

the pensions  
advisory service

Annual Report and Accounts  
for the year ending 31 March 2012

**The Pensions Advisory Service**

(A company limited by guarantee)

Registered no. 02459671

# **The Pensions Advisory Service**

## Annual Report and Accounts for year ending 31 March 2012

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

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# Company Information

<b>Registered number:</b>	02459671
<b>Directors:</b>	<b>Chairman</b> Partha Dasgupta <b>Chief Executive and Accounting Officer</b> Marta Phillips OBE CA <b>Non-Executive Directors</b> Alex Balfour Colette Bewley David Clarke Bill Galvin Anthony Hodgkiss MBE Baroness Hollis of Heigham Tilly Ross
<b>Registered office:</b>	11 Belgrave Road Victoria London SW1V 1RB
<b>Auditors:</b>	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP
<b>Bankers:</b>	Lloyds TSB Bank Plc National Clubs and Charities Centre Sedgemoor House Dean Gate Avenue Taunton TA1 2UF

# About The Pensions Advisory Service

The Pensions Advisory Service is an independent organisation, dedicated to ensuring pensions are accessible to everyone.

Our free service aims to help everyone understand and access pensions information, to enable people to plan their own finances for the future.

Our dedicated team is complemented by hundreds of experts who work as volunteers to ensure our customers receive high quality advice, help and support, however simple or complex their pension queries. Our discussions each year with tens of thousands of members of the public, the pensions industry, financial institutions and other government bodies mean we are uniquely placed to highlight current concerns, offer advice and suggest ways forward for a better system for all.

We are proud of our heritage and planning for our future at a time of unprecedented change so we can meet, and rise to, the range of challenges new pension arrangements will bring. We will continue to work in partnership, to promote education and understanding of pensions, enabling those with whom we work to become self-reliant, minimising future dependency on state benefits and burdens on the taxpayer.

We help by providing:

- information, guidance and signposting;
- a dispute resolution service; and
- information and insight to government departments and the pensions industry on areas of concern and potential improvement thanks to our unique insight.

This is provided through a range of channels including:

- a working week telephone helpline run by TPAS staff and a support team of expert volunteers;
- an email and correspondence response service;
- a regularly updated website, visited by more than 2.5 million users last year;
- educational leaflets and guides;
- face to face at community shows and workplace meetings; and
- nationwide talks and seminars.

Our service is free to the public. We receive a grant from the Department for Work and Pensions which is funded from a general levy on occupational and personal pension schemes.

TPAS was founded in 1983 as a company limited by guarantee, registered in England and Wales, company number 02459671. It became an executive non-departmental public body in 2006.

# Chairman's Review

In many ways it was business as usual for TPAS as the public continued to call, write and email, in their tens of thousands, seeking help with their pension problems, or visiting our website in their millions for pensions information. We experienced some turnover in volunteer numbers but overall the percentage that they contributed to our work remained stable. Our volunteers dealt with two-thirds of all disputes and one-sixth of all calls – a significant contribution (just under £10m in monetary value or three times our annual funding from the Government). Customer satisfaction levels were 80% across all service areas – a good achievement for any organisation. We achieved the financial targets outlined in the Comprehensive Spending Review, reducing our costs by 16% in real terms. However, we are on the cusp of dramatic changes to all aspects of state, public and private pensions – beginning soon with the introduction of automatic enrolment. Therefore, the Board spent the second half of the year developing a strategy that makes us fit for purpose in this new pensions paradigm.

This year we continued to see a change in the mix of contacts from the public. The number of web visits surpassed 2.5 million, an increase of 25% on last year. We conducted a survey of our web users which showed that 67% of visitors to our website were 'satisfied' or 'very satisfied' with the site, and 81% of visitors found the site easy to use. The number of visitors reflects the fact that we have reviewed and improved our website; so many people are now able to find the information they need online. The number of written queries has increased again, this year by 12% to 20,656. These tend to be more complex issues, requiring our specialist knowledge and skills, taking more time to answer. Increasingly, these written communications are via email. The number of calls to our helpline rose by 8% to 68,534. This increase in call volumes was managed without increasing staff numbers however our call response times did lengthen. The monthly average number of helpline calls handled per full time member of staff has risen from just over 430 calls in 2010/11 to just over 480 calls in 2011/12. To grow our resources, we have secured the help of two additional volunteers to answer calls on our helpline.

We have achieved the cost savings required by the Comprehensive Spending Review after successfully renegotiating some long-term contracts. In fact, we have underspent against our budget, partly due to the impact of government restrictions in some areas of expenditure, and partly due to a performance-related one-off cost reduction negotiated with our IT service provider.

It has been a busy year for policy related work. Our mandate includes specific reference to using our insights to alert Government and the pensions industry to emerging issues. We responded to eleven consultations citing our unique perspective to provide meaningful, realistic suggestions and comments. We also provided evidence to the Work and Pensions Select Committee on automatic enrolment. We have played an important role in the work on developing a code of conduct for incentivised transfers. In addition, we have worked together with other pensions

organisations in areas including annuities, agreeing common pensions terminology, as well as contributing to general policy work at DWP.

In November, the Board met to debate and discuss the future strategy for TPAS. The Board decided that we should focus on six key areas over the next three years to:

- increase productivity;
- target communications activity on a small number of themes;
- maintain the percentage contribution from our volunteers;
- invest in our infrastructure;
- invest in the skills and knowledge of our staff and volunteers; and
- support the introduction of automatic enrolment.

These key areas are outlined in detail in our Corporate Plan, available on our website.

Investing in our infrastructure and our people – staff and volunteers – is critical both for realising additional savings and for ensuring we can cope with the dramatic changes to the pensions system. In the areas of physical investment we installed a new customer relationship management system, and plan to upgrade our telephone system and improve our web infrastructure early in 2012/13. Not only will these activities continue to improve productivity and the quality of our service, they will also allow us to mitigate risk.

Supporting the introduction of automatic enrolment – dealing with complex pensions problems – is a key strategic focus. Potentially, this will lead to a significant increase in the volume of calls to our helpline over the next few years as well as generating an increase in the number of written queries. TPAS has been working with DWP over the last 12 months to prepare for this. This work has included specifying TPAS' role, how we will work with other organisations, and thinking about the impact on our resources and service. DWP has separately funded initial work to the value of £10k to enable us to plan. In addition, subject to our business case being approved, DWP will fund the additional resources required to meet their projection of the demand for our services. However, the demand for our services is uncertain and we expect to have some flexibility to cope with significant variations.

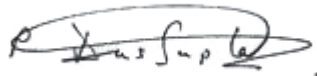
Our workplace programme has been successful and has grown over the last three years, helping employees with their pension choices. However, we have decided to refocus our efforts and plan to deliver the content using the latest tools on the web which should increase the number of individuals that benefit from them. Our existing online planners provide a portfolio of tools that already help individuals to make retirement savings decisions. Our new spotlight articles, featuring particular topics, provide up-to-date guidance on key issues. We also plan to add more video content to the website to make the information more accessible to a wider audience. Together, all these changes should provide a more accessible set of tools to the public.

Ultimately, an organisation can only be successful if it is supported by a committed team of people. We are very fortunate to have a generous and skilled network of volunteers who continue to support TPAS, whether through dispute resolution work, answering calls, providing specialist legal advice or presenting to employees in their



workplace. We could not do as much without their support. I would like to thank them for donating their time and expertise. Our annual volunteer survey showed that the number of volunteers at 31 March 2012 was 428. They contributed 66,882 hours which represents just under £10m in value. Over 80% of the volunteers who responded said they felt that TPAS had improved their confidence and knowledge of pensions issues.

