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PERMANENT UNDER-SECRETARY OF STATE

D/PUS/11/4 (663)

28 November 2008

New Kathy

I am writing in my capacity as Principal Accounting Officer to set out your related responsibilities as Chief Executive of the Service Personnel and Veterans Agency, following the merger of the Veterans Agency with the Armed Forces Personnel Administration Agency on 1 April 2007.

Your responsibilities as Chief Executive, including your responsibilities to the Deputy Chief of the Defence Staff (Personnel) (DCDS (Pers)), from whom you receive your delegated powers and authorities, are set out in the Agency's Framework Document. This includes:

- accountability to Parliament by providing Ministers with any information needed to respond to Parliamentary business concerning the Agency, keeping DCDS(Pers) and Policy Divisions informed as appropriate;
- responsibility for replying to appeals from pension schemes members who are resident abroad, on matters concerning the Agency;
- responsibility for the resources that have been allocated to you in relation to the Armed Forces Pensions and Compensation Schemes, as detailed in the attached Service Delivery Agreement, which I would be grateful if you could sign electronically and return to me.

In addition, your appointment as Chief Executive carries with it certain accounting responsibilities, some of which relate to me. As the Principal Accounting Officer, I am accountable in respect of the Department's Resource Estimates. This includes the monies paid from the Resource Estimates in respect of the Service Personnel and Veterans Agency and funds administered by SPVA in respect of the Armed Forces Pension Scheme vote and War Pensions and Allowances resource consumption (Request for Resources 3). I must satisfy myself that the funds authorised by Parliament are used for the purposes intended by Parliament and that these funds and any receipts are properly accounted for. It has been agreed with HM Treasury that although Chief Executives of Defence Agencies are not appointed Agency Accounting Officers, analogous arrangements will apply.

Chapter 3 of *Managing Public Money*, the successor to *Government Accounting*, which can be found at the following link, sets out the responsibilities of an Accounting Officer: http://documents.treasury.gov.uk/mpm/mpm_ch3.pdf. As Accounting Officer, you are personally responsible for safeguarding the public funds for which you have charge; for ensuring propriety and regularity in the handling of public funds; for signing the formal accounts of the Agency in accordance with the Accounts Direction issued by the Treasury and in doing so accepting personal responsibility for their proper presentation as prescribed by the Treasury; and for the day-to-day operations and management of the Service Personnel and Veterans Agency. In addition, you should ensure that the Service Personnel and Veterans Agency as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of *Managing Public Money*.

You are also responsible to me for the financial management of your Agency and the funds you administer on behalf of MoD. You must provide information, and take at my request (or that of DG Finance as the Department's Finance Director, acting on my behalf) any other action necessary to enable me to fulfil my responsibilities as Principal Accounting Officer. As far as possible the nature of the information required will be agreed in advance. This will include the submission annually to DG Finance of a report on the health of financial systems in your Agency on the basis prescribed by him.

DG Finance has separately appointed your Director of Corporate Services as Senior Finance Officer for the Armed Forces Pension Scheme vote and War Pensions and Allowances resource consumption (RfR3). Director General Central Budget, as Senior Finance Officer of the Centre Top Level Budget, is the SFO responsible for the running costs of the Agency. Both SFOs are available to be consulted (as appropriate) on matters of financial structure and principle, and should be consulted on matters which could bear on my wider responsibilities as principal Accounting Officer for the validity of the Department's systems and structures. SFOs are responsible for the coherence of pan-TLB financial systems to ensure effective linkages with the rest of the Department and between organisations within the TLB..

I remain responsible for advising Ministers in the circumstances outlined in paragraphs 14 to 17 of the Memorandum. If therefore you learn that a Minister is contemplating a course of action which might infringe the requirements of propriety and regularity or prudent and economical administration, you are to inform me so that I may decide how to proceed.


In the exercise of arrangements analogous to those for Agency Accounting Officers, your own judgement on matters of propriety and regularity or prudent and economical administration, within your responsibilities and the financial authorities delegated to you should be overridden only by myself, or by the Minister to whom I should offer advice.

In any case where your own senior financial adviser has recommended on grounds of propriety or regularity against a course of action with which you nevertheless decide to proceed, Deputy Chief of the Defence Staff (Pers) is to be informed in advance of your action and of the circumstances.

We are liable to be summoned to attend as witnesses to a hearing of the Public Accounts Committee (PAC) to give evidence on the discharge of our responsibilities as Accounting Officers. Appearing as a witness before the PAC is not optional. It is only with specific PAC agreement that an Accounting Officer may defer their appearance or send a substitute.

I recommend that you read the Treasury's handbook on regularity, propriety and value for money (http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm) which contains many learning examples for Accounting Officers, and can be found on the Treasury website.

