



Disability and Carers Service

Annual Report and Accounts 2005–06

DWP Department for
Work and Pensions
Disability and Carers Service



Enabling independence, by
supporting the diverse needs
of disabled people and carers

Disability and Carers Service

Annual Report and Accounts 2005–06

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of the Government Resources and Accounts Act 2000

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Work and Pensions
Disability and Carers Service

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Financial Summary

	2005/06	2004/05
Benefit Payments Issued	£13,743.2m	£12,899.1m
Disability Living Allowance	£8,652.9m	£8,108.8m
Attendance Allowance	£3,930.4m	£3,685.5m
Carers Allowance	£1,159.4m	£1,104.4m
Vaccine Damage	£0.5m	£0.4m
Gross Administration Costs*	£306.9m	£296.5m
*Including Change Programme Investment Costs	£9.88m	£15.02m
Staff Costs/Net Operating Costs	51%	48%
Non-Financial		
Headcount Whole Time Equivalent as at 31 March	6405	6574

Key Highlights of the Year

Improve the experience of our customers using our services, ensuring that they are at the heart of our business

- Significantly improved performance of the Disability Living Allowance/Attendance Allowance national telephone service and received Call Centre Association Standards Council accreditation; and
- Published DCS Customer Promise which is increasingly being embedded into the organisation.

Invest in the professionalism and improve the experience of the people who work for/with us

- Developed proposals for an accredited system for Decision Makers (DM) and their Higher Executive Officer DM Specialist Managers and appointed the University of Chester as the accredited partner; and
- Developed the People Strategy.

Improve the experience of partner organisations which deal with us

- Improved the way we consult with customers and others through the DCS Advisory Forum.

Be more efficient by reviewing our organisation and by investing in and improving our infrastructure

- Met all claims delivery targets for Disability Living Allowance/Attendance Allowance/Carer's Allowance within agreed clearance time and funding;
- Managed the business within the funding allocation;
- Developed and tested a new Decision-Making process for Disability Living Allowance – phase 1 of Customer Case Management Project;
- Successfully managed the transfer of work and the redeployment of staff at Sutton Disability Benefits Centre which closed in December 2005;
- Introduced phase 1 of the Resource Management System;
- Started the process of Carer's Allowance modernisation by implementing a small contact centre;
- Restructured the Disability Benefits Unit into the Disability Contact and Processing Unit;
- Increased the proportion of staff on front-line operations;
- Met the target to reduce overall staff numbers by 300 whole time equivalents by March 2006; and
- Significantly improved attendance.

Disability and Carers Service Annual Report 2005–06



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Key Business Priorities and Outcomes for 2005/06, featured in DCS Business Plan 2005/06



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Chief Executive Terry Moran

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"For us to succeed our staff must feel part of what we are setting out to achieve..."



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Foreword

By the Chief Executive

I am pleased to present the DCS Annual Report and Accounts for 2005–06. They are our first full year's accounts since becoming an Executive Agency of the Department for Work and Pensions on 1 November 2004.

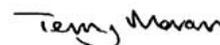
We performed well against our targets for claims clearance and met the quality and accuracy targets for Carer's Allowance and Attendance Allowance. The quality target for decision-making in Disability Living Allowance proved harder to deliver and this will remain a key priority for us in the coming year.

Such progress doesn't mean that we get absolutely everything right all of the time. Sometimes things go wrong serving our customers and I regret they occasionally go very badly wrong. We are by no means yet the model of public service that I believe we can be, but the last year has shown how we can continue to meet the increasing demands placed upon us whilst at the same time delivering a better service to our customers.

The support we have received from stakeholder organisations representing disabled people and carers has been very important to us as we transform our services. I am very grateful.

Above all, I believe the report demonstrates the very real commitment our people have to delivering a professional service.

I hope you enjoy reading it.



Terry Moran
Chief Executive
5 July 2006

WELCOME

The last year was as expected a challenging time. We set ourselves an ambitious agenda against a background of rising workloads and employing fewer people. I am pleased that we substantively delivered it through the hard work and commitment of many fantastic people throughout the agency.

Successes included the improvements to our national telephone centre, the DLA/AA Helpline, which received external accreditation; the fourth successive Charter Marks for the Carer's Allowance Unit and Newcastle Disability Benefit Centre; and also for the first time the Charter Mark for Manchester and Midlands Disability Benefit Centres.



“I believe that through the actions we have already taken, we have made a positive start to delivering these outcomes.”

Background

Statutory background

The Disability and Carers Service presents its annual report and accounts for the financial year ended 31 March 2006. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Disability and Carers Service was established as an Executive Agency of the Department for Work and Pensions (the Department) on 1 November 2004. This annual report and accounts is the first covering a full year produced by this Agency.

Principal activities

The principal activities of The Disability and Carers Service were set out in The Framework Document for Disability and Carers Service, an Executive Agency of the Department for Work and Pensions, published in October 2004. The Disability and Carers Service exists to assess claims, review entitlements and arrange payments of social security in accordance with the current law and directions from the Secretary of State for Work and Pensions.

Employment of disabled persons

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Disability and Carers Service. The Agency aims to improve the level of knowledge and understanding throughout its business to improve services for disabled staff and customers and undertakes reasonable adjustments to the working environment where necessary.

Commitment to equality and valuing diversity

The Disability and Carers Service is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer we are also committed to equality and valuing diversity within our workforce. Our goal is to ensure that these commitments, reinforced by our Values, are embedded in our day-to-day working practices with all our customers, colleagues and partners.

Company directorships and other significant interests held by board members

A register of Directors' business interests and related party transactions is held and may be accessed at the following address:

Chief Executive's Office
Disability and Carers Service
5th Floor, Whitehall 2
Whitehall Quay
Leeds LS1 4HR
Tel: 0113 307 8192
Fax: 0113 307 8209

External audit

The accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on pages 67–69.

Board of management

Members of the Board of Management during the year are shown below.



TERRY MORAN

Chief Executive

Direct line management



VIVIEN HOPKINS

Chief Operating Officer



KIM ARCHER

Customer and External Relations Director



MARTYN CRASKE

Business Design and Change Director



STEVE MONK

Human Resources Director



STUART MCKINNON-EVANS

Finance Director

Indirect/non-executive



KEVIN BONE

Information Systems Director



PETER LEHMANN

Non-Executive Director



KATE NASH

Non-Executive Director



BRUCE CALDERWOOD

Disability Client Group Director

Management Commentary

Performance targets

The Disability and Carers Service's performance targets were set out in the Disability and Carers Service Business Plan 2005–2006. A detailed description is provided on pages 20–21 of this Annual Report. Future performance targets are set out in the Disability and Carers Service Business Plan 2006–2007, which was published in March 2006.

Benefit payments

The financial statements relate solely to the Disability and Carers Service's administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform with the accruals concept and give a true and fair view of the Disability and Carers Service's affairs. The Disability and Carers Service is also responsible for the payment of Disability Living Allowance/Attendance Allowance/Carer's Allowance/Vaccine Damage Payments, which, for the year ended 31 March 2006, amounted to £13.7 billion. This amount is provisional and the final audited benefit expenditure for the year will be disclosed in the Departmental Resource Accounts, which are expected to be published by the end of the year.

Results for the year

The Operating Cost Statement within the Accounts shows the net operating cost of the Disability and Carers Service for the year ended 31 March 2006.

The net operating cost amounted to £306.4 million¹. Capital expenditure for the year, full details of which are given in Notes 7 and 8 to the Accounts, amounted to £618k². The net operating cost includes £270k³ of expenditure on assets valued at less than £5k, which are not capitalised (see Note 1.2 to the Accounts). Summary details can be found in the section 'Resources' on pages 46–50.

The net operating cost has been calculated after including a number of notional costs which are not currently charged to the Disability and Carers Service but which are borne centrally by the Exchequer, for example, a cost of capital charge (see Note 5 to the Accounts).

Prior year comparatives

The comparative figures have been restated to take account of agreed changes to the classification of certain non-staff administration costs and income, though the totals of these costs and income remain unchanged. This is as required by Financial Reporting Standard (FRS) 28. The comparative figures have also been restated to remove from net assets the value of Value Added Tax owing from HM Revenue and Customs. From 2005–06 this balance is reported in the accounts of the Department for Work and Pensions.

Parliamentary funding

The Disability and Carers Service is a supply financed Business Unit of the Department for Work and Pensions and, as such, remains

subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Disability and Carers Service's operations, along with the rest of the Department, will be accounted for within Schedule 1 of the Department's Resource Account. This account is planned to be finalised and published later in the year.

The Disability and Carers Service's work programme and expenditure plans for the year to 31 March 2006 were set out in the Disability and Carers Service Business Plan 2005–2006 and form part of Cm 6829⁴ Department for Work and Pensions Departmental Report 2006.

Taxpayers' equity

Within the Accounts the balance sheet at 31 March 2006 shows negative Taxpayers' Equity of £6.9 million. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Department for Work and Pensions of which the Disability and Carers Service is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Department other than required for the service of the specified year or retained in excess of that need.

In common with Government Departments, the future financing of the Disability and Carers Service's liabilities is accordingly to be met by future grants of Supply to the Department for Work and Pensions and the

application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Payments to suppliers

The Disability and Carers Service is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during a twelve month period, conducted to measure how promptly the Disability and Carers Service pays its bills, found that 100 per cent of bills processed by Disability and Carers Service staff were paid within this standard.

Introduction of the Euro

The Department for Work and Pensions and its agencies, including the Disability and Carers Service, continue to maintain changeover planning and preparation activities such that, in the event of a positive decision to join the Single European currency, the changes required to the computer systems, business systems and products will have been identified and quantified and we would be able to meet the timescales set out in the third outline National Changeover Plan (HM Treasury, June 2003).

¹2004–05 £120.4 million November–March 2005
²2004–05 £80k November–March 2005
³2004–05 £65k November–March 2005

⁴Command Paper – Document reference number used by HM Treasury

Disability and Carers Service

We employ more than 7,000 people working on a full-time and part-time basis nationally and have the privilege of serving more than 5 million customers.

Our Vision is to enable independence by supporting the diverse needs of disabled people and carers.

Disability and Carers Service provides financial support for disabled people and carers through the administration of the following benefits:

- Disability Living Allowance – care and mobility.
- Attendance Allowance.
- Carer's Allowance.
- Vaccine Damage Payments.

Disability Living Allowance and Attendance Allowance are not income-related benefits and are designed to help meet the extra costs faced by disabled people.

Disabled people who are unable or virtually unable to walk can use the Disability Living Allowance Higher Rate Mobility Component to obtain a car or specialist scooter through the independent charity – Motability.

Carer's Allowance makes a financial contribution to the needs of people who are caring for a disabled person for 35 hours a week or more.

Vaccine Damage Payments are awarded to people who are severely disabled as a result of a vaccination against a specified disease.

Our organisation

During the financial year we had Disability Benefit Centres located in Glasgow, Edinburgh, Newcastle⁵, Leeds, Manchester, Bootle, the Midlands, Bristol, Cardiff, Sutton⁶ and Wembley.

Disability Benefit Centres administer new claims for Disability Living Allowance and Attendance Allowance and are responsible for cases for the first 13 weeks, after which the responsibility for them is transferred to Warbreck House, Blackpool.

⁵It was announced on 26th April 2006 that Newcastle Disability Benefits Centre will transfer to the Child Support Agency phased over the next few months.
⁶Sutton Disability Benefits Centre closed in December 2005.

Our former Disability Benefit Unit at Warbreck House in Blackpool has recently been restructured into six units. This is a key stepping stone in our modernisation programme. Four of these units are geographically aligned to the Disability Benefit Centres. They maintain and process Disability Living Allowance/Attendance Allowance cases and also deal with applications from eligible customers applying for the Motability Scheme. One unit is our Pathfinder Office, which deals with claims and ongoing maintenance of cases for people living in South East England and trials new ways of working. The sixth unit is home to the DLA/AA Helpline and the Benefit Enquiry Line.

The Carer's Allowance Unit in Preston deals with Carer's Allowance and Vaccine Damage Payments.

Over the next few years, Disability and Carers Service will bring in substantial changes across the whole of our business to improve the service. This will continue to be a challenging time, entailing a reduction in both the number of people we employ and the amount of office space the service occupies.

While undoubtedly this will not be an easy process, it is an essential part of the streamlining process to deliver a first-class customer service.

Investment in the capability of our staff and managers and more advanced IT systems will be key areas of activity in our progress.

Our Change Programme will oversee all aspects of this transformation, driving the improvements to customer services, ways in which we work with our partners and meet the efficiency targets set by the Treasury.

Human Resources (which includes Infrastructure and Support Services Group), Finance and Performance Management Team and Customer and External Relations Directorate contribute to the development programme, provide specific services to Disability and Carers Service operations and represent Disability and Carers Service in Department for Work and Pensions corporate forums.

