

Service Personnel
& Veterans Agency

An Executive Agency of the Ministry of Defence



Annual Report and Accounts 2007/2008

Supporting Services Through Life

ANNUAL REPORT AND ACCOUNTS 2007/2008



INVESTOR IN PEOPLE

Presented to Parliament in pursuant to Section 7(2) of the Government Resources and Accounts Act 2000,
together with the report of the Comptroller and Auditor General thereon.

Ordered by the House of Commons to be printed 17th July 2008

Contents

Chief Executive's Foreword	3
Management Commentary for Financial Year 2007/08	
Part 1 - Operating Review	
Introduction	4
History	4
Strategic Mission and Vision	4
Ownership and Accountability	5
Management of the Agency	6
Agency Sites	7
Customers	8
Part 2 - Performance Review	
Performance against 2007/08 Key Targets	10
Military Services	11
Veterans Services	13
Strategy and Programmes	15
Change	16
Corporate Services	17
Looking Ahead	20
Part 3 - Financial Review	
Budgetary Structure	22
Financial Performance	22
Programme Expenditure for Financial Year 2007/08	22
Departmental Resource Accounts (DRAc)	22
Financial Administration of Managed Funds	23
Financial Monitoring and Audit of the EDS Contract	23
Armed Forces Pension Scheme (AFPS)	23
Statement on disclosure of audit information	23
Policy and achievements on supplier payments	23
Pension liabilities	24
Auditors	24
Remuneration Report	25
Remuneration Policy	25
Service Contracts	25
Salary and Pension Entitlements	25
Pension Benefits	26
Financial Statements for the Year Ended 31 Mar 2008	
Statement of Agency's and Chief Executive's Responsibilities	29
Statement on Internal Control - SPVA 2007/08	30
The certificate and report of the Comptroller and Auditor General to the House of Commons	34
Financial Statements for the Year Ended 31 March 2008	36
Notes to the Accounts	39
Glossary of Terms	53

Chief Executive's Foreword



Rear Admiral Trevor Spires

It is my privilege and very great pleasure to introduce the first Annual Report and Accounts for the Service Personnel and Veterans Agency (SPVA). The merger of the Armed Forces Personnel Administration Agency (AFPAA) and the Veterans Agency (VA) to form the SPVA as an Executive Agency within the Ministry of Defence (MoD) has enabled, for the first time, the MoD to provide within a single organisation a point of contact for both serving personnel and veterans. This "whole life" view allows SPVA to deliver services and provide access to information across the range of Service Personnel needs, including pay, pensions, compensation claims, records of service, casualty and compassionate reporting and medal entitlement.

The past year has been extremely challenging and diverse. The focus across the organisation has been to take forward opportunities presented by the merger, with considerable progress being made to rationalise business systems, providing a more integrated and efficient service to our customers. We have very much been looking to develop a single SPVA culture and to build on the best practice that existed within both AFPAA and VA.

The formal completion of the Joint Personnel and Administration (JPA) implementation programme marked the culmination of many years hard work, providing a firm foundation of harmonised, modern personnel services to support the Armed Forces of today and the future. However, both SPVA and the Armed Forces recognise that there is still much to do to build on this foundation if we are to deliver the full vision that JPA promised. This will be achieved through the completion of end-to-end process reviews and continued work in close consultation and association with the Service communities.

Inevitably, against a background of high operational tempo for the Armed Forces, JPA implementation and the formation of the new Agency, there have been some challenges in achieving the required standard of performance in relation to Key Targets for 2007/08. Whilst the Agency has achieved its objectives to deliver pay and pensions to its extended customer community, it narrowly missed the target for pay accuracy. A combination of the number of operational casualties and greater awareness of the scheme resulted in a considerable increase in the number of Armed Forces Compensation Scheme claims and it was not possible to deal with all of these within the extremely demanding target timescales. Significant process improvements have, however, enabled us to focus our priority on the most needy cases in order that their claims can be processed well within target. The longer than anticipated bedding in period for JPA within the Services has kept the volume of JPA related issues at a high level and this has delayed the delivery of the predicted financial savings from within the Agency. Finally, all of the above issues along with a range of other more minor ones has resulted

in a high volume of written correspondence and this has meant that we have not always been able to achieve our own very short targets for response times.

It is SPVA's aim to get things right first time, taking a proactive approach in focusing on and improving customer service. The Agency's successes in this area have been recognised through the award of the Charter Mark standard for customer service delivery in the public sector in early 2008. The Charter Mark assessment highlighted many areas of good and best practice within SPVA, and also identified some areas for additional work to ensure that the highest standards are achieved throughout the Agency in the future. In support of the Agency's focus on customer service the 2007/08 Customer Satisfaction Survey took a new, holistic and tiered approach, ensuring the views of individuals as well as those representing the management of the Agency's various customer areas were captured and acted upon.

The recent announcement that SPVA will, for the foreseeable future, be based across 4 sites, with our Innsworth-based functions remaining there, brings to a welcome close a long period of uncertainty for the Innsworth staff. In coming to his decision, Under Secretary of State recognised the vital role and excellent service provided by the Joint Casualty and Compassionate Centre (JCCC) and the MoD Medal Office (MoDMO). The JCCC has continued to provide an outstanding service throughout the ongoing overseas operations in Iraq and Afghanistan, whilst the MoDMO has received and actioned 70,000 medal applications during the year, a considerable increase on the anticipated volumes upon which the staffing levels were set.

Finally, this is the last foreword I will write as Chief Executive of SPVA. Although the new Chief Executive has yet to be appointed, I am sure that he or she will benefit as I have from the professionalism, enthusiasm and huge commitment of SPVA's people, both MoD and EDS; I know that my successor will be well supported in addressing the challenges of the future. I wish the Agency and those within it every success for the future and I am sure that it will go from strength to strength in the delivery of its vitally important support services to current and former members of our Armed Forces.

A handwritten signature in purple ink that reads "Trevor Spires".

Rear Admiral Trevor Spires
Chief Executive
07 July 2008

Management Commentary

Part 1 - Operating Review

Introduction

The Report and Accounts which follow cover the period 01 April 2007 to 31 March 2008 and have been prepared with the direction dated 11 December 2007 given by the Treasury and in accordance with section 7 (2) of the Government Resources and Accounts Act 2000. Its purpose is to provide a public report on SPVA's performance and results for the Financial Year 2007/08.

History

The Service Personnel and Veterans Agency (SPVA) was formed as an Executive Agency of the Ministry of Defence on the merger of the Armed Forces Personnel Administration Agency (AFPAA) and the Veterans Agency (VA) on 01 April 2007.

Strategic Mission and Vision

The prime focus of SPVA is:

To deliver reliable, trusted and efficient personnel services to the serving and veterans' communities

These services include the delivery of pay, pensions and compensation, records of service, casualty and compassionate reporting, medal entitlement and veterans welfare services, with the provision of a single point of contact for both serving personnel and veterans, facilitating access to information and advice. In seeking qualitative improvements in the delivery of personnel services, the Agency's vision is the:

Dynamic delivery of high quality, comprehensive and responsive through-life services to the serving and veterans' communities

Ownership and Accountability

SPVA is owned by DCDS(Pers) who is responsible to Ministers for the strategic direction of the Agency and, through the Owners Advisory Board (OAB) acts on behalf of the Secretary of State for Defence. The OAB monitors the Agency's progress and performance against pre-determined aims, objectives and targets and represents the interests of the Agency's customers. There is one Non-Executive Director (NED) on the Board whose remuneration is met by the Agency.

As at 31st March 2008 the membership of the Board consisted of:

Deputy Chief of Defence Staff (Personnel)	Vice Admiral Peter Wilkinson (Air Marshal David Pocock until 31 Aug 07)
Chief Executive SPVA	Rear Admiral Trevor Spires
Chief of Staff (Personnel & Support) / 2nd Sea Lord	Rear Admiral Charles Montgomery
Deputy Adjutant General / Director General Service Conditions (Army) ¹	Represented by Brigadier Max Marriner, DSPS(A)
ACOS Personnel Policy (RAF)	Air Commodore Paul Hughesdon
Defence Services Secretary	Major General Matthew Sykes
Director General Service Personnel (Policy)	Mr Chris Baker
Chairman COBSEO	AVM Tony Stables (Retired)
Non Executive Director SPVA	Professor Helga Drummond

¹ Director General Personal (DG Pers) from 01 Apr 08.

Management of the Agency

Agency Management Team (AMG)

The AMG is responsible for the management of the Agency, its performance, risks and partnering relationship. It provides the forum for business requiring joint consultation or agreement across the partnership. The AMG membership during the year 2007/08 was as follows:



Rear Admiral
Trevor Spires
Chief Executive



Kevin Large
EDS
Account Director



Jackie Adams
Deputy Chief Executive/
Director Corporate
Services (1)



Brigadier
Robin Bacon
Director of Strategy
& Programmes



Paul Couch
EDS Account
Manager (2)



Alison Sansome
Director Veterans
Services (3)



Commodore
Angus Ross
Director
Military Services



David Kerr
EDS Services
Director (4)



Director Change
(Vacant)
(5)



John Killoran
EDS Systems Director



Cheryl McCartney
EDS HR Manager
JPA Transition



Professor
Helga Drummond
Non Executive Director 1
(6)



Alex Jablonowski
Non Executive Director 2
(6)

- (1) Prior to 20 Aug 2007 this post was held by Peter Northen
- (2) Paul Couch joined the AMG in September 2007 following the departure of Paul Davis (EDS)
- (3) Prior to 13 Nov 2007 this post was held by Tim Taylor
- (4) Prior to 01 Feb 2008 this post was held by Garry Walton
- (5) Prior to 01 Aug 2007 this post was held by Air Commodore David Tonks; it is currently covered by DVS, Alison Sansome
- (6) Ken Ludlam left the appointment of NED on 18 Jun 07

Non-Executive Directors (NEDs)

The principal role of the Non-Executive Directors is to offer the Chief Executive, and the Boards of which they are members, an independent view on SPVA strategy and performance. Professor Helga Drummond is a member of the AMG, the DCDS(Pers) OAB and the SPVA Audit Committee. Alex Jablonowski is a member of the AMG and the Agency Executive Board (AEB) and also chairs the SPVA Audit Committee.

Agency Executive Board (AEB)

The AEB is responsible for the direction and governance of the MoD components of the Agency; it complements the role of the AMG. The AEB membership during the year 2007/08 was as follows:

Chairman	Chief Executive	Rear Admiral Trevor Spires
	DCE/Director Corporate Services	Jackie Adams (Peter Northen to 19 Aug 2007)
	Director Strategy & Programmes	Brigadier Robin Bacon
	Director Military Services	Commodore Angus Ross
	Director Veterans Services	Alison Sansome (Tim Taylor to 12 Nov 2007)
	Director Change	Vacant (Air Commodore David Tonks to 31 Jul 2007)
	Deputy Director Finance & Corporate Governance	David Allen (Daren Gregg to 07 May 2007)
	Non-Executive Director	Alex Jablonowski

During the year, none of the Directors held company directorships or other significant interests which may conflict with their management responsibilities.

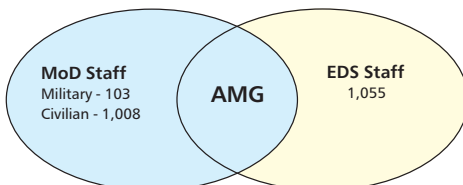
Agency Sites

During 2007/08 SPVA operated from 5 sites at Gosport, Glasgow, Innsworth, Norcross and Worthy Down. Following the successful rollout of JPA, the Agency vacated Worthy Down on 31 December 2007. The Agency will deliver services from the remaining 4 sites for the foreseeable future, following the Ministerial decision in May 2008 to continue operating from the Innsworth site.



