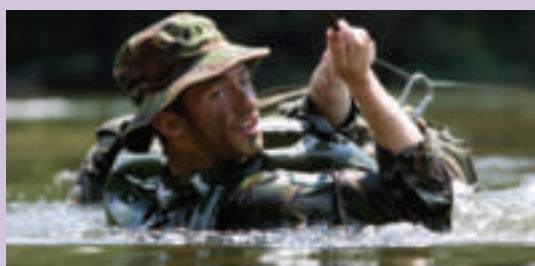


Service Personnel
& Veterans Agency
An Executive Agency of the Ministry of Defence



Annual Report and Accounts 2008/2009

Supporting Services Through Life

ANNUAL REPORT AND ACCOUNTS 2008/2009

Presented to Parliament by the Secretary of State for Defence in pursuant to section 7(2) of the Government Resources and Accounts Act 2000, together with the report of the Comptroller and Auditor General thereon.

Ordered by the House of Commons to be printed 16th July 2009

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Chief Executive's Foreword



Kathy Barnes

I am pleased to present the Annual Report and Accounts for the Service Personnel and Veterans Agency (SPVA) 2008/09. I joined the Agency as Chief Executive (CE) mid way through the year, and was immediately impressed by the progress this Agency has made since its inception. The achievements of the last twelve months, as outlined in this report, are considerable.

I am committed to providing excellent customer services, and as I have learnt more about the agency 'from the inside', I have become increasingly aware of the uniqueness of our customer base. The Agency provides services to some 821,400 serving personnel, service veterans and dependants, and I am pleased to see the improvements in all areas of customer satisfaction surveyed. Of particular note is the improvements made within the Joint Personnel Administration Centre (JPAC). Satisfaction levels have almost doubled to 55% over the last year although we have much more to do here. For example we have the opportunity in 2009 to widen the scope of the surveys to include personnel based at Service Personnel Centres (SPC), and vitally, those who have recently returned from operations, to allow us to identify how we can better meet their very specific requirements.

Our achievements in customer service were subject to external review in April 2009 when the Agency was successful in formal accreditation against the Cabinet Office's Charter Mark standard for customer service excellence. SPVA is now working towards the new Customer Service Excellence award, with the aim of becoming one of the first MoD organisations to meet the required standard.

Other notable achievements for 2008/09 include the continued provision of JPA benefits, with a significant increase in JPA changes being delivered. Veterans Services continued to provide a wide range of services, including welfare support to veterans and their dependants, working closely with in-Service welfare organisations and ex-Service Charity organisations to ensure individuals' specific welfare needs are met. The MoD Medal Office (MoDMO) has supplied all medal groups within the agreed time lines, and assisted with work to introduce a form of recognition to those who lost their lives during an operational tour of duty. The Joint Casualty and Compassionate Centre (JCCC) have again provided an excellent service to those at a time of need, in addition to historic casework which includes working on projects such as the recovery and identification of remains from the scene of the World War One Battle of Fromelles in France alongside our Australian counterparts.

Alongside the day to day business the Agency has progressed work resulting in the announcement of Ministerial approval of a preferred supplier, Electronic Data Systems Defence Ltd (EDS), for the SPVA three year interim contract which will commence in November 2009.

These successes may, on the surface, appear to be at odds with SPVA's achievements against some of its Key Targets for 2008/09. Whilst SPVA met Key Targets regarding customer satisfaction, JPA benefits and long term merger benefits, some elements within the Key Targets of pay and pensions accuracy, pensions' timeliness and clearance of written complaints were narrowly missed. Each element was brought within target during the final months of the year, demonstrating our commitment to overcome these shortfalls, and we have set Key Targets for 2009/10 that are no less challenging.

Given what we have learnt over the past year, and the commitment of our people to continually deliver the high quality of service our customers deserve, I am confident we will make the necessary changes to allow us to build on our performance and meet the high standards we have set ourselves for the future.

Kathy Barnes
Chief Executive
07 July 2009



INVESTOR IN PEOPLE

Management Commentary

Part 1 - Operating Review

Introduction

The Report and Accounts which follow cover the period 1 April 2008 to 31 March 2009 and have been prepared with the direction dated 11 December 2007 given by the Treasury and in accordance with section 7 (2) of the Government Resources and Accounts Act 2000. Its purpose is to provide a public report on SPVA's performance and results for the Financial Year 2008/09.

History

SPVA was formed as an Executive Agency of the Ministry of Defence on the merger of the Armed Forces Personnel Administration Agency (AFPAA) and the Veterans Agency (VA) on 1 April 2007.

Mission and Strategic Intent

SPVA's mission is:

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

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

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

Ownership and Accountability

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

As at 31st March 2009 the membership of the Board was:

Deputy Chief of Defence Staff (Personnel)	Vice Admiral Peter Wilkinson
CE SPVA	Mrs Kathy Barnes (Rear Admiral Trevor Spires until 30 Sep 08)
Naval Secretary	Rear Admiral Charles Montgomery
Director General Personnel (Army)	Major General A R Gregory
Chief of Staff Personnel (RAF)/Air Secretary	Air Vice Marshal Michael Lloyd (AVM Simon Bryant until 20 Mar 09)
Defence Services Secretary	Major General Matthew Sykes
Director Service Personnel (Pension Policy)	Mr Gavin Barlow (Mr Chris Baker until 31 Dec 08)
Director Financial Management	Mr Terence Jagger
Chairman Confederation of British Service and Ex-Service Organisations (COBSEO)	Air Vice Marshal Tony Stables (Retired)
NED SPVA	Ms Bronwen Curtis (Professor Helga Drummond until 31 Dec 08)

Management of the Agency

Agency Management Group (AMG)

The AMG is responsible for the management of the Agency, its performance, risks and partnering relationship. It provides the forum for business requiring joint consultation or agreement across the business.



Chief Executive
Kathy Barnes
(1)



EDS Account Director
Kevin Large



Head of Transition
Brig Robin Bacon
(2)



Head of Veterans Services
Alison Sansome



EDS Account Manager
Paul Couch



Deputy Chief Executive/
Head of Strategy &
Programmes
Cdre Ross Albon
(3) (4)



Head of Change
Air Cdre Paul Nash
(5)



Head of Military Services
Cdre Angus Ross



EDS Services Director
Lesley Grant-Pavitt



EDS Systems Director
John Killoran



EDS HR Manager
JPA Transition
Cheryl McCartney



Head of Corporate Services
Kim Humberstone
(6)



NED
Bronwen Curtis
(7)



NED
Alex Jablonowski

- (1) Prior to 1 October 2008 this post was held by Rear Admiral Trevor Spires.
- (2) Head of Transition new post from 23 September 2008.
- (3) Prior to 10 August 2008 this post was held by Brigadier Robin Bacon.
- (4) Commodore Ross Albon was appointed Deputy Chief Executive from 16 February 2009.
- (5) Prior to 1 September 2008 this post was held by Alison Sansome.
- (6) Prior to 26 August 2008 this post was held by Jackie Adams.
- (7) Bronwen Curtis succeeded Professor Helga Drummond on 1 January 2009.

Non-Executive Directors (NEDs)

The principal role of the NEDs is to offer the CE, and the Boards of which they are members, an independent view on SPVA strategy and performance. Bronwen Curtis is a member of the AMG, the OAB, the Agency Executive Board (AEB) and the SPVA Audit Committee (AC). Alex Jablonowski is a member of the AMG and AEB, and also chairs the AC. Margaret Savage is a member of the AC (see page 21).

Agency Executive Board (AEB)

The AEB is responsible for the direction and governance of the MoD components of the Agency: it complements the role of the AMG. The AEB membership during the year 2008/09 was as follows:

CE	Mrs Kathy Barnes (Rear Admiral Trevor Spires until 30 September 2008)
DCE/ Head of Strategy & Programmes (HS&P)	Commodore Ross Albon (Brigadier Robin Bacon HS&P until 10 August 2008)
Head of Military Services (HMS)	Commodore Angus Ross
Head of Veterans Services (HVS)	Alison Sansome
Head of Transition (HT)	Brigadier Robin Bacon (New post from 23 September 2008)
Head of Change (H Ch)	Air Commodore Paul Nash (Alison Sansome until 31 August 2008)
Head of Corporate Services (HCS)	Kim Humberstone (Jackie Adams until 25 August 2008)
Deputy Head Finance & Corporate Governance (DH Fin&CG)	David Allen
NEDS	Bronwen Curtis & Alex Jablonowski

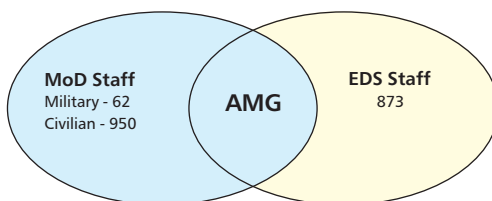
During the year none of the Directors held company directorships or other significant interests which may conflict with their management responsibilities.

Agency Sites

During 2008/09 SPVA operated from four main sites at Gosport, Glasgow, Innsworth and Norcross as well as welfare offices and the Ilford Park Polish Home (IPPH). The Agency will deliver services from these sites for the foreseeable future following the Ministerial decision in May 2008 to continue operating from the Innsworth site.

Staff Numbers

As at 31st March 2009 the number of staff in full-time equivalent terms was:



Customers

The SPVA has a customer base of approximately 821,400 people. The tables below show the breakdown in respect of serving personnel, ex-serving personnel and their dependants. In supporting this large customer base, the Agency administers £13.9 billion of public funds annually.

