

# **Postal Services Commission**

## **Resource Accounts 2008-09**

---

# **Postal Services Commission**

## **Resource Accounts 2008-09**

**(For the year ended 31 March 2009)**

*Ordered by the House of Commons to be printed*

*16 July 2009*

---

**© Crown Copyright 2009**

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: [licensing@opsi.gov.uk](mailto:licensing@opsi.gov.uk)

ISBN: 9780102962321

---

## Contents

	<b>Page</b>
Annual Report	3
Introduction	3
Management Commentary	3
Sustainability Report	8
Remuneration Report	10
Statement of Accounting Officer's responsibilities	15
Statement on Internal Control	16
Certificate and Report of the Comptroller and Auditor General	18
The Accounting Schedules:	
Statement of Parliamentary Supply	20
Operating Cost Statement and the Statement of Recognised Gains and Losses	21
Balance Sheet	22
Cash Flow Statement	23
Statement of Net Operating Costs by Departmental Strategic Objectives	24
Notes to the Accounts	25

---

## Annual Report

### Introduction

These Resource Accounts have been prepared and published by the Postal Services Commission (Postcomm). The Accounts have been prepared under a direction issued by HM Treasury in accordance with section 5(2) of the Government Resources and Accounts Act 2000. The Accounts demonstrate the resources that have been used to deliver Postcomm's objectives. These Resource Accounts have been prepared in accordance with the guidance set out in the Government Financial Reporting Manual.

### Nature of Postcomm's Business and its Aim, Objectives and Activities

This document contains the accounts of Postcomm for the period 1 April 2008 to 31 March 2009. It should be read in conjunction with the Postcomm Annual Report for 2008-09, which is published separately.

Postcomm is a non-ministerial government department and is governed by the Postal Services Act 2000. Postcomm's objectives are set out in statute and the main tasks are to:

- ensure a universal service;
- protect customers' interests;
- promote sustainable competition; and
- advise on the Post Office network.

The achievement of these four goals is supported by (i) building effective stakeholder relations, and (ii) using and developing resources effectively.

On December 16 2008 the Independent Review of the Postal Services Sector in the UK (the Hooper Review) published its findings and recommendations. Government accepted the recommendations of the Hooper Review in full and the Postal Services Bill 2009 was introduced in the House of Lords in February this year. The Bill intended to transfer the regulatory function for postal services to Ofcom, where they could sit within the wider communications and fulfilment market, and the subsequent abolition of Postcomm at some point in the 2009-10 financial year. Following an announcement by the Secretary of State for Business in the House of Lords on July 2 2009, the progress of the Bill was put on hold while the economic climate made it impossible to find a strategic partner that would give value to the taxpayer. The Secretary of State also announced the regulation of the postal industry will remain with Postcomm.

### Management Commentary

#### Income

In 2008-09 operating income of £9.728m was received, primarily from the Royal Mail Group. Details of income received can be found in Note 8 to the Resource Accounts. An additional £11.649m was collected from the Royal Mail Group on behalf of the Department for Business, Innovation and Skills (BIS) in respect of the costs of Postwatch, including its abolition, the creation and costs of the new consumer body Consumer Focus and certain service expansion costs of Consumer Direct. This was subsequently transferred to the Department.

Postcomm operates a full costs recovery regime to comply with the Treasury Fees and Charges guide. An amount of £0.385m was over-recovered from the Royal Mail Group and this will be offset against their licence fee charges in 2009-10.

#### Spending

Total operating costs amounted to £9.729m. Three areas of expenditure absorbed 81 per cent of the total: staff costs (47 per cent), consultants (29 per cent) and accommodation (5 per cent).

Capital expenditure in the year totalled £0.143m in respect of replacement hardware and additional software as part of the introduction of a new stakeholder relationship management system.

#### Output

Postcomm's financial performance in pursuit of its objectives is detailed in the Statement of Net Operating Costs by Departmental Strategic Objectives.

## Finance

Postcomm's budget is approved by Parliament following a consultation process with industry and other interested parties. For 2008-09 Parliament approved a resource budget of £10.253m, a capital budget of £0.150m, and a net cash requirement of £1.833m.

In April 2008 £3.2m was drawn from the Contingency Fund, to provide short term liquidity until the receipt of licence fees. This was fully repaid in August 2008.

### Reconciliation between resource outturn to the resource budget Outturn

	2008-09 £000's	2007-08 £000's
<b>Net Resource Outturn (Estimates)</b>	1	1
Net Operating Costs (Accounts)	1	1
<b>Resource Budget Outturn (Budget)</b>	1	1
<b>Of which</b>		
Departmental Expenditure Limits (DEL)	1	1
Annually Managed Expenditure (AME)	-	-

In August 2006 Postcomm imposed a financial penalty of £9.62m on Royal Mail in respect of its obligations to protect the mail. The penalty had been reduced from the £11.38m proposed, following Postcomm's consideration of representations from Royal Mail and other interested parties. The decision was referred to the High Court by Royal Mail. At the hearing in March 2007 the High Court upheld the £9.62m financial penalty Postcomm levied on Royal Mail for failing to protect adequately the mail in its care. Royal Mail subsequently applied to take its case to the Court of Appeal. In February 2008 the Court of Appeal upheld the £9.62m financial penalty Postcomm imposed on Royal Mail for failing to protect adequately the mail in its care. The judgment reinforces Postcomm's position that the penalty is proportionate and reflects the loss suffered by customers. The penalty was paid in April 2008.

Financial penalties received are surrendered to the Consolidated Fund.

Postcomm is funded in the main by licence fees paid by Royal Mail. The market was fully liberalised in January 2006 and as new operators obtain licences, they will also contribute through their licence fees when their turnover within the licenced area reaches the set threshold. Postcomm expenditure history and summary financial information for 2008-09 is summarised in the table below.

	2007-08 <u>Actual</u> <u>outturn</u> £000	2008-09 <u>Budget</u> <u>outturn</u> £000	2008-09 <u>Actual</u> <u>outturn</u> £000	2009-10 <u>Forecast</u> <u>outturn</u> £000
Staff costs <sup>1</sup>	4,191	4,418	4,287	4,301
Agency staff	177	113	243	233
Other running costs <sup>2</sup>	2,093	1,918	2,047	1,666
Outside consultants, lawyers, etc. <sup>3</sup>	2,495	3,421	2,847	3,688
<i>Sub-total</i>	<b>8,956</b>	<b>9,870</b>	<b>9,424</b>	<b>9,888</b>
Depreciation, etc. <sup>4</sup>	252	373	339	410
Cost of capital	(49)	10	(34)	10
<i>Total</i>	<b>9,159</b>	<b>10,253</b>	<b>9,729</b>	<b>10,308</b>
Capital expenditure	389	150	143	150

The above table shows Postcomm's expenditure at a summary level. The reporting categories differ from the Operating Cost Statement; however, the totals are the same.

<sup>1</sup> This relates only to those staff on the payroll and excludes the cost of agency staff to provide cover for vacancies.

<sup>2</sup> These are the costs of the building, IT support, telephones, finance, payroll, etc.

<sup>3</sup> This is the cost of those external economists, lawyers and other specialists used to supplement the in-house teams.

<sup>4</sup> This relates to the non-cash cost of depreciation.

The underspend on staff costs is due to vacancies which were carried during the financial year and not replaced and not offset by increased expenditure on agency/interim staff. The consultancy budget was profiled in accordance with Postcomm's expectations of the flow of work and subsequently reviewed and reprofiled in light of the publishing of the

---

Hooper report and the impact upon projects. A number of planned projects were stopped, not started or scaled back. The greater than anticipated spend on other costs reflects the decision to vacate surplus office space saving £461k in rent and service charges over three years. However, there was a one off charge of £166k for the write off of leasehold improvements that is reflected in the 2008/09 accounts.

