



MINISTRY OF DEFENCE

Veterans Agency

An Executive Agency of the Ministry of Defence

Veterans Agency Annual Report and Accounts 2002/2003



HC 897

Veterans Agency Annual Report and Accounts 2002/2003



INVESTOR IN PEOPLE

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Awarded for Excellence

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Veterans Agency
An Executive Agency of the Ministry of Defence

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Glossary of Terms

AMT	Agency Management Team
BLESMA	British Limbless Ex-Service Man's Association
CE	Chief Executive
CAC	Central Advisory Committee
DCDS (Pers)	Deputy Chief of Defence Staff (Personnel)
DWP	Department for Work and Pensions
EFQM	European Foundation for Quality Management
IAS	Internal Assurance Services
IiP	Investors in People
IPPH	Ilford Park Polish Home
LCD	Lord Chancellor's Department
MA	Medical Adviser
MoD	Ministry of Defence
PAT	Pensions Appeal Tribunal
RBL	Royal British Legion
SSAFA	Soldiers', Sailors', Airmen and Families Association - Forces Help
UK	United Kingdom
VA	Veterans Agency
WPA	War Pensions Agency
WPC	War Pensions Committee
WPWS	War Pensioners' Welfare Service

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Throughout this publication references are made to "widows". Please note that these references apply equally to "widowers".



Chief Executive's Foreword

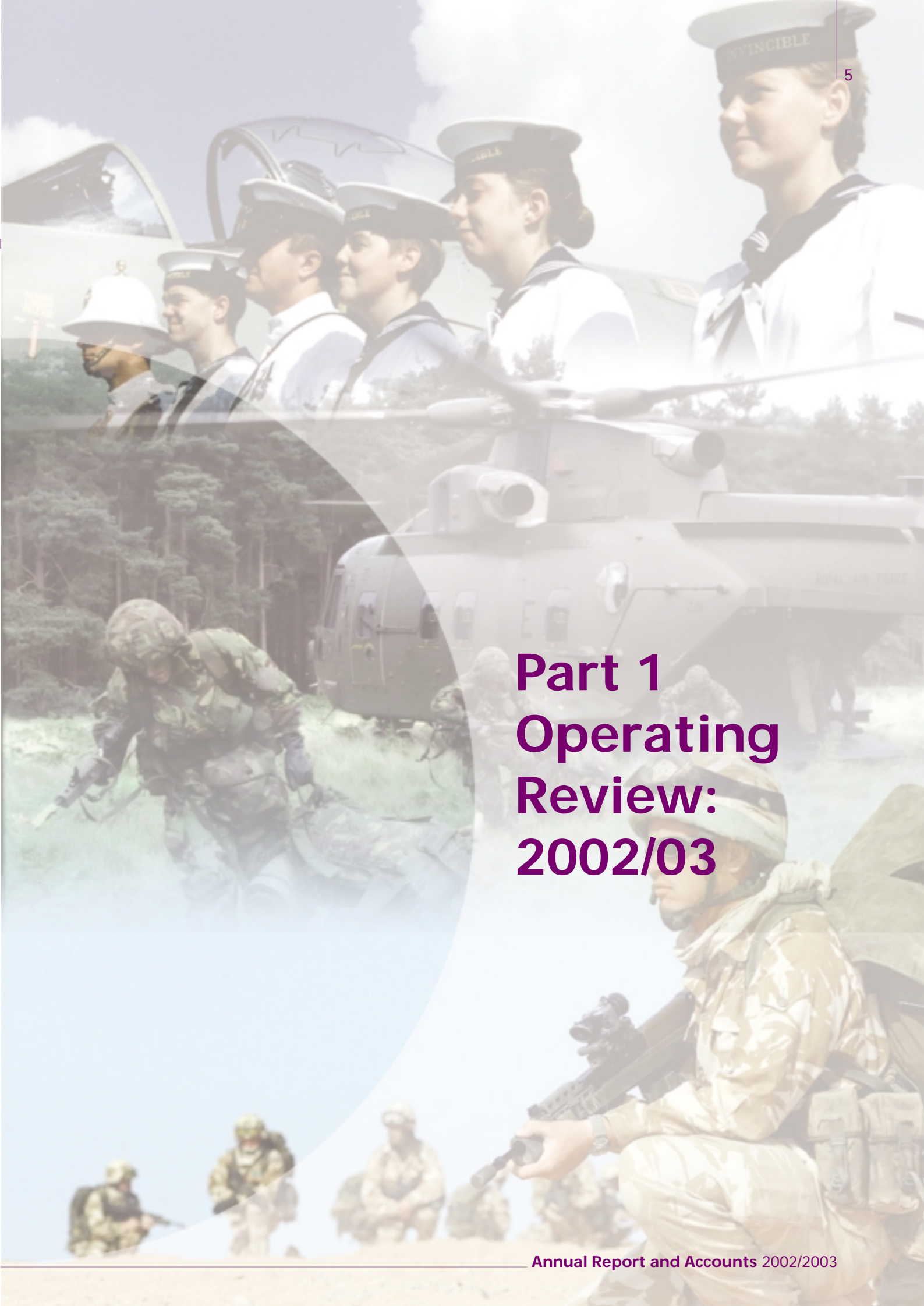
This is our first Annual Report and Accounts covering a full business year in the Ministry of Defence (MoD) and the first to be published under the name of the Veterans Agency (VA). This 2002/03 Annual Report details our performance against our targets and presents an agreed set of accounts.