Volumes of payments and records maintained at 31st March 2009

Activity	Volume
Pay records of Regular Services personnel	205,000
Records of Reserve personnel and Cadet Instructors	55,000
Pensions records of Regular Service, Gurkha and Locally Enlisted personnel including dependants (maintained by Xafinity Paymaster Ltd)	371,500
War Disablement Pensions	157,100
War Widows Pensions	32,800
Total	821,400

Expenditure on pay, allowances and pensions in 2008/09 (in £ billions)

Activity	£ Billion
RN Pay & Allowances	1.9
Army Pay & Allowances	4.9
RAF Pay & Allowances	2.2
Other Pay & Allowances	0.4
Armed Forces Pension Scheme	3.4
Armed Forces Compensation Scheme	0.1
War Pensions	1.0
Total	13.9

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

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

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

Customer Satisfaction Surveys

Joint Personnel Administration (JPA) Customer Satisfaction Survey

Since the introduction of the first on-line Customer Satisfaction Survey for self service and Human Resource (HR) Professional JPA users in November 2007, a further two surveys have been completed in 2008. The survey of November 2008 generated responses totalling 3,221 from both military and civilians, compared to 2,303 in the survey of June 2008. Another improvement has been the addition of the Reservist community in the responses. Analysis of the responses shows improvements in the perception of the JPA system and service. Amongst the self service population, satisfaction with SPVA services has increased from 81% in May 2008 to 85% in November 2008. For the HR Professional population, satisfaction has increased from 68% to 74%, giving a consolidated result of 80%. On pay accuracy, 77% of self service users believed that they had received the correct amount of pay, allowances and charges, compared with 74% in May 2008. Reported levels of satisfaction with the service provided by the JPAC have nearly doubled with an improvement from 28% in November 2007 to 55% in November 2008.



Delegates at first SPVA Staff Conference

The survey is a very useful tool that helps SPVA to understand the views of its customers and where appropriate to take action to address issues. The current survey sample of 5,000 gives very high confidence that the customer satisfaction results are statistically valid and accurate to +/- 2%. However, future sample sizes may be altered to ensure coverage across the Armed Forces and that particular population groups are polled, without causing survey fatigue. As an example, the May 2009 survey will also incorporate the views of personnel based at SPCs as well as those who have recently returned from operations.

Veterans' Surveys

A review of veterans' surveys is being undertaken during the summer of 2009, in consultation with Veterans' organisations and relevant SPVA staff.

Corporate Customer Surveys

Annually Key Partners of SPVA are interviewed by HS&P and the EDS Customer Services Manager. The Key Partners include the Service Focal Points, Permanent Joint Headquarters, Service Personnel Policy Pensions, Service Personnel Policy Pay and Manning, Defence Analytical Services Agency (DASA), COBSEO, War Widows Association and the War Pensions Committee. Satisfaction with SPVA in terms of service delivery, customer focus, business knowledge and communications has increased amongst Key Partners from 68.2% in 2008 to 73.9% in 2009. Satisfaction amongst Veterans' Partners has increased from 88.3% to 95%.

Achievement of Charter Mark

In November 2007 the Agency was successful in meeting the Cabinet Office's Charter Mark standard for customer service excellence. The external assessment body (Centre for Assessment Ltd) undertook a formal surveillance review of the Agency's ongoing achievement of the standard in April 2009 which was again successful.

Charter Mark has been replaced by Customer Service Excellence which the Agency intends to take forward over the next financial year.

Management Commentary

Part 2 - Performance Review

Performance Against 2008/09 Key Targets

The Agency Management Group has used a monthly Balanced Scorecard (BSC) to help it manage all aspects of the business and has ensured that a robust risk management structure is in place to allow it to manage key business risks. Performance is reported quarterly to the Agency Owner, DCDS (Pers). During 2008/2009, the Agency narrowly missed elements within four Key Targets: Key Target 1 for pay accuracy (by 0.1%), Key Target 2 for pensions timeliness (War Pensions clearance times by 7 working days), Key Target 3 for war pensions accuracy (by 0.83%) and Key Target 4 for clearance of written complaints by in-Service personnel within 20 working days (by 0.75%). Each of these elements had been brought back within target for the final months of the year. 12 other performance measures for Key Targets 1 to 4 were met as were Key Targets 5 and 6. Two of three elements of Key Target 7 were achieved, with the third element recorded as not proven.

The following performance table covers the period since the formation of the Agency on 1 April 2007. Not all Key Targets are directly comparable year to year. Where there are differences an explanation can be found in the table footnotes.

Key Target	2007-08		2008-09	
	Target	Performance	Target	Performance
Key Target 1 - To deliver Service Pay (Timeliness and Accuracy)				
To make a % of all pay payments by the due date.	99.9%	99.9%	99.9%	99.9%
A % of all Service pay to be 100% accurate (including errors caused by inaccurate external inputs). ¹	99.5%	99.49%	98%	97.9%
Key Target 2 – To meet all three sub-targets for Pensions and Compensation timeliness				
Armed Forces Pension Scheme – to make a % of all Service pension payments (including new awards) by the due date.	99.0%	99.97%	99.3%	99.99%
Armed Forces Compensation Scheme – to make a % of all decisions (and resultant payments) within y working days of receipt of medical records, policy and legal advice, except for high priority cases ² where a % will be cleared within y working days of receipt of required medical reports, policy and legal advice.	Average clearance time 49 WDs	Average clearance time 52.75 WDs	98% of all decisions within 40 WDs	99.6% of all decisions within 40 WDs
	-	-	95% of all high priority decisions within 20 WDs	97.8% of all high priority decisions within 20 WDs
War Pension Scheme – to clear claims for War Pensions within x working days average clearance time (including x days average clearance time for Widows' pensions).	Average clearance time 49 WDs	Average clearance time 52.75 WDs	WPS Average clearance time 50 WDs	WPS Average clearance time 57.36 WDs
	-	-	War Widows Pensions average 19 WDs	War Widows Pensions average 17 WDs

¹ The metric used to measure accuracy monitors those elements of the end to end pay process that falls within SPVA's control and, as such, does not represent the accuracy of the complete, end to end process. Specifically, it assumes a correct record of service, which is used to inform the pay calculation software (accuracy within 2% of net pay for 2007/08, no tolerance allowable for 2008/09).

² Priority cases are Death in Service and cases likely to result in Tariff level 1-8 awards.

Key Target 3 – To meet all three sub-targets for Pensions and Compensation accuracy.				
To deliver a % of all Service pensions accurately.	99.9%	99.99%	99.9%	99.99%
To deliver a % of Compensation Claims accurately.	99.3%	99.86%	99.5%	100%
To deliver a % of War Pensions accurately.	99.3%	99.86%	99.5%	98.7%
Key Target 4 – To meet all three sub-targets in relation to the provision of timely and quality responses to customer enquiries and written complaints.				
A % of in-Service helpline (non-IT) queries cleared on first call.	75%	86.73%	80%	86.63%
A % of calls to be answered within 90 seconds and a further % within 20 seconds.	90% in 90 seconds 50% in 20 seconds	Average 95.88% ³	95% in 90 seconds 50% in 20 seconds	96.9% in 90 seconds 87.5% in 20 seconds
A % of complaints closed within 10 working days, a further % within 20 working days and 100% within 90 working days.	95% within 20 WDs 100% within 90 WDs	Average 91% ⁴	60% in 10 WDs 95% in 20 WDs 100% in 90 WDs	73.61% in 10 WDs 94.25% in 20 WDs 100% in 90 WDs
Key Target 5 – To meet approved targets for customer satisfaction.				
To develop systems to collect data to enable customer satisfaction targets to be developed in 2008/09.	31 Mar 08	Achieved	-	-
To achieve an overall customer satisfaction of 75 % satisfied or very satisfied.	-	-	75% satisfied or very satisfied	83% satisfied or very satisfied
Key Target 6 – To deliver the benefits of JPA.				
To deliver JPA efficiencies in line with the benefits identified in the approved business case for JPA.	£25M	£19.1M	-	-
Achieve JPA Target Cost savings.	-	-	JPA target cost	Achieved
Key Target 7 – To deliver the long term benefits of merger between the Armed Forces Personnel Administration Agency and the Veterans Agency.				
Implement baseline structures and processes for an integrated pensions organisation.	Mar 08	Achieved	-	-
Produce medium to longer term integrated IT and telephone strategy.	Mar 08	Achieved	-	-
Implement structures and processes for integrated support functions.	Mar 08	Achieved	-	-
Achievement of £2.5M savings in real terms over 2006/07 costs.	-	-	£2.5M	Not proven
Implementation of structure and processes for integrated pension organisation.	-	-	Mar 09	Achieved
Implementation of initial recommendations of the IS/IT study.	-	-	Mar 09	Achieved

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

⁴ Whilst there were two performance indicators, the Agency measured time taken to answer as an average of both.

Military Services

Service Delivery

Despite a rise in customer satisfaction levels for accuracy and timeliness of payments, the absence of a material tolerance threshold to Key Target 1 left it exposed to third party attributable errors of high volume but low monetary value which accounted for 54% of the total failure rate during this financial year. Specific incidents of this occurrence primarily relate to the arbitrary application of beneficiary bank charges against 'in theatre' accounts impacting a monthly pay-roll population of approximately 3,500. To mitigate against future recurrence, SPVA identified a solution with a business partner from the commercial banking sector which successfully removed the imposition of these service charges. Notwithstanding collective best endeavours, this was not implemented until February 2009 by which point these accuracy errors had significantly contributed to Key Target 1 failing by January 2009.

However to put this error into context, SPVA successfully disbursed £9.4 billion (gross), £5.6 billion (net) pay and allowance payments to its customers, 99.987% being paid on time with an accuracy rate of 97.893%.

Enquiry Centre

The Agency's first point of contact is usually the Enquiry Centre, known as the JPAC by serving personnel. Its performance is measured against Key Target 4 and over the course of this financial year, the EC received an average of 55,313 calls per month, successfully answering 54,250 (98.08%) of that total. Achievement for first Call resolution was 86.63% against a target of 80%. Overall there has been a significant improvement with increased levels of customer satisfaction reported across the JPAC function from 28% in Nov 07 to 55% in Nov 08. Whilst this is a recognisable achievement, there remains room for improvement but it should also be noted that the number of self-service personnel contacting the JPAC is steadily reducing.

Other improvements include tactical enhancements to management information data availability and performance, a simplification of the i-Expense process and further promotion of the JPA self help products available to the user community.