The balance sheet at 31 March 2009 shows negative Taxpayer's Equity of £0.572m (31 March 2008 £1.395m negative). This reflects a decrease of £0.823m from the previous year which is primarily due to the decrease in amounts due to the Consolidated Fund. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament to meet Postcomm's Net Cash Requirement. Such approval has been given for 2009-10.

### **Postcomm's Vision for the Postal Services Market**

Postal services play a vital role in modern commercial and social life, providing channels of communication between individuals, businesses, organisations and government. The industry is one of the UK's largest employers. At its heart lies an affordable universal service at a uniform price, with a collection and delivery every working day. Historically, Royal Mail has enjoyed a monopoly over the vast majority of mail, and continues to dominate the postal market and provide a universal service.

Postcomm's vision for the market in the discharge of its duties is:

"a range of reliable, innovative and efficient postal services, including a universal postal service, that is valued by customers and delivered through a competitive postal market."

Postcomm has required Royal Mail to continue to provide an affordable universal postal service, opened up the market to competition and licensed a number of companies to compete with Royal Mail. Because many customers still have no alternative to Royal Mail, Postcomm also regulates many of the prices that it can charge and its quality of service to ensure that customers continue to get a good deal.

Since it was established in 2000, Postcomm has sought to achieve its vision by adopting a regulatory strategy based around three core objectives. Underlying each of these strategic objectives is Postcomm's view that to achieve its vision for the market, there need to be successful, innovative and customer focussed mail operators.

### **Protected Personal Data Related Incidents**

Postcomm has not reported any incidents of the loss of personal data during 2008-09.

## **The Commission**

The Commission comprises executive and non-executive members and is the ultimate decision making body for all matters dealt with by Postcomm. The Commission meets monthly, except that there is usually no meeting during the month of August.

### ***Executive Members of the Commission who served during the year***

Tim Brown, Chief Executive, appointed in September 2008 for a period of four years.

Sarah Chambers, Chief Executive, appointed in November 2004 for a period of four years. She left Postcomm in September 2008.

### ***Independent Non-Executive Members of the Commission who served during the year***

Nigel Stapleton, Chairman, appointed in January 2004 for a period of three years. His appointment was extended from January 2007 for a further four years.

Tony Cooper, Commissioner, appointed in May 2000 for a period of four years. His appointment was extended in June 2004 for a further three years. His appointment was further extended in March 2007 until May 2009. His appointment was further extended in May 2009 until March 2010.

Ulf Dahlsten, Commissioner, appointed in January 2008 for a period of three years.

---

Wanda Goldwag, Commissioner, appointed in April 2005 for a period of three years. Her appointment was extended in April 2008 for a further three years.

Stephen Littlechild, Commissioner, appointed in July 2006 for a period of three years.

Simon Prior-Palmer, Commissioner, appointed in July 2006 for a period of three years.

Lucy Scott-Moncrieff, Commissioner, appointed in September 2008 for a period of three years.

The Chairman of the Commission was appointed by the Secretary of State for Trade and Industry (now BIS) on 15 January 2004 for a period of three years. His appointment was extended from January 2007 for a further four years. His remuneration was set out in his contract and is subject to annual review in line with awards recommended by the Senior Salaries Review Body.

The Chief Executive and Accounting Officer of Postcomm is also a Commissioner and was appointed in accordance with the guidance issued by the Civil Service Commissioners on 22 September 2008. His remuneration was set out in his contract and is subject to annual review in line with awards recommended by the Senior Salaries Review Body.

The non-executive Commissioners were appointed by the Secretary of State for Trade and Industry (now BIS) after consulting the Chairman. Their remuneration was set out in their contracts and is subject to annual review in line with the awards made by the Senior Salaries Review Body.

Details of Commissioners' interests may be found on the Postcomm website.

Details of remuneration can be found in the Remuneration Report on page 10.

## **Governance**

Postcomm has introduced a corporate governance structure with committees that have clear terms of reference. They provide the necessary structure to ensure that there is a strong framework of internal control throughout the organisation.

The Executive Board comprises Postcomm's Chief Executive and Directors. Its role is to develop policy recommendations before these are formally submitted to the Commission, and to take decisions on strategic operational issues. It usually meets weekly. The terms and conditions of the appointment of the members of the Executive Board are in accordance with the Civil Service Code. Details of remuneration can be found in the Remuneration Report detailed below.

The Programme Board's role is to provide leadership on programme and risk management in Postcomm. Further details of the Board's role is given in the Statement on Internal Control on page 16.

The Audit Committee was chaired by Tony Cooper in 2008-09. Other members were Ulf Dahlsten and Simon Prior-Palmer. Nigel Stapleton, Chairman of the Commission, attends by invitation as an observer. The Chief Executive, the Director, Resources, the Finance Director (until September 2008), the external auditors (National Audit Office) and the internal auditors (Tribal Business Assurance) attend by invitation. The role of the Committee is to ensure the adequacy of the system of internal control, review of financial statements and management effectiveness. The Committee met six times in 2008-09.

The Staff Development and Pay Advisory Committee's role relates to the pay and performance of senior Postcomm staff. Full details of the Committee's membership, role and senior staff salary and pension entitlements are given in the Remuneration Report on page 10.

## **Auditors**

The Comptroller and Auditor General, who has been appointed under statute and reports to Parliament, has audited the Resource Accounts. The notional cost of providing audit services was £37,000. In addition there is an additional notional fee for £4,400 for the audit of the IFRS restatement exercise. There was no auditor remuneration (actual or notional) for non-audit work.

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



---

Postcomm's internal audit service provides an independent appraisal service for management by measuring and evaluating the adequacy, reliability and effectiveness of management and financial control systems. Internal audit makes recommendations based on the appraisal of each system reviewed. An annual assurance report is provided to the Accounting Officer. Postcomm has chosen to outsource the provision of internal audit service to ensure wholly independent and fully professional analysis and recommendations. Postcomm's current provider with effect from 1 April 2006, following a competitive tender exercise, is Tribal Business Assurance.

## Sustainability Report

### Postcomm's Statutory Duties

The Postal Services Act 2000 gives the Commission social duties, the foremost of which is to exercise its functions in the manner which it considers is best calculated to ensure the provision of a universal postal service.

In addition to these social duties, the Government, in March 2001, issued social and environmental guidance to Postcomm. Under section 43(2) of the Postal Services Act 2000, Postcomm is required, in exercising any of its functions, to have regard to any guidance given by the Secretary of State. The guidance draws together relevant aspects of the Government's social and environmental policies so that the Commission can carry out its functions in a way that is alert to the wider policy picture and, where possible, supportive of it.

### Environmental Policy (Internal Postcomm Operations)

Postcomm has continued its efforts to improve sustainability and the energy efficiency of its offices by:

- installing duplex units to all printers and setting double-sided printing as the default to reduce the amount of paper we use;
- reducing the overall number of printers we use;
- installing improved energy efficiency photocopiers, with duplex printing set as a default;
- using glasses instead of disposable plastic cups;
- installing timer switches to automatically switch off computer screens after normal office hours;
- setting the timers on our air conditioning controllers to switch the units off at night;
- improving the quality of overhead lighting, to reduce the need for additional desk lamps;
- replacing bottled water with tap water;
- using infrared sensors to control the low energy lighting throughout the office, which automatically switch off the lights after a period of inactivity;
- purchasing low grade recycled paper for everyday draft printing, with better quality paper for use on final version prints; and
- increasing the number of recycling bins for waste paper by approximately 30%.

### Pension Liabilities

The main pension scheme for employees is the Principal Civil Service Pension Scheme (PCSPS). The pension liabilities arising from Postcomm's membership of the PCSPS are not provided for in these accounts in accordance with Treasury instructions and are described in the Remuneration Report and Notes 1.10 and 9 to the financial statements.

