HM Passport Office

Her Majesty's Passport Office

Annual Report and Accounts

2013-14

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CEO foreword

Her Majesty's Passport Office (HM Passport Office) provides passport services to UK nationals worldwide and oversees the provision of civil registration services in England and Wales. We are an executive agency of the Home Office, supporting the Department's priorities of cutting crime, reducing immigration, and preventing terrorism.

We experienced exceptional demand for passports in the last quarter of 2013-14, which has continued into 2014-15. Although we have not been able to process every application we received within our target turnaround times, the contingency measures we have introduced, alongside the efforts of our staff, have helped us to ensure that the majority of people continue to receive their new passports when they need them. I am grateful for the commitment and professionalism of staff in HM Passport Office and across the Home Office throughout this exceptional period.

On 12 June 2014, alongside some important measures that have helped us deal with the increased demand, the Home Secretary announced to Parliament that she had asked the Permanent Secretary of the Home Office to carry out two reviews into our service. The first review will examine how we operate, to ensure that we work as efficiently as possible, and the second will consider the future of our agency status. The outcome of these reviews is expected later this summer. We are also reviewing our forecasting models and contingency arrangements to ensure that we are as well equipped as possible if there is another period of exceptional demand.

Overall, in 2013-14 we issued over 5.6m UK passports, handled notifications of 1.3m birth, marriage and death registrations and produced 1.2m key life event certificates for our customers. We met or exceeded seven out of our eight key performance measures for the organisation.

The organisation's staff engagement score, from the Civil Service People Survey, was 60%. This is a 5% increase on the year before and a 10% increase from 2011.

We also secured Silver accreditation as an Investor in People after meeting more than 50 additional requirements above those evidenced when we achieved Bronze accreditation. With only 5% of accredited Investors in People organisations gaining the Silver standard, we are very proud of this achievement. We will continue to focus our efforts, and further demonstrate the commitment to our people, through our People Plan which is in its second year of implementation.

Our Annual Reports in 2012 and 2013 referred to major changes which the Agency had undergone, and further changes have been successfully implemented in 2013-14. In particular, we replaced our core passport operating system with the introduction of the new Application Management System (AMS) to process all passport applications. This has enabled us to deliver a new service for applicants to pay for and track their passport application online.

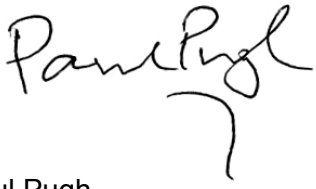
We completed the repatriation to the UK of passport application processing for overseas applicants, taking this over from the Foreign and Commonwealth Office (FCO).

We continue to work closely across government to bring in key legislation. This has included support and practical arrangements for the introduction of same sex marriage from March 2014, and further work is now being taken forward to implement the remaining provisions of the Marriage (Same Sex Couples) Act 2013.

During the year we re-hosted our online registration and certificate ordering systems, giving improved flexibility, added business resilience, and cost saving.

In 2014-15, we will continue to be guided by our core purpose; to provide accurate and secure records of key events and trusted passport services. We have refreshed our five principles – Trusted and Secure, Value, People, Customer Service, and Operational Focus – to reflect our renewed focus on public protection. These will be the guiding principles that our key performance measures are based upon and that our people work towards.

Finally, I would like to thank our staff for their unrelenting support, hard work and commitment.



Paul Pugh
Chief Executive and Registrar General for England and Wales

15 July 2014

Management Commentary

HM Passport Office (previously the Identity and Passport Service) is an executive agency of the Home Office. It is the sole issuer of UK passports and is responsible for civil registration services through the General Register Office (GRO). The GRO holds records of births, marriages, deaths, civil partnerships, stillbirths and adoptions in England and Wales.

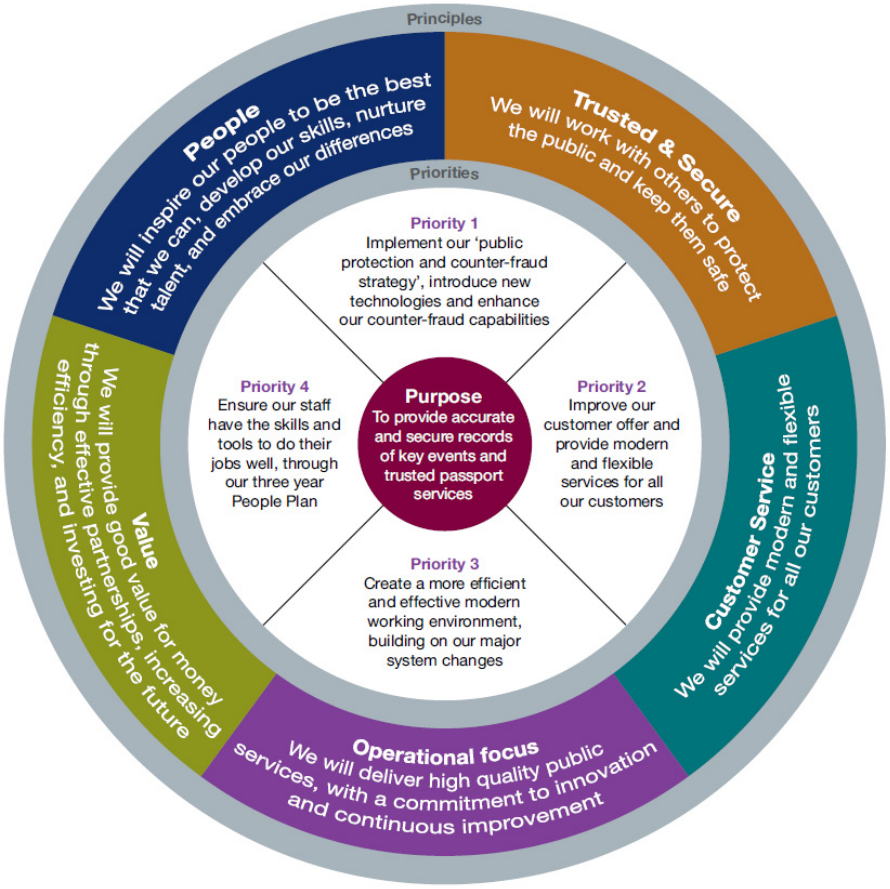
In 2013-14, we had eight key performance indicators (KPIs). We achieved seven of these KPIs covering operational delivery, customer service, employee engagement and value for money. The exceptional demand for passports that we saw in the last quarter of 2013-14 has continued into the first quarter of 2014-15 and it is too early to know what the final impact on performance in 2014-15 will be.

We made an overall surplus this year of £56.0m (2012-13: surplus £68.0m) on a turnover of £448.7m. The surplus we have generated will be paid to HM Treasury in the form of Consolidated Fund Extra Receipts.

The Agency is primarily funded through the fees we charge and our prices are set to recover our costs, in line with HM Treasury guidance. The price of a passport reflects the cost of processing and producing it. Since 2010-11, we have made more than £80m of efficiency savings through IT improvements, reviewing processes, operating from fewer offices, improving our contracts with suppliers and reducing our reliance on consultants across the organisation. The unit cost is an average and takes into account all passport types, including children's passports for which we charge less. In 2012-13, the average unit cost for UK passports was £59.40; this year the figure has fallen to £57.71. There has also been a steady fall in the certificate unit cost, which has fallen from £10.50 in 2012-13 to £10.44 in 2013-14.

Our efficiency savings meant we were able in 2012-13 to reduce the fees we charge our UK customers for processing and producing passports and still cover our costs. From April 2014, the passport fee for customers applying for a UK passport from overseas was reduced by £45.00 for adults to £83.00, and £28.50 for children to £53.00. The fee for an overseas Jumbo passport application was also reduced by £63.50 to £91.00.

We deliver our services guided by our five principles. For 2014-15, we have refreshed our principles to acknowledge that our organisation has changed, to reflect our renewed focus on public protection, and to ensure that we continue to improve our overall performance.



Our primary focus is to maintain our priorities of protecting the public and providing efficient and effective passport and civil registration services.

Shared services transition

In June 2012 the Civil Service Reform Plan set out a number of priorities with an overall goal to create a more flexible, focused and efficient Civil Service. A key theme was for government departments to make greater use of shared services, so that this becomes the normal way to provide support for operational delivery. The intent is to do more together, more efficiently, and more flexibly.

Early in May 2013 Ministers and the Home Office Executive Management Board agreed to move to shared corporate services across the Home Office to reduce costs, and refocus resources on the front line. Following a period of detailed planning, it was agreed that a number of HM Passport Office functions would move across to the Home Office. At the end of October 2013 the finance, estates, knowledge management, and human resources, alongside parts of both the security and commercial functions, transferred to the Home Office. Significant emphasis of this transition was placed on making sure our staff were well informed and fairly treated, with nearly 200 people moving from HM Passport Office to the Home Office. Our IT live service operations function was transferred to the Home Office at the end of March 2014.

Continuity, provision and management of these shared services is governed through a formal service agreement. This agreement sets out both the overall framework for delivering corporate services, as well as specific arrangements required to meet the needs of the Agency.

Principal activities

Our principal activities during 2013-14 were to provide passport services for British nationals, and civil registration services for England and Wales. Note 2 to the Accounts provides a breakdown of income and expenditure by these individual segments.

We are now the sole provider of UK passports worldwide, having completed the programme to transfer responsibility for overseas passports from the FCO.

Business and future developments

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

- **c. 5.7 million** (2012-13: 5.4 million) passport applications were processed;
- **c. 270,000** (2012-13: 275,000) identity authentication interviews were conducted;
- **c. 1.3 million** (2012-13: 1.3 million) notifications of birth, death and marriage registrations were received;
- **c. 1.2 million** (2012-13: 1.2 million) birth, marriage and death certificates were produced and more than 65,000 pieces of casework were dealt with; and
- **c. 5.9 million** (2012-13: 6.2 million) Passport Validation Service enquiries were processed.

Performance

For 2013-14 we monitored business activity using the following KPIs:.

	Year-end target	Year to date to March 2014	Achieved/ Not achieved
Deliver 90.00% of certificates within target	90.00%	94.30%	A
Process 99.50% of straightforward passport applications within 10 working days (customer service pledge: 100.00% of straightforward passports were delivered within 15 days)	99.50%	99.58%	A
Where additional information is required from customers, process passport applications within 29 working days	93.00%	97.14%	A
Premium passport applications processed within 4 hours; Fast Track passport applications processed within 7 days	99.50%	99.80%	A
Achieve a customer satisfaction rating of at least 90.00%	90.00%	91.00%	A
Achieve a minimum standard of 58.00% on the staff engagement index	58.00%	60.00%	A
Demonstrate year on year reductions in unit costs			
Unit costs for passports	£59.40	£57.71	A
Unit costs for certificates	£10.49	£10.44	A
Increase the amount of passport fraud detected*	9,212	9,033	N

*Year-end target – data cleansed

Our operational-based KPIs that monitored performance against our customer service commitments as well as a formal measure of customer satisfaction levels were met. Our unit costs KPIs were also achieved.

We came within 2% of achieving our passport fraud detection KPI. We are delivering to our new public protection and counter-fraud strategy, which will require a step-change in counter-fraud capability and new ways of measuring this activity.

During 2013-14 we met our financial aims of self-funding both our £421.3m passport operation and our £15.1m certificate services operation. The Statement of Comprehensive Net Expenditure reports an overall surplus of £56.0m (2012-13: surplus of £68.0m).

We remain on course to meet our Comprehensive Spending Review targets by the end of the review period in 2014-15, which includes being self-funded on core operations and delivering a reduction of administrative costs by 33%.

Non-current assets

During the year we invested £11.1m in capital on our modernisation programmes, and a further £77.8m of assets under construction were brought into use, including £68.0m in relation to the new passport application management system, AMS. Details of non-current assets are contained within notes 7 and 8 to the Accounts.

Funding

- Passport fee receipts continue to fund passport-related activity;
- Civil registration certificate and statutory registrar services are funded by a combination of fees and Home Office funding; and
- The Home Office funds capital expenditure.

The costs of central corporate services are allocated to those different activities through a cost allocation process, which ensures the integrity of the separate funding streams. Note 2 to the Accounts provides an analysis of these funding streams.

All receipts were paid into accounts held with the Government Banking Service. Sufficient receipts were Appropriated in Aid from this account to cover expenditure.

Key supply arrangements

Our key IT supplier, Computer Sciences Corporation (CSC), completed the roll-out of AMS in January 2014. AMS replaces our previous system – the Passport Application Support System (PASS) – as the core system for receipt and examination of passport applications, and has been designed to be easier to use and to enable cases to be examined more efficiently.

De La Rue, our key passport production and design supplier, produced 5.5m passports this year, 17.5m since the start of production in October 2010.

In September 2013 a new agreement was signed with Post Office Ltd to provide the Check and Send service to our customers for the next seven years.

In February 2014 Teleperformance were awarded the new contract as our contact centre provider.

Corporate governance

This Annual Report includes a Governance Statement, which is supported by the work carried out by the Home Office Internal Audit Unit (IAU), as well as other internal and external reviews that cover our business controls.

The work of the IAU is provided under a shared service model, with a Service Level Agreement in place for the delivery of the service. Our Audit and Risk Assurance Committee meets at least quarterly to oversee all audit and assurance work.

Our external auditor is the Comptroller and Auditor General (C&AG), who is supported by the National Audit Office (NAO). The C&AG is an officer of the House of Commons and is accountable to Parliament. The NAO charged a notional fee of £175k (2012-13: £185k) for the statutory audit carried out on this Annual Report and Accounts.

The Accounting Officer believes that our auditors are aware of all relevant audit information. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information needed to prepare the Annual Report and Accounts, and to establish that our auditors are aware of that information.

Full details of the Board for the 2013-14 financial year is included within the Remuneration Report.

Pension scheme

Comprehensive details of the various pension schemes available to our employees are contained within the Remuneration Report and in note 3 to the Accounts.

Value for money

We are committed to maximising the value for money delivered to our customers, and we contribute to the overall Home Office value for money plan. Examples of recent value for money improvements delivered include:

- Balancing capacity within our application processing and interview networks;
- Consolidating our headquarters and operational estates; and
- Keeping control over discretionary spending on consultants, travel and subsistence and banking costs.

Basis for preparing the Accounts

In line with all government departments and agencies, we are required to produce accounts in accordance with the 2013-14 Government Financial Reporting Manual (FReM). This is issued by HM Treasury and applies International Financial Reporting Standards (IFRS) that are adapted or interpreted for the public sector.

Resource accounting and budgeting

The Home Office Resource Accounts for 2013-14 consolidates HM Passport Office accounts.

Payment performance

We monitor our performance in line with Government guidance on prompt payment, and with improved processes in 2013-14 we paid 94% of all invoices within 10 days (2012-13: 60%).

People

There has been significant investment in learning and development of our people. This included providing the technical skills for delivering our new operating system and, more broadly, addressing the needs identified through 1:1 performance development meetings for all staff.

Staff numbers

We have reduced the number of redeployed staff from 25 at the start of the year to four by 31 March 2014. Six staff remained under redundancy schemes at the end of 2013-14, which represented a significant decrease on recent years and demonstrates how people have been successfully supported to undertake other work within the Agency or elsewhere in Government.

During the year the Agency recruited a total of 413 staff, which led to a full-time equivalent headcount of 3,469[1] at 31 March 2014, including unpaid staff such as those on career breaks. This was an increase of 189 from the previous year to help meet the new overseas workload.