Data Security

As a result of the theft/loss of Hard Drives from the Innsworth site, the Agency has introduced a number of control measures, including new policies and software. The Agency is committed to safeguarding the personal data it holds on behalf of its customers and using, processing, storing and distributing it in accordance with the provisions of the Data Protection Act, JSP440, Government Data Handling Reviews, the Information Assurance Maturity Model and working to ensure that Information Handling procedures become fully embedded in all processing. Whilst the MoD Police investigation into the Hard Drive incident failed to ascertain the circumstances of the theft/loss, the Agency has now started incorporating the recommendations of the Burton and Hannigan reviews into government data handling. Measures in place include a fully managed system which prevents the unauthorised transfer of data; a Data Flow Control Register which captures all the information flowing out from the Agency and the methods by which it is transmitted and content inspection of all emails crossing our boundaries to ensure compliance with the Acceptable Use Policy and Security Operations. Having completed the first stage of the Information Assurance Framework and Information Assurance Maturity Matrix, we are now identifying and developing further measures to enhance the security of SPVA. Details of the data security losses are shown in the table on page 35.

MoD Medal Office

The MoD Medal Office is the sole authority for the delivery of United Kingdom medals, and is responsible for the integrity of the medal system.

Over the course of the past year the MoD Medal Office has received, and actioned, 63,000 medal applications. This represents a slight down-turn from 70,000 last year, which is indicative of three major factors: the end of Op BANNER caused the cessation of the General Service Medal for Northern Ireland; the increase in numbers of Service personnel serving on second and subsequent operational tours of duty who do not qualify for a further medal; and a down-turn for World War II medals reflecting the demographics of this ageing population.

All medal groups are now being delivered within Service Level Agreed time lines and most current operational medals are delivered to unit peacetime locations in time for those returning from their operational tours of duty. The data held by JPA has become more mature and consequently more accurate. This is particularly so for the move and track details of the locations of Service personnel. This has provided the confidence to introduce an automated medal award system, which went live during March 2009. It is functional for all but a small community of Service personnel, with the exceptions of aircrew who rely on flight log books to prove their medal eligibility, ships' companies which rely on the Navigational Officer's report of time spent in territorial waters, and for protected populations such as Special Forces.

Work continues to progress towards a fully integrated tri-service medal policy. The source document is now Joint Service Publication 761, which was published in April 2008 and is reviewed and updated bi-annually.



SPVA staff raising awareness of Agency services at the "Who do you think you are?" event at Olympia

Joint Casualty and Compassionate Centre

The JCCC has completed its fourth year since its formation, and is responsible for all casualty and compassionate reporting action for the single Services. The many visitors to the JCCC included Minister for the Armed Forces and the Under Secretary of State for Defence. Against the background of continual operational incidents, there has been an increase in the volume, particularly deaths, since December 2008. The Major Incident Centre was fully activated as a result of damage sustained by HMS Endurance with

140 personnel on board; and placed on standby for two high-profile, media-led incidents in the UK, both on the same day: a bus crash involving troops en route to Afghanistan, and a four-death mid-air collision. There have also been two decamps to Centurion because of communications problems caused by maintenance work at Innsworth site. The JCCC has also dealt with providing appropriate support, including reinforcement by the Immediate Response Team, during the year in respect of:

- 195 Deaths
- 1 Missing personnel (since returned)
- 154 Very Seriously ill
- 308 Seriously ill
- 271 Incapacitating injuries and illnesses
- 1,037 Unlisted casualties, personnel or dependants
- 4,458 requests for Compassionate Leave travel
- 85,597 telephone calls to and from the Operations room

The responsibility for the maintenance of the Armed Forces Memorial database was transferred to the JCCC in August 2008 and has responded to over 400 enquiries from the National Memorial Arboretum and members of the public.

Historic Casework Team

The Historic Casework Team continued the high work rate. Significant achievements included:

- Arranging high profile commemorative funeral services, attended by Service representatives and family members for a soldier casualty from World War II in the Netherlands and the remains of the crew of two RAF aircraft discovered in Germany and the Netherlands.
- Working with the Australians on the recovery and identification of remains from the scene of World War I Battle of Fromelles in France.
- Introducing additional requirements to the National Association of Memorial Masons contract to repair and renovate Military pattern headstones. 170 memorial offers have been sent to bereaved families with 89 memorials placed. Also 17 entries were arranged in crematoria books of remembrance.

Veterans Services

Service Delivery

Veterans Services continued to deliver a wide range of outputs predominantly but not exclusively to ex-Service personnel. These outputs included delivery of the main pension and compensation schemes: the AFPS, the AFCS, which is measured in two parts determined by severity of injury or illness; and the WPS, for which two aspects are measured - War Widows claims and War Pensioner claims. Of these five component targets within the overall Key Target 2 covering timely delivery, four were successfully achieved, with the only exception being the War Pension claims which exceeded the target by just over 7 days (see below). Similarly the challenging accuracy targets set out under Key Target 3 were largely achieved with the exception of WPS where performance was 0.8% under target. The Customer Service Team covers all schemes and co-ordinates responses to customer correspondence. The veterans Helpline continue to handle 30,000 calls per month providing guidance and support to callers on a wide variety of issues

War Pension Scheme

Over 30,000 claims were processed under the WPS in addition to the payment of over 192,000 ongoing War Disablement and War Widows Pensions. As outlined above performance on War Pension work achieved average clearance time of 57 days against a target average of 50 days. An accuracy rate of 98.7% was achieved against a target of 99.5%. The accuracy performance reflects the overall complexity of the WPS. A revised target of 98% has been set for 2009/10, in line with other Government Departments, to reflect the fact that achievement relies on the timely receipt of medical information from hospitals and General Practitioners and information from third parties, and this time is included within the timescale targets.

Medical Advisers have a statutory role in the WPS and unfortunately during 2008/09 a shortage of medical advisers contributed to an increase in case clearance time. Nevertheless, proactive measures were put in place to improve on this performance. As a result of these measures, in month performance recovered within year. Minister was briefed on performance and understood the difficulties and complexities and was content with the actions taken.

Armed Forces Pension Scheme

Payments continued to be successfully made to over 360,000 ex-Service personnel or dependants per month via our service provider, Xafinity Paymaster. In addition the calculation and payment of terminal benefits and entitlements exceeded the overall target of 99%. Staffs have also completed an intensive review of almost 6,000 pension payments affected by Guaranteed Minimum Pension rules with 4,360 requiring adjustment. Some 354 former Gurkhas, widows and dependants who were entitled to an immediate benefit under AFPS were paid that benefit by the end of December 2008 as planned.

Armed Forces Compensation Scheme

This scheme has now been in place for four years and continues to be subject to significant refinement as it becomes more established. The volume of claims is steadily increasing as service personnel gain greater understanding and awareness of the scheme. The two targets allow a focus on the most seriously injured with 95% of these cases being completed within 20 days of the required medical information being available and 98% of all cases being completed within 40 days of the required medical information being available. These targets along with the accuracy targets were successfully achieved.

This year's Service Personnel Command Paper announced an increase in the AFCS tariff. This required the retrospective review of many awards made since the start of the scheme in April 2005 and resulted in almost 4,000 additional payments to injured Service personnel.

Veterans Welfare Service (VWS)

The VWS continues to provide welfare support to Veterans, especially WPS and AFCS claimants and recipients. The VWS have proactively forged closer working relationships with the in-Service welfare organisations to assist personnel achieve as smooth a transition as possible from service to civilian life. The VWS also play a key role in providing initial and ongoing support to bereaved families and those who leave the Services seriously injured. This year has also seen preparation and planning for a new VWS organisation, more closely embedded in the MoD and better supported by a new Information Technology (IT) system. VWS also work closely with ex-Service Charity organisations to jointly address an individual's specific welfare needs.

Iford Park Polish Home

SPVA also administers a home open to Polish nationals who qualified under the Polish Resettlement Act of 1947. This high quality residential and nursing care facility is regularly audited and endorsed by the Commission for Social Care Inspection. Despite the increasing age of residents considerable demand for places at IPPH continues. The Home accommodates 98 residents, with an average age of 84.

Strategy and Programmes

Future Accommodation Study

As a result of the Ministerial decision taken on 13 May 2008, SPVA will retain a presence at Innsworth. Detailed plans for accommodation have been agreed with Defence Estates. A contract has been let through the Prime Regional contractor (Debut) for this work, with the project being scheduled to complete in March 2010.

Progress on Interim Contract

The Invitation to Tender documentation for the Interim Contract, a three year contract to cover the outputs currently delivered under contracts which expire in November 2009, with EDS and Xafinity Paymaster was issued in June 2008. Two bids were received in October 2008 and, after rigorous evaluation, Ministerial approval of the preferred supplier, EDS, was received in March 2009. Preparatory work for Future Service Delivery (post 2012) also commenced in early 2009, seeking the views of our key customers and stakeholders on the service improvements and organisational changes they would wish to see the Agency pursue over the next ten to fifteen years.

Service Delivery Benchmarking

SPVA benchmarks its performance both against its UK HR Shared Service industrial counterparts through the SARATOGA⁵ approach, and internationally with its military equivalents. The results of these objective assessments confirm that SPVA can be justifiably proud of its generally upper quartile and in some areas best practice performance. Despite the high and growing levels of complexity involved in military HR administration, it is independently confirmed that the considerable automation delivered by JPA is enabling high levels of efficiency within SPVA. For example, costs per payslip are £1.20, payroll costs per person supported each year are £16.30, and the AFPS is being delivered at the cost of £3.10 per scheme member each year. SARATOGA assessments also confirm that SPVA delivers upper quartile performance in terms of efficiency and effectiveness of customer service.

Merger Benefit Realisation

Following the successful organisational merger of AFPAA and the VA in April 2007, considerable work has been undertaken to rationalise business outputs and support functions. By March 2009 the merger delivered considerable real terms financial savings against pre-merger costs; implementation of structures and processes towards an integrated pensions organisation and implementation of the initial recommendations of an IS /IT study.

⁵ SARATOGA is an independently performed objective comparison of pre-defined qualitative and quantitative measures of business performance against a wide spectrum of UK Human Resource Shared Service providing organisations.

Change

Joint Personnel Administration

Following the rollout of JPA to the Army in April 2007, the JPA change process was put in place to maintain and enhance the existing systems in line with future business needs. This agreed the Release Management Strategy which was established to manage JPA system changes in sensible groupings at scheduled times. The first year of steady state JPA operations (2007-08) witnessed a high level of initial activity which resulted in three major and two minor JPA Releases delivering: 104 JPA changes, 68 Complementary Applications and Standalone Systems (CASS) changes and 95 problem fixes. A further 92 ORACLE software patches have also been applied.