### Equal Opportunities

Postcomm recruits on the basis of fair and open competition and selection on merit, in accordance with the Recruitment Code laid down by the Civil Service Commissioners. Internal and external checks are carried out to ensure compliance with this code. Postcomm's Equal Opportunities Policy aims to ensure that no eligible job applicant or employee receives less favourable treatment on grounds of age, disability, sex, race, ethnic or national origin, sexual orientation, religion or religious affiliation or because the employee works part-time.

Compared to the period April 2007 to March 2008 when Postcomm recruited 15 members of staff, 11 members of staff were recruited to vacant posts between April 2008 and March 2009. On 31 March 2009 excluding six agency staff members and our six external commissioners, Postcomm employed 56 people. The following table shows a breakdown by gender, ethnicity and disability.

	Men	Women	Total	Ethnic Minority	Disability
Chief Executive and Directors	6	1	7	-	-
Other staff	22	27	49	6	2
<b>Total 31 March 2009</b>	<b>28</b>	<b>28</b>	<b>56</b>	<b>6</b>	<b>2</b>
<b>Total 31 March 2008</b>	<b>29</b>	<b>37</b>	<b>66</b>	<b>9</b>	<b>2</b>

---

## Days lost due to absence

Postcomm encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. Postcomm aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly.

In 2008-09 the percentage of working days lost was 0.7 per cent or 1.9 days per annum per employee. This compares to the public sector average of 9 days per annum per employee.

## People

Postcomm's most important investment is in its people. There is an active policy of recruiting and maintaining high calibre staff.

During the year Postcomm continued to give a high priority to training and developing staff to enhance their professionalism in pursuit of Postcomm's objectives. To this end Postcomm initiated a Management Development Programme.

This commitment to staff training is reflected in expenditure of £0.162m during the year.

## Creditor Payment, Policy and Performance

Postcomm's policy is to comply with the Better Payment Practice Code. Postcomm's standard terms and conditions for the supply of goods or services specify payment within 30 days, or other agreed credit terms, of receipt of goods or services or valid invoice, whichever is the later. During 2008-09 at least 96 per cent of undisputed invoices were paid within these deadlines (2007-08 91 per cent).

In October 2008, the Government set a new challenge to departments to pay all suppliers within 10 working days with effect from 1 December 2008. During the period December 2008 to March 2009 Postcomm paid 74 per cent of undisputed bills within this deadline.

## Health and Safety

Postcomm recognises and accepts its legal responsibility in relation to the health, safety and welfare of its employees and for all other people using its premises or engaged on its activities. Postcomm will comply with the Health and Safety at Work Act 1974 and all other relevant legislation as appropriate. Postcomm is committed to the positive promotion of accident prevention and the elimination of incidents involving personal injury, illness or damage.

The Health and Safety policy statement describes Postcomm's responsibilities and objectives and is available to all employees.

**Tim Brown**  
Accounting Officer  
8 July 2009

---

## Remuneration Report

### Staff Development and Pay Advisory Committee

The Staff Development and Pay Advisory Committee consists of members of the Commission who are appointed by resolution of the Commission. The Staff Development and Pay Advisory Committee is chaired by Wanda Goldwag. The other member is Stephen Littlechild. The Chairman and Chief Executive attend as observers and the Director of Resources provides a secretariat function.

The Committee's role is to review the pay awards and level of any bonus for Executive Board members and consider other matters relating to the pay and performance of senior Postcomm staff. Pay and bonus awards are made within the parameters set by the Cabinet Office for the Senior Civil Service following recommendations by the Senior Salaries Review Body. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### Service contracts

Remuneration of members of the Executive Board is set out in their contracts and subject to annual review in line with awards recommended by the Senior Salaries Review Body or by agreement with HM Treasury.

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

Tim Brown was appointed as Commissioner and Chief Executive for a four year term commencing 22 September 2008.

Sarah Chambers was appointed as Commissioner and Chief Executive for a four year term commencing on 29 November 2004. She left Postcomm on 30 September 2008.

Stephen Gibson was appointed on a three year contract commencing 26 November 2007. This was converted to an open ended contract in December 2008.

Jenny Howard was appointed on a three year contract commencing on 18 April 2007. She left Postcomm on 30 September 2008.

Colin Sharples was appointed on a three year contract commencing 5 September 2005. His contract was extended to 4 September 2010 in March 2007. It was subsequently converted to an open ended contract in December 2008.

William Sprigge was appointed on loan from BIS on 3 September 2000 on an open ended contract.

Denise Bagge was appointed on loan from BIS on 19 June 2000 on an open ended contract. She left Postcomm on 7 December 2008.

Each member of the Executive Board participates in a bonus scheme which is in line with Senior Salaries Review Body recommendations or agreed with HM Treasury. Bonuses, where payable, are calculated as a percentage of salary based on the individual's performance. Bonus payments are non-consolidated and non-pensionable.

Non-Executive Commissioners are on fixed term appointments. Appointments and remuneration are set by the Secretary of State for Business, Innovation and Skills after consulting the Chairman. Their remuneration is currently set at £22,824 per annum for 3 days per month. They have no entitlement to performance related pay or pension entitlements.

## Salary and pension entitlements

The following information is subject to audit.

### The Commission

#### Remuneration

	2008-09		2007-08	
	Salary, including performance pay £000	Benefits in kind (to nearest £100)	Salary, including performance pay £000	Benefits in kind (to nearest £100)
Nigel Stapleton ( <i>Chairman</i> )	85-90	-	95-100 <sup>1</sup>	-
Tim Brown ( <i>Chief Executive from 22/09/08</i> )	90-95 <sup>2</sup>	-	-	-
Sarah Chambers ( <i>Chief Executive until 21/09/08</i> )	50-55 <sup>3</sup>	-	110-115	-
Tony Cooper	20-25	-	20-25	-
Ulf Dahlsten	25-30 <sup>4</sup>	-	10-15	-
Wanda Goldwag	20-25	-	20-25	-
Stephen Littlechild	20-25	-	20-25	-
Simon Prior Palmer	-	-	20-25	-
Lucy Scott-Moncrieff (from 01/09/08)	10-15 <sup>5</sup>	-	-	-

<sup>1</sup> This includes the sum of £13,293 paid in 2007-08 in lieu of pension that related to 2006-07

<sup>2</sup> Full year equivalent £160-165k

<sup>3</sup> Full year equivalent £105-110k

<sup>4</sup> This reflects additional remuneration for additional days worked in the period

<sup>5</sup> Full year equivalent £20-25k

### Executive Board

#### Remuneration

Name and Title	2008-09		2007-08	
	Salary, including performance pay £000	Benefits in kind (to nearest £100)	Salary, including performance pay £000	Benefits in kind (to nearest £100)
Denise Bagge ( <i>Director, Network, Communication and International Affairs until 07/12/08</i> )	55-60 <sup>1</sup>	-	75-80	-
Stephen Gibson ( <i>Director, Economic Policy from 26/11/07</i> )	90-95	-	25-30 <sup>2</sup>	-
Fran Gillon ( <i>Director, Universal Service and Customer Protection</i> )	85-90	-	75-80	-
Jenny Howard ( <i>part-time Finance Director until 30/09/08</i> )	25-30 <sup>3</sup>	-	35-40	-
Colin Sharples ( <i>Director, Resources</i> )	85-90	-	75-80	-
William Sprigge ( <i>Chief Legal Adviser</i> )	100-105	-	100-105	-
Peter Swatridge ( <i>Director, Regulatory Finance</i> )	95-100	-	90-95	-

<sup>1</sup> Full year equivalent £75-80k

<sup>2</sup> Full year equivalent £80-85k

<sup>3</sup> Full year equivalent £30-35k and includes a payment in accordance with the civil service Compulsory Early Severance (CES) scheme which is subject to a compromise agreement

For details of the remuneration of the Chief Executive please refer to the table titled "The Commission".

