

# Veterans Agency

An Executive Agency of the Ministry of Defence



MINISTRY OF DEFENCE



## ANNUAL REPORT AND ACCOUNTS 2004/2005

HC 99

VeteransAgency

**ANNUAL REPORT AND ACCOUNTS**

2004/05

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# ANNUAL REPORT AND ACCOUNTS 2004/2005

Presented to Parliament in pursuant to section 7 of the  
Government Resources and Accounts Act 2000



INVESTOR IN PEOPLE



Awarded for Excellence

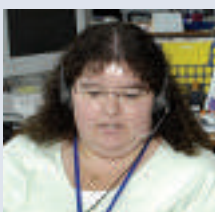


MINISTRY OF DEFENCE

**VeteransAgency**  
An Executive Agency of the Ministry of Defence

Ordered by the House of Commons  
to be printed 18th July 2005

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# GLOSSARY

AFCS	Armed Forces Compensation Scheme
AFPAA	Armed Forces Personnel Administration Agency
AMT	Agency Management Team
BP	Business Plan
CE	Chief Executive
CAC	Central Advisory Committee on War Pensions
DCDS (Pers)	Deputy Chief of Defence Staff (Personnel)
DCA	Department for Constitutional Affairs
DIA	Defence Internal Audit
DWP	Department for Work and Pensions
FA	Functional Area
GMC	General Medical Council
liP	Investors in People
IPPH	Ilford Park Polish Home
KPT	Key Performance Target
MA	Medical Adviser
MoD	Ministry of Defence
PAT	Pensions Appeal Tribunal
VA	Veterans Agency
WPC	War Pensions Committee
WPWS	War Pensioners Welfare Service



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Throughout this publication, reference is made to "widows". Please be aware that these references apply equally to "widowers".



## CHIEF EXECUTIVE'S FOREWORD

I am pleased to present the Veterans Agency's Annual Report and Accounts for 2004/05 as a record of another year of significant achievement and progress built upon the excellence of our staff and business partners.

As ever our main objective has been to secure improvements in the standards of service which we deliver. I am particularly pleased that this has been achieved, given that during the past year we have also had to take forward a number of other major projects which consumed considerable staff and management time and energy. The completion of our Payment Modernisation Programme has resulted in direct payment methods being in place for over 98% of our customers, well exceeding the targets set for this cross-Government initiative. Much effort has gone into the launch of the new Armed Forces Compensation Scheme (AFCS) from April 2005 and the success of this project owes much to the flexibility and determination of staff and managers across the Agency. Typical of their resolve was the in-house development of an 'interim' IT system to administer the scheme from its launch until the roll-out of the Compensation and Pensions System later in 2005. Our contribution to the Veterans Initiative has continued to develop over the last year, with notable contributions to the Heroes Return programme, the Communications Action Team and the take-on of Veterans Badge administration from April 2005.

Notwithstanding the extra workload generated by these projects and initiatives, we have seen pension clearance times further reduced, accuracy standards maintained and consistently high positive responses in all our customer surveys. The Agency also achieved its third successive Charter Mark accreditation, the assessors paying tribute to the clear customer focus which they encountered in every quarter of our operations.

Building the right environment in which staff can deliver their best has remained a crucial enabler to high standards of customer service. We were pleased to be re-accredited as an Investors in People (IiP) employer and also to become the first

Civil Service organisation to be successfully accredited against the new IiP Leadership and Management Model. Our continuing passion for learning and development is undoubtedly a key element in engendering commitment from staff, and we were pleased that our latest staff survey showed that 93% of staff are satisfied or very satisfied to be working in the Veterans Agency (VA).

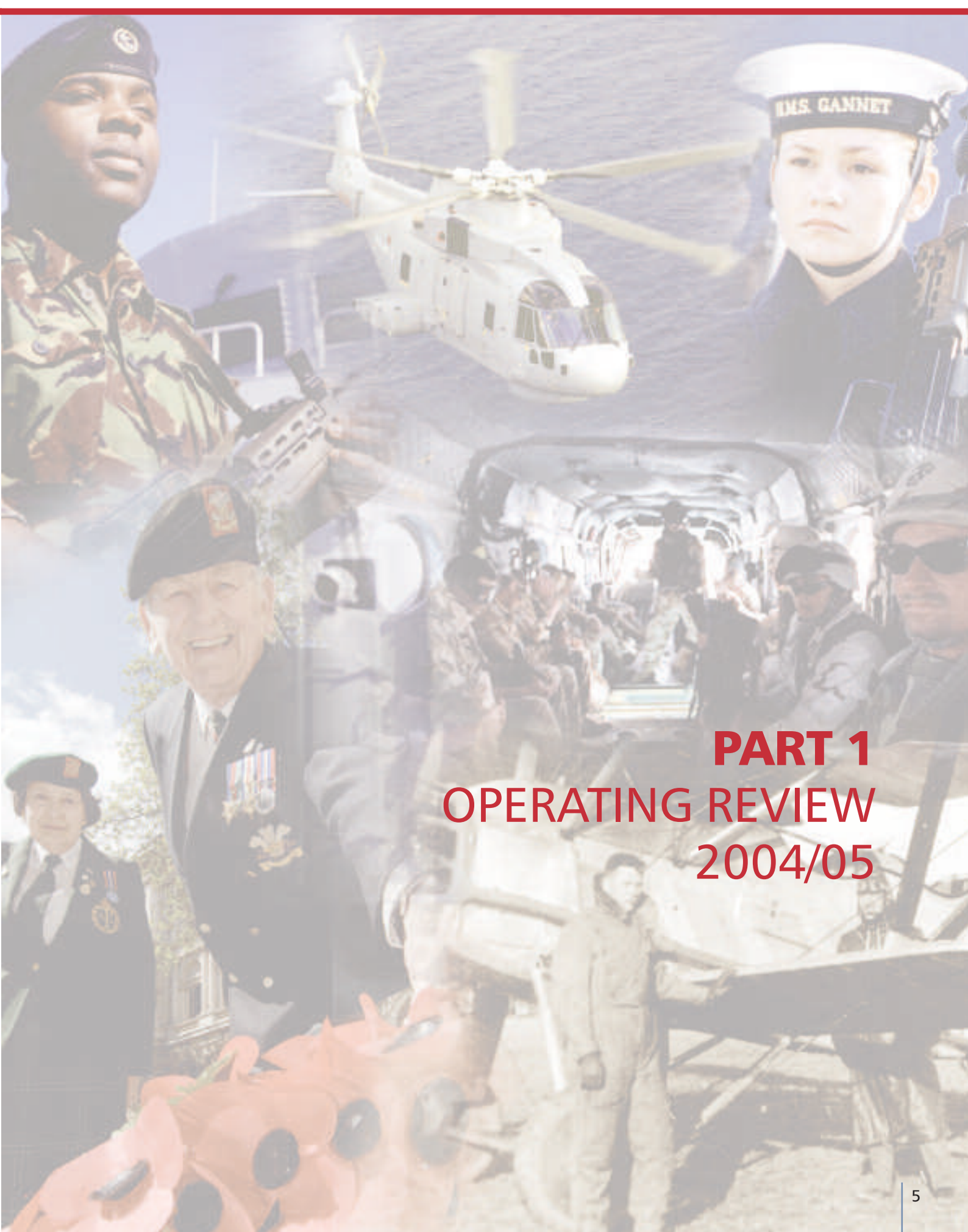
It is pleasing to be able to report such a successful year and to acknowledge the important contributions made by those outside the Agency. Colleagues across MoD have been hugely supportive, especially those in Service Personnel Policy and the Armed Forces Personnel Administration Agency (AFPAA) with whom we work most closely. The work leading up to the launch of AFCS has shown the importance of developing and strengthening the ways in which we work with AFPAA and, alongside the AFCS project, we have worked closely with AFPAA colleagues over the last year to identify a range of opportunities for improved co-operation aimed at enhancing customer service and efficiency. A Ministerial-directed study is currently underway to see if closer integration of the two organisations would deliver significant further benefits in the quality of service delivery, and the continued development of this agenda will be a top priority for the immediate future.

Our relationship with the many ex-Service charities remains as vibrant and productive as ever and we continue to value the comment and advice provided by the War Pensions Committees (WPCs). With the continuing support of these partners and the quality of our staff we can be very optimistic that the future will see still further improvements in service to our exceptional and deserving veterans and widows.



**Alan Burnham**  
Chief Executive  
Veterans Agency

July 2005



**PART 1**  
**OPERATING REVIEW**  
**2004/05**



# INTRODUCTION

This Annual Report and Accounts details the VA's performance between 1 April 2004 and 31 March 2005. In particular it:

- records our performance against the Key Performance Targets agreed with our Owner, the Deputy Chief of Defence Staff (Personnel) - DCDS(Pers);
- details the activities we carried out during 2004/05 to achieve those targets and our strategic objectives; and
- presents our Annual Accounts for the financial year 2004/05

## ORGANISATION

The VA is an Executive Agency of the Ministry of Defence (MoD). It was previously an Executive Agency of the Department for Work and Pensions (DWP) and was transferred to the MoD in June 2001. Prior to April 2002, the VA was known as the War Pensions Agency. During 2004/05 the VA organised its business into the following principal groups:

### Central Operations

These are based at Norcross near Blackpool and are responsible for the assessment, award, payment and maintenance of war disablement pensions, war widows' pensions and related allowances and other payments (including ex-gratia payments to former prisoners of the Japanese in the Second World War); preparing to administer the new AFCS from 6 April 2005; processing and presentation of appeals to independent Pensions Appeal Tribunals (PATs); provision of support services and functions such as finance and personnel; and co-ordinating the delivery of other services to veterans, e.g. managing the veterans Helpline and Internet site and co-ordinating the implementation of the communications strategy for veterans.

### War Pensioners Welfare Service (WPWS)

This is located throughout the UK and the Republic of Ireland. The WPWS gives war disablement pensioners, war widows, their dependants and carers, and other veterans advice, information and practical assistance to access appropriate services, often at key life events and other periods of acute welfare need. The WPWS works in close partnership with ex-Service charities, local community service providers and the WPCs in delivering welfare support.

The WPWS uses a caseworker approach to its work. Each of its clients has a readily accessible, identified welfare manager and team responsible for co-ordinating action on that client's behalf and providing a gateway to other services provided by other parts of Government and by voluntary organisations.

### Ilford Park Polish Home (IPPH)

This purpose-built home near Newton Abbot, Devon provides residential and nursing care to people who qualify for admission under the 1947 Polish Resettlement Act. The IPPH is managed and administered by VA. Our staff aim to offer high quality residential and nursing care, and we seek advice and guidance from other professional bodies and organisations. The professionally trained nursing staff, together with the home's experienced management team, provide a relaxed, caring, stimulating and therapeutic environment with an emphasis on Polish culture. The IPPH fully complies with the provisions of the Care Standards Act 2000.

