

THE  
**PENSIONS**  
ADVISORY SERVICE

Annual Report and Accounts  
for the year ending 31 March 2017

**The Pensions Advisory Service**  
(A company limited by guarantee)  
Registered no. 02459671

# **The Pensions Advisory Service**

## Annual Report and Accounts for the year ending 31 March 2017

Presented to Parliament pursuant to Article 6 of the Government  
Resources and Accounts Act 2000 (Audit of Non-profit-making  
Companies) Order 2009.

Ordered by the House of Commons to be printed on 10 July 2017.

**© The Pensions Advisory Service 2017**

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as The Pensions Advisory Service copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to us at media.enquiries@pensionsadvisoryservice.org.uk.

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk). This document is also available from the website [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

Print ISBN 9781474143950

Web ISBN 9781474143967

ID 2438871 60034 07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

# Contents

|    |   |
|----|---|
| 4  | Company Information   |
| 5  | Strategic Report  |
| 5  | Overview  |
| 8  | Accountability Report   |
| 8  | Corporate governance report   |
| 8  | Statement of Directors' Responsibilities  |
| 9  | Directors' report   |
| 10 | Statement of Accounting Officer's responsibilities  |
| 10 | Governance statement  |
| 13 | Remuneration and staff report   |
| 15 | Pension Arrangements  |
| 16 | Staff Report  |
| 17 | Staff Policies  |
| 17 | Expenditure on Consultancy  |
| 17 | Off-payroll Engagements   |
| 17 | Sickness Absence  |
| 17 | Exit Packages   |
| 18 | The Certificate and Report of the Comptroller and Auditor General to the Members of The Pensions Advisory Service |
| 20 | Statement of Comprehensive Net Expenditure  |
| 21 | Statement of Financial Position   |
| 22 | Statement of Cash Flows   |
| 23 | Statement of Changes in Taxpayers' Equity   |
| 24 | Notes to the Accounts   |

# Company Information

|                           |   |  |
|---------------------------|---|--|
| <b>Registered number:</b> | 02459671  |  |
| <b>Directors:</b>         | <b>Chair</b>  |  |
|                           | Ann Harris OBE  | From 1 April 2017 <sup>1</sup><br>(Interim Chair from<br>17 October 2016) <sup>2</sup> |
|                           | Museji Ahmed Takolia CBE  | Up to 28 July 2016   |
|                           | <b>Chief Executive and<br/>Accounting Officer</b>   |  |
|                           | Michelle Cracknell  |  |
|                           | <b>Non-Executive Directors</b>  |  |
|                           | Baroness Drake CBE  |  |
|                           | Alan Woods  |  |
|                           | Geoff Shanks  |  |
|                           | Colleen Keck  |  |
| <b>Registered office:</b> | 11 Belgrave Road<br>Victoria<br>London SW1V 1RB   |  |
| <b>Auditors:</b>          | Comptroller and Auditor General<br>National Audit Office<br>157-197 Buckingham Palace Road<br>Victoria<br>London SW1W 9SP |  |
| <b>Bankers:</b>           | Lloyds Bank Plc<br>National Clubs and Charities Centre<br>Sedgemoor House<br>Dean Gate Avenue<br>Taunton TA1 2UF          |  |

---

<sup>1</sup> Before being appointed Interim Chair, Ann Harris was first appointed as a Non-Executive Director on 1 August 2015.

<sup>2</sup> Board members selected a Non-Executive Director to cover the gap.

# Strategic Report

**Overview** The following provides summarised information on The Pensions Advisory Service, its purpose, the key risks to the achievement of our objectives and how we have performed during the year.

We are a non-departmental arms-length body of the Department for Work and Pensions (DWP). Our aims are to provide:

- information and guidance to members of pension schemes by:
  - providing general information on planning and saving for retirement;
  - providing general information on occupational and private pensions matters.
- dispute resolution by:
  - endeavouring to resolve specific problems an individual may have with their pensions provider.

We offer our service through a variety of channels including a telephone and webchat helpline, online and written enquiries. We have been providing the telephony channel of Pension Wise since it was launched in March 2015. Our website provides information and we use social media platforms to spread messages about pensions. We speak at industry and consumer events and conferences and attend shows to raise awareness about pension matters and the services that we offer. We share our customer insight with Government and industry in order to inform the future development of pensions. We support employers and partner with organisations such as the Pensions Ombudsman, Money Advice Service, Financial Ombudsman Service and other third sector organisations such as Citizens Advice and Age UK that refer people to us.

Our service is free to the public. It is delivered by in-house pension specialists and a nationwide network of volunteer advisers who have typically worked in the pensions industry in roles that have required a high level of technical knowledge. We are funded by the DWP<sup>3</sup>; the funding is recouped from the general levy raised on occupational and personal pension schemes by the Secretary of State, Department for Work and Pensions. The DWP recovers our costs for delivering the telephony channel of Pension Wise from a specific levy on financial services organisations levied by the Financial Conduct Authority.

Our strategic objectives are:

- to be the primary source of impartial pensions guidance and insight;
- to increase awareness of our services so that more people are better informed on pensions;
- to deliver our services more effectively and efficiently;
- to develop our technical and communication skills to reach and serve our target audience; and

---

<sup>3</sup> Please see note 1.6 to the financial statements.

- to grow our volunteering culture by recruiting, retaining and recognising volunteers.

Our heritage, operating model and reputation puts us in a unique position to serve the public, the Government and the pensions industry.

- Our staff and volunteers have a high level of pension technical knowledge; pensions are very long term saving products and have a legacy of many special terms and historic legislation. It is only possible to provide correct information and guidance to people where there is deep expertise.
- We offer independent and impartial information and guidance and dispute resolution services, which are essential to give the public the ability to make the most of their retirement savings.
- We have customer insight from the enquiries and disputes that we handle that can help the Government and industry develop pension products and services that better meet customer needs.

In October 2016, it was announced that the services provided by The Pensions Advisory Service, Money Advice Service and Pension Wise will be provided through a new single financial guidance body that will commence sometime after autumn 2018. We will cease to exist as a corporate entity. The Framework Document states that the sponsor department shall put in place arrangements to ensure the orderly winding up of The Pensions Advisory Service. In particular it should ensure that the assets and liabilities of The Pensions Advisory Service are passed to any successor organisation and accounted for properly. Because of the ongoing support from the DWP the 'going concern' basis continues to be appropriate in preparing these annual financial statements.

### **Performance analysis**

Our aim is to continue to perform well in the following categories:

- quantity of customers who know about and access the service;
- quality of the service that they have received;
- service level that was delivered in responding to their query; and
- costs that represent good value.