Tim Brown was appointed interim Director of Market Development on 8 January 2008 under a contract through a service provider. He took up the post of Chief Executive on 22 September 2008. The total cost of the interim Director of Market Development's services incurred in the financial year to 31 March 2009 was £120,450 (2007-08 £60,500).

Gavin Macrae was appointed interim Director of Market Development on 20 October 2008 under a contract through a service provider. The total cost of the interim Director of Market Development's services incurred in the financial year to 31 March 2009 was £95,558.

### Salary

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

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. None of the Commissioners or the Executive Board received benefits in kind.

### The Commission Pension Benefits

	Real increase in pension and lump sum at age 60	Total accrued pension at age 60 at 31/03/09 and related lump sum	CETV at 31/03/09	CETV** at 31/03/08	Real increase in CETV**
	£000	£000	£000	£000	£000
Nigel Stapleton ( <i>Chairman</i> )	-2.5-0	0-5	63	63	-1
Tim Brown ( <i>Chief Executive from 22/09/08</i> )	0-2.5	0-5	1	-	-
Sarah Chambers ( <i>Chief Executive until 21/09/08</i> )	-	35-40 Plus 80-85 lump sum	654	615	-
Tony Cooper *	-	-	-	-	-
Ulf Dahlsten *	-	-	-	-	-
Wanda Goldwag *	-	-	-	-	-
Stephen Littlechild *	-	-	-	-	-
Simon Prior Palmer *	-	-	-	-	-
Lucy Scott-Moncrieff (from 01/09/08) *	-	-	-	-	-

\* These Commissioners do not receive any pension benefits.

\*\* CETV: Cash Equivalent Transfer Value. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

**Executive Board****Pension Benefits**

	Real increase in pension and lump sum at age 60	Total accrued pension at age 60 at 31/03/09 and related lump sum	CETV at 31/03/09	CETV at 31/03/08*	Real increase in CETV
	£000	£000	£000	£000	£000
Denise Bagge ( <i>Director, Network, Communication and International Affairs until 07/12/08</i> )	-	20-25 plus 60-65 lump sum	342	339	-
Stephen Gibson ( <i>Director, Economic Policy</i> )	0-2.5	0-5	7	7	-
Fran Gillon ( <i>Director, Universal Service and Customer Protection</i> )	0-2.5	30-35	425	395	-
Jenny Howard ( <i>Finance Director until 30/09/08</i> )	0-2.5	0-5	9	6	2
Colin Sharples ( <i>Director, Resources</i> )	0-2.5	0-5	40	28	7
William Sprigge ( <i>Chief Legal Adviser</i> )	0-2.5 plus 0-2.5 lump sum	20-25 plus 60-65 lump sum	471	438	2
Peter Swatridge ( <i>Director, Regulatory Finance</i> )	0-2.5 plus 2.5-5 lump sum	5-10 plus 20-25 lump sum	110	84	18

\* CETV: Cash Equivalent Transfer Value. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

**Commissioners' Pensions**

The Chairman's pension is by analogy with the Principal Civil Service Pension Scheme. Unlike the PCSPS a pension provision is included in the accounts (see Note 16). The Chief Executive is a civil servant and his arrangements are set out above. The remaining Commissioners do not receive any pension benefits.

**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 who joined from October 2002 could 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 per cent of pensionable earnings for **classic** and 3.5 per cent 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 for service before 1 October 2002 worked out 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 per cent of their pensionable earnings in that scheme year and, immediately after the scheme year end, 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 per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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](http://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 buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

**Tim Brown**  
Accounting Officer

8 July 2009



---

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, Postcomm is required to prepare resource 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 resources by Postcomm during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Postcomm at the year-end and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Chief Executive as Postcomm's Accounting Officer with responsibility for preparing Postcomm's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the resource accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by the Treasury and, in particular, to:

- observe all relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the financial statements on a going concern basis.

The relevant responsibilities of the Accounting Officer (including his responsibility for the propriety and regularity of public finances for which an Accounting Officer is answerable, for the keeping of proper records and for safeguarding Postcomm's assets) are set out in Managing Public Money published by the Treasury.

---

## Statement on Internal Control

### 1 Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Postcomm's policies, aims and objectives, whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

Postcomm is a non-ministerial government department set up by the Postal Services Act 2000, under the sponsorship of the Department for Business, Innovation and Skills.

### 2 The Purpose of the System of Internal Control

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 Postcomm's 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 was in place in Postcomm for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3 Capacity to Handle Risk

The Chief Executive and the Programme Board provide leadership on risk management in Postcomm. The Programme Board review risk as part of the Forward Work Plan (FWP) cycle and they comprise the key 'risk owners' for strategic risks, as well as for those projects that they directly manage.

Postcomm's Programme Board provides decision-making and risk resolution for Postcomm as a whole and is responsible for all risks within Postcomm, not just those relating to projects and programmes. Postcomm's Risk Manager is charged with identifying good and bad practice and monitoring risk mitigation activities.

Postcomm works in a project environment and risk management is an integral part of this process. All project managers receive training in project management and all staff receive training in risk management. Lessons learned from projects and programmes are collated through the Programme Office and disseminated to staff through project review meetings with the Programme Office and through the Intranet. Postcomm's Management of Risk (MoR) Framework is held within its Intranet, which is accessible to all staff.

### 4 The Risk and Control Framework

Postcomm's Management of Risk Framework and risk processes are consistent with the best practices defined in the OGC Management of Risk (MoR): Guidance for Practitioners and H M Treasury's Managing Public Money. The framework adopts the Strategic, Programmes, Projects and Operational Model that the OGC guidance contains.

Ownership of the MoR framework lies with the Chief Executive. The Risk Manager is responsible for the implementation, co-ordination and monitoring of the risk management process. Responsibility for risk management across the organisation rests with the Programme Board.

Postcomm's Management of Risk Framework sets out the principles for assessing risk to ensure that there is a clearly structured process in which likelihood and impact are considered and to facilitate monitoring of residual risk. The MoR guidance is designed to provide support to staff in the tasks involved to ensure consistency of results.

Risk appetite and tolerances are determined by the Programme Board and it is their responsibility to review this regularly.

The Risk Manager and the Programme Office assist in the facilitation of this process and hold the corporate, operational and finance risk registers centrally. The corporate risk register is reviewed as part of the business planning cycle. The Risk Manager reviews project risks to identify links between projects where the impact of one or more risks could affect others. Serious project risks are escalated as and when necessary by the Risk Manager to the Chief Executive, Programme Board or the Executive Board, depending on the proximity and severity of the risk. The Risk Manager submits a quarterly report to the Audit Committee setting out any risks have changed status, new risks identified, or risks that have closed over the period.

---

Strategic risks and their assessment is the responsibility of the Programme Board. Programme and project risks and their assessment is the responsibility of individual project managers. Operational risks, finance risks and their assessment is the responsibility of the Director, Resources.

The Corporate Risk Register is reviewed by the following Boards / Committees:

- The Programme Board or Executive Board on a rolling monthly basis;
- The Audit Committee on a six monthly basis; and
- The Commission on an annual basis.

Postcomm takes account of risks to public stakeholders through the business planning process, formal consultation, informal discussions and public meetings.

Postcomm takes information risk seriously and is committed to maintaining the confidentiality, integrity and availability of its information assets. The Department has defined its Information Risk Policy which sets out control measures for managing information risk. Implementation of this policy has ensured that the management of information risk is strategically placed within Postcomm's Operational Risk Register.

A number of policies, procedures and measures are in place to ensure all sensitive and personal data held by Postcomm is protected and secured at all times from unlawful access, modification or deletion. These controls are assessed and tested on an annual basis.

To date, there have been no recorded security incidents involving mishandled personal protected data reported to the Cabinet Office and the Information Commissioner.