Equally, I continue to be impressed by the dedication of our permanent staff. Their extensive technical pensions knowledge, allied with their ability to simplify and communicate practical answers is truly impressive, as is their passion for the work. I would also like to thank the Board and the Senior Management Team for their contribution to TPAS over the last 12 months. I know that whatever uncertainties might be ahead, TPAS will do its best to help individuals successfully navigate their way through the pensions landscape.



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**Partha Dasgupta**

Chairman

18 June 2012

# Performance Review

Overall, TPAS has had a very successful year, delivering a professional service in an environment of reduced budgets in a managed programme requiring dedication and flexibility from each individual within the organisation.

Our customers recognise, appreciate and recommend our services as a unique independent source of support, information and expert advice.

## **Motivating and Managing Staff**

The restructuring of the senior management team has paid dividends; our robust approach to producing and using management information led to more proactive realistic planning for our work and management of staff which delivered results for TPAS in 2011/12. We are committed to evidence-based decision-making and we have reviewed and refreshed the systems we need to create an effective decision-making framework.

We have invested in staff training and have clearly communicated our vision and objectives throughout the organisation. During 2011/12, we tripled the time spent on training and development from just over one day in 2010/11 to almost six days per staff member.

We have reduced our short-term staff sickness days to an average of 3.43 per employee a year, against a CBI average figure of 8.1 days. We have substantially increased training for all staff, offering more than 220 days' training this year.

## **Our Work**

This year, we recorded a dramatic increase in traffic to our website, with more than 2.5 million visitors logging on to access information, leave comments and download a range of podcasts and leaflets designed to support and educate.

Visitor numbers increased by more than 25%, with an average stay on the site of more than eight minutes, indicating that people are taking the time to read the information provided.

As our contact with the pensions sector and the public increases, so does our reputation; we intend to continue to improve to combine achievement with adept management of our processes to provide value for money and doing more with less throughout TPAS. Our methods continue to show results. This year, for example, we achieved a 42% reduction in the number of cases on our books which were more than 18 months old.

Through all this, it is imperative that we continue constructive dialogue with our parent department, DWP. The Department estimated that automatic enrolment would generate around 1,000 telephone calls during 2011/12. In fact, we received 1,548 calls, 50% higher than original estimates. We also know that we receive a higher volume of all forms of enquiries when the Government runs communications campaigns. We will continue working to ensure we dovetail with these arrangements and are able to handle these levels of calls, emails and letters in a timely manner.

During the year we received a record number of enquires and disputes about pension schemes.

<b>Work</b>	<b>2011/12</b>	<b>2010/11</b>	<b>Increase (Decrease)</b>
Written Enquiries	20,656	18,419	12%
Written Disputes	5,120	6,021	(15%)
Helpline Calls	68,534	63,751	7%
Website Visits	2,514,105	2,010,210	25%

To satisfy public demand, we have improved our web offering this year, to improve usability and the quality of the information we provide. This information is continuously updated to create a reliable first port of call for those seeking facts, reassurance or signposting to next steps.

### **Performance Management and Targets**

We actively monitor our service against performance targets for staff and benchmarks for our volunteers. We value our customers' views, and ask for their opinions and recommendations through our satisfaction survey, sent to a random sample of our users.

<b>Activity</b>	<b>% Target</b>	<b>Achievement 2011/12</b>	<b>Achievement 2010/11</b>
<b>Written Enquiries:</b>			
Case cleared within			
20 working days	95	97	88
25 working days	99	99	98
<b>Disputes: Case cleared within</b>			
3 months	50	46	49
6 months	70	74	72
12 months	95	92	89
<b>Helpline Calls</b>			
Call answered within			
20 seconds	90	97	99
30 seconds	95	98	99
60 seconds	99	98	100
Abandoned calls to be less than	10	2	2
<b>Financial</b>			
Agreed invoices to be paid within			
10 working days of receipt	99	99	100

We achieved most of our performance targets for the year. There was a small reduction in performance for dispute cases closed in three months, mainly because we have to await response from the parties involved to enable us to resolve them. On Helpline calls, we have achieved our targets for answering calls within 20 and 30 seconds, but our achievement is lower than last year. We have noted a small increase in the length of time taken to deal with some calls which could indicate that the issues on which callers need support are becoming more complex.

**Volunteer Benchmarks** We are delighted to report that, in the majority of cases, our volunteer targets have been exceeded. Our volunteer advisers deal with disputes working either from home or their place of work.

<b>Activity</b>	<b>% Target</b>	<b>Achievement 2011/12</b>	<b>Achievement 2010/11</b>
Acknowledge receipt of a case and issue form of authority within two weeks of receiving the case	85	93	92
Take positive action within four weeks of receipt	85	93	90
Keep enquirer informed at regular intervals not exceeding two months	80	92	87
Appropriate quality of advice given	95	96	95

**Satisfaction Surveys** Our users continue to tell us we have delivered good levels of satisfaction. We note that the outcomes are not at the level to which we aspire and will continue to work to achieve this.

<b>Users satisfied with the service</b>	<b>% Target</b>	<b>Achievement 2011/12</b>	<b>Achievement 2010/11</b>
<b>Handling of written disputes against schemes – casework</b>	85	90	88
<b>Handling of written enquiries</b>	90	70	99
<b>Handling of Helpline calls</b>	95	91	99
<b>Workplace and community talks</b>	85	83	84

**Corporate Responsibilities** We have a comprehensive range of operational policies to ensure governance of grant-in-aid and to safeguard the organisation, members of staff and members of the public.

These policies cover a wide range of subjects including information security, expenditure on services, expense claims, the use of information technology and telephony equipment, health and safety, membership of professional bodies and associated qualifications, general training, equality, discrimination and disability awareness.

These policies are regularly reviewed to ensure we comply with current legislation and that we have appropriate safeguards in place.

**Sustainable Development Policy** We have an active sustainable development policy which means we:

- recycle paper and other materials – in 2011 we recycled 4,770 kg of paper, saving the equivalent of 61 trees and 6,740 kilograms of CO<sub>2</sub>;
- work hard to reduce energy consumption; and
- use public transport, where possible.

**Staff Sickness** The average number of days for all sickness per member of staff in 2011/12 was 5.2 compared with 5.1 in 2010/11.

**Complaints against Our Service** There are occasions when people are unhappy with the service we provide. Often their complaint is a result of the fact that they were unhappy with what they were told, rather than a factor of the service they received. We thoroughly investigate all our complaints, and use the findings to evaluate and improve our service. During 2011/12 we received nine complaints which compares with eight received in 2010/11. These figures should be viewed in the wider context of the fact that we helped over 90,000 people during the year, with over 2.5 million visitors using our website; we believe these figures illustrate an excellent customer service record.

# Governance Statement

This statement outlines the framework for Governance in operation for TPAS, and an analysis of its effective performance in 2011/12.

It also outlines the risk management and internal control mechanisms in place to deal with risk, and the reasons for their implementation.

## **Management and Organisation**

The Chief Executive is responsible for TPAS' day-to-day management and for delivering the Corporate and Business Plans as approved by the Board. There are four service delivery teams led by Heads of Service who report to the Chief Executive. The Chief Executive and the Heads of Service form the senior management team. As a small organisation of fewer than 40 staff, it has a relatively flat organisation structure.

## **Governance Framework**

Governance is the responsibility of the TPAS Board, comprised of seven non-Executive Directors, the Chair and the Chief Executive.

Our Chairman is appointed by the Secretary of State for the Department of Work and Pensions, for a three-year term of office. This can be renewed for a further three years. The Board is appointed through open competition and comprises a highly effective and representative selection from both the pensions sector and independent organisations.