Demand for places at IPPH has been buoyant over recent years resulting in an occupancy rate of 98%. This equates to approximately 95 residents at the home at any given time. As the number of those eligible for admission under the 1947 Polish Resettlement Act declines, it is inevitable that the demand for places will fall below current capacity. Our primary concern is to continue to deliver the highest possible quality of service to residents.

# OUR PURPOSE

During 2004/05 our overall strategy, targets and plans were set within the context of our Vision, Mission and Values. These were published in our 2004/09 Corporate Plan and are reproduced below:

## VISION

Service excellence for those who served.

## MISSION

To deliver modern, high-quality, customer-focused services to war disablement pensioners, war widows, their dependants and carers and other veterans; and to deliver them consistently, efficiently and effectively in recognition of the many extraordinary and unique personal sacrifices made in defence of the nation.

## VALUES

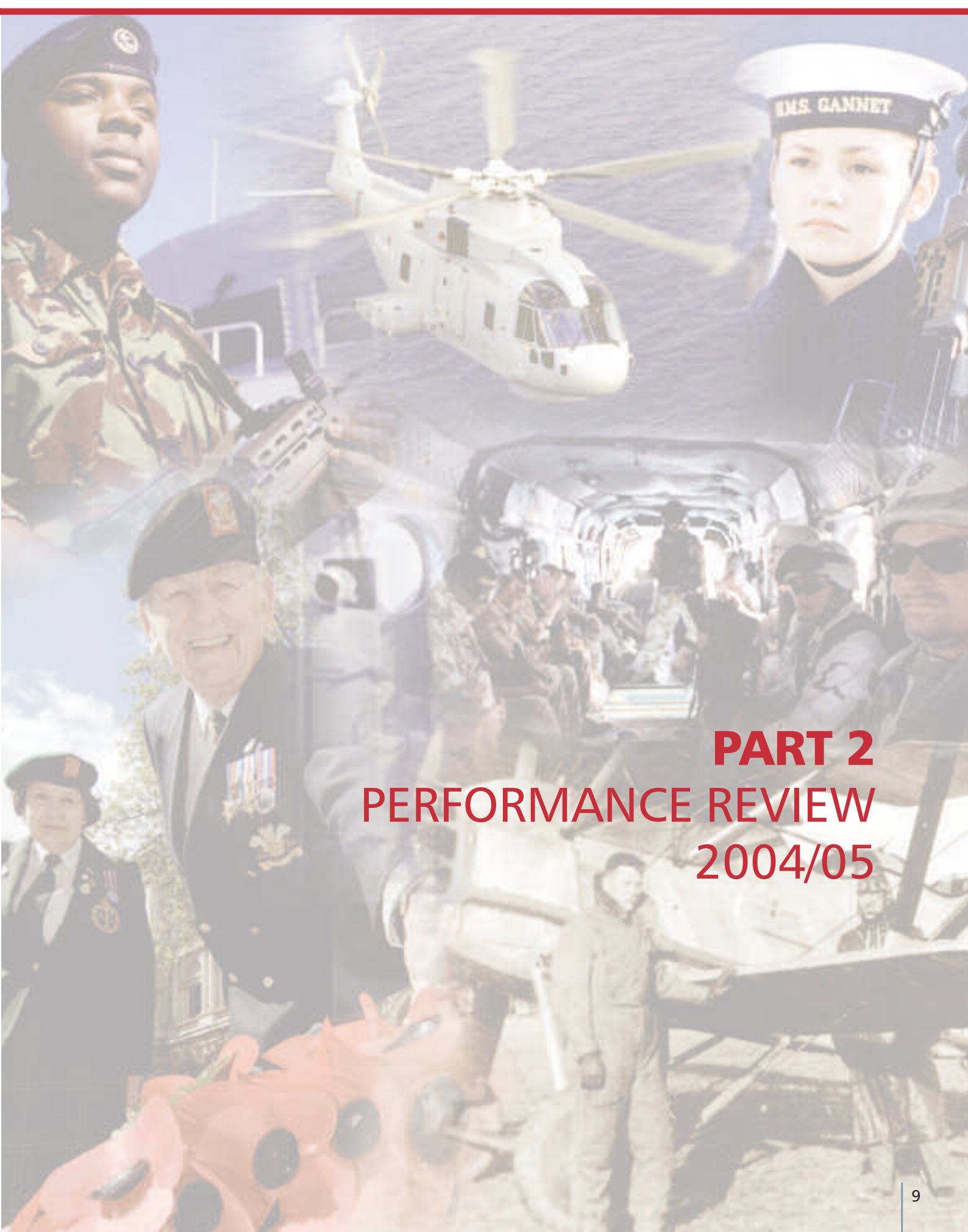
Our four Values are the themes around which we constructed our strategic direction. These are the principal beliefs and ideals that have been adopted throughout the Agency and which all agency staff hold in relation to how we deliver our service. These are:

**PUTTING SERVICE FIRST:** This acknowledges that meeting the needs of those we serve must be at the forefront of everything we do.

**VALUING OUR PEOPLE:** This recognises that excellence can only be achieved if we have a motivated, skilled and effective workforce.

**WORKING IN PARTNERSHIP:** This recognises that positive and effective partnerships with co-providers and suppliers are crucial to the successful delivery of high-quality, customer-focused services.

**EFFICIENCY:** This acknowledges that services should always be delivered by the most efficient and effective methods of working.



**PART 2**  
**PERFORMANCE REVIEW**  
**2004/05**



# PERFORMANCE REVIEW

During 2004/05 we continued to make a positive contribution to the MoD's on-going programme of improved support to Service personnel and their families throughout their lives. We also supported the Government's priority to deliver excellent public services. Our 2004/05 Key Performance Targets (KPTs) were designed to improve our performance and also to help reassure our customers, stakeholders, partners and staff that we had meaningful measures of our success in place.

We published our 2004/05 KPTs in our 2004/09 Corporate Plan. Annex A details how we have performed against these. We published our 2004/05 Service standards in our 2004/05 Service Charter. Annex B details how the Agency has performed against all of these standards.

Detailed below are the number of pensions in payment and the number of claims and appeals received over the period 2000/01 - 2004/05:

Type of pension in payment	2000/01	2001/02	2002/03	2003/04	2004/05
Disablement	230,164	222,246	212,595	201,970	192,150
Widows	51,673	49,878	47,575	45,035	42,580
Others	618	600	560	520	505
Supplementary Allowances	*250,954	*239,469	*227,510	*214,790	*202,735

Gratuity Awards made (1-19%)	3,945	4,390	3,430	3,350	3,500
NIL % Awards made	3,169	2,955	2,505	2,080	1,720

Type of claim received	2000/01	2001/02	2002/03	2003/04	2004/05
First claims	11,015	9,818	9,055	8,560	7,835
Second claims, i.e. further conditions, deterioration and other reviews	15,615	14,636	14,075	13,510	11,280
Supplementary Allowances and Reviews	8,454	7,808	7,385	7,245	6,850
Treatment Allowances (Medical Expenses)	4,228	4,029	4,320	4,245	3,815
Treatment Reviews and Maintenance (Medical Reviews)	6,838	6,636	6,565	6,330	6,180
Widows	3,079	2,967	2,615	2,595	2,235
Widow Supp Allowances	3,266	3,216	3,090	3,185	3,220
Appeals	3,749	**5,219	4,150	3,800	3,355

\* Includes all Disablement and Widows Allowances

\*\* Includes appeals to Supplementary Allowances etc under new appeal rights from 9 April 2001

From 2002/03 all figures are rounded to the nearest 5

# STRATEGIC OBJECTIVES

To achieve our Mission and position ourselves to be able to realise our Vision we also agreed the following strategic objectives with our Owner.

## OBJECTIVE 1: SERVICE

To assess customers' needs and expectations regularly and deliver public services which meet or exceed those standards published in the Agency's 2004/05 Service Charter.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of this strategic objective:

- all of the standards we aspired to in our 2004/05 Service Charter were achieved, and in many instances exceeded (see Annex B);
- we continued to carry out regular, targeted research into our different customers' needs on many diverse aspects of the service we provide;
- we again actively sought customer perception of distinct areas of our business. Contact with customers and their representatives was extensive and provided regular feedback on the quality of our services;
- we continued to review our notifications to customers. To ensure that they were appropriate to our customers, we enlisted the help of ex-Service organisations and customers to obtain their ideas for improvement and feedback on the new notifications;
- we received feedback via the many organisations that represent the ex-Service community. At a national level we consulted via the Central Advisory Committee on War Pensions (CAC), which brings together senior ex-Service figures under the Chairmanship of the Minister for Veterans;
- to promote our service and make it more accessible, we continued to use our Mobile Advice Units. This enabled face-to-face contact with many customers who would otherwise be limited to telephone or letter;
- the WPWS and our public relations team held a number of publicity and advice events successfully reaching significant numbers of potential customers;
- in order to increase our staff's awareness of the concerns and problems encountered by our customers, we again ran a programme of "Lunchtime Presentations" where speakers from other parts of the MoD or ex-Service organisations provided an insight into aspects of Service life or disabled living;
- many of our staff again took part in Service Familiarisation Visits and spent time with various Army Units. VA staff have also been on secondment to the coalition forces in Iraq. Other initiatives to develop further VA staff awareness of the customer included participation in the annual "Ski Bob" event in Austria for amputees run by The British Limbless Ex-Service Men's Association (BLESMA); and
- these activities and initiatives, and many others like them, helped the Agency gain re-accreditation against the new Charter Mark standards in October 2004. The Agency has now been accredited with Charter Mark continuously since 1998.

## OBJECTIVE 2: PERSONNEL

To assess staff's needs and expectations regularly and create and maintain a working environment which enables the Agency to recruit, motivate and retain a skilled, committed and effective workforce.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of this strategic objective:

- annual Agency-wide staff surveys have been conducted since 1998; and staff satisfaction levels have steadily increased over that period. At the same time, performance against targets and customer satisfaction levels has also improved. Key areas for improvement that were identified from the Survey were fed into the Agency's planning process;
- we continued to operate our range of "family friendly" policies during 2004/05 to help staff balance their work and their home lives. These included flexible hours, part-time/term-time working patterns and assistance with childcare costs on holiday play-schemes;
- learning and development continued to be an integral part of the organisation and included induction/job training, external and further education schemes, an on-site open learning centre, protected time for the professional development of Medical Advisers (MAs) and job shadowing;
- policies and systems to help the Agency continue to address and focus on its levels of sick absence were further developed. During 2004/05, annual sickness absence rates in the Agency reduced by 18% from an average of 10.84 working days per member of staff to an average of 8.88 working days per member of staff;
- revalidation is the regular demonstration by doctors that they are up-to-date and fit to practise in their particular speciality. The General Medical Council's (GMC's) plans for revalidation are on hold pending the outcome of the Chief Medical Adviser's review following the report of the Shipman Enquiry. However, during 2004/05 we continued to support the professional development of our MAs to ensure they are well placed to fulfil all future requirements of the GMC.
- these activities and initiatives, and others like them, helped the Agency gain re-accreditation against the new liP standards in July 2004. The Agency has now been accredited with liP continuously since 1995; and
- the VA Leadership and Management Model designed and developed during 2003/04 was implemented right across the Agency during 2004/05. It provided a focus for leadership development at all levels of management and helped staff to improve further their leadership skills. This initiative, together with the modular training programme for agency managers that was reviewed and revised during 2004/05, helped the Agency gain additional and separate accreditation under the new liP Leadership and Management Model in March 2005. We are very proud to say that we are the first Civil Service organisation to be officially recognised as achieving this standard.