The last year has seen the JPA Release strategy mature and stabilise at three major releases per year, with regular monthly releases delivering minor/urgent requirements. In all: 151 JPA Changes, 60 CASS changes, 70 problem fixes and 40 ORACLE patches have been delivered. The maturity of the Release Process coupled with a reduction in the number of problem fixes has allowed a significant increase in the number of JPA changes delivered. JPA changes have covered the complete functional scope of JPA and include: Pay (the introduction of 2 new Specialist Pays, a new commitment bonus, and changes to Long Service Advances), Operational (delivery of the operational stress management and hazard tracking functionality), Discipline (modifications in accordance with the Armed Forces Act 2006) and Finance (controls on data input, and introduction of new control accounts and enhanced reporting).

In order to drive through the Defence Board vision for personnel administration, of which JPA provides the core, a Business Optimisation Plan (BOP) has been established which, through a series of end to end process reviews, aims to improve usability, reduce complexity and increase harmonisation whilst at the same time maintaining or improving the quality of the processes' outputs. In the past year end-to-end reviews of Career Management, Discipline and Manage Establishments have been completed along with a review of the usability of the i-expense package. End-to-end reviews of the Mobilisation and Individual Training processes are underway and will complete later this year. Informed by the independent JPA Stocktake Review the BOP has been updated and covers a 2 year programme of work.

Compensation and Pensions System (CAPS)

Over the past year CAPS has seen a great deal of mandated change. Firstly, the AFCS has had several legislative amendments, the most significant of which is the doubling of lump sum awards. Secondly, pensions taxation legislation has changed to create Annual Allowances and Life Time Allowances for all Armed Force Pension members and this was implemented in September 2008. In addition the system has been the subject of a significant data rationalisation exercise to align with JPA and Paymaster systems. Support to CAPS has now moved to a steady state regime, following the JPA model and thus far two major releases have been delivered. Moving forward, the hardware to provide a stand alone Management Information capability has been procured; improvements to CAPS functionality is planned for Releases 3 and 4, which are in the final stages of design; initial planning for Release 5 has begun.

Internet Access to Shared Systems (IASS)

IASS went live with its first trial user in October 2008. IASS provides secure access from the Internet to JPA and Human Resource Management System (HRMS) for military and civilian staff respectively. Usage is targeted at staff permanently or primarily working from non-MoD controlled environments. User access is controlled via a MoD variant of the banking services Chip-and-Pin card and the data accessed on both applications has been reduced to ensure adherence to security and data protection requirements. Currently, access can be provided for a total of 6,000 military and 4,000 civilians. In the current phase there are 232 civilian and 305 military users. Military usage is planned to substantially increase over the next few months, followed by an increase in civilian usage once the prototype of HRMS training and services has been successfully completed during July 2009.



Members of the IASS project team

Corporate Services

Corporate Services

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

Corporate Governance

The Agency's Corporate Governance is founded upon two essential elements: the AC supported by an Assurance team that provides independent advice to the CE, the AMG and the AEB; and a robust risk management process that is embedded throughout the Agency's management structure. AC membership consists of the Agency's two NEDs, one of whom assumes the role of Chair, and a third NED (currently from the People, Pay and Pensions Agency) to provide independent external advice. The National Audit Office (NAO) and Defence Internal Audit (DIA) are invited to attend each meeting with the Chair empowered to seek the attendance of Agency staff as required. The Committee met four times in 2008/09 and looked critically at a variety of key areas of the Agency's business to ensure that adequate controls had been identified to manage and mitigate risks to the business outputs. The Committee continued to look closely at JPA and in particular finance and accounting issues in the light of issues raised following roll-out to the three Services. The Committee also directed the audit programme of the Internal Assurance Team. Both NEDs are part of the AMG and AEB, and one also serves on the OAB. The AMG which also includes five directors from the commercial partner, met ten times during the year and received reports from a variety of

working groups, most notably the JPA Review Team which monitors the financial integrity of JPA, and the accompanying Statement of Internal Control (SIC) on page 32 provides specific details of the risk management framework and control procedures in place to enable SPVA to manage its business.

Risk Management

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

Human Resources

The Agency is accredited against the MoD Corporate HR standards as an Investor in People and has demonstrated its commitment to developing its people by delivering core training and tailored training events to meet individual and business needs. Approximately 28% of MoD civilian staff, men and women, are employed in part-time or job share posts. Overall the Agency has 10% staff registered as disabled.

Communications and Employee Involvement

SPVA believes that appropriate and high quality communications are essential to the successful running of the Agency. Communication with employees is achieved by a series of activities. These included two staff conferences, provision of an Agency Infocentre intranet system, monthly cascade briefings on key issues throughout the Agency, an on-line 'Ask the Boss' facility for staff to raise specific issues of concern, a regular staff magazine '@SPVA' with a mix of business and light-hearted articles, a monthly 'Staff Update' email bulletin and an urgent issues email cascade system. CE and the EDS Account Director have also carried out comprehensive in person site briefings on a regular basis, which include the opportunity for staff questions and feedback.

The Agency has also been proactive in its external communications. Activities included an awareness campaign in the Colchester area including advertisements, publicity packs and manned advice days, an awareness event in the Houses of Parliament aimed at MPs and Lords, the generation of over 60 items of coverage about SPVA in the media (including national publications and TV), a media facility at SPVA's Innsworth site, an email/website based awareness campaign aimed at Resettlement Advisers, display stands/mobile advice units at many Veterans Day 2008 events and the publication of three editions of 'Veterans World', SPVA's 19,000 distribution magazine aimed at those who advise the public in a professional capacity.

Employee Survey

Following the first SPVA Employee Survey in February 2008 the findings were taken forward through various forums for review and continuous improvement. Workshops were held at each of the four main Agency sites to develop themes from the survey results and these were consolidated into an action plan which has been and continues to be updated and developed as a living document. Some of the specific outputs from the survey/workshops include the SPVA Staff Conferences, the development of the One Agency One Team concept, leadership/coaching training, production and visibility of bullying and harassment awareness policy/guidance, profile raising of senior staff and numerous communication enhancements.

The 2009 Employee Survey was undertaken during Mar/Apr 09. The findings with trend analysis provide evidence that there has been a steady improvement in the vast majority of areas from the 2008 to the 2009 survey. Work to enhance themes for continuous improvement will again be developed and progressed through the action plan. The action plan will remain a living document taking forward issues from numerous areas such as the Agency employee survey, the MoD Have your Say survey, SPVA Conference and One Agency One Team.

Safety, Health, Environment and Fire (SHEF)

The Agency is committed to maintaining its high standards in all aspects of SHEF. The SPVA SHEF Committee met four times in 2008/09 to manage Agency-wide SHEF policies and practices, including the SPVA SHEF policy

statement, energy policy, environmental policy and travel guidance, and to produce consolidated monthly reports of accident statistics, training, fire safety and environmental issues for review at the quarterly AMG meetings.

The annual internal SHEF audit was completed in September 2008 to ensure compliance and best practice across all SPVA sites.

Parliamentary Business

During 2008/09 833 letters from MPs were answered, comprising 613 drafts for ministers and 220 replies from CE or DCE. Draft answers were provided to 91 Parliamentary Questions. 831 replies were sent to members of the public who had written with questions about SPVA services, including Data Protection and Freedom of Information requests.

Impact on the Community

The Agency is conscious of its impact on local communities and encourages staff at all levels to engage in activities within the local area. Many Agency personnel used their skills that they develop in the working environment to benefit local schools and voluntary groups. In addition various sponsored events raised £30,000 for Service-related charities: this included two staff who undertook the Marathon des Sables, a challenging week long series of marathons across 135 miles of the Sahara desert and an all-site Charity Week which benefited both St Dunstons's and Help for Heroes. A further £10,000 was raised for several national and local charities. The Agency is also currently developing strategies to further improve its recycling provision and to reduce its carbon footprint.



Supporting the 'Dare to wear it pink' appeal

Key Targets for 2009/10

The following Key Targets have been set for the Chief Executive of SPVA for Financial Year 2009/10.

Key Target	2009/10
<p>Key Target 1 – To deliver timely Service Pay.</p> <p>To make 99.9% of all payments by due date.</p>	99.9%
<p>Key Target 2 – To deliver accurate Service Pay.</p> <p>98.3% of all Service Pay to be 100% accurate (excluding errors caused by inaccurate external inputs).</p>	98.3%
<p>Key Target 3 – To deliver timely Pensions and Compensation decisions.</p> <p>Overall reporting against KT3 to be weighted by the achievement of the sub component measures below:</p> <p>Armed Forces Pension Scheme – to make 99.3% of all Service pension payments (including new awards) by the due date.</p> <p>Armed Forces Compensation Scheme – 98% of all decisions (and resultant payments) within 40 working days of receipt of required external evidence (predominantly medical evidence), except for high priority cases⁶ where 95% will be cleared within 20 working days of receipt of required external evidence (predominantly medical evidence).</p> <p>War Pension Scheme – to clear claims for War Pensions within 52 working days average clearance time (including 19 days average clearance time for Widows pensions).</p>	<p>99.3%</p> <p>98% of all decisions within 40 WDs 95% of all high priority decisions within 20 WDs</p> <p>War Pensions 52 WDs from receipt War Widows Pensions 19 WDs from receipt</p>
<p>Key Target 4 – To deliver accurate Pensions and Compensation decisions and payments.</p> <p>Armed Forces Pension Scheme – 99% financial accuracy.</p> <p>To deliver an overall target of all Service Pensions accurately.</p> <p>Armed Forces Compensation Scheme and War Pension Scheme financial and decision accuracy 98%.</p>	<p>99%</p> <p>98%</p> <p>98%</p>
<p>Key Target 5 – To achieve approved targets for customer satisfaction.</p> <p>To achieve an overall customer satisfaction average of 80% satisfied or very satisfied, with not less than 70% in any one of the four identified SPVA customer segments.⁷</p>	Average of 80% satisfied or very satisfied, with not less than 70% in any one segment
<p>Key Target 6 – To ensure a seamless transition from current contract to Interim Contract.</p> <p>100% of transition programme milestones met.</p>	100%

⁶ Priority cases are those involving or likely to involve injury at tariff level 8 or above.