Staff Numbers

During 2007/08 the average number of staff was:



Customers

The SPVA has a customer base of approx 820,000 people. The tables below show the breakdown in respect of serving, ex-serving personnel and their dependants. In supporting this large customer base the Agency administers £12.37 billion of public funds annually.

Volumes of payments and records maintained each month

Activity	Volume
Pay records of Regular Services personnel	199,000
Records of Reserve personnel and Cadet Instructors	52,500
Pensions records of Regular Service, Gurkha and Locally Enlisted personnel including dependants (maintained by Xafinity Paymaster Ltd)	365,000
War Disablement Pensions	167,000
War Widows Pensions	36,000
Total	819,500

In addition 523,000 personnel records are maintained but not currently in Payment, i.e. personnel still serving or with deferred or Preserved pensions, and administer 173,500 supplementary payments and other pension awards.

Expenditure on pay, allowances and pensions in 2007/08 (in £ billions)

Activity	£ Billion
RN Pay & Allowances	1.72
Army Pay & Allowances	4.46
RAF Pay & Allowances	1.97
Armed Forces Pension Scheme	3.18
Armed Forces Compensation Scheme	0.01
War Pensions	1.02
Project Collins	0.01
Total	12.37

Customers include not only individual Service personnel and veterans but also the Services' Personnel Management Authorities, MoD planning staff and policy makers, a variety of other Defence Agencies and other Government Departments, such as HM Revenue and Customs, Department for Work and Pensions and the Department of Health. The Agency also has a key role in support of the Government-wide veterans' programme.

The SPVA aims to get matters right first time every time and provide the very best service. However, if customers are not satisfied with the way their pay, claim or pension has been dealt with, they are able to contact the Enquiry Centre or Veterans Help Line, as appropriate, where a Customer Service Manager will arrange a full review of their case. Enquiries or complaints that are not resolved by this procedure are escalated to the Chief Executive or the relevant Independent Complaints Panel.

In addition to the above rights of redress most War Pension Scheme and Armed Forces Compensation Scheme pension decisions carry a statutory right of appeal, and this is mentioned in the notification of decision and any accompanying leaflet. AFPS members may invoke the Internal Disputes Resolution Process in cases of maladministration or the Discretionary Awards Appeal Process when a discretionary award is involved. Subsequent appeal may be made to the Pension Ombudsman.

Customer Satisfaction Surveys

Following the AFPAA/VA merger and the introduction of Joint Personnel Administration (JPA), a new holistic and tiered approach has been developed for customer satisfaction surveys, to ensure that the views of individual users are captured and acted upon, as well as those of the corporate-level customers. Using an interventionist approach, individual users of JPA and Human Resource (HR) administrators are now being surveyed at 4 month intervals. A pilot e-survey was sent out to 1000+ RN and RAF personnel in November 2007 which achieved a high rate of return and an overall 68% satisfaction rating. This particular survey enabled the Agency to establish a baseline of satisfaction prior to the technical/process fix for multiple referrals being implemented in November 2007. Further surveys in 2008 will measure the effectiveness of the remedial steps taken to overcome 'multiple referrals'. The e-survey results will be weighted and combined with results of veterans' surveys and corporate customer surveys conducted at the end of 2007/08.

Achievement of Charter Mark

In February 2008 the Agency was successful in meeting the Charter Mark standard for customer service delivery in the public sector. The external assessment body (Centre for Assessment Ltd) provided a feedback report which highlighted many areas of good/best practice and also identified some areas where additional work would be necessary in order that the highest standards might be achieved throughout the Agency.

Assessment against the Charter Mark standards will be conducted by way of a rolling programme of visits, the next stage being an assessment at Centurion in summer 2008.



Charter Mark presentation by Minister for Veterans to Alison Sansome

Management Commentary for Financial Year 2007/08

Part 2 - Performance Review

Performance Against 2007/08 Key Targets

The Agency Management Group has used a monthly Balanced Scorecard (BSC) to help it manage all aspects of the business and has ensured that a robust risk management structure is in place to allow it to manage key business risks. Performance is reported quarterly to the Agency Owner, DCDS (Pers). During 2007/08, the Agency narrowly missed Key Target 1 for pay accuracy and, due to the significant increase in volumes of Compensation Scheme cases, Key Target 2 clearance time was not achieved. The volume of correspondence requiring written response was also extremely high and this resulted in Key Target 4, response time to written complaints, not being achieved. Finally, the efficiency target for the delivery of core services was missed and therefore Key Target 6 was not achieved.

The following performance table has no historical information due to fundamental differences between the constituent elements of the first Key Targets for SPVA and the previous year's Key Targets for AFPAA and VA.

Key Target	2007-08	
	Target	Performance
Pay Accuracy: (Key Target 1)		
Error rate of accuracy ² No. of errors per 1,000 not to exceed	0.5%	0.51%
Pay Timeliness: (Key Target 1)		
To make payments by the due date	99.9%	99.9%
Pensions & Compensation Timeliness: (Key Target 2)		
To make payments by the due date	99.0%	99.97%
War Pensions & Armed Forces Compensation Scheme claims (average clearance time)	49 working days	52.75 working days
Pensions & Compensation Accuracy: (Key Target 3)		
Pensions rate of accuracy	99.9%	99.99%
War Pensions and Compensation Rate of accuracy	99.3%	99.86%
Service Enhancement:		
To provide timely responses to customer enquiries and written complaints: (Key Target 4)		
Clearance on first call (non-IT queries only)	75%	86.73%
Calls to be answered within 90 seconds Calls to be answered within 20 seconds	90% 50%	Average 95.88% ³
Complaints closed within 20 working days Complaints closed within 90 working days	95% 100%	Average 91% ⁴
To develop systems to collect data to enable customer satisfaction targets to be developed in 2008/09: (Key Target 5)		
To develop Key Target for 2008/09 to meet approved targets for customer satisfaction	31 Mar 08	Achieved
Efficiency:		
To deliver JPA efficiencies in line with the benefits identified in the approved business case for JPA: (Key Target 6)		
Achieve JPA Target Cost savings	£25M	£19.1M
To deliver the long term benefits of merger between AFPAA and the VA: (Key Target 7)		
Implement baseline structures and processes for an integrated pensions organisation	31 Mar 08	Achieved
Produce medium to longer term integrated IT and telephony strategy	31 Mar 08	Achieved
Implement structures and processes for integrated support functions	31 Mar 08	Achieved

²The metric used to measure accuracy monitors those elements of the end to end pay process that falls within SPVA's control and, as such, does not represent the accuracy of the complete, end to end process. Specifically, it assumes a correct record of service, which is used to inform the pay calculation Software (accuracy within 2% of net pay per individual pay account).

³Whilst there are two performance indicators, the Agency measures time taken to answer as an average of both.

⁴Whilst there are two performance indicators, the Agency measures time taken to close complaints as an average of both.

Military Services

Service Delivery

JPA has now rolled out to all three Services following Release 3 to the Army in April 2007. Whilst the staged releases were a deliberate precursor to maintaining continuity of service, transitional and process issues have presented numerous challenges, in particular, impacting on the Agency's ability to meet the accuracy element for Pay in Key Target 1. The volume of these errors reported over the course of the year was 16,140 against a total of 3,165,000 payroll payments. The Key Target tolerance threshold of 99.5% accuracy was not achieved by 0.01%, equivalent to 315 occurrences over the full year. It is anticipated that increasing user confidence and maturing processes will see a marked reduction in the failure rate as the Agency approaches a steady state environment.

Enquiry Centre

The Enquiry Centre (EC) performance is measured against Key Target 4 and over the course of this financial year the EC received an average of 72,000 calls per month achieving a 1st line resolution of 90%. The number of calls remains reasonably static when compared with last year's totals; however it is considered that a reduction in the volume of calls will become apparent in line with the rationale applied above. Conversely, the number of Service Requests (SRs) referred for Back Office intervention has reduced and further improvements have been implemented to manage customer expectations, notably the creation of the Service Request Management Group (SRMG). By centrally managing this process, swifter ownership and resolution of customer raised issues has had a tangible effect in helping to negate previous occurrences of multiple referrals as well as allowing for trends to be identified and corrective action taken. The volume of written enquiries and complaints to the EC was extremely high and this resulted in the Agency not achieving the response time to written complaints element of Key Target 4.

Other customer improvements include the creation of the Agency Issue Management team which is responsible for identifying and overcoming any major issues which are likely to impact on the Agency's ability to deliver core services. Known issues are communicated through the JPA system and, where applicable, disseminated via operations bulletins to unit HR administrators notifying them of key scheduling events.

MoD Medal Office

Over the course of the past year the MoD Medal Office has received and actioned 70,000 medal applications. The work in hand is now just under 2,000 applications. This is particularly noteworthy when placed against the 50,000 medal applications outstanding at the formation of the MoD Medal Office in March 2005. In addition, the MoD Medal Office has designed and commissioned tri-service JPA medal application forms and ensured that the guidance within the Joint Service Publication in support of current medal policy is up to date and accurate. Additionally, it has scoped a tri-service common standard of conduct to be achieved in the award of the Long Service and Good Conduct Medal. All this work has been fully supported and agreed by the three Services and as such is an important step towards achieving a common tri-service medal policy. Further improvements include the facility to submit medal applications on new tri-service JPA forms direct from Operational Theatres.



1939-45 War Medal, 1939-45 Defence Medal, 1939-45 Star, Burma Star and Italy Star. All five medals relate to service in the Second World War and have been issued by the MoD Medal Office

Joint Casualty and Compassionate Centre

The Joint Casualty and Compassionate Centre (JCCC) has completed its third year since its formation providing responsibility for all casualty and compassionate reporting action for the single Services, and this year was visited by Minister for the Armed Forces. The Business Continuity Plan (BCP) was successfully activated in the summer following local flooding and the JCCC delivered an uninterrupted service from another site. The Major Incident Centre was activated once during the reporting period to deal with enquiries following a helicopter accident in Yorkshire. The JCCC has also dealt with providing appropriate support, including reinforcement by the Immediate Response Team, during the year in respect of;

- 206 Deaths
- 3 Missing personnel
- 503 Very Seriously Ill and Seriously Ill
- 141 Incapacitating injuries and illnesses
- 1038 Unlisted casualties, personnel or dependants
- 5074 requests for Compassionate Leave travel
- 99107 telephone calls to and from the Operations room

Historic Casework Team

Some of the significant activities for the Historic Casework Team have included arranging high profile commemorative funeral services, attended by Service representatives and family members for casualties from both World Wars. Also, the team enabled the provision of service pattern memorials following the business failure of the previous MoD contractor in February 2007 thus ensuring the continuity of supply was achieved resulting in only minimal disruption to bereaved service families.



JCCC Christmas Working

Veterans Services

Service Delivery

The wide range of veterans' services during 2007/08 included the accurate and timely delivery of the Armed Forces Pensions Scheme (AFPS), War Pension Schemes (WPS) and Armed Forces Compensation Scheme (AFCS) claims. Whilst the AFPS element of Key Target 2 was achieved, the annual clearance target for the AFCS and WPS was aggregated to cover both schemes and set at an average of 49 working days per claim. Against this target the overall performance achieved was an average of 52.75 days per claim. The accuracy target set in Key Target 3 for the above schemes was achieved.

Armed Forces Pension Scheme (AFPS)

The AFPS continues to provide payment of some 365,000 pension payments per month via our contractor Xafinity Paymaster. In addition the calculation and payment of terminal benefits and pension entitlements exceeded the overall target of 99%. Staff also completed on time and to budget a complicated pension transfer scheme for our Gurkha soldiers and pensioners, which will benefit many eligible Gurkha personnel and their families. A long term review of systemic pension errors, which commenced 2 years ago, has been successfully completed with considerable arrears and interest being paid to many pensioners. There has been a particular focus on integrating the separate pensions and compensation components of the business as a result of the merger between the AFPAA and VA. This has identified a number of synergies and revised processing which will be both more efficient and deliver an improved service to our customers.