SSAFA Forces Help



Royal Air Forces Association



Combat Stress



Burma Star Association



British Limbless Ex-ServiceMen's Association



Royal British Legion



Royal Chelsea Hospital



War Widows Association



National Federation of Far East POW Clubs and Associations



Forces Pension Society



Royal British Legion Scotland



St Dunstan's

### OBJECTIVES 3 AND 4: WORKING IN PARTNERSHIP

To develop more “joined-up” services by continuing to co-ordinate the efforts within, across and outside departmental boundaries of all those involved in the delivery of the Agency’s services, particularly with the Department for Constitutional Affairs (DCA), Armed Forces Personnel Administration Agency (AFPAA), the DWP and the ex-Service and other voluntary organisations.

To develop the key processes, procedures and systems needed to support the implementation of the new AFCS by working effectively with all departmental and external stakeholders.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of these two strategic objectives:

- we continued to work in partnership with other parts of the MoD such as AFPAA and with the DCA when processing claims and appeals. The result is that in 2004/05 we were able to achieve an end-to-end average clearance time for appeals under the War Pensions Scheme of 220 working days against a KPT of 240 working days (see Annex A);
- VA staff worked with other parts of the MoD such as AFPAA, Service Personnel Policy and Defence Medical Services to (a) develop the AFCS’s new legislation and policies, (b) agree and test the new Scheme’s medical evidence- and Service evidence-gathering procedures and (c) design and develop the supporting, rules-assisted software and other IT infrastructure required to administer the new Scheme;
- our partnerships with WPCs continued to provide us with another mechanism to keep in touch with our customers at a local level. In addition to the WPC Chairmen’s Conferences that we hold twice a year, we met regularly with WPCs to discuss all aspects of war pension legislation and the services that we offer. We managed regional focus groups that asked panels of customers what good service meant to them and how we measured up;
- to ensure effective delivery of welfare services we managed partnership arrangements with ex-Service organisations and regularly reviewed the standards of our service and refine its delivery;
- the WPWS continued to enhance its partnerships with ex-Service organisations to deliver joint events on Veterans Awareness, whilst advisory sessions were held at events such as the Royal British Legion (RBL) Conference. Local self-support groups are held with Combat Stress and regular case reviews are held between ex-Service representatives and welfare managers;
- staff in the WPWS continued to work with tri-Service groups, and customer service improvements have been secured in the areas of resettlement, medical discharge and death in Service. These improvements have been achieved by forging closer links and working relationships with the appropriate Service areas; and
- we have worked closely with AFPAA colleagues during 2004/05 to identify a wide range of opportunities for improved and closer working arrangements aimed at enhancing customer service and efficiency. The continued development of this agenda will be a top priority for the immediate future.

## OBJECTIVE 5: EFFICIENCY

To manage administration costs in the light of workload changes and revise working practices to maintain optimum levels of productivity and performance and ensure that value for money is achieved.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of this strategic objective:

- we continued to develop financial performance information that links our input in terms of business activity to our outputs by generation of output prices. Financial information was regularly reviewed and controlled through budgeting and expenditure reviews and our integrated approach to financial, personnel and work programme planning helped ensure our objectives and targets were achieved in the most cost-effective manner;
- we used internal Financial Advisers to help closely monitor and control administrative expenditure across the Agency, with responsibility and accountability for managing work and outputs within agreed financial allocations devolved and delegated to agency managers, wherever sensible;
- the Agency's Gateway Committee considered, analysed and challenged new initiatives and issues that may have had an impact on the Agency's existing Work Programme. This process helped to ensure that proposed changes to working practices provided optimum business delivery, fully supported departmental/agency strategies, priorities and Values; and were affordable and manageable;
- our annual assessment against the European Foundation for Quality Management (EFQM) Model was conducted at Agency level, whilst the WPWS and IPPH conducted additional, separate self-assessments. As part of our continuous improvement ethos, a number of benchmarking exercises took place to seek out best practice in both the public and private sectors; and

- we continued to promote secure and efficient methods of payment for pensions via our on-going involvement with the programme of Payment Modernisation. Since this was initiated in October 2002, the percentage of our customers who receive their benefit by direct payment has increased from 58% to 98.13%.

## OBJECTIVE 6: TECHNOLOGY

To harness new technologies, as appropriate, to improve customer service, enhance customer access and deliver greater operational efficiency.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of this strategic objective:

- improving our information systems and information technology remains the key to the future delivery of the Agency's services. During 2004/05 we continued to work closely with colleagues in the MoD to develop the new IT systems needed to deliver the new AFCS; to explore a long-term strategic approach to modernising our processes and systems which is consistent with the MoD's IT strategic direction; and to establish a link to the National Health Service's Intranet that will enhance future electronic access to patient records;
- the Agency's Internet site was regularly reviewed and updated. The Internet site attracted increasing use, and during 2004/05 over 205,000 unique users accessed the site compared to about 127,000 during 2003/04. The section on Service Records was again consistently the most used facility; Medals and Links to Veterans Organisations also showed high usage;

- we continued to ensure that our services were more accessible to our customers, many of whom are elderly: our Internet site now meets all 10 National Audit Office criteria for accessibility for older people, a minicom system was available to assist our deaf customers and much of our communication media remained available in Braille, in Welsh and on audiotape; and
- we communicated with customers in a variety of ways to meet their individual needs during 2004/05. Our telephone Helpline remained a Freephone and continued to provide a one-stop MoD access point for individual veterans and their families. During 2004/05 the VA Helpline answered over 330,000 calls. We have a range of information and advice leaflets which all use plain English; and information on our business and its services is still available on the Agency's Internet site.
- the Agency's Audit Committee continued to monitor and control a range of corporate governance activities across the Agency during 2004/05. Two new Non- Executive Directors were appointed during 2004/05 (one as Chair) and progress against agreed recommendations for improvement made by DIA, NAO and the Agency's Assurance Team was systematically reviewed and managed;
- the Agency's tactical business planning procedures and processes were reviewed during 2004/05 and revised Business Plans (BPs) for 2005/06 were developed and agreed with each VA Functional Area (FA) manager. These individual BPs detail the specific Key Performance Indicators (KPIs) that support each of the Agency's 2005/06 KPTs or other business objectives. Progress will be closely monitored monthly by the VA Business Planning Team and reported to the Agency Management Team (AMT) and/or the VA Programme Board, as appropriate;

## OBJECTIVE 7: CORPORATE GOVERNANCE

To continue to develop and maintain the systems and controls needed to deliver the highest standards of corporate governance in accordance with best practice and statutory requirements.

Below are some of the activities, initiatives and standards we implemented and achieved during 2004/05 in support of this strategic objective:

- MoD Defence Internal Audit (DIA) conducted eight full audits during 2004/05; and the Agency's Assurance Team undertook a supporting and complementary programme of lower-level Compliance Reviews during the year. This activity provided us with varying levels of assurance in the Agency's systems and processes and helped us identify a number of areas for improvement;
- the Agency's Risk Management Strategy was robustly reviewed and revised during 2004/05. The revised Strategy (see Annex C), and a new supporting Risk Management Framework, have been endorsed by the AMT and the Audit Committee and issued. The new methodology provides a more structured approach to risk management and clearly differentiates between controls and mitigating actions. Using their new BPs, VA managers will record actions, update existing controls and review the status of identified risks on a regular basis; and
- allegations of fraud or abuse of benefits continued to be investigated and over-paid benefits totalling £1,379,181 were successfully recovered. Using the information gained from our investigations we were able to identify areas for improvement in current procedures and develop appropriate preventative controls.

## LOOKING AHEAD - 2005/06

The last five years have seen a succession of major changes for the Agency and its staff. Transfer to a new Government Department and the subsequent re-naming and wider remit for supporting veterans are clearly the most significant and have been instrumental in re-shaping the organisation. 2005 brings yet another key development, as for the first time we will be dealing directly with serving personnel as customers following the introduction of the new AFCS. As always, success will be influenced by the degree to which we can navigate through change whilst maintaining a sharp focus on our over-arching objectives - to deliver excellent services to customers and provide value for money for the taxpayer.