The Board has two sub-committees:

- the Audit and Risk Management Committee (ARC), which reviews the completeness, reliability and integrity of assurances, and advises the Accounting Officer accordingly, and
- the Remuneration and Appointments Committee, which determines pay policy related matters, reviews performance appraisal frameworks and recruits senior staff as well as monitoring equality and other staff-related policies.

The Board's responsibilities are to:

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

The Board meets six times a year, and the attendance records for the Directors for the year ending 31 March 2012 are set out below:

Current Board Members	Board	Audit and Risk Management Committee	Remuneration and Appointments Committee
<b>Number of meetings</b>	<b>6</b>	<b>4</b>	<b>2</b>
Partha Dasgupta <sup>1</sup>	6	N/A	1
Alex Balfour	5	N/A	N/A
Colette Bewley	6	N/A	1
David Clarke	6	4	N/A
Bill Galvin	6	4	N/A
Anthony Hodgkiss MBE	3	N/A	2
Baroness Hollis of Heigham	4	N/A	2
Tilly Ross	6	3	N/A
Marta Phillips OBE <sup>2</sup>	6	4	2

1: Partha Dasgupta only attended the Remuneration and Appointments Committee for a specific item on the Chief Executive's objectives and performance and not as a member of the Committee.

2: Marta Phillips OBE attends both the Audit and Risk, and the Remuneration and Appointments Committees but is not a member.

All Directors are required to complete a register of interests. A register of Board members' business interests is held by the Head of Corporate Services at the company's address.

## Performance

The Board has overseen the successful delivery of its business plan for 2011/12, meeting its performance and quality targets in most cases. This has been achieved in a time of unprecedented change in the pensions sector and is due to the ongoing commitment of staff and volunteers, and the sensible and strategic allocation of resources within the organisation in line with our vision and mission statements.

We have now agreed a further strategy of improvement to increase productivity, and to increase our capacity where appropriate, to meet the expected rise in demand for our services because of the implementation of automatic enrolment and other pension reforms.

During the year, the Board approved its Strategic Plan for 2011/15, which included the Business Plan for 2011/12. It met with senior officials in the Department for Work and Pensions to discuss the Department's expectations of TPAS in the implementation of its policy on automatic enrolment. The progress of TPAS' preparations for automatic enrolment remained a significant issue on the Board's agenda throughout the year. The Board also regularly considered reports on corporate and strategic risks and in March 2012, it discussed the first draft of its Risk Appetite Statement. It kept financial management under review by receiving financial reports and forecasts at

each of its meetings. It was disappointed that despite TPAS' good financial controls and the overall underspend of its grant-in-aid, its capital budget was overspent at the year end. At each of its meetings, it considered reports from the Chief Executive, highlighting key issues which merited the Board's attention, including the progress which was being made to improve TPAS' performance and build relationships with key stakeholders. The Board was pleased to see the progress TPAS had made in its policy work, particularly, the contributions it had made to policy development and TPAS' submissions to the Work and Pensions Select Committee.

We conducted our first Board Effectiveness Review in September 2011, using a self-assessment tool completed by all Board members. This used a subset of questions recommended by the National Audit Office, ranking the Board's performance in the areas of governance, risk, accountability and culture. This was followed by qualitative feedback on the personal contribution of Board members, and their thoughts on the main strategic challenges facing TPAS. The Chairman held individual meetings with all Board members, and summarised the results, and discussed qualitative feedback and identified strategic themes.

As a result of this review, the Board has agreed to focus on three strategic areas:

- Organisational resilience: assessing capability, skills and knowledge.
- Scope and positioning: where do TPAS' priorities lie?
- Awareness: identifying an appropriate level of awareness of TPAS' activities.

The Board has also requested changes to the management information it receives and has now agreed a range of key performance indicators that reflect the true drivers of the organisation.

More detailed information is contained in the Corporate Plan which covers the years 2012/2015 and which is available at <http://www.pensionsadvisoryservice.org.uk/media/539041/corporate%20plan%202011-15.pdf>

**Assurance** The Board meets periodically during the year to review TPAS' strategy, to agree to set priorities for management action and to deploy available resources. The agreed business plan remains under review throughout the year. TPAS complies with the principles of the Corporate Governance Code.

The Board relies on the Audit and Risk Management Committee to determine that risk and control processes are fit for purpose and the Committee conducted the first of a series of assurance reviews of each business area during the year. Conclusions included the fact that generally the senior managers relied on trust-based controls and the professionalism of staff and volunteer advisers. Achieving the right balance between motivating and managing the volunteer workforce was difficult but could be improved with a better use of management information; quantified evidence on productivity or outcomes could also improve TPAS' ability to demonstrate its effectiveness. The senior management team has taken action to improve the collection, analysis and presentation of management information to better manage TPAS' processes.



## **Risk Management and the Control Framework**

TPAS uses process controls and management reviews to manage the risk to which it is exposed. Apart from assurances from the senior management team, the internal audit function is key to assisting the Chief Executive in assessing whether the internal control framework is effective and being complied with.

There are five key elements in the control framework within TPAS:

- Relatively wide spans of control and a two-dimensional organisational structure facilitate good control of the day-to-day management of resources and issues. The Senior Management Team has access to reasonable quality management information which it considers and reviews at its monthly meetings.
- Well-developed policies and operating procedures with proper segregation of duties and a limited number of people able to authorise expenditure.
- The Audit and Risk Management Committee assessment of the adequacy of processes designed to assess and mitigate risk.
- Implementation of recommendations from internal and external auditors.
- The Board and senior management team review of key performance indicators at their meetings to assess progress towards performance targets and to agree to remedial action.

The Board reviews the balance between risk and affordable resources to achieve optimal control of both and is content with the present arrangements. It also considers the significant risks to which TPAS is exposed.

During the year, TPAS changed its internal audit contractor. With the engagement of new internal auditors, the Audit and Risk Committee reviewed the internal audit strategy for a three year period, taking the opportunity to expand the scope of the internal audit programme into the operational areas. Without exception, all internal audit reports during the year, from both the previous and current internal auditors provided substantial or adequate assurance on the areas reviewed, with very few minor recommendations. At the year end, there was a control failure resulting in an overspend of our capital budget. The senior management team has taken steps to improve the control processes to prevent a reoccurrence. The Audit and Risk Committee considered the issue and was reassured by the action taken to investigate and deal with it.

The Board-level risk register is formed from the individual department registers and the information security risk register. These are reviewed quarterly by the senior management team. Significant projects have their own risk registers which are reviewed as a part of the project implementation process. The Board considers the extent of risks facing the organisation at each meeting, together with the adequacy of the proposed mitigation. In comparison with other areas of public service, TPAS is a low-risk organisation.

We have continued to strengthen arrangements for protecting data and information. Following on from the training on information security provided by the National School of Government (NSG) to all staff in February 2011, all staff are now required to complete the Civil Service Learning (NSG's successor) online Protecting Information course annually. The majority of our staff had completed this by the end of 2011/12.

Information security training has also been delivered to volunteer advisers at their workshops. We comply with the Government's Security Policy Framework as far it applies to TPAS and the latest end of year review led by DWP indicates that we have implemented all significant actions arising from the last review.

Satisfactory action has been taken to reduce each of these risks to 'green' status apart from:

- Reputation Risk – we are still in discussion with DWP senior officials.
- Website Risk – a formal process of the review of materials will be in place at the start of April 2012.
- Slow Progress of Cases – we now have new monitoring plans in place.
- Possible Changes to Our Business Model – in the light of forthcoming changes to pensions enquiries, TPAS might need to review the way we deliver our services. We are in discussion with senior DWP officials about this.
- Volunteer Resignation – we are actively increasing engagement with volunteers to build further on our relationship with them.
- Unauthorised Advice Risk – we are improving our code of practice, in-house briefings process and technical training, as well as providing informal advice and support to all staff and volunteers.