In 2013-14 the average number of days lost to sickness absence improved to 7.15 days (2012-13: 7.81 days). We have invested in actively promoting best practice, and emphasised the support available to staff across HM Passport Office, including wellbeing and resilience support.

Supporting change

During 2013-14 we changed our Management Board structure to operate with a smaller senior leadership team. By removing tiers of decision making we empowered our people to drive and to shape performance improvements across the organisation.

We supported a review of staff terms and conditions in line with Civil Service Reform. In consultation with staff and trade unions we implemented fair and modern terms and conditions that make the Agency an attractive and a responsible employer.

Through our People Plan we will inspire our people to be the best that they can, and to develop their individual and collective skills and capabilities, which recognise and nurture our talented staff, whilst at all times respecting and embracing our differences.

Engagement

The 2013 Civil Service People Survey enabled our people to tell us about the things we were doing well and also those areas where we need to improve. The engagement index which measures employees' desire, dedication and pride in an organisation, increased from the previous year by 5%.

[1] Figures are for permanent civil servants employed by HM Passport Office, including include Part Year Appointments and permanent members of staff employed on contracts for 9 months of the year. This excludes staff on secondment or loan, and agency and temporary staff – with these staff included, the March 2014 figure is 3,444.

Our people told us that in four of the nine drivers of engagement, we were recognised as Civil Service high performers. Through 2014-15 we are keen to build on these positive indicators and we will empower our people to take action by channelling, promoting and supporting their commitment to make HM Passport Office a leading place to work.

We are determined to improve on inclusion and fair treatment. In particular we will work to understand, raise awareness and effectively support those people who said that they had personally experienced bullying and harassment in the workplace.

We will continue to encourage our people to put forward ideas and to find solutions that will make a difference and that will improve the way they feel about working for the Agency.

Staff development

We are committed to developing our people so they are highly capable, expert and professional with the right skills and capabilities to do their jobs well.

In 2013-14, staff were encouraged to complete the Civil Service Competency Framework self assessment as an integral part of the Performance Development Review process. This will help our people to focus their personal development on the skills required for their role.

We actively promoted five days minimum learning and development a year, as recommended by Civil Service Reform, and educated our people on how on the job learning is a significant and important aspect of developing our knowledge and skills.

To support the introduction of AMS our technical learning and development team invested considerable resource in training 2,241 operational staff on the new system. In addition, the team supported the repatriation of overseas consular passport examination to the UK and trained 180 operational staff to undertake this work. A further 308 people were trained on more complex nationality casework for both overseas and UK applications.

Other more generic training was provided by Civil Service Learning (CSL), such as management or professional training. This included a mixture of face-to-face, e-learning and how-to guides, as well as links to the Civil Service Competency Framework.

All of our staff are registered with CSL, and many have used the products available at their own convenience. In 2013-14 over 3,320 staff had accessed 195 different e-learning modules, comprising approximately 12,000 hours of learning. In addition, 498 staff attended a classroom-based learning event in courses such as Advanced Communication Skills, Presenting to Large Audiences, and Pre-retirement Planning.

The Agency has continued to recognise the Operational Delivery Profession, and has supported over 120 staff in front line operations to undertake Operational Delivery Diplomas provided by the College of Bristol at level 2 or 3.

As part of our commitment towards public protection and fraud detection we delivered fraud awareness training for all new passport examination staff directly from our counter-fraud experts, and provided modular fraud awareness training for existing passport examiners.

In 2014-15 we will continue to support the technical training that will deliver high quality public services with a commitment to innovation and continuous improvement.

To address skill gaps across the Home Office as described in the Home Office Capability Plan, we will focus on building the skills necessary to enable us to deliver the changes that will support modern and flexible services.

Investing in talent

We encourage, stretch and develop our high potential people so that they make the best possible contribution and help to build our organisational capability.

In 2013-14 we launched a new and refreshed talent management solution across the Home Office to create greater opportunities for our people to develop. Staff up to SEO grade who were identified as our future leaders have commenced a three year period of challenging and stretching one year placements designed to enrich their experience and to help deliver key Home Office priorities.

For our Grade 6 and 7 staff with aspirations for the Senior Civil Service we worked across the Home Office. Through joint talent boards we have provided:

- Greater visibility of a wider internal talent pool to fill vacancies faster and more efficiently;
- Better returns from the investment in talent programmes and interventions; and
- Improved staff engagement through the visible commitment to their career development.

In 2014-15 we will continue to build on our talent programmes and in doing so aim to develop:

- A broader and deeper leadership pipeline for critical roles;
- Engaged, capable staff in the right roles at the right time across the organisation; and
- Greater diversity within our workforce.

Equality and diversity

Our priorities in 2013-14 set out a clear commitment that we would support the delivery of the Home Office Diversity Strategy, and in doing so continue to build an inclusive organisation.

Our Equality and Diversity Action Plan embeds equality and diversity in everything we do and promotes equality, fairness and respect amongst our employees, our partners, our suppliers and our customers. This follows the four aims of the Home Office Diversity Strategy:

- Managers at all levels demonstrate effective leadership and due regard to equality, diversity and inclusion;
- Potential of under-represented groups developed to create a diverse, representative workforce at all levels;
- An inclusive working environment where staff respect and value each other's diversity; and
- Services delivered in a way that promote equality and respect diversity and inclusion.

Each Equality and Diversity support network within HM Passport Office is championed by a member of our senior leadership team. These networks are important in promoting a more diverse and equal workplace and in making a tangible contribution to improving our workplace culture.

We will continue to deliver against the four aims of the Home Office Diversity Strategy throughout 2014-15. By raising awareness and recognising that although we have many things in common with one another, knowing about our differences will help to create a more productive workplace and more tolerant, motivated and happier teams with better management skills.

Investors in People

We have continued to invest in all of our people by providing everyone with opportunities to flourish and we ensure that our investment in development is translated into performance improvements across the whole organisation. Our People Plan has provided the framework for taking forward actions that build upon and demonstrate our commitment to our employees. We measure ourselves against the recognised Investors in People (IiP) standard.

We set ourselves the target of achieving the Silver level of IiP accreditation by 2015, and we achieved this in February 2014. In 2014-15 we will be working to maintain and to improve how we lead, manage, and develop our people. Through our People Strategy and People Plan we will be clear that continual improvements are a fundamental element of our future success. We will measure that success by setting our aspirations to achieve the Gold level of IiP accreditation by 2017.

Health and safety

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

In April 2013, a comprehensive annual health and safety report was submitted to the Management Board to reflect on the past year's performance. The report advised the Board of actions planned for 2013-14, all of which have now been met.

HM Passport Office continues to promote and manage health, safety and wellbeing activities through a number of channels. This includes the appointment of competent safety advisers in each geographical area with an annual event for them to continue their professional development, and accredited face-to-face safety training for staff which includes courses by the Institution of Occupational Safety and Health. The Health and Safety team continue to provide advice and guidance in more complex matters.

In April 2013 a two year programme of audit to the British Standard Occupational Health and Safety Advisory Services 18001 commenced across HM Passport Office. Although no accreditation was sought, the process provided useful information on where to focus future resources.

The staff wellbeing programme has continued to grow. Staff have access to a mobile health kiosk, online health checks, regular wellbeing newsletters, and resilience training. The Agency also provides support to staff through its Employee Assistance Provider to deliver an independent and confidential counselling and support service provided free of charge.

We provide free eye tests for all our staff. During the year 760 staff took up the service (2012-13: 514).

Following a number of benchmark audits, we obtained the Louder than Words™ charter mark. The Agency is the largest organisation to have achieved this award.

The Agency was accredited with a Gold award for standards in Occupational Health and Safety at the Royal Society for the Prevention of Accidents Health and Safety awards in November 2013.

Corporate and community issues

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

The environment

We are committed to achieving the Sustainable Development objectives of the government's Green Agenda and complying with relevant environmental legislation. We have taken steps to rationalise our carbon footprint, and we have implemented programmes to improve sustainable performance. This includes the move to secure telephony, facilitating a reduction in business travel, and the rationalisation of IT and printer provisions, which have resulted in a decrease in energy and paper consumption. More details can be found in the Sustainability Report.

Paul Pugh
Chief Executive and Registrar General for England and Wales

15 July 2014

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

1. This direction applies to executive agencies, including Her Majesty's Passport Office.

2. The direction requires executive agencies to prepare accounts for the year ended 31 March 2014 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM"), which is in force for 2013-14.

3. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs as at 31 March 2014 and of the income and expenditure (or, as appropriate, net resource outturn), changes in taxpayers' equity and cash flows of the agency for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
20 December 2013

Statement of HM Passport Office Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed HM Passport Office 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 HM Passport Office and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

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

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

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

Governance Statement

Scope of responsibility

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

Within the reporting period, we have continued to deliver against a background of changes to our organisational structure. This included the transfer of circa 200 staff to a shared corporate service within the Home Office, implementing our replacement passport application processing system, and transferring overseas passport processing from the FCO to our UK Application Processing Centres.

Against a background of exceptional passport demand in the final quarter we have met seven out of our eight key performance measures, achieving our targets for certificate and passport production, customer satisfaction, staff engagement, and reducing our costs.

HM Passport Office governance framework

During the reporting period, I have implemented a number of changes to ensure that decision making and delivery in the Agency are supported by strong systems, processes, controls and data. In particular, I have:

- reduced the number of decision-making Boards;
- delegated decision-making on key change initiatives to Senior Responsible Owners;
- improved lines of communication with other government departments to share data in a controlled and timely way; and
- improved resilience across our IT systems.

In making informed decisions and managing the risks to the delivery of passports and civil registration services, I am supported and advised by the Management Board which includes non-executive directors and representatives from the Home Office. The Management Board sets the strategic direction of the Agency, approves the business plan, budget and strategic proposals for change. It also reviews operational performance across the Agency, using a comprehensive performance report that provides accurate operational, financial and commercial data measured against published performance targets and contractual arrangements.

The Management Board has met nine times between April 2013 and March 2014. These meetings were attended by all Board members, with the exception of our Finance and Customer Services and Policy Directors on two occasions, and our Planning, Performance and Counter-Fraud Director once.

The Management Board is supported by the Audit and Risk Assurance Committee, which meets at least quarterly. The Committee is comprised of our three non-executive directors, and is attended by key personnel dealing with finance, risk and internal audit. The Committee reviews risk management, finance and internal controls providing assurance that the Agency is working with appropriate and proportionate controls in place. The Committee, supported by a series of agreed internal and external audits, advises on the level of assurance that I am able to report to the Home Office and to the public about the effectiveness with which the funds delegated to us are being used.

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

To manage risks to a practical and cost-effective level, we maintain a flexible and scalable risk process that covers all business areas, and is linked to the delivery of our purpose and principles. This includes monitoring and managing risks with clear ownership, timely management of data and appropriate governance. The changes the Agency implemented this year alongside the unprecedented early demand for passports have required us to manage some inherently high risks, in particular:

- The delivery of a new passport application management system and re-hosting of the certificate issuing systems; and
- The full repatriation of overseas passport application processing.

Our management of these risks is based on the application of a clear framework in all functions aligned to the Home Office risk management policy.

Within the reporting period, the Management Board commissioned and reviewed a range of reports to ensure that we were fully engaged with wider Home Office policy initiatives. Specifically, the Board has reviewed and approved a range of risk-based interventions to limit the risk exposure for our IT and infrastructure projects, secure a new location for our Durham office, and reinforce the need for timely communication between HM Passport Office and other government departments.

The requirements of the Corporate Governance Code of Conduct in relation to the role of a nominations committee are discharged by the Home Office's Nomination and Governance Committee, whose remit also extends to the HM Passport Office. As part of the annual review of the Board's effectiveness, one of the non-executive directors provided an assessment of the Board's effectiveness at the March Management Board meeting, in compliance with standards set out in the Central Government Departments Code of Good Practice.

Key issues

Within the reporting period we have completed a piece of work to encourage more timely communications between Home Office commands and HM Passport Office. This will reduce the risk of a passport being issued to an individual who is subject to travel restrictions.
In September, a processing error by one of our suppliers resulted in 11 members of the public receiving documents intended for other customers, which were subsequently recovered. Having successfully resolved the incident, a number of process improvements have been implemented, with independent oversight to provide objective assurance.
Over the reporting period we have met all of our performance targets with the exception of the counter-fraud KPI.

Policy development

We maintain a set of operational policies to provide guidance for staff on implementing our priorities. Operational procedures are reviewed and updated to reflect advice from our assurance functions to ensure they provide the best possible advice in achieving a balance between customer service and public protection. We consult across the Agency and with other stakeholders to ensure that these policies are legal, practicable and represent the best use of our resources.

Operational performance and people management

We use performance indicators that set out our priorities on cost, operational performance, customer service and tackling passport fraud. Our business planning process helps ensure that resources are deployed in the most cost-effective way to deliver an efficient and high quality service. Progress against our targets is monitored and reported on a monthly basis.

We have an established passport demand forecasting model and a set of capacity plans that help us match operational capacity to levels of customer demand taking account of the impact of any changes being planned to our systems and processes. The exceptional demand in quarter four stretched our resource and planning capabilities. In 2014-15 we will conduct a thorough review of our forecasting model, taking independent advice where relevant.

Financial management

Within the reporting period we have continued to manage our finances effectively, through monthly reviews with each director and reporting to the Management Board. We are fully engaged with the finance shared service function to develop the roles, relationship and controls that will facilitate financial reporting and accounting processes. The transition of our finance function to a shared service over a key reporting period has not been without some level of risk. We have successfully managed the risks with appropriate oversight of the change, and accountability through our Finance Director at the Management Board. The financial framework is actively monitored both internally and independently by internal and external audit to provide assurances that it is robust and well managed. We have continued to generate a surplus on our domestic passport account.

Managing the risk of financial loss

A number of financial process improvements have been implemented to reduce the risk of financial loss. Primarily this has involved strengthening existing processes to avoid duplicate refunds, ensuring our reconciliation processes are accurate, and that memoranda of understanding are in place for all our Passport Validation Service customers. We have completed an assessment for fraud and error detection within HM Passport Office, looking at the wider risks to the business and identifying areas for improvement. Going forward we will work closely with our procurement shared service providers to gain assurance that their processes are similarly resilient.

IT and systems security

Our processes and systems are developed and implemented in line with government standards and accredited on an annual basis. The integrity of the systems we manage is paramount in maintaining the trusted and secure relationship we have with our customers. We ensure that access to our information is limited to only those persons who are entitled to, and need, it. We work closely with our partners and service providers to ensure that the standards we set are maintained and that the systems and services they provide are reliable, enabling us to deliver to our agreed standards.

Data sharing

We share data with a range of public and private sector organisations to support crime prevention and identity verification. Over the reporting period, we have carried out a substantial review of all internal monitoring and reporting arrangements, and we continue to improve our internal reporting mechanisms to ensure we protect the data we manage on behalf of the Home Office and the public.

Programmes and projects

Within the reporting period, key programme activity has included:

- the implementation of AMS;
- the introduction of the online passport application channel; and
- overseas passport application handling being fully transferred to HM Passport Office from FCO overseas processing centres.

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

Information assurance

Within the reporting period, we have confirmed that we continue to perform well against the requirements of the cross-government Information Management Maturity Model (One3M). We have met the central Home Office target of level 3 maturity against the One3M by:

- facilitating the removal of fax facilities across the Agency where possible to reduce the risk of accidental data loss;
- holding regular training for Information Asset Owners (IAO);
- ensuring that all staff in the HM Passport Office have undertaken an appropriate level of training and awareness depending on the information they manage; and
- implementing a more robust knowledge management framework.