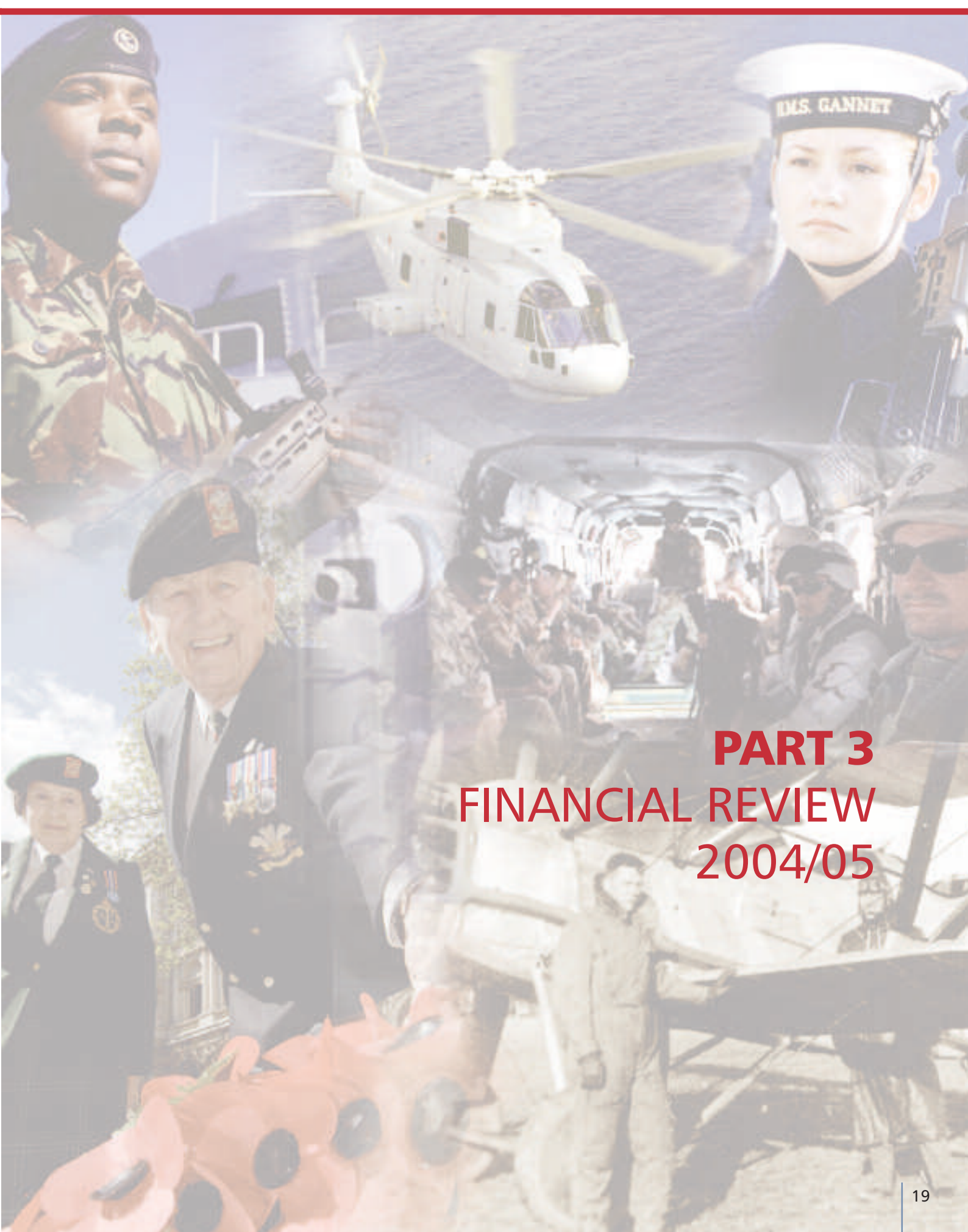
2005 will also see VA heavily involved in supporting many of the events planned to celebrate the 60th anniversary of the end of World War Two. By administering ticketing arrangements, producing promotional material and launching a national web-based calendar of events, we have already shown our capacity to provide a flexible service in support of event organisers, and we will not stint in our efforts to contribute to a successful and memorable commemorative Programme. The 60th anniversary events also provide the background for the first ever Veterans Awareness Week (1 July 2005 to 11 July 2005 inclusive) and the Agency will be working closely with colleagues in MoD and the ex-Service community to maximise the potential for delivering key messages about the Veterans Initiative to as wide an audience as possible.

However much satisfaction we take from the strong evidence that customers rate our current service very highly, we will continue to re-examine processes and policies during 2005/06 to identify further improvements. Priorities will



include improving complaints processes, enhancing the Helpline service following the introduction of updated technology, further integration of welfare services with in-Service and ex-Service providers and continuing to review the quality of our forms and letters.

We have always placed customer service at the top of our agenda and this will continue during 2005/06. We will publish our 2005/06 KPTs in our 2005/10 Corporate Plan and we will publish our 2005/06 Service standards in our 2005/06 Service Charter.



**PART 3**  
**FINANCIAL REVIEW**  
**2004/05**

# FINANCIAL REVIEW: 2004/05

## RESULTS

The net operating cost for 2004/05 was £33.074m. This represents a reduction of 3.8% against a comparable out-turn figure for 2003/04. Continuing efficiencies and good housekeeping have ensured that costs have been kept to a minimum. Notional costs - included in the figures above and for which no funding allocation is required - were £3.279m

## FUNDING

The VA is an On-vote Agency of the MoD. As such, funding is provided by the MoD from its Request for Resources 1 in the Annual Supply Estimate. The VA's final funding allocation for 2004/05 was £31.067m.

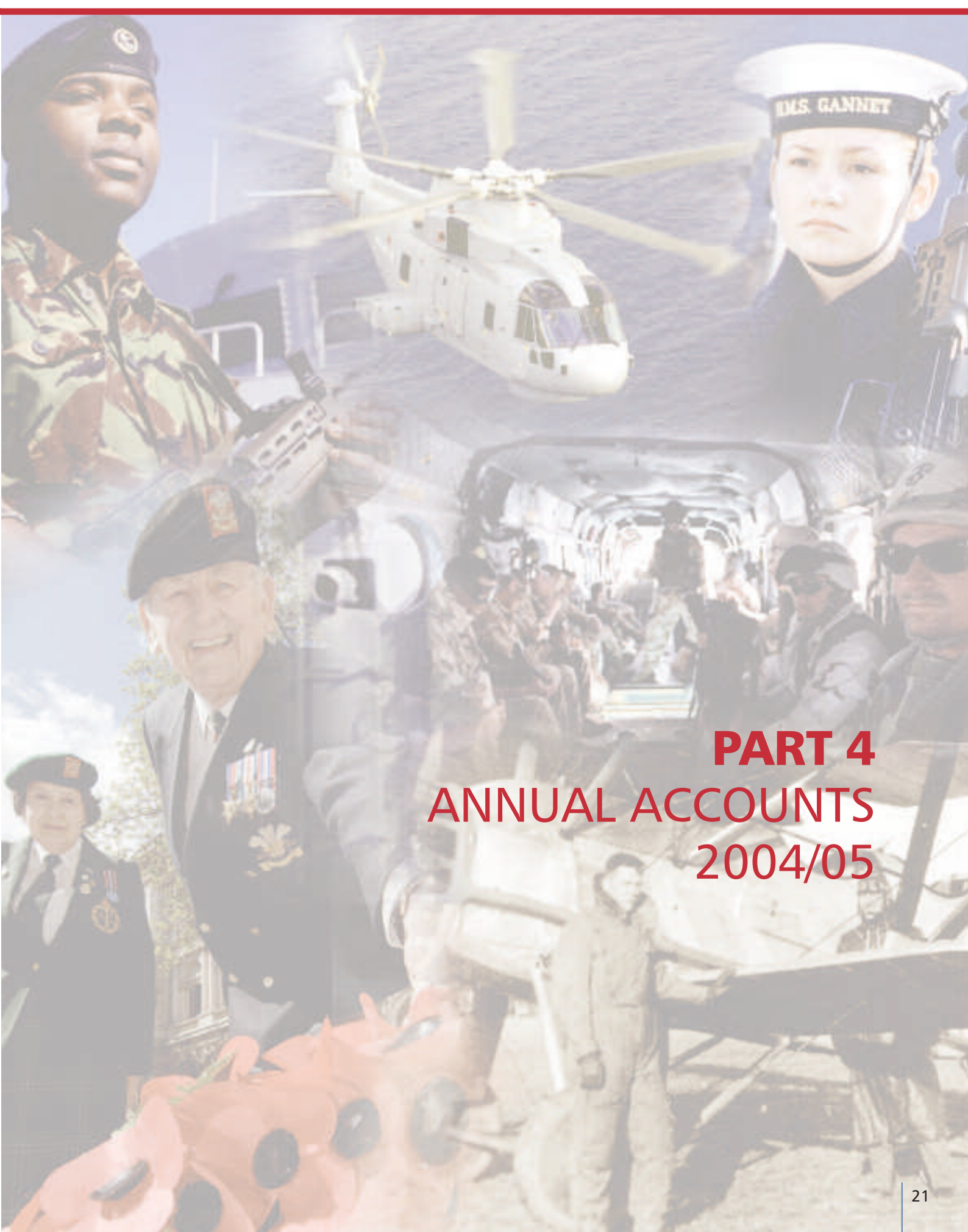
## CASH FLOWS

The VA's principal cash inflows for the year were:

	£ '000
<u>Funding</u>	<u>29,089</u>
<u>Fees from IPPH</u>	<u>739</u>
<u>Proceeds from the sale of Fixed Assets</u>	<u>44</u>

The principal outflows for the year were:

	£ '000
<u>Operating costs</u>	<u>29,037</u>
<u>Capital expenditure</u>	<u>145</u>



**PART 4**  
**ANNUAL ACCOUNTS**  
**2004/05**

# ANNUAL ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2005

## Foreword

The Veterans Agency (formerly the War Pensions Agency) presents its accounts for the financial year ended 31<sup>st</sup> March 2005. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

## History

The Agency's origins can be traced back to the Great War, with the creation of the Ministry of Pensions in 1917. Through a variety of transformations the Ministry eventually became the Department of Social Security, and the War Pensions Agency was launched as an Executive Agency of that Department on 1<sup>st</sup> April 1994. On 11<sup>th</sup> June 2001 responsibility for the Agency was transferred to the Ministry of Defence (MoD) and on 1<sup>st</sup> April 2002 its name was changed to the Veterans Agency, in recognition of the wider role assigned to it under the Government's Veterans Initiative.

## Statutory background

The Veterans Agency is an Executive Agency of the Ministry of Defence. The Agency's owner is Deputy Chief of the Defence Staff (Personnel), Lieutenant General Anthony Palmer CBE. The Owner receives advice and support from his Advisory Board.

## Aims & Objectives

These are fully described in the foregoing report.

## Principal activities

The Agency is responsible for assessing entitlement to and administering payment of war pensions in accordance with the law and directions from the Secretary of State. It is also responsible for providing welfare services to war disablement pensioners and war widow(er)s and managing the Ilford Park Polish Home, a residential and nursing home established under the Polish Resettlement Act 1947.

## Going Concern

The Balance Sheet at 31<sup>st</sup> March 2005 shows negative Taxpayers Equity of £1,557,000. This reflects the inclusion of liabilities falling due in years which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of supply, approved annually by Parliament, to meet the Net Cash requirements of the MoD of which the Veterans Agency is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the fund by the MoD other than required for the service of the specified year or retained in excess of that need.

In common with other government departments, the future financing of the Veterans Agency's liabilities is accordingly to be met by future grants of supply to the MoD and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming and it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## Performance targets

The Agency's performance targets are set out in the 2004/09 Corporate Plan, which was published in July 2004. A more detailed description is provided in the Annual Report.

## Benefit Payments

These financial statements relate solely to the Agency's administrative expenditure, derived from the Department's Request for Resources, supplemented by additional information to conform with the accruals concept and to give a true and fair view of the Agency's affairs. The Agency is also responsible for the payment of war pensions and war widows' pensions which, for the year ended 31<sup>st</sup> March 2005, amounted to £1,110 million (2003/04: £1,117 million) and ex-gratia payments to Far Eastern Prisoners of War which amounted to £1.6 million (2003/04: £3.21 million). These amounts are provisional and final audited benefit expenditure for the year will be disclosed in the Departmental Resource Account, which is planned to be published later in the year.

## Financial Performance

Net operating costs for the year of £33,074,000 has been charged to the General Fund. Net operating costs for the year excluding notional and non-cash costs (see Note 3) was £29,409,000 and capital expenditure for the year was £397,000 (see Note 5). This expenditure was within the resource control of £31,067,000.

## Business development and review of activities

These are fully described in the foregoing report.

## Equal opportunities

The Agency pursues comprehensive equal opportunities policies, which exceed the minimum legislative requirements in relation to both staff and customers. The Agency promotes improvements in service delivery to customers with disabilities and takes positive steps to encourage the recruitment of disabled people. The Agency continues to use the Disability Symbol and remains committed to the responsibilities associated with it. In particular, positive steps are taken to improve the working environment and practices for staff with disabilities.