## 5 Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control, which is informed by the work of the internal auditors, the Risk Manager, Commissioners 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 Executive Board and Audit Committee and a plan to address weaknesses identified through internal or external audit, and ensure continuous improvement of the system is in place.

The Commission, which meets at least 11 times a year, advises, supports and encourages Postcomm Senior Management to manage risk, by drawing on their experience. The Commission receives reports on a monthly basis as part of the Executive Board Report.

Postcomm's Programme Board monitors progress on all projects and takes action as necessary to ensure delivery of Postcomm's business plan objectives.

The Internal auditors have reviewed the Risk Management arrangements at Postcomm as part of the 2008-09 internal audit plan. The report presented to the Audit Committee in January 2009 gave substantial assurance on the adequacy of controls and contained no recommended management actions.

The Hooper Report, published in December 2008, contains a recommendation that the responsibility for the regulation of postal services transfer to Ofcom. As a result of this recommendation further developments were made to the internal control environment during Q4;

- A review of lessons learned from previous transfers has been undertaken
- Risk assessments have been produced for Operational, Finance, Policy and Business as Usual transition.
- The Audit Committee has increased the frequency of their meetings from quarterly to monthly.

No significant internal control problems have arisen during the financial year, and up to the signing of the accounts.

**Tim Brown**  
Accounting Officer  
8 July 2009

---

## 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 Postal Services Commission for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives 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 Accounting Officer and auditor

The Accounting Officer is 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 Management Commentary and the Sustainability Report, 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 Department 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 Department'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 Department'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 Introduction and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department'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 Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, net operating costs by departmental strategic objectives, 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 Management Commentary and the Sustainability Report included within the Annual Report, is consistent with the financial statements.

### Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

13 July 2009

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2008-09

	2008-09			2007-08			Net total outturn compared with estimate: saving/ (excess) £000	Prior-year Outturn £000
	Estimate			Outturn				
	Gross expenditure £000	A in A £000	NET TOTAL £000	Gross expenditure £000	A in A £000	NET TOTAL £000		
Request for Resources 1								
Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition (Note 2)	10,253	(10,250)	3	9,729	(9,728)	1	2	1
<b>Total resources</b>	<b>10,253</b>	<b>(10,250)</b>	<b>3</b>	<b>9,729</b>	<b>(9,728)</b>	<b>1</b>	<b>2</b>	<b>1</b>
Non-operating cost A in A	-	-	-	-	-	-	-	-

#### Net Cash Requirement 2008-09

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving	Prior year outturn
Net cash requirement	4	1,833	809	1,024	196

#### Summary of income payable to the Consolidated Fund.

(In addition to appropriations in aid, the following income relates to Postcomm and is payable to the Consolidated Fund (cash receipts being shown in italics and figures in £000s))

	Note	Forecast 2008-09		Outturn 2008-09	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
Cash surrenderable to the Consolidated Fund	5	-	-	496	<i>10,116</i>

Explanations of variances between Estimate and Outturn are given in Note 2 and the Management Commentary.

The notes on pages 25 to 40 form part of these accounts

## Operating Cost Statement for the year ended 31 March 2009

	Note	2008-09		2007-08	
		£000	£000	£000	£000
<b>Administration costs</b>					
<b>Request for resources:</b>					
Staff costs	9	4,530		4,368	
Other costs	10	<u>5,199</u>		<u>4,791</u>	
<b>Gross administration costs</b>			<b>9,729</b>		<b>9,159</b>
Income	8		<u>(9,728)</u>		<u>(9,158)</u>
<b>Net operating costs</b>	3a		<u><b>1</b></u>		<u><b>1</b></u>

All income and expenditure is derived from continuing operations.

## Statement of Recognised Gains and Losses for the year ended 31 March 2009

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Net operating cost	1	1
Gain relating to pension provision	<u>(8)</u>	<u>-</u>
<b>Recognised (gain)/loss for the financial year</b>	<b>(7)</b>	<b>1</b>

The notes on pages 25 to 40 form part of these accounts.

## Balance Sheet

### as at 31 March 2009

	Note	31 March 2009		31 March 2008	
		£000	£000	£000	£000
<b>Fixed assets:</b>					
Tangible assets	11	403		867	
Intangible assets	12	166		116	
			<b>569</b>		<b>983</b>
<b>Current assets:</b>					
Debtors	13	361		9,845	
Cash at bank and in hand	14	496		1,305	
		<u>857</u>		<u>11,150</u>	
Creditors (amounts falling due within one year)	15	<u>(1,851)</u>		<u>(13,374)</u>	
<b>Net current liabilities</b>			<b><u>(994)</u></b>		<b><u>(2,224)</u></b>
<b>Total assets less current liabilities</b>			<b><u>(425)</u></b>		<b><u>(1,241)</u></b>
<hr/>					
Pension liabilities	16		<u>(147)</u>		<u>(154)</u>
<b>Total net liabilities</b>			<b><u>(572)</u></b>		<b><u>(1,395)</u></b>
<b>Taxpayers' equity:</b>					
General fund	17		(706)		(1,539)
Revaluation reserve	18		134		144
			<u>(572)</u>		<u>(1,395)</u>

Tim Brown  
Accounting Officer

8 July 2009

The notes on pages 25 to 40 form part of these accounts.



---

## Cash Flow Statement

### for the year ended 31 March 2009

---

		2008-09	2007-08
		£000	£000
	Note		
Net cash (outflow)/inflow from operating activities	19a	(666)	197
Capital expenditure and financial investment	19b,19c	(143)	(392)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5	9,620	-
Payments of amounts due to the Consolidated Fund		(9,620)	(1,688)
Financing	19d	<u>-</u>	<u>1,500</u>
(Decrease) in cash in the period	19e	<u>(809)</u>	<u>(383)</u>

The notes on pages 25 to 40 form part of these accounts.

---

## Statement of Net Operating Costs by Departmental Strategic Objectives for the year ended 31 March 2009

---

Objective	2008-09			2007-08		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition	9,729	(9,728)	1	9,159	(9,158)	1
<b>Net operating cost</b>	<b>9,729</b>	<b>(9,728)</b>	<b>1</b>	<b>9,159</b>	<b>(9,158)</b>	<b>1</b>

The notes on pages 25 to 40 form part of these accounts.

## Notes to the departmental resource accounts

### 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2008-09 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.

In addition to the primary statements prepared under UK GAAP, the FReM also requires Postcomm to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Net Operating Costs by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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 Postcomm for the purpose of giving a true and fair view has been selected. The Department'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.

#### 1.2 Tangible fixed assets

Postcomm does not own any land or buildings.

As permitted by the FReM, tangible fixed assets are not revalued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current value as this realistically reflects consumption of the asset. Revaluations would not cause a material difference to the carrying value of fixed assets.

The minimum level for capitalisation of a tangible fixed asset is £1,000. An assessment is also made as to whether this misses certain groups of assets. If a group, which is materially relevant, is identified, those assets will be grouped and included in the asset register as one asset.

#### 1.3 Depreciation

Depreciation is provided at rates calculated to write off the valuation of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Office equipment	5 years
Computer equipment	3 years
Furniture and fittings	10 years
Leasehold improvements	Life of the lease

Postcomm depreciates capitalised leasehold improvement costs over their expected tenure of the building.

#### 1.4 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £1,000 or more is incurred. As permitted by the FReM, intangible fixed assets are not revalued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current value as this realistically reflects consumption of the asset. Revaluations would not cause a material difference to the carrying value of fixed assets. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

#### 1.5 Stocks

The full cost of stock purchases is charged in the year of purchase and is not material to the Account.

---

## 1.6 Operating income

Operating income is income that relates directly to the operating activities of Postcomm. It comprises principally the licence fee from Royal Mail Group plc (see Notes 6 and 8).

