



Disability and Carers Service

Annual Report and Accounts 2007–08

DWP Department for
Work and Pensions

Disability and Carers Service

Front cover image:

Sir Leigh Lewis, DWP Permanent Secretary, taking part in an outdoor project with volunteers from the Langdale Centre for people with learning disabilities, as part of the Department's 'Community 5000' programme.

Disability and Carers Service

Annual Report and Accounts 2007–08

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

Presented to the House of Commons pursuant to section 7(2)
of the Government Resources and Accounts Act 2000

Ordered by the House of Commons
To be printed 17 July 2008

HC719

London: The Stationery Office

£18.55

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ISBN 9780102955101

Financial Summary

| | 2007-08 | 2006-07 | 2005-06 |
|---|-------------------|-------------------|-------------------|
| Benefit Payments Issued | £15,635.7m | £14,571.1m | £13,743.2m |
| Disability Living Allowance | £9,896.5m | £9,190.0m | £8,652.9m |
| Attendance Allowance | £4,459.6m | £4,167.2m | £3,930.4m |
| Carers Allowance | £1,279.4m | £1,213.5m | £1,159.4m |
| Vaccine Damage | £0.2m | £0.4m | £0.5m |
| Gross Administration Costs* | £297.9m | £306.9m | £306.9m |
| *Including Change Programme Investment Costs | £8.25m | £9.62m | £15.02m |
| Non-Financial | | | |
| Headcount Whole Time Equivalent ¹ as at 31 March | 5507 | 5972 | 6405 |

¹ Whole Time Equivalent include all staff in the headcount figure but reflects the hours worked by each member of staff. Full time staff count as "one" with part time staff counted proportionately by the hours worked.

*Change Programme Investment Costs are included in Gross Administration Costs.



Chief Executive's foreword

I am pleased to present the Disability and Carers Service Annual Report and Accounts for 2007–2008

This was another challenging year but we have made excellent progress and built upon the improvements made over the last two years, in spite of reduced numbers of staff, a smaller budget and increased numbers of customers.

We have achieved or exceeded all of our quality and claims clearance targets and have resolved more disputed decisions without the need for Tribunal hearings. Additionally, a greater number of our decisions have been upheld by Tribunals. At the same time, we have improved the way we provide information to our customers through better notifications, leaflets and correspondence.

The performance of the DLA/AA Helpline, our national telephone service, was recognised for the service it provides to our customers by being named the Contact Centre of the Year at the North West Call and Contact Centre Awards.

Our Customer Satisfaction Survey results, to be published shortly, confirm that we have made recognisable improvements in areas highlighted in the previous survey.

In October 2007, the European Court of Justice announced that certain disability benefits could be paid to people who move from the UK to live in another country within the European Economic Area. Working with others, we have begun to understand the impact of this Judgement and to plan for its implementation.

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We have continued to work with other Departmental agencies and partners to address some of the issues affecting people who are customers of two or more agencies. We have completed analysis and presented proposals for the future of Alternative Offices. We have improved the way we work with and measure supplier performance.

The learning and development of our people has remained a high priority for us and we have invested in nearly 38,000 training days including, for example, technical training and our externally accredited coaching programme for managers and our ongoing programme of Gateway to Leadership. Our Staff Satisfaction Survey results show increased confidence in line managers, though they also highlight areas where our staff perceive there is further scope for improvement.

Of course, this was also the final year of the Disability and Carers Service's existence as a separate Agency and on 1 April 2008 we merged with The Pension Service to form the Pension, Disability and Carers Service. The new Agency will maintain its focus on the needs of disabled people and carers whilst providing more holistic services to those receiving pension age benefits.



Vivien Hopkins
Acting Chief Executive
30 June 2008

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Key highlights of the year

Improving Customer Service

- The DLA/AA Helpline, our national telephone service, won the Contact Centre of the Year Award at the 2nd North West Call and Contact Centre Awards with individual award winners in the Agent of the Year Award, Team of the Year Award and Contact Centre Manager of the Year Award categories.
- The Carer's Allowance Unit in Preston once again achieved re-accreditation of the Charter Mark, as did our Disability Benefits Centres in Manchester and Birmingham.
- We introduced a new, simpler Disability Living Allowance claim form that has been awarded the Crystal Mark for the first time.

Working with partners and stakeholders

- We extended the visiting provision of the Pension Service Local Service to carry out visits to our customers, irrespective of age.
- We introduced a revised Partnership Agreement with Jobcentre Plus and a new Partnership Agreement with Shared Services Debt Management.

Growing the capabilities of our staff

- We successfully delivered 37,852 learning and development training days for our staff during the year.
- We successfully accredited 47 decision makers and their HEO managers within the agency and have 90 currently undertaking Professionalism in Decision Making and Appeals, our work-based learning programme.
- We implemented the 'DCS Deal' which provides a framework to help us build and sustain the agency as a better place to work and to help us to become more responsive to our customers' needs by working together.
- We completed over 1,000 days of community support throughout the country.
- Our DLA/AA Helpline took over 5,300 telephone calls for the BBC's Children In Need campaign, raising a total of £158,330 – our highest figure ever!





Creating a modern service

- We overhauled our business processes and published the Disability and Carers Service Standard Operating Model.
- We deployed 'LEAN', a business technique used to improve the way organisations work by concentrating on customers and cutting out time-wasting activities, within the Carer's Allowance Unit in Preston.
- We implemented the Right Payment Programme, the first continuous, statistically valid measure of the monetary value of error within the agency's caseload.
- We improved the end-to-end Customer Case Management approach to handling the decision-making process for DLA and AA customers.

Creating a more efficient service

- Achieved best performance in the Department in terms of compliance with placing orders through the correct IT medium. This provides the agency with greater control and transparency of its spend with external suppliers and enables greater focus in achieving value for money.
- Relationship management has been introduced at agency level. This means that supplier performance can be addressed at the most appropriate level and where necessary appropriate action plans agreed to ensure that performance in terms of both service delivery and value for money are continuously reviewed.
- Reduced our workforce by 465 staff posts and our total running costs by £9 million.

Background

Statutory background

The Disability and Carers Service presents its annual report and accounts for the financial reporting year ended 31 March 2008. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Disability and Carers Service was established as an Executive Agency of the Department for Work and Pensions (the Department) on 1 November 2004.

DCS Board and Executive Management Team

The DCS Board is responsible for advising and supporting the Chief Executive in developing a strategy and overseeing plans for meeting the objectives and targets of the Agency. The Executive Management Team is responsible for supporting the Chief Executive in the management of the Agency and its business, in line with Ministers' aims and the business strategy set by the DCS Board.

Board:



Willy Roe
Chair



Kate Nash
Non-Executive Director



Peter Lehmann
Non-Executive Director



Norman Cockett
Non-Executive Director



Terry Moran
Chief Executive
until 22 July 2007



Vivien Hopkins
Acting Chief Executive
from 23 July 2007



Stuart McKinnon-Evans
Finance Director
until 21 January 2008



Sarah High
Acting Finance Director
from 22 January 2008

Executive Management Team:



Terry Moran
Chair until 22 July 2007



Steve Monk
HR Director



Vivien Hopkins
Chief Operating Officer
until 22 July 2007
Chair from 23 July 2007



Mark Richardson
IS/IT Director



Martyn Craske
Business Design & Change
Director until 22 July 2007
Chief Operating Officer
from 23 July 2007



Kim Archer
Customer and External
Relations Director



Sharon Norton
Acting Business Design & Change
Director from 23 July 2007



Stuart McKinnon-Evans
Finance Director
until 21 January 2008
PDCS Launch Team Project
Director from 22 January 2008



Gill Mortlock
Deputy Chief Operating Officer
until 11 May 2007



Sarah High
Acting Finance Director
from 22 January 2008



Jane Whitaker
Deputy Chief Operating Officer
from 1 August 2007



Richard West
Head of Strategy & Planning
until 3 March 2008



Principal activities

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

Employment of disabled persons

People with disabilities, as defined in the Disability Discrimination Act 1995, are employed across all grades within the Disability and Carers Service.

Employee involvement

The Disability and Carers Service respects its staff as people and values their contribution. There is a strong internal communications network in place. Staff are encouraged to share information, and contribute news, views and feedback. Regular news and information is provided to staff through the Disability and Carers Service and the Department for Work and Pensions communication sites held on the Department's intranet, as well as through regular bulletins and messages cascaded through team meetings.

Staff have access to welfare services which support staff and managers and promote well-being in the workplace.

Staff also have access to trade union membership. The Disability and Carers Service has procedures for consulting its trade unions and supports staff representation in the workforce by trade union representatives.

The Disability and Carers Service is committed to ensuring that staff at all levels can contribute towards decisions affecting the day-to-day business of the Disability and Carers Service.

Payments to suppliers

The Disability and Carers Service is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during a twelve month period, conducted to measure how promptly the Disability and Carers Service pays its bills, found that 99 per cent of bills processed by Disability and Carers Service staff were paid within this standard.

Company directorships and other significant interests held by board members

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

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

External audit

These accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on page 54.

Management Commentary

Performance targets

The Disability and Carers Service's performance targets were set out in the *Disability and Carers Service Business Plan 2007–2008*. A detailed description is provided on page 36 of this Annual Report. Future performance targets are set out in the *Pensions, Disability and Carers Service Business Plan 2008–2009* which was published in June 2008.

Benefit payments

These financial statements relate solely to the Disability and Carers Service's administrative expenditure, derived from the Department's voted funds supplemented by additional information to conform with the accruals concept and give a true and fair view of the Disability and Carers Service's affairs. The Disability and Carers Service is responsible for the payment of Disability Living Allowance, Attendance Allowance, Carer's Allowance and Vaccine Damage benefits which, for the year ended 31 March 2008, amounted to £15.64 billion (2006–07 £14.57 billion). This amount is provisional and the final audited benefit expenditure for the year will be disclosed in the Departmental Resource Accounts which are expected to be published by the end of August.

Results for the year

The Operating Cost Statement within the Accounts shows the net operating cost of the Disability and Carers Service for the year ended 31 March 2008.

The net operating cost amounted to £297.9 million (2006–07 £306.4 million). Capital expenditure for the year, full details of which are given in Notes 7 and 8 to the Accounts, was £nil (2006–07 £374k).

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

Prior year comparatives

The comparative figures have been restated to take account of agreed changes to the accounting treatment of Consolidated Fund Extra Receipts.



Parliamentary funding

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

The Disability and Carers Service's work programme and expenditure plans for the year to 31 March 2008 were set out in the *Disability and Carers Service Business Plan 2007–2008* and form part of CM 7401, *Department for Work and Pensions Departmental Report 2008*.

Taxpayers' equity

Within the Accounts the Balance Sheet at 31 March 2008 shows negative Taxpayers Equity of £13 million. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from Grants of Supply approved annually by Parliament, to meet Net Cash Requirement of the Department for Work and Pensions of which the Disability and Carers Service is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by the Department other than required for the service of the specified year or retained in excess of that need.

In common with Government Departments, the future financing of the Agency's liabilities is accordingly to be met by future Grants of Supply to the Department for Work and Pensions and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Who we are, what we do

The Disability and Carers Service is an executive agency of the Department for Work and Pensions. The agency is committed to supporting the Government's welfare reform agenda and the Department's aim 'to promote opportunity and independence for all'.

Employing 6,249 people working on a full time and part time basis across the country, the Disability and Carers Service provides financial support for more than five million disabled people and carers through the administration of:

- Disability Living Allowance;
- Attendance Allowance;
- Carer's Allowance; and
- Vaccine Damage Payments.

The Disability and Carers Service vision is to:

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



About the benefits

Disability Living Allowance and Attendance Allowance are non-means-tested tax-free benefits for people who need help with personal care or have walking difficulties because they are physically or mentally disabled. Unlike most other benefits, they are not conditional on unemployment or low income.

