

THE
PENSIONS
ADVISORY SERVICE

Annual Report and Accounts
for the year ending 31 March 2016

The Pensions Advisory Service
(A company limited by guarantee)
Registered no. 02459671

The Pensions Advisory Service

Annual Report and Accounts for the year ending 31 March 2016

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

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Company Information

Registered number:	02459671
Directors:	Chair Museji Ahmed Takolia CBE 1 February 2016
	Interim Chair Geoff Shanks From 19 January 2015 to 31 January 2016
	Chief Executive and Accounting Officer Michelle Cracknell
	Non-Executive Directors Baroness Drake of Shene CBE Alan Woods Geoff Shanks Ann Harris From 1 August 2015 Colleen Keck From 1 August 2015 Colette Bewley Up to 31 July 2015 Tilly Ross Up to 31 July 2015
Registered office:	11 Belgrave Road Victoria London SW1V 1RB
Auditors:	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP
Bankers:	Lloyds Bank Plc National Clubs and Charities Centre Sedgemoor House Dean Gate Avenue Taunton TA1 2UF

Strategic Report

Overview The Pensions Advisory Service helps people with their pension questions and issues by providing professional, independent and impartial guidance. We are the delivery partner for the telephone element of the Pension Wise service.

We deliver our information and guidance service through a variety of channels including telephone, web chat, written and online enquiries, outreach events and our website. We also resolve disputes involving public or private pension schemes or policies. We share our customer insight with Government and industry in order to inform the future development of pensions.

Our service is free to the public. It is delivered by in-house pension specialists and a nationwide network of volunteer advisers who have typically worked in the pensions industry in roles that have required a high level of technical knowledge. We are an independent organisation that is funded by the Department for Work and Pensions (DWP); the funding is ultimately recouped from the General Levy raised on occupational and personal pension schemes by the Secretary of State, Department for Work and Pensions. We also received a grant from HM Treasury to deliver the telephony channel of Pension Wise.

The Pensions Advisory Service was founded in 1983 as a company limited by guarantee, registered in England and Wales, company number 02459671. It became an executive non-departmental public body in 2006. Our heritage, operating model and reputation puts us in a unique position to serve the public, the Government and the pensions industry.

- Our staff and volunteers have a high level of pension technical knowledge; pensions are very long term saving products and have a legacy of many special terms and historic legislation. It is only possible to provide correct information and guidance to people where there is deep expertise.
- We offer independent and impartial information and guidance and dispute resolution services, which are essential to give the public the ability to make the most of their retirement savings.
- We have customer insight from the enquiries and disputes that we handle that can help the Government and industry develop pension products and services that better meet customer needs.

Our strategic objectives are:

- to be the primary source of impartial pensions guidance and insight;
- to increase awareness of our services so that more people are better informed on pensions;
- to deliver our services more effectively and efficiently;
- to develop our technical and communication skills to reach and serve our target audience; and
- to grow our volunteering culture by recruiting, retaining and recognising volunteers.

The public financial guidance review published in March 2016 acknowledged the need for a public service that helps people with their pensions and recognises the special requirements of pension guidance. The Department for Work and Pensions proposed forming the new single organisation that will deliver pensions guidance from April 2018. It is intended that our current services will be moved into the new organisation.

Performance analysis

The Pensions Advisory Service is delighted to report another successful year, 2015-2016. We achieved our strategic aim to serve more customers, increasing from 103,136 direct customers to nearly 178,000 and having over 2.7 million customers visiting our website. The split between channels is shown below.

Activity	Actual 2014/15	Target 2015/16	Actual 2015/16	Increase YoY %
Calls handled	71,394	72,000	103,056	44%
Web chats	13,915	15,000	24,514	76%
Enquiries received	12,768	11,960	26,560	108%
1st party complaints	2,452	2,400	2,757	12%
Dispute cases received	2,607	2,550	2,744	5%
Total for Core	103,136	103,910	159,631	55%
PW appointments			18,316	
Total for TPAS	103,136	103,910	177,947	72%
Volunteers	401	420	403	
Website visits	1,416,439	2,000,000	2,739,481	93%

In 2015-2016, the growth in The Pensions Advisory Service's direct customer contact on core business grew by a further 55% on 2014-2015 levels and by 72% on overall business; core business and Pension Wise telephone appointments. As a result of this growth, April, May, July 2015 and February, March 2016 were periods where we did not meet our performance targets on core business. Despite the huge growth in customer volumes, we are pleased to report that our performance this year 2015-2016 exceeded our performance in the previous year 2014-2015.

