The PENSIONS Advisory Service

Annual Report and Accounts
for the year ending 31 March 2018

HC 1320

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 2018

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 12 July 2018

HC 1320

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at Media.Enquiries@PensionsAdvisoryService.org.uk.

ISBN 978-1-5286-0543-4

CCS0618870170 07/18

Printed on paper containing 75% recycled fibre content minimum

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

Contents

Company Information ... 6

Strategic Report ... 7

Overview ... 7

The Single Financial Guidance Body ... 8

Performance analysis ... 8

Value for money ... 9

Customer focussed service ... 9

Directors Report ... 10

Corporate governance report ... 10

Statement of Directors’ Responsibilities ... 10

Statement of Accounting Officer’s responsibilities ... 12

Governance statement ... 13

Losses and special payments (subject to audit) ... 16

Remote Contingent liabilities (subject to audit) ... 16

Remuneration and staff report ... 16

Pension arrangements ... 17

Staff report ... 18

Staff policies ... 19

Expenditure on consultancy ... 19

Off-payroll engagements ... 19

Sickness absence ... 19

Exit packages ... 19

The Certificate and Report of the Comptroller and Auditor General to the Members of The Pensions Advisory Service ... 20

Statement of Comprehensive Net Expenditure ... 23

Statement of Financial Position ... 24

Statement of Cash Flows ... 25

Statement of Changes in Taxpayers' Equity ... 26

Notes to the Accounts ... 27

Company Information

Registered number	02459671	
Directors	**Chair**	Ann Harris OBE
	Chief Executive and Accounting Officer	Michelle Cracknell
	Non-Executive Directors	Baroness Drake CBE Alan Woods Geoff Shanks Colleen Keck
Registered office	11 Belgrave Road Victoria London SW1V 1RB	
Auditors	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP	
Bankers	Lloyds Bank plc Butler Place Branch 1 Butler Place Westminster London SW1H 0PR	

Strategic Report

Overview

The Pensions Advisory Service was founded in 1983 and is a company limited by guarantee. It became an executive Non Departmental Public Body in 2006.

Our service offers independent and impartial guidance to people who are seeking help with their pensions. This is done by providing information and guidance. Part of our work is to deliver the telephone element of the Pension Wise service. Until recently we offered a dispute resolution service that helped people resolve issues and disputes that they had with their pensions. This service was transferred to The Pensions Ombudsman on 19th March 2018.

We offer our service through a variety of channels including a telephone and web chat helpline, online and written enquiries. Our website provides information on pensions and we use social media platforms to spread messages about pensions. We speak at industry and consumer conferences and events. We also attend shows to raise awareness about pension matters and how we can help. 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 Money Advice Service and other third sector organisations such as Citizens Advice and Age UK, who refer people to us.

Our service is free at the point of use 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 Grant in Aid from the Department for Work and Pensions (DWP), which recoups it from the General Levy raised on occupational and personal pension schemes by the Secretary of State for DWP and the Pension Wise levy on financial services organisations levied by the Financial Conduct Authority,

Our strategic objectives are:

- to increase awareness of our services so that more people are better informed and better able to provide an income for themselves in retirement;
- to deliver our services at the scale needed to meet the future need; and
- to be efficient and effective so that we can demonstrate that the service is value for money.

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 the correct information and guidance to people where there is deep expertise.
- We offer independent and impartial guidance, which is essential to give the public the ability to make the most of their retirement savings.
- We have customer insight from the enquiries that we handle that can help the Government and industry develop pension products and services that better meet customer needs.

We track the key issues and risks affecting our ability to carry out our objectives. These risks are split into seven categories: namely Reputation, Regulation & Compliance, Customers, Operations, People, Finance and Change. The key risks and issues in each of these categories are listed and monitored on the Strategic & Corporate Risk Register, which is regularly reviewed by the Audit & Risk Committee and the Board.

The Single Financial Guidance Body

In October 2016, it was announced that the services provided by us, Money Advice Service and Pension Wise will be delivered through a new single financial guidance body. The Financial Guidance and Claims Act 2018 creating the Single Financial Guidance Body came into being in May 2018. Among the functions of the Single Financial Guidance Body will be "to provide, to members of the public, free and impartial information and guidance on matters relating to occupational and personal pensions" which is effectively what The Pensions Advisory Service currently does.