I am copying this letter to the Comptroller & Auditor General, the Clerk to the PAC, the Treasury Officer of Accounts and the Head of the Defence, Diplomacy and Intelligence Team in HM Treasury.

Yours ever


BILL JEFFREY

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**SERVICE DELIVERY AGREEMENT (SDA) BETWEEN THE PRINCIPAL
ACCOUNTING OFFICER AND THE SERVICE PERSONNEL & VETERANS
AGENCY (SPVA)**

Bill Jeffrey
Permanent Secretary
Date

A handwritten signature in black ink, appearing to read "Bill Jeffrey".

Kathy Barnes
Chief Executive, Service Personnel and
Veterans Agency
Date

Electronic Signature

A handwritten signature in black ink, appearing to read "Kathy Barnes".

Section 1: Preamble

1. This Agreement will commence with effect from April 2008. It sets out what you as the Chief Executive are required to deliver for the resources that have been allocated to you in relation to the Armed Forces Pensions and Compensation Schemes. The financial provisions for the schemes are personally delegated to you by the Permanent Secretary, as Principal Accounting Officer on behalf of the Treasury as Annually Managed Expenditure (AME). These delegations are in addition to, and separate from, those given to you to run the Agency in terms of operating costs and to deliver Service Pay and Allowances which fall within normal MOD Departmental Expenditure Limits (DEL).

Section 2: Scope of Service Delivery Agreement

2. This SDA has been established to support the delivery of the MOD Departmental Plan within the context of the Public Service Agreement targets set for the department. The outputs and key targets you are funded to deliver in relation to Armed Forces Pensions and Compensation Schemes are delegated to you as AME. The schemes that you are responsible for are summarised in **Annex A** to this Agreement, and it is for these that we¹ will hold you accountable.

3. The Owners Advisory Board agrees the Key Performance Targets for SPVA in relation to the Pension and Compensation Schemes on behalf of the Secretary of State and you are responsible on an annual basis for meeting those targets within the framework of this SDA.

4. You have authority under the arrangements for AME covering Armed Forces Pensions and Compensation to make any payments that are in accordance with scheme entitlements.

Section 3: Accountability for Delivery of Outputs

5. You are personally accountable for delivering your outputs and targets as effectively, efficiently and economically as possible while remaining within the accounting conventions applicable to AME. You may be called upon to explain your performance directly to us² or at the Defence Operating Board (DOB). You have personal objectives set by DCDS (Pers) against which your personal performance will be measured. You are expected to cascade the key targets relating to Armed Forces Pension and Compensation Schemes through the business and personal objectives you set for members of your Agency Executive Board.

Section 4: Delegated Authority and Associated Responsibility

¹ 'We' being the Permanent Secretary and CDS

² "us" means the Permanent Secretary and CDS

6. To provide the financial authority required to deliver the Armed Forces Pension and Compensation Scheme AME related outputs, the Permanent Secretary as Accounting Officer delegates specific financial authorities and responsibilities to you as Chief Executive. Your delegated authorities and the accounting standards you are required to meet are set out in detail at **Annex B**.

7. **Role of your Senior Finance Officer.** Your Director of Corporate Services is separately appointed as your Senior Finance Officer (SFO) by the MOD Finance Director, who is accountable to the Permanent Secretary in the latter's role as the Department's Principal Accounting Officer. Your SFO will be able to provide guidance on propriety and regularity issues and all aspects of financial management relating to AME. You should consult your SFO where you are not clear about the limits of your delegated authority; and on any matters that could affect the Permanent Secretary's wider responsibilities, as Principal Accounting Officer for AME. Should you disagree with the advice of your SFO on an issue relating to AME that your SFO thinks may raise Accounting Officer issues then you may escalate the matter to DCDS (Pers). In the case of such a disagreement your SFO will escalate the matter through D Fin Pol to DGFM. You are not to proceed until an appropriate way forward has been determined. In addition, any financial issue which risks conflicting with Treasury guidance or Government Accounting procedures or which involves aspects that could be considered novel or contentious, must be referred to the Treasury for approval regardless of the sums involved.

8. **Customer/Supplier.** Where delivery of your AME related outputs is dependent upon the performance of other TLBs, you are to ensure that all parties are aware of their obligations in meeting these outputs and targets, through Customer Supplier Agreements (CSAs) or other mechanisms. Your CSAs are to reflect the outcome of the planning round as set out in this Agreement. Should your ability to meet your key targets be affected by a performance shortfall by a "supplier"³ TLB that cannot be resolved bilaterally, you are to raise the matter in the first instance with DCDS (Pers). We will look to DCDS (Pers) to bring to the attention of the DOB promptly issues that require corporate attention at that level.