	2014/15	2015/16	improvement	%
Helpline				
95% of helpline calls answered in 30 sec	71%	74%		4%
99% of helpline calls answered in 60 sec	78%	80%		3%
Less than 10% abandoned calls	10%	9%		10%
Written Work				
90% enquiries cleared in 5 working days	28%	50%		79%
99% enquiries cleared in 9 working days	65%	71%		9%
Dispute casework cleared within 6 mths	74%	78%		5%
Dispute casework cleared within 12 mths	92%	96%		4%
Satisfaction with the service				
Handling of dispute cases	85%	84%		(1%)
Handling written questions	65%	n/a		¹⁻
Handling helpline calls	97%	97%		No change

We achieved the performance in 2015-2016 by careful management of resources to ensure that we had maximum capacity at peak times. We also used other techniques to manage the volatility in demand, such as streaming calls to different helplines, encouraging and enforcing the use of call back functionality and focusing resources on real time services i.e. the telephony channel and web chat. The impact of focusing on real time services is that it increased the time to clear the written work. This delay was partially mitigated through the overtime work that was carried out at the start of the year (from the previous year high demand) and in the final quarter. The high volumes were further exacerbated by the average length and increasing complexity of queries. With resources being so stretched, we have been carefully monitoring quality to ensure that this does not suffer.

In order that we deliver the best customer service that we can with our resources, we have developed a dynamic set of key performance indicators that set or vary the targets based on whether the demand is high, medium or low. Using these targets, four months of 2015-2016 would have been defined as receiving high demand levels for helpline and webchat use, eight months as high volume for enquiries, seven months as medium for helpline calls and web chats and four months as medium for enquiries. Only one month was classed as being of "low" volume and this related to helpline and web chat demand in December. This level of demand puts into context the performance achievement. We plan to do more work with these targets to drive the best customer service that we can deliver.

Value for money

Our cost per direct customer (i.e. excluding customers to our website) was £36 in 2015-2016 (£2.20 per customer if website visits are included) compared with £34 in 2014-2015 (£2.33 per customer if website visits are included). The rise in cost was due to the additional resource taken on to deal with the unknown demand at the start of the year, when the pension freedoms were introduced.

¹ Due to low volumes of returns in 2014/15 for this type of case it was decided that we would seek feedback through other channels

We continue to operate with the same key fundamentals, which is to deliver pension expertise at low cost. We have long held the view and can evidence that it is necessary to have experience and expertise, if the help provided to customers is to add value. As well as highly skilled and qualified staff, we benefit from over 400 volunteers. Not only does this make us extremely cost effective but it gives us strength by the breadth of our knowledge.



Museji Takolia CBE

Chair



Michelle Cracknell

Chief Executive

30 June 2016

Accountability Report

Corporate governance report

This report sets out the composition and organisation of our governance structures and how they support the achievement of our objectives.

Statement of Directors' Responsibilities

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

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

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

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

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

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

Signed on behalf of the Board by:



Michelle Cracknell

Accounting Officer

30 June 2016

Directors' report The Directors present their report and the audited financial statements for the year ended 31 March 2016. The list of Directors is shown at the front of this document on page 4.

We are funded by grant-in-aid from DWP out of a share of the general pension levy raised by DWP's Secretary of State. For the delivery of Pension Wise services, we received £2,887,814 (2014/15: £1,246,790) from HM Treasury under a grant agreement. Our only other form of income is bank interest so our ability to meet contractual obligations is dependent on the continued receipt of the grants.

Our total cost of administration was £3,526,637 (2014/15: £3,458,578). This excludes capital expenditure amounting to £165,717 (2014/15: £119,642) as well as HM Treasury grant funding for Pension Wise. Changes in the level of creditors, fixed and intangible assets simply reflect the level of financial activity during the year and timing differences.

We adhere to Government standards for settling accounts. We aim to pay all properly authorised invoices in accordance with the terms of the relevant contract or, in any event, within 10 days. Our average creditor payment period at 31 March 2016 was 5 days (2014/15: 6 days).

We have Errors & Omissions insurance for our core business. The indemnity limit is £5 million in aggregate, including costs. HM Treasury has undertaken to cover this risk in respect of Pension Wise so no commercial insurance has been put in place for this service.

The statement of our financial position at 31 March 2016 shows net assets of £969,293 (2014/15: £681,471). Our future financing will be met by grant-in-aid from DWP, as The Pensions Advisory Service's sponsoring department. Pension Wise funding is agreed to 31 March 2017. The Government has announced its intention to form a single pension guidance organisation, that will start to deliver services sometime on or after April 2018. We assume that the current funding arrangements will remain in place until that time. Accordingly, we have adopted the going concern basis for the preparation of these financial statements.

The Government Resources and Accounts Act (Audit of non-profit making companies) Order 2009 appointed the Comptroller and Auditor General to audit the accounts of The Pensions Advisory Service. The order applies to accounts prepared for the financial years commencing on, or after 1 April 2008 and the Comptroller and Auditor General therefore audited these accounts for the year ended 31 March 2016.

Fees due to the NAO are £21,000 (2014/15: £21,000) for external audit work. Under the Government Resources and Accounts Act 2000 (Audit of non-profit making companies) Order 2009, the accounts must be laid before Parliament by a Minister of the Crown.

As far as we are aware, there is no relevant information of which our auditors are not aware. We have all taken the prescribed steps to make ourselves aware of any relevant audit information and to establish that the auditors are also aware of that information.

