts Delivery Authority Net Expenditure Account for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
<b>Expenditure</b>			
Staff costs	3	(15,086)	(13,209)
Depreciation	4,7,8	(51)	(27)
Other expenditure	4	(17,642)	(17,950)
		<b>(32,779)</b>	<b>(31,186)</b>
<b>Income</b>			
Other income	5	3	206
<b>Net expenditure</b>		<b>(32,776)</b>	<b>(30,980)</b>
Cost of capital	4	977	239
Interest paid and payable	6	(1,682)	(8)
<b>Net expenditure after cost of capital and interest</b>		<b>(33,481)</b>	<b>(30,749)</b>
Reversal of cost of capital		(977)	(239)
<b>Net expenditure transferred to general reserve</b>		<b>(34,458)</b>	<b>(30,988)</b>

There were no other gains or losses during the year.

The accounting policies and notes on pages 54 to 78 form part of these financial statements.

## Personal Accounts Delivery Authority Statement of Financial Position as at 31 March 2010

	Note	As at 31 March 2010 £000	Restated As at 31 March 2009 £000	Restated As at 1 April 2008 £000
<b>Non-current assets</b>				
Property, plant and equipment	7	1,078	166	-
Intangible assets	8	3	2	-
<b>Total non-current assets</b>		<b>1,081</b>	<b>168</b>	<b>-</b>
<b>Current assets</b>				
Trade and other receivables	9	260	169	-
Other current assets	9	13	528	7
Cash and cash equivalents	10	439	561	3,285
<b>Total current assets</b>		<b>712</b>	<b>1,258</b>	<b>3,292</b>
<b>Total assets</b>		<b>1,793</b>	<b>1,426</b>	<b>3,292</b>
<b>Current liabilities</b>				
Trade and other payables	11a	(3,541)	(5,863)	(2,062)
Other liabilities	11a	(409)	(203)	(13)
DWP Loan	11, 12	(41,059)	-	-
<b>Total current liabilities</b>		<b>(45,009)</b>	<b>(6,066)</b>	<b>(2,075)</b>
<b>Non-current assets less net current liabilities</b>		<b>(43,216)</b>	<b>(4,640)</b>	<b>1,217</b>
<b>Non-current liabilities</b>				
DWP Loan	11, 12	-	(5,623)	-
Provisions	13	(682)	(930)	-
<b>Total non-current liabilities</b>		<b>(682)</b>	<b>(6,553)</b>	<b>-</b>
<b>Assets less liabilities</b>		<b>(43,898)</b>	<b>(11,193)</b>	<b>1,217</b>
<b>Reserves</b>				
General reserve		(43,971)	(11,286)	1,217
Other reserves	4e	73	93	-
		<b>(43,898)</b>	<b>(11,193)</b>	<b>1,217</b>

The financial statements on pages 50 to 53 were approved by the Board on 17 June 2010 and were signed on its behalf by the Accounting Officer.



**Tim Jones**  
Accounting Officer, Personal Accounts Delivery Authority  
23 June 2010

The accounting policies and notes on pages 54 to 78 form part of these financial statements.



## Personal Accounts Delivery Authority Statement of Cash Flows for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
<b>Cash flows from operating activities</b>			
Net (deficit) / surplus after cost of capital and interest		(33,481)	(30,749)
Adjustments for cost of capital charge	4	(977)	(239)
Adjustment for non-cash items	4	45	17
(Increase) / decrease in trade and other receivables	9	424	(690)
Increase / (decrease) in trade and other payables <sup>1</sup>	11	(2,823)	3,991
Increase / (decrease) in provisions	13	(248)	930
<b>Net cash outflow from operating activities</b>		<b>(37,060)</b>	<b>(26,740)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(269)	(90)
Purchase of intangible assets	8	(2)	(2)
<b>Net cash outflow from investing activities</b>		<b>(271)</b>	<b>(92)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid from parent department		1,773	18,485
Loan from parent department		35,436	5,623
<b>Net cash inflow from financing activities</b>		<b>37,209</b>	<b>24,108</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>		<b>(122)</b>	<b>(2,724)</b>
Cash and cash equivalents at beginning of the period		561	3,285
<b>Cash and cash equivalents at end of the period</b>	10	<b>439</b>	<b>561</b>

<sup>1</sup> The decrease in creditors during 2009/10 excludes capital creditors of £707k included within assets under construction reported in Note 7.

The accounting policies and notes on pages 54 to 78 form part of these financial statements.

## Personal Accounts Delivery Authority Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Note	Lease incentive reserve £000	General fund £000	Total £000
<b>Balance at 31 March 2008</b>		-	<b>1,308</b>	<b>1,308</b>
Changes in accounting policy	2	-	(91)	(91)
<b>Restated balance at 1 April 2008</b>		-	<b>1,217</b>	<b>1,217</b>
<b>Changes in taxpayers' equity for 2008/09</b>				
Release of reserves to the Net Expenditure Account		-	-	-
Non-cash charges: non-cash capital additions		93	-	93
Net expenditure transferred to general reserve		-	(30,988)	(30,988)
<b>Total recognised income and expense for 2008/09</b>		<b>93</b>	<b>(30,988)</b>	<b>(30,895)</b>
Grant-in-aid from parent department		-	18,485	18,485
<b>Total taxpayers' equity as at 31 March 2009</b>		<b>93</b>	<b>(11,286)</b>	<b>(11,193)</b>
<b>Changes in taxpayers' equity 2009/10</b>				
Release of reserves to the Net Expenditure Account	4e	(20)	-	(20)
Non-cash charges: non-cash capital additions		-	-	-
Net expenditure transferred to general reserve		-	(34,458)	(34,458)
<b>Total recognised income and expense for 2009/10</b>		<b>(20)</b>	<b>(34,458)</b>	<b>(34,478)</b>
Grant-in-aid from parent department		-	1,773	1,773
<b>Total taxpayers' equity as at 31 March 2010</b>		<b>73</b>	<b>(43,971)</b>	<b>(43,898)</b>

The Authority's parent department is the Department for Work and Pensions.