## Management of the Agency

The day-to-day management of the Agency is carried out by the Agency's Management Board, which during 2004/05 consisted of:

<b>Mr Alan Burnham</b>	Chief Executive
<b>Mr Tony Burke</b>	Director of Operations and Welfare
<b>Ms Wendy Stewart</b>	Corporate Services Director, with effect from 1 <sup>st</sup> March 2005
<b>Mr Keith Almond</b>	Acting Director of Corporate Services until 31 <sup>st</sup> March 2005
<b>Mr Vic McGeown</b>	Acting Director of Finance and Personnel. Deceased 20 <sup>th</sup> April 2004
<b>Dr Paul Kitchen</b>	Medical Director
<b>Mr Roy Burrows</b>	Non-executive Director. Retired 19 <sup>th</sup> November 2004
<b>Helga Drummond</b>	Non-executive Director. Appointed 19 <sup>th</sup> October 2004
<b>Alex Jablonowski</b>	Non-executive Director. Appointed 19 <sup>th</sup> October 2004

The executive members of the Management Board were appointed, and appointments may be terminated, in accordance with the Civil Service Management Code. Mr Burnham's remuneration as Chief Executive is determined by the Senior Civil Service Salaries Review Body. The remuneration of the other executive members of the Management Board is determined as part of the Agency's pay review process. Details of Management Board Salaries are contained in Note 2.

## Policy on the payment of suppliers

It is the MoD's policy to settle terms of payment 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.

The payments to suppliers are predominantly made by the Defence Bills Agency (DBA) on our behalf. Overall performance as reported in their accounts for 2004/05, was that 99.9% of all certified bills submitted for payment were made within 11 days.

## Staff involvement

This is comprehensive and fully covered in the foregoing report.

## Pension Arrangements

These are covered in Notes 1 and 2 to the accounts.

## Auditors

The accounts of the Agency are audited by the Comptroller and Auditor General under section 7(3)(b) of the Government Resources and Accounts Act 2000.

Signed:



Alan Burnham  
Chief Executive  
30<sup>th</sup> June 2005

# Statement of the Agency's and Accounting Officer's responsibilities

Under Section 7(2) of the Government Resources and Accounts Act 2000 the Treasury have directed the Veterans Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its net operating cost, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to comply with the Resource Accounting Manual prepared by HM Treasury and in particular to:

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

It has been agreed with HM Treasury that, although Chief Executives of Defence Agencies are not appointed Agency Accounting Officers, analogous arrangements will apply. These responsibilities, including responsibility for the propriety and regularity of the public finances for which the Chief Executive is answerable and for keeping of proper records, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in 'Government Accounting'.

# Statement of Internal Control

## 1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Veterans Agency 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 Government Accounting.

The Permanent Under Secretary of State (PUS), as the Department's Principal Accounting Officer, is responsible for the overall organisation, management and staffing of the Department and for ensuring that there is a high standard of financial management, including financial systems, in the Department as a whole. The PUS is also responsible for those estimates from which the Veterans Agency draws its funds. I am accountable directly to PUS for the propriety and regularity of the Veterans Agency expenditure and for prudent and economical administration in compliance with Departmental rules.

As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated by the Veterans Agency.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 for the Veterans Agency (Administration) for the year ended 31<sup>st</sup> March 2005 and up to date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

Risk management and internal control is embedded in the day-to-day operations of the Veterans Agency business and management systems. Executive managers ensure that all staff understand the importance of robust management of risk. The VA has adopted an assumption-based methodology to identify its risks. This process is the principal method for identifying low-level risks from the "bottom-up". The Agency Management Team also identifies high-level and longer-term risks from the "top-down".

## 4. The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the Agency. In particular, it includes:

Financial systems, comprising:

- a) comprehensive budgeting systems with an annual budget, which is agreed as part of the MoD's resource allocation process;
- b) regular reviews by the Agency Management Team of periodic and annual financial reports, which indicate financial performance against the forecasts;
- c) setting targets to measure financial and other performance;
- d) clearly defined capital investment control guidelines; and
- e) as appropriate, formal project management disciplines.

Procurement systems, which clearly define investment guidelines to ensure that the Agency obtains the goods and services that it requires in a most cost effective manner.

Payroll system controls to ensure that staff remuneration and reimbursement payments are made correctly and in a timely manner

Controls over the operation of computer systems and clerical procedures to ensure that secure systems are developed to meet business and accounting requirements and that adequate contingency plans exist.

A Business Continuity Plan (BCP) is in place and provides robust arrangements for implementation should the need arise. The BCP is reviewed every 6 months and tested every 12 months.

The Veterans Agency exists to provide high quality, customer focused services to war disablement pensioners, war widows, their carers and dependants whilst simultaneously complying with Centre Top Level Budget (CTLB), High Level Budget (HLB) and HM Treasury set guidelines. Throughout 2004/05 the robust approach to Risk Management within Veterans Agency has been further strengthened, following the design and development of a new risk methodology.

The Agency's risk management strategy is based on a formalised Risk Management and Corporate Governance function to identify objectives and key risks, develop controls to manage these key risks and allocate ownership of the risks to appropriate Agency Managers. Procedures are in place to regularly review these risks and report to the Veterans Agency Audit Committee and Agency Management Team, detailing the steps Managers are taking to manage risks in their areas of responsibility.

Risk management is embedded within the Agency based on the following principles:

- a) Senior Managers foster a culture to support well-judged decisions about risks and opportunities, enabling innovation to be handled with confidence;
- b) The management of risk is being integrated into existing and new processes;
- c) Clear roles and definitions are being established relating to the accountability, management, escalation and communication of key risks;
- d) Risks are managed at the lowest level at which the manager has the authority, responsibility and resources to take action;
- e) All managers will encourage openness and honesty in the reporting and escalation of risks;
- f) A consistent approach to the identification and assessment of risk and opportunities;
- g) The effectiveness of risk management is subject to challenge through regular systematic assessment; and
- h) The Agency will strive to continually improve its management of risk.

All of the above principles are supported by the Veterans Agency Risk Management Framework.

## 5. Review of effectiveness

As Chief Executive, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the 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 by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The following measures are in place to maintain/review the effectiveness of the system of internal control:

- a) The Agency Directors meet regularly in order to review the strategic direction of the Agency. The Agency Management Team comprising the senior managers of the Agency meets periodically to consider the plans and strategic direction of the Agency;
- b) The Veterans Agency Audit Committee gives advice to the Accounting Officer on the adequacy of internal and external audit arrangements and on the implications of assurances provided in respect of risk and control in the organisation;
- c) The Veterans Agency Audit Committee and Agency Management Team monitor progress made on audit recommendations (made by both Internal Audit and the National Audit Office). These bodies also monitor progress with current initiatives and compliance with extant external requirements;
- d) Regular reports from Managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
- e) Defence Internal Audit - The internal audit work is informed by an analysis of the risk to which the Agency is exposed, and annual internal audit plans are based on this. The analysis of risk and internal audit plans are approved by me and endorsed by the Agency's Audit Committee; and
- f) Veterans Agency Internal Assurance Team - The internal audit work programme for 2004/05 was fed by mandated CTLB and HLB compliance reviews and aimed to complement those audits completed by Defence Internal Audit and National Audit Office. All accepted recommendations are monitored by the Agency's Audit Committee.

## 6. Significant internal control problems

My review of the effectiveness of internal controls has not highlighted any significant weaknesses.

Signed:



Alan Burnham  
Chief Executive  
30<sup>th</sup> June 2005

# Veterans' Agency: The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I have audited the financial statements on pages 31 to 33 under the Government Resources and Accounts Act 2000. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 34 to 35.

## Respective responsibilities of the Board of Trustees, the Director and the Auditor

As described on page 25, the Agency and Chief Executive are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the other contents of the Foreword are not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 26 to 28 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency and the group'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 are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources 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.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Veterans' Agency as at 31<sup>st</sup> March 2005 and of the net operating costs, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts 2000 and the directions made thereunder by the Treasury; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

**John Bourn**  
Comptroller and Auditor General  
7<sup>th</sup> July 2005

**National Audit Office**  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Operating Cost Statement for the year ended 31<sup>st</sup> March 2005

	Note	2004/05 £'000	2003/04 £'000
<b>Administration Costs</b>			
Staff costs	2	(19,184)	(19,042)
Other administration costs	3	(15,746)	(15,724)
<b>Gross Administration Costs</b>		<b>(34,930)</b>	<b>(34,766)</b>
Operating income	4	1,856	2,258
<b>Net Operating Costs</b>		<b>(33,074)</b>	<b>(32,508)</b>

The Net Operating Costs arise wholly from continuing operations. No material acquisitions or disposals have been made by the Agency within the year.

# Statement of Recognised Gains and Losses for the year ended 31<sup>st</sup> March 2005

	Note	2004/05 £'000	2003/04 £'000
Net gain on revaluation of tangible fixed assets	12	<b>90</b>	<b>109</b>

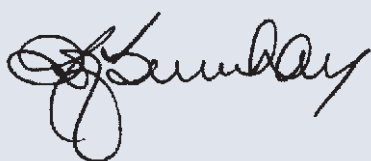
The notes on pages 34 to 48 form part of the accounts.

# Balance Sheet as at 31<sup>st</sup> March 2005

	Note	31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2004
		£'000	£'000	£'000
<b>Fixed assets</b>				
Tangible assets	5		510	591
<b>Current assets</b>				
Debtors - amounts due within one year	7	216		434
Cash at bank and in hand	8	-		25
		216		459
<b>Current liabilities</b>				
Creditors - amounts falling due within one year	9	(2,283)		(1,440)
<b>Net current assets</b>				
			(2,067)	(981)
<b>Total assets less current liabilities</b>				
			(1,557)	(390)
<b>Provision for liabilities and charges</b>				
	10		0	(553)
			<b>(1,557)</b>	<b>(943)</b>
<b>Taxpayers' Equity</b>				
General fund	11		(1,761)	(1,057)
Revaluation reserve	12		204	114
			<b>(1,557)</b>	<b>(943)</b>

The notes on pages 34 to 48 form part of the accounts.