**Statement of
Accounting
Officer's
responsibilities**

The Framework Document between The Pensions Advisory Service and The Department for Work and Pensions requires The Pensions Advisory Service to publish an annual report of its activities together with its audited accounts after the end of each financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of The Pensions Advisory Service and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer must ensure that the accounts are prepared on an accruals basis and give a true and fair view of the state of affairs of The Pensions Advisory Service and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year. The Accounting Officer is also required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Work and Pensions, including 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Work and Pensions has designated the Chief Executive as Accounting Officer of The Pensions Advisory Service. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding The Pensions Advisory Service's assets, are set out in the Non-Departmental Public Bodies Accounting Officers Memorandum and in Managing Public Money issued by the Treasury.

**Governance
statement**

As a company limited by guarantee, we are governed in accordance with our Memorandum and Articles of Association. Subject to the Articles, we are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company. As a non-departmental public body (NDPB), we are accountable to the Department for Work and Pensions (DWP) for the use of our resources and our performance. The relationship is set out in a Framework Document.

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of our objectives and complies with the Framework Document including safeguarding public funds for which we operate in accordance with the responsibilities set out in "Managing Public Money".

The Directors are responsible for our strategic direction and for monitoring the performance of the Chief Executive and the Senior Management Team (SMT). The Board currently comprises five non-executive Directors, the Chair and the Chief Executive.

During the financial year, there were a number of Board membership changes. Museji Ahmed Takolia CBE joined The Pensions Advisory Service on 1 February 2016 following a period when Geoff Shanks chaired the Board in an interim capacity. Tilly Ross and Colette Bewley, appointed in August 2010, completed their term at the end of July 2015 and the two new non-executive directors were appointed in August 2015 to replace them. Board members have a wide range of management skills and specialist experience in and out of the pensions sector.

All Directors are required to complete a register of interests. A register of Board members' business interests is published on The Pensions Advisory Service website at:

<http://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/Boards-Declaration-of-interests.pdf>

The Board has two sub-committees:

- Audit and Risk Management Committee (ARC), with three non-executive members, reviews the completeness, reliability and integrity of the risk and assurance framework and advises the Accounting Officer and the Board. The Chief Executive and representatives of the DWP, internal auditors and National Audit Office (NAO) attend all meetings of the Committee.
- Remuneration and Appointments Committee, with two non-executive members, determines pay and related matters, reviews performance appraisal frameworks and assists in the recruitment of senior staff, as well as monitoring equality and other staff-related policies.

The Board's responsibilities are to:

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

The Board meets six times a year. The attendance records for the Directors for the year ending 31 March 2016 are set out below:

Board Members	Board	Audit and Risk Management Committee	Remuneration and Appointments Committee
Number of meetings²	7	4	3
Museji Takolia	2 of 2	–	–
Geoff Shanks ³	7	4	2
Alan Woods	7	–	3
Baroness Drake of Shene	7	4	–
Ann Harris	5 of 5	2 of 2	–
Colleen Keck	4 of 5	–	1 of 1
Colette Bewley	2 of 2	–	–
Tilly Ross	2 of 2	2 of 2	–
Michelle Cracknell	7	4	3

We held additional meetings to discuss the Corporate Plan and arrangements relating to the Pension Wise service grant agreement with HM Treasury and our future direction. The Chair and Interim Chair had meetings with HM Treasury, DWP Ministers and senior civil servants. In addition to testing the Executive's capacity and capability to deliver this service successfully, we took advice on key legal matters. The final decision to enter into formal obligations for delivering the service was only taken after considering customers' interests, The Pensions Advisory Service's operational readiness, legal risk, appropriate indemnities, the strategic opportunity, the probability of success and the long-term interests of The Pensions Advisory Service, including its business as usual services.

The Board and the Audit and Risk Management Committee rely on multiple sources of assurance that the organisation is being well managed towards the achievement of its objectives and that appropriate controls are in place and working. These are:

- management reporting and key performance indicators, together with robust enquiry and discussion at Board meetings;
- detailed policies and operating procedures being delivered by capable, well-qualified senior managers;
- regular consideration of the strategic and operational risks which The Pensions Advisory Service faces;
- advice from the Audit & Risk Management Committee;

² Ann Harris and Colleen Keck joined the Board part way during the financial year and the maximum number of meetings they could have attended was 5 for the Board, 2 for the Audit and Risk Management Committee and 1 for the Remuneration and Appointments Committee.

³ Geoff Shanks also only attended the Remuneration and Appointments Committee for specific items on the Chief Executive's objectives and not as a member of the Committee. He also attended the Audit and Risk Management Committee meetings in an observer capacity following his appointment as Interim Chair.

- a programme of Internal Audit; and
- external Audit by the National Audit Office.

In its annual report to the Board, the Audit and Risk Committee stated that it is satisfied that our approach to risk and control is generally sound and is proportionate to its limited resources and the potential risks it faces.