Carer's Allowance makes a contribution to the financial needs of people who, for 35 hours a week or more, care for severely disabled persons in receipt of Disability Living Allowance or Attendance Allowance.

Vaccine Damage Payments are one-off, tax-free payments made to people who have suffered severe disability as a result of vaccination against certain diseases.

Expenditure and resources

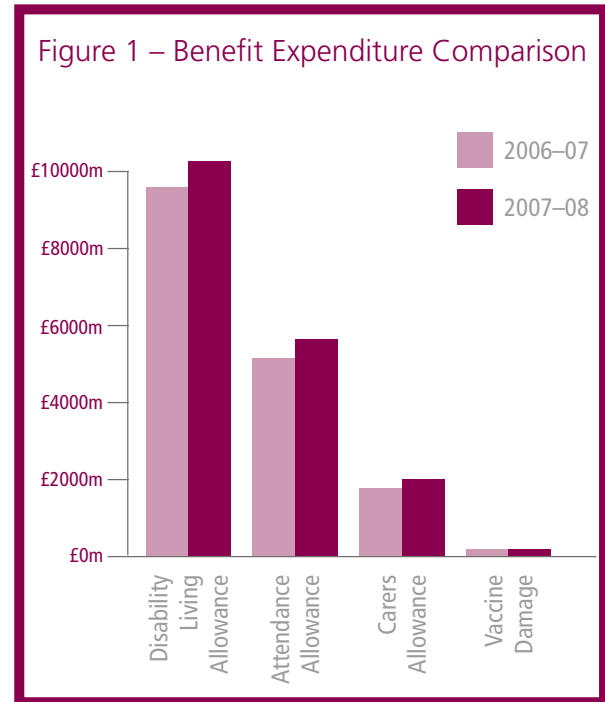
We have continued to progress the Agency's transformation during the year despite workloads increasing and employing fewer staff.

Funding

The following tables show the breakdown of expenditure that we have used in both administering the Disability and Carers Service benefits and in the benefit payments themselves.

Benefit Expenditure

Benefit expenditure (Figure 1) has increased by 7.3 per cent across all of the Disability and Carers Service benefits during 2007–2008. All benefits have seen an increase apart from a reduction in Vaccine Damage Payments. A total of £15.6 billion was paid in 2007–2008 to 5.5 million disabled customers and carers; an increase of 162,000 customers this year.



Administrative Expenditure

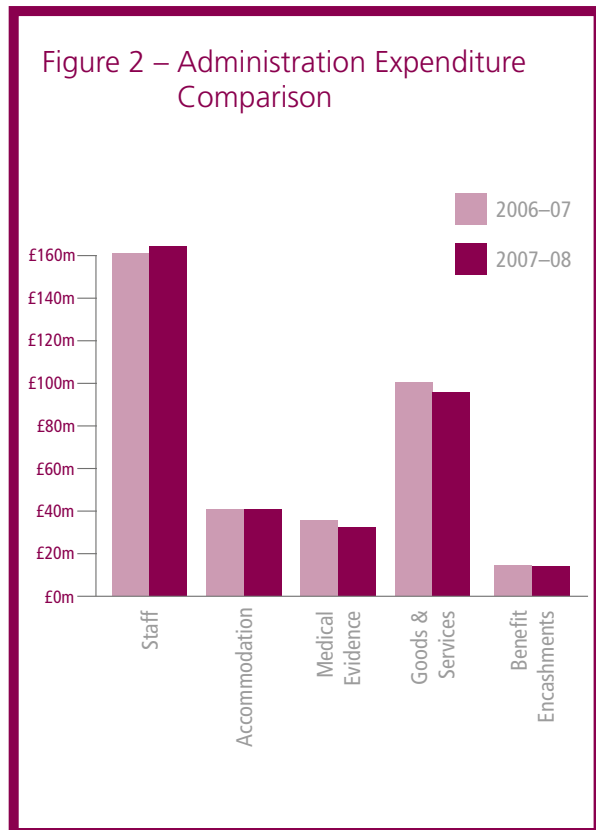
Overall, the Administration Expenditure (Figure 2) for 2007–2008 has reduced compared to 2006–2007. This is due to investments to improve efficiency and deliver against the corporate requirement to reduce headcount. Reductions have also been achieved in:

- medical evidence expenditure due to the increased use of on-site medical advice, the introduction of the Customer Case Management initiative and a move towards using the more cost effective General Practitioner Factual Reports;
- consultancy costs as we have reduced the use of consultants;

- accommodation costs due to the reduction in the size of the Disability and Carers Service estate;
- depreciation costs – we no longer have IT and office vehicles on the Balance Sheet; and
- the introduction of a more accurate methodology for calculating Inter Company Corporate charges.

Staffing

Efficiency targets have again been met through a reduction in staffing levels of 465 whole time equivalents (WTE) and we have increased the amount of our staff directly providing services to our customers by one per cent (Figure 3).



DCS Attendance Management

Absence due to sickness is reported in Average Working Days Lost on a rolling year 12 month basis. The figures available are for the rolling year to March 2008 (period 1 April 2007 to 31 March 2008).

The Agency's attendance management was showing a steady improvement prior to July 2007; but increases each month from August to November 2007 resulted in a peak of 11.2 average working days lost in November 2007. Since November the rolling year figure has reduced each month and the March 2008 figure stands at 10.55 average working days lost.

The increase between July and November was significantly associated with the problems that the Department had to manage with the Occupational Health Service provider. A change of provider has helped us to make progress.

The consistent improvement demonstrated for the last four months is directly linked to recent action taken including twinning arrangements between the best / worst units; deployment of new management training (to over 400 managers); concentration on the longest absences through the Focus 75 initiative and a dedicated Human Resources Business Partner lead on attendance management.

The Agency and business unit attendance management action plans and reporting mechanisms have been established for 2008–2009 and work has commenced to align policy and processes in the new agency; the Pension, Disability and Carers Service.

Office Space

Following the outsourcing of Office Services to an external contractor, during May 2007, Heywood Stores was successfully transferred over from the Agency to the Department for Work and Pensions Corporate and Shared Services. Apart from a nominal internal adjustment there have been no further estate changes since then. This can be demonstrated in the table below:

Reduction in DCS Estate 2007–2008 in sqm

| | |
|--|-----------------|
| Opening Footprint (01.04.07) | 118,379 |
| Transfer of Heywood Stores to DWP Corporate & Shared | - 9,711 |
| Internal adjustment | + 86 |
| Closing footprint @ 31.03.08 | 108,754 (8.13%) |

DCS Space Utilisation

| | |
|-------------------------------|--------------|
| Core DCS sqm (31.03.08) | 73,651 |
| Core DCS headcount (31.03.08) | 6,249 |
| Space utilisation per person | 11.79 sqm pp |

Effective Management

Governance is the term that is now generally used to describe the patterns of networks and collaborative arrangements within agencies, across the Department and between organisations in the public and private sectors. As a word and a concept, it is closely related to “government” and “governing” but at a practical level it can be thought of as good management.



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

- respond appropriately to significant risks to our operational objectives;
- comply with all relevant laws, regulations, policies and accepted recommendations of external scrutiny;
- ensure individuals are accountable for their responsibilities; and
- maintain a high quality of internal and external reporting.

Assurance reporting to the Disability and Carers Service Audit Committee by the Risk Assurance Division provides an indication of progress in terms of overall governance and risk management within the agency. To date the majority of audit work has focused on customer service and operational risks which is in line with the risk profile of the agency. The trend for the Disability and Carers Service is that reviews continue to attract substantial assurance both in agency specific and DWP cross-cutting reviews.

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

Raising standards in customer service delivery

Customer service delivery has once again been the forefront of the agency's ambitions. At the start of the year we endeavoured to consolidate the improvements that we have made since becoming an agency in November 2004. Our DLA/AA Helpline, our national telephone service, has been a significant contributor to the performance of the agency this year and has consolidated its performance which has been considerably challenged due to the increase in workloads.

In October 2007, the 2nd Annual North West Call and Contact Centre Awards were held. Organisations were nominated from over 600 call and contact centres based in the North West from both private and public sectors. Our DLA/AA Helpline and supporting Operational staff were pitted against organisations including Cheshire Constabulary, Her Majesty's Revenue and Customs (HMRC), Vodafone, O2 UK, Wyre Borough Council and Bolton Council. The Contact Centre of the Year Award was awarded to the DLA/AA Helpline and Turret Operators for their commitment to customer service, staff training and their forward vision.

DLA/AA Helpline also achieved awards for the Agent of the Year (Simonetta Lunn), the Team of the Year (Section 42) and Contact Centre Manager of the Year (Martin Moore). One of our Helpline managers (Jenny Gladwinfield) also achieved the Employee of the Year Runner-up Award at the Department for Work and Pensions Contact Centre Awards 2007.



“The winner of the overall contact centre of the year goes to a centre that is no stranger to picking up awards this evening. It is clear from the judges that this organisation has it right from the ground up, boasting a customer satisfaction rating of 95% and a high staff satisfaction rating. A flagship centre that has picked up the best agent, best manager and the best team award this evening.”

Quote from the North West Call and Contact Centre Awards

Understanding our customers' needs and behaviours better will help us to shape the design and delivery of our products and services.

We are exploring customers' needs and how they relate to the services we provide. This will help to identify opportunities for improvement that make sense to customers and are more efficient for them and the Department.

We have participated in Customer Needs Pathfinder events to find out how we can make the lives for people with different disabilities and their carers better and improve the services we offer to these customers. Events have been organised and attended by both disabled customers and representatives from organisations such as the Royal National Institute of Blind People (RNIB), Royal National Institute for Deaf People (RNID) and Scope (a UK-based charity, operating in England and Wales but not Scotland or Northern Ireland, that focuses on people with cerebral palsy particularly, and disabled people in general. Its aim is that disabled people achieve equality).

These Pathfinder events will also work with:

- people who are in and out of work;
- customers nearing retirement; and
- people with chaotic lifestyles (e.g. homeless).

Attendance by the Disability and Carers Service at the Customer Needs Pathfinders and events such as the Naidex Event, the UK's largest event for homecare, disability and rehabilitation, is part of our Outreach Programme, which allows us to speak directly to our customers and their representatives and meet advisors from external organisations.

The Minister for Disabled People, Anne McGuire, spent time with Disability and Carers Service colleagues as they represented the agency as part of a Department for Work and Pensions exhibition stand over three days in April 2007. She saw for herself how we provide advice.

“From my conversation with Anne, she spoke very highly of DCS and the transformation we have made over the last few years with particular reference to Helpline.”

Andy Minnis, Outreach Manager





Providing clearer information to you and your representatives

We take great pride in ensuring that we provide clear and understandable information to both our customers and their representatives.

We have implemented a revised notification to customers that include reasons for each decision in order to ensure that our customers understand what benefit they are entitled to and why. This has led to a reduction in the amount of written explanations received from our customers by 16.3 per cent from 2006–2007. This trend is expected to continue to fall for 2008–2009.

For Disability Living Allowance Working Age customers, following extensive research, involvement of customer representative organisations and testing, we introduced a new, simpler claim form that has been awarded the Crystal Mark for the first time.

The agency is also working to help customers understand when and how to report changes in their circumstances. This includes direct mailing to inform customers of the need to report changes and greater clarity in our online information.