The Act enables the Secretary of State for Work and Pensions to make one or more schemes providing for the transfer of designated property, rights and liabilities of The Pensions Advisory Service Limited, the Money Advice Service and Pension Wise to the single financial guidance body. Our assumption is that the transfer date to the new body will take place no earlier than 31 October 2018 and no later than 31 March 2019. No decision has been taken on the nature of the closure of the limited company at this stage. A working group comprised of representatives from DWP, The Pensions Advisory Service, Money Advice Service and Pension Wise are exploring the options available which will also have to be agreed by the Directors of the company. However, following the transfer, we will cease trading. Therefore our accounting statements have been prepared on a basis other than going concern.

Performance analysis

We are pleased to report that our customer volumes have remained high and that we helped broadly the same number of customers as the previous year.

The number of direct customers who contacted us was 186,505 (2016-2017: 205,422) and the number of direct customers who we served was 173,442 (2016-2017: 180,499) and 3.15 million (2016-2017 3.36 million) customers visited our website. These customer volumes are broadly the same as the customer volumes in 2015-2016, which was the year that the Pension Freedoms rules were introduced.

The split between channels is shown in the table below.

	Contacted us		Helped by us	
Channel	2017 2018	2016 2017	2017 2018	2016 2017
Telephone	112,549	133,269	104,290	109,690
Web chat	31,398	30,184	29,996	29,214
Enquiries	21,695	24,786	20,608	25,374[1]
Pension Wise	20,863	17,183	18,548	16,221
Total	186,505	205,422	173,442	180,499

The numbers of calls and webchats received were 143,947, which was a 12% reduction from the previous year. The number of customers that we helped on calls and webchats were 134,286, which was only a 3% reduction from the previous year; which shows the huge improvement that we have achieved on our abandonment rate. Enquiries received were down by 12%. The number of Pension Wise appointments booked were up by 21%.

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

- **quantity** of customers who have accessed 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.

[1] Includes enquiries carried over from the previous year.

We aim to improve our performance each year through the effective and efficient management of the resource that we receive.

Our performance compared with the previous year is shown in the table below.

Standards	2017 2018 achieved	2016 2017 achieved	Measure
Customer satisfaction	98%	98%	Using exit surveys
Abandonment rate	7%	15%	The average % of calls/web chats where the customers cancels before we pick it up
Cost per customer including website users	£36 £1.87	£31 £1.59	Our total expenditure over the number of direct customers helped As above but includes website users
Average number of days for a full response to online or written enquiries	5 days	6 days	The average number of working days that it takes us to respond

Value for money
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.

Our cost per direct customer (i.e. excluding customers to our website) was £36 in 2017-2018 (£1.87 per customer if website visits are included) compared with £31 in 2016-2017 (£1.59 per customer if website visits are included). The rise in cost was due to the additional resource taken on to deal with forecast demand at the start of the year and the restructure of the wider management team.

Customer focussed service
Our reputation for delivering a high quality customer focussed service results in the media, organisations, schemes, providers and customers recommending our service. Our specialist knowledge enables us to deliver personalised guidance in all areas and particularly in retirement savings where multiple product types, legacy issues and changing legislation create complexity. Many customers that contact us do not know what pensions they have and the questions that they should be asking. Our diagnosis of the issue is a key part of the service and the personalised guidance enables the customer to have confidence in taking the next steps. We were set up by the industry that identified the need for people to have help with their questions and pension related issues. The industry continues to support us as it sees that our work creates better informed customers who can make better decisions.

Ann Harris OBE
Chair

Michelle Cracknell
Chief Executive

26 June 2018

Directors 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 IFRSs 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 Department for Work and Pensions (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
26 June 2018

The Directors present their report and the audited financial statements for the year ended 31 March 2018. The list of Directors is shown at the front of this report (page 5).

We are funded by Grant in Aid from the DWP, which recoups it from the General Levy raised on occupational and personal pension schemes by the Secretary of State for DWP and the Pension Wise levy on financial services organisations levied by the Financial Conduct Authority. Our only other form of income is bank interest, so our ability to meet contractual obligations is dependent on the continued receipt of Grant in Aid.