Internal Audit produced five reports during the year. The financial controls audit was rated as providing substantial assurance and the other reports were rated as providing reasonable assurance. The independent internal audit contractor's annual report opinion was that, "The Pensions Advisory Service has adequate and effective management, control and governance processes to manage the achievement of its objectives". The external audit of the annual report and accounts did not identify any significant deficiencies or weaknesses, and The Pensions Advisory Service received a "clean" audit opinion.

The Pensions Advisory Service applies the principles set out in HM Treasury's Orange Book (Management of Risk – Principles and Concepts) as far as possible in putting in place systems for identifying and managing risks and setting a risk appetite. The framework does not set out to eliminate risk but to manage risks to an acceptable level and seize opportunities to deliver The Pensions Advisory Service's objectives. The Board members consider and decide on the strategic risks. The Chief Executive and Senior Management Team are responsible for assessing, monitoring and mitigating all operational risks, assisted by the Audit and Risk Management Committee.

During the year we reviewed and revised our whistleblowing procedures to align them with the most recent Civil Service guidance. We encourage 'whistleblowing' within the organisation to help us put things right if they are going wrong and have publicised our procedures to staff and volunteer advisers.

We regularly review our data protection obligations and security measures under the supervision of the Audit and Risk Management Committee and we complete the DWP's annual information security assessment. We have policies and procedures in place appropriate to our organisation to manage the risks inherent in the business model. We comply with the Government's Security Policy Framework as far as it applies to small NDPBs and the latest end of year review led by DWP, indicates that we have implemented all significant actions arising from the last review. No information security breaches were reported.

The Accounting Officer and the Board consider that The Pensions Advisory Service complies with those aspects of the Code of Good Practice for Corporate Governance in central government departments that are relevant to it as a non-departmental public body.

During 2015/16 the Board undertook to build on the effectiveness review that was discussed at the May 2015 Board meeting by taking a number of follow-up actions. The first one was a Board strategy day facilitated by KPMG, which explored how the Board would effectively lead a number of changes that The Pensions Advisory Service is undergoing in the short and medium term. Following that key managers from DWP, the Board and the Senior Management team held a session focused on good practice

in governance and accountability in Arms-Length Bodies and how we effectively work with the department. Since the new Chair was appointed in February 2016, he held two sessions with Board members to discuss Board performance. During the year the Board also implemented a buddy scheme with the Heads of Service to provide mentoring and support.

Remuneration and staff report

All our appointments are made on merit on the basis of fair and open competition. The Pensions Advisory Service Chair is appointed by DWP Ministers. The Board recommends, following open competition, the appointment of a Chief Executive and other Board members for the Secretary of State's approval. The remuneration of Board members and the Chief Executive is set by the Department for Work and Pensions.

The following tables provide details of the remuneration and pension interests of The Pensions Advisory Service's Chair and Non-Executive Board members. The information in these tables has been subject to audit.

Board Member	Date appointed/ Reappointed	2015/2016 Salary £'000	2014/2015 Salary £'000	Unexpired term of contract	Notice period ⁴
Museji Takolia CBE	1/02/2016	5-10	–	3y10m	3 months
Geoff Shanks	1/08/2014	25-30	15-20	1y4m	3 months
Baroness Drake	1/08/2014	5-10	0-5	1y4m	3 months
Alan Woods	1/08/2014	5-10	0-5	1y4m	3 months
Ann Harris	1/08/2015	0-5	–	2y4m	3 months
Colleen Keck	1/08/2015	0-5	–	2y4m	3 months
Colette Bewley	1/08/2010	0-5	0-5	N/A	N/A
Tilly Ross	1/08/2010	0-5	0-5	N/A	N/A

The Chair and Non-executive directors do not receive pension benefits or any benefits in kind. Out of pocket expenses including travel to meetings are reimbursed.

The only Executive Board member is the Chief Executive, whose targets fall under the remit of the Remuneration and Appointments Committee. Other staff targets are approved by the Chief Executive. The following section provides details of the remuneration, pension interests and notice periods of the Chief Executive. The information in this table has been subject to audit.

⁴ The appointment may be terminated early if the post of non-executive director of TPAS ceases to exist.

Chief Executive	Salary banding £'000		Performance Award band £'000		Pension Benefits £'000		Total £'000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Michelle Cracknell	95-100	95-100	0-5	0-5	–	–	100-105	100-105
Band of highest paid Executive's remuneration	95-100	95-100						
Staff remuneration range	20-100	20-100						
Median (£)							30,000	31,236
Ratio							3.5	3.4 ⁵

Notes:

1. The Executive above was not entitled to any benefits in kind.
2. Michelle Cracknell was reappointed on 1 October 2014 for a three-year contract. The unexpired term of contract is therefore 1 year and 6 months and her notice period is 3 months. Performance awards are based on performance levels attained and are made as part of the appraisal process. They relate to the performance in the year in which they become payable to the individual. The Pensions Advisory Service' performance is covered in the Strategic Report.

Executive Pension Arrangements

Michelle Cracknell is a member of the PCSPS stakeholder scheme and hence there is no CETV calculation. The Pensions Advisory Service contributed £17,125 (2014/15: £16,300) and she contributed £2,400 (2014/15: £2,400) to the scheme during 2015/16.