During the year we have also:

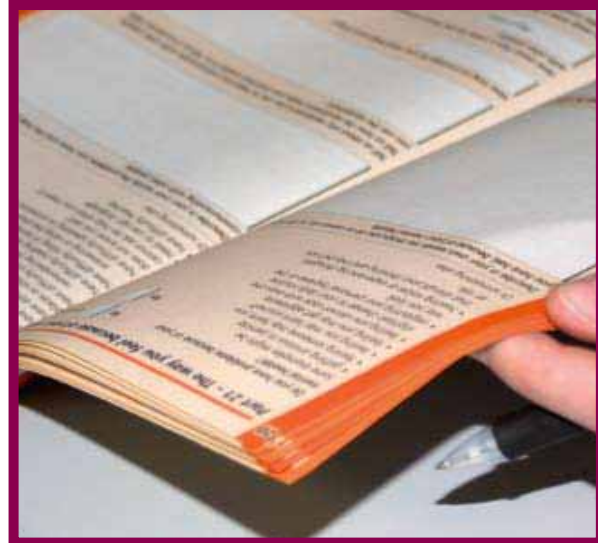
- consolidated and sustained the achievement of our clearance times;
- consistently achieved our performance targets on the accuracy of decision-making throughout the year with significant improvements in the accuracy of decisions on decisions relating to Disability Living Allowance;
- reduced the amount of Disability Living Allowance and Attendance Allowance cases referred to the Tribunal Service by nine per cent compared to 2006–2007;
- identified and are developing opportunities to improve the service levels we provide for vulnerable groups i.e. children with disabilities, people with mental health conditions, and ethnic minority people with disabilities; and
- achieved re-accreditation of the Charter Mark for Customer Service Excellence for the Carer's Allowance Unit in Preston. In 2006, the Unit was successful for the fourth time (with each lasting a period of three years), however, in 2006 the assessment changed to an annual review; with success each year including this year. Our units in Manchester and Birmingham had their accreditation reviewed and confirmed.

We have taken positive action to review all six of our leaflets. Ensuring that the structure, content and presentation of the information meet the requirements of the people who need it most, we have consulted a variety of internal and external organisations and a wide-range of customer groups.

The six leaflets are:

- Attendance Allowance;
- Carer's Allowance;
- Disability Living Allowance for Adults;
- Disability Living Allowance for children under 16;
- Vaccine Damage Payment Scheme; and
- Customer Information.

To date we have revised our Customer Information Leaflet transforming it into Easy Read. The Customer Information Leaflet details our business aims and objectives, changes a customer must tell us about, different ways to get information and contact details of each Disability and Carers Service Unit.



The Vaccine Damage Payment leaflet has also been revised and gained Plain English accreditation. Customer groups have been consulted throughout the review and comments made in customer forums have been considered.

All other leaflets will be revised and become available later in the year.

In addition, a Checklist has been developed to help customers understand the purpose of Disability Living Allowance as a benefit. Claims which are received, that have little chance of succeeding, add no value for our customers.

The checklist uses a series of questions to help customers determine if they have any potential benefit entitlement. Ensuring customers have a better understanding of the entitlement criteria for Disability Living Allowance will help to improve our customer's experience.

Improve the experience of partner organisations that deal with us

Working with our partners to serve our shared customer interests

Over the last year we have been working closely with other Agencies and external partners to deliver a more rounded service to improve the experience of our shared customers, especially as so many are served by more than one agency.



Examples of the work we have been undertaking include:

- the extension of Local Service Visiting Provision – A successful pilot in the Midlands area tested the sending of all Disability and Carers Service visit requests to the Pension Service Local Service to carry out, irrespective of the age of the customer. This new approach is now being implemented nationally;
- Disability Living Allowance and work – We have worked with Jobcentre Plus, with input from the Disability and Carers Service Advisory Forum, and have successfully developed and introduced a range of change initiatives that aim to help tackle poverty and promote independence. We have recently introduced improvements to award notifications which encourage customers to look for work and signpost them to Jobcentre Plus for ongoing support;
- Alternative Offices – We have been working in partnership with colleagues from the Pension Service and Third Sector Organisations and have completed analysis and presented proposals for the future of Alternative Offices (a non-Departmental office that has been authorised to accept social security benefit claims and applications from people aged 60 or over). We are now in the process of designing a pilot to test these improvements and the additional services that Alternative Offices can undertake on behalf of the Department;

- the Government's Older People Strategy is exploring how far services could be streamlined to provide holistic services for older people. This is being funded and developed by the LinkAge Plus Programme. The Pension Service together with the Disability and Carers Service and London Councils are currently piloting the Streamlined Assessment Process as part of the overall strategy. The primary purpose is to establish whether the Local Authority report, Functional Analysis of Care, can be used by the agency to access a customer's entitlement to Attendance Allowance, negating the need for the customer to complete a separate claim form. This initiative is about collecting and sharing information to generate efficiencies by a single rather than multiple collection process; customers need only provide detailed information once;
- we have been working more closely with our key suppliers to ensure that both service delivery and value for money are achieved. This has been done through active involvement in the management of Departmental wide contracts to ensure that they are effectively embedded within the agency. Regular supplier management meetings are held within the agency to coordinate Departmental and agency commercial activity to ensure the needs of the agency are fully understood by suppliers. These meetings are held at strategic and operational level and issues addressed include performance, demand management and future developments;
- this year the agency achieved best performance in the Department in terms of compliance with placing orders through the correct IT medium. This provides the agency with greater control and transparency of its spend with external suppliers and enables greater focus in achieving value for money.
- relationship management has been introduced at agency level. This means that supplier performance can be addressed at the most appropriate level and where necessary appropriate action plans agreed to ensure that performance in terms of both service delivery and value for money are continuously reviewed; and
- a Chinese delegation from the Shanghai Government visited our Wembley Disability Benefits Centre in August 2007 to learn more about how we administer disability benefits. The group were given presentations aimed at giving them an overview of the criteria for Disability Living Allowance, Attendance Allowance, Carer's Allowance and Vaccine Damage Payments. This was followed by an explanation of how claims for these benefits are then processed.

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

Continuing to build a professional workforce

We believe that improved customer service is dependent on the leadership and capability of our people. To accomplish this, we set out to achieve a very challenging target of delivering 35,000 training days throughout the year.

A significant contributor to achieving this target was our work-based learning programme 'Professionalism in Decision Making' which has been developed with our external accreditation partner, the University of Chester. This is a professional learning and development programme for Disability Living Allowance and Attendance Allowance Decision Makers and their specialist managers. It builds on students' existing knowledge and expertise, with an emphasis on developing critical skills through reflecting on decision-making practice, experience and learning.

A further 115 decision makers and their HEO managers have joined the Professionalism in Decision Making programme in 2007/08 of which 25 achieved accreditation in the year bringing the total accredited now to 47. All students begin with an interactive workshop, which introduces them to the principles of work-based learning, which underpin the programme. Planning is underway for further groups of students to join the programme at set intervals during 2008–2009.

During the year technical training has been modernised and rewritten to reflect current learning needs. Appeals Manager and Attendance Management training has received wider adoption within the agency.



Work is underway to accredit our frontline staff using a Business & Technician Education Council (Btec) award tailored to specific roles within the agency. We are also looking to improve the effective leadership of all line managers within the agency through initiatives such as our Accredited Coaching for Performance Programme with successful completion of this event leading to accreditation in unit L12 Enable Individual Learning Through Coaching at National Vocational Qualification Level III, and our pilot programme which will provide Institute of Leadership and Management accreditation linked to successful completion of the Gateway to Leadership Programme.

The agency won an award at the annual Human Resources Conference and Values Awards event in London. The Learning and Development / HR Team were awarded the Team Award for the Value 'Looking Outwards' for the production of a learning product for new Independent Appeal Managers.

We introduced 'Framing the Future' workshops, poster campaigns and Intranet site for staff to have their say about their area of work, the issues they face and how together we can deal with the challenges the agency faces over the next few years.

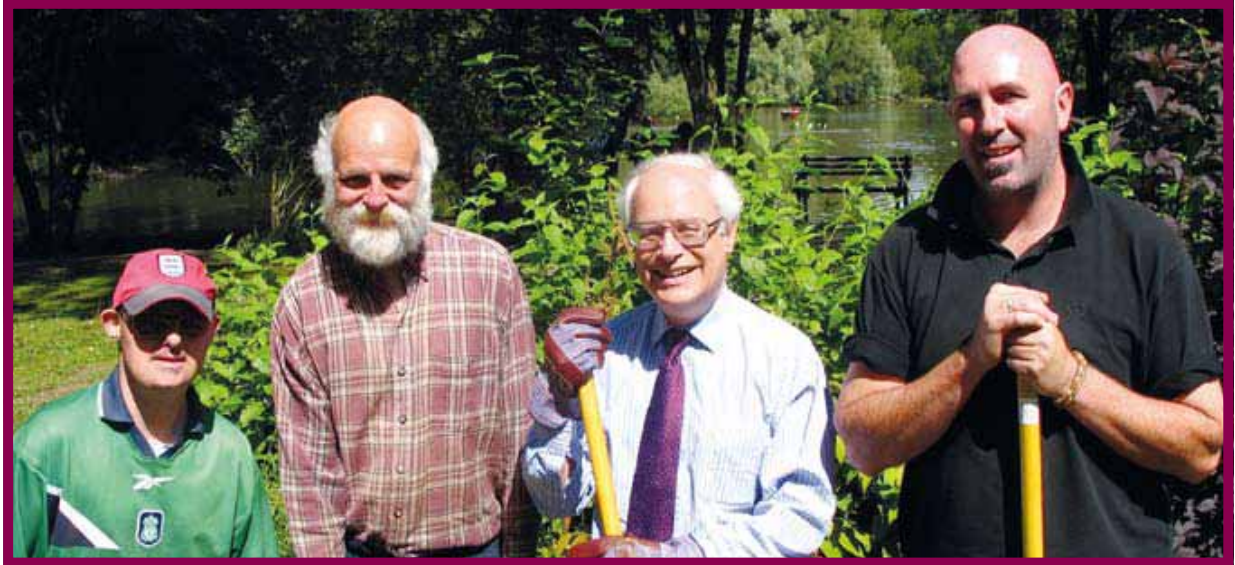
As an agency we realise the challenge that we face with trying to improve customer service, meet our performance standards, all with reducing resources, poses a major challenge if we wish to release our staff to complete their training requirements. We have endeavoured to be as flexible as possible and have been successful in achieving 37,852 training days for the year.

Continue to improve the experience of our people

Investing in the development of our staff is the pathway to a successful business; the best way to improve any organisation's performance is through the development of its people. Development is more than training; it is any activity that improves skills and knowledge from formal training courses, to coaching or job shadowing.

Investors in People provides staff with the opportunity to meet developmental needs, by acquiring and developing new skills, and simultaneously increase job satisfaction. We continue to meet the appropriate standards in all areas.

We have developed the 'DCS Deal' which provides a framework to help us build and sustain the agency as a better place to work and to help us to become more responsive to our customers needs by working together.



To support the 'DCS Deal' we have developed two further products:

- the 'Team Commitment' – developed to lead improvements in performance management by improving team working and focusing on positive behaviours within teams; and
- the 'Learning Commitment' – developed by our learning and development colleagues using focus groups, and involving managers and trade unions in its refinement. The document supports the messages in the 'DCS Deal' about continuous learning and regular reviewing of development needs with your line manager.

We continue to lead the field in diversity and equality work and at the recent Department for Work and Pensions Diversity Awards events, received two awards. David Cardwell from the DLA/AA Helpline won the award for Excellence in Diversity in the Disability category. David achieved this by being proactive in sharing his personal life experiences and expertise with colleagues and customers alike. The External Relations Team took the Best Practice Award for their work in a number of areas including planning and delivering the Community 500 scheme and developing an outreach strategy for hard-to-reach customers.



“I thought the event went really well and I was impressed by the planning and organisation. Hopefully we have managed to switch more people on to what diversity and equality is really about. I was proud and delighted with our two awards.”

Terry Moran at the Diversity Awards Event

Delegates attending the event were delighted to hear that the Community 500 scheme had been rolled out across all areas of the Department as Community 5000. They were also interested in the Disabled Persons Officers network which is successfully rolled out nationally across the agency and provides an officer in each location to support individuals and their line managers with reasonable adjustments requirements.