Resilience

The wellbeing of our people is fundamental to achieving our purpose and principles. We have a team of health and safety professionals who provide advice and support, ensuring that all of our locations are safe places to work.

We have in place contingency plans to deal with risks to business continuity, which cover our core functions, operational areas and suppliers. In the event of a major incident, they would help us to recover our systems and processes, and get our people back into critical roles as quickly as possible. Business Continuity Plans have been tested and updated based on our experience of managing major disruptions, including the loss of our Dundee Flexible Delivery Team premises for a period of four months and the significant loss of our Newport Customer Service Centre due to the failure of the air conditioning units in the IT rooms. The development and implementation of these plans was conducted in conjunction with our suppliers to ensure that we maintain and support an effective level of service.

Working with the FCO, we have developed a robust passport issuance crisis management plan to provide guidance and direction in the management of, and recovery from, disruptive major incidents occurring overseas. The plan has been tested and reviewed based on recent crises occurring in Egypt, Syria, Yemen and Nairobi.

Risk management

The Risk Team conduct regular reviews with the senior management of each function to help ensure that key risks are captured, mitigations are in place, and progress is monitored, with risks escalated or retired as appropriate. This functional process feeds into monthly reviews by the Management Board of our highest risks, and a quarterly in-depth review of specific risk areas. The Audit and Risk Assurance Committee also regularly reviewed our management of risks and risk policy to provide assurance on the adequacy of our processes and controls.

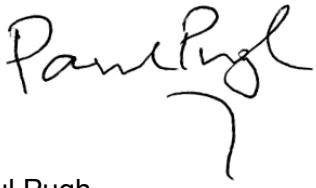
Summary statement

Our internal audit function carries out a programme of work focused on the key risks facing the organisation, and the governance arrangements in place to manage the Agency. This year their attention has been focused on our operations, giving advice and recommendations on which we have made good progress and further strengthened our operational controls to provide more assurance.

An assessment of the Management Board's effectiveness conducted by a non-executive director noted that the major changes we have made over the reporting period have led to greater focus on key strategic issues, better staff engagement, and good focus on the change landscape.

My own review of the Governance arrangements, taking into account the internal audit opinion, is that the Management Board has the relevant information to provide sound advice and make informed decisions. The challenges and risks that we have faced over the reporting period have tested our risk management, assurance and control frameworks. Where their effectiveness has been challenged we have responded with proportionate action plans designed to reduce the risk to an acceptable level.

Based on my review, I can give moderate assurance that the objectives and functions for which I am responsible enable HM Passport Office to deliver its objectives, and comply with agreed standards within delegated budgetary responsibility and accountability.



Paul Pugh
Chief Executive and Registrar General for England and Wales

15 July 2014

Statement on Data Security and Integrity

HM Passport Office provides accurate records of key life events and trusted and secure passport services. The Agency holds personal data about citizens who make use of passport and civil registration services. It also holds other sensitive and important data, including commercial and operational performance.

Ensuring the integrity and security of this data, in the ways that it is held and used, is a top priority and critical to our success in delivering quality services to customers who have confidence in the security and safety of their data. This approach is underpinned by safeguarding the rights of the individual to privacy, improving transparency, and securing benefits for society as a whole.

Areas of activity

Over the past year, HM Passport Office has maintained a strong information security position. This has been achieved by implementing a detailed assurance plan in all of our area offices, training all our staff in information security and monitoring, and reviewing our existing and new data sharing arrangements. We achieved continued accreditation against the government-wide One3M model of information management, attaining the required level 3 competency. Through an ongoing programme of accreditation of IT systems, we have ensured that our systems and processes meet government standards for the storage and handling of personal and other data.

The Agency works closely with law enforcement agencies to ensure it is notified when the courts or the police impose travel or passport restrictions on an individual. Engagement with chief officers of Police, the courts, and other parts of the criminal justice system, has secured an increase in the reporting of travel restrictions to the Agency. This is work in progress and we continue to explore options for better methods of communication between HM Passport Office and law enforcement agencies in this area. The Agency has set out proposals to conduct a review of overseas data sharing, and is engaging with FCO and UK Visas and Immigration colleagues to establish a data sharing framework for overseas working.

The Management Board has provided oversight of the effectiveness of our information security controls, and the Audit and Risk Assurance Committee has scrutinised the implementation of the Agency's plans.

Personal data incidents

The Agency takes the loss of any personal data very seriously. Through regular reporting and strong security and assurance programmes it has continued its efforts to prevent any data losses and to quickly respond to the small number that occur by learning lessons and implementing improvements.

During the year a machine failure caused 11 passports to be incorrectly enveloped and sent to the wrong customers. The 11 passports were recovered and destroyed, and customers were provided with new documents. The Information Commissioner's Office was notified of the incident whereupon it was determined that no further action was required. There have been no other incidents which required reporting to the Information Commissioner's Office.

Remuneration Report

In accordance with the FReM, we have prepared a Remuneration Report for the period 1 April 2013 to 31 March 2014. The objective of the Remuneration Report is to fully disclose information about our senior staff in accordance with the Companies Act 1985 as interpreted for the public sector. Senior staff are defined as members of the HM Passport Office Management Board and its non-executive directors.

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

Remuneration policy

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

As Chief Executive, I am a senior civil servant and my salary is set by the Home Office in consultation with the Cabinet Office. This also applied to Sarah Rapson, from whom I took over on 16 April 2013. The remaining executive directors have their remuneration determined by a process consistent with Home Office and Cabinet Office rules.

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

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

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

Remuneration committee

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

Service contracts

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

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

During 2013-14 we made no salary or compensation payments to past senior managers for loss of office.

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

The Management Board

We operate a Governance Framework that outlines the processes by which the organisation is managed. The most senior body is the Management Board which advises and supports the Chief Executive on setting the strategy and direction of the Agency.

The Management Board approves the annual and longer-term business plans, conducts quarterly reviews of overall performance, and considers the impact of cross-government change initiatives upon the Agency. The Management Board approves strategic proposals that will enhance the performance of the Agency.

The Management Board comprises myself as Chief Executive, all executive directors, and at least one non-executive board member. It is this senior leadership team who are regarded as the main decision makers in the Agency, and they operated as such throughout 2013-14.

The executive members of the Management Board are listed in the salary and pension analysis on page 29.

Non-executive members

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

Non-executive Director	Start date	End date
Dame Janet Finch	29 November 2007	31 December 2013
Eric Gregory	1 July 2011	30 June 2014
Bill Morris	10 February 2014	9 February 2017
Isobel Sharp	18 February 2014	17 February 2017
Anne Tutt	29 November 2007	31 December 2013

Salary and benefits in kind

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

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

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes:

- Either a final salary scheme (**classic, premium or classic plus**); or
- A whole career scheme (**nuvos**).

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement, or a 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are salary related and range between:

- 1.5% to 6.25% of pensionable earnings for **classic**; and
- 3.5% to 8.5% for **premium, classic plus** and **nuvos**.

Increases to employee contributions apply from 1 April 2014.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

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

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

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

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

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

Cash equivalent transfer values (CETV)

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

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period. Where the individual was not in post for the full year, the CETV at 31 March 2013 represents the value as at their start date, and the CETV at 31 March 2014 represents the value as at their end date.

Value of pension benefits

This reflects the total value of the pension. This is calculated as the real increase in the pension multiplied by 20, plus the real increase in any lump sum, less any contributions made by the member.

The real increases exclude increases due to inflation, or any increase or decrease due to a transfer of pension rights.

1. Salary and pension analysis for each member of the Senior Management Team, as at 31 March 2014 is set out below (audited):

Senior Staff Name	Notes	Job Title	2013-14 £'000				2012-13 £'000			
			Salary *1	Bonus payments	Value of pension benefits *2	Totals	Salary *1	Bonus payments	Value of pension benefits	Totals
Paul Pugh	**3**	**Chief Executive** From 17 April 2013; and **Registrar General for England and Wales** From 30 May 2014	**100-105**	**0**	**25**	**120-125**	75-80 (Annualised 100-105)	0	11	80-85
Shane Bryans		**Director of Customer Services and Policy** From 4 November 2013	**30-35 (Annualised 70-75)**	**0**	**8**	**35-40**	n/a	n/a	n/a	n/a
Jane Carwardine		**Director of Human Resources and Organisational Development** Left May 2014	**110-115**	**0**	**28**	**135-140**	110-115	0	39	150-155
Deborah Chittenden	**4**	**Director of Organisational Transformation**	**95-100**	**0**	**0**	**95-100**	95-100	0-5	0	100-105
Paul Darling	**5**	**Director of Finance** From January 2014	**10-15 (Annualised 45-50)**	**0**	**n/a**	**10-15**	n/a	n/a	n/a	n/a
Andrew Dent		**Director of Civil Registration** From 4 November 2013	**30-35 (Annualised 75-80)**	**0**	**2**	**35-40**	n/a	n/a	n/a	n/a
Ian Forster		**Director of Operational Services** From 4 November 2013	**45-50 (Annualised 70-75)**	**0 (Annualised 0-5)**	**1**	**50-55**	n/a	n/a	16	n/a
Ian Martin		**Director of Planning, Production and Counter-Fraud**	**65-70**	**0-5**	**2**	**75-80**	15-20 (Annualised 65-70)	0 (Annualised 0-5)	5	20-25
Eric Gregory	**6**	**Non-executive Director**	**15-20**	**n/a**	**n/a**	**15-20**	15-20	n/a	n/a	15-20
Bill Morris	**6**	**Non-executive Director** From 10 February 2014	**0-5 (Annualised 15-20)**	**n/a**	**n/a**	**0-5**	n/a	n/a	n/a	n/a
Isobel Sharp		**Non-executive Director** From 18 February 2014	**0-5 (Annualised 15-20)**	**n/a**	**n/a**	**0-5**	n/a	n/a	n/a	n/a

Senior Staff Name	Job Title	Real increase/ (decrease) in pension at age 60 and related lump sum £'000	Total accrued pension at age 60 at 31 March 2014 and related lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2013 £'000	CETV at 31 March 2014 £'000	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors £'000
Paul Pugh	**Chief Executive** From 17 April 2013; and **Registrar General for England and Wales** From 30 May 2014	0-2.5 Lump sum (0-2.5)	45-50 Lump sum 75-80	764	835	18
Shane Bryans	**Director of Customer Services and Policy** From 4 November 2013	0-2.5 Lump sum 2.5-5.0	25-30 Lump sum 75-80	436	465	2
Jane Carwardine	**Director of Human Resources and Organisational Development** Left May 2014	0-2.5 Lump sum 2.5-5.0	10-15 Lump sum 0-5	166	201	17
Deborah Chittenden	**Director of Organisational Transformation**	n/a	n/a	n/a	n/a	n/a
Paul Darling	**Director of Finance** From January 2014	n/a	n/a	n/a	n/a	n/a
Andrew Dent	**Director of Civil Registration** From 4 November 2013	0-2.5 Lump sum 0-2.5	25-30 Lump sum 80-85	458	466	1
Ian Forster	**Director of Operational Services** From 4 November 2013	0-2.5 Lump sum 0-2.5	10-15 Lump sum 35-40	242	249	-
Ian Martin	**Director of Planning, Production and Counter-Fraud**	0-2.5 Lump sum 0-2.5	20-25 Lump sum 70-75	363	387	-
Eric Gregory	**Non-executive Director**	n/a	n/a	n/a	n/a	n/a
Bill Morris	**Non-executive Director** From 10 February 2014	n/a	n/a	n/a	n/a	n/a
Isobel Sharp	**Non-executive Director** **From 18 February 2014**	n/a	n/a	n/a	n/a	n/a

2. Salaries and pension analysis for members of the Senior Management Team who left the Agency during 2013-14 (audited):

Senior Staff Name	Notes	Job Title	2013-14 £'000s				2012-13 £'000s			
			Salary *1	Bonus Payments	Value of pension benefits *2	Totals	Salary *1	Bonus Payments	Value of pension benefits	Totals
Sarah Rapson	**3**	**Chief Executive** until 16 April 2013; **Registrar General for England and Wales** until 29 May 2014	**0-5 (Annualised 110-115)**	**5-10**	**(2)**	**5-10**	110-115	5-10	49	165-170
Alastair Bridges		**Director of Finance and Corporate Services** Left January 2014	**70-75 (Annualised 85-90)**	**0**	**3**	**75-80**	85-90	0	8	90-95
Susan Caldwell		**Director of Corporate Strategy** Left May 2013	**15-20 (Annualised 100-105)**	**0**	**32**	**45-50**	80-85	0	30	110-115
Dame Janet Finch	**6**	**Non-executive Director** Term as a Non-executive Director ended on 31st December 2013	**15-20 (Annualised 15-20)**	**n/a**	**0**	**15-20**	15-20	n/a	0	15-20
Anne Tutt	**6,7**	**Non-executive Director** Term as a Non-executive Director ended on 31st December 2013	**15-20 (Annualised 15-20)**	**n/a**	**0**	**15-20**	20-25	n/a	0	20-25

Senior Staff Name	Job Title	Real increase/ (decrease) in pension at age 60 and related lump sum £'000	Total accrued pension at age 60 at 31 March 2014 and related lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2013 £'000	CETV at 31 March 2014 £'000	Real increase/ (decrease) in CETV after adjustment for inflation and changes in market investment factors £'000
Sarah Rapson	**Chief Executive** until 16 April 2013; **Registrar General for England and Wales** until 29 May 2014	0-2.5 Lump sum 0-2.5	20-25 Lump sum 0-5	274	282	6
Alastair Bridges	**Director of Finance and Corporate Services** Left January 2014	0-2.5 Lump sum 0-2.5	25-30 Lump sum 80-85	431	461	4
Susan Caldwell	**Director of Corporate Strategy** Left May 2013	0-2.5 Lump sum 0-2.5	10-15 Lump sum 0-5	82	100	17
Dame Janet Finch	**Non-executive Director** Term as a Non-executive Director ended on 31st December 2013	n/a	n/a	n/a	n/a	n/a
Anne Tutt	**Non-executive Director** Term as a Non-executive Director ended on 31st December 2013	n/a	n/a	n/a	n/a	n/a

*** Notes**

1. Salaries include, where applicable, excess fares, London weighting and gross taxable allowances.
2. The value of the pension benefit is calculated as:

   (20 x the real increase in pension*) + (real increase in any lump sum*) – (contributions made by the member)

   *excluding increases due to inflation, or any increase or decrease due to a transfer of pension rights.
3. On 16 April 2013, Sarah Rapson was appointed as the interim Director General of the new UK Visas and Immigration service, and Paul Pugh, who had been Executive Director of Operations, took over as interim Chief Executive. His permanent appointment was confirmed on 5 March 2014.
4. Deborah Chittenden is a member of a Partnership pension scheme and the total employer and employee contributions, paid by the Agency to the scheme on her behalf, amounted to £20.0k (2012-13 £19.3k).
5. Paul Darling is employed by the Home Office and has responsibility as Finance Director for both HM Passport Office and for the UK Visas and Immigration service. The amounts shown reflect his remuneration apportioned equally between his two roles. His pension costs remain within the Home Office accounts.
6. Salary includes benefits in kind to the nearest £100: Dame Janet Finch (£4,300); Eric Gregory (£2,200); Anne Tutt (£3,100); and Bill Morris (£600). All others nil.
7. Anne Tutt was a non-executive director and Chair of the Audit and Risk Assurance Committee, representing the Agency on the Home Office Audit and Risk Assurance Committee.