One of the risks on our risk register is business continuity for key operational processes. As a part of our risk mitigation plan, all parts of the organisation participate in our annual test of our business continuity arrangements. In October 2011, we successfully invoked our business continuity arrangements for our telephone helpline, by transferring staff to our contingency site to deal with helpline calls. Once full service on our telephone lines had been restored, the helpline staff and calls were transferred back to our office.

The introduction of automatic enrolment also puts us at risk of organisations attempting to use our name to leverage fee-paying business. Such attempts, if successful, would damage our reputation. Consequently we put clear messages on our website to inform members of the public that the information and guidance we provide is free of charge and that we do not make cold calls. During the year, we successfully stopped an organisation from using a name very similar to ours to develop fee-earning opportunities and introductions for independent financial advisers. We will continue to actively monitor any inappropriate use of our name.

### **Risk Appetite**

In 2011/2, the Board has considered and agreed on its appetite for risk, taking a minimalist approach to reputation, compliance and financial risk, but adopting a more open approach to innovation in areas including operational delivery, productivity and value for money, in order to encourage well thought-through new approaches.

### **Provision of Quality Information and Guidance**

TPAS enjoys an excellent reputation, both for delivering a quality service within our targets and for customer satisfaction. Changes to the pensions landscape at a time of reducing resources and budgetary constraints outside our control mean we face significant challenges in maintaining the quality of our service while meeting our customers' expectations.

The pensions environment is dynamic, with regularly updated rules, regulations and guidelines. This year presented particular challenges, with unprecedented changes to the regulatory environment for both private and state pensions. Out of date or incorrect information could mislead or damage individuals' futures, so it is particularly important that we work hard to ensure our information is timely, relevant and accurate.

We continue to invest in training and our technological infrastructure to mitigate this risk, and our commitment comes direct from the top of the organisation. We have Board members with a broad range of skills and outstanding professional backgrounds, able to motivate and advise on both a practical and strategic level. Our senior management team was restructured in mid-2010 to consolidate our commitment to this area of work. Our staff undergo regular training and receive updates to ensure they have access to the most recent information. Our website is continuously updated to ensure it is a reliable first port of call – and now attracts more than 2.5 million visits a year, enjoying a 67% customer satisfaction rating. In addition to this, we continue to have discussions with the senior colleagues in the Department who are aware of the challenges facing TPAS and are working with us to create realistic expectations around the handling of automatic enrolment telephone calls and queries, as well as our usual workload.

We also regularly review and refresh our bank of volunteers to ensure the information and guidance they offer is of a high quality and that they are aware of, and adopt, best practice when resolving disputes.

**Volunteer  
Advisers**

We estimate our volunteer workforce provides in the region of £10 million a year of services, free of charge. Their expertise, professionalism and ability to work seamlessly with paid staff, make TPAS what it is today – a respected and reliable source of information in a complex and changing sector.

We work hard to ensure our volunteers know how much we value their contribution. We will undertake a skills audit in 2012/13, to ensure we can place relevant cases with the right volunteers, where it is practical to do so. We will continue to actively explore avenues to support our volunteers with regular training, workshops and other opportunities for their continuing professional development. Volunteer advisers who answer the telephones in our office have access to our staff briefings and technical updates.

We also maintain regular communication with our volunteers, to recognise achievements, to share best practice and run a prestigious awards scheme for those who demonstrate exceptional performance. We have been told that the role of a volunteer working with TPAS is a valued position and work hard to ensure that our volunteers feel appreciated in return. Given the inherent risk of using volunteers at remote locations, we will continue to improve the effectiveness of management controls and key performance indicators for our case work, and ensure that the people who we are assisting with resolving their pension complaints are aware that their cases are being dealt with by volunteer advisers.

**Information Security** TPAS treats its data protection obligations extremely seriously. We regularly review our security measures under the supervision of the Audit and Risk Management Committee. Sensitive personal data are not normally transmitted electronically from our London office. The only exceptions are where the data are encrypted and the destinations are known to be secure. We completed the Department's annual information security assessment and have policies and procedures in place appropriate to our organisation to manage the risks inherent in our business model. In particular, we provide information security guidance to our volunteer casework advisers. TPAS has not had any losses of data during the year. We have highlighted areas of concern in our risk register.

**Our Part in Automatic Enrolment** During the year, we have been discussing our role in the implementation of the Government's automatic enrolment policy. The Department's research has shown that we can expect a significant increase in our workload; consequently, we have been discussing how this will be funded. As the Department is expecting us to deal with the more complex enquiries, we are already planning how we will change our business model, as well as the training and support we provide to staff and volunteer advisers, to deliver this. We will also use our management information to make our processes as efficient as possible. We have already highlighted our strategic investment in telephony and IT systems to handle a predicted increase in calls to our office and visits to our website.

**Impact of London 2012** The London 2012 Olympics and Paralympics will be taking place during the time that we expect our call volumes and written enquiries to increase as the employees of the largest employers start to receive their personal communications about their automatic enrolment into workplace pensions. We are therefore expecting our call volumes to increase significantly. Our office in London, where our helpline is located, is very close to a number of central London Olympic venues; we are therefore anticipating that some of our staff and helpline volunteers may have difficulty travelling to and from work. We are already planning how we will maintain service levels during this period.

**Conclusion** TPAS has strong corporate governance, with a Board comprising independent non-executive Directors, an active Audit and Risk Management Committee and a separate Remuneration and Appointments Committee. Board members have excellent career histories and a good track record in identifying and mitigating risk. They apply that experience to TPAS' considerable benefit. TPAS is continually assessing and improving the way we identify, assess and address risk and we have a well-earned reputation in internal and external audit opinions. Having considered the requirements of the Code of Good Practice for Corporate Governance in a central government department, I am content that we comply with the parts of it that are relevant to us as a non-departmental public body.



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**Marta Phillips OBE CA**

Accounting Officer

18 June 2012

# Remuneration Report

**Service Contracts** All TPAS appointments are made on merit on the basis of fair and open competition. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

**Remuneration (Salary) and Pension Entitlements** The following sections provide details of the remuneration and pension interests of TPAS' senior management (i.e. Board members). The total salaries paid to non-executive Board members and the Chairman are shown below. The information in these table is subject to audit.

Remuneration (salary)	2011/12	2010/11
Board member Pay	Salary £'000	Salary £'000
A Balfour	0-5	0-5
C Bewley	0-5	0-5
D Clarke	0-5	0-5
B Galvin	0-5	0-5
AJ Hodgkiss	0-5	0-5
Baroness Hollis	0-5	0-5
PM Ross	0-5	0-5

All the Board members were appointed in August 2010 for a three year term. The Chairman, Partha Dasgupta, was appointed for an initial term of three years from January 4 2010. The post is non-pensionable. His salary and notice period are shown in the following table. The information in this table is subject to audit.

Partha Dasgupta	Joining date	2011/12 Salary £'000	2010/11 Salary £'000	Unexpired term of contract	Notice period
Chairman	04/01/2010	25-30	25-30	9 months	6 months

**Executive Staff Salaries** The remuneration of the staff and the Executive Board members was determined by the non-executive members of the Executive Committee in 2009-10, having regard to the pay remit agreed with DWP. In line with the Government pay freeze, the 2010/11 and 2011/12 pay levels were frozen at 2009/10 levels.