**Quantity** – We are delighted to report another increase in customers. We measure the number of customers by:

- customers contacting us, which is defined as the number of customers who contact us through our multiple channels:
  - where a customer makes contact with us and we have a number of exchanges with him/her, this counts as one contact;
  - where a customer tries to contact us on the telephone and helpline but we do not respond before the customer terminates the call, it counts as one contact, but if they contact us again, it will be counted as a new contact.
- customers who we have helped, which is defined as the number of customers for whom we have dealt with their enquiries:
  - for the telephone and helpline, this is the calls that have been answered and a response given to the customer;

- for the other channels, this is the enquiries that we have closed.
- customers who have used our website, which is defined as the number of visits.

The quantity of customers is shown in the table below:

|                         | 2016/2017 | 2015/2016 | Increase |
|-------------------------|-----------|-----------|----------|
| Customers helped        | 180,499   | 177,896   | 1%       |
| Customers contacting us | 205,422   | 188,506   | 9%       |
| Website visits          | 3,364,631 | 2,739,481 | 23%      |

We promote our services through the industry, website and media. Due to our reputation for quality services, the industry and third sector organisations signpost customers to us. Our website has a dual purpose of providing information plus contact details for our channels. Through volume of content, we have a high internet search (SEO) ranking. We are also quoted in the media as a place to go to for help on pension matters. We do not pay for marketing or advertising.

**Quality** – As well as helping more customers, we increased customer satisfaction to 98% (2015/16: 97%)

**Service level** – The abandonment rate on telephone and webchat increased to 15% (2015/16: 8%) due to the high demand and insufficient resource to meet it. We are looking to reduce this abandonment rate in 2017/18 through a combination of more resource and more intensive management of the resource. The time to answer online enquiries reduced to an average of 6 days (2015/16: 10 days). This was achieved through deploying overtime sooner during our peak periods. The time taken to allocate cases was 21 days (not measured in 2015/16).

**Value for money** – Our cost per direct customer (i.e. excluding customers to our website) was £31 in 2016/17 (£1.59 per customer if website visits are included) compared with £36 in 2015/16 (£2.20 per customer if website visits are included).

We continue to operate with the same key fundamentals, which is to deliver pension expertise at low cost. We have long held the view (and can evidence) that it is necessary to have experience and expertise if the help provided to customers is to add value. As well as highly skilled and qualified staff, we benefited from 372 volunteers. Not only does this make us extremely cost effective but it gives us strength by the breadth of our knowledge.



**Ann Harris OBE**

Chair



**Michelle Cracknell**

Chief Executive

15 June 2017



# Accountability Report

**Corporate governance report** This report sets out the composition and organisation of our governance structures and how they support the achievement of our objectives.

**Statement of Directors' Responsibilities** The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Chief Executive is also the appointed Accounting Officer of The Pensions Advisory Service, being appointed as such by the Principal Accounting Officer of the DWP. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding The Pensions Advisory Service's assets, and are set out in "Managing Public Money", published by H.M. Treasury.

Signed on behalf of the Board by:



**Michelle Cracknell**

Accounting Officer

15 June 2017

**Directors' report**

The Directors present their report and the audited financial statements for the year ended 31 March 2017. The list of Directors is shown at the front of this document on page 4.

We are funded by grant-in-aid from the DWP out of a share of the general pension levy raised by the DWP's Secretary of State. For the delivery of Pension Wise services, we received £2,158,243 (2015/16: £2,887,814) under a grant agreement. Our only income is bank interest so our ability to meet our contractual obligations is dependent on the continued receipt of the grants.

Our total cost of administration was £3,740,015 (2015/16: £3,526,637). This excludes capital expenditure amounting to £23,025 (2015/16: £165,717) as well as the grant funding for Pension Wise. Changes in the level of creditors, fixed and intangible assets simply reflect the level of financial activity during the year and timing differences.

We adhere to Government standards for settling accounts. We aim to pay all properly authorised invoices in accordance with the terms of the relevant contract or, in any event, within 10 days. Our average creditor payment period at 31 March 2017 was 4 days (2015/16: 5 days).

All Directors are required to complete a register of interests. A register of Board members' business interests is published on The Pensions Advisory Service's website at:

<https://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/Boards-Declaration-of-Interests.pdf>

We have Errors & Omissions insurance for our core business. The indemnity limit is £5 million in aggregate, including costs. HM Treasury undertook to cover this risk in respect of Pension Wise so no commercial insurance was put in place for this service.

The statement of our financial position at 31 March 2017 shows net assets of £1,161,522 (2015/16: £969,293). Our future financing will be met by grant-in-aid from the DWP, as The Pensions Advisory Service's sponsoring department. The Government has announced its intention to form a single financial guidance body that will start to deliver services sometime after autumn 2018. We assume that the current funding arrangements will remain in place until that time.

Accordingly, we have adopted the going concern basis for the preparation of these financial statements.

The Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009 appointed the Comptroller and Auditor General to audit the accounts of The Pensions Advisory Service. The order applies to accounts prepared for the financial years commencing on, or after 1 April 2008 and the Comptroller and Auditor General therefore audited these accounts for the year ended 31 March 2017.

Fees due to the National Audit Office (NAO) are £21,000 (2015/16: £21,000) for external audit work. Under the Government Resources and Accounts Act 2000 (Audit of non-profit making companies) Order 2009, the accounts must be laid before Parliament by a Minister of the Crown.

As far as we are aware, there is no relevant information of which our auditors are not aware. We have all taken the prescribed steps to make ourselves aware of any relevant audit information and to establish that the auditors are also aware of that information.

**Statement of  
Accounting  
Officer's  
responsibilities**

The Framework Document between The Pensions Advisory Service and the DWP requires The Pensions Advisory Service to publish an annual report of its activities together with its audited accounts after the end of each financial year.

In preparing the accounts, the Accounting Officer must ensure that the accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of The Pensions Advisory Service and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year. The Accounting Officer is also required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Accounting Officer of the DWP has designated the Chief Executive as Accounting Officer of The Pensions Advisory Service. The responsibilities of an Accounting Officer include the responsibility for the propriety and regularity of The Pensions Advisory Service's finances, keeping proper records and for safeguarding The Pensions Advisory Service's assets, as set out in the Non-Departmental Public Bodies Accounting Officers Memorandum and in "Managing Public Money" issued by HM Treasury.

**Governance  
statement**

As a company limited by guarantee, we are governed in accordance with our Memorandum and Articles of Association. Subject to the Articles, Board members are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company. As a non-departmental public body (NDPB), we are accountable to the DWP for the use of our resources and our performance. The relationship is set out in a Framework Document.