Following the success of our Community 500 scheme over the past two years we decided to extend the scheme this year to Community 1000. This presented a greater opportunity for more of our staff to be able to spend time with our customers to help gain an understanding of their day-to-day lives and make a contribution to our communities.

Our previous successful schemes were recognised by the Department and colleagues across the Department will also have the opportunity to get out amongst customers and learn first hand what their issues are. The Disability and Carers Service will run alongside and contribute to the Departmental scheme, Community 5000.

In October 2007, we once again transformed our DLA/VAA Helpline into a BBC call centre for Children In Need. This was the third time we have done Children In Need and in total our eighth call centre event.

We had numerous volunteers varying from staff, friends and families and colleagues across the Department, all taking pledges for this extremely worthwhile charity. There were also a couple of special guests helping with the phone lines – the local newspaper reporter, Paul Marsden from the Blackpool Gazette and the man himself, Father Christmas!



All in all BBC Children In Need raised £19.1m with the DLA/AA Helpline taking 5,368 phone calls raising a total of £158,330 our highest figure ever!

During this year we have also:

- improved health and safety performance by implementing a new Safety Management System to Health and Safety Executive (HSE) standards. In particular, we have introduced a new health and safety management information database to capture, identify and plan health and safety training and personal risk assessments for all staff;
- introduced a Recognition and Reward Policy as a way for managers to reward members of staff for jobs well done;
- introduced the 'DCS Legends Awards', rewarding individuals and teams under the four categories of the Balanced Scorecard i.e. Customers, Partners, People and Efficiency, and also the Chief Executive's Award for Outstanding Achievement;
- implemented the Departmental initiative 'Back to the floor' where senior management are given the opportunity to engage and develop relationships with frontline staff in a new and meaningful way. All Directors and many senior managers spent five days working on the frontline and found out what life is really like for staff and our customers, they listened to views and suggestions from staff and used the information to improve the way they work;
- undertook an initiative within our Finance and Performance Management Team to find a different way of building team spirit and find new ways to tackle internal issues. The idea stemmed from the BBC TV programme – The Apprentice. Willing volunteers were split into two teams and given two weeks to complete a task set by the Finance Director. Each team presented their solutions and were 'grilled' on their performance until a winner was announced;
- introduced in January 2008, a Long Service Award recognising the service of around 50 people within the agency who have achieved 40 years service; and
- received and were awarded Honours for members of our staff from Her Majesty the Queen. Colin Smith MBE from Midlands Disability Benefits Centre, Mrudula Desai MBE from Wembley Disability Benefits Centre, and Paul Siddall MBE from the Disability Contact and Processing Unit in Blackpool all received their honours at Buckingham Palace. Mary Cassidy and Christine Peacock both based in Norcross were awarded MBEs in the New Year's Honours list.

Be more accurate and efficient

Overhauling our business processes to improve our service delivery

Improving the service we provide to our customers is essential to us delivering our vision of 'enabling independence by supporting the diverse needs of disabled people and carers'. This year we have overhauled our business processes and have published the Disability and Carers Service Standard Operating Model.

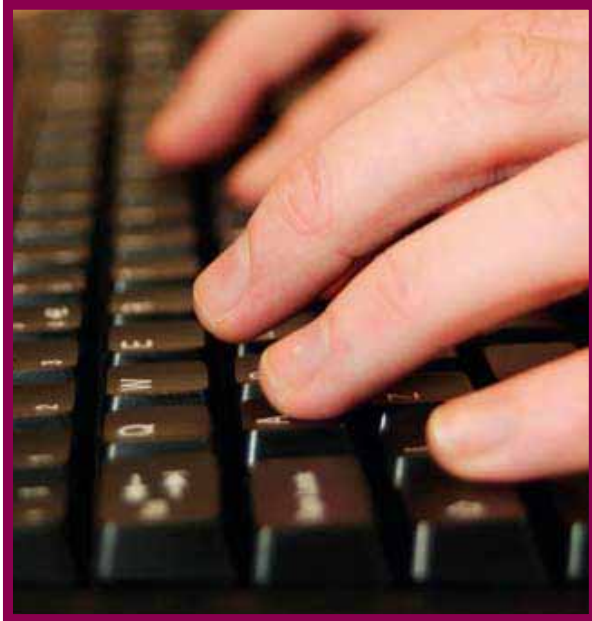
The Standard Operating Model brings together best practice from across the business based on established processes. It is a framework for Disability Benefit Centres to work within and provides a standard organisation structure and way of working on Disability Living Allowance and Attendance Allowance. This allows everyone to follow a single end-to-end process, which allows us to be consistent in the way we deal with our customers throughout the country. This will enable more efficient impacting and implementation of change into our business. The drive to improve quality is supported by more consistent processes and structures.

The Standard Operating Model also contains management best practice and guidance for all employees to use in their day-to-day activities. Each component provides guidance on that particular area of the business together with individual roles and responsibilities. However, more importantly, it provides direct links to key information supporting an individual's day-to-day activities.



The Carer's Allowance Unit was the first Department for Work and Pensions pathfinder for LEAN. 'LEAN' is a business technique, which looks to keep-on improving the way organisations work by concentrating on customers and cutting out time-wasting activities. Two teams were chosen to test out the new way of working before the rollout across all other teams is completed.

Now, there are nine other pilots being carried out across the Department, two of which are in the Disability and Carers Service. One is at our Disability Benefits Centre in Cardiff and the other is at one of the Disability Contact and Processing Units in Blackpool.



Over the last eighteen months or so the Disability and Carers Service has been involved in the biggest transformation programme the Department has ever seen.

We have:

- successfully installed nearly 9,500 workstations and over 400 laptops for Departmental staff across 19 sites across the country over an eight month period during the year;
- effectively installed 22 new servers ensuring that all our stored data transferred across successfully;
- successfully migrated all our staff and minor occupiers who share our sites onto the new IT platform; and
- deployed over 6,100 Internet Protocol Telephony handsets and converted over 350 old phones through a mediatrix box with our telephony supplier, British Telecom.

The extent of this achievement is a credit to all staff. Every person in the agency has played a part in this programme, whether this has been direct involvement or patiently awaiting the changes. The experience introduced new ways of working together across all areas of the agency and also with our suppliers.

Improve the way we manage and control public money

As part of the Department's strategy to focus on reducing the rates of error that exist within the benefits administered by the Department for Work and Pensions, the Disability and Carers Service are assessing the accuracy of cases on Disability Living Allowance. We previously used Periodic Enquiry, a partially (some exclusions apply) random check of 12,000 cases per annum to ensure that those entitled to benefit received and continued to receive the correct entitlement.

Ministerial approval was given to extend the scope of this intervention mechanism in 2007–2008 to select the random checking sample from the entire customer caseload and so provide a statistically valid measure of the Monetary Value of Error for Disability Living Allowance. The revised process is called Right Payment Programme.

The Right Payment Programme will continue the Periodic Enquiry informed approach to ensure the awards are correct. This involves the gathering of up to date evidence about customers' needs and increasing, decreasing or maintaining awards where appropriate. Care is taken to ensure that the checks are carried out fairly and sensitively.

We also ran a pilot to look again at a sample of cases that have been in payment under Special Rules for more than seven years in response to a recommendation by the Disability Living Allowance Advisory Board.

Following evaluation of a Pilot exercise, it was decided that a wider exercise should be carried out. This means that a large number of cases where benefit has been in payment under Special Rules provision for more than three years were reconsidered. The roll out began on 5 November 2007. We have the support of key voluntary sector organisations for this work.

As part of our obligations to reduce our estate and become more efficient, it was decided in November 2007 to cease operations at our Disability Benefit Centre in Edinburgh. All staff affected by this closure are being redeployed within the agency or the Department, or are leaving through voluntary early release. We are pleased to say there were no compulsory redundancies.

The migration of work from Edinburgh to Palatine House in Preston and the Disability Contact and Processing Unit at Warbreck House, Blackpool, started in February 2008 and we expect to complete the transfer by October 2008.



Reducing carbon emissions as a result of our business operations is a key aspect to delivering a responsible, financially accountable and sustainable service to our customers and staff. We have worked with our service partners, Land Securities Trillium, as part of the RISE initiative to reduce energy consumption on our largest site at Warbreck Hill in Blackpool. A “switch-off monitors” campaign was run on-site during November and December 2007, giving rise to an average six per cent reduction in electricity consumption during the period monitored, peaking at a nine per cent reduction in one week, compared with the same period twelve months ago.



Currently, 64 per cent of our waste is recycled, and within many of our units staff run their own recycling schemes for plastics and cans in addition to the Departmentally sponsored Total Paper Recycling scheme. Recycling has now been rolled out across the agency's estate at Norcross in Blackpool. Recycling bins for plastic, glass and cans are collected by the same company carrying the confidential waste/paper, so no additional road journeys are made and therefore no increase in the carbon footprint for the collection of these wastes.

Two of our sites have Green Transport Plans in operation, measuring staffs' travel habits and providing staff with information on how to reduce their carbon footprint in relation to business travel, with more supporting information available through the agency's Sustainable Development web pages.

Activity to educate staff and generate further savings in utilities consumption and reductions in carbon emissions is on-going across all of our estate.

During the year we have also:

- fully tested our Business Continuity Plans following postal strikes by Royal Mail employees throughout the year and also during an incident where there was a water shortage at our Warbreck House site in Blackpool. Lessons learned have been generated from these incidents and improvements in our plans identified;
- reduced the amount of travelling our staff have had to undertake; reducing our overall expenditure for travel by over £500,000 and utilising more effective ways of organising meetings and workshops i.e. by way of tele-kits and video conferences; and
- achieved two out of the four unit cost targets (as shown in the Performance Standards table on page 36). The DLA/AA Load was under target by £1.73; however the DLA/AA Claim result was over target by £8.02. The CA Claim was under target by £15.09; however the CA Load was over target by £3.06. The main reason for the under and over target results is due to the variances in the proportion of the agency's costs attributed to the different types of work on a monthly basis. This variance is due to estimating issues rather than a deliberate decision on the part of management to shift resource between claim and load work. Analysis of the unit cost results indicates that the agency has spent less and clearances have been higher than was anticipated when the targets were set.

How will you know if we have delivered?

Our Performance Standards

The tables that follow illustrate our achievements for the year.

| Helpline | 2007–2008 Target | 2007–2008 Performance |
|---|-----------------------------|----------------------------------|
| Ensure that at least 92% of calls to the DLA/AA Helpline, our national telephone service, are answered first time | 92% | 93.3% |
| Ensure that less than 1% of all calls attempted to the DLA/AA Helpline receive an engaged tone | <1% | 0.5% |
| Customer satisfaction | 2007–2008 Target | 2007–2008 Performance |
| Increase the percentage of customers satisfied with the service provided by DCS to 86% | 86% | 84% |
| Clearance times | 2007–2008 Target | 2007–2008 Performance |
| Clear new claims for Disability Living Allowance within an average of 38 or less working days | 38 days | 36.0 days |
| Clear new claims for Attendance Allowance within an average of 18 or less working days | 18 days | 15.2 days |
| Clear new claims for Carer's Allowance within an average of 13.5 or less working days | 13.5 days | 12.4 days |
| Accuracy | 2007–2008 Target | 2007–2008 Performance |
| Achieve an accuracy rate of 90.5% on decisions on claims for Disability Living Allowance | 90.5% | 92.7% |
| Achieve an accuracy rate of 92% on decisions on claims for Attendance Allowance | 92% | 94.3% |
| Achieve a financial accuracy rate of 98% on Carer's Allowance | 98% | 98.9% |

| Sick Absence | | 2007–2008 Target | 2007–2008 Performance |
|--|--------------|-----------------------------|----------------------------------|
| Reduce sick absence to 8 average working days lost | | 8 days | 10.6 days |
| Headcount Whole Time Equivalent | | 2007–2008 Target | 2007–2008 Performance |
| Meet the efficiency challenge by delivering a staffing level of 5576 | | 5576 | 5507 |
| Unit Costs | | 2007–2008 Target | 2007–2008 Performance |
| Reduce the cost of processing benefits to: | DLA/AA Claim | £164.63 | £172.65 |
| | DLA/AA Load | £7.75 | £6.02 |
| | CA Claims | £76.74 | £61.65 |
| | CA Load | £12.93 | £15.99 |
| Appeals | | 2007–2008 Target | 2007–2008 Performance |
| Number of DLA/AA cases referred to the Tribunal Service to be no more than 4.5% of all cases | | 4.5% | 5.1% |
| Of the referred cases heard by the Tribunal Service no more than 45% to be overturned | | 45% | 45.8% |

Remuneration Report

Remuneration Policy

The remuneration of DCS Board Members and Executive Management Team who are Senior Civil Servants (SCS) is determined by the DWP SCS Pay Strategy Committee. The committee is chaired by the Department's Permanent Secretary, and also comprises the Department's Human Resources Director, the Chief Executive of Jobcentre Plus, and a Non-Executive Director of the Department. The committee follows independent advice from the Review Body on Senior Salaries.