War Pension Scheme (WPS)

The WPS is a complex but well established scheme with an individual scheme target set at an average of 52 working days per claim. The overall achievement was comfortably within the target at 50 days including all disablement and widow(er)s claims. Although the WPS still attracts an intake of 33,000 claims per year of which some 6,000 are first claims, it will ultimately be replaced by the AFCS which was introduced on 06 April 2005 and which is applicable for all injuries, illnesses and deaths caused on or after this date.

War Pensions widow(er)s' claims are always given particular priority and have a lower target of clearance within an average of 21 working days. Again this target was comfortably met with an achievement of 17 working days.

Armed Forces Compensation Scheme (AFCS)

The AFCS has been in place for three years and claims have been increasing over that time. We will continue to support the resolution of any issues associated with the development of this new scheme and its progressively mainstream use. An example of how this has already taken place is the legislative change which took place to the multiple injuries rules in Feb 2008. This resulted in additional payments being made promptly to all the most severely injured Service men and women.

The individual scheme target for AFCS was set at an average of 35 working days per claim. However, as a result of initial issues both with interpretation of the new policy and in gathering the appropriate medical reports an average of 64 days was achieved. Some features of the scheme lead to very long protracted cases while post mortems are carried out or while DNA testing is undertaken. These factors have made this a difficult and challenging year and led to a build up of claims in action. Management intervention refocused the priority and redeployed some resources during the latter part of the year steadily reducing the outstanding cases to a more manageable level. This has put us into a stronger position to meet the target next year.

Veterans Welfare Service (VWS)

This last year has seen the new name of 'Veterans Welfare Service' (VWS) replace that of the 'War Pensioners Welfare Service', the first change since 1948. The change is reflective of the diverse work now undertaken in respect of the Veterans community, supporting through the discharge process, bereavement and future key life events.



Veterans Mobile Advice Unit in London

Closer working with in-service visiting officers (VO) has been achieved with continued engagement planned to ensure a more coordinated and professional service is given when a service death is reported. The VWS role in facilitating access to benefit entitlement and financial assistance is complementing the VO role in arranging the funeral and dealing with in-service issues. The VWS manager is well placed to liaise in respect of AFCS and AFPS claims progression. VWS have dealt with 158 'Death-in-service' referrals in 2007/08. Support for the most seriously injured leavers has been a key focus for VWS with 67 personnel receiving direct support as a result of an agreed working protocol between SPVA and the three Services. Approximately 1200 medically discharged personnel have also received welfare support. A number of other activities have also been undertaken during the year in support of Veterans Policy Unit and Raising Awareness initiatives. VWS continues its commitment to provide welfare support to its elderly war pensioners and war widows.

Ifford Park Polish Home (IPPH)

This purpose-built home near Newton Abbot, Devon which provides residential and nursing care to people who qualify for admission under the Polish Resettlement Act 1947, is managed and administered by the SPVA. Our staff at Ifford Park aim to offer high quality residential and nursing care, which is endorsed by the independent body, Commission for Social Care Inspection. Despite the increasing age of our service users, considerable demand for places at IPPH has continued over recent years resulting in an annual year to date figure of 95.4% occupancy levels. The Home accommodates 98 residents, with an average age of 84. It is inevitable that admissions to the Home will decline as this specific population decreases, however a recent review of the Home has not predicted a significant decline in the near future.



Ifford Park Polish Home

Strategy and Programmes

Future Accommodation Study

During the year, the Agency has continued to make progress with its estate rationalisation plans. The Agency withdrew from the Worthy Down site in December 2007. Whilst it remains the AMG's strategic intent to reduce its estate footprint, a Ministerial decision on the relocation of the Agency's Innsworth based functions was taken on 13 May 08, with SPVA remaining on site.

Progress on Interim Contract

The current contracts with EDS and Xafinity Paymaster expire in November 2009 and a procurement strategy of completing an interim contract of 2-3 years followed by a longer term contract was agreed by the MoD Investment Approvals Board. The Interim Contract competition was launched in March 2008 with a formal Industry Day and issue of Pre-Qualification Questionnaires (PQQs) for a 3 year contract. The intention is to issue Invitation to Tender documentation in June 2008 with a closing date for bids in October 2008. Following bid evaluation and selection of preferred provider, contract signature is expected in May 2009. Preparatory work for the longer term contract is also expected to commence later in 2008.

Merger Benefit Realisation

Following the successful organisational merger of AFPAA and the VA in April 2007, considerable work has been undertaken throughout the year to rationalise support functions. Further work is under way to achieve a coherent amalgamation of each Agency's business outputs, which in turn should realise longer term benefits. For example;

- Rationalising Information Technology/ System infrastructure support,
- The Welfare provision study,
- Harmonisation of call centres,
- Improvements to the delivery of the Service pension and compensation schemes.

This is all being managed through the Agency's Business Integration Working Group; it is clearly recognised however that there is significant work still required to achieve the full benefits over coming years.

Change

Joint Personnel Administration

The JPA rollout to the Army began in April 2007 when an Initial Operating Capability was established. Defence Information Infrastructure (DII) hardware rollout allowed the Army to move into self service access in all principal locations in July 2007 meeting its targets towards full JPA Operating Capability. At the end of July 2007, the first major post implementation Release (Release 4) was successfully delivered. The second major Release (JPA Release 5) was delivered at the end of November 2007 and was by far the largest Release undertaken in the aim towards steady state. A further change Release 6 was delivered at the end of March 2008, its focus was the end of year processing and implementation of revised pay and pension rates as directed by the Armed Forces Pay Review Board (AFPRB).

The JPA ongoing change process was put in place to maintain and enhance the existing systems in line with future business needs. This agreed the Release Management Strategy which was established to manage JPA system changes in sensible groupings at scheduled times. During the first year of JPA operations there has been a very high level of change; in all 104 JPA changes, 68 Complementary Applications and Standalone Systems (CASS) changes, 95 problem fixes and 92 ORACLE patches have been applied. A high level of initial activity is to be expected on new systems of this scale and the higher than expected complexity resulted in a need for more highly skilled technical staff and a more expensive grade mix in some areas. This resulted in a fall in the predicted SPVA benefits from JPA, the outcome being that the efficiency target for the delivery of core services was missed and therefore Key Target 6 was not achieved.

In order to drive through the Defence Management Board vision for personnel administration, of which JPA provides the core, a Business Optimisation Plan (BOP) has been established which, through a series of end to end process reviews, aims to improve usability, reduce complexity and increase harmonisation whilst at the same time maintaining or improving the quality of the processes' outputs.

Compensation and Pensions System

In parallel with the development of JPA, the Compensation and Pensions System (CAPS) was developed to undertake the administration of existing Pension Systems and the new AFPS 05 Scheme. Based on a Commercial Pensions package with source data from JPA and replacing the single service pensions systems, CAPS will provide a comprehensive support package to SPVA Pensions Administrators based in Glasgow and also provide an automated interface to Paymaster who have responsibility for Payment of Service Pensions. In view of the AFPAA/VA Merger the system was also designed to provide a workflow-based Compensation Payment System to meet the requirements of the recent AFCS. Improvements and enhancements continue to be delivered as the result of changes in legislation and to improve the turn around times of compensation claims.

Far East and Nepal Administration System

The Far East and Nepal Administration System has been developed to replace the ageing system used to support the payment of Gurkha Pensions in Nepal. Scheduled to be introduced in July 2008, the new system is intended to provide a robust platform with better audit controls and improved security. The system, located at three sites in Nepal, will enable payments to be made to over 30,000 pensioners who served with the British Armed Forces over many years.

Corporate Services

Director Corporate Services (DCS) is responsible for delivering the corporate enabling functions which are vital to ensuring that the SPVA business outputs are met. These include the operation of performance management tools such as the BSC and Risk Registers; performance reporting to the Agency Owner on Key Targets; financial management; commercial (contracts) management; handling Parliamentary and public correspondence; personnel support to MoD staff; business planning and reporting; Corporate Governance including support to the SPVA Audit Committee; communications and the employee survey. The following paragraphs provide further details on Agency performance.

Rationalisation Following Merger

The first tranche of rationalisation of Corporate Services activity following merger was successfully completed. The bringing together of Business Planning, Communication, Human Resources, Assurance and Secretariat has made a significant contribution to the achievement of Key Target 7.

Corporate Governance

The Agency's Corporate Governance is founded upon two essential elements: an Audit Committee supported by an Assurance team that provides independent advice to the Chief Executive, the Agency Management Group (AMG) and the Agency Executive Board (AEB); and a robust risk management process that is embedded throughout the Agency's management structure. Audit Committee membership consists of the Agency's two Non Executive Directors (NEDs) and Deputy Chief

Executive/DCS with both the National Audit Office and Defence Internal Audit invited to attend. The Committee met four times in 2007/08 and looked critically at a variety of key areas of the Agency's business to ensure that adequate controls had been identified to manage and mitigate risks to the business outputs. The Committee continued to look closely at JPA and in particular finance and accounting issues in the light of issues raised following roll-out to the three Services. The Committee also directed the audit programme of the Internal Assurance Team. Both NEDs are part of the AMG, one also serves on the AEB and the other on the Agency Owner's Advisory Board. The AMG which also includes three directors from the commercial partner, met twelve times during the year and received reports from a variety of working groups, most notably the JPA Review Team which monitors the financial integrity of JPA, and the accompanying Statement on Internal Control (SIC) on page 30 provides specific details of the risk management framework and control procedures in place to enable SPVA to manage its business.

Risk Management

Risk management is embedded throughout the Agency. The highest level risks, with the potential to impact across the Agency, are reviewed monthly by the AMG who consider probability and the impact on time, cost and performance against the Agency's objectives and key targets. Particular attention is also paid to the controls that are put in place to mitigate the risks. The risk management process is reviewed regularly by the AMG. The principal corporate risks and mitigation activity are set out overleaf.

SPVA Top Three Risks and Mitigating Actions

Risk	Mitigation Activities include:
<p>Customer care and expectations</p> <p>There is a risk that service failures, real or perceived, may result in high profile complaints that damage Agency reputation and divert resources from key outputs.</p>	<ul style="list-style-type: none"> • All encompassing promotional plan to improve customer perception of JPA. Monthly updates on progress provided to DCDS(Pers) and CE. • Development of customer satisfaction targets for ex-Service personnel and dependants.
<p>Loss of Personal Data</p> <p>There is a risk that, with the use and movement of personal data being at the core of SPVA business, that such data, especially when sent or stored electronically on removable media or laptop hard-drive, could be lost in transit, misplaced or intercepted, leading to compromise.</p>	<ul style="list-style-type: none"> • Full disk encryption on all laptops. • Full review of business processes. • Completion of a Data Output analysis project resulting in the implementation of an Information Management Plan.
<p>Failure to deliver benefits of AFPAA/VA merger</p> <p>There is a risk that SPVA will fail to deliver the improvements in customer service and processes that the merger was intended to deliver and that the required efficiency savings will be achieved only at the expense of outputs and/or quality of service.</p>	<ul style="list-style-type: none"> • Corporate Services integration plans agreed and being incrementally implemented. • Governance arrangements for Business Integration Programme (including Trade Union engagement) agreed. • Strategy for common IT and telephony under development. • Future welfare service strategy under development.

Human Resources

SPVA is committed to the principles of Equality and Diversity and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, ethnic or national origin, gender, age religious beliefs, marital status, sexual orientation or disability. It is in SPVA's best interests and those who work in it, to ensure that all human resources, talents and skills are considered when employment opportunities arise. Every measure possible is taken to ensure that individuals, whether they are already in SPVA or applicants for posts from outside SPVA, are treated fairly and that decisions made on recruitment, selection, promotion and career management are based solely on objective and job related criteria. Approximately 30% of MoD civilian staff, men and women were employed in part time or job share posts. Overall the Agency has 101 staff registered as disabled.