Our total cost of administration was £6,230,297 (2016-2017: £5,640,194). This excludes capital expenditure amounting to £41,610 (2016-2017: £53,298) and provisions raised in the year of £536,092 (2016-2017: Nil). Changes in the level of creditors, fixed and intangible assets simply reflect the level of financial activity during the year and payment 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 of receiving an undisputed invoice. Our average creditor payment period at 31 March 2018 was 3 days (2016-2017: 4 days).

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

The statement of our financial position at 31 March 2018 shows net assets of £296,225 (2016-2017: £1,161,522). The net assets have reduced predominantly due to the provisions raised in the year and changes to the useful economic life of some assets.

Our financing for 2018-2019 will be met by Grant in Aid from the DWP, as our sponsoring department.

The Financial Guidance and Claims Act 2018 to establish a new financial guidance body, to make provision about the funding of debt advice in England and to provide debt, money and pensions guidance throughout the UK, was enacted in May 2018. Our understanding is that on the creation of the new financial guidance body the staff, property, rights and liabilities will be transferred from The Pensions Advisory Service to the new body and The Pensions Advisory Service will cease trading. Our assumption is that the transfer date for the new body will be no earlier than 31 October 2018 and no later than 31 March 2019. The financial statements have therefore been prepared on a basis other than going concern. Assets which are earmarked to be used in the new body will be transferred at their net book value. Assets, on which there is uncertainty regarding their future use in the new body, have had their useful life capped at 31 March 2019.

The Government Resources and Accounts Act (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 2018.

Fees due to the National Audit Office (NAO) are £21,000 (2016-2017: £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.

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 they 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 an appropriate 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, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding The Pensions Advisory Service's assets, are set out in *Managing Public Money* issued by the Treasury.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable. She has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that The Pension Advisory Service's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant information of which our auditors are not aware.

Governance statement

As a company limited by guarantee, we are governed in accordance with our Memorandum and Articles of Association. Subject to the Articles, Directors 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 the Framework Document published on our website at: https://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/tpas_framework_document_2014_final_jm.pdf.

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.

All Directors are required to complete a register of interests. A register of Board members' interests is published on our website at: https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/Boards_Declaration_of_Interests_July_17.pdf

The Board has two sub-committees:

- the Audit & 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; and
- the Remuneration & 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, our strategic direction;
- 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 we operate within our legal framework and statutory obligations;
- scrutinise the performance of the Chief Executive;
- monitor performance against targets and take action where necessary;
- contribute personal and professional experience to benefit the organisation;
- represent us externally, when appropriate; and
- add value through mentoring, support and advice – balancing a challenging approach with being supportive to us and our objectives.

The Board met six times in 2017-2018. The attendance records for the Directors for the year ending 31 March 2018 are set out below:

		Management Committee	Appointments Committee
Number of meetings	**6**	**4**	**3**
Ann Harris[2]	5	4	1
Geoff Shanks	6	4	-
Alan Woods	6	-	3
Baroness Drake of Shene	6	4	-
Colleen Keck	6	4	3
Michelle Cracknell	6	4	3

The board held additional meetings to discuss strategy.

The Board Effectiveness Review was conducted in May 2017 by the Board member's completing a survey, which covered the following areas:

- information to the Board;
- running of the Board;
- relationship of the Board with stakeholders; and
- assessment of effectiveness.

The results were positive (average score green) across 23 of the 28 measures. The areas where the Board identified improvements could be made to its effectiveness (average score amber) were: better information to evaluate proposals fully, to monitor performance, to get early warning signals of problems, to get regular updates on progress for all major projects and to spend the right amount of time on strategy versus operations.

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 we face;
- 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 Committee stated that it is satisfied that our approach to risk and control is generally sound, evidenced, and is proportionate to our limited resources and the

[2] Ann Harris has been an observer and not a member of the Audit & Risk Committee. She also attended the Remuneration & Appointments Committee, but not as a member, for specific items such as the Chief Executive's objectives and not as a member.

potential risks we face. During the course of the year, the committee reviewed our risk registers. The committee particularly focussed on the risks associated with the move of the disputes resolution service to The Pensions Ombudsman and the impending transfer to the Single Financial Guidance Body.