The accounting policies and notes on pages 54 to 78 form part of these financial statements.



# Notes to the accounts

## 1 Statement of accounting policies

### 1.1 Basis of preparation and statement of compliance

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

The financial statements are the first financial statements PADA has prepared in accordance with IFRS and accordingly IFRS 1 *First Time Adoption of International Financial Reporting Standards* has been applied in preparing them. Reconciliations disclosing the effect of the transition from UK GAAP to IFRS on the Authority'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 PADA for the purpose of giving a true and fair view, has been selected. The particular policies adopted by PADA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounts have been prepared in UK sterling – amounts presented to the nearest thousand pounds, unless stated otherwise.

### 1.2 Going concern

The future financing of the Authority is to be met through loan and grant-in-aid funding via future supply to the Department for Work and Pensions (DWP) to be approved annually by Parliament. Although the Authority will be wound up on 5 July 2010, up to which point its loan facility is underwritten by DWP, its functions, assets and liabilities will transfer to the National Employment Savings Trust (NEST) Corporation, to be established as a NDPB as PADA is wound up. The transfer, which is regarded for accounting purposes as a *Machinery of Government* change, does not affect the basis of valuation of assets and liabilities disclosed in the financial statements. As there is no reason to suggest that future funding of NEST Corporation will not be forthcoming, it has been deemed appropriate to adopt the going concern basis for the preparation of these accounts.

### 1.3 Accounting Standards, Interpretations and Amendments

#### *Effective 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, IFRIC Interpretations and Amendments applicable to PADA, have been issued but are not yet effective and have not been early-adopted by the Authority:

*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 clarifies the definition of a related party.

*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 PADA will undertake an assessment of the impact of IFRS 9 once these are known.

As a result of amendments to HM Treasury's budgeting regime, there will be an impact on accounts from 1 April 2010 in respect of the following:

- *IAS 36 Impairment of Assets* – Impairments of property, plant and equipment that arise from a clear consumption of economic benefits are to be taken direct to the Net Expenditure Account.
- Cost of capital charges are to be removed from accounts in line with corresponding changes to budgets.

## **1.4 Areas of judgement**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include chargeable and non-chargeable estimates, depreciation and amortisation periods and provisions.

## **1.5 Accounting convention**

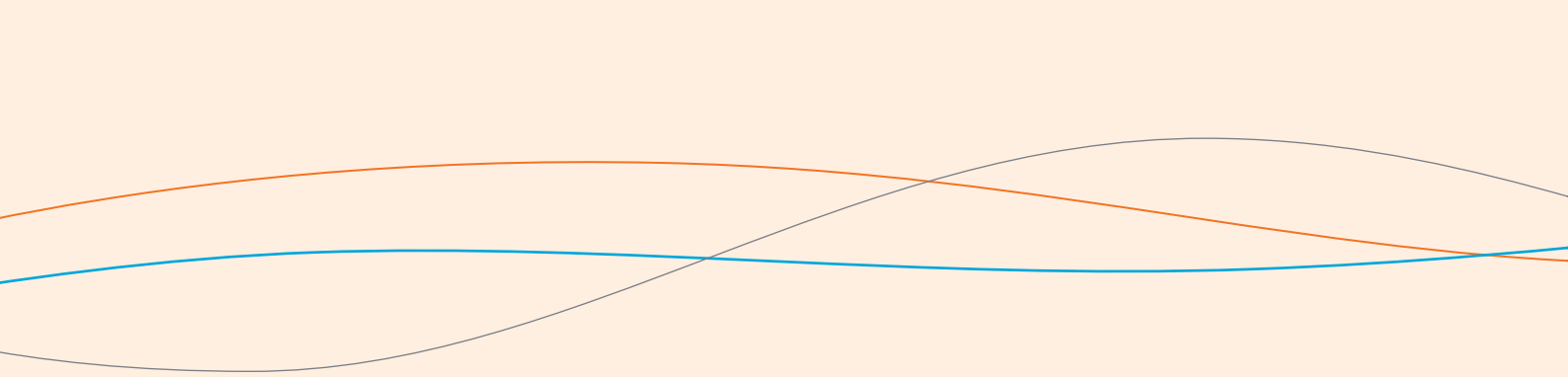
These accounts have been prepared under the historical cost convention, modified for the revaluation of certain assets and liabilities at fair value, as determined by the relevant accounting standard.

## **1.6 Expenditure**

All expenditure is recognised on an accruals basis.

## **1.7 Staff benefits**

Short-term staff 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. To the extent the Authority has benefited from service thought likely to merit recognition via a bonus payment, a general accrual for staff bonuses, including directors, is included within staff costs. However, as directors' bonuses are not agreed at the financial year-end, they are not included in the remuneration report until payments to individuals have been determined by the



Remuneration Committee. They will be included in the first financial statements approved by the Board after payment has been agreed by the Remuneration Committee.

### 1.8 Pension costs

PADA operates the Personal Accounts Delivery Authority Group Personal Pension Plan, a defined contribution pension scheme for the Authority's directly employed staff. PADA recognises the employer costs in the period in which they are incurred.