The Agency is accredited against the MoD corporate HR standard as an Investor in People and has demonstrated its commitment to developing its people by delivering core training and tailored training events to meet individual and business needs. The management team received quarterly updates and reports on Health and Safety to help ensure the Agency maintained its good record.

Communication and Employee Involvement

SPVA believes that communications and involvement are essential to the successful running of the Agency. Communication with employees is achieved by regular cascade briefings on key issues throughout the Agency. The Chief Executive and the EDS Account Director carry out comprehensive site briefings on a regular basis, which include the opportunity for staff questions and feedback. The AMG publish monthly key messages, and an "Ask the Boss" facility provides staff with the opportunity for questions and answers on specific issues.

Additionally a news magazine is distributed bi-monthly with an electronic summary newsletter produced every two weeks. There is a corporate intranet site which staff on all sites can access. The intranet site contains up to date information on all important issues relating to SPVA.

Employee Survey

The Agency launched its first Employee Survey in February 2008 and the findings indicate that Customer Focus and Valuing Others are of particular importance for employees within SPVA. Further work on embedding the culture of the Agency and helping employees manage change will be key elements of the Action Plan flowing from the survey to ensure continuous improvement.

Parliamentary Business

During 2007/08 995 letters from MPs were answered, comprising 575 drafts for ministers and 420 replies from the Chief Executive or his deputy. Draft answers were provided to 109 Parliamentary Questions. 1,120 replies were sent to members of the public who had written with questions about SPVA services.

Impact on the Community

The Agency is conscious of its impact on local communities and encourages staff at all levels to engage in activities within the local area. Many Agency personnel use their skills that they develop in the working environment to benefit local schools and voluntary groups. The IPPH staff have spoken at local schools as well as opening their doors to local councils to help the community become more informed about Polish culture.

Looking Ahead

SPVA Strategy Blueprint

The SPVA Strategy Blueprint, published in February 2008, sets out the guiding framework for the Agency over the 2008 to 2013 timeframe, providing a clear statement of intent of how SPVA will operate in the future. Successful implementation of the SPVA Blueprint should enable qualitative improvements in the delivery of the current services offered by the Agency, with improved value for money and improved customer satisfaction. Following the April 2007 merger of the former AFPAA and VA, there remains considerable work to derive the full benefits of the merger over coming years, balancing efficiency with effectiveness.

Benchmarking

Benchmarking of call centre activities and pension payment against both private and public sector standards has identified a number of areas recommended for improvement. The benchmarking programme will continue through next year, incorporating more of the Agency's business areas into the process and re-visiting those areas previously examined in 2007 to monitor the trends and improvements.

Interim Future Contract

During 2008/09, the interim contract competition for commercial service delivery from November 2009 should be completed, with a commercial provider selected in early 2009. Work will also be getting underway with the Follow-on Contract which should commence in 2012.

JPA Future Release Programme

The JPA Release programme now extends until the beginning of the interim contract (November 2009). The future Change programme is very full, demonstrating the Department's continuing appetite for change and improvement. Release 7 (July 2008) has been defined and its scope agreed by the Joint Requirements Steering Group (JSRG). Release 8 is over subscribed and the end users are agreeing priorities for delivery. Already the April 2009 Release is starting to be defined and the first changes are already programmed for July 2010.

In addition to these agreed releases, identified system errors will continue to be prioritised and addressed as appropriate, in parallel with the future change programme. It is however, essential that explicit consideration is given to complexity introduced and benefits or efficiencies derived from proposal changes. Management of the risk posed by increasing JPA System complexity requires the support of the Centre and the single Services and changes to achieve further optimisations will be actioned in accordance with agreed JSRG priorities

Key Targets for 2008/09

The following Key Targets have been set for the Chief Executive of SPVA for Financial Year 2008/09.

	2008/09
<p>Key Target 1 – To deliver Service Pay (Timeliness and Accuracy).</p> <p>To make 99.9% of all pay payments by the due date.</p> <p>98% of all Service pay to be 100% accurate (excluding errors caused by inaccurate external inputs).</p>	<p>99.9%</p> <p>98%</p>
<p>Key Target 2 – To meet all three sub-targets for Pensions and Compensation timeliness.</p> <p>Armed Forces Pension Scheme – to make 99.3% of all Service pension payments (including new awards) by the due date.</p> <p>Armed Forces Compensation Scheme – 98% of all decisions (and resultant payments) within 40 working days of receipt of medical records, policy and legal advice, except for high priority cases³ where 95% will be cleared within 20 days of receipt of required medical reports, policy and legal advice.</p> <p>War Pension Scheme – to clear claims for War Pensions within 50 working days average clearance time (including 19 days average clearance time for Widows pensions).</p>	<p>99.3%</p> <p>98% all decisions within 40 WDs. 95% of all high priority decisions within 20 WDs.</p> <p>War Pensions 50 WDs from receipt. War Widows 19 WDs from receipt.</p>
<p>Key Target 3 – To meet all three sub-targets for Pensions and Compensation accuracy.</p> <p>To deliver 99.9% of all Service pensions accurately.</p> <p>To deliver 99.5% of Compensation Claims accurately.</p> <p>To deliver 99.5% of War Pensions accurately.</p>	<p>99.9%</p> <p>99.5%</p> <p>99.5%</p>
<p>Key Target 4 – To meet all three sub-targets in relation to the provision of timely and quality responses to customer enquiries and written complaints.</p> <p>80% of in-Service helpline (non-IT) queries cleared on first call.</p> <p>95% of calls to be answered within 90 seconds and 50% within 20 seconds.</p> <p>60% of complaints closed within 10 working days, 95% within 20 working days and 100% within 90 working days.</p>	<p>80%</p> <p>95% within 90 seconds. 50% within 20 seconds.</p> <p>60% closed within 10 WDs 95% closed within 20 WDs 100% closed within 90 WDs</p>
<p>Key Target 5 – To meet approved targets for customer satisfaction.</p> <p>To achieve an overall customer satisfaction of 75% satisfied or very satisfied.</p>	<p>75%</p>
<p>Key Target 6 – To deliver the benefits of JPA.</p> <p>To deliver JPA efficiencies in line with the benefits identified in the approved business case for JPA.</p>	<p>JPA Target Cost</p>
<p>Key Target 7 - To deliver the long term benefits of merger between the Armed Forces Personnel Administration Agency and the Veterans Agency.</p> <p>By Mar 2009:</p> <p>Achievement of £2.5M savings in real terms over 2006/07 costs.</p> <p>Implementation of structure and processes for integrated pension organisation.</p> <p>Implementation of initial recommendations of the IS/IT Study.</p>	<p>£2.5M savings.</p> <p>100% milestones achieved.</p> <p>100% milestones achieved.</p>

³ Priority cases are Death in Service and cases likely to result in Tariff level 1-8 awards.

Management Commentary for Financial Year 2007/08

Part 3 - Financial Review

Budgetary Structure

SPVA operates as a Basic Level Budget within DCDS(Pers)'s Higher Level Budget. The breakdown of expenditure shown below provides detail of the Agency expenditure over the year to administer £8.15bn in Pay and Allowances and £4.22bn in Pensions.

Financial Performance

The gross operating costs for the year ended 31 March 2008 were £146,336k and net operating costs were £145,301k. Total net liabilities at 31 March 2008 amounted to £13,302k. Total net assets are shown as negative as all MoD owned assets are held by the Single Balance Sheet Owners. This does not impact on the Agency's ability to conduct its business.

Programme Expenditure for Financial Year 2007/08

	Note	FY07/08 Outturn £000	FY07/08 Budget £000
Service Pay	2	7,184	7,290
Civilian Pay	2	28,303	29,780
Travel & Subsistence	4	1,882	1,048
IT	4	453	4,084
Training	4	181	342
Partnering	4	68,905	70,815
Contracted costs (Paymaster and Consultancy)	4	5,791	5,096
Stock costs (including provisions)	4	1,490	1,196
Depreciation/ Amortisation/Impairment	4	3,902	3,902
Other	3 & 4	28,245	25,208
TOTAL OPERATING COSTS		146,336	148,761

The difference between 07/08 outturn, gross of the waiver charge, (note 19), and 07/08 budget was primarily caused by higher than expected partnering costs. Higher partnering costs were due primarily to the need to adjust the JPA programme to match the realigned DII programme upon which JPA depends.

The resource budget allocation for FY 2007/08 was £130.87m. Actual outturn was £134.65m, with the overspend resulting primarily from additional external assistance costs and foreign exchange rate costs. This number differs to the Total Operating Cost due to non-cash items.

Departmental Resource Accounts (DRAc)

SPVA also provides input to Central Top Level Budget (CTLB) for the completion of the DRAc. SPVA's input comprises all costs incurred by the Agency, regardless of where responsibility for the charge lies. Communicated costs are not included in DRAc accounts.

The biggest difference between SPVA's DRAc submission and its Agency accounts is the inclusion in the former of debtor and creditor balances in respect of Armed Forces pay and allowances.

Financial Administration of Managed Funds

SPVA manages tri-Service pay and pensions delivery, and the monies disbursed on behalf of the Department are known as Managed Funds. Data on the Managed Funds is transferred to MoD's core financial accounting system to provide information on service pay costs.

The Control Accounts related to the legacy pay systems are being gradually closed down. Most of these accounts have already been closed and the remaining accounts should be closed in 2008/09. The 160 or so accounts used by the legacy systems are being replaced by a much smaller number of accounts under JPA.

Financial Monitoring and Audit of the EDS Contract

Improvements in the budgeting, monitoring and verification of EDS costs have continued. A programme of validation exercises is still being undertaken and quarterly reports are provided to the Audit Committee detailing the work undertaken and findings.

Armed Forces Pension Scheme (AFPS)

CE SPVA is the AFPS Scheme Administrator and the Senior Finance Officer for AFPS. SPVA has an independent Resource Accounting and Budgeting (RAB) system to account for both AFPS and the AFCS system, which produces monthly management accounts as well as the year end Scheme Statements. The Comptroller and Auditor General formally audits the Scheme Statements and the accounts for 2006/07 were laid in Parliament on 11 July 2007.

The AFPS continues to participate in the National Fraud Initiative (NFI), the main aim of which is the detection and prevention of fraudulent pension claims against public sector schemes. The NFI 2006 exercise is still underway. To date 184 cases have been identified where pension continued in payment after the date of death. This amounts to £752K net overpayments with £319k recovered to date. The projected savings to the Scheme are £9.5m.

In addition to the AFPS, CE SPVA is also the Scheme Administrator for the Non-Regular Permanent Staff Pension Scheme and the Army Career Officers Pension Scheme. These schemes are included in the AFPS accounts.

Statement on disclosure of audit information

So far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware and the Accounting Officer has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Policy and achievements on supplier payments

It is MoD policy to settle terms of payments with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to settle all bills within 30 days of receipt or earlier.

Payments to suppliers are predominantly made by the Financial Management Shared Service Centre at Liverpool, which is part of Director General Finance Management, on SPVA's behalf. In the period 01 April 2007 to 31 March 2008, the FMSSC paid 99.76% of all correctly submitted bills within eleven calendar days.

Pension liabilities

Details of the pension schemes available to SPVA employees and the costs of these schemes are disclosed in the Remuneration Report on page 25.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General under Section 7(2) of the Government Resources and Accounts Act 2000. The fee of £80k is in respect of statutory audit work only. No other services were provided by the auditors.



Trevor A Spires
Accounting Officer
Service Personnel and Veterans Agency
07 July 2008

Management Commentary for Financial Year 2007/08

Remuneration Report

Remuneration Policy

1. The SPVA Executive Board is composed of officers of HM Armed Forces, civil servants and two Non Executive Directors.
2. SPVA does not have a Remuneration Committee and the salaries of all military and civilian Board members, including the Chief Executive, are determined at national level. Military Board members' salaries are recommended by the Armed Forces Pay Review Body and ratified by Parliament. The Director of Corporate Services/Deputy Chief Executive's remuneration was determined by the Senior Civil Service Salaries Review Body. The salaries of the Deputy Director of Finance and Corporate Governance and Director Change were determined by negotiation between Ministry of Defence and Civil Service Trade Unions. The salaries of the Non Executive members are determined by the Chief Executive in line with Ministry of Defence guidelines.