Internal Audit produced seven reports during the year. Three internal audit reports were rated as providing substantial assurance and three reports were rated as providing adequate assurance. One report was a follow up report on recommendations and was not rated. The independent internal audit contractor's annual report set out their opinion as follows: "on the basis of our audit work, we consider that TPAS' governance, risk management and internal control arrangements are generally adequate and effective. Certain weaknesses and exceptions were highlighted by our audit work, none of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports".

We apply 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 our 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 volunteers. We also put in place whistleblowing policies and procedures for contractors which we shared with our key suppliers. There were no whistleblowing incidents in 2017-2018.

We regularly review our data protection obligations and security measures under the supervision of the Audit and Risk Management Committee. In particular we are in the final stages of implementing a project designed to comply with the provisions of the General Data Protection Regulation (GDPR). We have reviewed and revised the relevant policies and procedures and made arrangements to raise awareness across the whole organisation of the individual rights conferred by the GDPR. Two information security breaches were reported to the Information Commissioner during 2017-2018 and the data subjects were informed. They both involved pension dispute case files sent by volunteer advisers not being received at our office. This risk will not arise in the future as, following the transfer of the disputes resolution service to The Pensions Ombudsman, volunteer advisors no longer hold customer data

During the year, we made a payment of £23,396 to a software provider for exceeding the number of licences we owned. It was a fruitless payment made up of £20,960 we should have paid for the licences, £625 interest and £1,811 for costs. This arose from a restructure of our staff that gave licence access to more staff than prior to the restructure. This was a one-off event but we have also introduced proactive monthly monitoring of all licences on our servers.

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. We believe that our approach to risk and control is generally sound and is proportionate to our limited resources and the potential risks we face.

Losses and special payments (subject to audit)
Other than the £23,396 fruitless payment paid to a software provider for exceeding the number of software licences mentioned in the Governance Statement above, there were no other losses or special payments during the current period or the prior year.

Remote Contingent liabilities (subject to audit)
We expect all actual, contingent or potential liabilities of the company, including those arising from the creation of the Single Financial Guidance Body, to be transferred from The Pensions Advisory Service to the new body. There are no remote contingent liabilities.

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 DWP Ministers. The following tables provide details of the remuneration and pension interests of The Pensions Advisory Service's Chair, Executive Directors 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

	2017 2018 £	2016 2017 £
Total emoluments for Executive Directors	105,430	124,746
Pension contributions	18,250	18,250
Total for Executive Directors	123,680	142,996
Total emoluments for Non-Executive Directors	68,200	57,024
Total Directors' Emoluments	191,880	200,020

Non-executive Directors were also reimbursed for travel and subsistence costs of £1,687 (2016-2017: £2,254).

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

Board Member	Date appointed/ Reappointed	2017 2018 Salary £'000	2016 2017 Salary £'000	Contract end date[3]	Notice period[4]
Ann Harris	1/08/2015	25-30	15-20	31/10/2018	3 months
Geoff Shanks	1/08/2014	10-15	5-10	30/06/2019	3 months
Baroness Drake	1/08/2014	5-10	0-5	30/06/2019	3 months
Alan Woods	1/08/2014	5-10	5-10	30/06/2019	3 months
Colleen Keck	1/08/2015	5-10	0-5	30/06/2019	3 months

[3] 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 (excluding the chair) to June 2019

[4] The appointment may be terminated early if the post of Non-Executive Director of The Pensions Advisory Service ceases to exist.

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 Director 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 section provides details of the remuneration, pension interests and notice periods of the Chief Executive. The information in this table has been subject to audit.

Chief Executive	Salary banding £'000		Performance Award band £'000		Pension Benefits £'000		Total £'000	
	2017 2018	2016 2017	2017 2018	2016 2017	2017 2018	2016 2017	2017 2018	2016 2017
Michelle Cracknell	100-105	115-120[5]	0-5	0-5	-	-	105-110	120-125

Notes:

1. The Executive above was not entitled to any benefits in kind.
2. Michelle Cracknell's contract runs to 31st October 2018 and her notice period is 3 months. Her length of employment gives her statutory employment rights. 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.