- The Human Resources role is to enable Disability and Carers Service managers to meet their business goals through their people and helping Disability and Carers Service staff achieve their potential to deliver business results.
- The Finance and Performance Management Team's role is to ensure systems are in place to safeguard the effective use of public funds.
- The Customer and External Relations Directorate's role is to act as the customer champion. It focuses on customer service, internal and external communications and



working with the Department for Work and Pensions Partners and the Voluntary and Community sector.

These are based at various sites but mainly at Norcross in Blackpool.

Our role in the Department for Work and Pensions

The Department for Work and Pensions' aim is to *promote opportunity and independence for all* and it sets out what each business will deliver in return for funding provided. Disability and Carers Service makes a significant contribution to supporting the department in delivering its Public Service Agreement objectives and targets. The Department for Work and Pensions' objectives are to:

- Ensure the best start for all children and to end child poverty by 2020;
- Promote work as the best form of welfare for people of working age while protecting the position of those in greatest need;
- Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- Improve rights and opportunities for disabled people in a fair and inclusive society; and
- Ensure customers receive a high-quality service including levels of accuracy.

Of the ten Public Service Agreement Targets we contribute to PSA Target 9d **"Improve delivery of DWP services by setting published annual targets for each major business addressing accuracy, unit costs and customer service, becoming progressively more demanding over the three year period"**.⁷

As well as delivering Disability and Carers Service-specific objectives, our work supports the Department in delivering Welfare Reform. In addition, we help other Department for Work and Pensions businesses to meet their own specific objectives. For example:

- Disability Living Allowance helps working age disabled people to work and live independently and addresses child poverty for families with disabled children; and
- Carer's Allowance and Attendance Allowance help reduce poverty in pensioner households, particularly for people over the age of 80.

How we manage our relationship with the Work, Welfare and Equality Group within the Department for Work and Pensions

Work, Welfare and Equality Group incorporates the Disability and Carers Directorate. The role of the Work, Welfare and Equality Group is to help the Department for Work and Pensions ministers deliver their policy objectives for children, people of working age, disabled people and carers.

Disability and Carers Directorate is responsible for the management and direction of Department for Work and Pensions strategy on additional costs of disability and carer benefits. Disability and Carers Service ensures that those benefits are delivered efficiently.

The relationship between Disability and Carers Service and the Disability and Carers Directorate is one of mutual support and shared understanding of the issues facing disabled people and carers.

⁷The three-year period being April 2003–March 2006

Every year we...

pay nearly
£14 billion
in Disability Living Allowance/Attendance Allowance/Carer's Allowance benefits

take over
5 million
calls through the DLA/AA Helpline

process around
723,000
Disability Living Allowance New/Renewal claims

process around
894,000
Disability Living Allowance Maintenance – change of circumstances

process around
422,000
Attendance Allowance New/Renewal claims

process around
391,000
Attendance Allowance Maintenance – change of circumstances

handle over
168,000
motability agreements

process around
250,000
Carer's Allowance New Claims

process around
581,000
Carer's Allowance Maintenance – change of circumstances

Our Business Principles

The guiding principles that underpin the service we provide, govern how we work and how we deal with each other, and state our commitment to putting our customers first.

Our vision

Enable independence by supporting the diverse needs of disabled people and carers.

Our mission

Treat customers and others with respect and provide an accessible, accurate and efficient service.

Our strategic objectives

- Improve the experience of customers using our services, ensuring that they are at the heart of our business;
- Invest in the professionalism and improve the experience of the people who work for/with us;
- Improve the experience of partner organisations which deal with us; and
- Be more efficient by reviewing our organisation and by investing in and improving our infrastructure.

Our strategy

We will transform our services by:

- Knowing what our customers want;
- Working with others to serve our shared customers;
- Increasing the capability of our people;
- Simplifying our business processes;
- Investing in and improving our infrastructure;
- Ensuring customers receive their correct entitlement at the right time;
- Increasing the share of our resources in customer-related activities; and
- Measuring and reporting our progress honestly.

Our values

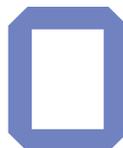
Disability and Carers Service operates within the values agreed for all departmental staff. They build on the successes of the past and help us develop a sense of what kind of department we are building over the next few years, one that's focused on providing the best possible services to all our customers. We apply the departmental values to everything we do.



Achieving the best: meeting consistently high standards and improving our performance.



Making a difference: supporting, challenging and inspiring customers to improve their lives, as well as helping each other to make a difference.



Respecting people: treating both our customers and our colleagues with respect; welcoming diversity; valuing the ideas of others and responding to the needs of the individual.



Looking outwards: working with others and learning how to get better at what we do.

Key Business Priorities and Outcomes for 2005–06

The Key Business Priorities for Disability and Carers Service for the 2005–06 year featured in the Disability and Carers Service Business Plan 2005–2006. The outcomes indicate achievement or otherwise and further details are contained elsewhere in this report.

Key Business Priority	Outcome
Transform our national telephone service for Disability Living Allowance and Attendance Allowance customers through new ways of working, enhanced telephony, better deployment of resources and a more customer-focused target.	Achieved – Our national telephone service, the DLAAA Helpline, has been transformed following investment in both telephony and by increasing the number of people deployed at times of peak demand.
Develop and deliver the first phase of our new IT support for Decision Makers in Disability Living Allowance and Attendance Allowance.	Achieved – The key design principles for the new IT to support Decision Makers in Disability Living Allowance/Attendance Allowance have been tested and trialled in Manchester and Bootle Disability Benefit Centres and a Disability Contact Processing Unit in Blackpool.
Develop and introduce the first phase of our accreditation system for Decision Makers and their line managers.	Achieved – We have completed the first phase of our independent accreditation system – Professionalism in Decision Making and Appeals (PIDMA) and trialling has begun in our Pathfinder Office.
Develop our People Strategy to enable the creation over time of a more flexible professional better supported workforce.	Achieved – A People Strategy has been developed and signed off which outlines the steps that the Agency needs to take to improve its performance through our people. A series of work programmes has been developed to deliver this Strategy.
Successfully manage the transfer of work and the redeployment of staff at our Disability Benefit Centre in Sutton which will close this year.	Achieved – We successfully transferred the work to Blackpool and all staff were successfully redeployed with no compulsory redundancies. Sutton Disability Benefit Centre has now been successfully vacated and minor occupiers have been relocated.

Key Business Priority	Outcome
Act on our 2004 staff survey results so that in the 2005 survey we can see a measurable improvement.	Achieved – Our overall Staff Survey results showed an improvement on last year and although not as significant as we aspire to, our overall satisfaction improved and our staff continue to agree we do an important job and are committed to customer satisfaction.
Work more closely with our partners in the development of more coherent services for our shared customers.	Achieved – We established a joint Carer's Allowance/the Pension Service initiative resulting in improvements to two Carer's Allowance customer notifications and improved customer service for carers of terminally ill customers. We also expanded the membership of the Disability and Carers Service Advisory Forum and involved the voluntary and community sector more fully, helping us develop change initiatives.
Meet the milestones in our Change Programme to deliver the planned changes and customer service improvements required in 2005–06 and beyond.	Achieved – Although delays in the Benefit Processing Replacement Programme for development of modern replacement IT impacted our initial plans, significant progress has been made during the year. We have redefined our Target Operating Model and progressed key work on our future organisational design and transition. We have also established and developed our Transformation Map to support the Target Operating Model.
Begin the modernisation of our Carer's Allowance Unit by reviewing all current processes and organisational structures and customer contacts and preparing for the implementation of new IT systems.	Achieved – Our Carer's Allowance Unit started the process of modernisation by implementing a small Contact Centre Pathfinder Office on 29 March 2006, which reviewed Carer's Allowance processes, contacts and organisational structure.
Publish our Customer Promise.	Achieved – Customer Promise was published on 1 April 2005.
Implement effective financial management and control systems that ensure the completeness and accuracy of accounting information, facilitate comparison across and between business units, provide secure and robust methods of payment and efficient use of resources and which link to other agencies and the Corporate Centre as required.	Achieved – Resource Management Phase 1 (Finance and Procurement) went live on 6 February 2006. 2004–05 Accounts approved. Substantial assurance received on management of risk.

Performance Standards

In support of the Departmental Objectives and our commitment to improving our customer service and the accuracy of our decisions our aim was to meet the standards set out in the tables that follow.

The tables also illustrate the year to date achievements and the figures for the previous year in comparison.

Disability and Carers Service met all its claims delivery targets for Disability Living Allowance/Attendance Allowance/Carer's Allowance within agreed clearance time and funding. The Average Actual Clearance Time is shown in working days and is calculated by adding up the total cumulative working days taken to clear all cases and dividing this by the total number of cases cleared.

The system used for measuring Disability Living Allowance/Attendance Allowance and Carer's Allowance decision-making accuracy follows the requirements laid down by the Department for Work and Pensions Adjudication and Constitutional Issues Division and is consistent with that used for measuring decision-making accuracy across all Department for Work and Pensions benefits.

The Carer's Allowance and Attendance Accuracy targets have been met for 2005-06. The Disability Living Allowance target of 90 per cent was not met with performance at year-end being 3.5 per cent adrift of target, although such errors do not automatically mean that the level of benefit was incorrect. We recognise we still have more to do to achieve the standards and are taking significant steps to ensure that we do. The measures include:

- The appointment of a Senior Manager Quality Champion;
- Continuing with the development and testing of a new decision-making process for Disability Living Allowance;
- Introducing an externally validated accreditation scheme for Decision Makers;
- Continuing to streamline our support functions and focus resources on benefit delivery;
- Deploying a Capacity Improvement Team ensuring efficiencies are realised and best practice exchanged; and
- Progressing a Programme Correctness Strategy to reduce levels of incorrectness.

At 31 March 2006 the Disability and Carers Service was losing an average of 9.5 days per member of staff per year to sickness absence, compared to 11.5 in March 2005.

This is an improvement of 2 days in the 12 month period, which would give Disability and Carers Service approximately an additional 14,000 staff days availability. Over a year this would equate to an additional 65 full time staff. The DWP target is 8 days, so Disability and Carers Service missed the target for 2005-06 by 1.5 days. It is however the best performing Agency in the DWP, and continues to demonstrate steady improvement in managing attendance. This has been achieved through upskilling events for managers, assurance and scrutiny of cases by Human

Resources staff, and a gradual change in the culture so that absence is no longer regarded as a norm.

The tables below indicate the targets and achievements for 2005-06: where there was a similar target in the previous financial year 2004-05 the details of these are shown for comparison.

All Ministerial Targets were met with the exception of Disability Living Allowance Accuracy and Sickness Absence; the reasons for this are explained earlier in this report.

Disability Living Allowance	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
New Claims	39 Days	36.2 Days	39 Days	34.5 Days
Reconsiderations	39 Days	29.2 Days	35 Days	29.1 Days
Appeals	40 Days	30.5 Days	37 Days	31.8 Days

Attendance Allowance	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
New Claims	24 Days	18.2 Days	22 Days	17.9 Days
Reconsiderations	38 Days	25.3 Days	35 Days	23.6 Days
Appeals	40 Days	25.8 Days	35 Days	25.0 Days



Carer's Allowance	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
New Claims	24 Days	16.4 Days	22 Days	13.1 Days
Appeals	38 Days	28.8 Days	35 Days	29.0 Days

Accuracy	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
Disability Living Allowance	90%	87.6%	90%	86.5%
Attendance Allowance	90%	92.8%	90%	93.1%
Carer's Allowance	95%	95.8%	96%	98.8%

Direct Payment	2005-06 Target	Achievement at 31st March 2006
Ensure that 95% of benefit payments to new customers are made by Direct Payment	95%	97%
Ensure 94.1% of all customers we are paying receive their benefits by Direct Payment	94.1%	98%

Helpline	2005-06 Target	Achievement at 31st March 2006
Ensure that 90% of our calls to Helpline, our national telephone service are answered	90%	92.4%
Less than 1% of all calls attempted receive an engaged tone	1%	0.7%

Sick Absence	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
Reduce our staff sick absence to 8 average working days lost	9 Days	11.6 Days	8 Days	9.5 Days

Other Managerial Targets

All other Managerial targets were met for the year with the exception of Unit Costs. DCS missed this target because whilst the Agency managed its overall expenditure within its allocation, the actual workloads were below the original forecast for the year.

Disability Living Allowance	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
Special Rules Claims	8 Days	4.5 Days	8 Days	4.5 Days
Renewal Claims	32 Days	28.2 Days	32 Days	31.5 Days

Attendance Allowance	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
Special Rules Claims	8 Days	5.7 Days	8 Days	5.5 Days
Renewal Claims	23 Days	15 Days	23 Days	15.7 Days

Unit Cost	2004-05 Target	Achievement at 31st March 2005	2005-06 Target	Achievement at 31st March 2006
PSA9 Target ⁶	£132.15	£133.17	£131.56	£132.83

⁶Improve delivery of DWP services by setting published annual targets for each major business addressing accuracy, unit costs and customer service, becoming progressively more demanding over the three year period.