Service Contracts

3. Military members of the Board are appointed by standard service posting procedures. MoD civilian members of the Board are appointed by MoD Civil Service standard procedures. Non Executive members of the Board are appointed on fixed term contracts renewable by agreement.
4. David Allen was appointed Deputy Director Finance and Corporate Governance on 07 May 2007.
5. Peter Northen left the appointment of Director Corporate Services on 19 Aug 07.
6. Jackie Adams was appointed Director Corporate Services on 20 Aug 07.
7. Tim Taylor left the appointment of Director Veterans Services on 13 Nov 07.
8. Alison Sansome assumed the appointment of Director Veterans Services on 13 Nov 07 in addition to the role of Director Change which she assumed on 01 Aug 07.
9. Air Commodore Tonks left the appointment of Director JPA on 31 Jul 07.
10. Daren Gregg left the appointment of Director Finance and Corporate Governance on 05 May 07.
11. Ken Ludlam left the appointment of Non Executive Director on 18 Jun 07.

Salary and Pension Entitlements

12. Details of remuneration and pension entitlements of Board members are shown in the following table.
13. '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 allowance to the extent that it is subject to UK taxation.
14. None of the members of the Board received any Benefits in Kind.
15. The table in para 17 on page 26 refers to remuneration during the financial year, and is subject to audit. The schedules reflect remuneration for that part of the year during which individuals were either providing services to, or employed by, SPVA.
16. For 2007/08, employers' pension contributions of £5,670k were payable at rates in the range 17.1 to 36.3 percent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2005/06 and employer contributions for the AFPS were reviewed during 2007/08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

17. The salary and pension entitlements of the Executive Board of Service Personnel and Veterans Agency for the year ended 31 March 2008 are as follows:

	Salary Including Performance Pay 2007/08 £'000	Salary Including Performance Pay 2006/07 £'000	Real increase/(decrease) in Pension and related lump sum £'000	Total Accrued Pension at 31/3/08 and related lump sum £'000	CETV at 31/3/07 £'000	CETV at 31/3/08 £'000	Real increase / (decrease) in CETV £'000
Rear Admiral TA Spires Chief Executive	100-105	95-100	2.5-5 plus 5-10 lump sum	50-55 plus 160-165 lump sum	969	1,028	56
Mr PD Northern Dir CS/Deputy Chief Executive	20-25	80-85	0-2.5	25-30	362	366	7
Ms J Adams Dir CS/Deputy Chief Executive	30-35	N/A	0-2.5 plus 0-5 lump sum	15-20 plus 55-60 lump sum	252	317	6
Air Commodore JD Tonks Dir JPA	90-95	85-90	0-2.5 plus 0-5 lump sum	45-50 plus 135-140 lump sum	838	936	9
Commodore A Ross Dir Mil Svcs	85-90	20-25	2.5-5 plus 10-15 lump sum	40-45 plus 120-125 lump sum	354	486	58
Brigadier R J Bacon Dir S&P	90-95	85-90	0-2.5 plus 0-5 lump sum	35-40 plus 115-120 lump sum	356	443	18
Mr D Gregg Deputy Dir Finance & Corp Gov	15-20	40-45	0-2.5 plus 0-5 lump sum	10-15 plus 40-45 lump sum	179	165	0
Mr T Taylor Dir Vets Svcs	55-60	60-65	0-2.5 plus 0-5 lump sum	15-20 plus 50-55 lump sum	264	280	13
Mrs A Sansome Dir Change	30-35	N/A	0-2.5 plus 0-5 lump sum	10-15 plus 40-45 lump sum	179	241	13
Mr D Allen Deputy Dir Finance & Corp Gov	55-60	N/A	0-2.5 plus 0-5 lump sum	10-15 plus 30-35 lump sum	228	283	17
Mr A Jablonowski Non Executive Dir	15-20	5-10	0	0	0	0	0
Mr K J Ludlam Non Executive Dir	0-5	20-25	0	0	0	0	0
Prof H Drummond Non Executive Dir	15-20	15-20	0	0	0	0	0

No directors received any benefits-in-kind during the year. Brig R J Bacon is in receipt of Continuity of Education Allowance to the value in year of £19,966.

18. Due to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006/07 and the start period CETV for 2007/08.

Pension Benefits

19. Pension benefits are provided through the Armed Forces Pension Scheme (AFPS) and the Principal Civil Service Pension Schemes (PCSPS). These schemes are unfunded multi-employer defined benefits schemes therefore SPVA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2005 for AFPS and 31 March 2007 for PCSPS. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

a) Armed Forces Pension Scheme (AFPS)

AFPS is a contracted-out, unfunded, defined benefit occupational pension scheme. On 06 April 2005 the scheme, known as AFPS75 was closed to new entrants and a new scheme AFPS05 opened. Benefits in the schemes accrue unevenly throughout service and in addition a lump sum equivalent to three years' pension is payable on retirement. Those officers who took the Armed Forces Pension Scheme's Offer To Transfer transferred their benefits into the new scheme. Under the terms of the new scheme the benefits are structured differently and different actuarial assumptions are applied to the valuation of the benefits.

An example would be an officer who had served for more than 18 years is entitled, under AFPS75, to a pension payable immediately on retirement. Under the new scheme though, as the officer is under the age of 55 years old, he will not be entitled to a full pension until 65 years and will receive a calculated Early Departure Payment until that age. Therefore under the terms of AFPS75, the CETV is calculated on the basis of the pension being paid immediately from the date of the calculation until the death of the scheme member, while in the new scheme, the CETV is calculated based upon the member receiving his pension from the age of 65 years old until his death. It follows that in the new scheme, the benefits are in payment for a significantly shorter period of time and the value is therefore significantly lower.

Employer contribution is 36.3% for Officers and 21.8% for other ranks based on pensionable salary.

b) Principal Civil Service Pension Scheme (PCSPS)

From 01 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 01 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% 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 or 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 01 October 2002 calculated broadly as classic.

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

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

-
20. The table shown on page 26 discloses the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. The real increase in CETV is 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.
21. A 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 the disclosure applies. The CETV 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 PCSPS or AFPS and for which the relevant scheme 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 cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
22. The factors used to calculate the CETV for members of the PCSPS were revised for 2006/07 following advice from the Cabinet Office.



Trevor A Spires
Accounting Officer
Service Personnel and Veterans Agency
07 July 2008

Financial Statements for the Year Ending 31 March 2008

Statement of Agency's and Chief Executive's responsibilities

Under Section 7(2) of the Resource Accounts Act 2000, Treasury has directed the Service Personnel and Veterans Agency to prepare a statement of accounts for each financial year, in the form and on the basis set out in the Financial Reporting Manual.

The financial statements are to be prepared on an accruals basis and must give a true and fair view of the state of the Agency's affairs at the year end, of its net operating cost, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements the Agency is required to:

- observe the Accounts Direction issued by the Treasury, including 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 and financial reporting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Departmental Accounting Officer for the Ministry of Defence has appointed the Chief Executive of the Service Personnel and Veterans Agency as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Managing Public Money.

Statement on Internal Control 2007/08

Scope of responsibility

1. As Chief Executive of the Services Personnel and Veterans Agency (SPVA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the SPVA's 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 Managing Public Money.
2. I am accountable directly to the Ministry of Defence Principal Accounting Officer for the propriety and regularity of SPVA's expenditure and for prudent and economical administration of the Agency in compliance with Departmental rules. As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained by SPVA.

The purpose of the system of internal control

3. 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 Agency 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 SPVA for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with current Treasury guidance.

Capacity to handle risk

4. SPVA is an Executive Agency of the Ministry of Defence formed on 01 April 2007, following the merger of the Armed Forces Personnel Administration Agency (AFPAA) and the Veterans Agency (VA). SPVA services are delivered through a combination of MoD Civilian/Service Personnel and EDS (Defence) Ltd via a commercial partnering agreement. A further contract is in place between the SPVA and Xafinity Paymaster for the payment of Armed Forces pensions. The arrangement for joint working with EDS is managed via the Agency Management Group (AMG) chaired by the Chief Executive. Following the merger a full review of the risk management process was undertaken, building upon the already established best practices within AFPAA and VA.
5. Risk management is embedded throughout the Agency. The strategic level risks, which have the potential to impact across the Agency, are formally reviewed and updated on a monthly basis at the AMG meeting. Below this level, risks are managed by subordinate groups that support the AMG. The systematic approach adopted by the Agency to manage risk provides the opportunity for risks to be escalated to the AMG, to consider whether they should be incorporated in the strategic level risk register. This ensures that risk registers at all levels remain current and the process is consistent across the Agency. The AMG reviews the risk management and performance management procedures on an annual basis.
6. Risk owners and risk managers are identified as part of the risk management process. Formal risk management training is provided to SPVA project and operational teams. Risk management information and guidance is available to all staff via the SPVA Intranet and revised Agency Critical Success Factors (CSFs) were issued in April 2007.

The risk and control framework

7. Active management of risk is fundamental to the effective achievement of the SPVA's Vision, Mission, Strategic Objectives, Key Performance Targets and other key deliverables. The risk process and procedures give consideration to the probability and the impact on time, cost and performance against the Agency's objectives and key targets. Particular attention is also paid to the controls that are put in place to mitigate the risks. The risk policy includes procedures for the management and escalation of risks. The procedures outline the requirement to consider risks to the achievement of business and personal objectives.
8. Regular monitoring of progress of SPVA Agency 'Business Level' risks are linked to Agency objectives through the Balanced Scorecard and Critical Success Factors. They are reviewed monthly by the AMG.
9. The SPVA Audit Committee (AC), under the chairmanship of one of its Non Executive Directors, is well established and meets quarterly. Defence Internal Audit and the National Audit Office observe at the AC and provide advice and guidance where appropriate. An Agency Assurance Team (AT) is in place to provide internal assurance through an agreed programme of work based on a balanced review of the Agency risks.

10. The SPVA contract with EDS sets out the structure for the ownership and management of risk. A Joint Risk Policy Statement outlines the approach to the management of risk within the Agency and is signed by both CE SPVA and the EDS Account Director.
11. The AT review the systems of internal control that underpin the working practices of the SPVA to ensure that those systems operate effectively and that any MoD guidance, regulations and instructions were being complied with by Agency staff.

Business continuity

12. SPVA Business Continuity (BC) plans are in place following merger and provide robust arrangements for implementation should the need arise. A review of these plans is ongoing and an SPVA BC strategy document reflecting the 2007/08 review (prompted by AFPAA/VA merger) was produced and launched on 01 April 2008. BC Focal Points and Working Groups have been established in all sites, in addition to mandatory BC training for all Agency staff. Confidence was gained through a successful test on JPA Disaster Recovery systems undertaken in August 2007. The efficient 'actual' recovery from total power loss at RAF Innsworth caused by localised flooding in Gloucester (July 2007) further tested these plans. Focus during 2008/09 will be to further embed a BC culture within SPVA through education and increased publicity.