Further details of pension scheme and contribution rates made in respect of all staff during the year can be found in Note 13 in the Notes to the Accounts. The information in this table has been subject to audit.

Staff Report

The following table sets out average fulltime equivalent staff numbers and costs by pay band.

Band	Total		Permanent		Secondees		Contract
	No.	£000	No.	£000	No.	£000	£000
Corporate Support Officers	4	213	4	106	–	–	107
Business Support Officers	5	210	5	188	–	–	22
Corporate Service Managers	2	125	2	92	–	–	33
Business Managers	8	375	7	368	1	0	7
Assistant Technical Specialists	39	1,390	39	1,362	–	–	28
Technical Specialists	30	1,545	30	1,477	–	–	68
Heads of Service	4	378	3	269	1	109	–
Total	92	4,236	90	3,862	2	109	265

The table above excludes the Chief Executive and Board members.

In addition to staff, The Pensions Advisory Service also benefitted from 403 volunteers working across its core frontline services.

⁵ This figure has been restated to include the performance award element.

The following table sets out the composition of staff.

Category	Female	Male	Total
Directors ⁶	1	0	1
Senior Managers	2	2	4
Staff	28	60	88

Staff Policies Throughout our recruitment and selection process, we value diversity in our workplace. We carry out monitoring throughout the full recruitment campaign, and will assist any candidate where it is notified to us or requested from us.

We support all staff while they are employed by The Pensions Advisory Service. All staff have access to a range of learning and development programmes and initiatives and are expected to maintain high levels of expertise. All staff have access to an employee assistance programme as well as occupational health and workplace assessments where appropriate.

Expenditure on Consultancy Expenditure on consultancy was around £179,000 during 2015-2016 largely for setting up the Pension Wise service.

Off-payroll Engagements During 2015/16 there was only one off-payroll engagement that ended on 31 May 2015 for a six month period.

Sickness Absence The average number of days for all sickness per member of staff in 2015/16 was 3.4 compared with 5.83 in 2014/15. Our average compares favourably to the levels of staff sickness in the civil service, where the average is 7.6 days and in the rest of the public sector where the rate is around 8.7 days.

Exit Packages There were no exit packages.



Michelle Cracknell

Accounting Officer

30 June 2016

⁶ Not including non-executive directors

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

I certify that I have audited the financial statements of The Pensions Advisory Service Ltd for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its deficit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

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

Date 30 June 2016

Statement of Comprehensive Net Expenditure

For the Year Ended 31 March 2016

	Note	2015/16 £	2014/15 £
Administration expenditure	2	(3,526,637)	(3,458,578)
Automatic enrolment expenditure	2	-	(90,046)
Pension Wise expenditure	2	(2,876,582)	(1,038,641)
Automatic enrolment income		-	90,046
Pension Wise income		2,887,814	1,246,790
Other Income		75	10
Operating deficit		(3,515,330)	(3,250,419)
Interest receivable		190	226
Deficit before taxation		(3,515,140)	(3,250,193)
Taxation	7	(38)	(45)
Deficit for the year		(3,515,178)	(3,250,238)

This deficit is funded by grant-in-aid from DWP of £3,803,000 (2014/15: £3,600,000) which, as it is a contribution from a controlling party, is treated as financing.

Other Comprehensive Expenditure

There was no other comprehensive expenditure.

All activities were continuing throughout the year.

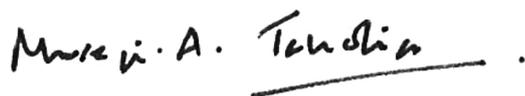
The notes on pages 24 to 36 form part of these financial statements.

Statement of Financial Position

As at 31 March 2016

	Note	31 March 2016 £	31 March 2015 £
Non-current assets			
Intangible assets	8	158,690	189,463
Property, plant and equipment	9	339,307	294,408
Total non-current assets		497,997	483,871
Current assets			
Trade and other receivables	10	317,643	253,338
Cash and cash equivalents	11	571,712	316,060
Total current assets		889,355	569,398
Total assets		1,387,352	1,053,269
Current liabilities			
Trade and other payables	12	(418,059)	(371,798)
Total liabilities		(418,059)	(371,798)
Assets less liabilities		969,293	681,471
Reserves			
General reserve		961,041	673,219
Revaluation reserve		8,252	8,252
		969,293	681,471

The notes on pages 24 to 36 form part of these financial statements. The financial statements were approved and authorised for issue by the Board and signed on its behalf by:



Museji Takolia CBE

Chair



Michelle Cracknell

Chief Executive

30 June 2016

Statement of Cash Flows

For the Year Ended 31 March 2016

	Note	2015/16 £	2014/15 £
Cash flows from operating activities			
Operating deficit		(3,515,330)	(3,250,419)
Depreciation and amortisation	8,9	162,823	127,481
Increase in trade and other receivables	10	(64,305)	(69,298)
Increase in trade and other payables	12	46,261	121,627
Interest received		190	226
Taxation	7	(38)	(45)
Net cash outflow from operating activities		<u>(3,370,399)</u>	<u>(3,070,428)</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and computer software	8,9	(176,949)	(327,791)
Net cash outflow from investing activities		<u>(176,949)</u>	<u>(327,791)</u>
Cash flows from financing activities			
Grant-in-aid received from DWP		3,803,000	3,600,000
Net cash inflow from financing activities		<u>3,803,000</u>	<u>3,600,000</u>
Net increase in cash and cash equivalents during the period		255,652	201,781
Cash and cash equivalents brought forward	11	316,060	114,279
Cash and cash equivalents carried forward	11	<u>571,712</u>	<u>316,060</u>

The notes on pages 24 to 36 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

For the Year Ended 31 March 2016

	Revaluation Reserve £	General Reserve £	Total Reserves £
Balance at 31 March 2014	8,252	323,457	331,709
Changes in taxpayers' equity for 2014/15			
Deficit for the year	–	(3,250,238)	(3,250,238)
Revaluation of intangible fixed assets	–	–	–
Total comprehensive expenditure for 2014/15	–	(3,250,238)	(3,250,238)
Grant-in-aid received from DWP	–	3,600,000	3,600,000
Balance at 31 March 2015	8,252	673,219	681,471
Changes in taxpayers' equity for 2015/16			
Deficit for the year	–	(3,515,178)	(3,515,178)
Revaluation of intangible fixed assets	–	–	–
Total comprehensive expenditure for 2015/16	–	(3,515,178)	(3,515,178)
Grant-in-aid received from DWP	–	3,803,000	3,803,000
Balance at 31 March 2016	8,252	961,041	969,293

The notes on pages 24 to 36 form part of these financial statements.

Notes to the Accounts

For the Year Ended 31 March 2016

1. Statement of Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared, on a going concern basis, in accordance with applicable International Financial Reporting Standards as adopted by the EU, the Companies Act 2006, and the accounting and disclosure requirements given in HM Treasury's Financial Reporting Manual 2015/16 ("FReM") in so far as these are consistent with the requirement of the Companies Act. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

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

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

International Financing Reporting Standards Amendments and Interpretations effective in 2015/16

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

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

1.2 Intangible Assets

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

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

Amortisation

Amortisation is charged on a straight line basis over the estimated useful life being the period of the software licences. Where an indefinite licence period has been granted, the amortisation is matched to the hardware on which the software is installed. Amortisation charges are included in Administration Expenses in the Statement of Comprehensive Net Expenditure.

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

1.3 Property, plant and equipment

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

The Pensions Advisory Service rents office space under operating leases, and does not own any land or buildings.

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

1.4 Depreciation

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

Information Technology	33% reducing balance
Furniture & Fittings	20% reducing balance
Leasehold Improvements	Over the life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end.

1.5 Programme income and expenditure

Programme income previously receivable from The Department for Work and Pensions (DWP) to fund the company's expenditure, in respect of advisory work relating to automatic enrolment for pension schemes, was included in grant-in-aid during 2015/16.

Programme income is also receivable from HM Treasury to fund the company's expenditure in respect of its Pension Wise service.

1.6 Grant-in-Aid

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

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

1.7 Financial Instruments

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

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

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

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

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

1.8 Operating Leases

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

1.9 Pension Costs

The pension charge represents the contributions made by the company to pension plans during the year. This includes any charges made to make up the company's share of deficits in schemes that The Pensions Advisory Service has participated in. Further details of the various plans are given in note 13.

1.10 Interest income

Interest income is recognised on an accruals basis.

1.11 Significant Judgements

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

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

There are no significant sources of estimation uncertainty.

1.12 General Reserve

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

1.13 Cash and Cash Equivalents

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

1.14 VAT

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

2. Deficit before taxation

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

	Note	2015/2016			2014/2015		
		Pension Wise	Other	Total	Pension Wise	Other	Total
Staff costs –							
administration		–	2,238,100	2,238,100	–	2,119,566	2,119,566
Staff costs –							
programme		2,162,723	–	2,162,723	217,759	90,046	307,805
Total staff costs	3	2,162,723	2,238,100	4,400,823	217,759	2,209,612	2,427,371
Accommodation							
costs		194,456	408,819	603,275	29,399	344,746	374,145
Travel costs		3,621	12,954	16,575	495	14,883	15,378
Office Costs		139,503	588,812	728,315	50,308	611,900	662,208
Legal and							
professional fees		121,542	57,335	178,877	7,800	115,936	123,736
Auditors’							
remuneration		2,750	18,250	21,000	–	21,000	21,000
Bank charges		69	1,139	1,208	15	530	545
Other costs –							
administration		–	101,534	101,534	–	114,763	114,763
Other costs –							
programme		187,914	–	187,914	720,176	–	720,176
Total other costs				289,448			834,939
Depreciation	9	36,375	61,140	97,515	9,221	70,782	80,003
Amortisation	8	27,629	37,680	65,309	3,467	44,011	47,478
Operating lease							
rentals		–	874	874	–	462	462
Total expenditure		2,876,582	3,526,637	6,403,219	1,038,640	3,548,625	4,587,265
Programme income –							
Automatic enrolment							(90,046)
Programme income –							
Pension Wise				(2,876,582)			(1,083,641)
Total administrative							
expenditure				3,526,637			3,458,578

Accommodation costs include £351,927 (2014-2015: £324,477) operating lease rentals under land and buildings.