Renewing Our Focus on Customers

PROMISE

The DCS Customer Promise

“We will treat our customers and their representatives with respect and deliver an accessible, accurate, efficient service, keeping our customers informed, listening to and learning from what they tell us”.

So how are we doing?

In 2005–06 we embarked on a major programme of transformation. Our first full year as an Agency was a demanding one in which we set out determined to deliver a better experience for our customers.

At that time the Agency was presented with a paradox – internally successful because we met our targets but externally most of the informed public believed we did not deliver a service they were happy with.

“We are determined to deliver a better experience for our customers”

Terry Moran, Chief Executive
March 2005

We needed to understand what mattered to our customers to know if we deliver to a standard they can reasonably expect. We embarked on a key piece of research, which included talking directly to our customers and creating the Disability and Carers Service Advisory Forum. We also:

- Significantly improved the performance of our DLA/AA Helpline;
- Completed a customer consultation on the delivery of our services leading to the development and publication of the Disability and Carers Service Customer Promise;
- Developed and implemented a research programme, which provided information about how and why our customers contact us leading to the development of the Disability and Carers Service Channel Strategy;

- Undertook a Customer Survey;
- Increased customer accessibility via electronic claim forms for Disability Living Allowance/Attendance Allowance;
- Reviewed and re-launched the Disability and Carers Service Website – comments and suggestions facility is available for advisers;
- Developed and delivered disability awareness sessions to our staff to promote improvements in customer service;
- Commissioned a research programme for knowing and understanding our customers;
- Introduced an on-line survey for Carer's Allowance customers who have claimed via the e-service; and
- Published new Customer Information Leaflets on all our benefits which have been awarded the Crystal Mark.

One of our highlights of the year was the significant improvement in the performance of our DLA/AA Helpline. We set out to: **Transform our national telephone service for Disability Living Allowance and Attendance Allowance customers through new ways of working, enhanced telephony, better deployment of resources and a more customer-focused target.**



“In general high standards of excellence were found to be the norm rather than the exception”

BSI Assessor

We achieved this using extra technology installed on time on 1 April 2005 to permit greater staffing flexibility. The customer experience improved, as customers were able to get through more easily and the service became more accessible. There were only 36,000 calls that could not get through because the lines were ‘busy’ compared to 18.5 million such calls the previous year!

A customer satisfaction survey is undertaken every quarter on Helpline whereby customers are asked how they regard the Helpline Service. Results for March 2006 were that 97.5 per cent of customers rated the service good or very good and 86 per cent of customers rated the service very good. See following table at figure 1.

This has been the best year Helpline has ever known and resulted in the Contact Centre Association Accreditation in September 2005. Contact Centre Association is an independent not-for-profit organisation recognised as the leading body representing the industry. An external assessor from the

British Standards Institute undertook the assessment. The areas covered were our people, culture, communications, policies, legislation, service and performance.

The achievement of the Contact Centre Association Accreditation provides a benchmark for Disability and Carers Service to indicate that our call/contact centres are on a par with some of the best call/contact centres in public and private industry.

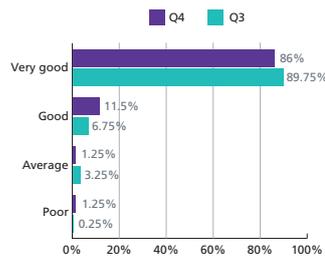
For the coming year the plan is to consolidate improvements and enhance the service levels delivered.

And what do our customers think?

“Absolutely excellent service”

“Have found it much easier to get through recently”

Figure 1
Q6 Overall, how did you regard the Helpline standard of service?



holistic approach to customer service. We were delighted to achieve the Charter Mark accreditation as an external acknowledgement of our excellent service to our customers.

Particularly pleasing was the comment from the Charter Mark Assessment Service Assessor that “it is very unusual for an organisation to have so few partial compliances with the criteria on their first application and the acknowledgement of the two areas of best practice within the unit”

Having achieved the Charter Mark we aim to continuously improve on this to enhance the customer experience.

In March 2006 Manchester Disability Benefit Centre was also awarded Charter Mark for three years on their first attempt – a direct reflection of the good work carried out over the years in this office.

The staff in the Carer's Allowance Unit were awarded for their fourth successive Charter Mark representing twelve years of service excellence. The Unit has achieved “compliance with distinction” standard. Staff were commended for their impressive performance in meeting customer expectations. The report also recognised the improvements made over the last 3 years. Many of these have been as a response to customer comment.

Congratulations to all concerned.

Charter Mark awards – recognising commitment to customers

If you had been a customer at Midlands Disability Benefit Centre, five years ago it would have taken 93 days on average, to deal with your case. Yours would have been one of 19,500 cases outstanding. As a customer now your case will be cleared in 32 days on average.

Two years ago we started using the Charter Mark material to carry out an audit of our service. Once the clearance time targets had been achieved we wanted to look at a more

New customer leaflets about Disability and Carers Service benefits

As part of a review of customer leaflets we have replaced those about Disability Living Allowance, Attendance Allowance and Vaccine Damage Payments, Disability Living Allowance for children and introduced a new leaflet about Carer's Allowance. The leaflets were awarded Crystal Mark accreditation from the Plain English Campaign.

The new DCS Customer Information leaflet has also been awarded Crystal Mark accreditation by the Plain English Campaign. In order to reach as many of our customer base as possible, the leaflet has also been produced in a range of accessible formats including Braille, large print, British Sign Language video/DVD and ten different ethnic languages in both written and audio formats. The leaflet has also been a trailblazer in its use of "Easy Read" images aimed specifically at helping our customers with learning difficulties.

Customer Service Survey

We undertook a Customer Service Survey 2005–06 in conjunction with survey consultants Ipsos MORI. The survey asked customers how they think we deliver services against the elements of the Customer Promise. Overall, the results were encouraging and continue the positive findings from the 2003–04 survey. They are particularly impressive when compared to recent advocacy ratings for both public and private sector agencies as shown in other polls carried out by Ipsos MORI. A comparison with a selection of agencies across both public and private sectors showed that on average, only 27 per cent of those surveyed would speak highly of the agencies in question either voluntarily or if asked, whereas the same questions in the DCS survey yielded a total of 67 per cent who would speak highly.

The key outcomes were:

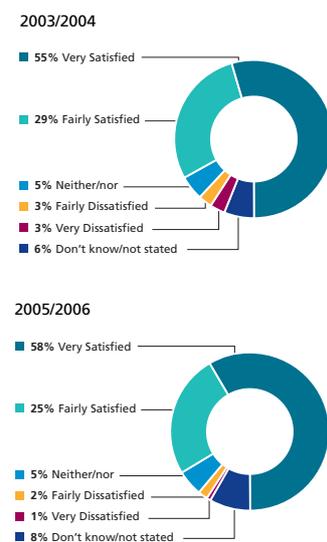
- The overall attitude of customers is generally very positive;
- Eighty three per cent are satisfied with the service overall, (2003–04 eighty four per cent);
- Expressed dissatisfaction reduced from 6 per cent (2003–2004) to 3 per cent;
- A majority of customers remain very satisfied – the proportion of those very satisfied increasing by three percentage points since the 2003–04 survey from 55 per cent to 58 per cent;

- Two thirds of customers are prepared to speak highly of the DCS to other people, with almost a quarter (23 per cent) saying they would do so unprompted;
- DCS is seen as a responsive organisation, with a clear majority of customers considering that DCS listens to them;
- Around three in five customers also agree that the DCS provides them with an efficient service, recognises them as an individual, and treats them with respect; and
- The general consensus among those who are able to comment is that the DCS has got better or stayed the same over the last two years.

The improvements and successes we have achieved is further evidence that despite all of the difficulties and pressures we know can get in the way of delivering quality services, progress can still be made.

Figure 2
Overall service satisfaction

Q. Overall, how satisfied or dissatisfied are you with the service you currently receive from the DCS?



Base: All respondents: 2003/04 (6,390); 2005/06 (6,707)
Source: MORI

Improving the Experience for Our People

“For us to succeed our staff must feel part of what we are setting out to achieve, feel valued and be supported in ways that help them deliver our service more easily than at present”

Terry Moran, Chief Executive
March 2005

So how did we do then?

We set out to develop plans to increase the professionalism of our service so that all Decision Makers will be independently accredited for their knowledge and skills in the administration of our service.

During the first phase of developing our independent accreditation system Professionalism in Decision Making and Appeals (PIDMA) we have:

- Appointed the University of Chester as our independent, external accreditation partner;
- Developed the new work-based learning programme for Decision Makers (DM) and their Higher Executive Officer DM Specialist Managers;

- Devised the accreditation scheme, which includes the basis for qualification; and
- Developed the prototype new ways of working, which underpin the scheme.

We also said we would invest in new supporting IT that will enable Decision Makers to arrive at decisions on complex cases more easily and consistently (Customer Case Management). Phase 1 of the Customer Case Management trial is taking place at Bootle, Manchester and Warbreck House Blackpool. Further detail can be found at page 44.

A series of Myers Briggs[®] team events were commissioned to improve the effectiveness of our management teams by identifying better ways of working together and generating individual and team actions for growth that will help them meet current and future challenges. Eighty-five per cent of these have been completed.

Our 'People Strategy' has been developed to enable the creation over time of a more flexible professional better-supported workforce.

Development of the People Strategy

Phase 1 of the People Strategy was completed on schedule at the end of March 2006.

We carried out a consultation with staff and used their feedback to identify the key components of the Strategy, which are to:

- Define and deliver a culture that reflects Disability and Carers Service values, supports new ways of working and creates a great place to work so staff feel valued as individuals and in their role;
- Drive a strong customer service ethos throughout the business to enable us to meet our customer needs;
- Develop effective leaders and managers who will drive our business transformation and create a sense of purpose and direction leading to the achievement of our business objectives;
- Develop and implement a structure which supports our new ways of working, delivers efficiencies and is flexible enough to meet business demands;
- Define and recognise core skills in which we need to invest and at which our organisation needs to excel to be successful and restructure our workforce accordingly; and
- Improve performance and continuous improvement throughout the business to enable us to deliver our strategic objectives.

*Myers Briggs is a model of personality which provides a way of helping to identify an individual's preferred way of thinking and behaving.



The Strategy will help staff be clearer about rights and responsibilities and the DCS values and aims to make Disability and Carers Service an employer of choice. Work roles will be redesigned, enabling staff and managers to be clearer about what is expected of them and it will be easier to recognise and reward effort and achievement. Communications will be improved with more active and open listening and engagement with staff. Our 2004 staff survey identified important messages about leadership, management and communication of change: the People Strategy will drive activities to support and improve in these areas for staff and managers. Successful delivery of the strategy will support an improvement in managers' capability.

Learning and Development

We want the Disability and Carers Service to develop into a learning organisation. A network of Learning and Development Advisors is now deployed across business units to support managers and staff in identifying training needs and providing solutions.

Our overall investment in learning and development last year averaged £200 per person; in addition to this 311 people began working towards Scottish/National Vocational Qualifications with 157 people gaining a qualification in this year and we have supported 18 people undertaking the Foundation Degree for the Civil Service, which was developed by the National School for Government.

Through Learning and Development in 2005–06 we:

- Supported the redeployment of staff from Sutton Disability Benefit Centre by providing career management and IT training;
- Researched, developed and delivered a full training programme for new and existing Disability Benefit Unit operational staff within the required timescale, allowing smooth transfer of work from Sutton Disability Benefit Centre;
- Developed a new programme for Disability Living Allowance/Attendance Allowance team leaders using a combination of modern and traditional learning approaches to provide a modular programme to meet individual needs;
- Supported the development of the Disability Contact and Processing Units by conducting learning needs analysis across 1792 staff to identify the training required to provide a fully skilled and flexible work force; and
- Developed a diagnostic tool for staff and line managers to identify priority IT skills training needs. Staff were given greater access to e-learning to improve their IT skills via an approved contract with an external supplier, 'Happy Computers'. Once a 'licence' has been issued to an individual they can access the products from a work or home PC, providing a flexible approach to learning.

Well Being at Work

Disability and Carers Service has increased the awareness of Well Being at Work across the department to help towards reducing work related stress, and addressing concerns identified in the 2004 Survey. Activities include:

- A network of Well Being at Work champions supporting managers to drive policy procedures, co-ordinate local activity to feed into central Disability and Carers Service and to share best practices;
- An Occupational Health Forum was set up with key business stakeholders to address overarching areas of concern and work together to create a healthier organisation;
- The Well Being at Work team has supported various initiatives including national no smoking day, healthy eating options and investigation into health screening;
- The development of a website linking to many external help groups; and
- The introduction of Notice boards and leaflet issues to provide a wealth of information for people.