The remuneration of the highest-paid director in The Pensions Advisory Service in the financial year 2017-18 was £105,430 (2016-2017, £124,746[6]). This was 2.89 times (2016-2017, 4.13) the median remuneration of the workforce, which was £36,500[7] (2016-2017, £30,300).

No employees received remuneration in excess of the highest-paid director (2016-2017, 0).

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

Pension arrangements

Michelle Cracknell is a member of the Principal Civil Service Pension Scheme (PCSPS) stakeholder scheme and hence there is no CETV calculation. The Pensions Advisory Service contributed £18,250 (2016-2017: £18,250) and she contributed £2,400 (2016-2017: £2,400) to the scheme during 2017-2018.

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 PCSPS. The PCSPS 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.

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

[5] Michelle Cracknell's normal banding was £95k to £100k. The figure reported for 2016-2017 includes a one-off payment for leave untaken due to a prolonged period of strategic change.
[6] See note 5 above
[7] The increase in the median was due a staff restructure that introduced more team leaders and shift supervisors.

line with pensions increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS 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 PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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.

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 build up in a similar way to nuvos, except that the accrual rate in 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) 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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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

Staff report

The following table sets out average staff numbers and costs by pay band.

Band	Total		Permanent		Secondees		Contract
	No.	**£000**	**No.**	**£000**	**No.**	**£000**	**£000**
Corporate Support Officers	4	168	4	138	-	-	30
Business Support Officers	5	169	5	169	-	-	-
Corporate Service Managers	1	130	1	83	-	-	47
Business Managers	9	550	9	550	-	-	-
Assistant Technical Specialists	19	691	19	540	-	-	151
Technical Specialists	46	2,252	46	2,252	-	-	-
Heads of Service	4	390	3	278	1	112	-
Total 2017-2018	**88**	**4,350**	**87**	**4,010**	**1**	**112**	**228**
Total 2016-2017	**84**	**3,835**	**83**	**3,546**	**1**	**111**	**178**

The table excludes the Chief Executive and Board members.

The following table sets out the composition of staff headcount as at 31 March 2018 by gender

Category	Female	Male	Total
Executive Directors	1	-	1
Senior Managers	2	1	3
Staff	16	58	74
Total 2017-2018	**19**	**59**	**78**
Total 2016-2017	**28**	**57**	**85**

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 who requests help 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
We spent £42,800 on consultancy.

Off-payroll engagements
There were no engagements where a person was paid more than £245 a day for a period of six months or more.

Sickness absence
The average number of days for all sickness per member of staff in 2017-2018 was 5.2 compared with 5.1 in 2016-2017. Our average compares favourably to the 2017 levels of staff sickness in the civil service, where the average was 5.9 days and in the rest of the public sector where the rate is around 8.5 days[8].

Exit packages
There were no exit packages (subject to audit).

Michelle Cracknell
Accounting Officer
26 June 2018

[8] Source: https://www.gov.uk/government/publications/civil-service-sickness-absence viewed 28/4/2017

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

Opinion on financial statements
I certify that I have audited the financial statements of The Pensions Advisory Service for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statements of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, 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 and staff report that is described in the annual report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2018 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.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 1.1 of the Financial Statements (page 27) concerning the directors' decision to apply a basis other than going concern in the preparation of the financial statements. The directors made this decision as a result of The Financial Guidance and Claims Act, which was enacted in May 2018, to establish a new financial guidance body to make provision about the funding of debt advice in England and to provide debt, money and pensions guidance throughout the UK, which is expected to replace The Pensions Advisory Service no later than 31 March 2019.

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

Basis of opinions
I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of The Pensions Advisory Service in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the directors for the financial statements
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.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing The Pensions Advisory Service's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate The Pensions Advisory Service or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Pensions Advisory Service's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Pensions Advisory Service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and staff report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the part of the Remuneration and staff report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' 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 and staff 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 6 July 2018**

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 2018

	Note	2017 2018 £	2016 2017 £
Administration expenditure	2	(6,230,297)	(5,640,194)
Provision Expense	8	(536,092)	-
Operating deficit	2	(6,766,389)	(5,640,194)
Interest receivable		223	225
Deficit before taxation		(6,766,166)	(5,639,969)
Taxation		(45)	(45)
Deficit for the year		(6,766,211)	(5,640,014)

This deficit is funded by Grant in Aid from the DWP of £5,900,914 (2016-2017: £5,832,243) (see note 16). As this contribution is from a controlling party, it is treated as financing.