The pension costs of civil servants on secondment to PADA are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in DWP's Resource Accounts. PCSPS costs for civil servants on secondment to PADA are included in the payment made by PADA to the 'home' departments of the staff concerned as part of the reimbursement of their employment costs. There is no residual liability for PADA in respect of PCSPS.

### 1.9 VAT

The Authority does not make taxable supplies and therefore is not registered for VAT. Consequently, where input VAT is incurred or payable, costs are shown inclusive of VAT.

### 1.10 Insurance

In accordance with HM Treasury guidance, PADA does not purchase commercial insurance unless it is required under the standard terms of a service contract. Uninsured losses arising from damage to or loss of assets, employer's liability and claims from third parties are charged directly to the Net Expenditure Account as incurred.

### 1.11 Income

Income is reflected in the Net Expenditure Account and is recognised when it is probable that future economic benefits will flow to the Authority and those benefits can be measured reliably. The only income received in the year was interest earned on balances on deposit with the Government Banking Service (formerly Office of HM Paymaster General), accounted for on an accruals basis.

### 1.12 Capital charge

A charge, reflecting the Government cost of capital utilised by the Authority, is included in the Net Expenditure Account. The charge is calculated at the *real rate* set by HM Treasury, currently 3.5% (2008/09 – 3.5%), on the average carrying amount of all assets less liabilities, with the exception of cash balances with the Government Banking Service where the charge is nil.

### 1.13 Funding

The Authority is funded by DWP through the mechanisms of grant-in-aid and loan funding.

Costs associated with the functions of Government are not chargeable to members and are met through grant-in-aid funding. All grant-in-aid payments are credited to the general reserve and considered to be contributions from a controlling party.

Those costs not associated with functions of Government are funded by means of a loan from DWP, which is subsequently repayable from charges levied on scheme members. The loan is recognised as a liability within the Statement of Financial Position.

### 1.14 Property, plant and equipment

Property, plant and equipment are stated at valuation. However, as permitted by the FReM, the Authority has elected to adopt a depreciated historical cost basis as a proxy for fair value where assets (other than buildings) have a short useful life or are of relatively low value. This therefore applies to all assets the Authority discloses as *property, plant and equipment*.

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 Authority's capitalisation threshold of £1,000. 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.

On initial recognition, assets are measured at cost, including 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 are recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Unless otherwise provided for in an earlier period, all expenditure on repairs and maintenance is charged to the Net Expenditure Account during the financial period in which it is incurred.

### 1.15 Land and buildings

PADA occupies three properties, under a combination of operating leases and rental contracts; the costs for which are expensed as they are incurred.

### 1.16 Intangible assets

Intangible assets are initially recognised at cost and subsequently measured and reported at fair value. Purchased software licences and applications covering a period of more than one year and above the capitalisation threshold of £1,000 are capitalised as intangible assets. Expenditure on annual software licences is recognised in the Net Expenditure Account.

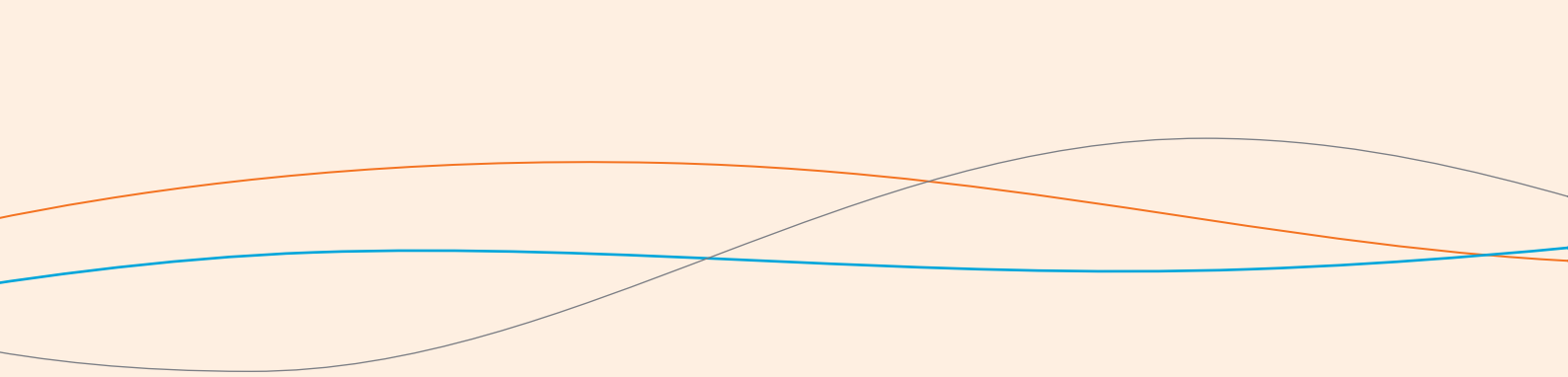
The Authority capitalises website development costs in accordance with SIC 32 *Web Site Costs* where the recognition criteria determined by IAS 38 *Intangible Assets* are met. During the reporting period no such costs have satisfied the criteria.

### 1.17 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 down each asset to its estimated residual value over its expected useful life, as follows:

- Information technology and telecoms equipment: 3 – 5 years
- Furniture and office equipment: 2 – 5 years





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. Depreciation is calculated from the month following that of acquisition or, if later, when the asset is available for use. No depreciation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current assets are reviewed annually; the financial impact being recognised in the Net Expenditure Account over the remaining life of the asset.

### **1.18 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 down each asset to its estimated residual value over its expected useful life, or if shorter as follows:

- Major software licences and software development: 3 years

Amortisation 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. Amortisation is calculated from the month following that of acquisition. No amortisation is charged in the month of disposal.