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of our objectives and complies with the Framework Document, including safeguarding public funds for which we operate in accordance with the responsibilities set out in "Managing Public Money".

The Directors are responsible for our strategic direction and for monitoring the performance of the Chief Executive and the Senior Management Team (SMT). The Board currently comprises four Non-Executive Directors, the Chair and the Chief Executive.

During the financial year, Museji Ahmed Takolia CBE resigned on 28 July 2016 because he ceased to be eligible to act as a director. Ann Harris became Interim Chair on 17 October 2016 and was subsequently appointed to be Chair from 1 April 2017. During the intervening period the Board selected one Non-Executive Director to cover the Chair's role in consultation with the Accounting Officer.

Board members have a wide range of management skills and specialist experience in and out of the pensions sector.

The Board has two sub-committees:

- The Audit and Risk Management Committee (ARC), with three non-executive members, reviews the completeness, reliability and integrity of the risk and assurance framework and advises the Accounting Officer and the Board. The Chief Executive and representatives of the DWP, internal auditors and NAO attend all meetings of the Committee.
- The Remuneration and Appointments Committee, with two non-executive members, determines pay and related matters, reviews performance appraisal frameworks and assists in the recruitment of senior staff, as well as monitoring equality and other staff-related policies.

The Board's responsibilities are to:

- establish and review, in consultation with the DWP, the strategic direction for The Pensions Advisory Service;
- ensure that the Secretary of State for Work and Pensions is kept informed of changes likely to affect our strategic direction or the attainability of targets;
- ensure that The Pensions Advisory Service operates within its legal framework and statutory obligations;
- scrutinise the performance of the Chief Executive;
- monitor targets and take action where necessary;
- contribute personal and professional experience to benefit the organisation;
- represent The Pensions Advisory Service externally, when appropriate; and
- add value to the organisation through mentoring, support and advice – balancing a challenging approach with being supportive to The Pensions Advisory Service and its objectives.

The Board meets six times a year. The attendance records for the Directors for the year ending 31 March 2017 are set out below:

| <b>Board Members</b>        | <b>Board</b> | <b>Audit and Risk Management Committee</b> | <b>Remuneration and Appointments Committee</b> |
|-----------------------------|--------------|--|--|
| <b>Number of meetings</b>   | <b>6</b>     | <b>4</b>                                   | <b>3</b>                                       |
| Ann Harris <sup>4</sup>     | 5            | 4  | 1  |
| Museji Takolia <sup>5</sup> | 2 of 2       | –  | 1 of 1   |
| Geoff Shanks <sup>6</sup>   | 6            | 4  | 1  |
| Alan Woods                  | 6            | –  | 3  |
| Baroness Drake              | 6            | 4  | –  |
| Colleen Keck                | 6            | –  | 3  |
| Michelle Cracknell          | 6            | 4  | 3  |

The Board held additional meetings to discuss the Corporate Plan and our future direction. The Chairs and the Chief Executive had meetings with HM Treasury, DWP Ministers and senior civil servants on matters relating to our services, where we shared our experience and insight.

The Board and the Audit and Risk Management Committee rely on multiple sources of assurance that the organisation is being well managed towards the achievement of its objectives and that appropriate controls are in place and working. These are:

- management reporting and key performance indicators, together with robust enquiry and discussion at Board meetings;
- detailed policies and operating procedures being delivered by capable, well-qualified senior managers;
- regular consideration of the strategic and operational risks which The Pensions Advisory Service faces;
- advice from the Audit & Risk Management Committee;
- a programme of internal audit; and
- external audit by the NAO.

In its annual report to the Board, the Audit and Risk Management Committee stated that it is satisfied that our approach to risk and control is generally sound and is proportionate to its limited resources and the potential risks it faces.

Internal Audit produced four reports during the year. The Audit and Risk Management Committee noted the opinion provided by the Mazars' Head of Internal

<sup>4</sup> Ann Harris became the interim Chair in October 2016, since then her attendance at the Audit and Risk Management Committee has been as an observer and not a member. She attended the Remuneration and Appointments Committee for specific items on the Chief Executive's objectives and not as a member.

<sup>5</sup> Museji Takolia attended the Remuneration and Appointments Committee for specific items on the Chief Executive's objectives and not as a member.

<sup>6</sup> Geoff Shanks attended the Remuneration and Appointments Committee for specific items on the Chief Executive's objectives and not as a member.

Audit that, on the basis of the limited scope of work conducted, The Pensions Advisory Service governance, risk management and internal control arrangements were generally adequate and effective to manage the achievement of its objectives. The external audit of the annual report and accounts did not identify any significant deficiencies or weaknesses, and The Pensions Advisory Service received a "clean" audit opinion.

The Pensions Advisory Service applies the principles set out in HM Treasury's "Orange Book (Management of Risk – Principles and Concepts)" as far as possible in putting in place systems for identifying and managing risks and setting a risk appetite. The framework does not set out to eliminate risk but to manage risks to an acceptable level and seize opportunities to deliver The Pensions Advisory Service's objectives. The Board members consider and decide on the strategic risks. The Chief Executive and Senior Management Team are responsible for assessing, monitoring and mitigating all operational risks, assisted by the Audit and Risk Management Committee.

During the year we reviewed and revised our whistleblowing procedures to align them with the most recent Civil Service guidance. We encourage 'whistleblowing' within the organisation to help us put things right if they are going wrong and have publicised our procedures to staff and volunteer advisers.

We regularly review our data protection obligations and security measures under the supervision of the Audit and Risk Management Committee and we complete the DWP's annual information security assessment. We have policies and procedures in place appropriate to our organisation to manage the risks inherent in the business model. We comply with the Government's Security Policy Framework as far as it applies to small NDPBs and the latest end of year review, led by the DWP, indicates that we have implemented all significant actions arising from the last review. No information security breaches were reported.

The Accounting Officer and the Board consider that The Pensions Advisory Service complies with those aspects of the Code of Good Practice for Corporate Governance in central government departments that are relevant to it as a non-departmental public body.

## **Remuneration and staff report**

All our appointments are made on merit on the basis of fair and open competition. The Pensions Advisory Service Chair is appointed by DWP Ministers. The Board recommends, following open competition, the appointment of a Chief Executive and other Board members for the Secretary of State's approval. The remuneration of Board members and the Chief Executive is set by the DWP. The following tables provide details of the remuneration and pension interests of The Pensions Advisory Service's Chair and Non-Executive Board members. The information in these tables has been subject to audit.