Other Comprehensive Expenditure
There was no other comprehensive expenditure.

The dispute resolution service was transferred to the Pensions Ombudsman on 19 March 2018 (see note 17). All other activities were continuing throughout the year.

The notes on pages 27 to 37 form part of these financial statements.

Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 £	31 March 2017 £
Current assets			
Cash and cash equivalents	6	613,348	735,221
Trade and other receivables	5	383,762	437,156
Intangible assets	3	62,860	104,963
Property, plant and equipment	4	147,022	271,942
Total assets		1,206,992	1,549,282
Current liabilities			
Trade and other payables	7	(374,675)	(387,760)
Provisions	8	(536,092)	-
Total liabilities		(910,767)	(387,760)
Total assets less total liabilities		296,225	1,161,522
Reserves			
General reserve		287,973	1,153,270
Revaluation reserve		8,252	8,252
		296,225	1,161,522

The notes on pages 27 to 37 form part of these financial statements.

The Pensions Advisory Service is exempt from the requirements of part 16 of the Companies Act 2006 under section 482 (non-profit-making companies subject to public sector audit).

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

26 Month 2018

Statement of Cash Flows

For the Year Ended 31 March 2018

	Note	2017 2018 £	2016 2017 £
Cash flows from operating activities			
Operating deficit	2	(6,766,389)	(5,640,194)
Adjustments for non-cash transactions			
Depreciation	4	150,041	113,535
Amortisation	3	58,592	60,855
(Increase)/decrease in trade and other receivables	5	53,394	(119,513)
Increase/(decrease) in trade and other payables	7	(13,085)	(30,299)
Provision	8	536,092	-
Interest received		223	225
Taxation		(45)	(45)
Net cash outflow from operating activities		(5,981,177)	(5,615,436)
Cash flows from investing activities			
Purchase of property, plant, equipment and computer software	3,4	(41,610)	(53,298)
Net cash outflow from investing activities		(41,610)	(53,298)
Cash flows from financing activities			
Grant in Aid received from the DWP	15	5,900,914	5,832,243
Net cash inflow from financing activities		5,900,914	5,832,243
Net increase/(decrease) in cash and cash equivalents during the period		(121,873)	163,509
Cash and cash equivalents brought forward		735,221	571,712
Cash and cash equivalents carried forward	6	613,348	735,221

The notes on pages 27 to 37 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2018

	Note	Revaluation Reserve £	General Reserve £	Total Reserves £
Balance at 31 March 2016		8,252	961,041	969,293
Changes in taxpayers' equity for 2016-				
Deficit for the year		-	(5,640,014)	(5,640,014)
Grant in Aid received from the DWP		-	5,832,243	5,832,243
Balance at 31 March 2017		8,252	1,153,270	1,161,522
Changes in taxpayers' equity for 2017-2018				
Deficit for the year		-	(6,766,211)	(6,766,211)
Grant in Aid received from the DWP	15	-	5,900,914	5,900,914
	15			
Balance at 31 March 2018		8,252	287,973	296,225

The notes on pages 27 to 37 form part of these financial statements.

Notes to the Accounts

For the Year Ended 31 March 2018

1. **Statement of Accounting Policies**

1.1 **Going concern**

The Financial Guidance and Claims Act 2018 to establish a new financial guidance body, to make provision about the funding of debt advice in England and to provide debt, money and pensions guidance throughout the UK was enacted in May 2018. Our understanding is that on the creation of the new financial guidance body the staff, property, rights and liabilities will be transferred from The Pensions Advisory Service to the new body and The Pensions Advisory Service will cease trading. Our assumption is that the transfer date for the new body will be no earlier than 31 October 2018 and no later than 31 March 2019. The financial statements have therefore been prepared on a basis other than going concern. Assets which are earmarked to be used in the new body will be transferred at their net book value. Assets, on which there is uncertainty regarding their future use in the new body, have had their useful life capped at 31 March 2019.