Signed:



Alan Burnham  
Chief Executive  
30<sup>th</sup> June 2005

# Cash Flow Statement for the year ended 31<sup>st</sup> March 2005

	Note	2004/05 £'000	2003/04 £'000
<b>Net cash (outflow) from operating activities</b>	(i)	(29,037)	(30,855)
<b>Capital expenditure and financial investment</b>	(ii)	(101)	(278)
<b>Financing from the Consolidated Fund</b>	(iii)	29,089	31,099
<b>Increase/(Decrease) in cash in the period</b>	(iv)	<b>(49)</b>	<b>(34)</b>
Notes to the Cash Flow Statement			
<b>(i) Reconciliation of Net Operating Cost to operating cash flow</b>			
<b>Net Operating Cost</b>		(33,074)	(32,508)
Adjust for non-cash items	3	3,665	2,561
Adjust for non-cash receipts		-	(300)
Adjust for movements in working capital other than cash	6	907	(590)
Adjust for movement in provision		(535)	(18)
<b>Net cash (outflow) from operating activities</b>		<b>(29,037)</b>	<b>(30,855)</b>
<b>(ii) Analysis of capital expenditure and financial investment</b>			
Purchases of fixed assets		(145)	(337)
Proceeds from the sale of fixed assets		44	-
Interest on early departure annuity		0	59
<b>Net cash outflow from investing activities</b>		<b>(101)</b>	<b>(278)</b>
<b>(iii) Analysis of financing</b>			
From Consolidated Fund		29,089	31,099
<b>Financing inflow</b>		<b>29,089</b>	<b>31,099</b>
(Increase)/Decrease in cash		49	34
<b>Total cash requirement</b>		<b>29,138</b>	<b>31,133</b>
<b>(iv) Analysis of the movement in bank balances</b>			
Movement in cash balance		(25)	(34)
Movement in overdraft balance		(24)	-
<b>Overall movement in bank balances</b>		<b>(49)</b>	<b>(34)</b>

The notes on pages 34 to 48 form part of the accounts.

# Notes to the accounts for the year ended 31<sup>st</sup> March 2005

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2004/05 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the Modified Historical Cost Accounting convention to account for the revaluation of fixed assets.

### 1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of historic cost and current replacement cost, calculated using Office of National Statistics indices. Any expenditure on computer equipment and expenditure of over £5,000 in the case of other tangible fixed assets is capitalised. On initial recognition they are measured at cost including any cost such as installation directly attributable to bringing them into working condition. Internally developed software is not capitalised on the grounds of immateriality.

All tangible fixed assets are restated to current value each year. Land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years and in the intervening years by the use of published indices appropriate to the type of land or building. Non-property operational assets are revalued to open market value where obtainable, or on the basis of depreciated replacement cost where market value is not obtainable. Published indices appropriate to the category of asset are normally used to estimate value.

Increases arising on revaluation, including adjustments to previous depreciation provisions (backlog depreciation), are taken to a revaluation reserve, whilst permanent diminutions in value are charged to the statement of recognised gains and losses until the carrying amount reaches its depreciated historical cost and thereafter to the operating cost statement.

### 1.3 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to nil on a straight-line basis over their estimated useful lives.

Asset lives are normally in the following ranges:

Computers	5 years
Office machinery	5 to 10 years
Furniture and fittings	10 years
Motor vehicles	4 to 10 years

### 1.4 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.

### **1.5 Operating Income**

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 appropriated in aid of the Estimate but also income to the Consolidation Fund, which in accordance with the RAM is treated as operating income. Operating income is stated net of VAT.

### **1.6 Net operating costs**

Costs are charged to the Operating Cost Statement in the period in which they are incurred and matched to any related recoveries. A proportion of VAT can be reclaimed by direct recovery or by formulae agreed with HM Revenue & Excise. Transactions are shown net of VAT where it can be directly recovered from HM Revenue & Excise otherwise they are shown gross. MoD now collect and account for VAT centrally and hence there is no VAT debtor in the Agency's Accounts. Income from services provided to third parties is included in Operating Income.

### **1.7 Capital Charge**

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5 per cent in real terms (2003/04 rate was also 3.5 per cent) on all assets less liabilities, except for:

- a. intra-departmental balances; and
- b. cash balances with the Office of the Paymaster General (OPG), where the charge is nil.

### **1.8 Foreign exchange**

Transactions, which are denominated in a foreign currency, are translated into sterling using the Department's General Accounting Rate (GAR) 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.

### **1.9 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described at Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

### **1.10 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Operating Cost Statement over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as 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.

### **1.11 Provisions**

The Agency provides for legal or constructive obligations, which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

### **1.12 Value Added Tax**

Most of the activities of the Agency are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

## 2. Staff numbers and related costs

### Staff costs consist of:

	Total £'000	Officials £'000	Ministers £'000	Special Advisors £'000	2003/04 £'000
Wages and salaries	15,997	15,997	-	-	15,997
Social Security costs	1,123	1,123	-	-	1,069
Other pension costs	2,064	2,064	-	-	1,976
<b>Total Net Costs</b>	<b>19,184</b>	<b>19,184</b>	-	-	<b>19,042</b>

The PCSPS of which all of the Agency's employees are members, comprises a number of unfunded multi-employer defined benefit schemes. The Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31<sup>st</sup> March 2003 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004/05, normal employer contributions of £2,064,000 were payable to the PCSPS (2003/04 £1,976,000) at rates in the range 12.0 and 18.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005/06, the salary bands will be revised and the rates will be in a range between 16.2 and 24.6 per cent.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees, who joined after 1<sup>st</sup> October 2002, can opt to open a partnership account, a stakeholder pension with an employer contribution. Employer's contributions amounted to £Nil.

Salary costs include taxable payment attributable to a special bonus scheme whereby civilian staff are paid a bonus in recognition of a well-performed one-off task. Currently, there is no limit on the number of awards that can be made within a financial year although the total value of these bonus payments should not exceed 0.4 per cent of payroll costs.

## Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2004/05 Number				2003/04 Number
	Total	Senior Management	Agency temporary and contract staff	Staff classified as civil servants	
Central Operations	662	5	21	636	664
War Pensioners' Welfare Service	140	-	-	140	138
Ilford Park Polish Home	42	-	-	42	42
<b>Total</b>	<b>844</b>	<b>5</b>	<b>21</b>	<b>818</b>	<b>844</b>

The salary and pension entitlements of the Agency Board of Directors were as follows:

Name and Title	Annual (or service as indicated) salary including performance pay £'000	Benefits in kind (b) (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at age 60 at 31 <sup>st</sup> March and related lump sum £'000	CETV at 31 <sup>st</sup> March £'000	Real increase in CETV after adjustment for and changes in market investment factors (nearest £'000)	Employer contribution to partnership pension account including risk benefit cover (rounded to the nearest £100)
Alan Burnham Chief Executive 2004/05	60-65	3600	0 plus 0-2.5 plus 0-2.5 Lump Sum	30-35 plus 90-95 Lump Sum 25-30 plus 80 - 85 Lump Sum	543	(2)	Nil
2003/04	65-70	3000			464	14	Nil
Tony Burke Director of Operations and Welfare 2004/05	50-55	3100	0-2.5 plus 2.5-5 Lump Sum	20-25 plus 65-70 Lump Sum	377	16	Nil
2003/04	45-50	2000	0-2.5 plus 2.5-5 Lump Sum	20-25 plus 60-65 Lump Sum	343	27	Nil
Dr Paul Kitchen Medical Director 2004/05	70-75	Nil	0-2.5 plus 2.5-5 Lump Sum	25-30 plus 80-85 Lump Sum	412	19	Nil
2003/04	65-70	Nil	0-2.5 plus 0-2.5 Lump Sum	25-30 plus 75-80 Lump Sum	423	24	Nil
Keith Almond Acting Director of Corporate Services (until 31/03/05)	50-55	Nil	0-2.5 plus 0-2.5 Lump Sum	15-20 plus 50-55 Lump Sum	279	11	Nil
2003/04	50-55	Nil	0-2.5 plus 2.5-5 Lump Sum	15-20 plus 45-50 Lump Sum	252	25	800
Vic McGeown Acting Director of Finance & Personnel (a)2004/05			Consent to disclosure withheld				
2003/04			Consent to disclosure withheld				
Wendy Stewart Corporate Services Director (c) (from 01/03/05)	0-5 (50-55 annual equivalent)	Nil	0-2.5 pension	20-25 pension	315	3	Nil
2003/04	-	-	-	-	301	-	-
Roy Burrows Non Executive Director (retired 19/11/04)	0-5	-	-	-	-	-	-
2003/04	5-10	-	-	-	-	-	-
Alex Jablonowski Non Executive Director (from 19/10/04)	0-5	-	-	-	-	-	-
2003/04	-	-	-	-	-	-	-
Helga Drummond Non Executive Director (from 19/10/04)	0-5	-	-	-	-	-	-
2003/04	-	-	-	-	-	-	-

a. Deceased 20<sup>th</sup> April 2004.

b. Benefits in kind related to the personal use of vehicles owned by the Agency.

c. The figures stated cover the period from 1st March to 31st March 2005.

Roy Burrows, Helga Drummond and Alex Jablonowski who are included in the above analysis are not employees of the Agency and did not receive any remuneration in respect of pension contributions. There were no fees payable to third parties.

Keith Almond is an employee of the Department for Work and Pensions (DWP) on loan to the Veterans Agency. The salary figure quoted above has been invoiced by DWP for Mr Almond's services.

The term salary includes, for all board members, gross salaries, fees, performance bonuses payable, overtime, reserved rights to London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

For the Chief Executive only, the term emoluments additionally includes any amounts receivable for accepting office as Chief Executive and the value of any compensation or redundancy terms paid for premature loss of office.

Pension benefits are provided through the PCSPS. From 1<sup>st</sup> October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (Classic, Premium and Classic Plus). New entrants after 1<sup>st</sup> 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).

Columns 6 of the table overleaf show the member's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. Column 8 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employees (including the value of any benefits transferred in from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. 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 members 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 from their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and from 2003-04 the other pension details, include the value of any pension scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote 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.

### **Classic Scheme**

Benefits accrue at the rate of  $\frac{1}{80}$ <sup>th</sup> of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice-pensionable pay and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

## Premium Scheme

Benefits accrue at the rate of  $\frac{1}{60}$ <sup>th</sup> of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of  $\frac{3}{80}$ <sup>ths</sup> of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of  $\frac{3}{80}$ <sup>ths</sup> of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

## Classic Plus Scheme

This is essentially a variation of Premium, but with benefits in respect of service before 1<sup>st</sup> October 2002 calculated broadly as per Classic.

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Retail Prices Index.

## Partnership Pension Account

This is a stakeholder-type arrangement, available to employees where the employer pays a basic contribution of between 3 per cent and 12 $\frac{1}{2}$  per cent (depending on the age of the member) into a stakeholder pension product. 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 per cent (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25 per cent of the fund as a lump sum.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue & Customs as a taxable emolument.