Residual values and estimated useful economic lives of non-current intangible assets are reviewed annually; the financial impact being recognised in the Net Expenditure Account over the remaining life of the asset.

### **1.19 Revaluation and impairment of non-current assets**

The Authority carries out an annual valuation review of its non-current assets. Increases in value are credited to a revaluation reserve whilst decreases in asset values 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 Net Expenditure Account.

All non-current assets are tested annually for impairment. 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.

### **1.20 Financial assets and liabilities**

Financial assets and financial liabilities are recognised in PADA's Statement of Financial Position when it becomes party to contracts that give rise to them. PADA 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 PADA 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, PADA policy that no trading in financial instruments is undertaken.

### ***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. The fair value of trade and other receivables is usually the original invoiced amount.

Cash and cash equivalents comprise current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

### ***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 arm's-length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, that fair value is determined using expected cash flows discounted back to a present value.

### ***Impairment of financial assets***

PADA 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 instrument they are impaired and the value within the Statement of Financial Position is reduced by the amount of any impairment.

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 Net Expenditure Account.

Interest, impairment losses and translation differences on monetary items are recognised in the Net Expenditure Account.

### **1.21 Inventories**

PADA holds no inventories other than consumable items, the costs for which are expensed as they are incurred.

### **1.22 Provisions**

Provisions are recognised when the Authority 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 that 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 cash flows are discounted using PADA's weighted average cost of capital (currently 4.69% – 2008/09 4.01%). The increase in the provision due to unwinding of the discount is recognised as an expense in the Net Expenditure Account.

### 1.23 Leases

Leased assets classified as a finance lease are capitalised 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 creditors and the interest element of the finance lease payment, which is charged to the Net Expenditure Account 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 lease payments are charged to the Net Expenditure Account over the term of the lease.

### 1.24 Lease incentives

Assets received from third parties which are regarded as falling within the SIC 15 definition of lease incentives are capitalised and credited to a lease incentive reserve where appropriate. The lease incentive reserve is amortised on a straight line basis over the remaining term of the lease and credited to the Net Expenditure 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 Authority discloses certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which must be reported to Parliament in accordance with the requirements of *Managing Public Money*.

These comprise:

- Items over £250,000 that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Authority entering into the agreement; and
- All items (whether or not they arise in the normal course of business) over £250,000 which are required by the FReM to be noted in the accounts.

For the reporting period 2009/10, the Authority has no contingent liabilities meeting the above criteria.

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 PADA. In preparing the financial statements, the Authority has considered the requirements of IFRS 8 to report results by operating segment. The Authority has concluded that it does not have separate operating segments as defined by the standard.

## 2. First-time adoption of IFRS

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

The accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the comparative information presented for the year ended 31 March 2009 and in 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 Authority's financial position, operating costs and cash flows is set out in the following tables and accompanying notes.

### 2a Reconciliation of operating costs for the year ended 31 March 2009

	£000
Net operating deficit for 2008/09 under UK GAAP	(30,652)
Less, cost of capital adjustment	(239)
<b>Net expenditure for 2008/09 under UK GAAP</b>	<b>(30,891)</b>
Adjustments for:	
Accrual under IAS 19 <i>Employee Benefits</i>	(89)
<b>Net expenditure for 2008/09 under IFRS</b>	<b>(30,980)</b>

## 2b Restatement of financial position as at 31 March 2008

	UK GAAP published accounts at 31 March 2008 £000	IFRS Adjustments £000	IFRS Statement of Financial Position as at 1 April 2008 £000
<b>Non-current assets</b>			
Property, plant and equipment	-	-	-
Intangible assets	-	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>			
Trade and other receivables	-	-	-
Other current assets	7	-	7
Cash and cash equivalents	3,285	-	3,285
<b>Total current assets</b>	<b>3,292</b>	<b>-</b>	<b>3,292</b>
<b>Total assets</b>	<b>3,292</b>	<b>-</b>	<b>3,292</b>
<b>Current liabilities</b>			
Trade and other payables	(1,971)	(91)	(2,062)
Other liabilities	(13)	-	(13)
<b>Total current liabilities</b>	<b>(1,984)</b>	<b>(91)</b>	<b>(2,075)</b>
<b>Non-current assets less net current liabilities</b>	<b>1,308</b>	<b>(91)</b>	<b>1,217</b>
<b>Non-current liabilities</b>			
Provisions	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets less liabilities</b>	<b>1,308</b>	<b>(91)</b>	<b>1,217</b>
<b>Reserves</b>			
General reserve	1,308	(91)	1,217
	<b>1,308</b>	<b>(91)</b>	<b>1,217</b>

**2c Restatement of taxpayers' equity at 31 March 2009**

	Lease incentive reserve	General fund	Total
	£000	£000	£000
Taxpayers' equity as at 31 March 2009 under UK GAAP	93	(11,106)	(11,013)
Adjustments for:			
Accrual under IAS 19 <i>Employee Benefits</i>	-	(180)	(180)
<b>Taxpayers' equity as at 1 April 2009 under IFRS</b>	<b>93</b>	<b>(11,286)</b>	<b>(11,193)</b>

**2d Restatement of taxpayers' equity at 1 April 2008**

	Lease incentive reserve	General fund	Total
	£000	£000	£000
Taxpayers' equity as at 31 March 2008 under UK GAAP	-	1,308	1,308
Adjustments for:			
Accrual under IAS 19 <i>Employee Benefits</i>	-	(91)	(91)
<b>Taxpayers' equity as at 1 April 2008 under IFRS</b>	<b>-</b>	<b>1,217</b>	<b>1,217</b>