Future pay awards for senior staff fall within the remit of the Remuneration and Appointments Committee. Increases to all staff remuneration are governed by Treasury and departmental guidance and specifically by the overall pay remit, subject to DWP Secretary of State Approval. Staff can receive a bonus payment based on performance, providing the total bonuses do not exceed a fixed percentage (3.5%) of the total pay bill.

The only Executive Board member is the Chief Executive, whose targets fall under the remit of the Remuneration and Appointments Committee. Other staff targets are approved by the Chief Executive.

The following section provides details of the remuneration, pension interests and notice periods of the Executive members of the Board. The information in this table is subject to audit.

	<b>Joining date</b>	<b>2011/12 Salary £'000<sup>1</sup></b>	<b>2010/11 Salary £'000</b>	<b>Unexpired term of contract</b>	<b>Notice period</b>
<b>Marta Phillips</b>					
Chief Executive	12/04/2010	95-100	90-95	1 year	3 months
Band of Highest Paid Director's total remuneration					
		95-100	90-95		
Median Total		39,510	39,510		
Ratio		2.4	2.3		

1. 'Salary' is gross salary including performance bonus (2011/12: £0-5,000, 2010/11: nil). Performance bonus payments relate to performance in the calendar year in which payment is made. This report is based on accrued payments made by TPAS and thus recorded in these accounts.

**Bonuses** Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2011/12 relate to performance in 2011/12 and the comparative bonuses reported for 2010/11 relate to the performance in 2010/11.

**Executive Pension Arrangements** Marta Phillips OBE is a member of the PCSPS scheme. The accrued pension quoted is the pension the member is entitled to receive when they reach retirement age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Premium and 65 for members of Nuvos.

Further details of the pension scheme and contribution rates made in respect of all staff during the year can be found in Note 14 in the Notes to the Accounts. The information in this table is subject to audit.

<b>Official</b>	Accrued pension at pension age as at 31/03/12	Real increase in pension at pension age	CETV / at 31/03/12	CETV / at 31/03/11	Value of the real increase in pension
	£'000	£'000	£'000	£'000	£'000
<b>Marta Phillips</b>	66	1	638	577	2

**The Cash  
Equivalent  
Transfer Value  
(CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Value of Real  
Increase in  
Pension**

This reflects the increase in CETV that is funded by the employer. It does not include 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.

# Statement of Directors' Responsibilities

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

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

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

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

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

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

Signed on behalf of the Board by:



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**Marta Phillips OBE CA**

Chief Executive

18 June 2012



# Directors' Report

The Directors present their report and the audited financial statements of the year ended 31 March 2012.

In the past year, we have worked hard to meet, and in many cases exceed, our targets with increasing volumes of enquiries dealt with by fewer staff with reduced resources.

With the introduction of automatic enrolment, we will see a further seven million new pension scheme members and are expecting to deal with a significantly increased level of increasingly complex enquiries.

We need to prepare to help enquirers when they need help, explaining pensions in language they can understand, to help them plan properly for better quality of life, later in life.

It is a tribute to both staff and volunteers that morale remains high within the organisation and that we are able to set our target for customer satisfaction rating for next year at 90% for cases handled and 85% for visitors to our website. These ambitious targets will be delivered by an organisation that is uniquely placed to deliver this increasingly important service, delivering our vision of 'making pensions accessible' within a rapidly changing pensions landscape.

**Our Expertise** We have significant strengths to maintain and/or build on thanks to our:

- technical expertise covering all aspects of pensions – state, public and private;
- a national network of volunteer pension professionals;
- impartiality and independence from government; and
- a respected voice providing independent insight.

Our strategic objective is to maintain the quality of our work through continuous improvement. Within this, there are five issues that will affect how we work:

- the need to find cost savings in response to a decreasing budget;
- fundamental changes in the pensions landscape;
- the need to become even more efficient and effective;
- sourcing, maintaining and using technologies to maximise service levels and training; and
- targeting our resources to those people in the most need of our services - those who cannot afford independent financial advice.

The latest plan covering the period 2012 – 2015 is available on our website at:

<http://www.pensionsadvisoryservice.org.uk/media/539041/corporate%20plan%202011-15.pdf>

**Information and  
Guidance**

Our Information and Guidance team is fundamental to the way TPAS is perceived. Our paid and voluntary technical specialists are the first point of contact, dealing with an average of 260 calls a day.

We recognise the importance of their range of skills: their ability to understand what enquirers want and need; the currency of their knowledge; their skill in translating complex information to ensure their responses are appropriate and accurate, and their capacity to make themselves understood – so our enquirers understand their choices and what to do next.

Our dedicated staff are complemented by a nationwide network of volunteers including experts currently employed in the sector as well as those who have retired but who bring a strong ethical desire to give something back and to share their extensive knowledge and experience. We refresh and review our pool of volunteers, and such is their commitment that 40% of our current volunteer pool has worked with us for 10 years or more.

This year we have stated our commitment to support this team through increased training and support and through increased investment in technology infrastructures. This team will be dealing with increased volumes of increasingly complex enquiries. It is important they have the tools to meet those demands.

We will also continue to invest in our web and social media strategies, to raise our profile and provide helpful information direct to enquirers, wherever and whenever they need it. We recorded more than 2.5 million visits to our website this year and use analytics to ensure we know whether visitors found the information they needed, as well as evaluating traffic to ensure our site provides a speedy, accessible source of information. We are continuing to invest in this important portal because we know our customers find it useful.

**Talks in the Workplace**

Reduced resources and a refresh of our volunteer structure mean our workplace engagement programme was reduced this year. During 2012/13 we will refocus the way in which this part of our service is delivered by making use of new media tools and concentrating our face to face work on community based show where we can reach larger numbers of people.

**Resolving Disputes**

It was interesting to note that the case duration for our Information and Guidance and Dispute Resolution Service was significantly affected by the number of Bank Holidays in 2011 around the Royal Wedding time. We are using that insight to plan our services around this year's Diamond Jubilee and the increased disruption in working patterns as a result of the London 2012 activities.

As in previous years, we received a notable number of complaints about decisions taken about ill-health retirement applications. We have also noticed a rise in the number of complaints about maladministration and delay and are preparing for a further increase in calls to our helpline in these areas.

**Looking to the Future**

**Challenges and Risks**

As always, our ability to investigate and resolve disputes relies heavily on our network of volunteers to whom we owe a huge debt for the time, experience and expertise they bring to their role.

We have some challenging targets ahead. The Comprehensive Spending Review (CSR) calls on us to make an 18% reduction in the 2010/11 budget level, in real terms by 2014/15. At the same time, we have set ourselves the target of increasing efficiency by 7% by 2015.

It is essential, therefore, that we target our reducing resources to increasing effect.

We estimate the changing pensions landscape will drive a further 22,000 calls to TPAS in the next year, and that those calls will be increasingly complex, often from callers with little understanding of their options or the way pensions work.

We are also actively exploring other delivery methods to ensure our advice is available in the right place, to the right people, in the right language, at the right time.

More detail on each of these areas is available in our corporate plan covering the years from 2012/2015 at <http://www.pensionsadvisoryservice.org.uk/media/539041/corporate%20plan%202011-15.pdf>

**Our Funding** The company is funded by grant-in-aid from DWP out of a share of the general levy raised by DWP's Secretary of State. TPAS' only other form of income is bank interest – and our ability to meet contractual obligations is dependent on the continued receipt of these funds. In 2011/12, the company received £3,212,020 funding from DWP.

The total cost of administering TPAS was £3,054,620. This excludes capital expenditure.

**Trade and Other Payable Costs** The main reason for the reduction in payables is that we were able to complete and settle payments for all our key projects before the end of the financial year.