**Directors' Emoluments**

The directors' aggregate remuneration in respect of qualifying services was:

(i) Total Directors' Emoluments

|  | 2016/17<br>£ | 2015/16<br>£ |
|--|--------------|--------------|
| Total emoluments for Executive Directors     | 124,746      | 105,000      |
| Pension contributions                        | 18,250       | 17,125       |
| Total for Executive Directors                | 142,996      | 122,125      |
| Total emoluments for Non-Executive Directors | 57,024       | 57,817       |
| Total Directors' emoluments                  | 200,020      | 179,942      |

Non-executive Directors were also reimbursed for travel and subsistence costs of £2,254 (2015/16: £2,450).

(ii) Highest Paid Director

The remuneration for the highest paid director was:

|                       | 2016/17<br>£ | 2015/16<br>£ |
|-----------------------|--------------|--------------|
| Salary                | 124,746      | 105,000      |
| Pension contributions | 18,250       | 17,125       |
| Total                 | 142,996      | 122,125      |

(iii) Salary Bands and service terms for Non-Executive Directors

| Board Member   | Date appointed/<br>Reappointed | 2016/17<br>Salary<br>£'000 | 2015/16<br>Salary<br>£'000 | Contract<br>end date <sup>7</sup> | Notice<br>period <sup>8</sup> |
|----------------|--------------------------------|----------------------------|----------------------------|-----------------------------------|-------------------------------|
| Ann Harris     | 1/08/2015                      | 15–20                      | 0–5                        | 31/10/2018                        | 3 months                      |
| Geoff Shanks   | 1/08/2014                      | 5–10                       | 25–30                      | 30/06/2019                        | 3 months                      |
| Baroness Drake | 1/08/2014                      | 0–5                        | 5–10                       | 30/06/2019                        | 3 months                      |
| Alan Woods     | 1/08/2014                      | 5–10                       | 5–10                       | 30/06/2019                        | 3 months                      |
| Colleen Keck   | 1/08/2015                      | 0–5                        | 0–5                        | 30/06/2019                        | 3 months                      |
| Museji Takolia | 1/02/2016                      | 15–20                      | 5–10                       | Resigned<br>28/07/2016            | N/A                           |

The Chair and Non-Executive Directors do not receive pension benefits or any benefits in kind. Out of pocket expenses including travel to meetings are reimbursed. The only Executive Board member is the Chief Executive, whose targets fall under the remit of the Remuneration and Appointments Committee. Other staff targets are approved by the Chief Executive.

The following table provides details of the remuneration, pension interests and notice periods of the Chief Executive.

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

<sup>7</sup> Non-Executive Directors were originally appointed for three year terms. In April 2017 the Minister for Pensions approved the extension of the terms of the four Non-Executive directors to June 2019.

<sup>8</sup> The appointment may be terminated early if the post of Non-Executive Director of The Pensions Advisory Service ceases to exist.

remuneration of the organisation's workforce. This information is included in the table and has been subject to audit.

| Chief Executive                               | Salary banding       |         | Performance |         | Pension Benefits |         | Total   |         |
|---|----------------------|---------|-------------|---------|------------------|---------|---------|---------|
|   | £'000                |         | Award band  |         | £'000            |         | £'000   |         |
|   | 2016/17              | 2015/16 | 2016/17     | 2015/16 | 2016/17          | 2015/16 | 2016/17 | 2015/16 |
| Michelle Cracknell                            | 115–120 <sup>9</sup> | 95–100  | 0–5         | 0–5     | –                | –       | 120–125 | 100–105 |
| Band of highest paid Executive's remuneration | 115–120              | 95–100  |             |         |                  |         |         |         |
| Staff remuneration range                      | 20–120               | 20–100  |             |         |                  |         |         |         |
| Median (£)                                    |                      |         |             |         |                  |         | 30,300  | 30,000  |
| Ratio   |                      |         |             |         |                  |         | 4.13    | 3.5     |

**Notes:**

1. The Executive above was not entitled to any benefits in kind.
2. Michelle Cracknell was reappointed on 1 October 2014 for a three-year contract. Her contract has been extended to 31 October 2018 and her notice period is 3 months. Performance awards are based on performance levels attained and are made as part of the appraisal process. They relate to the performance in the year in which they become payable to the individual. The Pensions Advisory Service performance is covered in the Strategic Report.

**Pension Arrangements** Michelle Cracknell is a member of the PCSPS stakeholder scheme and hence there is no CETV calculation. The Pensions Advisory Service contributed £18,250 (2015/16: £17,125) and she contributed £2,400 (2015/16: £2,400) to the scheme during 2016/17.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme known as "alpha" was introduced, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed staff and the majority of those already in service joined alpha. Before that date, staff were part of the Principal Civil Service Pension Scheme (PCSPPS). The PCSPPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60, and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. The Pensions Advisory Service has no current members in classic or classic plus.

These arrangements are unfunded, with the cost of benefits met by monies agreed by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation. Existing members of the PCSPPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPPS having those benefits based on their final salary when they leave alpha.

<sup>9</sup> Michelle Cracknell's normal banding is £95k to £100k. The figure reported includes a one-off payment for leave untaken due to a prolonged period of strategic change.



Employee contributions in premium, nuvos and alpha are salary-related and range between 4.6% and 7.35% of pensionable earnings. Employer contributions are also salary-related and range between 20% and 24.5%.

Benefits in premium accrue at the rate of 1/60th of final pensionable earnings for each year of service with no automatic lump sum. In nuvos, a member builds up a pension based on their 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 uprated in line with pensions increase legislation. Benefits in alpha accrue at 2.32% rate. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at: [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

**Staff Report** The following table sets out average full time equivalent staff numbers and costs by pay band.

| Band                            | Total     |              | Permanent |              | Secondees |            | Contract   |
|---------------------------------|-----------|--------------|-----------|--------------|-----------|------------|------------|
|                                 | No.       | £000         | No.       | £000         | No.       | £000       | £000       |
| Corporate Support Officers      | 3         | 107          | 3         | 124          | -         | -          | 63         |
| Business Support Officers       | 5         | 158          | 5         | 158          | -         | -          | -          |
| Corporate Service Managers      | 2         | 127          | 2         | 71           | -         | -          | 56         |
| Business Managers               | 7         | 402          | 7         | 402          | -         | -          | -          |
| Assistant Technical Specialists | 34        | 1,039        | 34        | 980          | -         | -          | 59         |
| Technical Specialists           | 29        | 1,534        | 29        | 1,534        | -         | -          | -          |
| Heads of Service                | 4         | 388          | 3         | 277          | 1         | 111        | -          |
| <b>Total 2016/17</b>            | <b>84</b> | <b>3,835</b> | <b>83</b> | <b>3,546</b> | <b>1</b>  | <b>111</b> | <b>178</b> |
| <b>Total 2015/16</b>            | <b>92</b> | <b>4,236</b> | <b>90</b> | <b>3,862</b> | <b>2</b>  | <b>109</b> | <b>265</b> |

The table above excludes the Chief Executive and Board members.