Postcomm's policy is to implement full cost recovery to comply with the Treasury Fees and Charges guide. Since all costs are recovered via the licence fees, and these are invoiced in advance based on estimated costs, any over recovery is treated as deferred income within Creditors and any under recovery as accrued income within Debtors.

## 1.7 Administration and programme expenditure

The Operating Cost Statement only contains administration costs. The classification of expenditure and income as administration follows the definition of administration costs set by HM Treasury.

## 1.8 Capital charge

A charge, reflecting the cost of capital utilised by Postcomm, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, 3.5 per cent for 2008-09, on the average carrying amount of all assets less liabilities, except for:

- cash balances with the Office of Paymaster General where the credit is nil, and
- liabilities for amounts to be surrendered to the Consolidated Fund, where the charge is nil.

## 1.9 Foreign exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction.

## 1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Postcomm's former and current Chairmen have a separate pension arrangement that is broadly analogous with the PCSPS. The arrangements provide for a defined benefit, unfunded scheme. However, unlike the PCSPS, a pension liability is included in the accounts as required under FRS17.

## 1.11 VAT

Most of the activities of Postcomm are outside the scope of 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 VAT is recoverable, the amounts are stated net of VAT.

## 1.12 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals which fairly reflects usage. Future payments, disclosed at Note 21, "Commitments under operating leases", are not discounted.

## 1.13 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, Postcomm discloses for parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote.

---

These comprise:

- Items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to the Department entering into the arrangement;
- All items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

### **1.14 Costs for Postwatch**

Under the Postal Services Act 2000, Postcomm has a fee collection responsibility for Postwatch, the independent consumer representative. Monies are collected and directly paid over to BIS in respect of the costs of Postwatch, including its abolition, the creation and costs of the new consumer body Consumer Focus and certain service expansion costs of Consumer Direct.

### **1.15 Provisions**

Postcomm makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, Postcomm discounts general provisions to its present value using a discount rate of 2.2 per cent, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount and restate liabilities to current price levels.

### **1.16 The Statement of Parliamentary Supply and the Statement of Net Operating Costs by Departmental Strategic Objectives**

The information contained in the Statement of Parliamentary Supply and associated notes is based on the Request for Resources information that will form part of parliamentary approval processes.

The Statement of Net Operating Costs by Departmental Strategic Objectives has been prepared from the underlying books and records.

### **1.17 Going Concern**

The balance sheet at 31 March 2009 shows a negative taxpayers equity of £0.573m. This reflects the inclusion of liabilities falling due in the following year, which are due to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply approved by Parliament, to meet Postcomm's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from Postcomm's income are surrenderable to the Fund.

In common with other government departments, the future financing of Postcomm's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for 2009-10 has already been given and there is no reason to believe the future approvals will not be forthcoming.

On December 16 2008 the Independent Review of the Postal Services Sector in the UK (the Hooper Review) published its findings and recommendations. Government accepted the recommendations of the Hooper Review in full and the Postal Services Bill 2009 was introduced in the House of Lords in February this year. The Bill intended to transfer the regulatory function for postal services to Ofcom, where they could sit within the wider communications and fulfilment market, and the subsequent abolition of Postcomm at some point in the 2009-10 financial year. Following an announcement by the Secretary of State for Business in the House of Lords on July 2 2009, the progress of the Bill was put on hold while the economic climate made it impossible to find a strategic partner that would give value to the taxpayer. The Secretary of State also announced the regulation of the postal industry will remain with Postcomm.

## 2. Analysis of net resource outturn by function

	2008-09					Estimate		2007-08
	Outturn			A in A	Net total	Net Total	Net total outturn compared with Estimate	Prior-year outturn
	Admin	Other current	Gross resource expenditure					
£000	£000	£000	£000	£000	£000	£000	£000	
<b>Request for Resources 1</b> Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition	9,729	-	9,729	(9,728)	1	3	2	1
<b>Resource outturn</b>	9,729	-	9,729	(9,728)	1	3	2	1

The underspend in the gross resource expenditure is due to the impact of the Hooper report upon the organisation's work plan. A fuller explanation can be found in the Management Commentary.

## 3. Reconciliation of Outturn to net operating cost and against Administration Budget

### 3(a) Reconciliation of net resource outturn to net operating cost

	Note			2008-09	2007-08
		Outturn	Estimate	£000	£000
Net Resource Outturn	2	1	3	2	-
Prior period adjustments		-	-	-	-
Non supply income (Consolidated Fund Extra Receipts (CFERs))	6	-	-	-	-
Non supply expenditure		-	-	-	-
<b>Net operating cost</b>		1	3	2	-

**3(b) Outturn against final Administration Budget**

	2008-09		2007-08	
	£000	£000	£000	£000
	Budget	Outturn	Budget	Outturn
Gross Administration Budget	10,253	9,729	9,968	9,159
Income allowable against the Administration Budget	(10,250)	(9,728)	(9,967)	(9,158)
Net outturn against the Administration Budget	3	1	1	1

**4. Reconciliation of resources to net cash requirement**

	Note	Estimate	Outturn	Net total outturn compared with estimate: saving/ (excess)
		£000	£000	£000
<b>Resource Outturn</b>	2	3	1	2
Capital:				
• Acquisition of fixed assets	11,12	150	143	7
Non-operating Appropriations in Aid (A in A):				
• Proceeds of fixed asset disposals	7	-	-	-
Accruals adjustments:				
• Non-cash items	10	(540)	(572)	32
• Changes in working capital other than cash		2,220	1,230	990
• Changes in creditors falling due after more than one year		-	-	-
• Use of provision	16	-	7	(7)
Excess cash receipts surrenderable to the Consolidated Fund	5	-	-	-
<b>Net cash requirement</b>		<b>1,833</b>	<b>809</b>	<b>1,024</b>

The variance in the net cash requirement is mainly due to the decrease in creditors.

## 5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to Postcomm and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2008-09		Outturn 2008-09	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts - excess A in A		-	-	-	-
Other operating income and receipts not classified as A in A		-	-	-	-
Non operating income and receipts not classified as A in A		-	-	-	9,620
Supply issued and not spent	14	-	-	496	496
<b>Total income payable to the Consolidated Fund</b>		-	-	<b>496</b>	<b>10,116</b>

The £9.620m relates to the payment of a financial penalty by Royal Mail imposed in 2007-08 relating to a failure by Royal Mail to protect adequately the mail in its care. The income was recorded in the 2007-08 accounts.

## 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09 £000	2007-08 £000
Operating Income	8	9,728	9,158
Income authorised to be appropriated in aid		(9,728)	(9,158)
<b>Operating Income payable to the Consolidated Fund</b>		<b>-</b>	<b>-</b>

## 7. Non-operating income – Excess A in A

	2008-09 £000	2007-08 £000
Proceeds on disposal of fixed assets	-	-
Allowable A in A	-	-
<b>Excess A in A</b>	<b>-</b>	<b>-</b>

## 8. Income

	2008-09 £000	2007-08 £000
Licence fees	9,628	9,158
Other Income	100	-
Miscellaneous CFERS	-	-
<b>Total</b>	<b>9,728</b>	<b>9,158</b>



## 9. Staff numbers and related costs

### Staff costs comprise

	2008-09			2007-08
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and salaries	3,331	243	<b>3,574</b>	<b>3,411</b>
Social security costs	320	-	<b>320</b>	<b>308</b>
Other pension costs	636	-	<b>636</b>	<b>622</b>
Other staff costs	-	-	-	<b>27</b>
<b>Total</b>				<b>4,368</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs*</b>	<b>4,287</b>	<b>243</b>	<b>4,530</b>	<b>4,368</b>

\* Of the total no charge has been made to capital

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

For 2008-09, employers' contributions of £622,609 were payable to the PCSPS (2007-08 £607,242) at one of four rates in the range 17.1 to 25.5 per cent (2007-08 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. The contribution rates reflect benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £13,200 (2007-08 £13,690) 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, employer contributions of £456 (2007-08 £335), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