We will be looking to build on this success over the coming year with the 2005 Survey results, addressing areas of concern and providing a co-ordinated streamlined approach across the business.

The Disability and Carers Service has procedures for consulting its trade unions and supports staff representation in the workforce by trade union representatives.



Diversity

We encourage all to value diversity and over the last year have undertaken work to ensure compliance with age discrimination and introduced initiatives to support the requirements of the Disability Discrimination Act. Diversity road shows were organised across Disability and Carers Service and each of our Executive Management Team champions an area of diversity.

Pilots have been set up in Leeds Disability Benefit Centre and a processing unit at Warbreck House to test a new process for providing reasonable adjustments for our staff.

The Leeds Pilot

The Leeds pilot began in August 2005, with the aim of improving the service of providing reasonable adjustments for disabled colleagues. A new streamlined process was designed and developed with colleagues from the Department for Work and Pensions to achieve this aim.

The Disability and Carers Service Diversity Team provided education talks to all line managers prior to the start of the pilot. The local Disabled Person's Officer acted as the coordinator working with internal and external partners to ensure success. As a result the most appropriate specialist equipment was consistently procured within a much quicker timescale and positive feedback was received from both staff and line managers.

The Warbreck Pilot

To test the process further an additional pilot was introduced at Warbreck House a much bigger site, where all 2,709 staff were included. Again results were favourable with colleagues benefiting from the closer working with Atos Origin and LSTrillium. Although the pilots ended on 31 March 2006, the relationships built are being maintained, with both LSTrillium and Atos Origin keen to work with Disability and Carers Service to provide an improved customer service. A full evaluation of this process is being undertaken at Departmental level to determine revised requirements, if any, before further roll out.

Immediate benefits to Disability and Carers Service have been more staff at work rather than waiting for specialist equipment to arrive; an enhanced understanding of partners' roles and best practice being adopted at other Disability and Carers Service sites.

DCS People in the Community

Community 500

This was an initiative to enable our people to gain a meaningful insight into the lives of disabled people so we can serve our customers better. Nearly 700 of our staff, from the Chief Executive through all levels of staff across the Agency, took part in our volunteering initiative, Community 500, spending at least a day in the community working directly with customers and representatives of organisations who are in day-to-day contact with disabled people and carers. The whole experience was a real success for all involved and many of our staff have gone on to maintain their involvement in volunteering. We intend to run the initiative again in the coming year.

And what did our volunteers think?

"Learning more from customers about customers strikes me as very worthwhile, this was a good idea and I wanted to be associated with it"

"I learnt a lot, it showed me how much disabled people can benefit from the slightest help...and how small things make a big difference I benefited from this experience a great deal..."

"I learnt that this benefit (DLA) is crucial to some people's quality of life"



Of staff on the Community 500 initiative 68 per cent indicated that their experience has given them the incentive to develop their skills.

94 per cent of staff indicated that they had an enjoyable worthwhile experience.



Working with Partners and Stakeholders

So how was it for you?

In 2005–06 we worked with the Department for Work and Pensions colleagues to improve the Partnership Agreement with Jobcentre Plus; developed a Partnership Agreement with the Tribunals Service (previously the Appeals Service); renegotiated the contract with Medical Services; undertook a joint project with The Pension Service to improve the customer experience for shared customers and held joint Board meetings with The Pension Service to consider improvements to customer service.

To facilitate early consultation with partners from the voluntary and community sector at a national level we have developed a structure to promote early consultation through the Disability and Carers Service Advisory Forum and joint development and testing of some initiatives. Working more closely with partners has meant our reputation for meaningful consultation is much improved.

We have also:

- Developed a secure intranet site for consultation with representatives of customer groups;
- Improved the way we consult with customers, holding a number of consultation events including the Disability and Carers Service Advisory Forum and the Family Carers' Group;

“We want to work closely with our partners, consult them early and understand their aspirations and constraints so that together we can provide our shared customers with the best possible service.”

Kim Archer, Customer and External Relations Director
March 2005



- Developed proposals for working more closely with Local Authorities and voluntary organisations to provide a better experience for our shared customers;
- Made notable progress over the past year in improving the customer experience by involving our voluntary and community sector partners in our work;
- Been in discussion with the Voluntary and Community Sector, Local Authorities and other Agencies to consider opportunities for closer working and linking up service delivery in a more efficient and customer-focused manner; and
- Continued local outreach activities whilst developing a more strategic outreach programme.

The Disability and Carers Service Advisory Forum provides an important contribution to the work of Disability and Carers Service and we use it as our early consultation forum on changes to improve the customer experience. It has been expanded to include representatives of carers and children's organisations. It has provided input to our claim form redesigned to support Customer Case Management, the review of Disability and Carers Service leaflets and the design of the Disability and Carers Service Internet Site. In addition to this specific issue, consultation meetings have been held on a range of subjects such as e-services and medical guidance being used in the Customer Case Management.

The Disability and Carers Service Advisory Forum is helping us to understand our customers who we can serve better for example those with hearing impairments and those with mental health problems.

Family Carers' Group is a group of external organisations who represent customers with disabled children and caring responsibilities. They include representatives from voluntary organisations, such as the National Autistic Society, National Children's Bureau, Contact a Family and Mencap. Feedback is sought from the group regarding accessibility and awareness issues. Key improvements noted were that less people are phoning to ask for help due to the improvements to Helpline services and that the Advisors Line is particularly useful.

Disability and Carers Service is represented in a wide range of events across the UK, meeting customers and their representatives e.g. Department for Work and Pensions Annual Forum, Department for Work and Pensions Disability Forums and Department for Work and Pensions Ethnic Minority Forum. External events such as Independent Living Exhibition and Motability Roadshows are attended along with more localised meetings with Citizens Advice and Welfare Rights workers.

CA "Hidden Carers"

Pat Monaghan's story

My task as Carer's Allowance Outreach Manager is to reach "hidden carers" across the UK and give them correct and consistent information on Carer's Allowance. I have developed Partnerships with councils, health authorities and local and national voluntary organisations including Carers UK and the Princess Royal Trust for Carers.

It's strange how events and requests snowball by word of mouth. Attending the launch of Carers' Rights Day led to working with Crossroads. Plans have also been made to include Carer's Allowance training sessions for Macmillan and link into their newsletters and websites.

My role was created as a response to the 2002 Charter Mark awarded which highlighted concerns over the lack of evidence to support "Contributing to improving opportunities and quality of life in the communities you serve". We have recently been awarded our 4th accreditation with distinction and received two best practice acknowledgments in this category.

There's a long way to go to reach all those "hidden carers" but I trust my work is contributing to finding them through strong partnerships with other organisations.

And what do our partners think?

"I manage a team of visiting officers who go out and check people's benefits...I know that our officers liaise quite closely with yours...They have a good working relationship and if there is any further information needed they will work together to know what is necessary to get benefits paid...It's very good"

Beverley Lewis, Cardiff County Council

"People rightly expect a lot from public bodies. They expect courtesy and professionalism from their staff, alongside efficiency and accuracy of decision making. When things go wrong, they want this to be readily acknowledged and put right.

"Most people who deal with the Disability and Carers Service have no cause to complain and, even when problems arise, they are soon sorted out. But not everyone has this experience and the Independent Case Examiner's Office exists to look into complaints of this kind. Over the last few months, my office has worked with the Service to establish an independent review process for its customers, who are amongst the most vulnerable in our society.

"It is very early days, but my overall impression is that the Service has the strength of leadership to recognise that mistakes can and do happen; to say sorry; and to learn. To this end, the Service has co-operated with my office in trying to resolve complaints referred to me and has responded positively to the recommendations I have made to date, both to provide redress for individual customers and to improve the way things are done. There is no better way to demonstrate commitment to customer service."

Jodi Berg, Independent Case Examiner



Creating and Delivering an Efficient Modern Service

“We will deliver greater consistency in our performance, and the methods by which results are achieved; by simplifying our business processes, investing in and improving our infrastructure and increasing the share of our resources in customer-related activities”

DCS Business Plan 2005–2006



So what has been done so far?

Significant progress has been made over the last twelve months working to deliver key initiatives and focus on the challenges ahead. The Transformation Map has been developed to support delivery of the Target Operating Model. Whilst there have been delays to the delivery of strategic IT, extensive work has been undertaken with colleagues in the Benefit Processing Replacement Project to develop strong working relationships to move forward. Where delays have impacted delivery of some anticipated improvements, the Early Engagement Team is now developing compensatory tactical solutions. A range of process changes including changes to claim forms and electronic products such as medical evidence reports been developed and introduced.

In 2005–06 we also:

- Developed and tested a new Decision Making process for Disability Living Allowance – Phase 1 of Customer Case Management Project;

- Successfully managed the transfer of work and the redeployment of staff at Sutton Disability Benefits Centre which closed in December 2005;
- Started the process of Carer’s Allowance modernisation by implementing a small contact centre; and
- Restructured the Disability Benefits Unit into the Disability Contact and Processing Unit.

All of which are contributing to the creation and delivery of an efficient modern service.

“ I cannot emphasise sufficiently how impressed I am with the promptness and efficiency of your service. The letters are clear and the whole process is done with virtually no delay” DCS Customer

“I would like to say your service is excellent and the time taken to deal with my claim was very quick indeed” DCS Customer

Customer Case Management

We have developed and tested new ways to support the Decision Making process for Disability Living Allowance including a new structured claim form that is easier to use for customers and staff, new medical guidance, new training and an IT platform. This is currently being piloted in our Manchester and Bootle offices and we will be evaluating results in the near future. By introducing Customer Case Management we aim to improve consistency of process and outcomes. This project is a primary enabler for significant internal efficiencies and customer service improvements.

Successfully managed the transfer of work and the redeployment of staff at Sutton Disability Benefits Centre which closed in December 2005

Our office in Sutton, employing 360 people, closed on 31 December 2005 as part of the efficiency programme. The work migrated to one of the Processing Units at Blackpool. It was a difficult year for our colleagues in Sutton and happily all staff who chose not to take early retirement, successfully found jobs within the Department or elsewhere and the closure was completed without any compulsory redundancies. The staff worked supportively and with commitment in continuing to provide a good service to our customers.

Restructure of the Disability Benefits Unit into Disability Contact and Processing Units.

After several months of careful planning, 23 January 2006 saw the introduction of the newly formed Disability Contact and Processing Units. This is a key stepping stone in our modernisation programme. The Units were created because our current processes focused on what was convenient for the business rather than the customer. There was evidence of in-efficiency and too many handoffs.

One important feature of the new structure is the opportunity it provides to forge closer links with the Disability Benefit Centres serving the same geographic area, so that we take a more holistic view of our processes and our customers. Phase 1 saw the restructure of the Disability Benefit Unit into six units, four of which are aligned to the Disability Benefit Centres, one Pathfinder Office dealing with New Claims and ongoing maintenance of cases for people living in South East England and the sixth unit being the DLA/AA Helpline and Benefit Enquiry Line. We have taken the first transition step towards our longer term modernisation plans supporting our four strategic objectives of improved customer experience, improved staff experience, improved partner experience and improving efficiency.

We have been trialling a desktop based work allocation tool that enables team leaders to allocate work to their teams based on agreed priorities, and according to skills, experience and availability of individual team members. It supports the early identification of training needs and gives people the chance to show what they are achieving.

One inevitable consequence of any major change is that work is disrupted for a while, however the new units have been performing well thanks to the effort of staff and managers.

Phase 2 will see us taking a further step and working towards a Standard Operating Model by the introduction of standardisation across all the geographical units.

Carer's Allowance Unit Contact Centre Pathfinder

This went live on 29 March 2006 after several months of careful planning and is another exciting step in designing our services for the future. The new Contact Centre floor will be an early opportunity to test the future Carer's Allowance Unit organisational structure. Staff will deal with all calls from carers and other parties including staff from across the Department for Work and Pensions for a small part of the Carer's Allowance Unit caseload. They will take and deal with many changes at the point of contact. Calls for the Customer Service Team will also be handled in the Contact Centre. We are building this new structure on the basis of results from customer surveys over the years. The staff in Carer's Allowance Unit already provide a very good service but setting up this Contact Centre will ensure we build on that and continue to improve service in line with the Customer Promise to **treat our customers and their representatives with respect and deliver an accessible accurate and efficient service, keeping our customers informed, listening to and learning from what they tell us.**

It also gives us the opportunity to use advanced telephony similar to our DLA/AA Helpline across the business. This will for the first time provide management information about telephone calls to the Carer's Allowance Unit which is essential for future organisational planning.