⁷ SPVA customer segments identified as Corporate customers, HR Professional users, Self Service on-line users and Veterans.

Management Commentary for Financial Year 2008/09

Part 3 - Financial Review

Budgetary Structure

SPVA operates as a Basic Level Budget within DCDS(Pers)'s Higher Level Budget. The breakdown of expenditure shown below provides detail of the Agency expenditure over the year to administer £9bn in Pay and Allowances and £4.5bn in Pensions.

Financial Performance

The gross operating costs for the year ended 31 March 2009 were £119,939k and net operating costs were £118,947k. Total net assets at 31 March 2009 amounted to £215k. Net current liabilities are shown as negative as cash is held centrally by the MoD and until this is released to pay for the creditors this has an adverse effect on the asset balance. This does not impact on the Agency's ability to conduct its business.

Programme Expenditure for Financial Year 2008/09

	Notes	FY08/09 Outturn £000	FY08/09 Budget £000
Service Pay	2	5,167	4,822
Civilian Pay	2	29,302	29,849
Travel & Subsistence	4	1,455	1,219
IT	4	1,308	2,327
Training	4	347	178
Partnering	4	50,438	55,119
Contracted costs (Paymaster and Consultancy)	4	5,737	11,538
Stock costs (including provisions)	4	1,512	1,740
Depreciation/ Amortisation/Impairment	4	2,972	0
Other	3 & 4	20,709	20,655
TOTAL OPERATING COSTS		118,947	127,447

The difference between 08/09 outturn, gross of the waiver charge, (note 19), and 08/09 budget was primarily caused by lower than expected partnering costs as SPVA moved into a cost efficiency regime with EDS.

The Balance sheet position has moved greatly from FY 2007/08. This is owing to the considerable increase in capital investment in tangible assets, which was required to ensure the correct levels of IT infrastructure support remain in place as SPVA approach the end of the current contract with EDS and move to the interim contract arrangement. The balance sheet also shows a Trade Debtor figure of £4.717M with EDS. This represents the Agency's estimated share of the efficiency savings which are yet to be formalised and agreed. During this financial year the Agency has moved into a cost efficiency saving arrangement with EDS as opposed to a Cost Sharing arrangement. One of the effects of this initiative is the reduction of the EDS Creditor Balance by 40%. The net effect of these movements is that the Balance sheet has moved from showing a liability to an asset balance.

Departmental Resource Accounts (DRAc)

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

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

Financial Administration of Managed Funds

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

Financial Monitoring and Audit of the EDS Contract

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

Armed Forces Pension Scheme (AFPS)

The Chief Executive of SPVA has been designated by the Departmental Accounting Officer to be the Scheme Administrator for both the AFPS and AFCS. The Head of Corporate Services for SPVA has been designated by the Departmental Accounting Officer to be the Senior Finance Officer for both the AFPS and AFCS. SPVA has an independent Resource Accounting and Budgeting (RAB) system to account for both AFPS and the AFCS system, which produces monthly management accounts as well as the year end Scheme Statements. The Comptroller and Auditor General formally audits the Scheme Statements and the accounts for 2007/08 were laid in Parliament on 17 December 2008.

The AFPS continues to participate in the National Fraud Initiative (NFI), the main aim of which is the detection and prevention of fraudulent pension claims against public sector schemes. The NFI 2006 exercise is still underway. To date 185 cases have been identified where pension continued in payment after the date of death. This amounts to £789k net overpayments with £394k recovered to date. The projected savings to the Scheme are £9.5m.

In addition to the AFPS, CE SPVA is also the Scheme Administrator for the Non-Regular Permanent Staff Pension Scheme, The Armed Forces Compensation Scheme and the Army Career Officers Pension Scheme as well as several others. These schemes are included in the AFPS accounts.

Statement on disclosure of audit information

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

Policy and achievements on supplier payments

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

SPVA are following the Government initiative to move towards making all payments within 10 days.

Payments to suppliers are predominantly made by the Financial Management Shared Service Centre at Liverpool, which is part of Director Finance Management, on SPVA's behalf. In the period 01 April 2008 to 31 March 2009, the FMSSC paid 99.84% of all correctly submitted bills within eleven calendar days.

Pension liabilities

Details of the pension schemes available to SPVA employees and the costs of these schemes are disclosed in the Remuneration Report on Page 27.

Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General under Section 7(2) of the Government Resources and Accounts Act 2000. The fee of £83k is in respect of statutory audit work only. No other services were provided by the auditors.



Kathy Barnes
Accounting Officer
Service Personnel and Veterans Agency
07 July 2009

Remuneration Report

Remuneration Policy

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

Service Contracts

3. Military members of the Board are appointed by standard service posting procedures. MoD civilian members of the Board are appointed by MoD Civil Service standard procedures. Non Executive members of the Board are appointed on fixed term contracts renewable by agreement.
4. Rear Admiral Trevor Spires left the appointment of Chief Executive on 30 Sep 2008 and was succeeded by Kathy Barnes on 1 Oct 2008.
5. Kim Humberstone assumed the appointment of Head of Corporate Services on 26 Aug 08.
6. Jackie Adams left the appointment of Head of Corporate Services on 25 Aug 08.
7. Brig R J Bacon assumed the appointment of Head of Transition on 23 Sep 08.
8. Commodore R Albon assumed the appointment of Head of S&P on 10 August 08 and Deputy Chief Executive on 16 Feb 2009.
9. Air Commodore P Nash assumed the appointment of Head of Change on 01 Sep 08.
10. Bronwen Curtis assumed the appointment of Non Executive Director on 01 Jan 09.
11. Professor Helga Drummond left the appointment of Non Executive Director on 31 Dec 08.

Salary and Pension Entitlements

12. '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.
13. None of the members of the Board received any Benefits in Kind.
14. The table in para 16 below refers to remuneration during the financial year, and is subject to audit. The schedules reflect remuneration for that part of the year during which individuals were either providing services to, or employed by, SPVA.
15. For 2008/09, employers' pension contributions of £5,145k were payable at rates in the range 17.1 to 36.3 percent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2005-06 and employer contributions for the AFPS were reviewed during 2007/08. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

16. The salary and pension entitlements of the Executive Board of Service Personnel and Veterans Agency for the year ended 31 March 2009 are as follows:

	Salary Including Performance Pay 2008/09 £'000	Salary Including Performance Pay 2007/08 £'000	Real increase/(decrease) in Pension and related lump sum £'000	Total Accrued Pension at 31/03/09 and related lump sum £'000	CETV at 31/03/08 £'000	CETV at 31/03/09 £'000	Real increase/(decrease) in CETV £'000
Mrs K Barnes Chief Executive	45-50	N/A	(0)-(0.5) Plus (0)-(0.5) lump sum	30-35 Plus 100-105 lump sum	480	492	-2
Rear Admiral TA Spires Chief Executive	50-55	100-105	1-1.5 Plus 0-5 lump sum	55-60 Plus 165-170 lump sum	1,028	1,065	27
Commodore R Albon Deputy Chief Executive/ Hd S&P	60-65	N/A	3-3.5 Plus 9-9.5 lump sum	30-35 Plus 100-105 lump sum	339	363	34
Mrs A Sansome Hd Vet Svcs	65-70	30-35	1-1.5 Plus 3-3.5 lump sum	15-20 Plus 50-155 lump sum	237	277	18
Air Commodore P Nash Hd Change	50-55	N/A	4-5-5 Plus 10-15 lump sum	40-45 Plus 130-135 lump sum	455	520	55
Commodore A Ross Hd Mil Svcs	90-95	85-90	5-10 Plus 15-20 lump sum	40-45 Plus 135-140 lump sum	486	504	61
Brig R Bacon Hd Transition Services	95-100	90-95	4-5-5 Plus 10-15 lump sum	40-45 Plus 125-130 lump sum	443	483	53
Ms K Humberstone Hd Corporate Services	40-45	N/A	0-5	0-5	19	32	8
Ms J Adams Hd Corporate Services	35-40	30-35	0-0.5 Plus 0-0.5 lump sum	15-20 Plus 55-60 lump sum	289	295	1
Mrs B Curtis Non Executive Dir	0-5	N/A	0	0	0	0	0
Mr A Jablonowski Non Executive Dir	20-25	15-20	0	0	0	0	0
Prof H Drummond Non Executive Dir	10-15	15-20	0	0	0	0	0

No directors received any benefits-in-kind during the year.

Pension Benefits

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

a) Armed Forces Pension Scheme (AFPS)

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

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

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

b) Principal Civil Service Pension Scheme (PCSPS)

From 01 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 01 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up or commute some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 01 October 2002 calculated broadly as classic.

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

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

18. The table shown above discloses the member's cash equivalent transfer value (CETV) accrued at the beginning and end of the reporting period. The real increase in CETV is effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.
19. A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS or AFPS and for which the relevant scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
20. The factors used to calculate the CETV for members of the PCSPS were revised for 2007/08 and thus there may be slight differences between the final period CETV 2007/08 and the start period CETV 2008/09.



Kathy Barnes
Accounting Officer
Service Personnel and Veterans Agency
07 July 2009

Financial Statements for the Year Ending 31 March 2009

Statement of Agency's and Chief Executive's responsibilities

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

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

In preparing the financial statements the Agency is required to:

- observe the Accounts Direction issued by the Treasury, including relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting and financial reporting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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

2008/09 Statement on the System of Internal Control

Scope of responsibility

1. As Chief Executive of the Services Personnel and Veterans Agency (SPVA), I have responsibility for maintaining a sound system of internal control that supports the achievement of the SPVA's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.
2. I am accountable directly to the Ministry of Defence Principal Accounting Officer for the propriety and regularity of SPVA's expenditure and for prudent and economical administration of the Agency in compliance with Departmental rules. As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained by SPVA.

The purpose of the system of internal control

3. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in SPVA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with current Treasury guidance.