### Average number of persons employed

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

Objective	2008-09		2007-08	
	Permanently employed staff	Other non permanent staff	Total	Total
Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition	62.9	2.8	<b>65.7</b>	<b>65.6</b>
<b>Total</b>	<b>62.9</b>	<b>2.8</b>	<b>65.7</b>	<b>65.6</b>

<b>10. Other administration costs</b>			
		<b>2008-09</b>	<b>2007-08</b>
	Note	£000	£000
<b>Rental under operating leases:</b>			
Hire of office equipment		8	21
Other operating leases		235	225
		<u>243</u>	<u>246</u>
<b>Non-cash items (see below):</b>			
Auditors' remuneration and expenses <sup>1</sup>		41	36
Depreciation	11, 12	339	252
Loss on disposal of fixed assets	11, 12	218	3
Cost of capital credit	17	(34)	(49)
Provision provided in year	16	8	7
		<u>572</u>	<u>249</u>
<b>Other expenditure:</b>			
Consultants costs		2,847	2,495
Learning and development		162	184
Building costs		234	236
IT services		347	348
Human resources		217	299
Office supplies		156	258
Contracted out services		146	102
Publicity		71	121
Information		47	28
Special payments		-	40
Utilities		48	41
Other		12	10
		<u>4,287</u>	<u>4,162</u>
Travel and subsistence		79	103
Hospitality		18	31
		<u>97</u>	<u>134</u>
<b>Total</b>		<u><b>5,199</b></u>	<u><b>4,791</b></u>

<sup>1</sup> There was no auditor remuneration for non-audit work.

Reconciliation of Operating Costs to Operating cashflows in the Cashflow Statement and the Statement of Parliamentary Supply

	<b>2008-09</b>	<b>2007-08</b>
	£000	£000
Other administration costs – non-cash items (as above)	<u>572</u>	<u>249</u>
<b>Total non-cash transactions</b>	<u><b>572</b></u>	<u><b>249</b></u>

**11. Tangible fixed assets**

	Leasehold improvements	Office equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 1 April 2008	1,771	105	599	409	2,884
Additions	-	-	18	-	18
Disposals	(721)	-	(92)	(72)	(885)
<b>At 31 March 2009</b>	<b>1,050</b>	<b>105</b>	<b>525</b>	<b>337</b>	<b>2,017</b>
<b>Depreciation</b>					
At 1 April 2008	1,420	59	314	224	2,017
Charged in year	72	18	132	42	264
Disposals	(555)	-	(88)	(24)	(667)
<b>At 31 March 2009</b>	<b>937</b>	<b>77</b>	<b>358</b>	<b>242</b>	<b>1,614</b>
<b>Net book value</b>					
<b>At 31 March 2009</b>	<b>113</b>	<b>28</b>	<b>167</b>	<b>95</b>	<b>403</b>
<b>Net book value</b>					
<b>At 31 March 2008</b>	<b>351</b>	<b>46</b>	<b>285</b>	<b>185</b>	<b>867</b>
<b>Asset financing:</b>					
Owned	113	28	167	95	403
<b>Net book value</b>					
<b>At 31 March 2009</b>	<b>113</b>	<b>28</b>	<b>167</b>	<b>95</b>	<b>403</b>

**12. Intangible fixed assets**

	Software
	£000
<b>Cost or valuation</b>	
At 1 April 2008	321
Additions	125
Disposals	-
<b>At 31 March 2009</b>	<b>446</b>
<b>Depreciation</b>	
At 1 April 2008	205
Charged in year	75
Disposals	-
<b>At 31 March 2009</b>	<b>280</b>
<b>Net book value</b>	
<b>At 31 March 2009</b>	<b>166</b>
<b>Net book value</b>	
<b>At 31 March 2008</b>	<b>116</b>

<b>Asset financing:</b>	
Owned	166
<b>Net book value</b>	
<b>At 31 March 2009</b>	<u>166</u>

<b>13. Debtors</b>		
<b>13(a) Analysis by type</b>		
	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors – excluding items that relate to Consolidated Fund Extra Receipts	-	1
Trade debtors – including items that relate to Consolidated Fund Extra Receipts	-	9,620
Deposits and advances	17	23
Prepayments and accrued income	165	28
HM Revenue and Customs (VAT)	179	173
	<u>361</u>	<u>9,845</u>

Deposits and advances include loans outstanding of £14,589 (2007-08 £17,567) which relates to season ticket loans for 13 employees.

<b>13(b) Intra-government balances</b>		
	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year
	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	279	-
Balances with local authorities	-	-
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	82	-
<b>At 31 March 2009</b>	<u>361</u>	<u>-</u>
Balances with other central government bodies	173	-
Balances with local authorities	-	-
Balances with public corporations and trading funds	9,620	-
Balances with bodies external to government	52	-
<b>At 31 March 2008</b>	<u>9,845</u>	<u>-</u>

<b>14. Cash at bank and in hand</b>		
	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Balance at 1 April	1,305	1,688
Net change in cash balances:	(809)	(383)
<b>Balance at 31 March</b>	<u>496</u>	<u>1,305</u>

The following balances at 31 March are held at:

Office of HM Paymaster General	494	1,303
Commercial banks and cash in hand	2	2
<b>Balance at 31 March</b>	<b>496</b>	<b>1,305</b>

## 15. Creditors

### 15(a) Analysis by type

	<b>2008-09</b>	<b>2007-08</b>
	£000	£000
<b>Amounts falling due within one year:</b>		
Taxation and social security creditor	129	147
Trade creditors	320	576
Other creditors	-	59
Staff creditors	196	174
Deferred licence fees	385	1,029
Accruals	325	464
Excess cash	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	496	1,305
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:	-	-
received	-	-
receivable	-	9,620
	<b>1,851</b>	<b>13,374</b>

### 15(b) Intra-government balances

	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000
Balances with other central government bodies	661	-
Balances with local authorities	-	-
Balances with public corporations and trading funds	386	-
Balances with bodies external to government	804	-
<b>At 31 March 2009</b>	<b>1,851</b>	<b>-</b>
Balances with other central government bodies	11,160	-
Balances with local authorities	-	-
Balances with public corporations and trading funds	1,029	-
Balances with bodies external to government	1,185	-
<b>At 31 March 2008</b>	<b>13,374</b>	<b>-</b>

<b>16 Pension liabilities</b>		
	<b>2008-09</b>	<b>2007-08</b>
	£000	£000
<b>Provision at 1 April</b>	154	154
Current service cost	-	-
Employee contributions	-	-
Interest cost	8	7
Overnight charge	-	-
Actuarial gain	(8)	-
Less benefits paid	(7)	(7)
<b>Provision at 31 March</b>	<b>147</b>	<b>154</b>
Net movement in year (excluding actuarial gain)	1	-
History of experience losses		
	<b>2008-09</b>	<b>2007-08</b>
	£000	£000
Experience (gains)/losses arising on the schemes liabilities	5	-
Amount recognised as a percentage of present value of scheme liabilities	3.3%	-
Total amount recognised in statement of total recognised gains and losses	(8)	-
Percentage of present value of the scheme liabilities	5.4%	-

The pensions provision is in respect of the unfunded pension liabilities which fall to Postcomm for the past and current Chairmen. The pension provision is unfunded, with the benefits being paid as they fall due and guaranteed by Postcomm. There is no fund, and therefore no surplus or deficit. Actuarial advice has been sought to ensure that the provision is set at a realistic level.