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

	2013-14	2012-13	Percentage change
The mid-point banded remuneration of the highest paid director in HM Passport Office	**£115,000 – £120,000**	£115,000 – £120,000	No change
The median remuneration of the workforce	**£20,803**	£21,722	- 4.3
Ratio	**5.6**	5.2	+ 7.7

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

The table above shows that the ratio of the median to highest-paid remuneration has increased by 7.7%. As there is no change in the mid-point banded remuneration of the highest-paid director, the change is wholly due to the fall in median remuneration of the workforce. This is explained by the change in mix of staffing in HM Passport Office where the staffing numbers increase in 2013-14 has been at more junior grades.

Paul Pugh
Chief Executive and Registrar General for England and Wales

15 July 2014

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of HM Passport Office for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. 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 Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- The financial statements give a true and fair view of the state of HM Passport Office's affairs as at 31 March 2014 and of the net operating cost for the year then ended; and
- The financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

17 July 2014

Accounts for the year ended 31 March 2014

Statement of comprehensive net expenditure
For the year ended 31 March 2014

	NOTES	Staff costs £'000	Other costs £'000	2013-14 Income £'000	2012-13 £'000
Administrative costs					
Staff costs	3	21,739			23,997
Other administrative costs	4		19,122		20,807
Operating income	6			(39,056)	(44,208)
Programme costs					
Staff costs	3	79,222			71,930
Programme costs	5		272,555		269,026
Income	6			(409,656)	(409,553)
Totals		**100,961**	**291,677**	**(448,712)**	**(68,001)**
Net operating (surplus)/deficit				**(56,074)**	**(68,001)**

Other comprehensive expenditure

	NOTES	2013-14 £'000	2012-13 £'000
Net (gain)/loss on revaluation of property, plant and equipment	7	(812)	(2,139)
Net (gain)/loss on revaluation of intangibles	8	277	(2,781)
Total comprehensive net expenditure		**(535)**	**(4,920)**

The notes on pages 42 to 79 form part of these accounts.

Statement of financial position
As at 31 March 2014

	NOTES	2013-14 £'000	2012-13 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	64,185	87,819
Intangible assets	8	87,674	74,016
Total non-current assets		**151,859**	**161,835**
Current assets			
Inventories and work in progress	11	4,392	3,479
Trade and other receivables	12	25,313	33,841
Cash and cash equivalents	9,13	-	2
Total current assets		**29,705**	**37,322**
Total assets		**181,564**	**199,157**
Liabilities			
Current liabilities			
Trade and other payables	14	(94,468)	(74,578)
Provisions	15	(1,249)	(6,106)
Total current liabilities		**(95,717)**	**(80,684)**
Non-current assets plus/(less) net current assets/liabilities		**85,847**	**118,473**
Non-current liabilities			
Other payables	14	(2,811)	(6,920)
Provisions	15	(5,475)	(5,650)
Total non-current liabilities		**(8,286)**	**(12,570)**
Assets less liabilities		**77,561**	**105,903**
Taxpayers' equity			
General fund		68,610	95,889
Revaluation reserve		8,951	10,014
Total taxpayers' equity		**77,561**	**105,903**

The notes on pages 42 to 79 form part of these accounts.

Signed

Paul Pugh
Accounting Officer
15 July 2014

Statement of cash flows
For the year ended 31 March 2014

	NOTES	2013-14 £'000	2012-13 £'000
Cash flows from operating activities			
Net operating surplus/(cost) as per Statement of Comprehensive Net Expenditure		56,074	68,001
(Increase)/decrease in trade and other receivables	12	8,528	(1,151)
(Increase)/decrease in inventories and work in progress	11	(913)	(175)
Increase/(decrease) in trade payables	14	21,972	1,263
Adjustments for non-cash transactions	4,5	18,791	19,196
Utilisation of provisions*	15	(2,019)	(940)
Net cash inflow from operating activities		**102,433**	**86,194**
Cash flows from investing activities			
Purchase of property, plant and equipment	7,14	(8,283)	(1,736)
Purchase of intangible assets	8	(9,032)	(17,560)
Proceeds on disposal of non-current assets	5,7,8	6	-
Net cash outflow from investing activities		**(17,309)**	**(19,296)**
Cash flows from financing activities			
Funding (to)/from Home Office		(85,068)	(67,006)
Net cash flows from financing activities		**(85,068)**	**(67,006)**
CFERs payable to consolidated fund		(58)	-
Net increase/(decrease) in cash and cash equivalents in the period		**(2)**	**(108)**
Cash and cash equivalents at the beginning of the period	13	2	110
Cash and cash equivalents at the end of the period	13	-	2
Net increase/(decrease) in cash and cash equivalents in the period		**(2)**	**(108)**

*Utilisation of provisions included £1,797k (2012-13: £826k) for early departure costs is netted off against actual exit cost payments in the current year. As a result, the amount shown in note 3 is the difference between provision made and additional payments in the year.

The notes on pages 42 to 79 form part of these accounts.

Statement of changes in taxpayers' equity
For the year ended 31 March 2014

	NOTES	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Balance at 31 March 2012		**94,313**	**5,506**	**99,819**
Funding (to)/from Home Office		(67,006)	-	(67,006)
Net increase on revaluation of non-current assets	7,8	-	4,920	4,920
Non-cash charges – auditors' remuneration	4	185	-	185
Realised revaluation reserve to general fund		675	(691)	(16)
Other in-year adjustments		(279)	279	-
Net operating surplus for the year excluding consular protection fees		135,468	-	135,468
Consular protection fees	22	(67,467)	-	(67,467)
Balance at 31 March 2013		**95,889**	**10,014**	**105,903**
Funding (to)/from Home Office		(85,068)	-	(85,068)
Net increase on revaluation of non-current assets	7,8	-	535	535
Non-cash charges – auditors' remuneration	4	175	-	175
Receipts payable to the Consolidated Fund		(58)	-	(58)
Realised revaluation reserve to general fund		1,598	(1,598)	-
Net operating surplus for the year excluding consular protection fees		127,020	-	127,020
Consular protection fees	22	(70,946)	-	(70,946)
Balance at 31 March 2014		**68,610**	**8,951**	**77,561**

The notes on pages 42 to 79 form part of these accounts.

Notes to the accounts

Note 1 - Statement of accounting policies

1.0 Basis of preparation

These financial statements have been prepared under the Government Resources and Accounts Act 2000 and in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

These financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000).

1.1 Impending application of newly issued accounting standards not yet effective

IFRS 13: *Fair Value Measurement* was issued on 1 January 2013 and will come into effect for HM Passport Office from 1 April 2015. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS. Guidance on how this should be applied across government has yet to be issued by HM Treasury. Until guidance on its adoption is issued by HM Treasury in the FReM, it is not possible to provide an assessment on the impact of adopting this standard.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historic cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

1.3 Going concern

These financial statements have been prepared on a going concern basis.

1.4 Property, plant and equipment (PPE)

PPE is initially measured at cost and includes any expenditure directly attributable to bringing the assets into use. The capitalisation threshold for expenditure on PPE is £5,000, with the exception of furniture and fittings which is capitalised only when it comprises separately identifiable groups costing £25,000 or greater. Individual assets costing less than £5,000 are capitalised if purchased as part of a separately identifiable group of assets, and the total cost of the group of assets exceeds £5,000.

PPE is subsequently valued at the lower of net replacement cost and recoverable amount. PPE is revalued annually as outlined below:

a) **Land and buildings:** Includes freehold land and buildings owned by HM Passport Office and associated improvements to its estate. Land and buildings are revalued annually using the PUBSEC Tender Price indices published by the Building Cost Information Services. In addition, an independent professional valuation is undertaken every five years.

b) **Information technology (IT):** Includes computer hardware and telecommunications equipment. Software which cannot be separated from the hardware on which it operates and upon which the hardware is dependent in order to function correctly is classified as PPE. IT is revalued annually using Producer Price indices published by the Office for National Statistics (ONS).

c) **Plant, machinery and motor vehicles:** Primarily relates to machinery and associated enabling infrastructure which forms the production line used to produce passports. Also included are motor vehicles owned by HM Passport Office. Plant, machinery and motor vehicles are revalued annually using Producer Price indices published by the ONS.

d) **Furniture and fittings:** This category is capitalised at cost and revalued annually using Producer Price indices published by the ONS.

e) **Assets under construction:** All assets under development and not in full operation at the reporting date are classified as assets under construction. When an asset is brought into use, its cost is reclassified to the appropriate category of non-current assets and depreciation commences. Assets under construction are not subject to revaluation. Expenditure which does not meet the criteria for capitalisation as outlined in International Accounting Standard (IAS) 16: *Property, plant and equipment* is treated as an operating cost in the year in which it is incurred.

PPE is not revalued in either the year it is brought into use or the year in which it is disposed.

1.5 Intangible assets

Intangible assets are initially measured at cost and include any expenditure directly attributable to bringing the assets into use. The capitalisation threshold for expenditure on intangible assets is £5,000. Individual assets costing less than £5,000 are capitalised if purchased as part of a separately identifiable group of assets, and the total cost of the group of assets exceeds £5,000. Intangible assets are revalued annually using Producer Price indices published by the ONS.

a) **Information technology (IT):** Expenditure on software and website development is capitalised as an intangible IT asset separately from its hardware where the hardware is able to operate independently of the software itself. Such expenditure is capitalised when it meets the definition of “development” as outlined in IAS 38: *Intangible Assets*, and includes costs of consultancy and civil service staff which work on the project. Expenditure on software which does not meet the criteria for capitalisation is recognised in the Statement of Comprehensive Net Expenditure (SoCNE) in the year in which it is incurred.

b) **Software licences:** All HM Passport Office licences covering a period in excess of one year are capitalised at cost.

1.6 Depreciation

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

Land	n/a – land is considered to have an infinite UEL and is not depreciated
Buildings	up to 60 years
Improvements to buildings	2 to 15 years or, if leased, the duration of the lease
IT	up to 15 years
Plant, machinery and motor vehicles	2 to 15 years
Furniture and fittings	3 to 10 years or, if leased, the duration of the lease

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

1.7 Amortisation

Intangible non-current assets are amortised over the expected useful life over which the service potential or other economic benefits will be delivered. A review of the useful life of intangible assets is undertaken annually.

HM Passport Office capitalises the directly attributable costs associated with populating databases where they meet the recognition criteria of an intangible asset, the costs of populating the database are clearly separable from normal business activities, and if they are held to deliver identifiable service potential or other economic benefits. Expenditure on development of a product or service is capitalised if it meets the criteria specified in the 2013-14 FReM, which has been adapted from IAS 38 to take account of the considerations relevant for not-for-profit entities.

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

IT	up to 15 years
Software licences	up to 15 years

1.8 Impairments

The carrying values of PPE and intangible assets are reviewed annually for signs of impairment. If events or changes in circumstances indicate the carrying value may not be recoverable, the assets are written down to their recoverable amount.

1.9 Leases

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

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and the rentals payable are charged to the SoCNE on a straight line basis over the lease term.

Rental payments for land and buildings occupied by HM Passport Office, on the basis of operating leases or equivalent, are charged to the SoCNE. As required by IAS 17: *Leases*, where a lease contains pre-determined increases during its term, the impact of these increases is spread equally over the term of the lease.

HM Passport Office reviews all changes to lease arrangements to confirm the appropriate classification as an operating or finance lease. HM Passport Office currently has no finance leases.

1.10 Inventories

Inventories are valued at weighted average cost and comprise blank certificates and books which are used to produce passports.

1.11 Work in progress (WIP)

a) **Passports:** WIP is valued based on the stage a passport application has reached in the overall production process. Applications which have been completed and await printing are valued to include all direct costs associated with the application except for the costs of printing. Applications that are part of the way through the examination process are valued to include an estimate of the examination costs and all costs associated with initial scanning and verification of the application.

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

1.12 Programme and administrative expenditure

Expenditure is classified as administrative or as programme in accordance with the definition set out in HM Treasury's 'Consolidated Budgeting Guidance 2013-14'. Administrative expenditure reflects the costs of managing HM Passport Office and excludes expenditure attributable to HM Passport Office's front line activities. Programme expenditure reflects the costs attributable to HM Passport Office's front line activities and is defined as expenditure that does not fall within administrative budgets.

1.13 Income

Revenue from continuing activities represents:

a) **Passport fees:** All passport activities are governed by the Consular Fees Act 1980 and considered to be one single class of business. Passport fees include an element relating to consular protection services provided by the FCO worldwide. These costs are not retained by the Agency and are remitted via the Home Office to HM Treasury as Consolidated Fund Extra Receipts (CFERs). See also 1.14. Costs associated with passports issued free of charge to British Nationals born on or before 2 September 1929 are financed from parliamentary supply drawn down by the Home Office and passed to HM Passport Office.

b) **Certificate fees:** Certificate fees are collected in accordance with the Births and Deaths Registration Act 1953, section 30(2c), and are considered to be one single class of business.

HM Passport Office sets its passport and certificate fees to recover the administrative and programme costs incurred in providing its services. Income is analysed and offset against administrative costs only to the extent that administrative costs are recovered. All other income, and the associated surplus or deficit, is offset against HM Passport Office's programme costs.

All income is recognised when the services and goods are issued to the customer. In addition to income generated from its passport and registration services, HM Passport Office generates other income in relation the Passport Validation Service (PVS), charges for services provided to other government departments and charges for use of HM Passport Office facilities.

1.14 Funding

The principal activities of HM Passport Office are funded on a net resource basis from Home Office Request for Resources.

HM Passport Office relies on the revenue generated from its passport and certificate fees to fund its activities. The Home Office provides additional cash to fund HM Passport Office's statutory services and capital programmes.

The consular protection fees, which are collected by HM Passport Office as part of its passport fee, are remitted to HM Treasury via the Home Office as a CFER on a monthly basis. The element of the passport fee relating to consular protection is reported by HM Passport Office as both income and programme expenditure.

Any overall surplus arising in the financial year is remitted to the Home Office as CFER, taking into account Home Office funding for HM Passport Office's statutory services and capital expenditure.

1.15 Bank

Cash received by HM Passport Office is banked into the Home Office's Government Banking Service (GBS) bank account on a daily basis. The income/receivable is recognised in HM Passport Office's accounts, and the cash is recognised in those of the Home Office. The movement between the two entities is through the reserves, and is reflected in the accounts as "Funding (to)/from Home Office" in the Statement of Changes in Taxpayers' Equity (SoCTE).

The main cash outgoings of HM Passport Office are funded through the Home Office GBS. For this reason, the HM Passport Office element of the GBS is taken to be zero at any given time as HM Passport Office is financed in full when required.

1.16 Deferred income

Income is deferred when a passport fee or certificate fee has been received but the passport or certificate has not yet been passed for issue. These balances are held as a liability.

1.17 Pension costs

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

1.18 Voluntary exit and early release schemes

Total severance and early retirement costs are fully provided for in the year in which the departure is agreed. Expenditure is subsequently released from the provision and recognised as cash expenditure on a straight-line basis in accordance with the terms of the scheme. Both offer and acceptance of the scheme conditions must be confirmed by the employee, and the date agreement is reached dictates the year in which the costs are recognised.

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

1.19 Provisions

HM Passport Office accounts for any provisions in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. HM Passport Office provides for legal or constructive obligations which are of uncertain timing or arise at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation.