Capacity to handle risk

4. SPVA is an Executive Agency of the Ministry of Defence and its services are delivered through a combination of MoD Civilian/Service Personnel and EDS (Defence) Ltd via a commercial partnering agreement. A further contract is in place between the SPVA and Xafinity Paymaster for the payment of Armed Forces pensions. The arrangement for joint working with EDS is managed via the Agency Management Group (AMG) chaired by the Chief Executive.
5. Risk and Performance Management processes within the SPVA have remained strong throughout the year and, following recent changes to the Board structure⁸, these processes have been enhanced to enable greater visibility of risk and performance management within the operational areas of the Agency. The strategic level risks, which have the potential to impact across the Agency, are formally reviewed and updated at the AMG meetings. Below this level, risks are managed by the subordinate Boards that support the AMG. The systematic approach adopted by the Agency to manage risk provides the opportunity for risks to be escalated to the AMG to consider whether they should be incorporated in the strategic level risk register. This ensures that risk registers at all levels remain current and the process is consistent across the Agency. The AMG review the risk management and performance management procedures on an annual basis.
6. Risk owners and risk managers are identified as part of the risk management process. Formal risk management training is provided to SPVA project and operational teams. Risk management information and guidance is available to all staff via the SPVA Intranet.
7. Agency Business and accounting operations are periodically reviewed by a number of audit bodies, including Defence Internal Audit and the National Audit Office.

The risk and control framework

8. Active management of risk is fundamental to the effective achievement of the SPVA's Vision, Mission, Strategic Objectives, Key Performance Targets and other key deliverables. The risk process and procedures give consideration to the probability and the impact on time, cost and performance against the Agency's objectives and key targets. Particular attention is also paid to the controls that are put in place to mitigate the risks. The risk policy includes procedures for the management and escalation of risks. The procedures outline the requirement to consider risks to the achievement of business and personal objectives. Regular monitoring of progress of SPVA Agency 'Business Level' risks are linked to Agency objectives through the Balanced Scorecard. The SPVA contract with EDS sets out the structure for the ownership and management of risk.

⁸ In addition to the AMG and Agency Executive Board (AEB) an Operational Board has been created that convenes monthly to direct business across the operational domains of the SPVA.

9. The SPVA Audit Committee (AC), under the chairmanship of one of its Non Executive Directors⁹, is well established and meets quarterly. Defence Internal Audit and the National Audit Office attend the AC and provide advice and guidance where appropriate.
10. The Agency Internal Assurance Team (IAT) review the systems of internal control that underpin the working practices of the SPVA to ensure that those systems operate effectively and that any MoD guidance, regulations and instructions were being complied with by Agency staff. Xafinity Paymaster undertake quarterly audits of Armed Forces pensions in payment.
11. In the past year the SPVA has significantly tightened its physical controls around data storage and introduced further controls over the movement of data, following a number of incidents (as reported at paragraph 21). Controls in place ensure compliance with the Data Protection Act and accord with Cabinet Office guidelines. Data management is also subject to debate at each Audit Committee and AMG.

Business continuity

12. SPVA Business Continuity (BC) plans are subject to regular review and have gradually been extended to cover all critical outputs (not least those within the pensions domain) and the vast majority of all business areas; these provide robust arrangements for implementation. Policy and strategy forums are now established at all management levels. Increased activity focussing on BC culture is underway and work continues to 'remodel' all site plans into a common format, representing a joint MoD/EDS approach. A full schedule of BC and Disaster Recovery (DR) testing has been undertaken in the past year, covering all major systems; the remainder are on course for completion. Following the successful 2007 JPA test, an options paper for a follow-up test for 2009 has been initiated. Business areas tested in 08-09 include: JPAC Enquiry Centre telephony and JPAC back office, Desktop Support, Network Systems at all sites and Joint Compassionate and Casualty Centre (JCCC). A JCCC 'back-up' facility has been constructed at Centurion Building from which operations have been successfully conducted following forced 'decamp' (for operational reasons). Xafinity Paymaster has their own fully tested BC plans in place which are reviewed regularly as part of their risk management strategy.

Review of effectiveness

13. As Chief Executive, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the MoD internal auditors, SPVA's own internal assurance team and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors, in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, AMG and AC and a plan to address weaknesses and ensure continuous improvement of the system is in place.
14. In the current year the effectiveness of the system of internal control operating within my Agency has been subject to continuous review. Activities that have significantly contributed to maintaining and improving effectiveness include:
 - The SPVA AMG met on a regular basis in order to advise and support me in developing a strategy and overseeing plans for delivering the Agency's objectives and key performance targets;
 - The Agency's Non-Executive Directors were fully involved in the management of the Agency's business providing independent advice to SPVA's Owner's Advisory Board, the AMG, the AC and the SPVA Executive Board;
 - The AC provided advice on the adequacy of internal and external audit arrangements and on the implications of assurances provided in respect of risk, control and governance processes within the organisation. The SPVA AC¹⁰ monitored progress made on audit recommendations (made by AT, DIA and the NAO) and progress with current initiatives e.g. on managing change to the AFCS rules.
 - The IAT completed a number of compliance and assurance activities in relation to both financial propriety and business risks. They also worked closely with business areas to assist them to develop adequate management controls within the new system and business processes associated with JPA; this work is ongoing.

⁹ The SPVA Audit Committee has three Non-Executive Directors, having co-opted a third NED from the PPPA in January 2009.

¹⁰ AC membership comprised 2 Non-executive Directors and an Executive Director of the SPVA for the first half of the financial year and 3 Non-executive Directors for the remainder of the year and going forward.

- The JPA finance teams continued to address JPA accounting and management information issues; further details are given below. Additionally, staff continued to develop processes to oversee and monitor the resolution of customer issues, ensuring that trends are readily recognised and proactively managed. While these improvements are ongoing, it is perhaps worthy of note that on 21 November 2008 2nd PUS agreed to graduate JPA from the Defence Change Programme (DCP). This graduation acknowledges the major transformation that has been effected by JPA and the significant benefits that it has already delivered.

Significant internal control problems

JPA

15. System Functionality and Financial Control. Work has continued on correcting the issues referred to in the SIC for FY 2007-08 and highlighted by the NAO in the MoD DRAC. System functionality and processing problems have been satisfactorily addressed; Business Process Guides have been improved, training has been more focussed and system access controls have been tightened; pay records which were "in error" have been corrected. The instance of pay errors has reduced significantly this year. On the military payroll and allowances control framework, business processes and their supporting functions have been defined and agreed and a programme to review them is underway. Each review will produce end-to-end process maps, put controls in place, identify issues and a plan of actions to address them.
16. Control Accounts. Significant progress has been made on Control Account Reconciliations this year. Most legacy accounts have now been cleared, with some write-off action required. Write-off action has also been carried out on a number of JPA control accounts where balances remained as a result of inaccurate migration or issues arising during the early operation of JPA.
17. Overpayments and Recovery. The level of debt within the system (excluding Long Service Advance of Pay) has levelled out at around £25M. Whilst this would appear to be higher than experienced under legacy systems, not all debt was previously recorded. During 2008/09 an issue arose relating to duplicate payment of Operational Allowance. The system was changed in August 2008 to prevent this happening again and recovery of the amounts overpaid is underway.
18. Minimum Drawing Rate (MDR)/Management Reports. In the SIC for FY 2007/08 reference was made to a Propriety & Regulatory issue surrounding Minimum Drawing Rate; this has now been resolved. A further issue highlighted in the 2007/2008 SIC related to management information: while work continues to refine these reports, the vast majority of reports produced and delivered now reflect the requirement set out by the TLBs and DFMS.

Abatement of Failure Charges - EDS Service Provision Agreement

19. As in previous years the accounts embraced, in an explanatory note, the abatement of failure charges under the Service Provision Agreement with EDS arising mainly because of accounting treatment derived from wording in the contract. In 2008/09 the abatement of failure charges reduced from £9.3m to £5.4m, mainly due to the reduced level of failures. In 2007/08, the maximum charge was applicable for 5 months whereas in 2008/09 this only occurred once.

Membership Statistics

20. In the 2007/2008 AFPS SIC, reference was made to the Agency experiencing difficulty in establishing the number of members within the AFPS, particularly those with deferred pensions as a result of incomplete data that was available from legacy systems. Since then work has continued to upload data from these systems onto the single CAPS database and to validate the entitlement of each member. Centralisation of these records has not only improved accessibility to the data and confidence in the completeness of the records but also given the opportunity to analyse these records in greater detail. This analysis has introduced new concerns because of the complexity of the parameters that need to be applied and because of the way these have been applied in the past. This is likely to result in differences between previously identified numbers and those now being identified as a result of this further work and improved understanding; any such differences will be reflected in the AFPS 2008/2009 accounts.

Information Management - Personal Data Related Incidents

21. A number of personal data related incidents occurred during 2008-09 in respect of data for which SPVA was the custodian. These are detailed below:

Month of Incident	Nature of Incident	Nature of Data Involved	Number of People Potentially Affected	Notification Steps
June 2008	Loss of laptops from secured contractor premises.	Laptops fully encrypted so no risk of compromise.	N/A	N/A
Jul 2008	Laptop temporary loss.	Laptop & magnetic media placed in aircraft hold delayed in transit	Personal details of 1486 veterans living in Ireland.	All items recovered the following day and forensically examined by DE&S (DCIRT). Likelihood of personal data compromise considered minimal.
Sept 2008	Discovery that a server was missing following closure of secured Government premises.	Name, address details, and service number or National Insurance number and medical records.	7000 – 200 of which were active records.	Police notified and RAF Police investigation undertaken.
Sept 2008	Discovery of theft of 3 USB Portable Hard Drives from secured Government premises.	Name, service number, date of birth, performance reports, next of kin. Limited sensitive personal information.	All RAF Service personnel who served between 2002-2008 and some of their next of kin.	Individuals about whom sensitive personal information may have been held notified. Helpline established to answer other enquiries. Police notified.



Kathy Barnes
 Chief Executive
 Service Personnel and Veterans Agency
 07 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 Service Personnel and Veterans Agency for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chief Executive's Foreword, the Operating Review, the Performance Review, the Financial Review and the Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chief Executive's Foreword, the Operating Review, the Performance Review, the Financial Review and the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

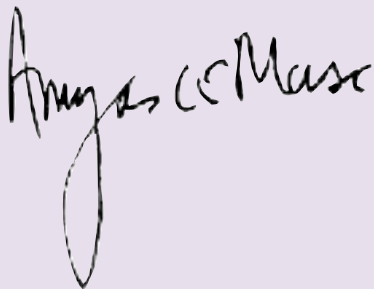
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009, and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information, which comprises the Chief Executive's Foreword, the Operating Review, the Performance Review, the Financial Review and the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.



Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
Date 10 July 2009

Financial Statements for the Year Ended 31 March 2009

Operating Cost Statement			
For the year ending 31 March 2009			
		2008/09	2007/08
Operating Costs	Note	£'000	£'000
Staff Costs	2	34,469	36,836
Accommodation costs	3	8,082	8,576
Administration costs	4	77,388	100,924
Gross operating costs		<u>119,939</u>	<u>146,336</u>
Operating income	5	(992)	(1,035)
Net operating costs		<u><u>118,947</u></u>	<u><u>145,301</u></u>

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

Statement of Recognised Gains and Losses			
For the year ending 31 March 2009			
		2008/09	2007/08
	Note	£'000	£'000
Unrealised net Gain:			
On revaluation of fixed assets and stocks	13	44	26
Recognised Gain relating to the year		<u>44</u>	<u>26</u>
Recognised Gain		<u><u>44</u></u>	<u><u>26</u></u>

The movement in Government Funds is set out at Note 14 on page 50.

The notes on pages 41 to 54 form an integral part of these financial statements.

Balance Sheet
as at 31 March 2009

	Note	31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible assets	6	2,534		3,105	
Tangible assets	6	<u>10,616</u>	13,150	<u>3,408</u>	6,513
Current assets					
Stocks	7	418		778	
Debtors and prepayments	8	5,025		626	
Cash at bank and in hand	9	<u>4</u>		<u>3</u>	
		5,447		1,407	
Current liabilities					
Creditors due within one year	10	<u>(17,980)</u>		<u>(21,058)</u>	
Net current assets/(liabilities)			<u>(12,533)</u>		<u>(19,651)</u>
Total Assets less Current Liabilities			617		(13,138)
Provisions for liabilities and charges	11		<u>(402)</u>		<u>(164)</u>
Net assets/(liabilities)			<u>215</u>		<u>(13,302)</u>
Taxpayers' funds/(deficit)					
General Fund	12		138		(13,335)
Revaluation Reserve	13		77		33
			<u>215</u>		<u>(13,302)</u>

The notes on pages 41 to 54 form an integral part of these financial statements.



Kathy Barnes
Chief Executive
Service Personnel and Veterans Agency
07 July 2009

The Financial Statements were authorised to be issued on 07 July 2009.

Cash Flow Statement

For the year ending 31 March 2009

	Note	2008/09 £'000	2007/08 £'000
Net cash outflow from operating activities	20	(121,166)	(138,695)
Capital expenditure			
Payments to acquire intangible fixed assets		(1,564)	0
Payments to acquire tangible fixed assets		(6,911)	(2,309)
Proceeds from sale of tangible fixed assets		26	13
Net cash outflow before financing		<u>(129,615)</u>	<u>(140,991)</u>
Financing			
Payments on Defence Resource Accounts		129,615	140,993
Receipts on Defence Resource Accounts		1	0
Voted expenditure appropriated in year		<u>129,616</u>	<u>140,993</u>
Increase in cash		<u>1</u>	<u>2</u>

The notes on pages 41 to 54 form an integral part of these financial statements.

Notes to the Accounts

Note 1: ACCOUNTING POLICIES

A. Basis of accounting

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

B. Value Added Tax

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

C. Notional charges

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

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

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

D. Fixed assets and depreciation

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

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

(1) Intangible Assets

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

(2) Plant & equipment

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

(3) IT equipment

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

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

(4) Depreciation and Amortisation

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

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

(5) Capitalisation Threshold

Assets are capitalised by the Agency where the useful life exceeds one year and the cost of acquisition and installation is greater than £10,000 inclusive of VAT. Additionally, any identical assets purchased through the contract whose combined value is greater than £10,000 inclusive of VAT are also capitalised. Transport purchases of a lower value are capitalised due to their bespoke use by the Agency.

E. Cash, Taxation and Social Security Liabilities

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

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

F. Going Concern

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

G. Debtors

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

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

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

H. Stocks

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

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

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

I. Pension Costs

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

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

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

J. Accruals

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

K. Provisions for liabilities and Charges

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

L. Revaluation Reserve

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

M. Financial Instruments

As part of the move of the MoD to report under International Financial Reporting Standards (IFRS), work has been conducted by the central IFRS adoption team in MoD to assess any financial instruments that are covered by FRS 25, 26 and 29. As the cash requirements of SPVA are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk. As a result of the assessment work conducted by the IFRS adoption team, no financial instruments were identified within the SPVA Accounts.

Note 2: STAFF COSTS AND NUMBERS

Contract staff numbers and costs are included in this heading. The majority of employees of the Agency are members of one of the Principal Civil Service Pension Schemes (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Normal employers' contributions of £3,964k were payable in the year to the PCSPS at one of four rates in the range 17.10% to 25.50% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Military staffs pension benefits are provided through the Armed Forces Pension Scheme. Details of the scheme are provided in the Remuneration Report.

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

	2008/09	2007/08
	No.	No.
Military	65	103
Civil Service - Central Operations	720	793
Civil Service - Welfare Services	121	122
Civil Service - IPPH	57	62
Contract Staff	28	31
	<u>991</u>	<u>1,111</u>

2. Staff costs can be analysed as follows:

	2008/09	2007/08
	£'000	£'000
Salaries and wages	26,122	27,777
Social Security costs (ERNIC)	1,850	2,040
Pension costs	5,145	5,670
Sub total	<u>33,117</u>	<u>35,487</u>
Contract staff costs	<u>1,352</u>	<u>1,349</u>
	<u>34,469</u>	<u>36,836</u>

Note 3: ACCOMMODATION COSTS

	2008/09	2007/08
	£'000	£'000
Innsworth costs	0	1,184
Glasgow costs	1,333	1,590
Works maintenance	875	136
Communicated Building Depreciation	1,153	1,126
Utilities	505	70
Rent	4,216	4,470
	<u>8,082</u>	<u>8,576</u>

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

In previous years SPVA has been allocated notional costs for the Innsworth site. This FY due to the site sharing arrangements SPVA has received invoices for utility usage for the Innsworth site, hence the zero balance against Innsworth costs in the note above.

Note 4: ADMINISTRATION COSTS

	2008/09 £'000	2007/08 £'000
EDS Contractual costs	50,438	68,905
Paymaster	2,859	2,541
Net Write offs (Note 19)	5,401	9,560
(Gain)/Loss on Disposal of Fixed Asset	(26)	1
IT equipment, maintenance and software	1,308	453
Consultancy	2,878	3,250
Travel and subsistence	1,455	1,882
MoD Staff Overheads	630	1,301
Training	347	181
Office supplies	179	248
Audit fee	83	80
Miscellaneous	320	186
Funeral costs	1,865	2,207
Telecommunications	589	468
Currency charges	2	496
Cost of capital charges	(419)	(476)
IT & Communications equipment depreciation	600	1,513
IT & Communications equipment impairment	55	94
Asset Under Construction impairment	129	42
Plant equipment depreciation	56	64
Communicated Costs Plant and Equipment	24	24
Intangible asset amortisation	1,944	1,865
Plant and Equipment Impairment	(3)	0
Intangible asset impairment	191	300
Stock provisions	(51)	(183)
Stock consumption	1,563	1,670
Stock write offs	0	3
Disposal costs of excess stocks	0	4
Provisions movement	303	4
Medical Adjudication	2,376	2,127
Rental under operating Lease	65	65
Bank Charges	1,132	1,207
Postal and Administration Services	801	688
Admin Claims - Special Services	215	104
Publicity	79	50
	<u>77,388</u>	<u>100,924</u>

Note 5: OPERATING INCOME

	2008/09 £'000	2007/08 £'000
Operating income analysed by classification and activity, is as follows:		
Fees and charges to external customers	928	954
Fees and charges to other departments	50	49
Miscellaneous	14	32
	<u>992</u>	<u>1,035</u>

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

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

	2008/09			2007/08		
	Income £'000	Full Cost £'000	Deficit £'000	Income £'000	Full Cost £'000	Deficit £'000
Ilford Park Polish Home	928	(2,128)	(1,200)	954	(2,909)	(1,955)
Charges to DWP	50	(50)	0	49	(49)	0

- The Agency is required, in accordance with HM Treasury's Fees and Charges Guide, to disclose performance results for the areas of activities where fees and charges are made. The above information is provided for fees and charges purposes only and not for SSAP 25 (Segmental Reporting) purposes.
- The financial objective of Ilford Park Polish Home is to deliver optimum occupancy rate, a 97.12% occupancy rate has been achieved against this objective.
- The charges to DWP are primarily for work completed by staff in Dublin for the Pension Overseas Directorate.

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

Note 6: FIXED ASSETS

	Intangible Fixed Assets £'000	Plant & Equipment £'000	IT & Comms equipment £'000	AUC £'000	Tangible Fixed Assets £'000	Total Fixed Assets £'000
Cost or valuation						
At 01 April 08	9,275	378	1,625	2,651	4,654	13,929
Additions	1,564	38	1,549	6,451	8,038	9,602
Revaluations	0	7	0	0	7	7
Impairments	(527)	0	(92)	(129)	(221)	(748)
Transfers	0	0	2,557	(2,557)	0	0
Disposals	0	(39)	(622)	0	(661)	(661)
At 31 March 09	10,312	384	5,017	6,416	11,817	22,129
Depreciation and Amortisation						
At 01 April 08	6,170	229	1,017	0	1,246	7,416
Amount in year	1,944	56	600	0	656	2,600
Impairments	(336)	(3)	(37)	0	(40)	(376)
Disposals	0	(39)	(622)	0	(661)	(661)
At 31 March 09	7,778	243	958	0	1,201	8,979
Net Book Value						
At 01 April 08	3,105	149	608	2,651	3,408	6,513
At 31 March 09	2,534	141	4,059	6,416	10,616	13,150

Note 7: STOCKS

	2008/09 £'000	2007/08 £'000
Medals stocks owned by SPVA	582	993
Less Obsolescence Provision	(164)	(215)
Net Stock Value	418	778

Note 8: DEBTORS AND PREPAYMENTS

	2008/09 £'000	2007/08 £'000
Trade debtors: EDS	4,717	445
Other	112	139
Prepayments	196	42
	<u>5,025</u>	<u>626</u>

There is a £25k (2008 £28k) balance with other Central Government Departments and a £9k (2008 £19k) balance with Local Authorities.