Link between Disability and Carers Service and the Driver and Vehicle Licensing Agency

In March 2006 we established a link between Disability and Carers Service and Driver and Vehicle Licensing Agency, enabling customers who are entitled to the higher rate of mobility component to renew their road fund licence via the internet or telephone in addition to the existing Post Office option.



Resources

“The transformation of DCS links with the need to live within progressively tougher resource levels agreed with the Department and Treasury. We must therefore deliver a high quality service with a smaller more capable workforce operating in a more efficient manner”

DCS Business Plan 2005–2006

So are we becoming more efficient?

There has been significant progress in transformation over the last year despite rising workloads and employing fewer staff. However, workloads have risen less sharply than had been anticipated which has provided more capacity than expected to improve customer service quality and to manage the Agency's transformation.

DCS over the course of the last financial year has again managed its total administration expenditure within the funding allocation devolved to it by the Department for Work and Pensions.

Since March 2004 in the corporate drive to improve efficiency through reduced staffing levels we achieved our target reduction of 742 staff.

Efficiencies are being targeted across the Agency's Operational and Support areas to create a culture which embraces ongoing productivity improvements and cost controls.

As an additional measure to improve our customer service delivery we have restructured several of our support functions to maximised the availability of front-line staff, aiming for a support structure that represents no more than 15 per cent of the workforce. Support services whilst important are present to support the main area of business – operations.

During the year we continued our drive to increase the proportion of our staff directly providing services to customers. This proportion increased over the year from 77 per cent to 80 per cent.

Increase in percentage of staff on front-line services

Figure 3
Direct v's Indirect Staff Mix
Comparison 2004 to 2008



We also set up a specific team to undertake production of Business Cases and divided Project Support between Project Management Office and Finance to ensure appropriate financial and management information underpins projects.

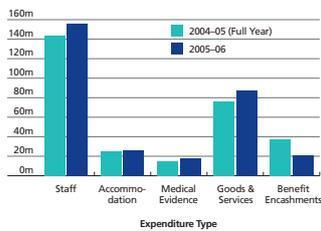
Disability and Carers Service administration expenditure

The charts on the next page show the analysis of Disability and Carers Service 2005–06 administration expenditure and a comparison to the previous financial year. The Agency has been allocated a share of the overall Department for Work and Pensions expenditure for benefit encashment costs and an amount in respect of outsourced accommodation costs for the Disability Contact Processing Units and Benefit Centres, Carer's Allowance Unit and other Disability and Carers Service occupied premises.

As a consequence of improved methods of payment to our customers, our encashment costs have been reduced by 43 per cent.



Figure 4
Administration Expenditure Comparison



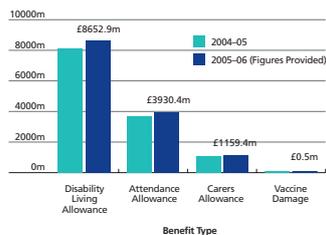
Introduction of phase 1 of the Resource Management System

In February 2006 Resource Management, a new IT system for Finance, Project Accounting, Procurement and staff expenses went live on time and on budget in Disability and Carers Service. This will enable the wider changes we need to make for more modern and efficient processes in support of Human Resources and finance activities. As more functions within Resource Management roll out, a lot of paper-based processes will be removed freeing up more time to deal with more value adding activities in support of customers.

Disability and Carers Service paid nearly £14 billion in Disability Living Allowance, Attendance Allowance and Carer's Allowance benefits payments in 2005-06. The overwhelming majority was paid correctly. However some payments are made incorrectly and are classed as 'Official Error'. We are taking steps to put this right and initiatives developed under the Disability and Carers Service Programme Correctness Strategy will address some of the main causes of error within our organisation and as part of the Department for Work and Pensions Official Error Task Force we are working jointly with colleagues from Jobcentre Plus, The Pension Service and Fraud and Error Strategy Group to address cross-benefit causes of official error.

Disability and Carers Service benefit expenditure

Figure 5
Benefit Expenditure Comparison



Development of Programme Correctness Strategy

The findings of the National Benefit Review published on 14 July 2005 were as follows:

£730m overpaid – 9.1% of total benefit expenditure broken down into:

Fraud	£40m – 0.5 per cent of total benefit expenditure
Change in customer Circumstances	£630m – 7.8 per cent of total benefit expenditure
Official error	£60m – 0.8 per cent of total benefit expenditure
£200m underpaid	– 2.5% of total benefit expenditure

This led to the development of our Programme Correctness Strategy, which documents initiatives that aim to improve quality. The Strategy is based on the model of "Getting it right, keeping it right, Putting it Right." Part of the Strategy is the development of a Disability Living Allowance/Attendance Allowance Checking Regime that will support better quality and accuracy of decision-making. A Senior Manager Quality Champion has appointed to take this forward.



Governance

Disability and Carers Service operates within a Governance Framework focused upon effective management and control of our business. We have a system of processes in place designed to provide clear accountability, helping ensure that public funds are safeguarded. Ultimately it also helps us achieve our business objectives. A sound system of governance makes certain we:

- Respond appropriately to significant risks to our operational objectives;
- Comply with applicable laws, regulations and policies;
- Ensure individuals are accountable for their responsibilities; and
- Maintain a high quality of internal and external reporting.

Planning and Risk Management

An integrated strategic and operational plan has been introduced into the Agency together with a balanced scorecard to measure performance, reporting against critical success factors and key performance indicators.

Our risk management process is clearly linked to meeting our objectives and is built into all of our planning, management and reporting systems. Exposure to some risk is necessary if we are to achieve our goals and transform our business.

During the year, Internal Audit assessed our controls and risk management and gave us substantial assurance. This is the result of a serious and determined effort to effectively deliver our services within specified processes and controls.

Sustainable Development

DCS is committed to embedding sustainability into our policy and decision-making processes and a basic screening tool is in use as a prompt when impacting for change. Working through our Outreach Programme ensures we are working more closely with communities to meet their current needs and those of future generations. We are actively considering long term initiatives and in 2005–06 we:

- Worked with our landlords to look at reducing our environmental impact;
- Worked on a major programme to deliver new and more efficient IT/ Telephony systems to offer customers improved choice on contact/claim options; and
- Invested in the design and delivery of our services, both in staff training and location.



Remuneration Report

ACCOUNTS



Remuneration Policy

The remuneration of Disability and Carers Service Board Members who are senior civil servants is determined by a Pay Strategy Committee chaired by the Department's Permanent Secretary, and also comprising the Department's Human Resources Director, the Chief Executive of Jobcentre Plus, and a Non-Executive Director of the Department. The committee follows independent advice from the Review Body on Senior Salaries.

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

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

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

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

Service Contracts

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

The officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials of the Disability and Carers Service.

Remuneration

	Salary	2005-06 Benefits in kind (to nearest £100)	Salary	Full year equivalent salary	2004-05 Benefits in kind (to nearest £100)
	£'000	£	£'000	£'000	£
Terry Moran Chief Executive	105-110	0	35-40	85-90	0
Vivien Hopkins Chief Operating Officer	85-90	1,500	30-35	70-75	700
Kim Archer Customer & External Relations Director	65-70	0	25-30	60-65	0
Martyn Craske Business Design & Change Director	70-75	2,500	25-30	70-75	800
Stuart McKinnon-Evans [®] Finance Director	65-70	0	n/a	n/a	n/a
Steve Monk Human Resources Director	60-65	0	20-25	50-55	0
Stuart Munslow ¹ Finance Director	10-15	600	30-35	70-75	600

The remuneration of Kevin Bone, Information Systems Director, is an operating cost of Jobcentre Plus where he is also a director. It is therefore disclosed in the Remuneration Report of that agency of the Department, and not here. The remuneration of Bruce Calderwood, Disability and Carers Client Group Director, is included as an operating cost in the accounts of the Department for Work and Pensions, but not of the Disability and Carers Service. It is therefore not disclosed in this Remuneration Report.

Salary

Salaries quoted relate solely to the period during the year when the individuals concerned served on the Disability and Carers Service board of management.

[®]Figure quoted is for the period from 13 June 2005 to 31 March 2006. The full year equivalent is £75-80k.
¹Figure quoted is for the period from 1 April 2005 to 12 June 2005. The full year equivalent is £70-75k.

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

Benefits in Kind

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

Pension Benefits

	Accrued pension at age 60 as at 31/03/06 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	Cash Equivalent Transfer Value at 31/03/06 £'000	Cash Equivalent Transfer Value at 31/3/05 £'000	Real increase in Cash Equivalent Transfer value £'000	Employer's contribution to partnership pension account nearest £100
Terry Moran Chief Executive	30-35 plus 100-105 lump sum	2.5-5 plus 7.5-10 lump sum	528	364	43	-
Vivien Hopkins Chief Operating Officer	30-35 plus 100-105 lump sum	0-2.5 plus 5-7.5 lump sum	729	552	41	-
Kim Archer Customer & External Relations Director	20-25 plus 70-75 lump sum	0-2.5 plus 2.5-5 lump sum	417	306	18	-
Martyn Craske Business Design & Change Director	0-5 plus 0-5 lump sum	0-2.5 plus 0-2.5 lump sum	22	5	14	-
Stuart McKinnon-Evans Finance Director	5-10 plus 5-10 lump sum	0-2.5 plus 0-2.5 lump sum	98	59	17	-
Steve Monk Human Resources Director	20-25 plus 65-70 lump sum	0-2.5 plus 5-7.5 lump sum	401	282	35	-
Stuart Munslow Finance Director	25-30 plus 75-80 lump sum	0-2.5 plus 0-2.5 lump sum	545	506	0	-

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement). None of the directors of the Disability and Carers Service currently holds a partnership pension account.

Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A Cash Equivalent Transfer Value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the

individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The Cash Equivalent Transfer Value figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own costs. Cash Equivalent Transfer Values are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the Cash Equivalent Transfer Value were revised on 1 April 2005 on the advice of the Scheme Actuary. The Cash Equivalent Transfer Value figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the Cash Equivalent Transfer Value figure for 31 March 2006.

Real increase in Cash Equivalent Transfer Value

This reflects the increase in Cash Equivalent Transfer Value effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-executives

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

	2005-06 Total Fees and Expenses £'000	2004-05 Total Fees and Expenses £'000
Peter Lehmann	13	13
Kate Nash	4	-

Signed



Terry Moran
Chief Executive
5 July 2006

Statement of the Chief Executive's Responsibilities

Under the Government Resources and Accounts Act 2000 section 7 (2), the Disability and Carers Service is required to prepare accounts for each financial year, in conformity with a Treasury Direction, detailing the resources acquired, held, or disposed of during the year and the use of these resources by the Disability and Carers Service during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Disability and Carers Service, of its income and expenditure, recognised gains and losses and cash flows for the reporting period.

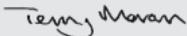
In preparing the accounts, the Disability and Carers Service is required to comply with the 2005/06 Financial Reporting Manual (FRM) issued by HM Treasury, and in particular to:

- Observe 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 FRM, have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Disability and Carers Service will continue in operation.

The Principal Accounting Officer of the Department for Work and Pensions has appointed me as the Accounting Officer for the Disability and Carers Service. My relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Disability and Carers Service's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Government Accounting.

Additionally, I confirm that, so far as I am aware, there is no information relevant to the audit of the accounts of which the auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the auditors are aware of that information.

Signed



Terry Moran
Chief Executive
5 July 2006

Statement on Internal Control

1. Scope of Responsibility

1.1. As Disability and Carers Service (DCS) Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of DCS policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

1.2. My letter from the Permanent Secretary dated 1st December 2004 fully defines my responsibilities as Agency Accounting Officer, which states that I am responsible to the Secretary of State and Parliament on the Agency's use and propriety of its resources. These accountabilities will be updated to reflect that I am now a member of the DWP Executive Team (ET), to ensure alignment with the Departmental Framework and to meet the requirements of the Permanent Secretary's review of all DWP Accounting Officer letters when the review is completed in June 2006.

2. The Purpose of the System of Internal Control

2.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of DCS policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DCS for the year ended 31 March 2006, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

3.1. I manage and provide leadership on the Agency's risks with my Executive Management Team and support from the DCS Planning and Risk Management Team.

3.2. DCS has adopted the DWP Risk Management Policy and strategy as its own and is also developing a combined planning and risk strategy. DCS also adheres to the standards and common language of risk in line with the Executive Team directive to support a common methodology.

3.3. The effectiveness of the risk management process is reviewed regularly at DCS Executive Team and Audit Meetings. The DCS Planning and Risk Management Team provide training, awareness and support to the network of managers who support Directors to identify and manage their risks.

3.4. Managers are routinely involved in risk workshops organised by the Change Programme Management Office where good practices are identified, shared and brought back into the business.