9. You are to ensure that your actions to deliver your AME outputs, particularly any management, structural or geographical changes, are co-ordinated with other TLBs to ensure coherence.

Section 5: Engagement with customers/stakeholders

10. You are responsible for ensuring effective engagement with customers and stakeholders in accordance with the provisions outlined in the Agency Framework Document. The primary means for engagement will be through the Owners Advisory Board and Customers Advisory Group.

³ "supplier" refers to any TLB that provides services to your TLB (with or without a Customer Supplier Agreement).

Section 6: Performance Monitoring and Reporting

11. Your performance in relation to AME will be monitored through the reporting mechanisms described in your Agency Framework Document and your Annual Corporate Plan. You also remain accountable directly to us for all funds disbursed on Armed Forces Pensions and Compensation Schemes in accordance with **Annex B** to this agreement.

ANNEXES

Annex A – List of Pension and Compensation Schemes - and relevant legal authorities - for which SPVA have administrative and AME responsibility.

Annex B – Financial delegations and accounting responsibilities relating to AME.

ANNEX A TO:
SPVA SERVICE DELIVERY AGREEMENT

LIST OF PENSION AND COMPENSATION SCHEMES FOR WHICH SPVA ADMINISTER ANNUALLY MANAGED EXPENDITURE

SCHEME	SOURCE OF AUTHORITY FOR SCHEME ADMINISTRATION	COMMENTS
AFPS 05 (inc AFCS)	Armed Forces Pension and Compensation Act 2004	As the Scheme has a statutory basis under Primary Legislation power of administration falls to Secretary of State and by the 'Carltona Principle' to officials in the SPVA or SP Pol. Challenges can be dealt with under IDRPs Stage 1 and 2 and /or appeal to Pensions Ombudsman.
War Pensions Scheme	SPO established by Order in Council in pursuance of section 12 (1) of the Social Security (Misc. Provisions) Act 1977. Latest authority The Naval, Military and Air Forces (Disablement and Death) Service Pensions 2006	Scheme has statutory basis so authority rests with Secretary of State with administrative authority exercised under 'Carltona principle'. Challenges are dealt with through Pensions Appeals Tribunal (PAT) with disputed decisions subject to Judicial Review. Delegations are appropriate for current scheme administration by SPVA/ SP Pol.

<p>Armed Forces Pensions Scheme 75</p>	<p>Authority for the Scheme is based on Royal Prerogative and there are differences between the three services:-</p> <p>Army The authority for administering Army pensions stems from the Army Pensions Warrant 1977 which has statutory powers given under the Pensions and Yeomanry Act 1884.</p> <p>RAF Authority stems from the Air Force (Constitution) Act 1917 - administration of AFPS 75 is through the authority of Queens Orders. (Queens Regulations for the RAF reflect this but ultimate authority rests with Queens Orders)</p> <p>NAVY Authority stems from the Naval and Marine Pay and Pensions Act 1865 and the Naval Order in Council delegates powers and discretions from the Act directly to the Secretary of State.</p>	<p>Effectively the authority for payment of Army pensions and exercising discretions currently rests with the Defence Council. Delegations have been reviewed and are in the process of being regularised with authority passing to SPVA/SP Pol.</p> <p>The authority to pay RAF Pensions and to exercise discretions rests with the Defence Council. Delegations have been reviewed are in the process of being regularised to pass authority to SPVA/SP Pol.</p> <p>The Naval Order in Council is being amended to allow a specific letter of delegation to be issued from the Secretary of State the Defence Council and then to SPVA/SP Pol to remove any ambiguity and bring alignment</p>
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		with the intended changes to the Army and RAF delegations.
Reserve Forces Pension Scheme	<p>Operates under the Reserve Forces Act 1996.</p> <p>Members who joined after April 2005 are covered by AFPS 05.</p> <p>For members who joined before April 05 and opted not to transfer to AFPS 05 the Full Time Reservist Section of AFPS 75 will apply.</p>	<p>For members post April 05 Scheme is on a statutory basis under AFPS 05.</p> <p>The FTR Section of AFPS 75 Scheme will require updated delegations in line with the arrangements being made for regular forces personnel remaining under AFPS 75</p>
Ghurkha Pension Scheme (GPS)	<p>Operates under Royal Prerogative through Army Order 151 dated 19th December 1949.</p>	<p>The administration of the current GPS is undertaken by AG Sec /Brigade of Gurkhas in conjunction with a specialist section in SPVA. From the 2006 recruitment intake all new joiners are members of AFPS 05 and administration authority will be on a statutory basis resting with SPVA/SP Pol.</p> <p>There will be an Offer to Transfer (OTT) completed by mid 2008 and any active members who opt to stay in the GPS and those who had retired before 1997 will become legacy members of a closed scheme. Administration of the legacy GPS will remain the joint responsibility of AG</p>