When the timing of the cash flow is expected to take place in more than one year and the time value of money is material, the estimated cash flows are discounted to present value using the discount rates provided by HM Treasury. For 2013-14 the discount rates are as follows:

Cash flow of provisions between one and five years from the reporting date	-1.90%
Cash flow of provisions between five and ten years from the reporting date	-0.65%
Cash flow of provisions more than ten years from the reporting date	2.20%

1.20 Contingent liabilities

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

In addition to contingent liabilities disclosed in accordance with IAS 37, if relevant, HM Passport Office discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote but which are required to be reported to Parliament in accordance with 'Managing Public Money'.

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

1.21 Contingent assets

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

1.22 Value added tax (VAT)

Where input tax is chargeable on goods and services provided to HM Passport Office and is recoverable from HM Revenue and Customs, expenditure is stated net of VAT. Where input tax is not recoverable, VAT is recognised in the SoCNE.

Where output tax is charged on other operating income, the amounts are stated net of VAT. With the move to the wider Home Office shared service arrangements, HM Passport Office no longer accounts for VAT separately as these transactions are now managed under a wider VAT group basis.

1.23 Financial instruments

HM Passport Office's financial assets and financial liabilities are reviewed in accordance with IAS 32: *Financial Instruments: Presentation*, IAS 39: *Financial Instruments: Recognition and Measurement*, IFRS 7: *Financial Instruments: Disclosures*, and IFRS 9: *Financial Instruments*. As the cash requirements of HM Passport Office are met by a combination of its fee-generating front line services and funding from the Home Office, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with HM Passport Office's expected purchase and usage requirements. HM Passport Office is therefore exposed to little liquidity, market or credit risk.

The measurement of financial assets and liabilities is dependent on their classification. The following classifications are applicable to assets and liabilities held by HM Passport Office:

Financial assets at fair value through profit or loss

This category includes financial assets classified as held for trading and other assets designated as such on inception. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the Statement of Financial Position (SoFP) at fair value with gains or losses recognised in the SoCNE.

Loans and receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are subsequently measured at amortised cost. Provision is made when there is objective evidence that HM Passport Office will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Financial assets are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Trade and other payables are recognised at cost, which is deemed to be materially the same as the fair value. Where the time value of money is material, payables are subsequently measured at amortised cost. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

1.24 Taxpayers' equity

Taxpayers' equity comprises of the general fund and revaluation reserve. The general fund represents the total net assets of HM Passport Office to the extent that they are not represented by other reserves. Net funding from HM Treasury and realised gains and losses are reflected in the general fund. The revaluation reserve represents the unrealised element of the cumulative balance of revaluation and indexation adjustments to non-current assets.

1.25 Judgements and key sources of estimation uncertainty

Management is required when applying the accounting policies to make judgements, estimates and assumptions which impact upon the reported assets and liabilities at the reporting date, and the income and expenditure incurred during the year. These judgements and associated assumptions are based on historical experience and other factors that are considered appropriate from external sources.

In the process of applying the Agency's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in these financial statements:

Provisions

A provision is recognised when the Agency has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the estimated cost is material, expected future cash flows are discounted to their present value using the real rate set by HM Treasury. Among these provisions are dilapidation provisions for leased properties, pension costs for early retirements, exit costs arising from the repatriation of processing overseas passports, and legal costs.

Service concession arrangements

HM Passport Office is party to Private Finance Initiatives (PFIs). The classification of such arrangements as service concession arrangements requires the Agency to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the associated infrastructure. Further detail is provided in note 1.26.

Development costs

Capitalisation of project expenditure is based on management's judgement that technological and economic feasibility is confirmed.

1.26 Service concession arrangements

HM Passport Office accounts for PFI transactions on a control approach based on International Financial Reporting Interpretations Committee (IFRIC) interpretation 12: *Service Concession Arrangements*. HM Passport Office is considered to control the infrastructure in a public-to-private service concession arrangement if:

- it controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- it controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, HM Passport Office assesses such arrangements under IFRIC 4: *Determining whether an Arrangement contains a Lease*. Where it is identified that the arrangement conveys a right to use an asset in return for a payment or series of payments, the lease element is accounted for as either an operating lease or finance lease in accordance with the risk and reward based approach set out in note 1.9. Where it is determined that arrangements are in scope of IFRIC 12, the Agency recognises the infrastructure as a non-current asset.

On-balance sheet service concession arrangements

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the asset is measured as outlined in IAS 17, with the service element and the interest charge recognised as incurred over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

On initial recognition of existing PFI arrangements under IFRS, the Agency measures the non-current asset in the same way as other non-current assets of that generic type. A liability is recognised for the capital value of the contract at its fair value at the period end, which will normally be the outstanding liability in respect of the property (that is, excluding the interest and service elements), discounted by the interest rate implicit in the contract. Interest and service charges are recognised as expenditure in the SoCNE as they are incurred.

Off-balance sheet service concession arrangements

Where the contract is separable between the service element, the interest charge and the infrastructure asset, *but the asset has not yet been constructed*, there is no asset to recognise in the SoFP, and consequently no liability against which the asset can be offset. Where the operator is obliged to construct the asset as part of the arrangement, the asset will be recognised upon the delivery of pre-determined milestones. At this point a liability equal to the value of the asset will be recognised. The interest and service charges will be recognised as expenditure in the SoCNE as they are incurred.

In determining the interest rate implicit in the contract, HM Passport Office applies the risk-free market rate at the time the contract was signed. The rate is not changed unless the infrastructure element or the whole contract is renegotiated. The risk-free rate is determined by reference to the real rate set by HM Treasury, currently 3.5%. The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment (note 1.4) and intangible assets (note 1.5). Liabilities falling due in more than one year are measured at their present value using the appropriate discount rate.

1.27 Operating segments

The net operating cost reported in the SoCNE includes income and expenditure associated with passport, certificate and statutory activities.

For passport related activities, income generated by HM Passport Office is intended to meet the cost of the passport and non-fee bearing consular services overseas provided by the FCO. The non-retainable element of the passport fee for consular protection is remitted to HM Treasury via the Home Office as a CFER.

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

An analysis of operating income and expenditure by operating segment is provided in note 2. The Agency's operating costs are apportioned across each of the products by assessing each business unit and considering which of the income streams that business unit activity serves. The apportionment assessment is validated by the respective executive directors.

Direct costs

Operational costs are attributable to the respective business segments defined by HM Passport Office, and represent costs directly incurred in the delivery of each of the Agency's products.

Indirect costs

Expenditure in respect of central overheads is apportioned to each of HM Passport Office's business segments based on the most appropriate estimate. Costs associated with Human Resources are apportioned to the business segments based on the respective headcount in each of the segments; costs associated with Organisational Transformation are apportioned based on the respective project spend across each of the segments; and other overheads are apportioned in line with the effort focussed on each segment, based on management estimates.

Note 2 – Statement of operating income and expenditure by operating segment

Below is an analysis of operating income and expenditure by operating segment. The primary segmentation, which has been defined by how financial performance is reported to the executive board, comprises of the Agency's main streams of income: issuance of passports in the UK; issuance of passports overseas; civil registration certificate services; and civil registration statutory services.

Business segments 2013-14

			Passports	Civil registration services		Total
		UK	Overseas	Statutory	Certificate	
	NOTES	£'000	£'000	£'000	£'000	£'000
Passport income		(382,388)	(38,907)	-	-	(421,295)
Registration services income		-	-	(921)	(14,182)	(15,103)
Other income		(4,530)	(7,298)	(145)	(283)	(12,256)
Total operational income		**(386,918)**	**(46,205)**	**(1,066)**	**(14,465)**	**(448,654)**
Cost of sales		225,821	36,317	7,376	11,700	281,214
Other expenditure		32,754	3,444	2,213	1,447	39,858
Impairments		135	-	19	10	164
Loss on disposal of non-current assets	5	420	-	13	23	456
Consular protection fees	22	65,704	5,242	-	-	70,946
Total expenditure		**324,834**	**45,003**	**9,621**	**13,180**	**392,638**
Operating (surplus)/deficit		**(62,084)**	**(1,202)**	**8,555**	**(1,285)**	**(56,016)**

The above segmental analysis is consistent with how financial performance is reported to the Management Board. The underlying factors in identifying reportable segments are driven by operational activities split by product ratios, agreed with HM Treasury.

HM Passport Office aims to fully recover its costs in respect of passports. A fee is charged for all passports except for those issued under the veterans' initiative (free passports for those born on or before 2 September 1929). During 2013-14, 30,801 (2012-13: 37,308) passports were issued free of charge under the veterans' initiative.

HM Passport Office also aims to recover its costs in respect of civil registration certificate service, which include all services relating to the issuance of copies of certificates for births, stillbirths, adoptions, civil partnerships, marriages and deaths. Civil registration statutory services are funded by the Home Office. These services involve the maintenance of registers of key life events (for example, the disclosure of death records). The net surplus generated as a result of providing these services is surrendered to the consolidated fund as a CFER.

The analysis of operating costs by operating segment as presented in the 2012-13 Accounts has subsequently been found to contain a number of misstatements, resulting in a deficit of £3.72m being reported in respect of overseas passports and a surplus of £5.98m being reported in respect of civil registration certificate services. This misstatement arose due to an accounting adjustment being allocated to the wrong business area.

Note 2 – Statement of operating income and expenditure by operating segment (continued)

As a consequence, a review has been undertaken to ensure that the cost allocation across business areas was correctly reflected in the analysis of operating costs by operating segment. This has resulted in:

- an increase in the surplus recognised in respect of UK passports of £4.62m;
- a decrease in the deficit recognised in respect of overseas passports of £0.17m;
- an increase in the deficit recognised in respect of statutory registration services of £0.25m; and
- a decrease in the surplus recognised in respect of certificate income of £4.54m.

The overall net surplus reported by HM Passport Office in 2012-13 was not affected.

During 2013-14, HM Passport Office has undergone an organisational restructure, which has seen many of its corporate functions realigned. This has resulted in changes to the allocation of costs across the Agency's operating segments. It has been determined not to retrospectively reflect these changes to the Agency's operations, since the existing organisational structure does not present a true and fair representation of the costs incurred in delivering passport and civil registration services during 2012-13.

Business segments 2012-13 (restated)

		Passports		Civil registration services		Total
		UK	Overseas	Statutory	Certificate	
	NOTES	£'000	£'000	£'000	£'000	£'000
Passport income		(384,447)	(49,405)	-	-	(433,852)
Registration services income		-	-	(1,186)	(14,545)	(15,731)
Other income		(4,167)	-	(4)	(7)	(4,178)
Total operational income		**(388,614)**	**(49,405)**	**(1,190)**	**(14,552)**	**(453,761)**
Cost of sales		211,786	47,034	6,940	11,175	276,935
Other expenditure		32,711	1,098	2,863	1,941	38,613
Impairments		2,229	(3)	-	-	2,226
Loss on disposal of non-current assets	5	519	-	-	-	519
Consular protection fees	22	62,637	4,830	-	-	67,467
Total expenditure		**309,882**	**52,959**	**9,803**	**13,116**	**385,760**
Operating (surplus)/deficit		**(78,732)**	**3,554**	**8,613**	**(1,436)**	**(68,001)**

The 2012-13 analysis of operating income and expenditure by operating segment has been restated due to an overstatement in the operating surplus for civil registration services and a corresponding understatement in the operating surplus of UK passports. The error did not impact on the overall position as reported in the Statement of Comprehensive Net Expenditure.

Note 2.1 – Reconciliation between operating segments and SoCNE

	NOTES	2013-14 £'000	2012-13 £'000
Total net operating surplus reported for operating segments		**(56,016)**	**(68,001)**
Reconciling items:			
CFER income	6	(58)	-
Total net operating surplus per SoCNE		**(56,074)**	**(68,001)**

In 2013-14, CFER income relates to recoveries of duplicate payments which took place in previous years, less any costs incurred in the recovery of these amounts.

Note 3 – Staff numbers and related costs

(a) Staff costs

	Permanent staff		Non-permanent staff		Total all staff	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	80,983	76,395	936	915	81,919	77,310
Social security costs	5,226	4,983	-	-	5,226	4,983
Other pension costs	13,383	12,729	-	-	13,383	12,729
Early exit costs	433	905	-	-	433	905
Total gross salary costs	**100,025**	**95,012**	**936**	**915**	**100,961**	**95,927**

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

For 2013-14, employers' contributions of £13.29m were payable to the PCSPS (2012-13: £12.6m) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £93.9k (2012-13: £86.7k) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4.16k (2012-13: £5.42k), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

One person (2012-13: 3) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £7.5k (2012-13: £1.9k).

(b) Average number of persons employed

	Permanently employed staff	Others	2013-14 Total	2012-13 Total
Directly employed	3,348	-	3,348	3,145
Other	-	5	5	6
Total staff numbers	**3,348**	**5**	**3,353**	**3,151**

Note 3 – Staff numbers and related costs (continued)

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<£10,000	1	1	-	-	1	1
£10,000 - £25,000	2	12	-	-	2	12
£25,000 - £50,000	2	1	-	-	2	1
£50,000 - £100,000	1	-	-	-	1	-
£100,000 - £150,000	-	-	1	1	1	1
£150,000 - £200,000	-	-	-	-	-	-
£200,000 - £250,000	-	-	-	-	-	-
£250,000 - £300,000	-	-	-	1	-	1
Total number of exit packages	**6**	**14**	**1**	**2**	**7**	**16**

	2013-14 £'000	2012-13 £'000
Total resource cost of exit packages	**353**	**606**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972 and as amended by The Superannuation Act 2010. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early exits, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Note 4 – Other administrative costs

	NOTES	2013-14 £'000	2012-13 £'000
IT and other service charges		3,916	6,556
Professional fees		4,074	4,598
Staff training, travel and subsistence		2,328	2,278
Accommodation, facilities management and staff services		4,535	3,733
Other costs		120	736
Media and IT		81	334
Distribution costs		810	89
Publications, stationery and printing		124	56
Non-cash costs			
Auditor's remuneration and expenses*		175	185
Depreciation of property, plant and equipment	7	2,425	381
Amortisation of intangible assets	8	534	1,861
Total other administrative costs		**19,122**	**20,807**

*HM Passport Office external auditors do not receive remuneration for non-statutory audit work (2012-13: £nil).

Note 5 – Programme costs

	NOTES	2013-14 £'000	2012-13 £'000
Consular protection fees		70,946	67,467
Passport outsourcing service charges		64,407	57,337
Publications, stationery and printing		20,538	27,053
Accommodation, facilities management and staff services		20,486	24,198
Distribution costs		26,087	21,782
IT and other service charges		29,305	24,306
Passport stationery		8,056	12,229
Call centre charges		9,416	10,747
Application forms		2,911	2,618
Staff training, travel and subsistence		2,037	1,720
Other costs		1,583	1,369
Professional fees		1,019	884
Media and IT		328	45
Non-cash costs			
(Profit)/loss on disposal of non-current assets		456	519
Depreciation of property, plant and equipment	7	9,040	9,610
Amortisation of intangible assets	8	9,010	3,741
Impairment	7,8,10	164	2,226
Movements in provisions*	15	(3,234)	558
Passport inventory written off		-	617
Total programme costs		**272,555**	**269,026**

*The movement in provisions does not include the utilisation of early retirement costs totalling £1,797k (2012-13: £826k). The utilisation of these costs has been reflected in note 3.