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

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

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

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

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Salary and pension entitlements

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

Salary

The salaries quoted relate solely to the period during the year when the individuals concerned served on the DCS Board or the Executive Management Team.

"Salary" includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowances to the extent that it is subject to UK taxation. This presentation is based on payments made by the Department and thus recorded in these accounts.

Benefits in Kind

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

Remuneration (Audited)

| Officials | Salary £'000 | 2007–08 Benefits in kind (to nearest £100) | Salary £'000 | 2006–07 Benefits in kind (to nearest £100) |
|--|-----------------|---|-----------------|---|
| Vivien Hopkins <i>Chief Operating Officer (to 22 July 2007)</i> <i>Acting Chief Executive (from 23 July 2007)</i> | 100–105 | 1,700 | 100–105 | 2,000 |
| Terry Moran <i>Chief Executive (to 22 July 2007)</i> | 35–40 | – | 105–110 | – |
| Martyn Craske <i>Business Design & Change Director (to 22 July 2007)</i> <i>Chief Operating Officer (from 23 July 2007)</i> | 85–90 | 2,500 | 80–85 | 3,000 |
| Sharon Norton <i>Acting Business Design & Change Director</i> <i>(from 23 July 2007)</i> | 40–45 | – | – | – |
| Kim Archer <i>Customer & External Relations Director</i> | 65–70 | – | 65–70 | – |
| Mark Richardson (1) <i>Information Systems Director</i> | 95–100 | – | 55–60 | 100 |
| Steve Monk <i>Human Resources Director</i> | 65–70 | – | 60–65 | – |
| Stuart McKinnon-Evans <i>Finance Director (to 21 January 2008)</i> <i>PDCS Launch Team Project Director</i> <i>(from 22 January 2008)</i> | 85–90 | – | 85–90 | – |
| Sarah High <i>Acting Finance Director (from 22 January 2008)</i> | 10–15 | – | – | – |
| Gill Mortlock (2) <i>Deputy Chief Operating Officer (to 11 May 2007)</i> | 10–15 | – | – | – |
| Jane Whitaker <i>Deputy Chief Operating Officer (from 1 August 2007)</i> | 35–40 | – | – | – |
| Richard West (2) <i>Head of Strategy and Planning (to 3 March 2008)</i> | 50–55 | – | – | – |

(1) The 2006–07 figure quoted is for the period from 7 August 2006 to 31 March 2007. The full year equivalent is £95–100k.

(2) There are no prior year comparators for Gill Mortlock and Richard West as EMT salaries did not require disclosure in last years accounts.

Pension Benefits (Audited)

| | Accrued pension age as at 31/03/08 and related lump sum £'000 | Real increase in pension and related lump sum at pension age £'000 | Cash Equivalent Transfer Value at 31/3/08 £'000 | Cash Equivalent Transfer Value at 31/3/07 £'000 | Real increase in Cash Equivalent Transfer Value £'000 | Employer's contribution to partnership pension account Nearest £100 |
|--|--|---|--|--|--|--|
| Vivien Hopkins <i>Chief Operating Officer (to 22 July 2007)</i> <i>Acting Chief Executive (from 23 July 2007)</i> | 40–45 plus 120–125 lump sum | 2.5–5.0 plus 5–10 lump sum | 945 | 756 | 72 | – |
| Terry Moran <i>Chief Executive (to 22 July 2007)</i> | 40–45 plus 125–130 lump sum | 2.5–5.0 plus 10–15 lump sum | 747 | 552 | 84 | – |
| Martyn Craske <i>Business Design & Change Director (to 22 July 2007)</i> <i>Chief Operating Officer (from 23 July 2007)</i> | 0–5 | 0–2.5 | 63 | 38 | 16 | – |
| Sharon Norton <i>Acting Business Design & Change Director (from 23 July 2007)</i> | 20–25 plus 65–70 lump sum | 0–2.5 plus 5–10 lump sum | 381 | 273 | 31 | – |
| Kim Archer <i>Customer & External Relations Director</i> | 25–30 plus 80–85 lump sum | 0–2.5 plus 0–2.5 lump sum | 513 | 427 | 11 | – |
| Mark Richardson <i>Information Systems Director</i> | 5–10 | 0–2.5 | 96 | 68 | 12 | – |
| Steve Monk <i>Human Resources Director</i> | 25–30 plus 75–80 lump sum | 0–2.5 plus 5–10 lump sum | 520 | 424 | 34 | – |
| Stuart McKinnon-Evans <i>Finance Director (to 21 January 2008)</i> <i>PDCS Launch Team Project Director (from 22 January 2008)</i> | 5–10 plus 5–10 lump sum | 0–2.5 | 151 | 115 | 14 | – |
| Sarah High <i>Acting Finance Director (from 22 January 2008)</i> | 0–5 | 0–2.5 | 47 | 42 | 3 | – |
| Gill Mortlock <i>Deputy Chief Operating Officer (to 11 May 2007)</i> | 25–30 plus 80–85 lump sum | 0–2.5 plus 0–2.5 lump sum | 551 | 559 | 17 | – |
| Jane Whitaker <i>Deputy Chief Operating Officer (from 1 August 2007)</i> | 20–25 plus 65–70 lump sum | 0–2.5 plus 0–2.5 lump sum | 468 | 368 | 15 | – |
| Richard West <i>Head of Strategy and Planning (to 3 March 2008)</i> | 15–20 | – | 205 | 179 | 0 | – |

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' 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. Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% 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).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-executives (Audited)

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

| | 2007–08 Total Fees and Expenses £'000 | 2006–07 Total Fees and Expenses £'000 |
|----------------|--|---|
| Norman Cockett | – | – |
| Peter Lehmann | 13 | 15 |
| Kate Nash | 3 | 5 |
| Willy Roe | 7 | 7 |

Signed



Vivien Hopkins
Acting Chief Executive
30 June 2008

ACCOUNTS

Statement of the Chief Executive's responsibilities

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

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

In preparing the accounts, the Disability and Carers Service is required to comply with the FReM prepared by HM Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
 - prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Disability and Carers Service will continue in operation.
- The Principal Accounting Officer of the Department for Work and Pensions has appointed me as the Accounting Officer for the Disability and Carers Service. My relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Disability and Carers Service's assets, are set out in 'Managing Public Money', published by HM Treasury.

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

Statement on Internal Control

1. Scope of responsibility

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

1.2 My letter from the Permanent Secretary dated 20th July 2007 fully defines my responsibilities as Agency Accounting Officer, which states that I am responsible to the Secretary of State and Parliament for the Agency's use and propriety of its resources. In particular I support Ministers as the principle adviser on operational matters involving the development and provision of the Agency's services and the way in which any risks to these services are managed. I am responsible for overall leadership and motivation of the Agency including organisational design and management to ensure that it operates as effectively as possible.

1.3 I ensure that I collaborate with relevant colleagues in support of the Department's overall objectives and advise the Client Group Director General, Head of Department and Ministers on the operational requirements and implications of strategy, policy, business outcomes, operational target and resource requirements.

1.4 DCS is reliant in part on other parts of DWP to deliver its business. This is through the Shared Service organisation, for matters such as estates and IT.

1.5 As DCS is also reliant on external partners to deliver certain activities, it is important to ensure that robust contract management arrangements are in place. These contracts are managed through the Department's Commercial Directorate and my own Commercial team who ensure all commercial activity is carried out legally and provides best value for money.

2. The purpose of the system of internal control

2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in DCS for the year ended 31 March 2008 and up to the date of the appropriate annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

3.1 I manage and provide leadership on the Agency's risks with my Executive Management Team (EMT) and support from the DCS Performance Team.

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

3.3 I have endorsed the DCS Risk Strategy and Risk Management Process ensuring that risk management is clearly linked to the success of our objectives and is built into our planning, management and reporting systems.

3.4 The DCS Risk Management Process is reviewed annually in consultation with Risk and Assurance Division (RAD) to identify areas for improvement and processes are constructively challenged to ensure they suit the business and are fit for purpose. Areas for improvement are also identified annually through the internal Risk Assessment Framework as a basis for tailoring risk management processes.

3.5 The DCS Balanced Scorecard is the Agency's vehicle for managing the achievement of its strategic objectives and a full review of the Agency's performance takes place every quarter. My Directors also report at least annually to my EMT on the progress of their individual objectives within the Balanced Scorecard to make them personally accountable for their achievement. This performance reporting routine provides me with the latest information to better inform performance and risk management decision-making processes.

3.6 My EMT ensure that all people involved in the management of risks are suitably trained and have the appropriate risk management knowledge and the DCS Change Programme has a dedicated team of trained risk practitioners. Areas of concern or risks are presented to staff on a regular basis through key messages on the Intranet, Senior Management Conferences and Leadership Events, minutes from senior management meetings and other internal communication tools.

4. The risk and control framework

4.1 The Agency has developed an overarching Management Framework setting out the principal management systems, processes and tools that govern DCS performance. The risk management process is an integral part of this Framework. All Directors are required to provide an assurance as to the effectiveness of their risk management arrangements through the Letter of Assurance (LoA) process.

4.2 There is an Agency strategic risk register and Directors' high level risk registers are in place and are regularly reviewed by my EMT and their managers. The Audit Committee reviews the strategic risk register at every meeting and agenda items focus on risks to the business.

4.3 Risks are identified at all levels of the business and managed at the most appropriate level. Any risk that cannot be effectively managed within the business is escalated to my EMT. Risks that cannot be adequately managed by the Agency are elevated to the DWP Executive Team.

4.4 My Business Release and Impacting team (BRIT) facilitate the risk management process by providing a business impact assurance for Operations on all new products and services at each stage of development, ensuring that the final products fit with service delivery objectives. This enables DCS to successfully manage forthcoming changes while maintaining normal business. They assess and predict DCS operational capability to successfully deliver change whilst meeting the performance agenda; assess and report the risks facing successful delivery of DCS objectives; use business intelligence to provide comprehensive and honest analysis that will allow senior managers to make informed decisions.

4.5 Risk is formally reviewed and challenged by my EMT on a monthly basis; including the prioritisation of the key agency risks by way of approval of the top five risks. Risk appetite is now a mandatory consideration for all risks that are included our strategic risk register.

4.6 Significant progress has been made during the year in monitoring and reviewing risk progression. This enables my EMT to focus more attention on existing and further mitigation controls to progress each risk down to its intended risk appetite level.

4.7 During the year we have continued to embed risk management and this is supported by the findings from the Risk Assessment Framework which indicates that DCS has made progress in consistently achieving its risk management objectives.

4.8 Risk management stakeholders are identified at all levels of the business, especially within the Change Programme where stakeholder identification is a requirement of the DWP Change Programme lifecycle. All stakeholders are fully involved in risk identification, agreeing risk ratings and mitigation activities.