All Pension Wise expenditure is programme funded and all other expenditure is administration expenditure.

Programme income for Pension Wise excludes capital expenditure of £11,232.

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

	Administrative Expenditure £	Programme Expenditure £	2015/2016 Total £	2014/2015 Total £
Wages and salaries	1,858,189	1,674,034	3,532,222	1,962,682
Social security costs	115,992	151,414	267,406	156,022
Pension costs	263,919	337,275	601,194	308,667
Total	<u>2,238,100</u>	<u>2,162,723</u>	<u>4,400,822</u>	<u>2,427,371</u>

4. Employee Information

	2015/2016	2014/2015
The average number of employees during the year	93	42
Volunteer advisers continued to provide vital assistance in the delivery of the organisation's services during 2015/16. At the end of 2015/16 we had 403 volunteer advisers (2014/15: 401).		

The increases in staff numbers and the related costs in note 3 above were due to 2015/16 being the first full year of TPAS delivering Pension Wise. Only a few staff had been recruited in 2014/15 and they were mainly recruited in the final month of that year.

5. Directors Emoluments

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

(i) Total Directors Emoluments

	2015/2016 £	2014/2015 £
Total emoluments for Executive Directors	105,000	104,583
Pension contributions	17,125	16,300
Total for Executive Directors	<u>122,125</u>	<u>120,883</u>
Total emoluments for Non-Executive Directors	<u>57,817</u>	<u>72,052</u>
Total Directors' Emoluments	<u>179,942</u>	<u>192,935</u>

Non-executive Directors were also reimbursed for travel and subsistence costs of £2,450 (2014/15: £2,287).

(ii) Highest Paid Director

The remuneration for the highest paid director was:

	2015/2016 £	2014/2015 £
Salary	105,000	104,583
Pension contributions	17,125	16,300
Total	<u>122,125</u>	<u>120,883</u>

6. Operating Segments

The Pensions Advisory Service reports two operating segments internally to management. The segmental analysis for the core service and pension wise segments is available in note 2.

7. Taxation

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

	2015/2016	2014/2015
	£	£
UK Corporation tax 20% (2014/15: 20%) on bank interest received	38	45

8. Intangible Assets

	Software Licenses
	£
Cost or valuation	
As at 1 April 2015	359,354
Additions in year	34,536
As at 31 March 2016	393,890
Amortisation	
As at 1 April 2015	169,891
Charge for the year	65,309
As at 31 March 2016	235,200
Net Book Value	
As at 31 March 2016	158,690
As at 31 March 2015	189,463

	Software Licenses £
Cost or valuation	
As at 1 April 2014	227,987
Additions in year	131,367
As at 31 March 2015	359,354
Amortisation	
As at 1 April 2014	122,413
Charge for the year	47,478
As at 31 March 2015	169,891
Net Book Value	
As at 31 March 2015	189,463
As at 31 March 2014	105,574

9. Property, Plant and Equipment

	Leasehold Improvements £	Information Technology £	Furniture & Fittings £	Total £
Cost				
As at 1 April 2015	25,872	602,064	201,229	829,165
Additions in year	–	120,826	21,587	142,413
As at 31 March 2016	25,872	722,890	222,816	971,578
Depreciation				
As at 1 April 2015	4,651	355,548	174,558	534,757
Charge for the year	3,488	85,806	8,220	97,514
As at 31 March 2016	8,139	441,354	182,778	632,271
Net Book Value				
As at 31 March 2016	17,733	281,536	40,038	339,307
As at 31 March 2015	21,221	246,516	26,671	294,408

	Leasehold Improvements £	Information Technology £	Furniture & Fittings £	Total £
Cost				
As at 1 April 2014	25,872	423,528	183,341	632,741
Additions in year	–	178,536	17,888	196,424
As at 31 March 2015	25,872	602,064	201,229	829,165
Depreciation				
As at 1 April 2014	1,453	283,634	169,667	454,754
Charge for the year	3,198	71,914	4,891	80,003
As at 31 March 2015	4,651	355,548	174,558	534,757
Net Book Value				
As at 31 March 2015	21,221	246,516	26,671	294,408
As at 31 March 2014	24,419	139,894	13,674	177,987

10. Trade and other receivables

	31 March 2016 £	31 March 2015 £
Amounts falling due within one year:		
Prepayments and accrued income	241,260	185,209
Other receivables	76,383	68,129
	317,643	253,338

There are no intra government balances.