2002/03 has been another successful year for the Agency in which we have been able to further improve many aspects of our customer service. As ever, we have continued to reduce the time taken to deal with claims and appeals. However, our research tells us that speed of clearance is not the only component of quality which is important to our customers and we have worked hard to address other areas where a need for improvement has been identified. The quality of our written communications has been a particular focus during 2002/03 and we will continue this work during 2003/04.

Our integration into MoD has continued during 2002/03 with particular emphasis on streamlining our business interfaces with the Armed Forces Personnel Administration Agency. We have also continued to support the Veterans Initiative, working closely with the MoD's Veterans Secretariat to develop the VA's capability to act as a one-stop advice and information point for veterans contacting the MoD.

I firmly believe that vibrant public accountability is a pre-requisite for good corporate governance and in the VA we place considerable emphasis on the way in which we put information about our activities into the public domain. This Annual Report and Accounts is an important element in our accountability framework and I judge it to provide a clear explanation of our role, our performance and our use of resources.

Alan Burnham
Chief Executive



Part 1 Operating Review: 2002/03

Introduction

This Annual Report and Accounts details the Veterans Agency's (VA) performance between 1 April 2002 to 31 March 2003. 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 2002/03 to achieve those targets and our strategic objectives; and
- presents our Annual Accounts for the financial year 2002/03

Organisation

The VA is an Executive Agency of the Ministry of Defence (MoD). Prior to June 2001 the Agency was an Executive Agency of the Department of Social Security (now the Department for Work and Pensions (DWP)) and until April 2002 was known as the War Pensions Agency.

During 2002/03 the VA's business was organised 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); processing and presentation of appeals to independent Pensions Appeal Tribunals (PAT); providing support services and functions such as finance and personnel; and co-ordinating other services to veterans, e.g. the Veterans Helpline.

War Pensioners' Welfare Service (WPWS)

This is located throughout the United Kingdom (UK) and the Republic of Ireland. The WPWS provides advice, information and practical assistance to war disablement pensioners and war widows, assisting them to access appropriate services to meet their welfare needs. The WPWS works in close partnership with ex-Service charities, local community service providers and the War Pensions Committees (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 both statutory and voluntary organisations.



Aerial view of Ilford Park Polish Home

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 the VA. We aim to offer residential and nursing care of the highest quality, fully complying with all relevant professional and legislative requirements. The professionally trained

nursing staff, together with the home's experienced management team, provides 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. In February 2003 IPPH was measured against the National Care Standards Commission criteria and met or exceeded all major requirements.

Our Purpose

During 2002/03 our overall strategy, targets and plans were set within the context of our Vision, Mission and Values as published in our 2002/07 Corporate Plan and reproduced below:

Vision

For the VA to be considered the first choice service provider for the co-ordination, management and delivery of services to veterans.