1.2 **Basis of preparation**

These financial statements have been prepared, on a basis other than going concern, 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 2017-2018*" (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 other than where a change is required to reflect that the accounts have been prepared on a basis other than going concern.

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.

1.3 **International Financial Reporting Standards amendments and interpretations issued but not yet effective**

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. We have reviewed IFRS 9 that relates to financial instruments and IFRS 15 which relates to revenue recognition and both do not apply to The Pensions Advisory Service. IFRS 16 which applies to leases for reporting periods on or after January 2019 will have no material effect to the financial statements.

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

1.4 **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. Changes are only made if they are significant.

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.

1.5 **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.

1.6 **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.

1.7 **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	To March 31 2019

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

As mentioned in the Directors' report, these financial statements have been prepared, on a basis other than going concern. Assets whose continued use in the new body is in doubt have had their useful economic lives capped to 31 March 2019. Other assets will transfer to the new body at net book value on the transfer date.

1.8 **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.

1.9 **Financial instruments**

The only financial instruments included in the accounts are trade and other receivables, cash and cash equivalents and trade and other payables (notes 5, 6 and 7).

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

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.

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

1.10 **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.

1.11 **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. (page 15)

1.12 **Interest income**

Interest income is recognised on an accruals basis.

1.13 **Significant judgements**

In application of the company's accounting policies, 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.

The only areas of critical judgement used in applying the accounting policies are around the non-application of the going concern basis and the provision for onerous leases.

Other than the pending confirmation of the transfer date for the new body and the property provision, there are no significant sources of estimation uncertainty.

1.14 **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.

1.15 **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand.

1.16 **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.

1.17 **Provisions**

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that there will be requirement to settle the obligation, and a reliable estimate can be made. The amount recognised is the best estimate. The Pensions Advisory Service holds an underlease on the sixth floor of our offices at 11 Belgrave Road London due to expire in March 2021. However, due to the planned transfer to the new Single Financial Body between October 2018 and March 2019, The Pensions Advisory Service is expected to move to a new location. As there is no longer a break clause date to exercise, the landlord has confirmed that The Pensions Advisory Service will continue to be responsible for rent, rates, service charges and other shared costs to the end of the underlease. Therefore a provision for these costs has been included in the accounts as set out in note 8.

1.18 **Contingent liabilities**

Contingent liabilities are recognised when there is a present obligation, legal or constructive, as a result of a past event which is uncertain in timing and amount. A contingent liability is disclosed but not accrued, however disclosure is not required if the likelihood of payment is remote. Contingent liabilities are set out in note 9.

2. **Operating Deficit**

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

	Note	2017 2018 £	2016 2017 £
Wages and Salaries[9]		3,561,985	3,164,072
Pension Costs		612,047	529,492
Social Security Costs		342,968	298,420
Total staff costs		4,517,000	3,991,984
Office costs		675,578	666,291
Accommodation costs[10]		465,897	557,105
Legal and professional fees[11]		167,951	41,744
Depreciation	4	150,041	113,535
Amortisation	3	58,592	60,855
Training and recruitment		53,142	17,298
Professional Subscriptions		49,054	41,500
Other		42,909	117,023
Travel costs		28,418	11,195
Auditors' remuneration		21,000	21,000
Bank charges		715	664
Administration Expense		6,230,297	5,640,194
Provision Expense	8	536,092	-
Operating Deficit		6,766,389	5,640,194

[9] We increased our staff resources to improve the delivery and management of services, quality assurance and to address complex issues raised by our customers. The average number of persons employed is 88 (2016-17: 84). Please refer to the Staff Report (page 17) for further details.

[10] The decrease is due to a rating valuation being less than accrued for in previous years.

[11] The increase is due to consultancy costs for projects such as the implementation of GDPR.