Note 6 – Income

	2013-14 £'000	2012-13 £'000 Restated
Passport income		
UK passport income	382,388	384,447
Overseas passport income	38,907	49,405
Total passport income	**421,295**	**433,852**
Registration services income		
Certificate services	14,182	14,545
Services provided to other government departments	921	1,186
Total registration services income	**15,103**	**15,731**
Other income		
Passport Validation Service	570	583
Rental income	1,598	1,167
Secure mail services fee receipts*	2,790	2,418
Overseas courier services receipts*	7,298	-
Other income	-	10
Total other income	**12,256**	**4,178**
Total operating income	**448,654**	**453,761**
CFER income	58	-
Total income	**448,712**	**453,761**

This represents income by type. For segmental analysis refer to note 2.

Prior year comparatives have been restated to reflect a realignment of cost centres which apportions income across passports, registration services and other, and to recognise the increase in overseas courier fees arising from the repatriation of overseas applications to the UK.

*Secure mail services and overseas courier receipts relate to monies received by HM Passport Office from passport applicants in respect of premium courier services. These fees are over and above the standard fee the agency charges for the processing of passport applications, and are paid directly to the service provider. HM Passport Office receives no economic benefit from these fees.

Note 6.1 – Fees and charges

2013-14

Objective	Income	Full cost	Surplus/ (deficit)	Fee recovery (actual)	Fee recovery (target)
	£'000	£'000	£'000	%	%
Passports: UK	382,388	324,834	57,554	118%	100%
Passports: Overseas	38,907	45,003	(6,096)	86%	100%
Registration: Certificates	14,182	13,180	1,002	108%	100%
Registration: Statutory	921	9,621	(8,700)	10%	0%
Total	**436,398**	**392,638**	**43,760**		

2012-13

Objective	Income	Full cost	Surplus/ (deficit)	Fee recovery (actual)	Fee recovery (target)
	£'000	£'000	£'000	%	%
Passports: UK	384,447	309,882	74,565	124%	100%
Passports: Overseas	49,405	52,959	(3,554)	93%	100%
Registration: Certificates	14,545	13,116	1,429	111%	100%
Registration: Statutory	1,186	9,803	(8,617)	12%	0%
Total	**449,583**	**385,760**	**63,823**		

The above analysis satisfies the fees and charges requirements of the 2013-14 FReM. An analysis of HM Passport Office income in accordance with IFRS 8: *Operating Segments* is provided in note 2. HM Passport Office has complied with the statutory requirements set out in HM Treasury guidance.

Note 7 – Property, plant and equipment

2013-14

	Land	Buildings	IT	Plant, Machinery and Motor Vehicles	Furniture and Fittings	Assets under cons-truction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2013	1,295	54,569	52,988	7,609	7,804	36,905	**161,170**
Additions	-	33	189	-	140	1,730	**2,092**
Disposals	-	(9,368)	(7,597)	(43)	(2,256)	-	**(19,264)**
Impairments	-	-	-	-	-	(126)	**(126)**
Reclassifications	-	4,438	12,536	467	263	(32,189)	**(14,485)**
Revaluations	66	1,747	(333)	185	25	-	**1,690**
At 31 March 2014	**1,361**	**51,419**	**57,783**	**8,218**	**5,976**	**6,320**	**131,077**
Depreciation							
At 1 April 2013	-	(35,666)	(29,539)	(2,207)	(5,939)	-	**(73,351)**
Charged in year	-	(3,490)	(6,374)	(963)	(638)	-	**(11,465)**
Disposals	-	9,119	7,594	43	2,046	-	**18,802**
Reclassifications	-	-	-	-	-	-	**-**
Revaluations	-	(940)	150	(74)	(14)	-	**(878)**
At 31 March 2014	**-**	**(30,977)**	**(28,169)**	**(3,201)**	**(4,545)**	**-**	**(66,892)**
Net book value at 31 March 2014	**1,361**	**20,442**	**29,614**	**5,017**	**1,431**	**6,320**	**64,185**
Net book value at 1 April 2013	1,295	18,903	23,449	5,402	1,865	36,905	**87,819**
Asset financing							
Owned	1,361	20,442	29,614	5,017	1,431	6,320	**64,185**
Net book value at 31 March 2014	**1,361**	**20,442**	**29,614**	**5,017**	**1,431**	**6,320**	**64,185**

The allocation of cost between IT equipment and intangible IT is assessed when the asset is brought into use. In some cases, this allocation may differ from the provisional assessment made at the time contractual progress payments are made for assets under construction, with the result that reclassifications do not balance across intangible assets or property, plant and equipment individually, but do when considering non-current assets in total.

During the year a number of assets were brought into use as a result of the roll-out of the Agency's new passport application management system (AMS). Historically, many of these assets had been classified as IT equipment under construction, however, when the assets were brought into use it transpired that assets with a carrying value of £14.5m should have been classified as intangible IT.

Note 7 – Property, plant and equipment (continued)

Due to the negligible impact this has on the financial statements, the Agency has determined not to restate prior year figures and instead highlight this reclassification by way of an in-year adjustment. To ensure that similar misclassifications do not recur, the HM Passport Office finance team has designed and embedded new controls to ensure all assets are correctly classified prior to recognition in the Agency's asset register.

Impairments to property, plant and equipment include £126k in respect of transactions held in the Agency's asset clearing account which were identified as being erroneous and consequently removed. See also notes 10 and 21.

A full independent valuation of land and buildings was carried out in March 2010 by DTZ chartered surveyors. In addition, a full dilapidations survey of all other HM Passport Office occupied offices was undertaken during the financial year 2010-11.

Note 7 – Property, plant and equipment (continued)

2012-13

	Land	Buildings	IT	Plant, Machinery and Motor Vehicles	Furniture and Fittings	Assets under cons-truction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 April 2012	1,295	54,812	50,152	7,505	9,492	41,831	**165,087**
Additions	-	622	416	-	99	506	**1,643**
Disposals	-	(1,020)	(45)	(27)	(7)	-	**(1,099)**
Impairments	-	(585)	(6,374)	(20)	(1,820)	(165)	**(8,964)**
Reclassifications	-	740	5,223	26	(57)	(5,267)	**665**
Revaluations	-	-	3,616	125	97	-	**3,838**
At 31 March 2013	**1,295**	**54,569**	**52,988**	**7,609**	**7,804**	**36,905**	**161,170**
Depreciation							
At 1 April 2012	-	(33,039)	(25,878)	(1,248)	(6,196)	-	**(66,361)**
Charged in year	-	(3,479)	(5,149)	(758)	(606)	-	**(9,992)**
Disposals	-	507	42	27	5	-	**581**
Impairments	-	345	5,521	8	924	-	**6,798**
Reclassifications	-	-	(2,478)	(200)	-	-	**(2,678)**
Revaluations	-	-	(1,597)	(36)	(66)	-	**(1,699)**
At 31 March 2013	**-**	**(35,666)**	**(29,539)**	**(2,207)**	**(5,939)**	**-**	**(73,351)**
Net book value at 31 March 2013	**1,295**	**18,903**	**23,449**	**5,402**	**1,865**	**36,905**	**87,819**
Net book value at 1 April 2012	1,295	21,773	24,274	6,257	3,296	41,831	**98,726**
Asset financing							
Owned	1,295	18,903	23,449	5,402	1,865	36,905	**87,819**
Net book value at 31 March 2013	**1,295**	**18,903**	**23,449**	**5,402**	**1,865**	**36,905**	**87,819**

Note 8 – Intangible assets

2013-14

	IT	Software licences	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	83,891	6,052	41,021	**130,964**
Additions	678	4	8,350	**9,032**
Impairments	-	-	(38)	**(38)**
Reclassifications	44,932	14,202	(44,649)	**14,485**
Revaluations	(583)	(30)	-	**(613)**
Disposals	(2,822)	(326)	-	**(3,148)**
At 31 March 2014	**126,096**	**19,902**	**4,684**	**150,682**
Amortisation				
At 1 April 2013	(53,616)	(3,332)	-	**(56,948)**
Charged in year	(8,153)	(1,391)	-	**(9,544)**
Revaluations	327	9	-	**336**
Disposals	2,822	326	-	**3,148**
At 31 March 2014	**(58,620)**	**(4,388)**	**-**	**(63,008)**
Net book value at 31 March 2014	**67,476**	**15,514**	**4,684**	**87,674**
Net book value at 1 April 2013	30,275	2,720	41,021	**74,016**
Asset financing				
Owned	67,476	15,514	4,684	**87,674**
Net book value at 31 March 2014	**67,476**	**15,514**	**4,684**	**87,674**

Included within intangible IT are assets with carrying values of £56.0m in respect of the PASS Replacement Release (PRR), and £11.6m in respect of the New Passport Programme (NPP). The UELs associated with these programmes are scheduled to expire in 2023.

Note 8 – Intangible assets (continued)

2012-13

	IT	Software licences	Assets under construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	71,165	3,104	33,491	**107,760**
Additions	947	2,489	14,124	**17,560**
Impairments	(41)	(327)	(39)	**(407)**
Reclassifications	5,200	690	(6,555)	**(665)**
Revaluations	6,620	96	-	**6,716**
At 31 March 2013	**83,891**	**6,052**	**41,021**	**130,964**
Amortisation				
At 1 April 2012	(47,586)	(2,834)	-	**(50,420)**
Charged in year	(5,202)	(400)	-	**(5,602)**
Impairments	27	304	-	**331**
Reclassifications	3,007	(329)	-	**2,678**
Revaluations	(3,862)	(73)	-	**(3,935)**
At 31 March 2013	**(53,616)**	**(3,332)**	**-**	**(56,948)**
Net book value at 31 March 2013	**30,275**	**2,720**	**41,021**	**74,016**
Net book value at 1 April 2012	23,579	270	33,491	**57,340**
Asset financing				
Owned	30,275	2,720	41,021	**74,016**
Net book value at 31 March 2013	**30,275**	**2,720**	**41,021**	**74,016**

Note 9 – Financial instruments

As the cash requirements of HM Passport Office are met through fees and funding from the Home Office, financial instruments play a more limited role in creating and managing risk than would normally apply to a non-public sector body. HM Passport Office has no powers to borrow, invest surpluses or purchase foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risk facing the Agency in undertaking its activities. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements, and the Agency is, therefore, exposed to minimal credit, liquidity or market risk. However, the FReM requires disclosure of the objectives and policies of an entity in holding financial instruments and the role financial instruments have had during the period in creating or changing the risks the entity faces in undertaking its activities.

Liquidity risk

HM Passport Office's net revenue resource requirement is financed by Home Office funding, as is its capital expenditure. It is therefore, not exposed to liquidity risks and, consequently, the Agency has no need to maintain commercial borrowing facilities.

Interest rate risk

HM Passport Office has no financial assets or financial liabilities carrying variable rates of interest. The Agency is not, therefore, exposed to interest rate risk.

Currency risk

HM Passport Office does not conduct any business denominated in foreign currency. The Agency is not, therefore, exposed to risk as a result of currency fluctuations.

Credit risk

There are no significant concentrations of credit risk within the Agency. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the reporting date.

	NOTES	2013-14 £'000	2012-13 £'000
Financial assets			
Cash	13	-	2
Trade and other receivables	12	25,313	33,841
Financial liabilities			
Trade and other payables	14	(97,279)	(81,498)
Total		**(71,966)**	(47,657)

There are no indications to suggest the need to impair the carrying values of the Agency's financial assets and liabilities. Consequently, the fair value is equal to the carrying value.

Note 10 – Impairments

HM Passport Office has incurred the following impairments during the year:

	NOTES	2013-14 £'000	2012-13 £'000
Charged to the SoCNE	5,21	164	2,226
Charged to revaluation reserve		-	16
Total impairments		**164**	2,242

Impairments in 2012-13 included the cost of adopting a higher capitalisation threshold. See note 21 for further details.

Note 11 – Inventories and work in progress

	2013-14 £'000	2012-13 £'000
Passport and certificate inventories	1,568	1,940
Work in progress	2,824	1,539
Total inventories and work in progress	**4,392**	**3,479**

Note 12 – Trade receivables and other assets

(a) Trade receivables and other assets

	2013-14 £'000	2012-13 £'000
Current		
Trade receivables	11,298	15,747
Deposits and advances	178	216
Prepayments and accrued income	13,837	17,878
Total trade receivables and other current assets	**25,313**	**33,841**

HM Passport Office has no trade receivables, deposits, advances or other accrued income which fall due after more than one year.

(b) Intra-government balances

	2013-14 £'000	2012-13 £'000
Current		
Balances with other central government bodies	114	15,234
Balances with local authorities	6	18
Balances with NHS Trusts	14	374
Balances with public corporations and trading funds	19,153	11,332
Total intra-government balances	**19,287**	**26,958**
Balances with bodies external to government	6,026	6,883
Total at 31 March	**25,313**	**33,841**

Note 13 – Cash and cash equivalents

	2013-14 £'000	2012-13 £'000
Balance at 1 April	2	110
Net change in cash and cash equivalent balances	(2)	(108)
Balance at 31 March	**-**	**2**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	-	2
Balance at 31 March	**-**	**2**

HM Passport Office is funded through the Home Office GBS account. For this reason, HM Passport Office GBS cash balance is taken to be £nil at any given time. At 31 March 2014, £nil balance was held by Agency's commercial partners in the form of cash in hand (2012-13: £2k).

Note 14 – Trade payables and other liabilities

(a) Trade payables and other liabilities

	2013-14 £'000	2012-13 £'000
Current		
Trade payables	6,045	2,902
Accruals and deferred income	68,111	45,173
Capital accruals	20,312	26,503
Total trade payables and other current liabilities	**94,468**	**74,578**
Non-current		
Accruals	2,811	6,920
Total non-current liabilities	**2,811**	**6,920**

Non-current payables relate to the recognition of lease incentives over the life of the lease in accordance with Standing Interpretations Committee (SIC) interpretation 15: *Operating Leases - Incentives*

(b) Intra-government balances

	2013-14 £'000	2012-13 £'000
Current		
Balances with other central government bodies	2,452	3,656
Balances with local authorities	552	252
Balances with public corporations and trading funds	276	217
Total intra-government balances	**3,280**	**4,125**
Balances with bodies external to government	91,188	70,453
Total at 31 March	**94,468**	**74,578**
Non-current		
Balances with bodies external to government	2,811	6,920
Total at 31 March	**2,811**	**6,920**

HM Passport Office has no intra-government balances which fall due in more than one year.

Note 15 – Provisions for liabilities and charges

2013-14

	Legal and other costs £'000	Dilapidation costs £'000	Early departure costs £'000	Total £'000
Balance at 1 April 2013	101	7,107	4,548	**11,756**
Provided in the year	115	344	87	**546**
Provisions not required written back	(58)	(2,789)	(685)	**(3,532)**
Provisions utilised in the year	(8)	(214)	(1,797)	**(2,019)**
Unwinding discount	-	(87)	60	**(27)**
Balance at 31 March 2014	**150**	**4,361**	**2,213**	**6,724**

Analysis of expected timing of discounted cash flows:

Not later than one year	150	490	609	**1,249**
Later than one year and not later than five years	-	604	1,592	**2,196**
Later than five years	-	3,267	12	**3,279**
Total of flows	**150**	**4,361**	**2,213**	**6,724**

Legal and other costs

Provisions have been made for various legal claims against HM Passport Office. The provision reflects all known claims where the legal advice indicates that it is more likely than not that the claim will be successful and the amount of the claim can be reliably estimated. Other costs include employee tax liabilities in respect of 2013-14.

Dilapidation costs

HM Passport Office makes provision to cover its obligations for reinstatement of its leased buildings to their original state before its occupation. A full dilapidations survey of HM Passport Office occupied offices was undertaken during the 2010-11 financial year by DTZ. HM Passport Office provides in full for this obligation when it becomes binding and utilises the provision as costs are incurred. Provisions that have been written back during the year have arisen as a result of lower than anticipated costs being incurred in returning leased properties to their original state. The provision has been discounted to present value using the real discount rate prescribed by HM Treasury.