## 2e Restatement of cash flows for the year ended 31 March 2009

	UK GAAP Year ended 31 March 2009 £000	IFRS Adjustments £000	Restated Year ended 31 March 2009 £000
<b>Cash flows from operating activities</b>			
Net (deficit) / surplus after cost of capital and interest	(30,660)	(89)	(30,749)
Adjustments for cost of capital charge	(239)	-	(239)
Adjustment for non-cash items	17	-	17
(Increase) / decrease in trade and other receivables	(690)	-	(690)
Increase / (decrease) in trade and other payables	3,902	89	3,991
Increase / (decrease) in provisions	930	-	930
<b>Net cash outflow from operating activities</b>	<b>(26,740)</b>	<b>-</b>	<b>(26,740)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(90)	-	(90)
Purchase of intangible assets	(2)	-	(2)
<b>Net cash outflow from investing activities</b>	<b>(92)</b>	<b>-</b>	<b>(92)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid from parent department	18,485	-	18,485
Loan from parent department	5,623	-	5,623
<b>Net cash inflow from financing activities</b>	<b>24,108</b>	<b>-</b>	<b>24,108</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>	<b>(2,724)</b>	<b>-</b>	<b>(2,724)</b>
Cash and cash equivalents at beginning of the period	3,285	-	3,285
<b>Cash and cash equivalents at end of the period</b>	<b>561</b>	<b>-</b>	<b>561</b>

## 2f Impact of transition to IFRS

The only substantive adjustment arising from the transition to IFRS relates to the recognition of staff benefits in accordance with IAS 19. The Authority has recognised accruals in relation to leave which has been earned by employees and secondees at the reporting date. In-year movements in the accrual are recognised in the Net Expenditure Account.

### 3 Staff numbers and related costs

#### 3a Staff costs

The Authority is staffed by a combination of direct employees, staff seconded from other organisations (the majority from DWP), and a number of interim staff.

	Year ended 31 March 2010 £000	Restated Year ended 31 March 2009 £000
<b>Directly employed staff</b>		
Wages & salaries	9,078	2,036
Social security costs	1,015	238
Pension costs	497	76
<b>Sub-total</b>	<b>10,590</b>	<b>2,350</b>
Secondees	2,889	4,738
Interim staff	1,607	6,121
<b>Total</b>	<b>15,086</b>	<b>13,209</b>

#### 3b Pension arrangements

PADA operates a defined contribution pension scheme for the Authority's directly employed staff. There were 105 employees in this pension scheme as at 31 March 2010 (31 March 2009 – 47). PADA recognises the employer costs in the period in which they are incurred. At the year end date there was one month's contributions outstanding amounting to £70k (2008/09 – £32k).

#### 3c Average number of staff employed

	2009/10 Average full time equivalents	2008/09 Average full time equivalents
Directly employed staff	134	23
Secondees	41	76
Interim staff	11	39
<b>Total average staff</b>	<b>186</b>	<b>138</b>

## 4 Other expenditure

		Year ended 31 March 2010	Restated Year ended 31 March 2009
	Note	£000	£000
Professional advice and support		8,503	11,282
Legal fees and expenses	4a	3,888	859
Research costs		1,476	1,451
Recruitment & other staff costs		1,471	1,560
Building repair costs		-	930
Accommodation	4b	733	611
Rentals under operating leases		646	647
Information technology and telephony	4c	496	363
Other running costs		321	493
Auditor's remuneration – statutory audit		67	60
Auditor's remuneration – non-statutory audit	4d	-	6
Internal audit		44	48
Loss on disposal of non-current assets		14	10
Release of reserve	4e	(20)	(20)
Less building repair liabilities funded externally	13	-	(350)
Unwinding of discount on provisions	4f	3	-
<b>Sub total – Other expenditure</b>		<b>17,642</b>	<b>17,950</b>
Depreciation		51	27
Cost of capital charges	4g	(977)	(239)
<b>Total</b>		<b>16,716</b>	<b>17,738</b>

a Legal costs in 2009/10 are £3m higher than 2008/09 due to the work required to draw up the scheme administration contract, advising on the order and rules and establishing NEST Corporation.

b In addition to its primary location, the Authority rents space from DWP in two fully serviced buildings. The Authority has no lease commitment with the Department, the costs of occupancy of the two buildings being invoiced on a monthly basis and expensed as they are incurred.

c During the reporting period, PADA relied on the DWP's IT contracts for its fully serviced IT network, hardware, software and associated maintenance services. The assets used to provide the service are an integral part of assets serving DWP sites across the country and therefore PADA receives its IT services via the overarching Departmental contracts. The Authority has a rental arrangement with the Department for the supply of these services, the costs for which are expensed as they are incurred. This arrangement is cancellable at one month's notice and the Authority therefore has no operating lease commitment. The network assets are recognised in the Department's financial statements.

d Non-audit work conducted by the Authority's auditor, National Audit Office, during 2008/09 related to activity to confirm the Authority's preparedness for adopting International Financial Reporting Standards, which have been adopted in line with HM Treasury directions. During 2009/10, this work is classified as statutory audit activity and included within statutory audit costs.

e The Authority created a lease incentive reserve in 2008/09 to recognise the value of assets received as consideration to facilitate the transfer of the lease for one of the properties now occupied by the Authority. The lease incentive reserve is being amortised over the period of the lease (5.75 years) on a straight line basis.

f During 2008/09, the Authority created a provision for property repairing liabilities expected to arise on expiry of the lease on one of the buildings it occupies. The provision is discounted at the Authority's weighted average cost of capital (4.69%). The discount is unwound each year, resulting in an unwinding charge in the Net Expenditure Account.

g The cost of capital represents a notional charge on Government capital employed. The rate used to calculate this cost is HM Treasury's standard rate of 3.5%, which was applied to the average value of total assets less liabilities with the exception of balances held with the Government Banking Service, where the rate is nil.