Review of effectiveness

13. As Chief Executive, I also 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 MoD internal auditors, SPVA's own internal assurance team, and the executive managers within SPVA, 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 SPVA Executive Board, the AC and the AMG who are responsible for managing business risk and a plan to address weaknesses and ensure continuous improvement of the system is in place.
14. In the current year the effectiveness of the system of internal control operating within my Agency has been subject to continuous review. Activities that have significantly contributed to maintaining and improving effectiveness include:
 - The SPVA AMG met regularly in order to advise and support me in developing a strategy and overseeing plans for delivering the Agency's objectives and key performance targets;
 - The Agency's two non-executive directors were fully involved in the management of the Agency's business providing independent advice to SPVA's Owner's Advisory Board, the AMG and the SPVA Executive Board;
 - The AC provided advice on the adequacy of internal and external audit arrangements and on the implications of assurances provided in respect of risk, control and governance processes within the organisation. The SPVA membership comprised 2 Non-Executive Directors and a senior manager of SPVA. The AC monitored progress made on audit recommendations (made by the AT, DIA and the NAO). The AC also monitored progress with current initiatives and compliance with extant external requirements;
 - The AT completed a number of compliance and assurance activities in relation to both financial propriety and business risks. They also worked closely with business areas to assist them to develop adequate management controls within the new system and business processes associated with JPA; this work is ongoing;
 - The Agency Planning and Operating Model, continued to be utilised to manage the manpower resources of the Agency. This has assisted significantly in manpower planning, helping to ensure that resources are utilised in the most effective manner whilst enabling the Agency to keep within its departmental expenditure limits;
 - The JPA Accounting Issues team continue to address JPA accounting and management information issues. Further details are given below. Additionally a team has been established to oversee and monitor the resolution of customer issues, ensuring that trends are readily recognised and proactively managed;

- A full review of pension arrangements was undertaken by the AT, against a set of assurance criteria posed by the Central Top Level Budget Audit Committee (CBAC). This work was reviewed twice by the SPVA AC, the first occasion being a joint CBAC / SPVA AC / Services Personnel Policy (SPPoL) review session providing substantial assurance on the control environment. The data collected will be used to underpin the management of risk in these areas. A similar task is ongoing (led by the Director Military Services) in respect of JPA pay and allowances;
- The SPVA AC also reviewed arrangements for the overarching governance structure of the pensions schemes and a new governance arrangement between SPVA and SPPoL was subsequently agreed and is now in force;
- In recognition of considerable differences in the IS/IT infrastructure between the ex VA and AFPAA sites, following a study, the AMG has endorsed a number of recommendations for change that will be gradually implemented during FY 2008/09; and
- The JPA Post Project Evaluation is ongoing and is scheduled to report early in FY 2008/09.

Significant internal control problems

JPA System Functionality and Financial Control

15. This has been the first full year of live JPA operations following the third and final phase of rollout to the Army in April 2007. While significant process has been made in some areas e.g. control account reconciliation and data validation, there are still a number of problem areas that need to be tackled before SPVA can provide an assurance that the JPA system is robust and operating to its full potential.
16. A comprehensive analysis of the outstanding finance issues has been completed. Due to the technical nature of some of the issues, the ongoing pressure on the JPA release programme, and the range and scope of rectification and improvement work required, it is unlikely that all of the wide-ranging issues identified will be resolved quickly. This will have an ongoing and unwelcome impact on the level of resourcing required to undertake manual corrective action, and may impact on the Department's ability to exercise full financial control and increase the risk to the timeliness and quality of the Departmental Resource Accounts (DRAc). The work falls into the following four categories:
 - System functionality and processing problems, including compliance with all statutory and MoD finance directives;
 - Services' user errors, due to a lack of system understanding (which may be mitigated by improved business process guides, focused training and a tightening up of system access controls);
 - Casework to address and rectify the Service Personnel pay records that are "in error" and progress debt recovery to a conclusion; and
 - Business change and simplification of existing JSP rules and processes that are having an increasing impact on the ability of JPA to process payroll effectively and efficiently.
17. Senior SPVA Management are reviewing the risks and impact of the issues across the Business in order to determine the priority for resolution. They are fully committed to drive forward progress, albeit steady state may be 12-18 months away from now.

Control Accounts

18. Progress on stage 1⁶ of the FY 2007/08 reconciliation work is continuing at a satisfactory rate as the new permanent EDS team gain experience. However, the work required to complete stages 2⁷ and 3⁸ of the reconciliation activity is wholly dependant upon the resolution of the system and process issues mentioned above. The ability to prepare some of the main Control Account Reconciliations will within the next few months become more difficult as the volume of data within the system increases over time. This causes difficulty in obtaining reports from Oracle and exporting them into a usable format for reconciliation purposes.
19. Following a review of the control accounts in use by JPA it has been agreed to create a number of new accounts from FY 2008/09 in order to simplify and improve control over the monthly reconciliation task.

⁶ Reconciliation of Control Accounts to quantify the unrecognized difference.

⁷ Correction, where possible, of the errors identified in stage one.

⁸ Resolution of the underlying system and process issue that caused the unrecognized difference in the first place.

Management Reports

20. Top Level Budgets (TLB) continue to receive management information reports monthly, albeit there were delays in the release of data in the final two months of 2007, which impacted on TLBs ability to complete their monthly reconciliation work. The system problem that caused the delays has since been resolved and SPVA do not anticipate further problems in this area. Performance issues associated with the production of the reports and the lack of complete data remain problematic for the TLBs and EDS are looking at ways of improving both the performance and content of the reports.
21. TLBs continue to experience some difficulties in reconciling their monthly feeder totals and work continues to improve pay cost attribution and reduce the level of misbookings. The Central TLB is currently looking at ways in which details of the Secure Payroll may be provided to TLBs to assist with their monthly reconciliation. In addition EDS are looking at options of closing the information gaps between the JPA and Defence Financial Management System (DFMS).

Overpayments and Recovery

22. In the SIC for FY 2006/07 problems over the identification and recovery of debts were first highlighted. The problems at that time were categorised as a mix of JPA faults, operator error and incorrect unit intervention. The volume of debt continues to rise as the investigative casework continues. Excluding Long Service Advance of Pay (LSAP), SPVA has £28.9M outstanding for recovery: this compares with a debt position of around £12M in "steady state" under legacy, although the two figures are not necessarily comparable. Since April 2007, £1.9M has been recovered and writes-off approved for £798K. Ongoing casework suggests that a further £6M to £10M of debt may be identified before the level starts to reduce.

Minimum Drawing Rate (MDR)

23. A financial propriety and regularity issue was identified during this FY in respect of the automatic awarding of advances of pay to individuals subject to significant debt recovery to "top up" their salary to meet the MDR. Work to regularise this position is ongoing with Director Finance Policy and SP Pol; the NAO and Treasury have also both been briefed on the situation. In February 2008 all MDR top up payments were analysed, and those that had been incorrectly made were identified, and future payments "switched off". Where significant debt was outstanding, this was carried forward, but not as MDR advance. Each month a similar exercise is completed to ensure that all incorrect MDR top up advances are stopped, albeit one month in arrears, pending the system amendment due in August 2008.

Legacy Control Accounts

24. In last year's SIC reference was made to ongoing issues with legacy control accounts. While some issues still remain, these are being resolved following the transfer of records to JPA. Following detailed investigation, it has been necessary to write-off amounts totalling approximately £6.2M and to write-on amounts totalling £5.4M. Legacy control account balances still total some £3.5M and the potential to write-off further amounts remains, although work continues to minimise this figure. The final position is unlikely to be known until later in 2008.

Abatement of Failure Charges - EDS Service Provision Agreement

25. The AFPAA Accounts for 2006/07 embraced, in an explanatory note, the abatement of failure charges under the Service Provision Agreement with EDS arising mainly because of accounting treatment derived from wording in the contract. In 2006/07 the sum total calculated was some £3.6m; this figure could be in excess of £9m for 2007/08. The Treasury has been informed that approval will be sought for this final agreed figure.

Project Collins

26. In the 2006/07 Veterans Agency SIC, reference was made to an emerging issue concerning the way information was shared between the VA and AFPAA in respect of Pension casework. Work to identify and resolve the cases affected has continued throughout this financial year resulting in significant additional payments to retired Service Personnel. Additional controls have been introduced to prevent reoccurrence.



Trevor A Spires
Chief Executive
Service Personnel and Veterans Agency
07 July 2008

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 Service Personnel and Veterans Agency for the year ended 31 March 2008 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration 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 Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chief Executive's Foreword, the Operating Review, the Performance Review, the Financial Review and the Remuneration Report is consistent with the financial statements. 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.

In addition, I report to you 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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. 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 opinions

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.

Opinions

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 2008, and of the 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
- the information, which comprises the Chief Executive's Foreword, the Operating Review, the Performance Review, the Financial Review and the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, 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.

Report

I have no observations to make on these financial statements.



TJ Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
Date 11 July 2008

Financial Statements for the Year Ended 31 March 2008

Operating Cost Statement

For the year ending 31 March 2008

Operating Costs	Note	2007/08 £'000	2006/07 £'000 Restated
Staff Costs	2	36,836	42,462
Accommodation costs	3	8,576	8,585
Administration costs	4	100,924	120,586
Gross operating costs		146,336	171,633
Operating income	5	(1,035)	(1,045)
Net operating costs		<u>145,301</u>	<u>170,588</u>

In accordance with the Financial Reporting Manual's interpretation of FRS6, Acquisitions and Mergers, the results for 2006/07 have been restated following the merger of the Armed Forces Personnel Administration Agency and the Veterans Agency on 01 April 2007 (see Note 22).

All of the Service Personnel and Veterans Agency activities are continuing.

Statement of Recognised Gains and Losses

For the year ending 31 March 2008

	Note	2007/08 £'000	2006/07 £'000 Restated
Unrealised net Gain:			
On revaluation of fixed assets and stocks	13	26	86
Recognised Gain relating to the year		26	86
Recognised Gain		<u>26</u>	<u>86</u>

The movement in Government Funds is set out at Note 12 on page 47.

The notes on pages 39 to 52 form an integral part of these financial statements.

Balance Sheet
as at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
Fixed Assets				Restated	
Intangible assets	6	3,105		5,271	
Tangible assets	6	<u>3,408</u>	6,513	<u>2,829</u>	8,100
Current assets					
Stocks	7	778		767	
Debtors and prepayments	8	626		2,008	
Cash at bank and in hand	9	<u>3</u>		<u>1</u>	
		1,407		2,776	
Current liabilities					
Creditors due within one year	10	<u>(21,058)</u>		<u>(24,550)</u>	
Net current liabilities			<u>(19,651)</u>		<u>(21,774)</u>
Total Assets less Current Liabilities			(13,138)		(13,674)
Provisions for liabilities and charges	11		<u>(164)</u>		<u>(194)</u>
Net liabilities			<u>(13,302)</u>		<u>(13,868)</u>
Taxpayers' deficit					
General Fund	12		(13,335)		(13,884)
Revaluation Reserve	13		33		16
			<u>(13,302)</u>		<u>(13,868)</u>

The notes on pages 39 to 52 form an integral part of these financial statements.



Trevor A Spires
Chief Executive
Service Personnel and Veterans Agency
07 July 2008

The Financial Statements were authorised to be issued on 11 July 2008.

Cash Flow Statement

For the year ending 31 March 2008

	Note	2007/08 £'000	2006/07 £'000 Restated
Net cash outflow from operating activities	20	(138,695)	(159,481)
Capital expenditure			
Payments to acquire intangible fixed assets		0	(716)
Payments to acquire tangible fixed assets		(2,309)	(1,176)
Proceeds from sale of tangible fixed assets		13	30
Net cash outflow before financing		<u>(140,991)</u>	<u>(161,343)</u>
Financing			
Payments on Defence Resource Accounts		140,993	161,277
Voted expenditure appropriated in year		<u>140,993</u>	<u>161,277</u>
Increase/(Decrease) in cash		<u>2</u>	<u>(66)</u>

The notes on pages 39 to 52 form an integral part of these financial statements.

Notes to the Accounts

Note 1: ACCOUNTING POLICIES

A. Basis of accounting

The financial statements for the Service Personnel and Veterans Agency have been prepared in accordance with the Financial Reporting Manual issued by HM Treasury. The financial statements have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets and stocks to reflect their value to the business by reference to their current costs.