Early departure costs

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

Note 15 – Provisions for liabilities and charges (continued)

2012-13

	Legal costs	Dilapidation costs	Early departure costs	Other costs	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	862	4,556	3,488	3,117	**12,023**
Provided in the year	69	2,489	1,855	-	**4,413**
Provisions not required written back	(716)	-	-	(3,117)	**(3,833)**
Provisions utilised in the year	(114)	-	(826)	-	**(940)**
Unwinding discount	-	62	31	-	**93**
Balance at 31 March 2013	**101**	**7,107**	**4,548**	**-**	**11,756**

Analysis of expected timing of discounted cash flows:

Not later than one year	101	3,527	2,478	-	**6,106**
Later than one year and not later than five years	-	-	1,945	-	**1,945**
Later than five years	-	3,580	125	-	**3,705**
Total of flows	**101**	**7,107**	**4,548**	**-**	**11,756**

Provisions not required and written back included £2.4m in relation to a supplier commercial discussion concluded in the year and £700k regarding the VAT status of a contractual agreement which is no longer required.

Note 16 – Capital commitments

Contracted capital commitments at 31 March 2014 not otherwise included in these accounts include:

	2013-14 £'000	2012-13 £'000 Restated
Intangible assets		
Not later than one year	2,544	-
Later than one year and not later than five years	1,934	-
Later than five years	-	-
Total commitments (intangible assets)	**4,478**	-

During the year a review of the Agency's major contracts was undertaken, with the result that certain contracts met the criteria of a service concession arrangement as defined in IFRIC 12. Consequently, commitments for 2012-13 have been restated to reflect the revised classification of the Agency's contractual commitments.

All capital commitments disclosed in 2012-13 relate to contracts which have been defined as service concession arrangements.

Note 17 – Commitments under leases

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

	2013-14 £'000	2012-13 £'000
Buildings		
Not later than one year	12,298	14,606
Later than one year and not later than five years	32,028	29,508
Later than five years	16,114	16,472
Total commitments under leases	**60,440**	**60,586**

Facilities management costs are not included as HM Passport Office is not contractually committed in the event of breaking a lease.

Note 18 – Commitments under PFI contracts

18.1 Off-balance sheet (SoFP)

Computer Sciences Corporation

Under the terms of the 10 year contract signed in 2009, Computer Sciences Corporation (CSC) work with HM Passport Office in supporting and upgrading the Agency's IT systems. This includes the recent upgrade of the Agency passport application and enrolment system, which incorporates new capabilities to process applications for passports, enabling customers to apply online; and the upgrade of the existing Omnibase application, which is a secure database used across government that stores historic passport records.

The total cost of this contract is £354.9m, of which £92.0m relates to capital.

De La Rue

Under the Passport Design and Production (PDP) contract, HM Passport Office has outsourced an element of its passport printing to De La Rue (DLR). Under the terms of the contract, which was signed in 2009, DLR builds infrastructure on behalf of HM Passport Office and uses this infrastructure in the production of passports. DLR is also responsible for ongoing support and maintenance of the infrastructure.

The total cost of this contract is £363.9m, of which £37.2m relates to capital.

In respect of both contracts, infrastructure is constructed by the operators during the life of the arrangement. Therefore, at the inception of the arrangement there is no asset and, consequently, no liability to the HM Passport Office. A liability materialises when a separately identifiable element of the infrastructure (identified by a Milestone Acceptance Certificate (MAC)) has been completed in accordance with the terms of the arrangement, at which point an asset, or an asset under construction, will be recognised in the Agency's SoFP. If HM Passport Office makes a payment in advance of a separately identifiable element being delivered, a prepayment will be recognised in the SoFP.

Obligations under off-balance sheet (SoFP) PFI contracts

The total obligations under off-balance sheet (SoFP) PFI contracts are outlined below. Obligations falling due in less than one year include capital expenditure of £10.2m. Obligations due in more than one year relate to amounts that will be charged to the SoCNE:

	2013-14 £'000	2012-13 £'000
Not later than one year	79,691	67,497
Later than one year and not later than five years	255,964	251,730
Later than five years	11,950	74,870
Total commitments under off-balance sheet (SoFP) PFI contracts	**347,605**	**394,097**

18.2 On-balance sheet (SoFP)

HM Passport Office holds no on-balance sheet (SoFP) PFI contracts.

Note 18 – Commitments under PFI contracts (continued)

18.3 Charge to the SoCNE and future commitments

The total amount charged in the SoCNE in respect of off-balance sheet (SoFP) PFI contracts was £68.2m (2012-13: £66.4m). Future payments to which HM Passport Office is committed are as follows:

	2013-14 £'000	2012-13 £'000
Not later than one year	69,451	67,196
Later than one year and not later than five years	255,964	247,098
Later than five years	11,950	74,870
Total commitments under off-balance sheet (SoFP) PFI contracts to be charged to the SoCNE	**337,365**	**389,164**

Note 19 – Other financial commitments

	2013-14 £'000	2012-13 £'000 Restated
Non-cash losses		
Not later than one year	9,021	6,987
Later than one year and not later than five years	18,437	12,849
Later than five years	-	2,668
Total commitments under off-balance sheet (SoFP) PFI contracts	**27,458**	**22,504**

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

2012-13 figures have been restated to reflect the reclassification of certain contracts as service concession arrangements. See also note 16.

Note 20 – Contingent liabilities

HM Passport Office is involved in three legal cases relating to unfair dismissal following economic redundancy due to the closure of an overseas regional passport processing centre on the repatriation of the processing and issuing of passports of overseas applicants. As at the reporting date, the tribunal cases which would determine the outcome had not been heard, therefore it is not possible to determine the likelihood of a liability materialising.

Note 21 – Losses and special payments

Cases over £300k

	2013-14 £'000	2012-13 £'000
Non-cash losses		
Capitalisation of assets less than £5k		
In 2012-13, a decision was taken to align HM Passport Office non current asset capitalisation thresholds with the £5,000 limit used by the Home Office. This resulted in a reduction of asset values by impairments of £1,257k, realised on buildings, IT, equipment and machinery, furniture and fittings, software licences and assets under construction, whilst £16k had been recognised as a downward movement on the revaluation reserve. £1,241k was recognised as a loss in the SoCNE (12,296 Assets).	-	1,257
Disposal and impairment of non-current assets		
During the year HM Passport Office conducted a detailed review of its non-current assets. As a result of this review: • 431 assets with a carrying value of £243k were identified as no longer in use and disposed of; • 52 assets with a carrying value of £219k fell below the Agency's capitalisation threshold, as outlined in notes 1.4 and 1.5, and impaired; and • £126k of transactions held in the Agency's asset clearing account were identified as being erroneous and consequently removed.	588	-
Passport inventory written off		
In 2012-13, £569k of passport inventory was written off due to the introduction of new books, which incorporated enhanced security features and would result in production cost savings. A further £279k was written off as a result of the incorrect migration of an inventory control account from the Agency's previous accounting system.	-	848
Total losses and special payments over £300k	**588**	**2,105**

Cases under £300k

	No. cases	2013-14 £'000	No. cases	2012-13 £'000
Compensation to public and staff	2,000	126	1,944	289
Waiving of contractual entitlements	418	32	601	43
Total losses and special payments under £300k	**2,418**	**158**	**2,545**	**332**
Total losses and special payments		**746**		**2,437**

Owing to amendments to Managing Public Money, the threshold for reporting losses and special payments to parliament has increased to £300k for 2013-14. The previous threshold was £250k. The changes to these reporting thresholds have not impacted upon the way in which HM Passport Office reports its losses.

Note 22 – Related party transactions

HM Passport Office is an executive agency of the Home Office and is regarded as a related party. Material transactions between the Home Office and HM Passport Office which occurred during the year are as follows:

a) Amounts paid to the Home Office during 2013-14 included £70.9m (2012-13: £67.5m) from passport sales, which was remitted to HM Treasury for consular services provided by FCO.

b) Accommodation costs - HM Passport Office has entered into an arrangement with Home Office. HM Passport Office has sublet the 5th and 6th floors of Globe House (its London Customer Services Centre) to Home Office who, in turn, have sublet part of 2 Marsham Street, the Home Office headquarters building, to HM Passport Office.

c) During 2013-14 the Home Office funding arrangements to HM Passport Office covered capital expenditure and £9.23m towards the non-fee funded civil registration statutory services. HM Passport Office generates its own cash resources.

FCO is regarded as a related party. The UK passport fee includes an element to recover the cost incurred by FCO for providing consular protection abroad; this element of the passport fee is remitted through the Home Office to HM Treasury. HM Passport Office collects £15.62 (2012-13: £15.62) per adult standard passport, £4.28 (2012-13: £4.28) per child passport and £23.18 (2012-13: £23.18) per jumbo passport (for passports issued both in the UK and overseas). The total collected during the year for consular protection abroad was £70.9m (2012-13: £67.5m). The total paid over to Home Office during the period was £70.9m (2012-13: £67.5m).

Payroll services are provided by the Ministry of Justice.

Other government departments and agencies with which HM Passport Office transacted in the normal course of business during the year include HM Revenue and Customs, the Driver and Vehicle Licensing Agency, the Department for Work and Pensions, the Office for National Statistics, the Department for Education, the Department for Health, the Department for Transport, the Cabinet Office, HM Prison Service, Treasury Solicitors and the Environment Agency.

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

All related party transactions are conducted on an arm's length basis.

Note 23 – Events after the reporting period

From 1 April 2014, 196 Finance, IT and HR staff were transferred into the core Home Office to provide these services under consolidated arrangement. Home Office staff will provide these services to HM Passport Office.

On 7 April 2014, HM Passport Office reduced the fees charged to UK citizens applying for passports from overseas. The standard adult fee reduced from £128.00 to £83.00 and the standard child fee reduced from £81.50 to £53.00. The reduced fees were not applied retrospectively. However, the fee reduction will result in a decrease in overseas income in future periods.

On 12 June 2014, the Home Secretary addressed Parliament in response to the recent increase in demand in HM Passport Office. In her announcement, the Home Secretary acknowledged that HM Passport Office had received 350,000 more applications than expected, and that the Agency had put in place extra resources and contingency measures in order to respond to the increase in demand. The Home Secretary announced a number of important measures that have helped us deal with the increased demand.

The Home Secretary also announced that two reviews would be conducted: firstly, a review to ensure that the Agency continues to work as efficiently as possible, with improved processes, customer service and outcomes; and secondly, a review to consider whether HM Passport Office should continue to operate as an executive agency of the Home Office, or whether the operations of HM Passport Office should be brought under the direct supervision of the Home Office, reporting directly to ministers. The outcome of these reviews will be announced later in the year.

The Chief Executive duly authorised the issue of these financial statements on the same date that the Comptroller and Auditor General certified the accounts.

Sustainability Report (unaudited)

Introduction

HM Passport Office contributed to the review of the Home Office sustainability commitments as part of the overall Home Office Business Plan. Our sustainability priorities are to:

- Assess and manage environmental, social and economic impacts and opportunities in policy development and decision making;
- Procure from small businesses with the aspiration that 25% of contracts should be awarded to small and medium-sized enterprises (SMEs);
- Meet the Greening Government Commitments (GGC), supplying quarterly information and contributing to an annual report on progress.

We make valuable contributions to environmental sustainability on our estate and through procurement. The Agency has implemented service changes that contribute to wider social and economic sustainability, for example in the provision for video interviews and promotion of internet applications, in order to make our services accessible to those in rural parts of the country. The Agency is presently creating 'digital by default' platforms that will further reduce the need for movement of people or paperwork in accessing passport and civil registration services.

Headlines

- Total reported CO_2e emissions are down by 7.5% against the baseline;
- Domestic CO_2e emissions are down by over 11% against the baseline;
- Building related CO_2e emissions are down by over 14% against the baseline;
- Almost 90% of electricity purchased was from renewable sources;
- The number of domestic flights is up by 26%* in the year;
- Introduction of waterless and low volume systems at our Newport office resulted in a large reduction in water usage this year;
- 94.8% of A4 paper bought is closed-loop recycled paper and less paper was bought than in 2012-13; and
- 209,150 kilogrammes of paper was collected for closed-loop recycling from 6 sites.

* The regional implementation of a replacement passport application system required multiple visits by programme and test teams.

Areas for improvement

At the end of 2013-14 HM Passport Office estate services began to be integrated into Home Office shared services. This will help to improve data management and the identification of further opportunities to help meet GGC.

Governance arrangements

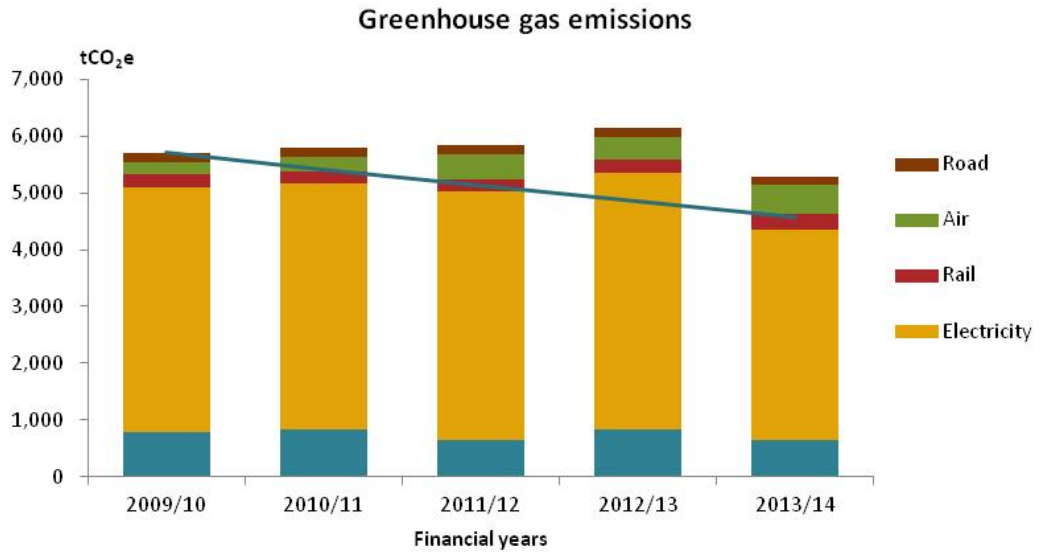
The Home Office is held accountable by the Cabinet Office to deliver the Business Plan containing sustainability objectives. Its performance on sustainability is scrutinised by a Ministerial sub-committee of the Cabinet, jointly chaired by the Minister for Government Policy and the Minister of State for Crime Prevention. In the Home Office, oversight is provided by the Minister for Criminal Information and the Permanent Secretary. Day to day direction is provided by the Sustainable Development Team (SDT) who report to the Department's Sustainable Development Champion (SDC) currently the Director of Finance and Estates. The Sustainability Implementation Group, supported by the SDT, reviews and amends a Sustainable Development Plan to reflect progress and changing focus. The SDC reports to the Chief Operating Officer, who is a member of the Home Office Supervisory Board and the Executive Management Board.

Sustainability is embedded into our business planning and reporting procedures. A six monthly Home Office report is submitted to the Cabinet Office, so that the Home Affairs Green Government Sub-Committee can monitor consolidated departmental progress. More information on sustainability activity can be found at https://www.gov.uk/government/organisations/home-office/about/our-energy-use#greening-government-commitments.