## 5 Income

	Year ended 31 March 2010	Restated Year ended 31 March 2009
	£000	£000
<b>Interest receivable</b>	<b>3</b>	<b>206</b>

Interest received and receivable on cash balances the Authority held on deposit with the Government Banking Service (formerly Office of HM Paymaster General) relating to the period is treated as income.

The Authority's principal source of funding is provided directly by DWP. These resources are not accounted for as income (see also note 12).

## 6 Interest paid and payable

Interest paid and payable relates to interest charges suffered on balances outstanding on the loan from DWP (see note 12).

## 7 Property, plant and equipment

	Furniture & fittings £000	Information technology £000	Assets under construction <sup>1</sup> £000	Total £000
<b>Cost or valuation</b>				
As at 1 April 2009	172	20	-	192
Additions	55	40	881	976
Disposals	(19)	-	-	(19)
<b>As at 31 March 2010</b>	<b>208</b>	<b>60</b>	<b>881</b>	<b>1,149</b>
<b>Depreciation</b>				
As at 1 April 2009	(21)	(5)	-	(26)
Charged in year	(41)	(9)	-	(50)
Disposals	5	-	-	5
<b>Accumulated depreciation as at 31 March 2010</b>	<b>(57)</b>	<b>(14)</b>	<b>-</b>	<b>(71)</b>
<b>Net book value at 31 March 2010</b>	<b>151</b>	<b>46</b>	<b>881</b>	<b>1,078</b>
<b>Net book value at 31 March 2009</b>	<b>151</b>	<b>15</b>	<b>-</b>	<b>166</b>
<b>Asset financing:</b>				
Owned	151	46	881	1,078
<b>Net book value at 31 March 2010</b>	<b>151</b>	<b>46</b>	<b>881</b>	<b>1,078</b>



## 7 Property, plant and equipment *continued*

	Furniture & fittings	Information technology	Assets under construction <sup>1</sup>	Total
Cost or valuation	£000	£000	£000	£000
As at 1 April 2008	-	-	-	-
Additions	183	20	-	203
Disposals	(11)	-	-	(11)
<b>As at 31 March 2009</b>	<b>172</b>	<b>20</b>	<b>-</b>	<b>192</b>
<b>Depreciation</b>				
As at 1 April 2008	-	-	-	-
Charged in year	22	5	-	27
Disposals	(1)	-	-	(1)
<b>Accumulated depreciation as at 31 March 2009</b>	<b>21</b>	<b>5</b>	<b>-</b>	<b>26</b>
<b>Net book value at 31 March 2009</b>	<b>151</b>	<b>15</b>	<b>-</b>	<b>166</b>
<b>Net book value at 31 March 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Asset financing:</b>				
Owned	151	15	-	166
<b>Net book value at 31 March 2009</b>	<b>151</b>	<b>15</b>	<b>-</b>	<b>166</b>

<sup>1</sup> The Authority has entered into a contract for domestic IT equipment for the NEST Corporation.

The annual review of all non-current assets (tangible and intangible) verified that the carrying value approximated to the fair value of the assets, consequently no revaluation was required. During the year, assets were also reviewed for impairment. Any assets no longer of use to the Authority were disposed of within the period, with any losses on disposal charged to the Net Expenditure Account. There were no impairments in the year.

## 8 Intangible assets

The Authority's intangible assets comprise purchased software licences.

<b>Cost or valuation</b>	<b>£000</b>
As at 1 April 2009	2
Additions	2
Disposals	-
<b>As at 31 March 2010</b>	<b>4</b>
<b>Amortisation</b>	
As at 1 April 2009	-
Charged in year	(1)
Disposals	-
<b>As at 31 March 2010</b>	<b>(1)</b>
<b>Net book value at 31 March 2010</b>	<b>3</b>
<b>Net book value at 31 March 2009</b>	<b>2</b>

<b>Cost or valuation</b>	<b>£000</b>
As at 1 April 2008	-
Additions	2
Disposals	-
<b>As at 31 March 2009</b>	<b>2</b>
<b>Amortisation</b>	
As at 1 April 2008	-
Charged in year	-
Disposals	-
<b>As at 31 March 2009</b>	<b>-</b>
<b>Net book value at 31 March 2009</b>	<b>2</b>
<b>Net book value at 31 March 2008</b>	<b>-</b>

## 9 Trade receivables and other current assets

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
<b>Amounts falling due within one year:</b>			
Other receivables			
Other central Government bodies	-	527	7
Staff loans	13	1	-
Prepayments	260	169	-
	<b>273</b>	<b>697</b>	<b>7</b>

## 10 Cash and cash equivalents

	31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	£000	£000	£000
Opening balance	561	3,285	-
Net change in cash balances	(122)	(2,724)	3,285
<b>Balance at 31 March</b>	<b>439</b>	<b>561</b>	<b>3,285</b>
The following balances were held with:			
The Government Banking Service (formerly Office of HM Paymaster General)	<b>439</b>	<b>561</b>	<b>3,285</b>

## 11 Trade payables and other liabilities

### 11a Amounts falling due within one year

		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	Note	£000	£000	£000
Trade payables		1,549	1,197	595
Other taxation and social security		339	171	13
Superannuation		70	32	-
Accruals		1,992	4,666	1,467
DWP loan	12	41,059	-	-
<b>Total</b>		<b>45,009</b>	<b>6,066</b>	<b>2,075</b>