4. The Risk and Control Framework

4.1. The Agency has developed an overarching Management Framework, setting out the principal management systems, processes and tools, which govern DCS performance. The risk management process is an integral part of this Framework.

4.2. Risk management processes in the DCS are generally well regarded within the Department and specifically by Risk and Assurance Division (RAD) – Internal Audit. However, I am keen to keep the focus on the substance, rather than the process of risk management. I believe that significant progress has been made this year to align risk management with business planning and performance management, and it is important that this integration is strengthened going forward. We will continue to ensure that risk management is part of everyday activity rather than perceived as over-bureaucratic and formalistic, and I will be ensuring forthcoming DWP proposals about changes in risk management methodology are in that spirit.

4.3. There is an Agency strategic risk register and Directors' high level risk registers are in place and are regularly reviewed by my Executive Team and their managers.

4.4. Risks are identified at all levels of the business and managed at the most appropriate level. Any risk that cannot be effectively managed within the business is escalated to the DCS Executive Management Team. Risks that cannot be adequately managed by the Agency are elevated to the DWP Executive Team, although this has not yet been necessary.

4.5. Risk strategy and policy is formally reviewed every six months but in practice DCS continuously reviews and refines its approach to risk management.

4.6. RAD – Internal Audit have confirmed the Risk Assessment Framework Self-Assessment scores for 2005/6. These demonstrate an overall improvement in the Agency's approach to, and application of Risk Management. In addition, the recent RAD – Internal Audit Review of Risk Management within DCS carried a Substantial Assurance opinion.

4.7. Whilst high level risk identification and management is effective within DCS I have recognised that more attention could be given to timescales and tangible measures of progress in implementing mitigation actions.

4.8. Public stakeholders are involved in the risk management process through the Disability and Carers Advisory Forum. Its remit specifically includes advising on aspects of the Change Programme so that DCS can ensure that service delivery meets the diverse needs of the Agency's disabled customer base. In addition, stakeholders are directly involved in all Customer and External Relations Directorate (CERD) initiatives, which identify the needs of disabled customers.

4.9. The Business Change Management Team support Agency operations by assessing and providing assurance on the impact of all significant changes to products and services will have on the business. It reviews all such changes at each stage of development, ensuring that the final solutions fit with service delivery objectives. This arrangement enables the Agency to successfully manage forthcoming changes whilst maintaining normal business. We aim to achieve this by:

- Assessing and predicting the Agency's operational capability to successfully deliver change whilst meeting the performance agenda;
- Assessing and reporting the risks facing successful delivery of Agency objectives.

4.10. We use business intelligence to provide comprehensive, honest analysis and input to a wide variety of formal and informal meetings within and external to the Agency. This supports senior managers to make informed decisions.

5. Review of Effectiveness

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

5.2. The scope of RAD, Internal Audit work is based on wide ranging consultation with DCS and DWP customers to enable them to identify and prioritise business processes and areas for review.

5.3. They adopt a risk based planning approach which aligns their assurance plan to strategic risks drawn from the Agency's and DWP's maturing risk registers.

5.4. During the year the Agency was the subject of a Select Committee review of Agency performance (as part of the control and scrutiny framework), which provided further impetus for a review of Agency performance, risks, and potential control issues.

5.5. The Departmental Framework was launched in November 2005 refocusing the accountabilities between Agency Chief Executives and Director Generals. Seeking to bring DCS structures in line with those at departmental level I have initiated a full review of the Agency accountabilities. Work is continuing to fully understand crosscutting accountabilities and embed the changes introduced with the relaunch of the Departmental Framework.

5.6. A review focusing on the development of governance arrangements has gone some way to clarifying the roles of key decision-making bodies in DCS and strengthened Directors' accountabilities and roles as summarised below.

5.7. The Permanent Secretary has introduced Accountability Reviews with each member of ET. These will be held three times each year where I and all my Directors formally meet with the Permanent Secretary to account for performance, efficiency and milestone achievements. The first of these meetings took place in March 2006.

5.8. The role of the **Strategy and Performance Committee** is to:

- Identify and monitor key business risks for the Agency and Work, Welfare and Equality Group (WWEG) Directorate, in particular shared risks, and develop or support strategies for managing them;
- Provide the Agency with relevant steers on delivery and customer strategies and identify and develop appropriate annual performance targets and the necessary strategies to support this; and
- Monitor the performance of the Agency against its agreed targets and the work on policy on Disability & Carers benefits to ensure that it achieves its required outcomes.

5.9. The role of the **DCS Board** is to:

- Advise and support me as Chief Executive in developing a strategy and overseeing plans for meeting the objectives and targets of the Agency;
- Review and monitor DCS plans and activities, bringing an external perspective, and;
- To consider major expenditure proposals.

5.10. The role of the **Audit Committee** is to support me as the Accounting Officer by monitoring and reviewing both the risk, control and governance processes which have been established in the organisation, and the associated assurance processes.

This is achieved by introducing an independent perspective and a process of constructive challenge,

5.11. Managing headcount and coping with morale issues in a time of significant change and uncertainty is something that is occupying increasing amounts of my and my managers' time. Effective communications remains a key to maintaining morale here.

5.12. Progress against the DCS Business Plan is measured through the DCS Balanced Scorecard which has been developed during the year. The Scorecard measures the performance across the Agency by reporting against the Critical Success Factors (CSFs) and Key Performance Indicators (KPI's) to show an Agency wide view of performance.

5.13. An investment in advanced telephony, and contact centre management practices, new performance standards and better deployment of resources to match response to demand has led to a transformation of Helpline services. More changes of circumstances are being handled over the phone, resulting in fewer customers having their call transferred to another part of the Agency or having to write to us about their business, and more transactions being processed immediately after the call.

5.14. All operational practices have been reviewed and the work has informed the restructuring of operations, with the closure of the Disability Benefit Unit (DBU) and the introduction of newly formed Disability Contact and Processing Units (DCPU) geographically aligned to the regional Disability Contact Centres.

5.15. This has been a radical re-organisation into more streamlined units handling most work in single teams with some added specialisms. This was a high risk but essential initiative, and one that the Agency controlled well.

5.16. The new units were created because our current processes were focused on what was convenient for the business and not the customer.

5.17. By restructuring we have taken the first transition step towards our longer term modernisation plans.

5.18. Controls around the Sutton Closure have proved largely robust in practice with no negative impacts on customers – although lessons have been learned.

5.19. The Change Programme has been restructured to enable it to operate in a leaner environment but with key posts filled to enable the modernisation agenda to be driven forward. The

governance arrangements have been revised accordingly. RAD – Internal Audit provided a substantial level of assurance on the risk management of the Programme.

5.20. DCS has already committed itself to a programme correctness strategy to reduce the proportion of cases that are paid incorrectly following the findings of a National Benefit Review which confirmed significant areas where there is scope for savings due to changes of circumstance.

5.21. As part of this, the internal regime to assess the quality of the decisions made on customers' entitlement to benefit is being revised for next financial year. The revisions will offer the potential to develop a robust monetary value of error target and measure which was not possible using either of the previous Accuracy performance measures. There will be more focus on the impact on the customer and the correct payment of benefit.

5.22. DCS has a challenging and responsible role to play in ensuring that claims for Disability Living Allowance (DLA) and Attendance Allowance (AA) are managed efficiently, consistently and with regard to the relevant legislation and standards. By developing Professionalism in Decision Making and Appeals (PIDMA) I am responding positively to recommendations made in the National Audit Offices (NAO) report on decision-making and recognising the significant expertise and knowledge of my staff.

5.23. Phase 1 of the Customer Case Management (CCM) test was extended to enable more data to be gathered so that evaluation, led by Operational Research (OR) would be statistically valid. Following discussion at my Executive Management Team (EMT) and agreement by Programme Board, it has been decided that CCM will continue to run at Bootle, Manchester and Warbreck House beyond 31 March 2006.

5.24. DCS has signed up to a number of partnership agreements with other government Agencies.

5.25. Each agreement is reviewed on an on-going informal basis with a formal review taking place every twelve months.

5.26. To ensure that the partnership agreements run smoothly each Agency is responsible for notifying any disputes immediately through the liaison arrangements.

5.27. If a dispute cannot be resolved locally, each partnership agreement has a clearly defined escalation route to follow to seek resolution.

5.28. DCS, via the CERD Partnership Team, continues to monitor and review progress and performance against the agreed standards within each partnership agreement, alerting the business immediately to any issues that are likely to impact on service delivery to allow business contingency arrangements to be invoked.

5.29. DCS is heavily reliant on other businesses to help accomplish its objectives particularly for face-to-face customer contact and the identification of potential DCS customers from within the existing DWP customer base.

5.30. My management team and I acknowledge the difficulties for DWP partners to meet the service level requirements in existing partnership agreements at a time of change and the need to meet efficiency gains.

5.31. Uncertainties over the cost of Information Systems and Technology (IS/IT) in the wake of renewed contracts with major suppliers have an impact on my teams' abilities to forecast major elements of cost arising from investment activity in particular. This has an impact on planning the recurrent cost base of the Agency, and assessing the value for money of future investment decisions.

Risk and Assurance Division

5.32. Since the DCS gained Agency status, more RAD – Internal Audit resource than ever before has been invested in auditing DCS inevitably leading to more intense scrutiny and more control issues being identified.

5.33. RAD – Internal Audit considers that all areas of the Risk Register have been covered by RAD – Internal Audit during the course of the Audit year although clearly there will be more emphasis on some areas than others due to competing resource priorities.

5.34. Of the 27 reviews completed 0% were full, 66.67 % were substantial, 22.22% were limited, 0% were nil and there were 11.11% that although assurance levels were not deemed appropriate the findings were overwhelmingly positive.

5.35. A reconciliation of the reports and assurance levels I refer to has been completed and verified by RAD – Internal Audit.

5.36. All recommendations by RAD NAO and the Public Accounts Committees (PAC) are actively monitored to ensure implementation through my Finance Director. I have insisted that regular progress reports are sent to the DCS Board and the Disability Audit Committee for consideration.

5.37. The findings of the National Statistics Office 'Fraud, Error and Other Incorrectness in DLA' report have been considered in the context of recommendations made in the NAO's report on 'Dealing with the Complexity of the Benefit System' and the DWP Fraud and Error PAC report and are being addressed through the programme correctness strategy.

5.38. The Senior RAD – Internal Audit Manager has been involved in the assurance of this document and states that on the Audits completed in our work programme, as approved by

the Audit Committee, in my opinion the Agency has adequate and effective systems covering risk, control and governance which indicates a substantial level of assurance is justified. This means that systems were found to be basically sound but not always fully developed or consistently applied.

5.39. The nine recommendations made as a result of the NAO external audit of DCS Financial Statements have been duly noted, monitored and progressed within the business and will be revisited as part of the 2005/2006 external audit.

6. Significant Internal Control Problems

6.1. The issue raised in my assurance letter last year of an inadequate audit trail on the Disability Living Allowance (DLA) & Attendance Allowance (AA) computer system that may cause a serious control weakness has yet to be resolved. I am aware that the impact to DCS resulting from a reduced audit trail facility is a risk to the organisation and I have requested a RAD internal audit review to ensure that DCS systems remain secure, data is protected, user activity is recorded and abuse is prevented or detected.

6.2. The risk of the reduced facility has been exacerbated by the delays in a planned replacement of the Agency's benefit processing computer systems. I will be working with my senior management team over the coming months to ensure that we continue to minimise the risk to the business.

6.3. During 2005–06 we commenced roll out of the Resource Management system (RM) and this will continue through the early part of 2006–07. RM is a DWP wide system which provides the opportunity for us to deliver our business more efficiently and to improve the effectiveness of the framework of financial control within the Disability and Carers Service. A number of issues have emerged during the roll out specifically relating to non-compliance and weaknesses around audit trails. My finance team has been working closely with DWP Financial Services Directorate to ensure that plans have been developed and implemented to address these issues and to ensure that risks to our business are effectively managed.

I confirm that the key areas for improvement will be regularly monitored during the year to ensure that progress is made.

Signed



Terry Moran
Chief Executive
5 July 2006

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

I certify that I have audited the financial statements of the Disability and Carers Service for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 59 to 66 reflects the Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal

control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises pages 1–11 and pages 14–51 of the Annual Report, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- The financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2006 and of its net operating cost, recognised gains and losses and cash flows for the year then ended;

- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

The maintenance and integrity of the Disability and Carer's Service website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



John Bourn
Comptroller and
Auditor General

National Audit Office
157–197 Buckingham
Palace Road
Victoria
London SW1W 9SP

11 July 2006

Operating Cost Statement

for the year ended 31 March 2006

	Note	2005-06		for the five months ended 31 March 2005	
		£'000	£'000	£'000	£'000
Administration costs					
Staff costs	2	155,730		58,391	
Other administration costs	3	151,121		62,296	
Gross administration costs			306,851		120,687
Operating Income	6		(495)		(273)
Net operating costs			306,356		120,414

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2006

	Note	for the five months ended 31 March 2005	
		2005-06 £'000	£'000
Net gain on revaluation of tangible fixed assets	14	6	3
Net gain on revaluation of intangible fixed assets		0	0
Prior year adjustments		0	0
Recognised gains and losses for the financial year		6	3

The notes on pages 73-94 form part of these accounts.