Note 9: CASH AT BANK AND IN HAND

	2008/09 £'000	2007/08 £'000
Balance at 01 April	3	1
Net Changes in cash balances	1	2
	<u>4</u>	<u>3</u>
Balance at 31 March	<u>4</u>	<u>3</u>
The following balances are held at:		
Commercial banks	4	3
Cash in hand	0	0
	<u>4</u>	<u>3</u>
Commercial banks and cash in hand	<u>4</u>	<u>3</u>

Note 10: CREDITORS

Amounts falling due within one year	2008/09 £'000	2007/08 £'000
Trade creditors: Other	63	243
Accruals: EDS	11,095	18,360
Accruals: Other	<u>6,822</u>	<u>2,455</u>
	17,917	20,815
	<u>17,980</u>	<u>21,058</u>

There is a balance of £515k (2008 £889k) with other Central Government Departments and a balance of £150k (2008 £145k) with Royal Mint, a Public Corporation, included within Other Accruals.

Note 11: PROVISIONS FOR LIABILITIES AND CHARGES

Early Retirement Provision	2008/09 £'000	2007/08 £'000
Opening Balance at 01 April	164	194
Utilised in year	(65)	(34)
Increase in provision	303	4
Closing Balance at 31 March	<u>402</u>	<u>164</u>

Payments of £191k are expected to be made in 2009-10 with the remainder of the payments expected to be made by 2015/16.

Note 12: GENERAL FUND

	Note	2008/09 £'000	2007/08 £'000
Net Voted Expenditure		129,616	140,993
Notional costs	21	2,804	4,829
Realised element of the revaluation reserve	13	0	9
Merger Adjustments		0	19
Less:			
Net expenditure for the year in respect of the Agency operations	20	(118,947)	(145,301)
Net increase in General Fund		13,473	549
General Fund at 01 April		(13,335)	(13,884)
General Fund at 31 March		<u>138</u>	<u>(13,335)</u>

Note 13: REVALUATION RESERVE

	Note	2008/09 £'000	2007/08 £'000
Revaluation reserve at 01 April		33	16
Revaluation in year on fixed assets	6	7	(2)
Revaluation in year on stocks		37	28
		<u>44</u>	<u>26</u>
Realised element transferred to General Fund	12	0	(9)
Revaluation reserve at 31 March		<u><u>77</u></u>	<u><u>33</u></u>

Note 14: RECONCILIATION OF MOVEMENT IN GOVERNMENT FUNDS

	Note	2008/09 £'000	2007/08 £'000
At 01 April		(13,302)	(13,868)
Revaluation Reserve movement in year	13	44	17
General Fund movement in year	12	13,473	549
Total movement in year		<u>13,517</u>	<u>566</u>
At 31 March		<u><u>215</u></u>	<u><u>(13,302)</u></u>

Note 15: RELATED PARTY TRANSACTIONS

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

During the period 01 April 2008 to 31 March 2009, SPVA has had a significant number of material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Department for Work and Pensions, the Post Office @ Ltd. and the Foreign and Commonwealth Office. SPVA also receives supplies from Royal Mint, a Public Corporation, also regarded as a related party.

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

Note 16: COMMITMENTS UNDER OPERATING LEASES

	2008/09 £'000	2007/08 £'000
At 31st March 09 the Agency was committed to make the following payments during the next year in respect of operating leases:		
Within one year	57	27
Between two and five years	60	2
After five years	0	16
	<u>117</u>	<u>45</u>

Note 17: FINANCIAL COMMITMENTS, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments to be disclosed in these financial statements. However, at 31 March 2009 the Agency was committed, under the amended Agreement with EDS, to make payments totalling £30.994m up to the end of the contract in 2009. At contract termination SPVA has an option to buy back the IT equipment that is being utilised by EDS at Fair Market Value.

Note 18: DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial Instruments

FRS 29 Financial Instruments – Disclosures, requires the Agency to provide disclosures in respect of the role of financial instruments on performance during the period, the nature and extent of the risks to which the Agency is exposed and how these risks are managed. For each type of risk arising from financial instruments, the Agency is also required to provide summary quantitative data about its exposure to the risk at the reporting date. As the cash requirements of the Agency 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 for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little liquidity or cash flow risk.

Interest rate risk

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

Currency risk

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

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

Liquidity risk

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

Foreign Exchange

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

Leases

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

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument are disclosed in Note 1 to the financial statements.

Embedded Derivatives

Derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the operating cost statement in accordance with FRS 26. The Department operates a commercial framework whereby it does not currently hold financial risks of this nature and places restrictions on doing so in the future.

Note 19: LOSSES STATEMENT

Under the Service Provision Agreement between SPVA and EDS, a Failure Charge can be deducted from the monies payable to EDS. Failures are defined as being where performance against a specified and agreed Service Level has not been achieved. Under the charging mechanism in place, a maximum charge that could be invoked is calculated. Discretion exists for a lesser sum to be charged in instances where the maximum charge is deemed inappropriate (e.g. when the reason for a service delivery failure cannot be apportioned solely to EDS). Additionally, the charge can be abated in total, for example when a Service Delivery Failure is adjudged to be as a consequence of circumstances outside EDS' control. Under the terms of Government Accounting the Agency has to apply to HM Treasury for overall authority to abate the charge after its calculation. During the Financial Year 2008/09 the total calculated adjusted sum under the Service Provision Agreement was £5,471k, compared to the total of £9,323k in 2007/08. The £5,471k is part of the net £5,401k figure declared in the write offs in the Admin Costs at Note 4. The balance is due to the difference between the declared write off of £9,323k in 2007/08 the actual loss being £9,253k.

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

	2008/09 £'000	2007/08 £'000
Net Expenditure from operating activities	118,947	145,301
Adjustments for non cash transactions		
(Increase) in Provisions	(303)	(4)
Depreciation, amortisation, amounts written off fixed assets and stock	(2,946)	(3,882)
Cost of capital	419	476
Notional costs	(3,223)	(5,305)
Movements in net current assets:		
(Decrease) in Stocks	(397)	(17)
Increase/(Decrease) in debtors	4,399	(1,382)
Decrease in creditors	4,205	3,474
Payments made against Provisions for Liabilities and Charges	65	34
Net Cash Outflow from operating activities	121,166	138,695

Note 21: NON CASH AND NOTIONAL COST ITEMS

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

	2008/09 £'000	2007/08 £'000
NON CASH COSTS:		
IT depreciation	600	1,513
IT Impairment	55	94
Asset under Construction Impairment	129	42
(Gain)/Loss on Disposal of Fixed Asset	(26)	1
Plant & Machinery Depreciation	56	64
Plant & Machinery Impairment	(3)	0
Intangibles Amortisation	1,944	1,865
Intangibles Impairment	191	300
Write off of stock	0	3
	<u>2,946</u>	<u>3,882</u>
	2008/09 £'000	2007/08 £'000
NOTIONAL COSTS:		
Innsworth costs	0	1,184
Glasgow costs	1,333	1,590
Communicated Building Costs	1,153	1,126
MoD Overhead costs	630	1,301
Plant and Machinery Comm Costs	24	24
Audit fee	83	80
Cost of Capital charge	(419)	(476)
	<u>2,804</u>	<u>4,829</u>

Glossary of Terms

AC	Audit Committee
AT	Assurance Team
AEB	Agency Executive Board
AFCS	Armed Forces Compensation Scheme
AFPAA	Armed Forces Personnel Administration Agency
AFPRB	Armed Forces Pay Review Board
AFPS	Armed Forces Pensions Schemes
AMG	Agency Management Group
AUC	Assets Under Construction
BCP	Business Continuity Plan
BOP	Business Optimisation Plan
BSC	Balanced Scorecard
CAPS	Compensation and Pensions System
CASS	Complementary and Standalone Systems
CE	Chief Executive
CETV	Cash Equivalent Transfer Value
COBSEO	Confederation of British Service and Ex-Service Organisations
CSE	Customer Service Excellence
CSF	Critical Success Factors
CTLB	Central Top Level Budget
DASA	Defence Analytical Services Agency
DCDS(Pers)	Deputy Chief of Defence Staff (Personnel)
DCE	Deputy Chief Executive
DFMS	Defence Financial Management System
DIA	Directorate of Internal Audit
DII	Defence Information Infrastructure
DR	Disaster Recovery
DRAc	Departmental Resource Accounts
EC	Enquiry Centre
EDS	Electronic Data Systems Defence Ltd
Fin & CG	Finance and Corporate Governance
FY	Financial Year
FReM	UK GAAP Financial Reporting Manual
HCh	Head of Change
HCS	Head of Corporate Services
HMS	Head of Military Services
HS&P	Head of Strategy and Programmes
HT	Head of Transition
HVS	Head of Veterans Services
HR	Human Resources
HRMS	Human Resource Management System
IASS	Internet Access to Shared Systems
IPPH	Ilford Park Polish Home
JCCC	Joint Casualty and Compassionate Centre
JPA	Joint Personnel Administration
JPAC	Joint Personnel Administration Centre
JRSG	Joint Requirement Steering Group
KT	Key Targets
LSAP	Long Service Advance of Pay
MDR	Minimum Drawing Rate
MoDMO	oD Medal Office
NAO	National Audit Office
NED	Non-Executive Director
NFI	National Fraud Initiative
OAB	Owners Advisory Board
PCSPS	Principal Civil Service Pension Scheme
PPPA	People, Pay and Pensions Agency
PQQ	Pre-Qualification Questionnaires
RAB	Resource Accounting and Budgeting
SHEF	Safety, Health, Environment and Fire
SIC	Statement of Internal Control
SPC	Service Personnel Centres
SPVA	Service Personnel and Veterans Agency
TLB	Top Level Budget
VA	Veterans Agency
VWS	Veterans Welfare Service
WDs	Working Days
WPS	War Pensions Scheme

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