**Changes in Property, Plant and Equipment** The movements in property, plant and equipment during the year are set out in note 9 to the accounts.

**Intangible Assets** The movements in intangible assets during the year are set out in note 8 to the accounts.

**Corporate Responsibilities** Our list of Directors is shown at the front of this document on page 5.

**Policy and Practice on Payment of Creditors** The company adheres to Government standards for settling accounts. The company aims to pay all properly authorised invoices in accordance with the terms of the relevant contract or, in any event, with 10 days. The company's average creditor payment period at 31 March 2012 was 10 days (2010/11 – 10 days).

**Disclosure of Information to Auditors** So far as the Directors are aware, there is no relevant information of which the company's auditors are unaware and they have all taken the prescribed steps to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Directors' Legal Indemnity** The company maintains errors and omissions insurance. The indemnity limit is £5 million in aggregate, including costs.

**Going Concern Status** The statement of the financial position at 31 March 2012 shows net assets of £504,539 (2010/11: £346,913). Future financing of TPAS will be met by grant-in-aid from DWP, as TPAS' sponsoring department and we do not foresee any change in this arrangement in the future. Accordingly, we have adopted the going concern basis for the preparation of these financial statements.

**Auditors** The Government Resource Accounts Act (Audit of non-profit making company) Order 2009 appointed the Comptroller and Auditor General to audit the accounts

of The Pensions Advisory Service. The order applies to accounts prepared for the financial years commencing on, or after, 1 April 2008 and the Comptroller and auditor General therefore audited these accounts for the year ended 31 March 2012.

Fees due to the NAO are £18,500 (2010/11: £18,500) for external audit work.

**Laying of Accounts** Under the Government and Resources Accounts Act 2000 (Audit of non-profit making companies) Order 2009, the accounts must be laid before Parliament by a Minister of the Crown.

By order of the Board



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**Marta Phillips OBE CA**

Chief Executive and Accounting Officer

18 June 2012

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

I certify that I have audited the financial statements of The Pensions Advisory Service for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

### **Opinion on other matters**

In my opinion:

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

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

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

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

### **Report**

I have no observations to make on these financial statements.

### **Amyas C E Morse**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP  
22 June 2012

# Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2012

	<b>Note</b>	<b>2011/12</b>	<b>2010/11</b>
		£	£
Administration expenditure		(3,054,620)	(3,609,601)
Programme expenditure		(12,000)	–
Programme Income		12,000	–
Operating deficit		(3,054,620)	(3,609,601)
Interest receivable		279	319
Deficit before taxation	2	(3,054,341)	(3,609,282)
Taxation	7	(53)	(67)
Deficit for the year		(3,054,394)	(3,609,349)

The company made no gains or losses in 2011/12 other than the deficit for the year.

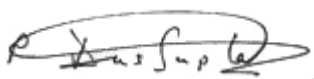
The notes on pages 34 to 45 form part of these financial statements.

# Statement of Financial Position

As at 31 March 2012

	Note	31 March 2012 £	31 March 2011 £
<b>Non-current assets</b>			
Intangible assets	8	120,711	62,032
Property, plant and equipment	9	185,013	197,996
<b>Total non-current assets</b>		<b>305,724</b>	<b>260,028</b>
<b>Current assets</b>			
Trade and other receivables	10	168,886	122,573
Cash and cash equivalents	11	263,802	498,067
<b>Total current assets</b>		<b>432,688</b>	<b>620,640</b>
<b>Total assets</b>		<b>738,412</b>	<b>880,668</b>
<b>Current liabilities</b>			
Trade and other payables	12	233,873	533,755
Provisions	13	–	–
<b>Total liabilities</b>		<b>233,873</b>	<b>533,755</b>
<b>Assets less liabilities</b>		<b>504,539</b>	<b>346,913</b>
<b>Reserves</b>			
General reserve		504,539	346,913

The notes on pages 34 to 45 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 12 June 2012 and signed on its behalf by:



**Partha Dasgupta**

Chairman

18 June 2012



**Marta Phillips OBE**

Chief Executive

18 June 2012



# Statement of Cash Flows

For the Year Ended 31 March 2012

	Note	2011/12 £	2010/11 £
<b>Cash flows from operating activities</b>			
Operating deficit		(3,054,620)	(3,609,601)
Depreciation and amortisation		105,119	88,694
Increase in trade and other receivables		(46,313)	(8,087)
(Decrease)/increase in trade and other payables		(315,598)	107,786
Decrease in provisions		–	(181,414)
Interest received		279	319
Adjustments to assets		–	(14,179)
Loss on disposal of property, plant and equipment		1,516	131
Taxation		(53)	(79)
Net cash outflow from operating activities		(3,309,670)	(3,616,430)
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and computer software		(138,271)	(23,666)
Proceeds from sales of equipment		1,656	–
Net cash outflow from investing activities		(136,615)	(23,666)
<b>Cash flows from financing activities</b>			
Grant-in-aid received from DWP		3,212,020	3,984,000
Net cash inflow from financing activities		3,212,020	3,984,000
Net increase in cash and cash equivalents during the period		(234,265)	343,904
Cash and cash equivalents brought forward	11	498,067	154,163
Cash and cash equivalents carried forward	11	263,802	498,067

The notes on pages 34 to 45 form part of these financial statements.

# Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2012

	<b>General Reserve</b>
	<i>£</i>
<b>Balance at 1 April 2010</b>	(27,738)
<b>Changes in taxpayers' equity for 2010/11</b>	
Deficit for the year	(3,609,349)
<b>Total comprehensive expenditure for 2010/11</b>	(3,609,349)
Grant-in-aid received from DWP	3,984,000
<b>Balance at 31 March 2011</b>	346,913
<b>Changes in taxpayers' equity for 2011/12</b>	
Deficit for the year	(3,054,394)
<b>Total comprehensive expenditure for 2011/12</b>	(3,054,394)
Grant-in-aid received from DWP	3,212,020
<b>Balance at 31 March 2012</b>	504,539

The notes on pages 34 to 45 form part of these financial statements.

# Notes to the Accounts

For the Year Ended 31 March 2012

## 1. Statement of Accounting Policies

### 1.1 Basis of preparation

These financial statements have been prepared, on a going concern basis, in accordance with applicable International Financial Reporting Standards as adopted by the EU, the Companies Act 2006, and the accounting and disclosure requirements given in HM Treasury's Financial Reporting Manual 2011/12 ("FReM") in so far as these are consistent with the requirement of the Companies Act. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

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

#### **International Financing Reporting Standards Amendments and Interpretations effective in 2011/12**

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

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

### 1.2 Intangible Assets

Intangible assets consist of computer software licences held only for the purpose of managing TPAS. All intangible assets are carried at fair value in accordance with the FReM and revalued using the price index numbers for current cost accounting obtained from the Office of National Statistics.

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

Amortisation is charged on a straight line basis over the estimated useful life being the period of the software licences. Where an indefinite licence period has been granted the amortisation should be matched to the hardware on which the software

is installed. Amortisation charges are included in Administration Expenses in the Statement of Comprehensive Net Expenditure.

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

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

Property, plant and equipment consists of IT hardware and equipment together with some other furniture and fittings held only for the purpose of managing TPAS. All property, plant and equipment should be carried at valuation in accordance with the FReM. However, as permitted by the FReM, TPAS has elected to adopt a depreciated historical cost basis as a proxy for fair value of its property, plant and equipment, as these are assets that have short useful economic lives or low values (or both).

TPAS rents office space under operating leases, and does not own any land or buildings.