5. Review of effectiveness

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

5.2 **The DCS/WWEG Strategy and Performance Committee** is a senior forum that manages the joint outcomes that we aim to deliver, the relationship between policy and operations and reviews performance and agrees targets.

5.3 The role of the **DCS Board** is to advise and support me in my role as Chief Executive and this function has been reviewed during the year to ensure that the Board continues to provide advice on the development of DCS strategies and plans to meet Departmental and Ministerial objectives and Public Service Agreement targets.

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

5.5 The Committees have standing agenda items to review the strategic risk register and to have in-depth discussions on areas of interest or concern.

5.6 As an EMT we hold joint meetings with The Pension Service and Jobcentre Plus to identify opportunities within current organisational boundaries to create the best possible customer experience possible. We will continue to work effectively together to look at the drivers and opportunities for closer working.

5.7 I and my Audit Committee gain assurance from the work of the Departmental RAD on the effectiveness of internal controls and risk management procedures. RAD undertake a risk-based work programme, taking into account the assurance requirements of my senior management team and provide a quarterly assurance report to the Audit Committee. Their overall assessment of key risks to the DCS performance for 2007/2008 is a 'Substantial' level of assurance.

5.8 Reliable information is a key requirement of an effective internal control system. The Business Control System (BCS) was established to provide a compliance and assurance system to support the performance of mandatory management checks. My managers are closely engaged with checking officers to ensure that the system provides robust and reliable information on the control environment.

6. Significant Control Challenges

6.1 I have escalated concerns with Her Majesty's Revenue and Customs that the National Insurance Recording System is not delivering requirements for identifying overlapping contributions and credits. RD23 notifications are forms produced by the HMRC NIRS 2 Computer. The production of this RD23 underpins processes to enable Carers Allowance Unit (CAU) to prevent and detect overpayments of benefit. However, since the HMRC NIRS 1 system was replaced with NIRS 2 (circa 1998) only a small percentage of cases are being identified and referred for investigation. As a result, DCS recognises that there may be cases in the CA caseload where benefit is being paid incorrectly.

6.2 These errors will continue until an enhancement to the NIRS 2 system (currently planned for October) is introduced so that it recognises all overlaps of paid NI and credits. Once the NIRS2 enhancement is in place, we will sample cases identified to establish the level of incorrectness and decide what action is appropriate.

6.3 DCS has discussed the need for a provision within the accounts to fund the cost of dealing with the backlog once the RD23 fix has been implemented. After significant review and investigation we have confirmed that, because of the uncertainty around the potential value and recoverability of the backlog together with the fact that, as at 31 March 2008, the debt had not crystallised, no provision should be made. This is on the basis that there is no present obligation that can be estimated reliably. We have concluded that DCS should not disclose RD23s as a contingent liability because whilst a liability is probable, it cannot be estimated reasonably.

6.4 There is also a wider and larger DWP/HMRC issue relating to duplicate or insufficient NI credits where a customer is receiving more than one benefit. This is causing under or over allocation of NI credits which has an impact particularly on State Pension entitlement. This affects DCS but DCS is only a small part of the wider problem. A pan-DWP task force is addressing the problem.

6.5 DCS is working closely with the Departmental led Compliance Team and their project to raise awareness of the importance of compliance and inform the development of a compliance model for all parts of the business.

6.6 Monetary loss through fraud and error in the DCS is a contributory factor to qualification of the Departmental Resource Account. The agency is testing a series of initiatives through development of the Right Payment Programme to further reduce fraud and error, including quantifying the monetary value of error and eliminating error within the Disability Living Allowance and Attendance Allowance (DLA/AA) caseload. Over time, the Right Payment Programme will provide a better understanding of the problems that the agency is facing in terms of Fraud and Error. The agency is also fully engaged on the Departmental Error Reduction Strategy.

6.7 I have appointed a Quality Improvement Manager and a supporting team. They are responsible for identifying problems with quality in DLA and AA operations and working with colleagues in the Agency to remove or mitigate them.

6.8 They work in a cross cutting capacity with colleagues in all parts of the Agency and act as a liaison point with external stakeholders such as the Standards Committee, Atos Origin, the Tribunal Service, the Department for Constitutional Affairs and DWP Corporate Centre on matters relating to quality improvement. New local checking arrangements have also been implemented across the agency.

6.9 DCS has an embedded referral system with Debt Management and we continue to work to ensure the completeness and accuracy of our debt processes.

6.10 DCS has moved quickly to manage risks around data and information security and is taking forward a programme of work to strengthen governance arrangements and improve safeguards to protect personal data.

6.11 A data matching scan identified that some customers were receiving duplicate payments as both DCS and The Pension Service (TPS) had paid the customer for the same period. A joint exercise with The Pension Service exercise has been completed to identify all of the duplicate cases, entitlement has been corrected and a number of initiatives are under way to make our processes more robust and reduce the opportunity for error to occur. Work is continuing in order to prevent further duplicate payments entering the system and with the assistance of RAD colleagues we are developing a process that will ensure that our computer systems communicate directly with each other.

6.12 The issue raised in my assurance letter last year of an inadequate audit trail on the DLA/AA Computer System has not been resolved in 2007/2008. Although I am mindful of the risks that this presents these are risks that have been present since the introduction of the computer system over 15 years ago.

6.13 It has recently been agreed to approve the funding for the work on the audit trail to commence, and I will continue to seek assurances that the current controls are complied with.

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

Vivien Hopkins

A handwritten signature in black ink that reads "Vivien Hopkins". The signature is written in a cursive style with a large initial 'V'.

Agency Accounting Officer
30 June 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 Disability and Carers Service 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 Cash Flow 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 Acting 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, the information, which comprises the Financial Summary, Acting Chief Executive's foreword, key highlights of the year, background, management commentary, "be more accurate and efficient" and "how will you know if we have delivered" included in the Annual 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. This other information comprises the Financial Summary, Acting Chief Executive's foreword, key highlights of the year, background, management commentary, "be more accurate and efficient" and "how will you know if we have delivered". I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Acting 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
- information, which comprises the Financial Summary, Acting Chief Executive's foreword, key highlights of the year, background, management commentary, "be more accurate and efficient" and "how will you know if we have delivered", 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.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
16 July 2008

Operating Cost Statement

for the year ended 31 March 2008

| | | 2007-08 | | Restated 2006-07 | |
|-----------------------------------|------|----------------|-----------------------|------------------|-----------------------|
| | Note | £'000 | £'000 | £'000 | £'000 |
| Administration costs | | | | | |
| Staff costs | 2 | 153,571 | | 151,975 | |
| Other administration costs | 3 | <u>144,360</u> | | <u>154,959</u> | |
| Gross administration costs | | | 297,931 | | 306,934 |
| Operating Income | 6 | | <u>(59)</u> | | <u>(577)</u> |
| Net operating costs | | | <u>297,872</u> | | <u>306,357</u> |

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

| | | 2007-08 | 2006-07 |
|---|------|-----------------|-----------------|
| | Note | £'000 | £'000 |
| Net gain on revaluation of tangible fixed assets | 14 | <u>0</u> | <u>2</u> |
| Recognised gains and losses for the financial year | | <u>0</u> | <u>2</u> |

The notes on pages 60 to 84 form part of these accounts.

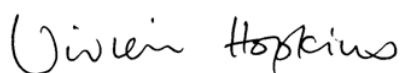
Balance Sheet

as at 31 March 2008

| | Note | 31 March 2008 | | 31 March 2007 | |
|--|-----------|---------------|-----------------|---------------|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible assets | 7 | 1 | | 2 | |
| Tangible assets | 8 | 67 | | 735 | |
| | | | 68 | | 737 |
| Debtors: Amounts falling due after more than one year | 9 | | 69 | | 87 |
| Current assets | | | | | |
| Debtors: Amounts falling due within one year | 9 | 583 | | 715 | |
| Cash at bank and in hand | 10 | 0 | | 0 | |
| | | 583 | | 715 | |
| Current liabilities | | | | | |
| Creditors: Amounts falling due within one year | 11 | (13,053) | | (9,450) | |
| Net current assets/(liabilities) | | | (12,470) | | (8,735) |
| Total assets less current liabilities | | | (12,333) | | (7,911) |
| Provisions for liabilities and charges | 12 | (681) | | (275) | |
| | | | (681) | | (275) |
| | | | (13,014) | | (8,186) |
| Taxpayers' equity | | | | | |
| General fund | 13 | | (13,022) | | (8,201) |
| Revaluation reserve | 14 | | 8 | | 15 |
| | | | (13,014) | | (8,186) |

The notes on pages 60 to 84 form part of these accounts.

Signed



Vivien Hopkins
Agency Accounting Officer
30 June 2008

Cash Flow Statement

for the year ended 31 March 2008

| | Note | 2007-08 £'000 | Restated 2006-07 £'000 |
|---|------|------------------|------------------------------|
| Net cash outflow from operating activities | 15a | (213,347) | (216,499) |
| Capital expenditure and financial investment | 15b | 0 | (2) |
| Payments of amounts due to the Consolidated Fund | | (25) | (9) |
| Net financing from the Consolidated Fund | 15c | 213,372 | 216,510 |
| Increase/(Decrease) in cash in the period | | <u>0</u> | <u>0</u> |

The notes on pages 60 to 84 form part of these accounts.

Notes to the Accounts

for the year ended 31 March 2008

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2007–08 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Disability and Carers Service for the purpose of giving a true and fair view has been selected. The Disability and Carers Service's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Tangible fixed assets

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

Computer hardware and owned software, where out of the scope of the Transformation of EDS Services (TREDSS) contract and over the capitalisation threshold of £100 are treated as capital assets. For plant and machinery assets the prescribed capitalisation level is £5,000. Where an item costs less than the capitalisation level, but forms an integral part of a package whose total value is greater than the capitalisation level, the item is treated as a capital asset. On initial recognition assets are measured at cost, including any costs, such as installation directly attributable to bringing them into working condition.

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

During this accounting period, the Department entered into a new contract with a third party (Inchcape) for the provision of fleet management services. This covers running the fleet, fuel costs, maintenance of the fleet and lease of the vehicles. During the year the Disability and Carers Service transferred all vehicles to the Departments corporate centre. In August 2007 on signing of the contract the Department sold all its vehicles to the new service provider and leased vehicles from them. These vehicles do not belong to the Department and hence are not declared as fixed assets on the Balance Sheet.

With the publication of Treasury's Resource Accounting and Budgeting Implementation Group (RABIG) 32/(2006) letter, which gave Departments more flexibility in revaluing assets, where the revaluation was proven to be immaterial in comparison to the total asset base or total value of the Balance Sheet, the Department opted to cease revaluing its assets using indices from 1st April 2007. No impairment has been recorded in this year's financial accounts in relation to asset revaluation using indices. (See notes 4 & 8.)

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

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

1.3 Intangible fixed assets

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

1.4 Land and buildings

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

1.5 Depreciation

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

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

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

1.6 Stocks

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

1.7 Administration expenditure

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

1.8 Operating income

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

1.9 Capital charge

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

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

1.10 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), details of which are described in Note 2. The defined benefit scheme is unfunded and is non-contributory except in respect of dependant's benefits. The Disability and Carers Service recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Departments meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined contribution schemes, the Disability and Carers Service recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

1.11 Early departure costs

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

1.12 Provisions

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

1.13 Leases

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

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

1.14 Private Finance Initiative transactions

Private Finance Initiative transactions are accounted for in accordance with Treasury Technical Note No.1 (Revised) 'How to account for Private Finance Initiative transactions' as required by the FReM. Where the balance of the risks and rewards of ownership of the Private Finance Initiative property are borne by the Private Finance Initiative operator, the Private Finance Initiative payments are recorded as an operating cost. Where the Disability and Carers Service has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the Private Finance Initiative contract. To date there have been no Private Finance Initiative transactions in the Disability and Carers Service. The Disability and Carers Service continues to utilise the services provided under PFI contracts held centrally by the Department. Full details are available in the DWP Resource Account.