11. Cash and cash equivalents

	2015/2016 £	2014/2015 £
Balance at 1 April	316,060	114,279
Net change in cash and cash equivalent balances	255,652	201,781
Balance at 31 March	571,712	316,060
The following balances were held at:	31 March 2016 £	31 March 2015 £
Commercial banks and cash in hand	571,712	316,060

12. Trade and other payables

	31 March 2016	31 March 2015
	£	£
Amounts falling due within one year:		
Trade payables	2,301	4,585
Taxation	38	45
Social security and other taxation	278	1,953
Accruals and deferred income	415,061	365,215
Other payables	381	–
	<u>418,059</u>	<u>371,798</u>

Included in accruals and deferred income is £153,101 (2014/15: £162,721) due to other central government bodies. There are no payables falling due after more than one year (2014/15: £nil).

13. Pension Commitments

(i) Pension Schemes

Since 1 January 2007, the company has been eligible to join the Principal Civil Service Pension Scheme (PCSPS). Existing staff had the right to remain in their existing schemes if they chose to. During 2012/13 the last member of staff in the Black Rock scheme transferred to the PCSPS.

The contributions made by the company to the PCSPS plan totalled £601,194 (2014/15: £308,667).

At the end of March 2016, 90 (2014/15: 65) The Pensions Advisory Service staff were covered by the provisions of the PCSPS, which is a defined benefit scheme. The PCSPS is an unfunded multi-employer defined benefit scheme, but The Pensions Advisory Service is unable to identify its share of underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 2012. Details can be found in the accounts of the Cabinet Office Civil Superannuation (www.civilservice-pensions.gov.uk).

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

During 2015/16 employee contributions to both the Premium and Nuvos schemes were set at rates ranging from 4.6% to 8.05% (2014/15: 3.5% to 8.85%) of pensionable earnings. The Premium scheme is a final salary scheme where benefits accrue at the rate of 1/60th of pensionable salary for each year of service. Pensions payable under Premium are increased in line with changes in the Consumer Price Index (CPI). Pension age is 60 for Premium scheme members.

Nuvos is a career average scheme in which a member builds up a pension based on pensionable earnings during the period of scheme membership. At the end of the scheme year (31 March 2016) the member's pension account is credited with 2.3% (2014/15: 2.3%) of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with CPI. Pension age is 65 for Nuvos scheme members. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

Employer contributions in both schemes range from 20% to 24.5% (2014/15: 16.7% to 24.3%) based on salary bands. The PCSPS Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015/16, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

From 1 April 2015 a new Civil Service pension scheme, Alpha was introduced. Some employees remained in Premium and Nuvos but the majority transferred to Alpha and the majority of new employees will be enrolled into Alpha. The employer contribution rates for the three schemes will be in the range of 20% to 24.5%.

Instead of the Alpha (and Nuvos up to 31 March 2016) scheme, employees can choose to open a Partnership Pension Scheme; 21 employees have opted to do so (2014/15: 11). The Partnership Pension Account is a stakeholder pension arrangement through PCSPS. The employer makes a basic contribution of between 8% and 14.75% (2014/15: 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% (2014/15: 3%) of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% (2014/15: 0.8%) of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

(ii) Outstanding or Prepaid Defined Contribution Scheme Payments

There are no outstanding or prepaid contributions in respect of defined contribution schemes (2014/15: £nil).

14. Liabilities of Members

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

15. Operating Lease Commitments

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

Land and Buildings

Obligations under operating leases comprise:–	31 March 2016 £	31 March 2015 £
Not later than one year	193,269	278,705
Later than one year and not later than five years	137,515	274,043
	<u>330,784</u>	<u>552,748</u>

The figures above relate to three operating leases in Belgrave Road. They are calculated based on the period left to the next lease break clause date which is June 2018. An element of the commitment is estimated by the lessor in advance and actual costs may vary slightly.

16. Related-Party transactions

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

The ultimate source of The Pensions Advisory Service's grant-in-aid is the pension scheme levy.

During the year, the company received grant-in-aid amounting to £3,803,000 (2014/15: £3,600,000) from DWP. The company received programme funding amounting to £nil (2014/15: £90,046) from DWP.

The company also received programme funding amounting to £2,955,821 (2014/15: £1,353,356) from HM Treasury. Of this amount £68,007 (2014/15: £106,566) has been deferred and is included within accruals and deferred income.

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

During the year, the company paid rent to HMRC amounting to £237,155 (2014/15: £167,259). At 31 March 2016 no amounts were outstanding (2014/15: £nil).

All transactions with directors are disclosed in the Directors' Emoluments Note 5. No Directors had any other transactions with The Pensions Advisory Service during the year.

17. Financial instruments and associated risks

It is, and has been, The Pensions Advisory Service's policy that no trading in financial instruments is undertaken.

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

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

18. Events after the reporting date

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

19. Grant-in-Aid from the Department for Work and Pensions

The total grant-in-aid received from the Department for Work and Pensions in 2015/16 was £3,803,000. Of that £165,717 was applied to capital expenditure leaving £3,637,283 to be applied to revenue expenditure.

20. Grant payment from HM Treasury

Total grant income from the HM Treasury in 2015/16 amounted to £2,887,814. Of that £11,232 was applied to capital expenditure leaving £2,876,582 to be applied to revenue expenditure.

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