B. Value Added Tax

The Agency is not separately registered for Value Added Tax (VAT) as the Ministry of Defence accounts for VAT centrally. The Agency's accounts do, however, include non-recoverable VAT attributable to its activities.

C. Notional charges

1) A notional charge for interest on capital is included in the Operating Cost Statement. This is calculated as 3.5% of the average value of total net assets in accordance with Ministry of Defence accounting policy. Where SPVA is the principal, but not exclusive user of a building, the full cost of capital and depreciation charges are offset by notional income from the other occupants.

2) Notional amounts are included in the Operating Cost Statement for charges in respect of services provided by other areas of the Ministry of Defence. The amounts charged are calculated to reflect the full cost of providing these services to the Agency.

3) SPVA is not charged an audit fee by the National Audit Office. The audit fee shown represents the notional charge to the Operating Cost Statement based on the advised costs of the services provided.

D. Fixed assets and depreciation

On 01 April 2006 the Ministry of Defence transferred responsibility for accounting for fixed assets from AFPAA and VA (now the merged Agency SPVA) to other parts of the Department. Where the Agency retains the risks and rewards of ownership of these assets they continue to be accounted for on the Agency's balance sheet in accordance with FRS 5 and SSAP 21. In all other cases the costs of the use of these assets are communicated to SPVA by the asset owners and charged to the operating costs statement.

Where the Agency retains the risks and rewards of ownership the following applies with regards to assets:

(1) Intangible Assets

Software licences are capitalised as Intangible Assets where the Agency is the beneficial user, the useful life exceeds one year and the costs of acquisition and installation exceeds the Agency's capitalisation threshold.

(2) Plant & equipment

Plant & equipment is capitalised where the Agency is the beneficial user, the useful life exceeds one year and the cost of acquisition and installation exceeds the Agency's capitalisation threshold. Plant & equipment assets are revalued annually using indices in accordance with MoD policy.

(3) IT equipment

IT equipment is capitalised where the Agency is the beneficial user, the useful life exceeds one year and the cost of acquisition and installation exceeds the Agency's capitalisation threshold. IT equipment assets are revalued annually using indices in accordance with MoD policy.

Under the Agreement with EDS, although EDS holds legal title to the IT and Communications equipment assets, the Agency has continuing and exclusive use of those assets. Following a review of the accounting treatment in 2004, the EDS owned assets and, where appropriate, the associated liability to EDS have been capitalised.

(4) Depreciation and Amortisation

Assets Under Construction (AUC) is not depreciated. Depreciation and amortisation on all other fixed assets is calculated to write-off the cost or valuation of assets by equal instalments over their estimated useful lives, which are normally assumed to be as follows:

Asset Category	Life
Intangible	3-5 years
Plant & equipment	15 years
Office equipment	5 years
IT equipment	3-5 years
IT assets (EDS owned)	3-5 years
Transport	4-10 years

(5) Capitalisation Threshold

Assets are capitalised by the Agency where the useful life exceeds one year and the cost of acquisition and installation is greater than £10,000 inclusive of VAT. Additionally, transport purchases of a lower value are capitalised due to their bespoke use by the Agency.

E. Cash, Taxation and Social Security Liabilities

The Agency does not directly pay or receive money. Cash payments are made and receipts collected by the Ministry of Defence's central accounting organisations on behalf of the Agency. All transactions are brought to account by the Ministry of Defence in the Departmental Resource Accounts and are recorded by the Agency when charged to this account. All such transactions are disclosed in aggregate in the Cash Flow Statement.

As the Ministry of Defence charges the Agency during the year with the gross payments, inclusive of PAYE and National Insurance Contributions due to Agency employees, the Department is liable for the payment of any liabilities which may be due to HM Revenue and Customs or Department for Work and Pensions at the balance sheet date, and these are not disclosed in the Agency's balance sheet.

F. Going Concern

The Service Personnel and Veterans Agency have been prepared on a going concern basis.

G. Debtors

Long outstanding debts are assessed on a bi-annual basis to ensure that action is taken to write off bad debts. Debts are monitored regularly in normal day to day activities.

The Agreement with EDS contains tight guidelines for the imposition of failure charges where performance levels fall below set criteria. Such charges will be raised as debtors and recovered from EDS under the timescales set down in the Agreement. SPVA additionally has the right to waive part or all of these charges and in the event of this happening, write off action is required and will be reflected in the accounts.

The amended Agreement allows for a reconciliation between the Annual Target Price and actual costs incurred by EDS. Where actual costs are below the Annual Target Price, the Agreement provides for a sharing of these efficiency savings. Such amounts are included in debtors.

H. Stocks

Medal stocks are stated at the lower of current replacement cost and net realisable value. Cost comprises purchase price and includes expenses incidental to acquisition. Current replacement cost applies to stocks expected to be used or sold in the ordinary course of business and represents the cumulative revaluation of stock using the latest cost of acquisition. Net realisable value applies to stocks which are not intended to be used or sold in the ordinary course of business.

Where appropriate, provision is made for obsolete, surplus and defective stock. The provision is based on 100% of the purchase price of the medals, excluding bullion scrap value, for surplus stocks.

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

I. Pension Costs

Staff are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) and the Armed Forces Pension Scheme (AFPS). Contributions are paid to the schemes at rates determined from time to time by the Government Actuary and advised by the Treasury. These contributions were charged to the Agency as a cash cost for the period of these financial statements.

The AFPS is an unfunded defined benefits scheme and the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2005.

The PCSPS are unfunded multi-employer defined benefits schemes and the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007.

J. Accruals

The Agency's accruals policy is to accrue for work in progress at the year end and this is reflected in the accounts.

K. Provisions for liabilities and Charges

Provisions are included in the accounts for future liabilities due in respect of SPVA staff who leave under the Flexible or Compulsory Early Retirement Schemes. The provision is charged to the Operating Cost Statement for the year in which the obligation was made. Future costs are charged on an accruals basis against the related provision.

L. Revaluation Reserve

Adjustments arising on revaluation of owned fixed assets are transferred to a Revaluation Reserve or the Operating Cost Statement as appropriate.

Note 2: STAFF COSTS AND NUMBERS

Contract staff numbers and costs are included in this heading.

Certain employees of the Agency are members of one of the Principal Civil Service Pension Schemes (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Superannuation. Normal employers' contributions of £4,048k were payable in the year to the PCSPS at one of four rates in the range 17.10% to 25.50% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Military staffs pension benefits are provided through the Armed Forces Pension Scheme. Details of the scheme are provided in the Remuneration Report.

1. The average number of employees during the year was as follows:

	2007/08	2006/07
	No.	Restated No.
Military	103	187
Civil Service - Central Operations	793	826
Civil Service - Welfare Services	122	129
Civil Service - IPPH	62	60
Contract Staff	31	71
	<u>1,111</u>	<u>1,273</u>

2. Staff costs can be analysed as follows:

	2007/08	2006/07
	£'000	Restated £'000
Salaries and wages	27,777	31,803
Social Security costs (ERNIC)	2,040	2,412
Pension costs	5,670	6,645
Sub total	<u>35,487</u>	<u>40,860</u>
Contract staff costs	1,349	1,602
	<u>36,836</u>	<u>42,462</u>

Note 3: ACCOMMODATION COSTS

	2007/08	2006/07
	£'000	Restated £'000
Innsworth costs	1,184	1,155
Glasgow costs	1,590	1,606
Works maintenance	136	237
Communicated Asset Costs	1,126	931
Utilities	70	240
Rent	4,470	4,416
	<u>8,576</u>	<u>8,585</u>

Accommodation costs comprise cash costs, communicated costs and capitation rate based costs.

Note 4: ADMINISTRATION COSTS

	2007/08 £'000	2006/07 £'000 Restated
EDS Contractual costs	68,905	90,974
Paymaster	2,541	2,500
Net Write offs (Note 19)	9,560	3,659
Gain on Disposal of Fixed Asset	0	(5)
Loss on Disposal of Fixed Asset	1	0
IT equipment, maintenance and software	453	2,427
Consultancy	3,250	2,331
Travel and subsistence	1,882	1,554
Supplies and services consumed	1,301	1,636
Training	181	284
Office supplies	248	308
Audit fee	80	93
Miscellaneous	186	220
Funeral costs	2,207	1,373
Telecommunications	468	469
Currency charges	496	996
Cost of capital charges	(476)	(378)
IT & Communications equipment depreciation	1,513	2,248
IT & Communications equipment impairment	94	109
Asset Under Construction impairment	42	0
Plant equipment depreciation	64	71
Communicated Costs Plant and Equipment	24	26
Intangible asset amortisation	1,865	1,978
Intangible asset impairment	300	567
Stock provisions	(183)	104
Stock consumption	1,670	2,406
Stock write offs	3	207
Disposal costs of excess stocks	4	1
Provisions movement	4	5
Medical Adjudication	2,127	2,337
Rental under operating Lease	65	77
Bank Charges	1,207	1,169
Postal and Administration Services	688	623
Admin Claims - Special Services	104	131
Publicity	50	86
	<u>100,924</u>	<u>120,586</u>

Note 5: OPERATING INCOME

	2007/08 £'000	2006/07 £'000 Restated
Operating income analysed by classification and activity, is as follows:		
Fees and charges to external customers	954	934
Fees and charges to other departments	49	63
Miscellaneous	32	48
	<u>1,035</u>	<u>1,045</u>

- Miscellaneous income is recovered from staff for the private use of vehicles, and for and commutation fees.

An analysis of income from services provided to external and public sector customers is as follows:

	2007/08			2006/07		
	Income £'000	Full Cost £'000	Deficit £'000	Income £'000	Full Cost £'000	Deficit £'000
Ilford Park Polish Home	954	(2,909)	(1,955)	934	(3,137)	(2,203)
Charges to DWP	49	(49)	0	63	(63)	0

- The Agency is required, in accordance with HM Treasury's Fees and Charges Guide, to disclose performance results for the areas of activities where fees and charges are made. The above information is provided for fees and charges purposes only and not for SSAP 25 (Segmental Reporting) purposes.
- The financial objective of Ilford Park Polish Home is to deliver optimum occupancy rate, a 95.4% occupancy rate has been achieved against this objective.
- The charges to DWP are primarily for work completed by staff in Dublin for the Pension Overseas Directorate.

Operating income relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes not only income apportioned in aid of the Estimate but also income to the Consolidation Fund, which in accordance with the FReM is treated as operating income. Operating income is stated net of VAT.

Note 6: FIXED ASSETS

	Intangible Fixed Assets £'000	Plant & Equipment £'000	IT & Comms equipment £'000	AUC £'000	Tangible Fixed Assets £'000	Total Fixed Assets £'000
Cost or valuation						
At 01 April 07 (Restated)	9,835	412	5,910	734	7,056	16,891
Additions	0	0	350	1,959	2,309	2,309
Revaluations	0	(2)	0	0	(2)	(2)
Impairments	(559)	0	(322)	(42)	(364)	(923)
Disposals	0	(34)	(4,312)	0	(4,346)	(4,346)
Reclassification	(1)	2	(1)	0	1	0
At 31 March 08	9,275	378	1,625	2,651	4,654	13,929
Depreciation and Amortisation						
At 01 April 07 (Restated)	4,564	184	4,043	0	4,227	8,791
Amount in year	1,865	64	1,513	0	1,577	3,442
Impairments	(259)	0	(228)	0	(228)	(487)
Disposals	0	(21)	(4,311)	0	(4,332)	(4,332)
Reclassifications	0	2	0	0	2	2
At 31 March 08	6,170	229	1,017	0	1,246	7,416
Net Book Value						
At 01 April 07 (Restated)	5,271	228	1,867	734	2,829	8,100
At 31 March 08	3,105	149	608	2,651	3,408	6,513

Note 7: STOCKS

	2007/08 £'000	2006/07 £'000
Medals stocks owned by SPVA	993	1,165
Less Obsolescence Provision	(215)	(398)
Net Stock Value	778	767

Note 8: DEBTORS AND PREPAYMENTS

	2007/08 £'000	2006/07 £'000 Restated
Trade debtors: EDS	445	1,856
Other	139	96
Prepayments	42	56
	<u>626</u>	<u>2,008</u>

There is a £28k balance with other Central Government Departments and a £19k balance with Local Authorities.