In addition to staff, volunteer advisers continued to provide vital assistance in the delivery of the organisation's services during 2016/17. At the end of 2016/17 we had 372 volunteer advisers (2015/16: 403).

The following table sets out the composition of staff by gender, including the Chief Executive.

| Category                | Female    | Male      | Total     |
|-------------------------|-----------|-----------|-----------|
| Directors <sup>10</sup> | 1         | –         | 1         |
| Senior Managers         | 2         | 2         | 4         |
| Staff                   | 25        | 55        | 80        |
| <b>Total 2016/17</b>    | <b>28</b> | <b>57</b> | <b>85</b> |
| <b>Total 2015/16</b>    | <b>31</b> | <b>62</b> | <b>93</b> |

**Staff Policies** Throughout our recruitment and selection process, we value diversity in our workplace. We carry out monitoring throughout the full recruitment campaign, and will assist any candidate where it is notified to us or requested from us.

We support all staff while they are employed by The Pensions Advisory Service. All staff have access to a range of learning and development programmes and initiatives and are expected to maintain high levels of expertise. All staff have access to an employee assistance programme as well as occupational health and workplace assessments where appropriate.

**Expenditure on Consultancy** There was no expenditure on consultancy.

**Off-payroll Engagements** There were no off-payroll engagements.

**Sickness Absence** The average number of days for all sickness per member of staff in 2016/17 was 5.1 compared with 3.4 in 2015/16. Our average compares favourably to the 2016 levels of staff sickness in the civil service, where the average was 7.2 days and in the rest of the public sector where the rate is around 8.7 days.<sup>11</sup>

**Exit Packages** There were no exit packages.



**Michelle Cracknell**

Accounting Officer

15 June 2017

<sup>10</sup> Not including Non-Executive Directors.

<sup>11</sup> Source: <https://www.gov.uk/government/publications/civil-service-sickness-absence> viewed on 28/4/2017.

# The Certificate and Report of the Comptroller and Auditor General to the Members of The Pensions Advisory Service

I certify that I have audited the financial statements of The Pensions Advisory Service for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the directors and the auditor**

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

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently 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 financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2017 and of the deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Strategic Report and the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or 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**

**Date** 19 June 2017

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

# Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2017

|                            | Note | 2016/17<br>£ | 2015/16<br>£ |
|----------------------------|------|--------------|--------------|
| Administration expenditure | 2    | (3,740,015)  | (3,526,637)  |
| Pension Wise expenditure   | 2    | (1,900,179)  | (2,876,582)  |
| Pension Wise income        |      | –            | 2,887,814    |
| Other Income               |      | –            | 75           |
| Operating deficit          |      | (5,640,194)  | (3,515,330)  |
| Interest receivable        |      | 225          | 190          |
| Deficit before taxation    |      | (5,639,969)  | (3,515,140)  |
| Taxation                   | 2    | (45)         | (38)         |
| Deficit for the year       |      | (5,640,014)  | (3,515,178)  |

This deficit is funded by grant-in-aid from the DWP of £3,674,000 (2015/16: £3,803,000) (see note 14) and a Pension Wise grant from the DWP of £2,158,243 (see note 15). As these contributions are from a controlling party, they are treated as financing.

The responsibility for the Pension Wise grant was transferred from HM Treasury to the DWP from the beginning of 2016/17. It was treated as programme income in 2015/16.

## Other Comprehensive Expenditure

There was no other comprehensive expenditure.

All activities were continuing throughout the year.

The notes on pages 24 to 33 form part of these financial statements.

# Statement of Financial Position

As at 31 March 2017

|                                 | Note | 31 March 2017<br>£ | 31 March 2016<br>£ |
|---------------------------------|------|--------------------|--------------------|
| <b>Non-current assets</b>       |      |                    |                    |
| Intangible assets               | 3    | 104,963            | 158,690            |
| Property, plant and equipment   | 4    | 271,942            | 339,307            |
| <b>Total non-current assets</b> |      | <b>376,905</b>     | <b>497,997</b>     |
| <b>Current assets</b>           |      |                    |                    |
| Trade and other receivables     | 5    | 437,156            | 317,643            |
| Cash and cash equivalents       | 6    | 735,221            | 571,712            |
| <b>Total current assets</b>     |      | <b>1,172,377</b>   | <b>889,355</b>     |
| <b>Total assets</b>             |      | <b>1,549,282</b>   | <b>1,387,352</b>   |
| <b>Current liabilities</b>      |      |                    |                    |
| Trade and other payables        | 7    | (387,760)          | (418,059)          |
| <b>Total liabilities</b>        |      | <b>(387,760)</b>   | <b>(418,059)</b>   |
| <b>Assets less liabilities</b>  |      | <b>1,161,522</b>   | <b>969,293</b>     |
| <b>Reserves</b>                 |      |                    |                    |
| General reserve                 |      | 1,153,270          | 961,041            |
| Revaluation reserve             |      | 8,252              | 8,252              |
|                                 |      | <b>1,161,522</b>   | <b>969,293</b>     |

The notes on pages 24 to 33 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and signed on its behalf by:



**Ann Harris OBE**

Chair



**Michelle Cracknell**

Chief Executive

15 June 2017

# Statement of Cash Flows

For the Year Ended 31 March 2017

|  | Note | 2016/17<br>£ | 2015/16<br>£ |
|--|------|--------------|--------------|
| <b>Cash flows from operating activities</b>                  |      |              |              |
| Operating deficit  |      | (5,640,194)  | (3,515,330)  |
| Depreciation and amortisation                                | 3,4  | 174,390      | 162,823      |
| Increase in trade and other receivables                      | 5    | (119,513)    | (64,305)     |
| Decrease in trade and other payables                         | 7    | (30,299)     | 46,261       |
| Interest received  |      | 225          | 190          |
| Taxation   | 2    | (45)         | (38)         |
| Net cash outflow from operating activities                   |      | (5,615,436)  | (3,370,399)  |
| <b>Cash flows from investing activities</b>                  |      |              |              |
| Purchase of property, plant, equipment and computer software | 3,4  | (53,298)     | (176,949)    |
| Net cash outflow from investing activities                   |      | (53,298)     | (176,949)    |
| <b>Cash flows from financing activities</b>                  |      |              |              |
| Grant-in-aid received from DWP                               | 14   | 3,674,000    | 3,803,000    |
| Pension Wise grant from the DWP                              | 15   | 2,158,243    | –            |
| Net cash inflow from financing activities                    |      | 5,832,243    | 3,803,000    |
| Net increase in cash and cash equivalents during the period  |      | 163,509      | 255,652      |
| Cash and cash equivalents brought forward                    | 6    | 571,712      | 316,060      |
| Cash and cash equivalents carried forward                    | 6    | 735,221      | 571,712      |

The notes on pages 24 to 33 form part of these financial statements.

# Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2017

|  | <b>Revaluation<br/>Reserve</b> | <b>General<br/>Reserve</b> | <b>Total<br/>Reserves</b> |
|--|--------------------------------|----------------------------|---------------------------|
|  | £                              | £                          | £                         |
| <b>Balance at 31 March 2015</b>                    | 8,252                          | 673,219                    | 681,471                   |
| <b>Changes in taxpayers' equity for 2015/16</b>    |                                |                            |                           |
| Deficit for the year                               |                                | (3,515,178)                | (3,515,178)               |
| <b>Total comprehensive expenditure for 2015/16</b> |                                | (3,515,178)                | (3,515,178)               |
| Grant-in-aid received from DWP                     | –                              | 3,803,000                  | 3,803,000                 |
| <b>Balance at 31 March 2016</b>                    | 8,252                          | 961,041                    | 969,293                   |
| <b>Changes in taxpayers' equity for 2016/17</b>    |                                |                            |                           |
| Deficit for the year                               | –                              | (5,640,014)                | (5,640,014)               |
| <b>Total comprehensive expenditure for 2016/17</b> | –                              | (5,640,014)                | (5,640,014)               |
| Grant-in-aid received from DWP                     | –                              | 3,674,000                  | 3,674,000                 |
| Pension Wise grant from the DWP                    | –                              | 2,158,243                  | 2,158,243                 |
| <b>Balance at 31 March 2017</b>                    | 8,252                          | 1,153,270                  | 1,161,522                 |

The notes on pages 24 to 33 form part of these financial statements.



# Notes to the Accounts

For the Year Ended 31 March 2017

## **1. Statement of Accounting Policies**

### **1.1 Basis of preparation**

These financial statements have been prepared, on a going concern basis, in accordance with applicable International Financial Reporting Standards as adopted by the EU, the Companies Act 2006, and the accounting and disclosure requirements given in HM Treasury's "Financial Reporting Manual 2016/17" (FReM) in so far as these are consistent with the requirement of the Companies Act. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in the accounting policies below.

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

#### **International Financing Reporting Standards Amendments and Interpretations effective in 2016/17**

No Amendments or Interpretations that have been issued but are not yet effective, and that are available for early adoption, have been applied by The Pensions Advisory Service in these financial statements. There are no Amendments or Interpretations issued, but not yet effective, which are expected to have a material effect on the financial statements in the future.

There were no other new or revised Standards and Interpretations adopted in the current year.

### **1.2 Intangible Assets**

Intangible assets consist of computer software licences held only for the purpose of managing The Pensions Advisory Service. All intangible assets are carried at fair

value in accordance with the FReM and revalued using the price index numbers for current cost accounting obtained from the Office of National Statistics.

Software licences above the capitalisation threshold of £500 are capitalised in the year of acquisition and consist of assets with indefinite and finite lives of more than one year.

### **Amortisation**

Amortisation is charged on a straight line basis over the estimated useful life being the period of the software licences. Where an indefinite licence period has been granted, the amortisation is matched to the hardware on which the software is installed. Amortisation charges are included in Administration Expenses in the Statement of Comprehensive Net Expenditure.

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

### **1.3 Property, plant and equipment**

Property, plant and equipment consist of IT hardware and equipment together with some other furniture and fittings held only for the purpose of managing The Pensions Advisory Service. As permitted by the FReM, The Pensions Advisory Service has elected to adopt a depreciated historical cost basis as a proxy for fair value of its property, plant and equipment, as these are assets that have short useful economic lives or low values (or both).

The Pensions Advisory Service rents office space under operating leases, and does not own any land or buildings.

Non-current assets are recognised where the original cost of the item is in excess of £500 and has an expected useful life of more than one year.

### **1.4 Depreciation**

Depreciation is charged on property, plant and equipment using the following rates and bases to write off the depreciable amounts of property, plant and equipment over their estimated useful lives.

|                        |                            |
|------------------------|----------------------------|
| Information Technology | 33% reducing balance       |
| Furniture & Fittings   | 20% reducing balance       |
| Leasehold Improvements | Over the life of the lease |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

### **1.5 Pension Wise Grant**

The Pension Wise grant, previously receivable from HM Treasury to fund the company's expenditure, in respect of delivering the Pension Wise telephone service, was received from the DWP 2016/17.

### **1.6 Grant-in-Aid**

Grant-in-aid was received during the year from the DWP to fund the company's service. Grant-in-aid received from the DWP is regarded as a contribution from a controlling party, giving rise to a financial interest in the residual interest of the

company and hence is accounted for as financing i.e. credited directly to the general reserve.

The DWP recoups the grant-in-aid via the general levy which is collected by The Pensions Regulator on behalf of the Secretary of State for Work and Pensions.

### **1.7 Financial Instruments**

The Pensions Advisory Service does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables (notes 5 and 7).

Receivables are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts.

Trade creditors are short term and are stated at carrying value in recognition that the liabilities fall due within one year.

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

### **1.8 Operating Leases**

Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the relevant lease.

### **1.9 Pension Costs**

The pension charge represents the contributions made by the company to pension plans during the year. This includes any charges made to make up the company's share of deficits in schemes that The Pensions Advisory Service has participated in. Further details of the various plans are given in the Remuneration Report.

### **1.10 Interest income**

Interest income is recognised on an accruals basis.

### **1.11 Significant Judgements**

In application of the company's accounting policies, which are described in note 1, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

We consider there to be no areas of critical judgement used in applying the accounting policies.

There are no significant sources of estimation uncertainty.

### **1.12 General Reserve**

The general reserve is an accumulation of surplus grant-in-aid funding. There are no rights, preferences or restrictions attached to the general reserve.

### **1.13 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

### **1.14 VAT**

Expenditure in the Statement of Comprehensive Net Expenditure Account and costs for capitalised non-current assets are shown inclusive of VAT, which is irrecoverable.