1.15 Value Added Tax

Most of the activities of the Disability and Carers Service are outside of the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT. As the DWP is treated as a single entity for VAT purposes, the recoverable VAT balance is shown in the DWP Resource Accounts.

2 Staff numbers and related costs

a. Staff costs

Staff costs consist of:

| | 2007–08 | | | 2006–07 |
|---|--|-----------------|----------------|----------------|
| | Permanently employed staff £'000 | Others £'000 | Total £'000 | £'000 |
| Wages and salaries | 118,080 | 30 | 118,110 | 122,459 |
| Employer's National Insurance | 7,570 | 0 | 7,570 | 8,064 |
| Superannuation and Pension costs | 28,019 | 0 | 28,019 | 21,555 |
| Sub Total | 53,669 | 30 | 53,699 | 152,078 |
| Less recoveries in respect of outward secondments | (128) | 0 | (128) | (103) |
| Total Net Costs | 53,541 | 30 | 53,571 | 151,975 |

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Disability and Carers Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year to 31 March 2008, normal employer contributions of £20,532k (2006–07 restated £21,358k) were payable to the PCSPS at one of four rates in the range 17.1 to 25.5 per cent (2006–07 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 1 April 2007, the salary bands have been revised but the rates have remained the same. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Outstanding contributions amounting to £1,779k (2006–07 £1,832k) were payable to the Civil Superannuation Vote at 31 March 2008 and are included in creditors (see Note 11).

Employees joining the civil service after 1 October 2002 could opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employer's contributions of £25k (2006–07 £25k) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employers contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover relating to death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £2k (2006–07 restated £1k). Contributions prepaid at that date were nil.

Nine persons (2006–07 eight persons) retired on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £14,162 (2006–07 £8,083).

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

b. Average number of persons employed

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

| | 2007–08 | | | 2006–07 |
|--|----------------------------|----------|--------------|--------------|
| | Number | Number | Number | Number |
| | Permanently employed staff | Others | Total | |
| Department for Work and Pensions objective 4: To improve rights and opportunities for disabled people in a fair and inclusive society. | 5,825 | 0 | 5,825 | 6,318 |
| Total | <u>5,825</u> | <u>0</u> | <u>5,825</u> | <u>6,318</u> |

“Others” refers to the number of specialist staff employed under short-term contracts.

3 Other administration costs

| | Note | 2007–08 £'000 | 2006–07 £'000 |
|------------------------------------|---------------|------------------|------------------|
| Goods and services | 3a, 3b | 33,944 | 33,364 |
| Accommodation costs | | 4,951 | 5,226 |
| Rentals under operating leases: | | | |
| Hire of plant and machinery | | 391 | 480 |
| PFI service charges: | | | |
| Off-balance sheet contracts | 3c | 20,642 | 21,220 |
| Compensation payments to customers | 3d | 553 | 541 |
| Non-cash items | 4 | 80,973 | 90,866 |
| IT services | | 2,906 | 3,262 |
| | | 144,360 | 154,959 |

- a. Goods and services expenditure is mainly in respect the costs of general practitioner services including charges for medical opinions, printing and postage, management and IT consultancy, and contracted out office services.
- b. On 1 March 2007 the provision of all office services transferred to an outside contractor, Haden Building Management Limited. The contract with Haden covers various services including postal operations and despatch, messengers, transport, switchboard, reprographics and office stationery. Reprographics and office stationery subsequently transferred to the PASS contract with the supplier I-ON with effect from 1st March 2008.
- Prior to 1st March 2007 all this work was done by the DCS in-house team who transferred over to Haden. The impact of this change on the DCS Operating Costs Statement during 2007–08 has been a reduction in staffing costs and a increase in our other Administrative Expenditure, in particular Contracted Out Office Service costs.
- c. PFI Service Charges relate to PRIME rental and variable costs paid to Trillium in respect of accommodation provided under a PFI contract held centrally by the Department.
- d. The Disability and Carers Service compensates those customers whose cases have been badly handled. The Disability and Carers Service will, exceptionally, consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint.

4 Other administration costs: Non-cash items

| | Note | 2007–08 £'000 | 2006–07 £'000 |
|---|------|------------------|------------------|
| Notional costs | 5 | 80,145 | 89,311 |
| Depreciation – Tangible fixed assets | 8c | 220 | 1,248 |
| Impairment of fixed assets | 8d | 0 | 58 |
| Amortisation – Intangible fixed assets | 7 | 1 | 1 |
| Provision for Early Departures: | | | |
| Increase | 12 | 348 | 247 |
| Unwinding of discount | 12 | 1 | 1 |
| | | 349 | 248 |
| Movement in other provisions other than utilisation | 12 | 258 | 0 |
| | | 80,973 | 90,866 |

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

| | 2007–08 £'000 | 2006–07 £'000 |
|--------------------------------------|------------------|------------------|
| Administration non-cash transactions | | |
| Staff transactions | 349 | 248 |
| Other transactions | 80,624 | 90,618 |
| | 80,973 | 90,866 |

5 Notional costs and re-charges

Certain services are provided and received by the Disability and Carers Service without the transfer of cash. Amounts are included in the net operating cost of £80,145k (2006–07 £89,311k) to reflect these costs and are made up as follows:

| | Note | 2007–08 | | 2006–07 | |
|--|-----------|---------|---------------|---------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Cost of Capital charge | | | (421) | | (433) |
| Auditors remuneration and expenses | 5a | | 77 | | 54 |
| Intra-Departmental Charges: | | | | | |
| Information Technology Services Group charges | | 35,767 | | 41,000 | |
| Services provided and costs incurred by other Departmental business units on behalf of the Disability and Carers Service | 5b | 45,595 | | 49,298 | |
| Less: | | | | | |
| Services provided and costs incurred by the Disability and Carers Service on behalf of other Departmental business units | | | (873) | | (608) |
| | | | 80,489 | | 89,690 |
| | | | 80,145 | | 89,311 |

- The audit fee represents the cost of audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.
- The basis of apportionment for recharges of Corporate Centre costs has been updated in 07/08 following a thorough review, in order to more accurately reflect the level of service/goods received by the Agencies. New bases have been introduced where previous ones have been deemed inappropriate and the most up to date available data has been used.

In order to simplify the complex recharge process and aid the planning and management of budgets a monthly apportionment percentage was calculated to recharge Corporate Business Unit costs to the Agencies. This charge will be applied each month and reviewed at quarterly intervals to ensure it fairly reflects the actual costs incurred and to capture any changes to the organisation structures.

Services provided by other Departmental business units on behalf of the Disability and Carers Service include:

- £36,937k (2006–07 £47,237k) corporate recharges for encashment services provided by Post Office Ltd and Alliance and Leicester plc, finance, personnel, and internal assurance services costs;
- £5,757k (2006–07 £1,957k) accommodation costs provided by the Department for Work and Pensions Corporate Centre;
- £2,675k (2006–07 £nil) corporate recharges in relation to early exit schemes;
- £226k (2006–07 £104k) of other costs.

6 Income

| | Note | 2007–08 £'000 | Restated 2006–07 £'000 |
|--|------|------------------|------------------------------|
| Administration income | | | |
| Income from external customers | | (7) | (101) |
| Income from other Government Departments | | (27) | (467) |
| Income not Appropriated in Aid | 13 | (25) | (9) |
| | | (59) | (577) |

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 | (Surplus)/ deficit £'000 | Income £'000 | Full cost £'000 | (Surplus)/ deficit £'000 |
| Fees and charges to external customers | | | | | | |
| Sundry income | (7) | 7 | 0 | (101) | 101 | 0 |
| Fees and charges to other departments | | | | | | |
| Other Government Departments | (27) | 27 | 0 | (467) | 467 | 0 |
| | (34) | 34 | 0 | (568) | 568 | 0 |

7 Intangible fixed assets

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

| Cost or valuation | Purchased software licences £'000 |
|--|--------------------------------------|
| At 1 April 2007 | 3 |
| Additions | 0 |
| Disposals | 0 |
| Revaluations | 0 |
| As at 31 March 2008 | <u>3</u> |
| | |
| Amortisation | |
| At 1 April 2007 | 1 |
| Charged in Year | 1 |
| Disposals | 0 |
| Revaluations | 0 |
| As at 31 March 2008 | <u>2</u> |
| | |
| Net book value at 31 March 2008 | <u>1</u> |
| Net book value at 31 March 2007 | <u>2</u> |

8 Tangible fixed assets

| | Note | Motor Vehicles £'000 | Plant and Machinery £'000 | Information Technology £'000 | Total £'000 |
|--|-----------|-------------------------|------------------------------|---------------------------------|----------------|
| Cost or valuation | | | | | |
| At 1 April 2007 | | 820 | 266 | 3,118 | 4,204 |
| Additions | 8a | 0 | 0 | 0 | 0 |
| Transfers in | | 0 | 0 | 0 | 0 |
| Disposals | | 0 | 0 | 0 | 0 |
| Transfers out | 8b | (820) | 0 | (2,450) | (3,270) |
| Revaluations | 8d | 0 | 0 | 0 | 0 |
| Impairments | 8d | 0 | 0 | 0 | 0 |
| As at 31 March 2008 | | 0 | 266 | 668 | 934 |
| Depreciation | | | | | |
| At 1 April 2007 | | 572 | 235 | 2,662 | 3,469 |
| Charged in year | 8c | 27 | 14 | 181 | 222 |
| Transfers in | | 0 | 0 | 0 | 0 |
| Disposals | | 0 | 0 | 0 | 0 |
| Transfers out | 8b | (599) | 0 | (2,225) | (2,824) |
| Revaluations | 8d | 0 | 0 | 0 | 0 |
| Impairments | 8d | 0 | 0 | 0 | 0 |
| As at 31 March 2008 | | 0 | 249 | 618 | 867 |
| Net book value at 31 March 2008 | | 0 | 17 | 50 | 67 |
| Net book value at 31 March 2007 | | 248 | 31 | 456 | 735 |
| Asset financing: | | | | | |
| Owned | | 0 | 17 | 50 | 67 |
| Finance leased | | 0 | 0 | 0 | 0 |
| PFI residual interests | | 0 | 0 | 0 | 0 |
| Net book value at 31 March 2008 | | 0 | 17 | 50 | 67 |

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

- a. Total additions in the year were £nil (2006–07 £374k).
- b. Transfers out with a net book value of £446k (2006–07 £659k) include transfers to other Departmental agencies which are made on a gross basis i.e. at depreciated cost together with any related balance on the revaluation reserve.
- c. Total depreciation in the year was £222k (2006–07 £1,241k). This consisted of £220k (2006–07 £1,248k) charged to the Operating Cost Statement and £2k relating to assets purchased prior to 2007–08 charged to the General Fund. The loss on sale of fixed assets charged to the Operating Cost Statement in the year is nil (2006–07 nil).
- d. The net increase in asset values arising from the revaluation of fixed assets is nil (2006–07 £2k) and the impairment in fixed assets arising from the permanent decrease in value is nil (2006–07 £58k). From 1st April 2007 the Department opted to stop using indices to revalue its fixed assets.
- e. Nil furniture and fittings was recorded at 31 March 2008, as all furniture held was provided under the PRIME contract (see Note 1.2).
- f. Cash Flow Reconciliation

| | Note | 2007–08 £'000 | 2006–07 £'000 |
|--|-----------|------------------|------------------|
| Capital creditors and accruals at 31 March | 11 | 0 | 0 |
| Capital additions | 8a | 0 | (374) |
| Restatement: capital additions purchased in prior year | | 0 | 376 |
| Less capital creditors and accruals at 31 March | 11 | 0 | 0 |
| Purchases of Tangible fixed assets per Note 15 | | 0 | 2 |