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

### **1.4 Depreciation**

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

Information Technology	33% reducing balance
Furniture & Fittings	20% reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end. The depreciation method was changed during the year from straight line to a reducing balance basis as it was considered that this method was more appropriate in reflecting the useful life of the assets. The impact of this change is considered to be immaterial.

### **1.5 Programme income and expenditure**

Programme income is receivable from The Department for Work and Pensions (DWP) to fund the company's expenditure in respect of advisory work relating to automatic enrolment for pension schemes.

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

Grant-in-aid was received during the year from DWP to fund the company's service. Grant-in-aid received from DWP is regarded as a contribution from a controlling party giving rise to a financial interest in the residual interest of the company and hence is accounted for as financing i.e. credited directly to the general reserve.

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

### **1.7 Financial Instruments**

Financial assets and financial liabilities are recognised in the company's Statement of Financial Position when it becomes party to the contractual provisions of the instrument. They are derecognised when the right to receive cash flows has expired or all the risks and rewards of ownership or control of the asset has transferred substantially. The classification of financial assets and liabilities is determined at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount. The fair value of a financial instrument is the

amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

Where the classification of a financial instrument requires it to be stated at a fair value, fair value is determined using expected cash flows discounted back to a present value.

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

Financial liabilities comprise accruals and other payables; these are carried at amortised cost.

It is assessed at each year end whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the year end and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated. Impairment losses on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

### **1.8 Operating Leases**

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

### **1.9 Pension Costs**

The pension charge represents the contributions made by the company to pension plans during the year. This includes any charges made to make up the company's share of deficits in schemes that TPAS has participated in. Further details of the various plans are given in note 14.

### **1.10 Interest income**

Interest income is recognised on an accruals basis.

### **1.11 Significant Judgements**

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

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

There are no significant sources of estimation uncertainty.

### **1.12 Provisions**

Provisions are recognised in the financial statements when TPAS has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **1.13 General Reserve**

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

### 1.14 Cash and Cash Equivalents

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

### 1.15 VAT

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

## 2. Deficit before taxation

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

	Note	2011/12 £	2010/11 £
Staff costs	3	2,028,184	2,361,626
Accommodation costs		369,324	322,254
Depreciation		66,934	88,694
Amortisation		38,185	
		–	
Operating lease rentals		46	4,213
Adjustments to assets		–	(14,179)
Loss on disposal of assets		1,516	131
Auditors' Remuneration		18,500	18,500

Accommodation costs consist of £324,250 (2010/11:£284,247) operating lease rentals under land and Buildings.

## 3. Salaries and on-cost (including Board members)

	2011/12			2010/11
	Total	Permanent staff	Temporary Staff	Total
	£	£	£	£
Wages and salaries	1,597,571	1,591,114	6,457	1,714,413
Social security costs	138,504	138,504	–	138,781
Pension costs*	292,109	292,109	–	508,432
Total	2,028,184	2,021,727	6,457	2,361,626

\* The 2010/11 pension costs included a one-off payment of £204,403 to The Pensions Trust – see note 14.

## 4. Employee Information

	2011/12 No.	2010/11 No.
The average number of employees during the year	37.5	42

Volunteer advisers continued to provide vital assistance in the delivery of the organisation's services during 2011/12. At the end of 2011/12 we had 428 volunteer advisers (2010/11: 460).

## 5. Directors Emoluments

### (i) Executive Directors

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

	2011/12	2010/11
	£	£
Total emoluments	96,965	161,918
Pension contributions	22,477	37,188
	<u>119,442</u>	<u>199,106</u>

- Two directors, Malcolm McLean and Des Hamilton, took retirement during 2010/11.
- One director left TPAS in 2010/11 following a restructure of the organisation.

The highest paid director received £96,431 (2010/11: £31,980) in salary, £22,477 (2010/11: £7,347) of pension contributions made on their behalf by the company and £Nil (2010/11: £181,414) in respect of loss of office.

### (ii) Non-Executive directors' salaries, allowances and expenses

Up to 30 June 2010 appointed non-executive Board members received a meeting attendance allowance (up to £540 per Board meeting and up to £270 per committee meeting). After that date the Chairman and non-executive Board members are now paid a salary. The total paid in respect of Board costs for the year was £72,924 (2010/11: £63,720) which comprised salaries of £65,000 (2010/11: £53,333), allowance payments for attending Board and committee meetings of £nil (2010/11: £7,020) and travel and subsistence costs of £3,962 (2010/11: £3,367).

## 6. Operating Segments

TPAS only report one operating segment internally to management for the entire organisation. As such, there is no additional segmental analysis requiring disclosure in the accounts.

## 7. Taxation

The taxation charge is based solely on the bank interest received in the year.

	2011/12	2010/11
	£	£
UK Corporation tax 20% (2010/11: 21%) on bank interest received	53	67

## 8. Intangible Assets

	<b>Software Licenses</b>	<b>Total</b>
	£	£
<b>Cost or valuation</b>		
As at 1 April 2011	62,032	62,032
Additions in year	96,864	96,864
As at 31 March 2012	158,896	158,896
<b>Amortisation</b>		
As at 1 April 2011	–	–
Charge for the year	38,185	38,185
As at 31 March 2012	38,185	38,185
<b>Net Book Value</b>		
As at 31 March 2012	120,711	120,711
As at 31 March 2011	62,032	62,032
	<b>Software Licenses</b>	<b>Total</b>
	£	£
<b>Cost or valuation</b>		
As at 1 April 2010	–	–
Additions in year	62,032	62,032
As at 31 March 2011	62,032	62,032
<b>Amortisation</b>		
As at 1 April 2010 and 31 March 2011	–	–
Charge for the year	–	–
As at 31 March 2011	–	–
<b>Net Book Value</b>		
As at 31 March 2011	62,032	62,032
As at 31 March 2010	–	–



## 9. Property, plant and equipment

	Information Technology	Furniture & Fittings	Total
	£	£	£
<b>Cost</b>			
As at 1 April 2011	370,322	169,530	539,852
Additions in year	56,343	780	57,123
Disposals in year	(102,208)	(994)	(103,202)
As at 31 March 2012	324,457	169,316	493,773
<b>Depreciation</b>			
As at 1 April 2011	186,098	155,758	341,856
Charge for the year	64,124	2,810	66,934
On disposals	(99,036)	(994)	(100,030)
As at 31 March 2012	151,186	157,574	308,760
<b>Net Book Value</b>			
As at 31 March 2012	173,271	11,742	185,013
As at 31 March 2011	184,224	13,772	197,996
<b>Information Technology</b>			
	Information Technology	Furniture & Fittings	Total
	£	£	£
<b>Cost</b>			
As at 1 April 2010	200,424	297,546	497,970
Additions in year	175,613	2,409	178,022
Adjustment	(465)	(10,480)	(10,945)
Disposals in year	(5,250)	(119,945)	(125,195)
As at 31 March 2011	370,322	169,530	539,852
<b>Depreciation</b>			
As at 1 April 2010	188,593	214,757	403,350
Charge for the year	20,826	67,868	88,694
Adjustment	(18,071)	(7,053)	(25,124)
On disposals	(5,250)	(119,814)	(125,064)
As at 31 March 2011	186,098	155,758	341,856
<b>Net Book Value</b>			
As at 31 March 2011	184,224	13,772	197,996
As at 31 March 2010	11,831	82,789	94,620

**10. Trade and other receivables**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	119,661	84,683
Other receivables	49,225	37,890
	<u>168,886</u>	<u>122,573</u>
Included in other receivables is £12,000 (2010/11: £nil) due from other Government bodies.		