### 3. Other administration costs

	Note	2004/05 £'000	2003/04 £'000
<b>Notional costs</b>			
Interest on Capital		(37)	(72)
Auditors' remuneration and expenses	3a	45	45
Intra-Departmental services	3b	2,022	1,575
Inter-Departmental charges	3c	1,249	837
	11	3,279	2,385
<b>Non-cash items</b>			
Depreciation	5b	284	291
Loss(Surplus) on disposal of fixed assets	5c	(20)	(9)
Asset Write on	5a	0	(161)
Impairment of fixed assets	5d	90	28
Write-off of Assets	5c	32	27
<b>Total notional and non-cash items</b>		<b>3,665</b>	<b>2,561</b>
Property management, accommodation & utilities		4,034	4,172
Training, safety and welfare		332	314
Medical Adjudication Costs		2,658	2,868
IT and telecommunications		1,661	2,788
Equipment support		0	4
Legal and professional fees		753	1,023
Travel & subsistence		739	692
Rental under operating leases - plant and machinery		80	60
Early departure cost - uplift		0	10
Finance cost - unwinding of the discount		0	40
Bank charges		53	29
Consumables		164	82
Admin contracted out services		148	141
Admin claims - special payments		88	28
Overseas agents fees		157	125
Order book encashment fees		1,012	533
Hospitality & Entertainment		12	19
Other		190	235
<b>Other operating costs</b>		<b>12,081</b>	<b>13,163</b>
<b>Total other administration costs</b>		<b>15,746</b>	<b>15,724</b>

- The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There are no fees included in respect of non-audit work.
- Intra-Departmental cost of £2,022,000 relates to the provision of services for AFCS provided by AFPAA amounting to £1,017,000 and the charge for corporate services provided by Headquarters amounting to £1,005,000. This is calculated at a flat rate per annum of £1,191 per head measured in whole time equivalent units.
- Inter-Departmental charge of £1,249,000 relates to the notional Post Office Card Account charges made by DWP.

## 4. Operating income

	2004/05			2003/04		
	Income included in Operating Cost Statement £'000	Payable to Consolidated Fund		Income included in Operating Cost Statement £'000	Payable to Consolidated Fund	
		Fund	Total		Fund	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating income analysed by classification and activity, is as follows:						
Fees and charges to external customers	739	0	739	1,295	0	1,295
Fees and charges to other departments	1,103	0	1,103	888	0	888
Interest received on prepayment of early departure costs	0	0	0	59	0	59
Miscellaneous	14	0	14	16	0	16
	<b>1,856</b>	<b>0</b>	<b>1,856</b>	<b>2,258</b>	<b>0</b>	<b>2,258</b>

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

	2004/05			2003/04		
	Income	Full Cost	Surplus/ (deficit)	Income	Full Cost (Restated) (a)	Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Ilford Park Polish Home</b>	<b>739</b>	<b>(2,398)</b>	<b>(1,659)</b>	<b>1,295</b>	<b>(2,254)</b>	<b>(959)</b>
<b>Charges to DWP</b>	<b>1,103</b>	<b>(1,103)</b>	<b>0</b>	<b>888</b>	<b>(888)</b>	<b>0</b>

- a. The full cost of Ilford Park Polish Home for 2003/04 has been restated to reflect additional non-cash costs, amounting to £364,000, relating to central services that the Home would have incurred if it was completely independent. There is no impact on the primary statements for 2003/04 as a result of this adjustment.

## 5. Tangible fixed assets

	Note	Information Technology £'000	Plant & Machinery £'000	Transport Equipment £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>						
At 1 <sup>st</sup> April 2004		<b>587</b>	<b>2</b>	<b>222</b>	<b>0</b>	<b>811</b>
Additions	5a	253	-	86	58	<b>397</b>
Disposals	5c	(103)	-	(67)	-	<b>(170)</b>
Revaluation	5d	(109)	-	42	-	<b>(67)</b>
<b>At 31<sup>st</sup> March 2005</b>		<b>628</b>	<b>2</b>	<b>283</b>	<b>58</b>	<b>971</b>
<b>Depreciation</b>						
At 1 <sup>st</sup> April 2004		<b>187</b>	<b>1</b>	<b>32</b>	<b>0</b>	<b>220</b>
Charged in year	5b	194	1	89	-	<b>284</b>
Disposals	5c	(71)	-	(43)	-	<b>(114)</b>
Revaluation	5d	36	-	35	-	<b>71</b>
<b>At 31<sup>st</sup> March 2005</b>		<b>346</b>	<b>2</b>	<b>113</b>	<b>0</b>	<b>461</b>
<b>Net book value at 31<sup>st</sup> March 2005</b>		<b>282</b>	<b>0</b>	<b>170</b>	<b>58</b>	<b>510</b>
Net book value at 1 <sup>st</sup> April 2004		<b>400</b>	<b>1</b>	<b>190</b>	<b>0</b>	<b>591</b>

- Total additions in the year were £397,000 (2003/04: £153,000). These consisted of purchases of £107,000, assets under construction of £58,000, accrued assets of £130,000 and asset write-ons of £102,000 which have been credited to the revaluation reserve.
- Total depreciation charged to the Operating Cost Statement was £284,000 (2003/04: £291,000).
- The surplus on the sale of fixed assets charged to the Operating Cost Statement in the year is £20,000 (2003/04: £9,000) which relates to the disposal of vehicles valued at £24,000 with a sale value of £44,000. The disposal of IT relates to the write-off of equipment valued at £32,000 which resulted from a physical verification exercise conducted during the year.
- These figures relate to the application of retail price indices and revaluation adjustments to ensure individual assets reflect their current open market replacement cost.

## 6. Movements in working capital other than cash

The movements in working capital used in the cash flow statement comprise:

	Note	2004/05 £'000	2003/04 £'000
Decrease/ (Increase) in debtors	7	218	99
Increase/ (Decrease) in creditors falling due within one year	9	819	(589)
Adjustment: Movement in working capital not related to net operating costs			
Movement in working capital related to the acquisition/disposal of tangible fixed assets		<b>(130)</b>	<b>(100)</b>
Net Increase/ (Decrease) in working capital other than cash		<b>907</b>	<b>(590)</b>

## 7. Debtors

	31 <sup>st</sup> March 2005 £'000	31 <sup>st</sup> March 2004 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	136	61
Prepayments and accrued income	80	373
	<b>216</b>	<b>434</b>

## 8. Cash at bank and in hand

	31 <sup>st</sup> March 2005 £'000	31 <sup>st</sup> March 2004 £'000
Opening Balance	25	59
Net Changes in Cash Balances	(25)	(34)
<b>Closing Balance</b>	<b>0</b>	<b>25</b>
The balances are held at:		
Commercial Banks	0	25
Cash in hand	0	0
<b>Commercial banks and cash in hand</b>	<b>0</b>	<b>25</b>

## 9. Creditors - amounts falling due within one year

	31 <sup>st</sup> March 2005 £'000	31 <sup>st</sup> March 2004 £'000
Bank overdraft	24	0
Trade creditors	779	120
Capital creditors	130	0
Accruals and deferred income	1,350	1,320
	<b>2,283</b>	<b>1,440</b>

## 10. Provision for liabilities and charges

Early departure and pension commitments	2004/05 £'000	2003/04 £'000
Balance at 1 <sup>st</sup> April	553	841
Utilised in year	0	(338)
Uplift	0	10
Unwinding of the discount	0	40
Transferred to Centre	(553)	0
<b>Balance at 31<sup>st</sup> March</b>	<b>0</b>	<b>553</b>

From 2004/05, the Department provides the administration of pension payments to former Agency employees as a central service. The balance of the provision was transferred during 2004/05.

## 11. Reconciliation of net operating cost to changes in general fund

	Note	2004/05 £'000	2003/04 £'000
<b>Net Operating Cost for the year</b>		(33,074)	(32,508)
Financing inflow		29,089	31,099
Notional charges	3	3,279	2,385
Non cash inter-agency capital transfers out		-	(300)
Non-cash capital additions/(write offs)		-	29
Transferred from revaluation reserve		2	-
<b>Net increase (decrease) in general fund</b>		<b>(704)</b>	<b>705</b>
General fund at 1 <sup>st</sup> April		(1,057)	(1,762)
<b>General fund at 31<sup>st</sup> March</b>		<b>(1,761)</b>	<b>(1,057)</b>

## 12. Reserves

Revaluation Reserve	2004/05 £'000	2003/04 £'000
<b>Balance at 1<sup>st</sup> April</b>	114	5
Arising on revaluation during the year (net)	92	109
Transferred to the General Fund	(2)	-
<b>Balance at 31<sup>st</sup> March</b>	<b>204</b>	<b>114</b>

The revaluation reserve reflects the depreciated replacement cost of asset write-ons on acquisition and the cumulative balance of indexation and revaluation adjustments above historic cost. Reductions in value below historic cost are charged to the Operating Cost Statement.

### 13. Capital commitments

At 31st March 2005, capital commitments amounted to £Nil (2003/04: £Nil).

### 14. Commitments under operating leases

	31 <sup>st</sup> March 2005		31 <sup>st</sup> March 2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
At 31 <sup>st</sup> March the Agency was committed to make the following payments during the next year in respect of operating leases expiring:				
Within one year	0	4	0	6
Between two and five years	0	25	0	35
After five years	0	0	0	0
<b>Commitments under operating leases</b>	<b>0</b>	<b>29</b>	<b>0</b>	<b>41</b>

### 15. Contingent liabilities

Contingent Liabilities for the financial year 2004/05 are £Nil (2003/04: £Nil).

### 16. Related party transactions

The Veterans Agency is an Executive Agency of the Ministry of Defence.

The Department was regarded as a related party. During the year, the Agency has had various material transactions with the Department or with other entities for which the MoD is regarded as the parent Department. These are Defence Bills Agency (DBA), Pay & Personnel Agency (PPA) and Armed Forces Pensions Administration Agency (AFPAA).

In addition, the Agency 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.

None of the Board members or senior executives have undertaken any material transactions with the Veterans Agency during the year.

## 17. Financial Instruments

### *Derivatives and other financial instruments*

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

As permitted by FRS 13, debtors and creditors, which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

### *Fair values*

The fair values of all the Agency's financial assets and liabilities approximate to their book value.