An actuarial valuation was carried out by the Government Actuary's Department (GAD) at 31 March 2009. The major assumptions used by the actuary were:-

	At 31 March 2009	At 31 March 2008
	% (per annum)	% (per annum)
Inflation assumption	2.75	2.75
Rate of increase in salaries	4.3	4.3
Investment return in excess of price increases	3.2	2.5
Rate of increase for pensions in payment and deferred pensions	2.75	2.75

#### Analysis of Actuarial Loss

	<b>2008-09</b>	<b>2007-08</b>	<b>2006-07</b>
	£000	£000	£000
Changes in assumptions underlying the present value of scheme liabilities	(13)	-	21
Experience gains/(losses) arising on the scheme liabilities	5	-	(14)
Per statement of recognised gains and losses	(8)	-	7

From 31 March 2009, the discount rate for pension scheme liabilities changed from 2.5 per cent to 3.2 per cent. This rate is reflected in the valuation of the pension scheme liability as at 31 March 2009.

**17. General fund**

	<b>2008-09</b>		<b>2007-08</b>	
	£000	£000	£000	£000
<b>Balance at 1 April</b>		(1,539)		(1,737)
Net Parliamentary Funding:				
Draw Down	-		1,500	
Deemed Supply	1,305		-	
		1,305		1,500
Net transfer from operating activities				
Net operating cost		(1)		(1)
CFERS repayable to Consolidated Fund				
CFERS paid to Consolidated Fund			-	
CFERS miscellaneous			-	
Supply issued not spent			-	
Excess cash				
Supply issued not spent	(496)		(1,305)	
		(496)		(1,305)
Non-cash charges:				
Cost of capital	(34)		(49)	
Auditor's remuneration	41		36	
		7		(13)
Transfer from revaluation reserve		10		17
Actuarial gain relating to pension liabilities		8		-
<b>Balance at 31 March</b>		<b>(706)</b>		<b>(1,539)</b>

**18. Revaluation reserve**

	<b>2008-09</b>	<b>2007-08</b>
	£000	£000
<b>Balance at 1 April</b>	144	161
Arising on revaluation during the year	-	-
Transferred in relation to backlog depreciation	-	-
Transferred to general fund in respect of realised element of the revaluation reserve	(10)	(17)
<b>Balance at 31 March</b>	<b>134</b>	<b>144</b>

The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of tangible fixed assets.

## 19. Notes to the Cash Flow Statement

### 19(a) Reconciliation of operating cost to operating cash flows

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
<b>Net operating cost</b>	3a	(1)	(1)
Adjustments for non-cash transactions	10	572	249
Decrease/(Increase) in Debtors	13	9,484	(9,690)
<i>Less movements in debtors relating to items not passing through the OCS</i>	13	(9,620)	9,620
(Decrease)/Increase in Creditors	15	(11,523)	9,263
<i>Less movements in creditors relating to items not passing through the OCS</i>	15	10,429	(9,237)
Use of provisions	16	(7)	(7)
<b>Net cash inflow from operating activities</b>		<b>(666)</b>	<b>197</b>

### 19(b) Analysis of capital expenditure and financial investment

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
Tangible fixed asset additions	11	18	280
Intangible fixed asset additions	12	125	109
Movement in creditors for fixed assets	11	-	3
<b>Net cash outflow from investing activities</b>		<b>143</b>	<b>392</b>

### 19(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure	Loans, etc.	A-in-A	Net total
	£000	£000	£000	£000
<b>Request for resources 1</b>				
Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition	143	-	-	143
<b>Total 2008-09</b>	<b>143</b>	<b>-</b>	<b>-</b>	<b>143</b>
<b>Total 2007-08</b>	<b>392</b>	<b>-</b>	<b>-</b>	<b>392</b>

### 19(d) Analysis of financing

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
From the Consolidated Fund (Supply) - current year	17	-	1,500
From the Consolidated Fund (Supply) - prior year	17	-	-
Advances from the Contingency Fund		3,200	3,500
Repayments to the Contingency Fund		(3,200)	(3,500)
<b>Net financing</b>		<b>-</b>	<b>1,500</b>



**19(e) Reconciliation of Net Cash Requirement to (decrease)/increase in cash**

		<u>2008-09</u>	<u>2007-08</u>
	Note	£000	£000
Net cash requirement	4	(809)	(196)
From the Consolidated Fund (Supply) - current year	17	-	1,500
From the Consolidated Fund (Supply) - prior year	17	-	1
Amounts due to the Consolidated Fund received in prior year and paid over		-	(1,688)
Amounts due to the Consolidated Fund received and not paid over			
Excess cash	15	-	-
Amounts collected in year <sup>1</sup>		11,649	8,629
Amounts paid over in year <sup>1</sup>		(11,649)	(8,629)
Amounts collected in year <sup>2</sup>		9,620	-
Amounts paid over in year <sup>2</sup>		(9,620)	-
<b>Decrease in cash</b>		<b>(809)</b>	<b>(383)</b>

<sup>1</sup>. Amounts received from Royal Mail and paid over to the Department relate to Postwatch costs. In 2008-09 these amounts received from Royal Mail were in respect of the costs of Postwatch, including its abolition, the creation and costs of the new consumer body Consumer Focus and certain service expansion costs of Consumer Direct.

<sup>2</sup>. Amounts received from Royal Mail and paid over to the Consolidated Fund relate to the financial penalty in respect of its obligations to protect the mail.

**20. Capital commitments**

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made.	-	-

**21. Commitments under leases****Operating leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<u>2008-09</u>	<u>2007-08</u>
	£000	£000
<b>Obligation under operating leases comprise:</b>		
Land and buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	156	-
Expiry thereafter	-	235
	<u>156</u>	<u>235</u>
Other:		
Expiry within 1 year	-	1
Expiry after 1 year but not more than 5 years	8	6
Expiry thereafter	-	-
	<u>8</u>	<u>7</u>

---

**22. Other financial commitments**

---

Postcomm had not entered into any non-cancellable contracts (which are not operating leases) as at 31 March 2009.

---

**23. Contingent liabilities disclosed under FRS 12**

---

In 2001-02 the Department of Trade and Industry (now BIS) laid a Minute before Parliament notifying them of a proposed indemnity to the members of the Postal Services Commission. The indemnity means that the Commissioners would be indemnified against civil liability arising from their work in regulating the UK postal market, so long as they acted honestly, in good faith and without recklessness. It is not possible to quantify a figure for the potential liability, but if the liability is called, then provision for any payment will be sought through the normal Supply procedure.

From time to time Postcomm will be subject to legal challenge and judicial review of decisions made in the normal course of its business as regulator of the postal industry. Legal judgements could give rise to liabilities for legal costs but these cannot be quantified as the outcome of current proceedings would be unknown and there is therefore considerable uncertainty as to the nature and extent of any subsequent liability.

As at 31 March 2009 there were no contingent liabilities requiring disclosure.

---

**24. Financial instruments**

---

As the cash requirements of Postcomm are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with Postcomm's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

---

**25. Related Party Transactions**

---

None of the Senior Management Team, key managerial staff or other related parties have undertaken any material transactions with the Postal Services Commission during the year.

Postcomm collected £11.649m from Royal Mail Group, on behalf of BIS in respect of the costs of Postwatch, including its abolition, the creation of the new consumer body Consumer Focus and certain service expansion costs of Consumer Direct. This was remitted directly to the Department.

Postcomm is a tenant of the Central Office of Information, and receives financial and payroll services from Ofgem. Expenditure in year was £767,814 (2007-08 £529,647) to COI and £69,057 (2007-08 £65,565) to Ofgem. An amount of £6,497 (2007-08 £6,419) was owing to Ofgem at the year end and is included in the figure for creditors.

---

**26. Post balance sheet events**

---

There were no reportable post balance sheet events between the balance sheet date and the date when the accounts were certified. The financial statements do not reflect events after this date.



information & publishing solutions

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

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

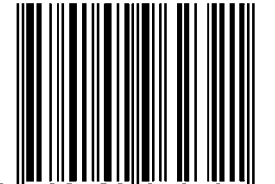
**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-296232-1



9 780102 962321