### 11b Amounts falling due after more than one year

		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
	Note	£000	£000	£000
<b>DWP loan</b>	12	<b>-</b>	<b>5,623</b>	<b>-</b>

### 11c Analysis by amounts owing to central Government

The following table identifies balances with other public sector organisations included within liabilities:

		31 March 2010	Restated 31 March 2009	Restated 1 April 2008
		£000	£000	£000
Balances with other central Government bodies		41,620	5,971	608
Amounts owing to bodies external to Government		3,389	5,718	1,467
<b>Total</b>		<b>45,009</b>	<b>11,689</b>	<b>2,075</b>

Within the balance owing to other central Government bodies is £41,059k of DWP loan funding (2008/09 – £5,623k) and £339k (2008/09 – £171k) owing to HM Revenue and Customs for employment-related tax and social security costs.

## 12 DWP loan

The loan from DWP is provided to meet the scheme implementation costs, and will be repaid from scheme charges. It is intended this loan will transfer to NEST Corporation on 5 July 2010. DWP has assured the Authority that if such a transfer is not effected, it will ensure the Authority is in a position to meet its liabilities. The loan is due to be repaid on 30 November 2010, the date subject to variation by agreement between parties.

In March 2010, the interest rate applicable to the loan was confirmed with DWP at 7.58%, applied retrospectively, having previously been an interim rate of 6.84%. The change in interest rate gave rise to additional interest of £1k applicable to 2008/09. Interest on the loan is payable on 30 September and 31 March. Any changes to this funding arrangement will be accounted for as they are made and reported in the financial statements of that period.

## 13 Provisions for liabilities and charges

### 13a Administration provisions

#### Provision for property repairs £000

Balance at 1 April 2009	930
Provided in the year	-
Change in provision	-
Provisions not required written back	-
Provisions utilised in the year	(251)
Unwinding of discount	3
<b>Balance as at 31 March 2010</b>	<b>682</b>

#### £000

Balance at 1 April 2008	-
Provided in the year	930
Change in provision	-
Provisions not required written back	-
Provisions utilised in the year	-
Unwinding of discount	-
<b>Balance as at 31 March 2009</b>	<b>930</b>

The Authority received a contribution towards building repairs from a previous tenant. The previous tenant was another Government body. The Authority provided for these repairs during 2008/09. Work relating to these repairs totalling £251k was carried out during 2009/10 and the provision has been reduced accordingly.

### 13b Analysis of expected timing of discounted flows

#### Discount included in provision £000

In the remainder of the spending review period to 31 March 2011	27
Between 1 April 2011 and 31 March 2013	90
<b>Balance as at 31 March 2010</b>	<b>117</b>

The provision relates to building surveyors' estimates of amounts required to settle property repairing liabilities which may arise. The provision represents estimated future cash flows discounted at the Authority's weighted average cost of capital (4.69%). The discount amounts to £117k and is expected to unwind as shown above over the remaining period of the lease up to 2013/14, the same period over which the expenditure is expected to be incurred.



## 14 Capital and other financial commitments

	Note	As at 31 March 2010 £000	As at 31 March 2009 £000	As at 1 April 2008 £000
<b>Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements</b>				
Property, plant and equipment	a	637	-	-
Scheme administration contract	b	23,259	-	-
<b>Total</b>		<b>23,896</b>	<b>-</b>	<b>-</b>

a. The Authority has entered into a contract for the provision of domestic IT equipment for NEST Corporation. This is to ensure NEST Corporation has a suitable IT platform from the date of its establishment. All PADA assets and liabilities will transfer to NEST Corporation on that date.

b. PADA has signed a contract with Tata Consultancy Services for the provision of NEST administration services; the contract being in two stages. The first stage of the contract, up to mid October 2010, will cost no more than £25m, of which £23.3m is capital. Should NEST Corporation proceed with stage 2, the contract will operate until June 2020. This is a significant contract with fixed and variable cost elements that vary with member volumes, which are inevitably uncertain. Stage 2 costs are estimated at £575m, of which the capital element is estimated at £64m. PADA has entered into this contract to ensure NEST Corporation is on track to launch NEST in April 2011.

## 15 Commitments under leases

### Operating leases

The future minimum lease payments under non-cancellable operating leases extant at the year-end date, in the following periods are:

	31 March 2010 £000	Restated 31 March 2009 £000	Restated 1 April 2008 £000
<b>Future minimum lease payments comprise:</b>			
Buildings:			
Within one year	648	647	648
Between one year and 5 years	1,782	2,414	2,591
Thereafter	-	-	470
<b>Total</b>	<b>2,430</b>	<b>3,061</b>	<b>3,709</b>

The future minimum lease payments represent a lease for offices occupied by the Authority. Rent is fixed in the lease, based on normal market rates, and is payable quarterly in advance. The agreement imposes no restrictions on the Authority on how it conducts its business. There is no break clause remaining and the prescribed term concludes in December 2013. There is no renewal clause.

## 16 Financial instruments

### Financial assets

	As at 31 March 2010 £000	Restated As at 31 March 2009 £000	Restated As at 1 April 2008 £000
Cash and cash equivalents	439	561	3,285
Amounts due from other Government bodies	-	527	7
Imprest and advances	13	1	-
<b>Total</b>	<b>452</b>	<b>1,089</b>	<b>3,292</b>

The above figures exclude statutory debtors and prepayments.