**11. Cash and cash equivalents**

	<b>2011/12</b>	<b>2010/11</b>
	£	£
Balance at 1 April 2011	498,067	154,163
Net change in cash and cash equivalent balances	(234,265)	343,904
Balance at 31 March 2012	<u>263,802</u>	<u>498,067</u>
The following balances were held at:		
	<b>31 March 2012</b>	<b>31 March 2011</b>
	£	£
Commercial banks and cash in hand	263,802	498,067

**12. Trade and other payables**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	£	£
Amounts falling due within one year:		
Trade payables	82,631	27,957
Taxation	58	67
Other payables	70	–
Accruals	151,114	505,731
	<u>233,873</u>	<u>533,755</u>
Included in trade payables is £12,000 (2010/11: £nil) due to other Government bodies. There are no payables falling due after more than one year (2010/11: £nil).		

**13. Provisions**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	£	£
Balance at 1 April 2011	–	181,414
Payments made during the year	–	(181,414)
Balance at 31 March 2012	<u>–</u>	<u>–</u>
The provision represented a payment to a director for loss of office, made in 2010/11.		

## 14. Pension Commitments

### (i) Pension Schemes

From 1 March 1994 to 30 September 2010 the company participated in The Pensions Trust Growth Plan. Additionally it offered access to the Black Rock Stakeholder Plan. However, since 1 January 2007, the company has been eligible to join the Principal Civil Service Pension Scheme (PCSPS). As a result of this for new employees the company now provides access to only the PCSPS. Existing staff have the right to remain in the Black Rock scheme. As at 31 March 2012, 35 staff (2010/11: 35) had joined the PCSPS, 1 (2010/11: 1) remained with Black Rock (now closed to new staff), and TPAS has now withdrawn from The Pensions Trust Growth Plan as it no longer has staff in the scheme, following the retirement of the last TPAS member at the end of September 2010 (2010/11: £nil).

The pension charge represents the contributions made by the company to all the plans (Pensions Trust, Black Rock and PCSPS) and amounted to £292,109 (2010/11: £508,432).

<b>Pension Scheme</b>	<b>2011/12 Contributions Paid £</b>	<b>2010/11 Contributions Paid £</b>
PCSPS	288,095	297,451
BlackRock	4,014	3,706
Pensions Trust Growth Plan	–	207,275
	<u>292,109</u>	<u>508,432</u>

The payments in 2010/11 in respect of The Pensions Trust Growth Plan included £204,403 which related to TPAS' share of the scheme's fund deficit, which became due when TPAS stopped having any members in the scheme. The payment which included fees was made under the terms of section 75 of the Pensions Act 2005 (as amended).

### (ii) BlackRock Stakeholder Plan

Since September 2001, members of staff have also been provided with access to a stakeholder pension, which is a defined contribution scheme administered by Black Rock. The assets are held separately from the company in a separately administered fund. As at the reporting date, there was one active member employed by the company (2010/11: 1 member).

### (iii) The Principal Civil Service Pension Scheme (PCSPS)

The majority of the employees, 35 (2010/11: 35), are covered by the provisions of the PCSPS, which is a defined benefit scheme. The PCSPS is an unfunded multi-employer defined benefit scheme, but TPAS is unable to identify its share of underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 2007. Details can be found in the accounts of the Cabinet Office Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

Prior to 30 July 2007, employees were offered access to the PCSPS Premium scheme option. From 30 July 2007, this was closed to new entrants, and employees are now provided with access to the PCSPS Nuvos scheme option, which is a defined benefit scheme. Both schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

Employee contributions to both the Premium and Nuvos schemes are set at the rate of 3.5% of pensionable earnings. The Premium scheme is a final salary scheme where

benefits accrue at the rate of 1/60th of pensionable salary for each year of service. Pensions payable under Premium are increased in line with changes in the Consumer Price Index (CPI). Pension age is 60 for Premium scheme members. The Nuvos scheme is a career average scheme.

In the Nuvos scheme, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% (2010/11: 2.3%) of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is up rated in line with CPI. Pension age is 65 for Nuvos scheme members.

In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Employer contributions in both schemes range from 16.7% to 24.3% (2010/11: 16.7% and 24.3%) based on salary bands. The PCSPS Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011/12, to be paid when the member retires and not the benefits paid during this period to existing pensioners. For the year commencing 1 April 2012, the rates will be in the range of 16.7% to 24.3%.

Instead of the Nuvos scheme, employees can choose to open a Partnership Pension Scheme. Two employees have opted to do so (2010/11: 2). The Partnership Pension Account is a stakeholder pension arrangement through PCSPS. The employer makes a basic contribution of between 3% and 12.5% (2010/11: between 3% and 12.5%), (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers.

The employee does not have to contribute but where they do make contributions the employer will match these up to a limit of 3% (2010/11: 3%) of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% (2010/11: 0.8%) of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

#### **(iv) Outstanding or Prepaid Defined Contribution Scheme Payments**

There are no outstanding or prepaid contributions in respect of defined contribution schemes. (2010/11: £nil)

### **15. Liabilities of Members**

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

## 16. Operating Lease Commitments

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

### Land and Buildings

Obligations under operating leases comprise:-	31 March 2012 £	31 March 2011 £
Not later than one year	216,175	216,175
Later than one year and not later than five years	50,045	266,814
	<u>266,220</u>	<u>482,989</u>

The figures above relate to two operating leases in Belgrave Road. An element of the commitment is estimated by the lessor in advance and actual costs may vary slightly.

## 17. Related-Party transactions

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

The ultimate source of TPAS's grant-in-aid is the pension scheme levy. Section 174 of the Pension Schemes Act 1993 (as amended) provides that The Pensions Regulator (TPR) can make grants to bodies like TPAS. With effect from 3 July 2008, the agreed quarterly amounts have been released by DWP to TPR, who then credit TPAS with the same amount.

During the year, the company received grant-in-aid amounting to £3,212,020 (2010/11: £3,984,000) from DWP. At 31 March 2012 no amounts were outstanding (2010/11: £nil)

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

During the year, the company paid rent to HMRC amounting to £168,313 (2010/11: £165,666). At 31 March 2012 no amounts were outstanding (2010/11: £nil).

All transactions with directors are disclosed in the Directors' Emoluments Note 5.

## 18. Financial instruments and associated risks

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

TPAS does not face the degree of exposure to financial risk that commercial businesses do. In addition, financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing TPAS in undertaking its activities. TPAS relies upon DWP for its cash requirements, having no power itself to borrow or invest surplus funds. The short-term liquidity and interest rate risks are therefore slight. TPAS does not have and has not had an exposure to foreign currency risk.

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

**Financial Assets by category**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>Loans and receivables</b>	<b>Loans and receivables</b>
	£	£
Cash and cash equivalents	263,802	498,067
Other receivables	49,225	37,890
	<u>313,027</u>	<u>535,957</u>

The above figures exclude statutory receivables which relate to VAT from HMRC.

**Financial Liabilities by category**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>Financial Liabilities</b>	<b>Financial Liabilities</b>
	£	£
Trade payables	82,631	27,957
Accruals	151,114	505,731
Other payables	70	–
	<u>233,815</u>	<u>533,688</u>

The above figures exclude statutory payables which relate to tax due to HMRC.

**19. Contingent liabilities**

The company had no contingent liabilities outstanding at the year end. (2010/11: £Nil.)

**20. Events after the reporting date**

No material events have occurred since the reporting that have an effect on the accounts.

**21. Grant-in-Aid from the Department for Works and Pensions**

The total grant-in-aid received from the Department for Works and Pension in 2011/12 was £3,212,020. Of that £158,000 was applied to capital expenditure leaving £3,054,020 to be applied to revenue expenditure.

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