Note 9: CASH AT BANK AND IN HAND

	2007/08 £'000	2006/07 £'000 Restated
Balance at 01 April	1	67
Net Changes in cash balances	2	(66)
Balance at 31 March	<u>3</u>	<u>1</u>
The following balances are held at:		
Commercial banks	3	1
Cash in hand	0	0
Commercial banks and cash in hand	<u>3</u>	<u>1</u>

Note 10: CREDITORS

Amounts falling due within one year		2007/08 £'000	2006/07 £'000 Restated
Trade creditors: EDS		0	0
Trade creditors: Other	243		1,514
		243	1,514
Accruals: EDS	18,360		18,226
Accruals: Other	2,455		4,810
		<u>20,815</u>	<u>23,036</u>
		<u>21,058</u>	<u>24,550</u>

There is a balance of £889k with other Central Government Departments and a balance of £145k with Royal Mint, a Public Corporation, included within Other Accruals.

Note 11: PROVISIONS FOR LIABILITIES AND CHARGES

Early Retirement Provision	2007/08 £'000	2006/07 £'000 Restated
Opening Balance at 01 April	194	224
Utilised in year	(34)	(34)
Increase in provision	4	4
Closing Balance at 31 March	<u>164</u>	<u>194</u>

Payments of £34k are expected to be made in 2008/09 with the remainder of the payments expected to be made by 2013/14.

Note 12: GENERAL FUND

	Note	2007/08 £'000	2006/07 £'000 Restated
Net Voted Expenditure		140,993	161,277
Notional costs	21	4,829	5,020
Realised element of the revaluation reserve	13	9	99
Recognition of depreciation on disposal of Fixed Assets by SBSO	6	0	(13,162)
Merger Adjustments		19	0
Less:			
Net expenditure for the year in respect of the Agency operations	20	<u>(145,301)</u>	<u>(170,588)</u>
Net increase/(decrease) in General Fund		549	(17,354)
General Fund at 01 April		<u>(13,884)</u>	<u>3,470</u>
General Fund at 31 March		<u><u>(13,355)</u></u>	<u><u>(13,884)</u></u>

Note 13: REVALUATION RESERVE

	Note	2007/08 £'000	2006/07 £'000 Restated
Revaluation reserve at 01 April		16	8,377
Revaluation in year on fixed assets	6	(2)	8
Revaluation in year on stocks		28	78
Transfer element of Fixed Assets		0	(8,348)
Realised element transferred to General Fund	12	(9)	(99)
Revaluation reserve at 31 March		33	16

Note 14: RECONCILIATION OF MOVEMENT IN GOVERNMENT FUNDS

	Note	2007/08 £'000	2006/07 £'000 Restated
At 01 April		(13,868)	11,847
Revaluation Reserve movement in year	13	(17)	(8,361)
General Fund movement in year	12	549	(17,354)
Total movement in year		566	(25,715)
At 31 March		(13,302)	(13,868)

Note 15: RELATED PARTY TRANSACTIONS

SPVA is an Executive Agency of the Ministry of Defence. The Ministry of Defence is regarded as a related party. Due to the partnering relationship that exists between SPVA and EDS, five members of the EDS Management team sit on the Agency Management Group (AMG) alongside the SPVA Executive Board. These senior managers oversee the partnering agreement, contributing and reviewing on a regular basis major activities of the Agency.

During the period 01 April 2007 to 31 March 2008, SPVA 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 Department for Work and Pensions, the Post Office ® Ltd. and the Foreign and Commonwealth Office. SPVA also receives supplies from Royal Mint, a Public Corporation, also regarded as a related party.

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with SPVA.

Note 16: COMMITMENTS UNDER OPERATING LEASES

	2007/08 £'000	2006/07 £'000 Restated
At 31st March the Agency was committed to make the following payments during the next year in respect of operating leases relating to Land and Buildings expiring:		
Within one year	27	2
Between two and five years	2	29
After five years	16	0
	<u>45</u>	<u>31</u>

Note 17: FINANCIAL COMMITMENTS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments to be disclosed in these financial statements. However, at 31 March 2008, the Agency was committed, under the amended Agreement with EDS, to make payments totalling £70.009m up to the end of the contract in 2009.

At contract termination, due to take place in November 2009, SPVA has an option to buy back the IT equipment that is being utilised by EDS at Fair Market Value.

Note 18: DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial instruments, requires disclosure of the role which financial instruments have had during the period 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 in which government Agencies are financed, the Agency 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.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities, or for trading. The fair values of all the Agency's financial assets and liabilities approximate to their book values. In line with FRS 13, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures (except for those relating to currency risk).

Interest rate risk

The Agency has no financial assets and liabilities on which interest is earned or paid, and is therefore not exposed to significant interest rate risk.

Currency risk

The Agency does not hold assets or liabilities denominated in a foreign currency, and income and expenditure denominated in a foreign currency is negligible. The Agency does, however, bear the foreign exchange costs of payments made in local currencies to Service personnel serving overseas. The Agency is not exposed to significant currency risk.

The Ministry of Defence, through whose Resource Account the Agency is financed, enters into forward purchase contracts annually with the Bank of England to cover the majority of its foreign exchange requirements for the following year. The details of the outstanding foreign currency contracts are given in its Departmental Resource Account.

Liquidity risk

The Agency is not exposed to significant liquidity risk, as the liquidity requirements are met by financing from the Ministry of Defence Resource Account, and it has no borrowing facilities. The Department's resource requirements are voted annually by Parliament.

Foreign Exchange

Transactions, which are denominated in a foreign currency, are translated into sterling using the Department's General Accounting Rate ruling appropriate to the month in which each transaction occurred. Monetary assets and liabilities are translated at the spot rate applicable at the Balance Sheet date. Exchange rate differences are dealt with in the Operating Cost Statement.

Leases

Operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease. The Agency currently has no finance leases.

Note 19: LOSSES STATEMENT

Under the Service Provision Agreement between SPVA and EDS, a Failure Charge can be deducted from the monies payable to EDS. Failures are defined as being where performance against a specified and agreed Service Level has not been achieved. Under the charging mechanism in place, a maximum charge that could be invoked is calculated. Discretion exists for a lesser sum to be charged in instances where the maximum charge is deemed inappropriate (e.g. when the reason for a service delivery failure cannot be apportioned solely to EDS). Additionally, the charge can be abated in total, for example when a Service Delivery Failure is adjudged to be as a consequence of circumstances outside EDS' control. Under the terms of Government Accounting the Agency has to apply to HM Treasury for overall authority to abate the charge after its calculation. During the Financial Year 2007/08 the total calculated adjusted sum under the Service Provision Agreement was £9,323,000, compared to the total of £3,515,000 in 2006/2007. The £9,323,000 is shown as part of the £9,560,000 write offs in the Admin Costs at Note 4.

Note 20: RECONCILIATION OF NET OPERATING COST TO NET CASH FLOWS

	2007/08 £'000	2006/07 £'000 Restated
Net Expenditure from operating activities	145,301	170,588
Adjustments for non cash transactions		
Increase in Provisions from Operating Cost Statement	(4)	(5)
Depreciation, amortisation, amounts written off fixed assets and stock	(3,882)	(5,201)
Cost of capital	476	378
Notional costs	(5,305)	(5,398)
Movements in net current assets:		
Increase/(Decrease) in Stocks	(17)	(412)
Increase/(Decrease) in debtors	(1,382)	(2,604)
(Increase)/Decrease in creditors	3,474	2,101
Payments made against Provisions for Liabilities and Charges	34	34
Net Cash Outflow from operating activities	138,695	159,481

Note 21: NON CASH AND NOTIONAL COST ITEMS

The notional cost elements, included under the headings of Accommodation Costs (note 3), and Administration Costs (note 4), are as follows:

	2007/08 £'000	2006/07 £'000 Restated
NON CASH COSTS:		
IT depreciation	1,513	2,248
IT Impairment	94	0
Asset under Construction Impairment	42	0
Revaluation on IT and Comms	0	109
(Gain)/Loss on Disposal of Fixed Asset	1	(5)
Plant & Machinery Depreciation	64	71
Intangibles Amortisation	1,865	1,978
Intangibles Impairment	300	458
Write Off of Fixed Assets	0	135
Write off of stock	3	207
	<u>3,882</u>	<u>5,201</u>
NOTIONAL COSTS:		
Innsworth costs	1,184	1,155
Glasgow costs	1,590	1,606
Communicated Asset costs	1,150	957
MoD Overhead costs	1,301	1,587
Audit fee	80	93
Cost of Capital charge	(476)	(378)
	<u>4,829</u>	<u>5,020</u>

Note 22: COMPARATIVES

In accordance with FRS6, Acquisitions and Mergers, merger accounting principles have been applied to the group reconstruction resulting from the amalgamation of the Armed Forces Personnel Administration Agency and the Veterans Agency on the 01 April 2007. In accordance with FRS6 the 2006/07 comparatives have been restated to show the combined position of the previous year, as detailed below:

	Operating Cost Statement £'000	Balance Sheet £'000
VA	35,325	(1,964)
AFPAA	<u>135,263</u>	<u>(11,904)</u>
SPVA Opening Position	<u>170,588</u>	<u>13,868</u>

Glossary of Terms

AC	Audit Committee
AT	Assurance Team
AEB	Agency Executive Board
AFCS	Armed Forces Compensation Scheme
AFCAA	Armed Forces Personnel Administration Agency
AFPRB	Armed Forces Pay Review Board
AFPS	Armed Forces Pensions Schemes
AMG	Agency Management Group
AUC	Assets Under Construction
BCP	Business Continuity Plan
BOP	Business Optimisation Plan
BSC	Balanced Scorecard
CAPS	Compensation and Pensions System
CASS	Complementary and Standalone Systems
CETV	Cash Equivalent Transfer Value
CSF	Critical Success Factors
CTLB	Central Top Level Budget
DCDS(Pers)	Deputy Chief of Defence Staff (Personnel)
DCS	Director Corporate Services
DFMS	Defence Financial Management System
DIA	Directorate of Internal Audit
DII	Defence Information Infrastructure
DRAc	Departmental Resource Accounts
EDS	Electronic Data Systems Defence Ltd
EC	Enquiry Centre
Fin & CG	Finance and Corporate Governance
FY	Financial Year
HR	Human Resources
IPPH	Ilford Park Polish Home
JCCC	Joint Casualty and Compassionate Centre
JPA	Joint Personnel Administration
JRSG	Joint Requirement Steering Group
KT	Key Targets
LSAP	Long Service Advance of Pay
MDR	Minimum Drawing Rate
MoDMO	MoD Medal Office
MP	Member of Parliament
NAO	National Audit Office
NED	Non-Executive Director
NFI	National Fraud Initiative
OAB	Owners Advisory Board
PCSPS	Principal Civil Service Pension Scheme
PQQ	Pre-Qualification Questionnaires
RAB	Resource Accounting and Budgeting
SIC	Statement of Internal Control
SPVA	Service Personnel and Veterans Agency
SR	Service Request
SRMG	Service Request Management Group
TLB	Top Level Budget
VA	Veterans Agency
VO	Visiting Officers
VWS	Veterans Welfare Service
WPS	War Pensions Scheme

Designed by Design and Production Services, Norcross

Photographs courtesy of:

Design & Production Services

© Crown copyright, images from www.defenceimages.mod.uk

© Crown copyright 2008



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders 0870 600 5533

Email customer.services@tso.co.uk

Textphone 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-295797-6



9 780102 957976