9 Debtors

a. Analysis by Type

| | Note | 31 March 2008 £'000 | 31 March 2007 £'000 |
|--|------|------------------------|------------------------|
| Amounts falling due within one year: | | | |
| Deposits and advances | 9a | 149 | 87 |
| Other Government Departments | | 9 | 152 |
| Other debtors | | 126 | 153 |
| Prepayments and accrued income | | 299 | 323 |
| | | 583 | 715 |
| Amounts falling due after more than one year: | | | |
| Deposits and advances | 9a | 69 | 87 |
| | | 69 | 87 |

a. Deposits and advances due within one year include £7,227 (2006–07 £8,713) of house purchase advances due from six (2006–07 eleven) members of staff. Those due after more than one year includes £69,311 (2006–07 £87,100) of house purchase advances due from six (2006–07 seven) members of staff.

b. Intra-Government Balances

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

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|-------------------------------------|------------------|--|------------------|
| | 2007–08 £'000 | 2006–07 £'000 | 2007–08 £'000 | 2006–07 £'000 |
| Balances with other central government bodies | 9 | 152 | 0 | 0 |
| Balances with bodies external to government | 573 | 563 | 69 | 87 |
| Intra-departmental balances | 1 | 0 | 0 | 0 |
| Total debtors at 31 March: | 583 | 715 | 69 | 87 |

10 Cash at bank and in hand

| | Note | 2007-08 £'000 | 2006-07 £'000 |
|--|------------|------------------|------------------|
| Opening balance in period | | 0 | 0 |
| Net change in cash balances | | 0 | 0 |
| Balance at 31 March | 10a | 0 | 0 |
| The following balances were held at 31 March: | | | |
| Office of HM Paymaster General | 10b | 0 | |
| Commercial banks and cash in hand | | 0 | |
| | | 0 | |

a. Bank balances are reported in the DWP Resource Accounts in line with the treatment of bank accounts in all other Executive Agencies of DWP.

b. The Office of HM Paymaster General provides a current account banking service.

11 Creditors

a. Analysis by Type

| | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---|------------------------|------------------------|
| Amounts falling due within one year: | | |
| Other taxation and social security | 3,023 | 2,689 |
| Superannuation | 1,779 | 1,832 |
| Trade creditors – non capital | 515 | 829 |
| Amounts due to other Government Departments | 891 | 1 |
| Other creditors | 128 | 88 |
| Accruals and deferred income – non-capital | 6,717 | 4,011 |
| | 13,053 | 9,450 |

b. Intra-Government Balances

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

| | Amounts falling due within one year | |
|---|--|------------------|
| | 2007–08 £'000 | 2006–07 £'000 |
| Balances with other central government bodies | 5,549 | 4,522 |
| Balances with local authorities | 142 | 0 |
| Balances with public corporations and trading funds | 2 | 0 |
| Balances with bodies external to government | 7,360 | 4,928 |
| Total creditors at 31 March | 13,053 | 9,450 |

12 Provision for liabilities and charges

| | 31 March 2008 £'000 | 31 March 2007 £'000 |
|---------------------------------|------------------------|------------------------|
| Early retirement provision | 423 | 275 |
| Other administration provisions | 258 | 0 |
| | <u>681</u> | <u>275</u> |

Early retirement provision

| | Note | £'000 | £'000 |
|----------------------------------|--------|----------|-------------------|
| Balance at 1 April 2007 | | | 275 |
| Amounts utilised in year | | | (201) |
| Movement in provision: | | | |
| New entrants | 4, 12a | 337 | |
| Uplift | 4, 12a | 9 | |
| Unwinding of the discount | 4 | 1 | |
| Changes to Provision | 4 | <u>2</u> | |
| | | | 349 |
| Balance at 31 March 2008 | | | <u>423</u> |
| Payable within one year | | | <u>216</u> |
| Payable after more than one year | | | <u>207</u> |

- a. The movement in provision for early retirement has been charged to non-cash costs (Note 4). See Note 1.11 for further details on Early departure costs.

Other administration provisions

| | Note | Exportability (Note 12b) £'000 | Edinburgh DBC (Note 12c) £'000 | Total £'000 |
|----------------------------------|------|--------------------------------------|--------------------------------------|----------------|
| Balance at 1 April 2007 | | 0 | 0 | 0 |
| Provided in year | 4 | 160 | 98 | 258 |
| Utilised in year | | 0 | 0 | 0 |
| Balance at 31 March 2008 | | 160 | 98 | 258 |
| Payable within one year | | | | 258 |
| Payable after more than one year | | | | 0 |

- b. The provision of £160k relates to the ruling from the European Court on 18 October 2007 which states in certain circumstances Disability Living Allowance (care component), Attendance Allowance and Carer's Allowance will have to be paid to some people who move from the UK to live in other member states of the European Economic Area. The provision is based on the staff costs estimated to be incurred in 2008–09 in dealing with the known cases from the date of the ruling to 31 March 2008.
- c. The provision of £98k relates to the closure of Edinburgh Disability Benefits Centre, and represents the costs associated with building work and IT changes that are required for the relocation of work. The closure of the site is expected to be fully completed by 31 December 2008.

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

| | Notes | 2007–08 £'000 | Restated 2006–07 £'000 |
|--|-----------|------------------|------------------------------|
| Net operating cost for the period | | (297,872) | (306,357) |
| Income not appropriated-in-aid payable to Consolidated Fund | 6 | (25) | (9) |
| Financing from Consolidated Fund – current year | | 213,372 | 216,510 |
| Non-cash capital additions / disposals | | (446) | (732) |
| Notional Charges | 5 | 80,145 | 89,311 |
| Transfers to General Fund of realised element of revaluation reserve | 14 | 7 | (7) |
| Fixed Asset prior year purchases adjustment | 8c | (2) | 0 |
| Net movement in General Fund | | (4,821) | (1,284) |
| General Fund opening balance | | (8,201) | (6,917) |
| General Fund as at 31 March 2008 | | (13,022) | (8,201) |

The General Fund represents the historical value of the net liabilities held by the Disability and Carers Service in its operations.

14 Reserves

| Revaluation reserve | Note | 2007–08 £'000 | 2006–07 £'000 |
|--|-----------|------------------|------------------|
| Arising on revaluation during the period (net) | 8 | 0 | 2 |
| Transfer to general fund in respect of realised element of revaluation reserve | 13 | (7) | 7 |
| Net movement in revaluation reserve | | (7) | 9 |
| Revaluation reserve opening balance | | 15 | 6 |
| Balance at 31 March 2008 | | 8 | 15 |

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

15 Notes to the Cash Flow Statement

| | Notes | 2007–08 £'000 | Restated 2006–07 £'000 |
|--|-------|------------------|------------------------------|
| a. Reconciliation of operating cost to operating cash flows | | | |
| Net operating cost | | (297,872) | (306,357) |
| Adjustment for non-cash transactions | 4 | 80,973 | 90,866 |
| (Increase)/decrease in debtors | 9 | 150 | (251) |
| Increase/(decrease) in creditors | 11 | 3,603 | (591) |
| Use of provisions | 12 | (201) | (166) |
| Net cash outflow from operating activities | | (213,347) | (216,499) |

| | Notes | 2007–008 £'000 | 2006–07 £'000 |
|--|-------|-------------------|------------------|
| b. Analysis of capital expenditure and financial investment | | | |
| Purchases of intangible fixed assets | 7 | 0 | 0 |
| Purchases of tangible fixed assets | 8f | 0 | (2) |
| Proceeds from disposal of fixed assets | | 0 | 0 |
| Net cash outflow from investing activities | | 0 | (2) |

| | 2007–08 £'000 | 2006–07 £'000 |
|--|------------------|------------------|
| c. Analysis of financing and reconciliation to the net cash requirement | | |
| Financing from the Consolidated Fund (Supply) – current year | 213,372 | 216,510 |
| Financing from the National Insurance Fund | 0 | 0 |
| Financing inflow | 213,372 | 216,510 |
| (Increase)/decrease in cash | 0 | 0 |
| Net cash flows other than financing | 213,372 | 216,510 |
| Adjustments for payments & receipts not related to Supply | | |
| Amounts due to the Consolidated Fund – received and not paid over | 0 | 0 |
| Net cash requirement | 213,372 | 216,510 |

16 Capital commitments

Capital commitments at 31 March 2008 – £nil (31 March 2007 – £24,611).

17 Commitments under non-Private Finance Initiative leases

| | 31 March 2008 | | 31 March 2007 | |
|--|---------------------------|----------------|---------------------------|----------------|
| | Land & Buildings £'000 | Other £'000 | Land & Buildings £'000 | Other £'000 |
| At 31 March 2008 Disability and Carers Service was committed to making the following payments during the next year, analysed according to the period in which the lease expires: | | | | |
| Expiry within one year | 0 | 111 | 0 | 34 |
| Expiry after one year but not more than five years | 0 | 141 | 0 | 237 |
| | <u>0</u> | <u>252</u> | <u>0</u> | <u>271</u> |

18 Commitments under Private Finance Initiative contracts

The Disability and Carers Service has not entered into any contracts under the Private Finance Initiative. However, the Agency continues to utilise the services provided under PFI contracts held centrally by the Department. Full details are available in the DWP Resource Account.

19 Other financial commitments

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

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

Similarly, the Department has determined that the Integrated Communications Network Services (ICONS) contract (created following the consolidation of two existing BT contracts during 2005/06) does not constitute a PFI arrangement. Details of other financial commitments under this arrangement are given in the DWP Resource Accounts.

20 Contingent liabilities disclosed under FRS 12

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

21 Related party transactions

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

The Department and its agencies are regarded as related parties to the Disability Carers Service. During the year, the Disability and Carers Service has had a significant number of material transactions with the Department and its agencies (see Note 5).

Details of transactions between directors of the Disability and Carers Service or their close family members and third party organisations with which the Disability and Carers service has a business relationship are held in a register that may be accessed at the address on page 13. No Board Member or senior official has undertaken any material transaction with the Disability and Carers Service during the year.

22 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way Government Agencies are financed, the Disability and Carers Service is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Disability and Carers Service does not have powers to borrow or invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Disability and Carers Service in undertaking its activities.

Liquidity risk

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

Interest rate risk

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

Financial Liabilities

As at 31 March 2008 the financial liabilities of the Disability and Carers Service totalled £0.2m million, all of which related to non-interest bearing financial liabilities. The weighted average period to maturity was 1.8 years.

Financial Assets

As at 31 March 2008 the financial assets of Disability and Carers Service totalled £0.1m, all of which related to non-interest bearing financial assets. The weighted average period to maturity was 8.5 years.

Fair values

The book values of the Disability and Carers Service's financial assets and liabilities at 31 March 2008 are not materially different from their fair values. They have accordingly not been shown separately.

23 Performance against targets

The Disability and Carers Service was set the high level performance target of managing its resources to deliver its business plan within the funds voted by Parliament. The Disability and Carers Service has delivered its Business Plan for the year ended 31 March 2008 within gross allocations. Key business priorities, targets and outcomes for 2007–08 are described in detail on pages 36 to 37 of the Annual Report.

24 Post Balance Sheet Events

From 1 April 2008 the Agency merged with the Pensions Service to form the Pension, Disability and Carers Service. Terry Moran has been appointed Chief Executive of the new agency.

The Disability and Carers Service financial statements are laid before the Houses of Parliament by the Secretary of State for Work and Pensions. FRS21 requires The Disability and Carers Service to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by The Disability and Carers Service management to the Secretary of State for Work and Pensions. The authorised date for issue is 16 July 2008.

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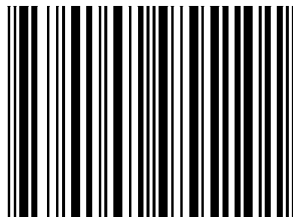
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