### Financial liabilities

	As at 31 March 2010 £000	Restated As at 31 March 2009 £000	Restated As at 1 April 2008 £000
Trade creditors	1,549	1,197	595
Accruals	1,992	4,666	1,467
<b>Total</b>	<b>3,541</b>	<b>5,863</b>	<b>2,062</b>

The above figures exclude statutory creditors.

It is, and has been, PADA's policy that no trading in financial instruments is undertaken.

PADA does not face the degree of exposure to financial risk that many commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing PADA in undertaking its activities.

The Authority borrows money from DWP to fund activities which will subsequently be repaid from revenue raised from charges to scheme members. The interest rate applicable to the loan is 7.58% (see notes 6 and 12).

PADA's financial assets and liabilities which are outside the scope of activities to be charged to scheme members have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%).

PADA has no exposure to foreign currency risk at the year end date.

The book value of PADA's financial assets and liabilities as at 31 March 2010 are not materially different from their fair values.

## 17 Contingent liabilities disclosed under IAS 37

The interest rate applicable to the loan agreement remains provisional and subject to confirmation by the European Union. Any change to the interest rate is expected to apply retrospectively and would impact the amount chargeable to scheme members. However, this has not been provided for as it cannot be reliably estimated in the absence of an agreed different rate of interest.

## 18 Losses and special payments

	Year ended 31 March 2010		Restated Year ended 31 March 2009	
	£000	Cases	£000	Cases
<b>Losses:</b>				
Contract termination payment	5	1	-	-

## 19 Related party transactions

The Personal Accounts Delivery Authority is a non-departmental public body accountable to the Secretary of State for Work and Pensions. DWP is the Authority's sponsoring department and the two bodies are regarded as related parties. During the year the Authority had a number of material transactions with DWP totalling £5.2m, including £1.7m loan interest. At 31 March 2010, the Authority had an outstanding liability of £55k with DWP. The Authority also received loan funding of £35.4m from the Department.

This relationship with DWP includes provision to the Authority of:

- grant-in-aid and loan funding;
- information technology services, office accommodation and internal audit services; and
- seconded staff.

In addition, the Authority has had a small number of relatively low-value transactions with other government departments and other central government bodies. The only significant transactions being amounts totalling £1.4m with Partnerships UK, a public / private partnership with an arm's length relationship to HM Treasury.

No Board members, senior managers or other related parties have undertaken any material transactions with the Authority during the year.



## 20 Late payment of commercial debt

The *Late Payment of Commercial Debts (Interest) Act 1998*, which came into effect on 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, £146 of interest (2008/09 – £335) was paid under the *Late Payment of Commercial Debts (Interest) Act 1998*. This is included in 'other expenditure' in the Net Expenditure Account.

## 21 Events after the reporting period

After the end of the reporting period it has been announced that there will be an independent review of automatic enrolment and the role played by NEST in supporting the pension reforms.

These accounts are authorised to be issued on 28 June 2010.

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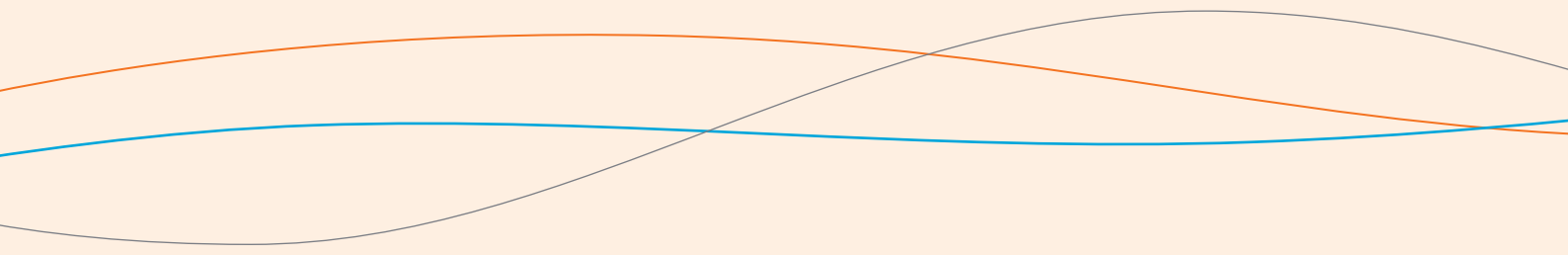
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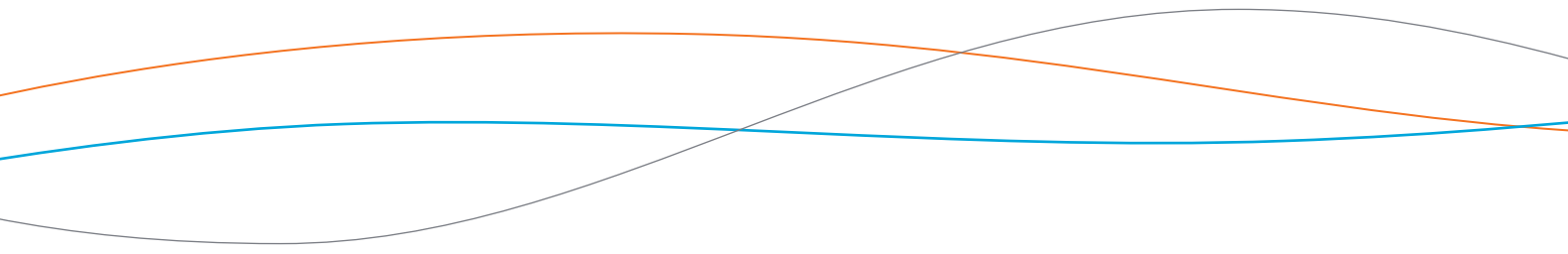
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