### **1.15 Operating Segments**

The Pensions Advisory Service reported two operating segments internally to management due to the specific funding requirements for Pension Wise. The segmental analysis for the core service and Pension Wise segments is available in note 2.

## 2. Deficit before taxation

The deficit on ordinary activities before taxation is stated after charging:

|                                  | Note      | 2016/2017       |           |             | 2015/2016       |             |       |
|----------------------------------|-----------|-----------------|-----------|-------------|-----------------|-------------|-------|
|                                  |           | Pension<br>Wise | Other     | Total       | Pension<br>Wise | Other       | Total |
|                                  |           |                 |           |             |                 |             |       |
|                                  |           | £               |           |             |                 |             |       |
|                                  |           |                 |           |             |                 |             |       |
|                                  |           | £               |           |             |                 |             |       |
| Wages and Salaries               | 1,126,216 | 2,037,856       | 3,164,072 | 1,674,034   | 1,858,189       | 3,532,223   |       |
| Social Security Costs            | 126,520   | 171,900         | 298,420   | 151,414     | 115,992         | 267,406     |       |
| Pension Costs                    | 225,349   | 304,143         | 529,492   | 337,275     | 263,919         | 601,194     |       |
| Total staff costs                | 1,478,085 | 2,513,899       | 3,991,984 | 2,162,723   | 2,238,100       | 4,400,823   |       |
| Accommodation costs              | 153,708   | 403,397         | 557,105   | 194,456     | 408,819         | 603,275     |       |
| Travel costs                     | 1,965     | 9,230           | 11,195    | 3,621       | 12,954          | 16,575      |       |
| Office Costs                     | 111,912   | 554,379         | 666,291   | 139,503     | 588,812         | 728,315     |       |
| Legal and professional fees      | –         | 41,744          | 41,744    | 121,542     | 57,335          | 178,877     |       |
| Auditors' remuneration           | 3,000     | 18,000          | 21,000    | 2,750       | 18,250          | 21,000      |       |
| Bank charges                     | 84        | 580             | 664       | 69          | 1,139           | 1,208       |       |
| Other costs                      | 92,209    | 83,612          | 175,821   | 187,914     | 101,534         | 289,448     |       |
| Depreciation                     | 4 31,587  | 81,948          | 113,535   | 36,375      | 61,140          | 97,515      |       |
| Amortisation                     | 3 27,629  | 33,226          | 60,855    | 27,629      | 37,680          | 65,309      |       |
| Operating lease rentals          | –         | –               | –         | –           | 874             | 874         |       |
| Total expenditure                | 1,900,179 | 3,740,015       | 5,640,194 | 2,876,582   | 3,526,637       | 6,403,219   |       |
| Funded by Programme income       | –         | –               | –         | (2,876,582) | –               | (2,876,582) |       |
| Total administrative expenditure | 1,900,179 | 3,740,015       | 5,640,194 | –           | 3,526,637       | 3,526,637   |       |
| Taxation on bank interest        |           |                 | 45        |             |                 | 38          |       |

Pension Wise expenditure was treated as programme in 2015/16. Programme income for Pension Wise in 2015-16 excludes capital expenditure of £11,232.

### 3. Intangible Assets

|                          | <b>Software<br/>Licenses</b><br>£ |
|--------------------------|-----------------------------------|
| <b>Cost or valuation</b> |                                   |
| As at 1 April 2016       | 393,890                           |
| Additions in year        | 7,128                             |
|                          | <hr/>                             |
| As at 31 March 2017      | 401,018                           |
|                          | <hr/>                             |
| <b>Amortisation</b>      |                                   |
| As at 1 April 2016       | 235,200                           |
| Charge for the year      | 60,855                            |
|                          | <hr/>                             |
| As at 31 March 2017      | 296,055                           |
|                          | <hr/>                             |
| <b>Net Book Value</b>    |                                   |
| As at 31 March 2017      | 104,963                           |
|                          | <hr/>                             |
| As at 31 March 2016      | 158,690                           |
|                          | <hr/>                             |

|                          | <b>Software<br/>Licenses</b><br>£ |
|--------------------------|-----------------------------------|
| <b>Cost or valuation</b> |                                   |
| As at 1 April 2015       | 359,354                           |
| Additions in year        | 34,536                            |
|                          | <hr/>                             |
| As at 31 March 2016      | 393,890                           |
|                          | <hr/>                             |
| <b>Amortisation</b>      |                                   |
| As at 1 April 2015       | 169,891                           |
| Charge for the year      | 65,309                            |
|                          | <hr/>                             |
| As at 31 March 2016      | 235,200                           |
|                          | <hr/>                             |
| <b>Net Book Value</b>    |                                   |
| As at 31 March 2016      | 158,690                           |
|                          | <hr/>                             |
| As at 31 March 2015      | 189,463                           |
|                          | <hr/>                             |

#### 4. Property, Plant and Equipment

|  | Leasehold<br>Improvements | Information<br>Technology | Furniture &<br>Fittings | Total |
|--|---------------------------|---------------------------|-------------------------|-------|
|  | £                         | £                         | £                       | £     |

##### Cost

|                     |        |         |         |           |
|---------------------|--------|---------|---------|-----------|
| As at 1 April 2016  | 25,872 | 722,890 | 222,816 | 971,578   |
| Additions in year   | –      | 40,610  | 5,560   | 46,170    |
| As at 31 March 2017 | 25,872 | 763,500 | 228,376 | 1,017,748 |

##### Depreciation

|                     |        |         |         |         |
|---------------------|--------|---------|---------|---------|
| As at 1 April 2016  | 8,139  | 441,354 | 182,778 | 632,271 |
| Charge for the year | 3,488  | 99,437  | 10,610  | 113,535 |
| As at 31 March 2017 | 11,627 | 540,791 | 193,388 | 745,806 |

##### Net Book Value

|                     |        |         |        |         |
|---------------------|--------|---------|--------|---------|
| As at 31 March 2017 | 14,245 | 222,709 | 34,988 | 271,942 |
| As at 31 March 2016 | 17,733 | 281,536 | 40,038 | 339,307 |

|  | Leasehold<br>Improvements | Information<br>Technology | Furniture &<br>Fittings | Total |
|--|---------------------------|---------------------------|-------------------------|-------|
|  | £                         | £                         | £                       | £     |

##### Cost

|                     |        |         |         |         |
|---------------------|--------|---------|---------|---------|
| As at 1 April 2015  | 25,872 | 602,064 | 201,229 | 829,165 |
| Additions in year   | –      | 120,826 | 21,587  | 142,413 |
| As at 31 March 2016 | 25,872 | 722,890 | 222,816 | 971,578 |