### *Currency risk*

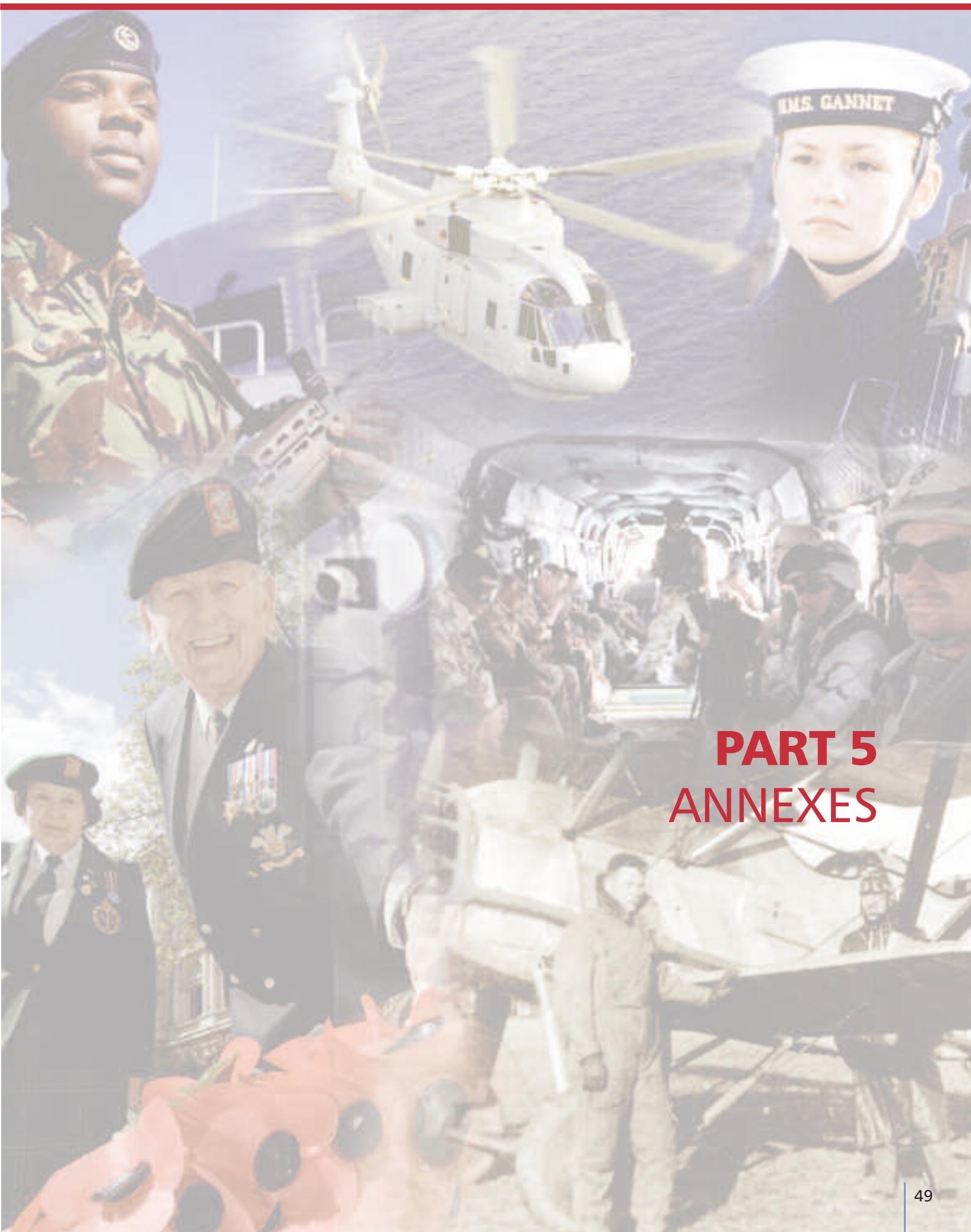
The Agency does not have significant assets, liabilities, income or expenditure denominated in foreign currencies. The Agency is not therefore exposed to significant currency risk.

### *Liquidity risk*

Resources voted annually by Parliament finance the Agency's net revenue resource requirements and capital expenditure. The Agency is not therefore exposed to significant liquidity risk.

## 18. Intra-government balances

	Debtors: amounts falling due within one year £'000	Debtors: amounts falling due after more than one year £'000	Creditors: amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
Balances with other central government bodies	118	-	1,439	-
Balances with bodies external to government	98	-	820	-
<b>At 31<sup>st</sup> March 2005</b>	<b>216</b>	<b>-</b>	<b>2,259</b>	<b>-</b>
Balances with other central government bodies	1	-	172	-
Balances with bodies external to government	433	-	1,268	-
<b>At 31<sup>st</sup> March 2004</b>	<b>434</b>	<b>-</b>	<b>1,440</b>	<b>-</b>



**PART 5**  
**ANNEXES**

# ANNEX A

## VA KEY PERFORMANCE TARGETS: 2000/01 - 2004/05

Key Performance Targets	2000/01 Target (Achievement)	2001/02 Target (Achievement)	2002/03 Target (Achievement)	2003/04 Target (Achievement)	2004/05 Target (Achievement)
<b>Service</b>					
<b>KT 1:</b> To issue decisions on claims to war pension:	within an average of 100 working days <b>(92 days)</b>	within an average of 90 working days <b>(73 days)</b>	within an average of 82 working days <b>(63 days)</b>	within an average of 63 working days <b>(61 days)</b>	within an average of 63 working days <b>(57 days)</b>
<b>KT 2:</b> To issue decisions on war widows' claims:	within an average of 36 working days <b>(32 days)</b>	within an average of 36 working days <b>(25 days)</b>	within an average of 34 working days <b>(24 days)</b>	within an average of 23 working days <b>(25 days)</b>	within an average of 25 working days <b>(22 days)</b>
<b>KT 3:</b> To achieve a claims quality/accuracy rate of at least:	90% - quality <b>(92.17%)</b>	94% - accuracy <b>(96.17%)</b>	95% - accuracy <b>(98%)</b>	97% - accuracy <b>(97.67%)</b>	97% - accuracy <b>(99.50%)</b>
<b>KT 4:</b> To achieve a medical adjudication accuracy rate of at least	N/A	N/A	N/A	N/A	95% <b>(99.15%)</b>
<b>Personnel</b>					
<b>KT 5:</b> To carry out an externally validated programme of internal liP assessments to determine whether the VA continues to meet liP requirements	N/A	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>	N/A
To undergo a successful, externally managed liP re-assessment exercise	N/A	N/A	N/A	N/A	<b>Achieved</b>

	2000/01 Target (Achievement)	2001/02 Target (Achievement)	2002/03 Target (Achievement)	2003/04 Target (Achievement)	2004/05 Target (Achievement)
<b>Key Performance Targets</b>					
<b>Working in Partnership</b>					
<b>KT 6:</b> To work with the DCA's Court Service to reduce the average time it takes an appeal to pass through the war pensions appeals process by [x]% from 2000/01 baseline levels of 565 working days	N/A	10%: 508 working days (42%: 329 working days)	45%: 310 working days (53%: 267 working days)	56%: 250 working days (61%: 219 working days)	58%: 240 working days (61%: 220 working days)
<b>Efficiency</b>					
<b>KT 7:</b> To use the Agency output costing methodology developed in 2002/03 to help identify and generate such administrative efficiencies and other savings as will enable the Agency to operate within a 2003/04 running cost baseline figure that is 3% less than its RDEL for that year.	N/A	N/A	N/A	Achieved	Achieved

# ANNEX B

## VA PUBLISHED SERVICE CHARTER STANDARDS: 2004/05

Service Charter Standard	Performance
Decisions on claims to war pensions should be issued within an average of 63 working days	57
Decisions on war widow(er)s claims should be issued within an average of 25 working days	22
A claims accuracy rate of at least 97% should be achieved	99.50%
A medical adjudication accuracy rate of at least 95% should be achieved	99.15%
Appeals to war pension should be cleared within an average of 120 working days at Stage 1 of the process	116
Appeals to war pension should be cleared within an average of 120 working days at Stage 2 of the process by March	94
Appeals to war pension should be cleared within an average of 15 working days at Stage 3 of the process	10
Calls to the VA Helpline should be answered within an average of 20 seconds	Achieved
All recently-bereaved war widow(er)s should be visited within 15 working days of a request being received	Achieved
All written enquiries and complaints should be acknowledged within 5 working days of receipt	Achieved
All written enquiries and complaints should be responded to within 10 working days of receipt	Achieved
All Chief Executive correspondence should be responded to within 15 working days of receipt	Achieved
All visitors should be attended to within 10 minutes of their appointment/arrival, whichever is the later	Achieved

Stage 1: VA referral of appeal and all associated documentation to the PAT;  
 Stage 2: DCA action to clear appeal by the PAT;  
 Stage 3: VA action on return of the appeal documentation from the PAT.

# ANNEX C

## VA RISK STRATEGY

**RISK MANAGEMENT** is defined as:

All activities involved in identifying, assessing and addressing risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.

- Wherever possible, risk management activities should be integrated with other processes and management activities, particularly with Planning (strategic, business, programme, project and operational) and Performance Management.
- Risk Management should also be embedded into the organisational culture.

**RISK** is defined as:

An unstable or sensitive assumption which may cause a failure to meet an objective (or target, milestone, aim, plan) or have a significant or critical impact on delivery.

## RISK MANAGEMENT PRINCIPLES FOR THE VETERANS AGENCY

- Senior Managers will foster a culture to support well-judged decisions about risks and opportunities, enabling innovation to be handled with confidence.
- The management of risk will be integrated into existing and new processes.
- Clear roles and definitions will be agreed relating to the accountability, management, escalation and communication of key risks.
- Risks will be managed at the lowest level at which the manager has the authority, responsibility and resources to take action.
- All managers will encourage openness and honesty in the reporting and escalation of risks.
- There will be a consistent approach to the identification and assessment of risks and opportunities.
- The effectiveness of risk management will be subject to challenge through regular systematic assessment.
- The Agency will strive to continually improve its management of risk.

These principles are embedded in the VA Risk Management Framework.



# YOUR COMMENTS

As part of VA's continuing process to improve the service we provide to our customers, we value your opinion on our products and services. We would be interested to receive your comments on the 2004/2005 Annual Report and Accounts.

Please use the tick box questionnaire below and the additional sheet to let us know your comments, and return to Veterans Agency, Room 6421, Norcross, Blackpool, Lancs FY5 3WP.

## Q1 WHAT WERE YOUR OVERALL IMPRESSIONS OF THE REPORT?

- |                          |                    |                          |              |
|--------------------------|--------------------|--------------------------|--------------|
| <input type="checkbox"/> | Interesting        | <input type="checkbox"/> | Useful       |
| <input type="checkbox"/> | Easy to understand | <input type="checkbox"/> | Unstructured |

Comments: \_\_\_\_\_  
\_\_\_\_\_

## Q2 WERE THERE ANY PARTS OF THE REPORT YOU PARTICULARLY DISLIKED?

- |                          |             |                          |        |
|--------------------------|-------------|--------------------------|--------|
| <input type="checkbox"/> | Wording     | <input type="checkbox"/> | Layout |
| <input type="checkbox"/> | Photographs |                          |        |

Comments: \_\_\_\_\_  
\_\_\_\_\_

## Q3 WHAT IS YOUR INTEREST IN VA?

- |                          |                         |                          |                      |
|--------------------------|-------------------------|--------------------------|----------------------|
| <input type="checkbox"/> | Customer                | <input type="checkbox"/> | WPC member           |
| <input type="checkbox"/> | Ex-Service Organisation | <input type="checkbox"/> | CAC Member           |
| <input type="checkbox"/> | VA staff member         | <input type="checkbox"/> | Other (please state) |

## YOUR DETAILS:

Name: \_\_\_\_\_  
Organisation: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

THANK YOU

You may use the space overleaf for additional notes.



VeteransAgency

**ANNUAL REPORT AND ACCOUNTS**

2004/05

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