		<p>Sec/Brigade and SPVA with policy oversight by SP Pol (Pens).</p> <p>Authority for the GPS legacy scheme will remain as a Royal Prerogative and will waste out as the pension population declines.</p>
Armed Forces Attributable Benefits Awards (AFAB)	Authority currently stems from same prerogative instruments as applicable to AFPS 75.	A new Statutory Instrument is being prepared to provide a legal authority specific to AFAB.
Reserve Forces Attributable Benefits Awards (RFAB)	Authority stems from Reserve Forces Act 1996 and Territorial Army Regulations.	Scheme has statutory basis and authority flows from S of S on 'Carltona Principle'.
Adult Instructors (AI's) for the Cadet Forces	Authority: The work of AI's is closely aligned to Armed Forces but their pensions scheme has no prerogative basis and currently no clear statutory basis - they are covered by analogy to the PCSPS through mainly Ex Gratia Payments	Scheme is analogous to PCSPS.
Hong Kong and Singapore Royal Artillery Regiment HKRSA	The HKRSA was disbanded in 1946 and is now a closed legacy commitment operated by Indian and Pakistan Governments but funded by the UK MOD.	Scheme administered by relevant overseas authority with oversight from SPVA/SP Pol (Pens)
Gibraltar Regiment	Legal basis Gibraltar Regiment Ordinance – 1964 and updated 1998. This is Gibraltar Parliament legislation not mainland UK.	The regiment members are effectively locally engaged personnel and the DWP does not recognise the RGRPS as members of the UK Armed Forces. The scheme conditions are analogous to the AFPS but the situation is anomalous and

		requires formalising. Work is currently under way to update the legal basis for the scheme in particular relation to taxation provenance.
Criminal Injuries Compensation Scheme(Overseas)	Operated by analogy with the Home Office scheme on an Ex Gratia basis.	Scheme administered by SP Pol (Pens) and payments effected by SPVA.
Miscellaneous Minor Schemes	There are a number of legacy schemes and commitments which may involve AME and policy oversight. These include Overseas Supplementation for ex Colonial Forces; Exchange Officers; WW2 legacy arrangements etc. A full list of these schemes is contained in the Minor Schemes Guide.	The Minor Schemes are being reviewed to establish which ones have direct AME funding implications.

SPVA SERVICE DELIVERY AGREEMENT ANNEX B
DELEGATED FINANCIAL AUTHORITY

ANNUALLY MANAGED EXPENDITURE (AME) DELEGATED FOR
PAYMENT OF ARMED FORCES PENSIONS AND COMPENSATION
SCHEMES AND WAR PENSION BENEFITS

1. This Service Delivery Agreement (SDA) sets out the scope of the authority delegated to you as Chief Executive of the SPVA in relation to the funding received from HMT as Annually Managed Expenditure (AME) for the purposes of making payments under the Armed Forces Pensions and Compensation Schemes, and War Pension Benefits (RfR3).
2. Resource and capital DEL funding will be delegated to you through the appropriate TLB/HLB arrangements but as the financial delegations for AME are exceptional they will flow directly from HMT through PUS to you as Chief Executive. A Letter of Delegation from PUS will be issued in confirmation. This effectively results in creating 'TLB status' for elements of SPVA but this is for financial accounting, planning, forecasting and reporting to the Treasury purposes – for executive accountability and DEL expenditure you will remain responsible to DCDS (Pers) at HLB level and the CTLB for wider Corporate Governance.
3. In recognition of the unique nature of the AME delegations you (and your officials who receive delegated authority from you) are empowered to make all necessary decisions and payments in relation to the Armed Forces Pension and Compensation Schemes, and War Pension Benefits (RfR3).
4. You are to ensure that all decisions and payments are made in accordance with the relevant scheme rules and regulations. The legal authority for each of the major schemes currently being administered by SPVA are detailed in Annex A.
5. All financial transactions connected to the schemes are to be recorded in accordance with the Government Financial Reporting Manual and JSP472.
6. You will be responsible for providing all the necessary financial information and records to enable the preparation of annual Resource Accounts which will be subject to Audit by the NAO and laid before Parliament. There will be two separate Resource Accounts, one for the Armed Forces Pensions and Compensation Schemes and one for the War Pensions Schemes. This is in recognition of the different legal

bases for the schemes which result in varying accounting practices under the relevant Financial Services Acts.

7. Any financial arrangements relating to the schemes that fall outside of the scheme rules must be discussed in the first instance with DG SP Pol - who provides policy oversight of the schemes on behalf of SofS/PUS. Any novel or contentious financial arrangements must be referred to HMT in consultation with the Directorate of Finance Policy (D Fin Pol).