##### Depreciation

|                     |       |         |         |         |
|---------------------|-------|---------|---------|---------|
| As at 1 April 2015  | 4,651 | 355,548 | 174,558 | 534,757 |
| Charge for the year | 3,488 | 85,806  | 8,220   | 97,514  |
| As at 31 March 2016 | 8,139 | 441,354 | 182,778 | 632,271 |

##### Net Book Value

|                     |        |         |        |         |
|---------------------|--------|---------|--------|---------|
| As at 31 March 2016 | 17,733 | 281,536 | 40,038 | 339,307 |
| As at 31 March 2015 | 21,221 | 246,516 | 26,671 | 294,408 |

#### 5. Trade and other receivables

|  | 31 March 2017 | 31 March 2016 |
|--|---------------|---------------|
|  | £             | £             |

Amounts falling due within one year:

|                                |         |         |
|--------------------------------|---------|---------|
| Receivables                    | 112,617 | –       |
| Prepayments and accrued income | 265,269 | 241,260 |
| Other receivables              | 59,270  | 76,383  |
|                                | 437,156 | 317,643 |

## 6. Cash and cash equivalents

|   | 2016/2017       | 2015/2016       |
|---|-----------------|-----------------|
|   | £               | £               |
| Balance at 1 April                              | 571,712         | 316,060         |
| Net change in cash and cash equivalent balances | 163,509         | 255,652         |
| Balance at 31 March                             | 735,221         | 571,712         |
| The following balances were held at:            | <b>31 March</b> | <b>31 March</b> |
|   | <b>2017</b>     | <b>2016</b>     |
|   | £               | £               |
| Commercial banks and cash in hand               | 735,221         | 571,712         |

## 7. Trade and other payables

|                                      | 31 March 2017 | 31 March 2016 |
|--------------------------------------|---------------|---------------|
|                                      | £             | £             |
| Amounts falling due within one year: |               |               |
| Trade payables                       | 30,461        | 2,301         |
| Taxation                             | 45            | 38            |
| Social security and other taxation   | –             | 278           |
| Accruals and deferred income         | 357,161       | 415,061       |
| Other payables                       | 93            | 381           |
|                                      | 387,760       | 418,059       |

There are no payables falling due after more than one year (2015/16: £nil).

## 8. Pension Commitments

The majority of past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded and contributory, except in respect of dependents' benefits. The Pensions Advisory Service recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' service by payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. As described more fully in the Remuneration and Staff report, certain employees can opt for a stakeholder pension.

## 9. Liabilities of Members

The company is limited by guarantee and has no issued share capital. Every member, in pursuance with Article 2 of the Articles of Association, undertakes to contribute a sum not exceeding £1 in the event of the company being wound up whilst they are a member. Any surplus on winding up, in pursuance of Clause 3(iii) of the Memorandum of Association, will be repaid to anybody who has contributed grants or other funding to the company. The retained surplus carried forward does not, therefore, represent funds attributable to members.



## 10. Operating Lease Commitments

The total future minimum lease payments under operating leases are given below analysed according to the period in which the payments fall due:

### Land and Buildings

| Obligations under operating leases comprise:–     | 31 March<br>2017<br>£ | 31 March<br>2016<br>£ |
|---|-----------------------|-----------------------|
| Not later than one year                           | 304,998               | 193,269               |
| Later than one year and not later than five years | 25,975                | 137,515               |
|   | <u>330,973</u>        | <u>330,784</u>        |

The figures above relate to three operating leases in Belgrave Road. They are calculated based on the period left to the next lease break clause dates. An element of the commitment is estimated by the lessor in advance and actual costs may vary slightly.

## 11. Related-Party transactions

The Pensions Advisory Service is a Non-Departmental Public Body sponsored by the DWP. The DWP is regarded as the ultimate controlling related party. The company submits quarterly grant-in-aid bids to the DWP. Once the DWP has approved the quarterly bid, the agreed amount is released to the company.

The ultimate source of The Pensions Advisory Service's grant-in-aid is the pension scheme levy.

During the year, the company received grant-in-aid amounting to £3,674,000 (2015/16: £3,803,000) from the DWP.

The company also received Pension Wise funding amounting to £2,158,243 (2015/16: £2,955,821) from the DWP (HM Treasury in 2015/16). Of this amount £nil (2015/16: £68,007) has been deferred and is included within accruals and deferred income. The ultimate source of this funding is the finance levy.

The company's 5th floor accommodation and basement storage space at Belgrave Road is provided by HM Revenue & Customs (HMRC) under a Memorandum of Terms of Occupation (MOTO) arrangement.

During the year, the company paid rent and service charges to HMRC amounting to £228,964 (2015/16: £237,155). At 31 March 2017 no amounts were outstanding (2015/16: £nil).

All transactions with directors are disclosed in the Directors' Emoluments section of the remuneration and staff report. No Directors had any other transactions with The Pensions Advisory Service during the year.

## 12. Financial instruments and associated risks

It is, and has been, The Pensions Advisory Service' policy that no trading in financial instruments is undertaken.

The Pensions Advisory Service does not face the degree of exposure to financial risk that commercial businesses do. In addition, financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing

The Pensions Advisory Service in undertaking its activities. The Pensions Advisory Service relies upon the DWP and HM Treasury for its cash requirements, having no power itself to borrow or invest surplus funds. The short-term liquidity and interest rate risks are therefore slight. The Pensions Advisory Service does not have and has not had an exposure to foreign currency risk.

The fair values of The Pensions Advisory Service's financial assets and liabilities for both the current and comparative year do not differ materially from their carrying values.

**13. Events after the reporting date**

No material events have occurred since the reporting date that has an effect on the accounts. The Annual Report and Accounts were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's audit certificate.

**14. Grant-in-Aid from the Department for Work and Pensions**

The total grant-in-aid received from the DWP in 2016/17 was £3,674,000. Of that £23,024 was applied to capital expenditure leaving £3,650,976 to be applied to revenue expenditure.

**15. Pension Wise Grant**

Total grant income for Pension Wise from the DWP in 2016/17 (HM Treasury in 2015/16) amounted to £2,158,243; this included £68,007 deferred income from 2015/16 and grants received of £2,090,236. Of that £30,274 was applied to capital expenditure leaving £2,127,969 to be applied to revenue expenditure.

The Pensions Advisory Service  
11 Belgrave Road  
London  
SW1V 1RB  
General Office 020 7630 2250  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

ISBN 978-1-4741-4395-0



9 781474 143950