Balance Sheet

as at 31 March 2006

	Note	31 March 2006		31 March 2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7	3		0	
Tangible assets	8	2,769		4,271	
			2,772		4,271
Debtors: Amounts falling due after more than one year	9		42		42
Current assets					
Debtors: Amounts falling due within one year	9	509		800	
Cash at bank and in hand	10	0		0	
		509		800	
Current liabilities					
Creditors: Amounts falling due within one year	11	(10,041)		(7,594)	
Net current assets/(liabilities)			(9,532)		(6,794)
Total assets less current liabilities			(6,718)		(2,481)
Provision for liabilities and charges	12	(193)		(148)	
			(193)		(148)
			(6,911)		(2,629)
Taxpayer's equity					
General fund	13		(6,917)		(2,632)
Revaluation reserve	14		6		3
			(6,911)		(2,629)

The notes on pages 73-94 form part of these accounts.

Signed



Terry Moran
Chief Executive
5 July 2006

Cash Flow Statement
for the year ended 31 March 2006

	Note	2005-06 £'000	for the five months ended 31 March 2005 £'000
Net cash outflow from operating activities	15a	(199,306)	(73,409)
Capital expenditure and financial investment	15b	(157)	(136)
Net financing from the Consolidated Fund	15c	199,463	73,545
Increase/(Decrease) in cash in the period		0	0

The notes on pages 73–94 form part of these accounts.

Notes to the Accounts
for the year ended 31 March 2006

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2005–06 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FRM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Disability and Carers Service for the purpose of giving a true and fair view has been selected. The Disability and Carers Service's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current cost.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of net current replacement cost and recoverable amount.

All computers, together with other tangible assets costing more than the prescribed capitalisation limit of £5,000, are treated as capital assets. Where an item costs less than the capitalisation level but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a capital asset. On initial recognition they are measured at cost including any costs, such as installation, directly attributable to bringing them into working condition.

The Disability and Carers Service does not include in its Balance Sheet capital values for furniture and fittings provided and maintained under the Private sector Initiative for Management of the Estate (PRIME) contract. (See 1.4 below.) For other furniture and fittings, the total cost of maintaining a record of relatively low value individual items is considered to be prohibitive and therefore these items are recorded on a pooled basis.

All fixed assets are revalued by reference to appropriate HM Treasury approved indices. Increases in value are credited to the revaluation reserve whilst decreases in value are debited to the revaluation reserve up to the level of depreciated historical cost for any asset previously revalued. Any excess devaluation is charged to the Operating Cost Statement along with devaluation on assets (such as computers) not previously revalued.

Each year, the realised element of the reserve (i.e. an amount equal to the excess of the actual depreciation over depreciation based on historical cost) is transferred from the Revaluation Reserve to the General Fund.

On disposal of a revalued asset, the balance on the revaluation reserve in respect of that asset becomes fully realised and is transferred to the General Fund.

1.3 Intangible fixed assets

Purchased computer software licences covering a period of more than one year are capitalised as intangible fixed assets. Capitalised software licences are amortised over the shorter of the licence period or five years. Expenditure on annual software licences is charged to the Operating Cost Statement. In implementing this policy, no prescribed capitalisation limit is applied.

1.4 Land and buildings

The Disability and Carers Service does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the PRIME contract with Land Securities Trillium. In accordance with FRS 5 the contracts have been treated as an operating sale and leaseback, as the risks and rewards of ownership have been transferred substantially to the contractor.

1.5 Depreciation

Depreciation is provided on all tangible fixed assets using the straight line method, at rates calculated to write off, in equal instalments, the current replacement cost (less any estimated residual value) of each asset over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal.

Tangible fixed assets are depreciated over the following estimated useful lives:

Information Technology	3 to 5 years
Plant and Machinery	5 to 10 years
Furniture and fittings	7 to 10 years
Motor vehicles	4 to 7 years

1.6 Stocks

The Disability and Carers Service holds stocks of stationery, free publications, computer spares and similar consumable materials. Due to the nature of these items, the Disability and Carers Service does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly the Disability and Carers Service has charged all expenditure on consumable items to the Operating Cost Statement in the accounting period.

1.7 Administration expenditure

Administration costs reflect the direct costs of running the Disability and Carers Service as defined under the administration cost control regime.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Disability and Carers Service. Principally it comprises fees and charges for services provided on a full-cost basis to external customers. It includes both income appropriated-in-aid of the estimate but also income to be surrendered to the Consolidated Fund which, in accordance with the FReM, is treated as operating income (See Note 6). Operating income is stated net of VAT.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by the Disability and Carers Service, is included in operating costs (see Note 5). The charge is calculated at the Government's standard rate of 3.5 per cent in real terms on the average carrying amount of all assets less liabilities, except for:

- Intra departmental balances;
- Cash balances with The Office of HM Paymaster General (OPG), where the charge is nil; and
- Assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge is at a nil rate.

1.10 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 2. The defined benefit scheme is unfunded and is non-contributory except in respect of dependant's benefits. The Disability and Carers Service recognises the expected cost of providing pensions on a systematic and rational

basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Departments meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined contribution schemes, the Disability and Carers Service recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

1.11 Early departure costs

The Department for Work and Pensions meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

1.12 Provisions

The Disability and Carers Service provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by Treasury (currently 2.2 per cent).

1.13 Leases

Operating lease rentals are charged to the operating cost statement on a straight line basis over the lease term.

No finance leases are recorded in the accounts as fixed assets, as no such assets are held where substantially all risks and rewards of ownership are borne by the Disability and Carers Service.

1.14 Private Finance Initiative transactions

Private Finance Initiative transactions are accounted for in accordance with Treasury Technical Note No.1 (Revised) 'How to account for Private Finance Initiative transactions' as required by the FReM. Where the balance of the risks and rewards of ownership of the Private Finance Initiative property are borne by the Private Finance Initiative operator, the Private Finance Initiative payments are recorded as an operating cost. Where the Disability

and Carers Service has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the Private Finance Initiative contract. To date there have been no Private Finance Initiative transactions in the Disability and Carers Service.

1.15 Value Added Tax

Most of the activities of the Disability and Carers Service are outside of the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. The outstanding balance of net VAT recoverable is reported as a debtor in the accounts of the Department for Work and Pensions, where the Department's VAT is accounted for.

2 Staff numbers and related costs

a) Staff costs

	2005-06			for the five months ended 31 March 2005
	Permanently employed staff £'000	Others £'000	Total £'000	£'000
Wages and salaries	120,625	293	120,918	49,013
Employer's National Insurance	7,931	0	7,931	3,380
Superannuation and Pension costs	26,973	0	26,973	5,998
Less recoveries in respect of outward secondments	(92)	0	(92)	0
Total Net Costs	155,437	293	155,730	58,391

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Disability and Carers Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year to March 2006, normal employer contributions of £20,029k (2004-05 £5,998k) were payable to the PCSPS at one of four rates in the range 16.2 to 24.6 per cent (2004-05 12 to 18.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between

17.1% and 25.5%. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Outstanding contributions amounting to £1,680k (2004–05 £474k) were payable to the Civil Superannuation Vote at 31 March 2006 and are included in creditors (see Note 11).

Employees joining the civil service after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £25k (2004–05 £17k) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employers contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover relating to death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

Two persons (2004–05 one person) retired on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £12,238 (2004–05 £6,158).

No staff were seconded from other organisations to work in the Disability and Carers Service. One employee of the Disability and Carers Service was seconded to the National Health Service, from which the Disability and Carers Service recovered associated salary costs.

b) Average number of persons employed

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

	2005–06 Number		Total	2004–05 Number
	Permanently employed staff	Others		
Department for Work and Pensions objective 4:				
To improve rights and opportunities for disabled people in a fair and inclusive society	6511	2	6513	6567
Total	6511	2	6513	6567

No staff were employed on capital projects. "Other" refers to a number of specialist staff employed under short-term contracts.

3 Other administration costs

	Note	2005–06 £'000	restated for the five months ended 31 March 2005 £'000
Goods and services	3a	35,787	12,588
Accommodation costs		135	132
Rentals under operating leases:			
Hire of plant machinery		637	20
Compensation payments to customers	3b	496	251
Non-cash items	4	104,713	47,715
IT services	3c	9,353	1,590
		151,121	62,296

- Goods and services expenditure is mainly in respect of the costs of general practitioner services including charges for medical opinions, printing and postage, management and IT consultancy, and contracted out office services.
- The Disability and Carers Service compensates those customers whose cases have been badly handled. The Disability and Carers Service will, exceptionally, consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint.
- Until 2004–05, all fixed price IT services were reported in the accounts of the Department for Work and Pensions and recharged to its agencies on a non-cash basis. Some of these costs are now charged to the Disability and Carers Service.
- Goods and services and IT services have been restated for 2004–05, whereby £901k goods and services charges are now reported as IT services. This relates to a change in the classification of certain costs, particularly those relating to a fully managed telephony service.

4 Other administration costs: Non-cash items

	Note	2005-06		for the five months ended 31 March 2005	
		£'000	£'000	£'000	£'000
Notional costs	5	102,562		46,781	
Depreciation	8c	1,480		714	
(Profit)/Loss on disposal of fixed assets	8c	0		21	
Impairment of fixed assets	8d	560		51	
Provision for Early Departures:					
Increase	12	201		0	
Unwinding of discount	12	0		0	
		201		0	
Movement in other provisions other than utilisation	12	(90)		148	
		<u>104,713</u>		<u>47,715</u>	

The total of non-cash items included in the Reconciliation of Operating Costs to Operating Cashflows in Note 15 comprises:

	2005-06		for the five months ended 31 March 2005	
	£'000	£'000	£'000	£'000
Administration non-cash transactions				
Staff transactions	201		0	
Other transactions	104,512		47,715	
Prior Year adjustments	0		0	
	<u>104,713</u>		<u>47,715</u>	

5 Notional costs and re-charges

Certain services are provided and received by the Disability and Carers Service without the transfer of cash. Amounts are included in the net operating cost of £102,562k (2004-05 £46,781k) to reflect these costs and are made up as follows:

	Note	2005-06		for the five months ended 31 March 2005	
		£'000	£'000	£'000	£'000
Cost of Capital charge			(132)		(35)
Auditors remuneration and expenses	5a		52		43
Intra-Department Charges:					
Information Technology Services					
Group charges	5b	12,851		6,000	
Services provided and costs incurred by other Departmental business units on behalf of the Disability and Carers Service	5c	92,179		45,042	
Less:					
Services provided and costs incurred by the Disability and Carers Service on behalf of other Departmental business units	5d	(2,388)		(4,269)	
			<u>102,642</u>		<u>46,773</u>
			<u>102,562</u>		<u>46,781</u>

- The audit fee represents the cost of audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.
- As a result of outsourcing, most fixed price IT services are reported in the accounts of the Department for Work and Pensions and recharged to its agencies on a non-cash basis.
- Services provided by other Departmental business units on behalf of the Disability and Carers Service include:
 - £55,128k (2004-05 £30,374k) corporate recharges for encashment services provided by Post Office Ltd and Alliance and Leicester plc, finance, personnel, and internal assurance services costs;
 - £32,851k (2004-05 £13,595k) accommodation costs provided by the Department for Work and Pensions Corporate Centre;

– £2,471k (2004–05 £949k) costs attributable to the Disability and Carers Service in relation to voluntary early retirement of staff. Provisions in respect of the new Early Release schemes have been created within the Department's Corporate Account. The costs of lump sums and annual compensation payments have been recharged to the Disability and Carers Service on a notional basis, pro-rata to the number of surpluses declared in final business cases;

– £1,729k (2004–05 £124k) of other costs.

- d. Costs incurred by the Disability and Carers Service on behalf of other business units include modernisation expenditure totalling £1,008k (2004–05 £3,512k), £1,148k (2004–05 £524k) of office services costs, and £232k (2004–05 £233k) of other costs.

6 Income

	2005–06	restated for the five months ended 31 March 2005
	£'000	£'000
Administration income		
Income from external customers	(43)	(53)
Income from other Government Departments	(452)	(220)
	<u>(495)</u>	<u>(273)</u>

Income has been restated for 2004–05, whereby £48k income from Motability Finance Ltd, a registered charity, is now correctly reported as income from external customers and not other government departments.