Stakeholders

Our principal sustainability stakeholders are the public, Ministers, Chief Executive, our staff and suppliers. Stakeholders can play an important part in identifying key priorities and enhancing the value of our activities. Governance, business planning and reporting arrangements help to ensure staff input to, and provide feedback on, the Agency's activities. The Agency has a defined communications programme, and sustainability mailboxes for staff and the public. The Agency has an active supplier engagement programme.

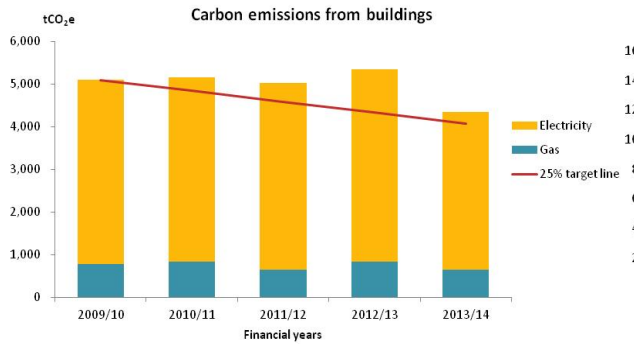
All greenhouse gas emissions

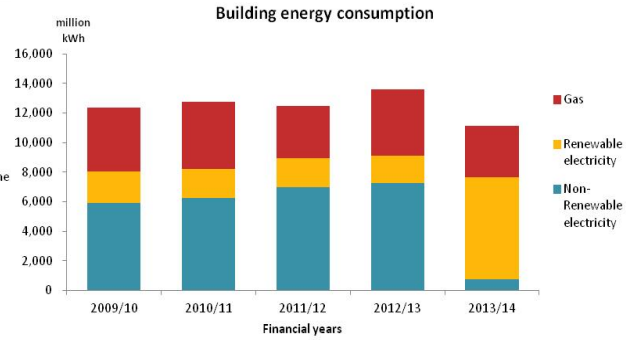


Greenhouse gas emissions		2009-10	2010-11	2011-12	2012-13	2013-14
tCO_2e	Gross emissions for scopes 1 and 2 (electricity, gas and fleet)	4,791	4,856	4,702	5,037	4,075
	Gross emissions scope 3 (business travel excluding fleet)	914	932	1,129	1,105	1,201
	Greenhouse gas emissions	**5,706**	**5,788**	**5,831**	**6,141**	**5,275**
	Domestic only greenhouse gas emissions	**5,645**	**5,723**	**5,680**	**6,020**	**5,003**
£	Energy expenditure	977,307	1,029,755	1,128,499	1,120,506	1,080,823
	CRC allowances			68,736	67,620	tbc
	Expenditure on official business travel	1,334,904	1,334,904	1,334,904	1,628,925	2,208,321
	Total expenditure	**2,312,211**	**2,364,659**	**2,532,139**	**2,817,051**	**3,289,144**

The GGC require a reduction in domestic greenhouse gas emissions from a 2009-2010 baseline, for buildings and travel, by 25% by 2015.

Energy use in buildings

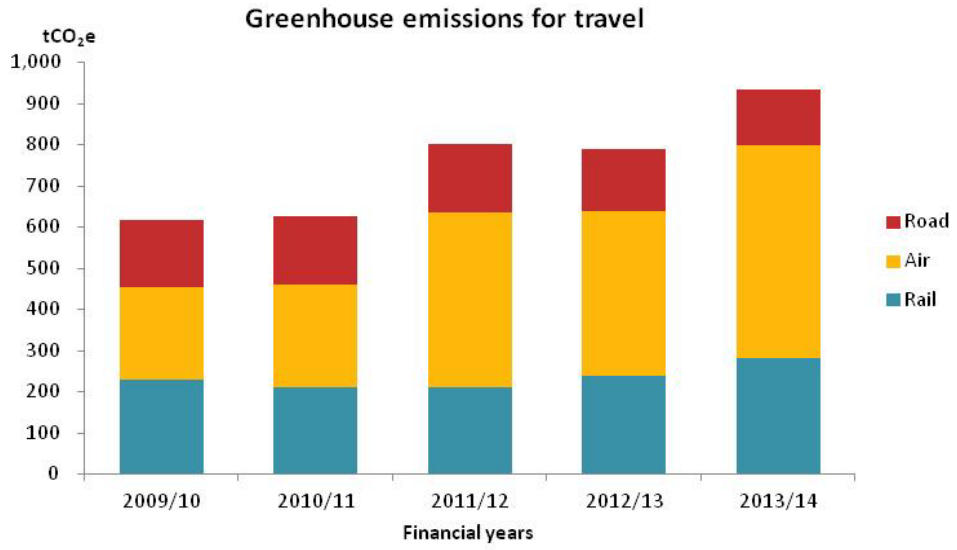




Managing energy use from buildings		2009-10	2010-11	2011-12	2012-13	2013-14
tCO_2e	Energy from buildings	5,089	5,161	5,030	5,351	4,342
Energy kWh	Electricity: non-renewable	5,931,519	6,253,788	6,973,283	7,209,232	769,790
	Electricity: renewable	2,135,556	1,981,136	1,959,704	1,856,105	6,881,356
	Gas	4,296,242	4,549,142	3,524,339	4,496,359	3,489,506
	Total	12,363,318	12,784,066	12,457,326	13,599,889	11,140,652
Total energy expenditure £		**977,307**	**1,029,755**	**1,128,499**	**1,120,506**	**1,080,823**

HM Passport Office promotes good energy practice by displaying Energy Performance Certificates in public buildings, and Display Energy Certificates where applicable. The Agency participates in the CRC Energy Efficiency Scheme as part of the Home Office group.

Greenhouse gas emissions from travel

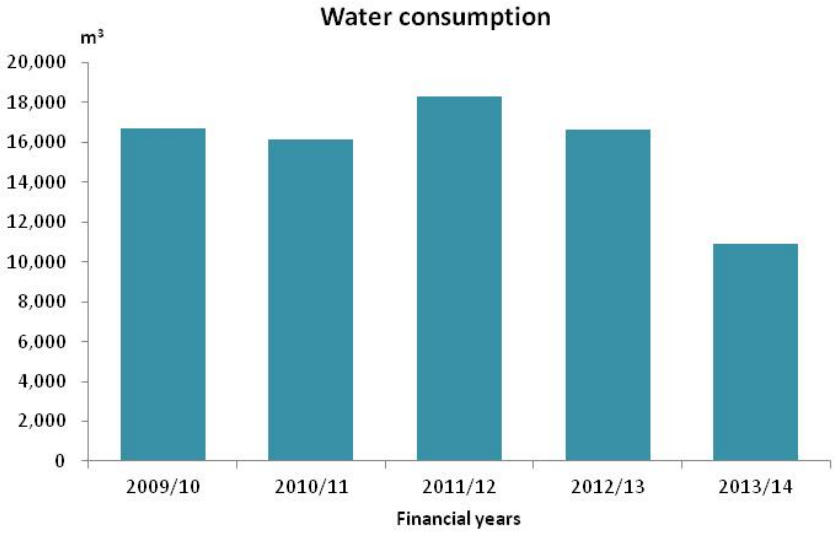


Managing carbon emissions from travel including international			2009-10	2010-11	2011-12	2012-13	2013-14
Non-Financial Indicators	tCO_2e	Air	226	247	425	399	518
		Rail	229	211	211	239	281
		Grey fleet	76	77	76	67	52
		Hire car	64	68	67	65	55
		Taxis	4	6	4	4	4
		Fleet	17	17	17	16	23
		Total	**616**	**626**	**800**	**790**	**933**
	(km'000)	Distance travelled UK	5,420,137	5,420,137	5,569,309	6,283,908	7,855,468
	(km'000)	Distance travelled outside UK	462,657	462,657	753,282	748,586	1,808,303
	Number	Domestic flights	2,585	2,585	2,585	2,585	3,264
Financial Indicators (£'000)		Air	n/a	n/a	n/a	384	509
		Rail	n/a	n/a	n/a	1,065	1,561
		Grey fleet	n/a	n/a	n/a	83	66
		Hire car	n/a	n/a	n/a	53	27
		Taxis	n/a	n/a	n/a	44	45
		Fleet	n/a	n/a	n/a	1.5	1.6
		Total	**n/a**	**n/a**	**n/a**	**1,630.5**	**2,209.6**

The reported increase in travel is commensurate with a nationwide programme for the implementation of a replacement passport application processing system and with residual activities linked to the repatriation of overseas passport production to the United Kingdom. Measures are in place to restrict unnecessary travel and offer alternative ways of working (such as ICT solutions for communications and meetings).

GGC require HM Passport Office to reduce domestic flights by 20% against 2009-10.

Water use

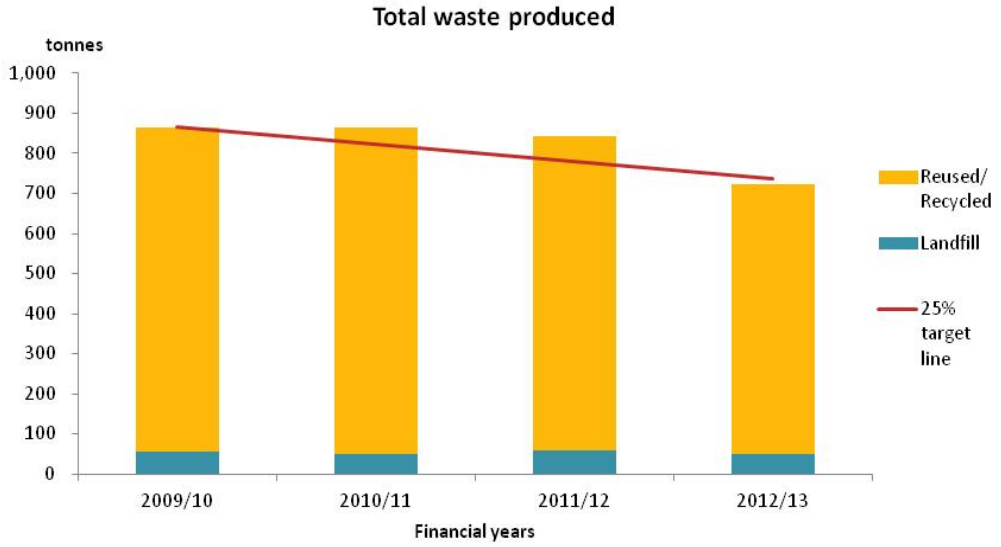


Managing water	2009-10	2010-11	2011-12	2012-13	2013-14
Water Consumption m^3	16,724	16,129	18,295	16,616	10,886
Invoiced Water Supply Costs £	30,292	37,916	33,893	33,655	21,695

Water is used in washrooms, showers, for drinking, and in heating and ventilation systems. Replacement by low volume and waterless sanitation systems at two area offices significantly reduced consumption this year.

The GGC require HM Passport Office to reduce water consumption from a 2009-10 baseline.

Office waste



Managing office waste			2009-10	2010-11	2011-12	2012-13	2013-14
Tonnes	Non-hazardous waste	Reused/Recycled/ Recovered	810	816	785	676	n/a
		Landfill	55	49	59	48	n/a
	Total waste		**865**	**865**	**844**	**724**	**n/a**
£	Reused/Recycled/Recovered		121,711	121,189	117,356	100,986	n/a
	Landfill		4,564	4,088	4,869	3,998	n/a
	Total disposal cost		**126,275**	**125,277**	**122,225**	**104,984**	**n/a**

Reported waste streams include shredded and non-shredded paper and other dry mixed recyclables, food waste and packaging. The GGC require HM Passport Office to reduce the amount of waste generated by 25% from a 2009-10 baseline. This year's data will be published in the stand-alone Home Office consolidated report once it has been assured. Early indications show an overall reduction in the volume of waste generated. Through internal and external supply chains we ensure that redundant IT and office equipment is re-used or responsibly recycled.

Sustainable procurement

HM Passport Office works with suppliers to promote sustainable procurement as part of a Corporate and Social Responsibility (CSR) programme. This includes supporting SMEs and the diversity agenda. We promote the mandated Government Buying Standards[2] and consider CSR factors in investment decisions where they are relevant to the contract. CSR factors are incorporated throughout the procurement cycle from pre-qualification through to contract award to ensure value for money is optimised.

The information gathered from the supply chain through a self-assessment questionnaire (CAESER) is reported to us on an annual basis to enable us to obtain an overview of our suppliers' performance in relation to CSR. This is used by the Agency to inform contract management discussions and business decisions, manage supply chain risks, and drive improved outcomes.

Paper

Area	Metric	2009-10	2010-11	2011-12	2012-13	2013-14
Paper (A4 equivalent)	Amount (reams)	n/a	n/a	n/a	23,806	17,649
	Expenditure (£)	n/a	n/a	n/a	56,376	42,748

Less paper was bought than in 2012-13. 94.8% of A4 paper bought is closed-loop recycled paper.

Biodiversity and adaptation

Biodiversity is not material for the HM Passport Office estate because we own no open spaces. We are mindful of a changing climate as part of our resilience measures.

Scope and data

This report reflects progress made by HM Passport Office only. Landlord service charged buildings and/or services are not included. All HM Passport Office travel data is included. Some previous years' figures have been restated to reflect data improvements. A set of processes and internal controls are in place to help ensure accuracy and completeness of this data. The energy and travel data has been audited as part of the work resulting in the Home Office (including HM Passport Office) achieving the Carbon Trust Standard in December 2012. This year's carbon footprint is being verified by the Carbon Trust and a statement on this will be published at a later date at https://www.gov.uk/government/organisations/home-office/about/our-energy-use#greening-government-commitments.

[2] http://sd.defra.gov.uk/advice/public/buying

The data used in this report comes from only locations where HM Passport Office pay for at least one utility or service directly. That is:

	2011-2012	2012-2013	2013–2014
Electricity	7	7	6
Gas	5	5	4
Water	4	4	3
Waste	17	16	20

Glossary

AMS Application Management System
BREEAM Building Research Establishment Environmental Assessment Method
CETV Cash Equivalent Transfer Value
CFER Consolidated Fund Extra Receipt
CSC Computer Sciences Corporation
CSL Civil Service Learning
DLR De La Rue
FCO Foreign and Commonwealth Office
FReM Financial Reporting Manual
GBS Government Banking Service
GRO General Register Office
HMT Her Majesty's Treasury
HO Home Office
I3M Information Management Maturity Model
IAO Information Asset Owners
IAS International Accounting Standard
IAU Home Office Internal Audit Office
IFRIC International Financial Reporting Interpretations Committee
IFRS International Financial Reporting Standards
IiP Investors in People
I3M Information Management Maturity Model
KPIs Key Performance Indicators
MAC Milestone Acceptance Certificate
MOJ Ministry of Justice
NAO National Audit Office
NPP New Passport Programme
ONS Office of National Statistics
PASS Passport Application Support System
PCSPS Principal Civil Service Pension Scheme Service
PDP Passport Design and Production
PFI Private Finance Initiative
PRR PASS replacement release
PVS Passport Validation Service
SCS Senior Civil Service
SoCNE Statement of Comprehensive Net Expenditure
SoFP Statement of Financial Position
SoCTE Statement of Changes in Taxpayers' Equity
TSO The Stationery Office
VAT Value Added Tax
WRAP Waste Resources Action Plan

Contact

If you wish to receive further information on any of the issues in this document or have any questions relating to the services provided by Her Majesty's Passport Office, please contact:

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