3. Intangible Assets

	Software Licenses £
Cost or valuation	
As at 1 April 2017	401,018
Additions in year	16,489
As at 31 March 2018	417,507
Amortisation	
As at 1 April 2017	296,055
Charge for the year	58,592
As at 31 March 2018	354,647
Net Book Value	
As at 31 March 2018	62,860
As at 31 March 2017	104,963

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

4. **Property, Plant and Equipment**

	Leasehold Improvements £	Information Technology £	Furniture & Fittings £	Total £
Cost				
As at 1 April 2017	25,872	763,500	228,376	1,017,748
Additions in year	-	25,121	-	25,121
As at 31 March 2018	25,872	788,621	228,376	1,042,869
Depreciation				
As at 1 April 2017	11,627	540,791	193,388	745,806
Charge for the year	7,268	127,477	15,296	150,041
As at 31 March 2018	18,895	668,268	208,684	895,847
Net Book Value				
As at 31 March 2018	6,977	120,353	19,692	147,022
As at 31 March 2017	14,245	222,709	34,988	271,942

	Leasehold Improvements £	Information Technology £	Furniture & 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

The increase in depreciation is predominantly due to the useful economic lives of those assets whose continued use in the new body is in doubt capped to 31 March 2019 (note 1.7).

5. Trade and other receivables

	31 March 2018 £	31 March 2017 £
Amounts falling due within one year:		
Receivables	23,148	112,617
Prepayments and accrued income	303,974	265,269
Other receivables	56,640	59,270
	383,762	437,156

6. Cash and cash equivalents

	2017 2018 £	2016 2017 £
Balance at 1 April 2017	735,221	571,712
Net change in cash and cash equivalent balances	(121,873)	163,509
Balance at 31 March 2018	613,348	735,221

The following balances were held at:	31 March 2018 £	31 March 2017 £
Commercial banks and cash in hand	613,348	735,221

7. Trade and other payables

	31 March 2018 £	31 March 2017 £
Amounts falling due within one year:		
Trade payables	56,585	30,461
Taxation	45	45
Accruals and deferred income	317,645	357,161
Other payables	400	93
	374,675	387,760

There are no payables falling due after more than one year (2016-2017: £nil)

8. **Provisions**

	2018 £	2017 £
Balance at 1 April 2017	-	-
Provided for in the year		
Onerous Lease (see note below)	496,092	-
Dilapidations	40,000	-
Balance at 31 March 2018	536,092	-

Staff and operations are expected to move from our current offices shortly after the creation of the new body. However, the obligation to pay rent, rates, and service charges are expected to remain till the end of the lease. Dilapidations are payable when we vacate the premises. The provision is the best current estimate of those costs calculated on a 24 month non-occupancy basis.

9. **Contingent Liabilities**

We have one employment relations process where compensation is being sought. No decision has yet been made regarding whether compensation is due and the level of any possible compensation cannot be quantified at this stage.

The Chief Executive's statutory employment rights, as noted in the Remuneration Report (see page 15), will arise following the transfer of The Pensions Advisory Service to the new body. These cannot be quantified at this time.

10. **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.

11. **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.

12. **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 2018 £	31 March 2017 £
Not later than one year	343,101	304,998
Later than one year and not later[12] than five years	-	25,975
	343,101	330,973

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

The rents are subject to a possible rent review by the lessor.

13. **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.

During the year, the company received Grant in Aid amounting to £5,900,914 (2016-2017: £5,832,243) from the DWP.

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 £285,192 (2016-2017: £228,964). At 31 March 2018 no amounts were outstanding (2016-2017: £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.

14. **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 for its cash

[12] Any obligations beyond 31 March 2019 have been provided for as an onerous lease, as disclosed in Note 8.

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.

15. **Events after the reporting date**

The Financial Guidance and Claims Bill received Royal Assent in May 2018. . 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.

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

The total Grant in Aid received from the DWP in 2017-2018 was £5,900,914 (2016-2017: £5,832,243). Of that £41,610 (2016-2017: £53,298) was applied to capital expenditure.

17. **The transfer of the Disputes Resolution Team**

During 2017-2018 we also provided an informal resolution service on pension disputes involving occupational, personal and stakeholder pensions as we had done from the beginning of our organisation. Following a decision by DWP Ministers this service was transferred to The Pensions Ombudsman on 19 March 2018.

The transfer involved moving customer data as well staff and volunteers involved in delivering the service to customers. No assets were transferred in the process and as it was timed two weeks from the end of the financial year, its impact on the accounts was limited to a reduction in staff expenditure of just under £23,000.

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB
General Office 020 7630 2250
www.pensionsadvisoryservice.org.uk

CCS S0618870170
978-1-5286-0543-4