7 Intangible Fixed Assets

Purchased software licences	
£'000	
Cost or valuation	
At 1 April 2005	0
Additions	3
Disposals	0
Revaluations	0
At 31 March 2006	3
Amortisation	
At 1 April 2005	0
Charged in year	0
Disposals	0
Revaluations	0
At 31 March 2006	0
Net book value at 31 March 2006	3
Net book value at 31 March 2005	0

The Agency's intangible fixed assets comprise purchased software licences.

8 Tangible fixed assets

	Note	Motor Vehicles £'000	Plant and Machinery £'000	Information Technology £'000	Total £'000
Cost or valuation					
At 1 April 2005		690	304	8,425	9,419
Additions	8a	0	0	615	615
Transfers in	8b	25	0	246	271
Disposals		0	0	0	0
Transfers out	8b	0	(21)	(464)	(485)
Revaluations	8d	7	9	0	16
Impairments	8d	0	0	(1,209)	(1,209)
At 31 March 2006		722	292	7,613	8,627
Depreciation					
At 1 April 2005		258	223	4,667	5,148
Charged in year	8c	131	20	1,370	1,521
Transfers in	8b	3	0	149	152
Disposals		0	0	0	0
Transfers out	8b	0	(10)	(314)	(324)
Revaluations	8d	4	6	0	10
Impairments	8d	0	0	(649)	(649)
At 31 March 2006		396	239	5,223	5,858
Net book value at 31 March 2006		326	53	2,390	2,769
Net book value at 31 March 2005		432	81	3,758	4,271

All tangible fixed assets are owned by the Disability and Carers Service.

- Total additions in the year were £615k (2004–05 £80k).
- The transfers in of assets with a net book value of £119k (2004–05 £259k) relate mainly to the acquisition of new computer equipment from the Department. Transfers out with a net book value of £161k (2004–05 £226k) include transfers to other Departmental agencies which are made on a gross basis i.e. at depreciated replacement cost together with any related balance on the revaluation reserve.
- Total depreciation in the year was £1,521k (2004–05 £714k). This consisted of £1,480k (2004–05 £714k) charged to the Operating Cost Statement and £41k relating to assets purchased prior to 2005–06 charged to the General Fund. The loss on sale of fixed assets charged to the Operating Cost Statement in the year is nil (2004–05 £21k) (see Note 4).

d. The net increase in asset values arising from the revaluation of fixed assets of £6k (2004–05 £3k) has been transferred to the Revaluation Reserve. The impairment in fixed assets arising from the permanent decrease in value of £560k (2004–05 £51k) in excess of previous revaluation has been charged to the Operating Cost Statement (see Note 4).

e. Nil furniture and fittings was recorded at 31 March 2006, as all furniture held was provided under the PRIME contract (see Note 1.2).

f. Cash Flow Reconciliation

	Note	£'000
Capital creditors and accruals at 31 March 2005	11	38
Capital additions	8a	615
Non-cash capital additions		(126)
Less capital creditors and accruals at 31 March 2006	11	(373)
Purchases of Tangible fixed assets per Note 15		154

9 Debtors

a) Analysis by Type

	Note	31 March 2006 £'000	restated 31 March 2005 £'000
Amounts falling due within one year:			
Deposits and advances	9a	44	40
Other Government Departments		212	360
Other debtors		131	153
Prepayments and accrued income		122	247
Provision for doubtful debts		0	0
		509	800
Amounts falling due after more than one year:			
Deposits and advances	9a	42	42
		42	42

- a. Deposits and advances due within one year includes £4,688 (2004–05 £5,136) of house purchase advances due from nine (2004–05 nine) members of staff. Those due after more than one year includes £42,066 (2004–05 £41,754) of house purchase advances due from eight (2004–05 eight) members of staff.
- b. Debtors at 31 March 2005 have been restated by excluding from them a balance of £357k VAT recoverable from HM Revenue and Customs. As described in Note 1.15, VAT is now accounted for in the accounts of the Department for Work and Pensions.
- c. Intra-Government Balances

The following table identifies balances with other types of public sector organisation within an analysis of total debtors:

	Amounts falling within one year		Amounts falling due after more than one year	
	2005-06 £'000	2004-05 £'000	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	212	360	0	0
Balances with bodies external to government	297	440	42	42
Total debtors at 31 March	509	800	42	42

10 Cash at bank and in hand

	2005-06 £'000	2004-05 £'000
Opening balance in period	0	0
Net change in cash balances	0	0
Balance at 31 March	0	0

- a. The Office of HM Paymaster General provides a current account banking service.
- b. The current Departmental policy is to hold all operational bank accounts centrally due to Vote funding requirements. The Financial Services Division of the Department for Work and Pensions is the custodian of the Department's bank accounts and, as such, holds balances on behalf of the Disability and Carers Service.

11 Creditors

a) Analysis by Type

Note	31 March 2006 £'000	31 March 2005 £'000
Amounts falling due within one year:		
Other taxation and social security	2,633	3,957
Superannuation	1,680	474
Trade creditors – non capital	2,043	1,636
Trade creditors – capital	0	14
Amounts due to other Government Departments	0	2
Intra-Departmental	0	121
Other creditors	651	359
Accruals and deferred income – non-capital	2,661	1,007
Accruals and deferred income – capital	373	24
	10,041	7,594

b) Intra-Government Balances

The following table identifies balances with other types of public sector organisation within an analysis of total creditors:

	Amounts falling due after more than one year	
	2005-06 £'000	2004-05 £'000
Balances with other central government bodies	1,680	476
Balances with bodies external to government	8,361	6,997
Intra-departmental balances	0	121
Total creditors at 31 March	10,041	7,594

12 Provision for liabilities and charges

	31 March 2006 £'000	31 March 2005 £'000
Early retirement provision (gross)	142	0
Other administration provisions	51	148
	<u>193</u>	<u>148</u>

Early retirement and pension commitments

	Note	£'000	2005-06 Provision £'000
Balance at 1 April 2005			0
Movement in provision:			
New entrants	4,12a	197	
Uplift	4,12a	4	
Unwinding of the discount		0	
			201
Amounts utilised in year			(59)
Interest received on pre-funding			0
Balance at 31 March 2006			142
Payable within one year			62
Payable after more than one year			80

		£'000
Other provisions		£'000
Balance at 1 April 2005		148
Provision not required written back	4,12b	(90)
Utilised in year		(7)
Balance at 31 March 2006		51

- The movement in provision for early retirement has been charged to non-cash costs (see Note 4).
- The other provision of £51k relates to the closure of Sutton Disability Benefit Centre, and represents the costs associated with the relocation of other government minor occupiers from the building. The closure of the site was completed on 31 March 2006. The provision not required written back has

been charged to non-cash costs (see Note 4). The remaining balance has not been discounted as it will be settled within one year.

Due to the nature of each of the provisions there is uncertainty over the actual amounts that will become payable.

13 Reconciliation of net operating cost to changes in the General Fund

	Note	2005-06 £'000	2004-05 £'000
Net operating cost for the period		(306,356)	(120,414)
Financing from Consolidated Fund – current year		199,463	73,545
Non-cash capital additions		43	33
Notional Charges	5	102,562	46,781
Transfers to General Fund of realised element of revaluation reserve	14	3	0
Net movement in General Fund		(4,285)	(55)
General Fund opening balance		(2,632)	(2,220)
Prior year adjustment		0	(357)
General Fund as at 31 March		(6,917)	(2,632)

The General Fund represents the historical value of the net liabilities held by the Disability and Carers Service in its operations. The prior year adjustment relates to a change in accounting policy for VAT as described at Note 1.15.

14 Reserves

	Note	2005-06 £'000	2004-05 £'000
Revaluation reserve			
Arising on revaluation during the period (net)	8	6	3
Transfer to general fund in respect of realised element of revaluation reserve	13	(3)	0
Net movement in revaluation reserve		3	3
Revaluation reserve opening balance		3	0
Balance at 31 March		6	3

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

15 Notes to the Cash Flow Statement

	Note	2005-06 £'000	2004-05 £'000
a. Reconciliation of operating cost to operating cash flows			
Net operating cost		(306,356)	(120,414)
Adjustment for non-cash transactions	4	104,713	47,715
(Increase)/decrease in debtors	9	291	(483)
Increase/(decrease) in creditors	11	2,447	(283)
Less movements in creditors relating to items not passing through the OCS:			
Movement in capital trade creditors		14	58
Movement in capital accruals		(349)	(2)
Use of provisions	12	(66)	0
Net cash outflow from operating activities		(199,306)	(73,409)

	Note	2005-06 £'000	2004-05 £'000
b. Analysis of capital expenditure and financial investment			
Purchases of intangible fixed assets	7	(3)	0
Purchases of tangible fixed assets	8f	(154)	(136)
Proceeds from disposal of fixed assets		0	0
Net cash outflow from investing activities		(157)	(136)

	2005-06 £'000	2004-05 £'000
c. Analysis of financing and reconciliation to the net cash requirement		
Financing from the Consolidated Fund	199,463	73,545
Financing from the National Insurance Fund	0	0
Financing inflow	199,463	73,545
(Increase)/Decrease in cash	0	0
Net cash requirement	199,463	73,545

16 Capital commitments

No capital commitments existed at 31 March 2006.

17 Commitments under non-Private Finance Initiative leases

	31 March 2006		31 March 2005	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases				
At 31 March Disability and Carers Service was committed to making the following payments during the next year, analysed according to the period in which the lease expires:				
Expiry within one year	0	16	0	1
Expiry after one year but not more than five years	0	115	0	18
Expiry thereafter	0	0	0	0
	<u>0</u>	<u>131</u>	<u>0</u>	<u>19</u>

18 Commitments under Private Finance Initiative contracts

The Disability and Carers Service has not entered into any contracts under the Private Finance Initiative.

19 Other financial commitments

The Disability and Carers Service has not entered directly into any non-cancellable contracts which are not leases or PFI contracts.

On behalf of the Disability and Carers Service and other Departmental Agencies, the Department for Work and Pensions had entered into a contract with Electronic Data Systems for the Transformation of EDS Services (TREDSS). The Department has decided that TREDSS should not be treated as a PFI contract. Expenditure relating to TREDSS and future commitments under this contract will be disclosed under "Other Financial Commitments" and declared in the consolidated DWP Resource Account. Therefore there are no future financial commitments

reported in the accounts of the Disability and Carers Service under this contract. The total amount charged to the Departmental Operating Cost Statement in respect of this contract was £21.532m (2004-05 £53.3m).

20 Contingent liabilities disclosed under FRS 12

At 31 March 2006 there were no contingent liabilities of the Disability and Carers Service.

21 Related party transactions

The Disability and Carers Service is an Agency of the Department for Work and Pensions (the Department).

The Department and its agencies are regarded as related parties to the Disability and Carers Service. During the year, the Disability and Carers Service has had a significant number of material transactions with the Department and its agencies.

In addition, the Disability and Carers Service has had a significant number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Veterans Agency of Ministry of Defence.

Details of transactions between directors of the Disability and Carers Service or their close family members and third party organisations with which the Disability and Carers Service has a business relationship are held in a register that may be accessed at the address on page 10. During the accounting period there were no such transactions.

22 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Agencies are financed, the Disability and Carers Service is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to

which FRS 13 mainly applies. The Disability and Carers Service does not have powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Disability and Carers Service in undertaking its activities.

Liquidity risk

The Disability and Carers Service's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Disability and Carers Service is therefore not exposed to significant liquidity risk.

Interest rate risk

All of the Disability and Carers Service's financial assets and liabilities carry nil or fixed rates of interest and it is therefore not exposed to significant interest rate risk. The interest profile of the Disability and Carers Service's financial liabilities and assets has therefore not been disclosed separately.

Fair values

The book values of the Disability and Carers Service's financial assets and liabilities at 31 March 2006 are not materially different from their fair values. They have accordingly not been shown separately.

23 Performance against targets

The Disability and Carers Service was set the high level performance target of managing its resources to deliver its business plan within the funds voted by Parliament. The Disability and Carers Service has delivered its Business Plan for the year ended 31 March 2006 within gross allocations. Key business priorities, targets and outcomes for 2005–06 are described in detail on pages 20–21 of the Annual Report.

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The maintenance and integrity of the Disability and Carers Service's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Your comments

As part of the Agency's efforts towards a continuous improvement environment, we would like to ask for your feedback on the Disability Carers Service Annual Report and Accounts 2005/06.

In each of the questions below, please tick the box(es) that apply most to you.

Your views and opinions are valuable to us; there is therefore ample space for you to provide any comments you may have below each point and over the page if necessary.

Please send your completed comments sheet to the Disability and Carers Service, Agency Accounts Team, Room 402c, Government Buildings, Norcross, Blackpool, FY5 3TA or e-mail your comments to annualreport.andaccounts@dpw.gsi.gov.uk

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