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

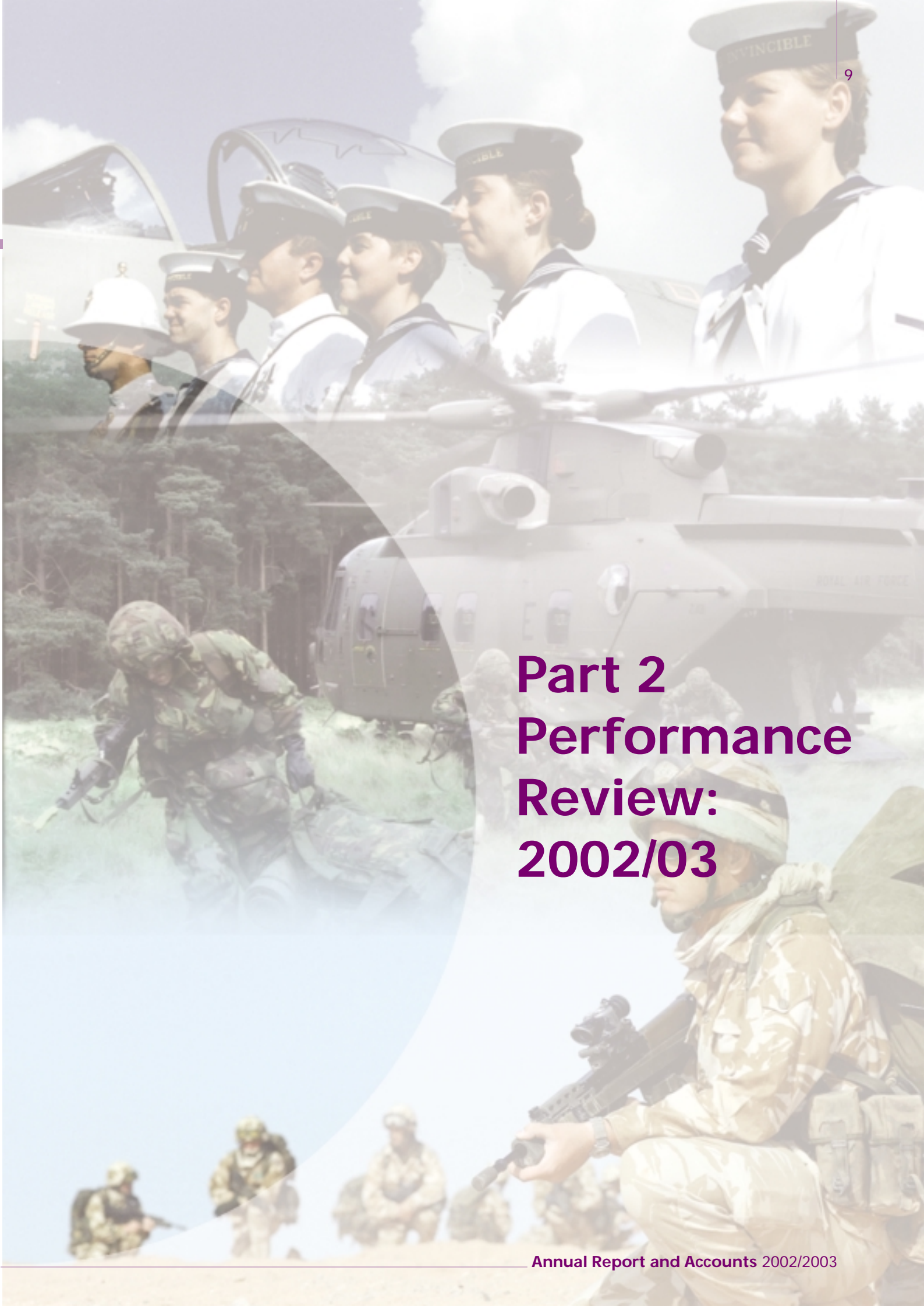
Our four Values were the themes around which we constructed our strategic direction. These Values set out the basic principles and priorities which drive the Agency. These were:

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:
2002/03**

Performance Review

During 2002/03 we contributed to the MoD's on-going programme of improved support to Service personnel throughout their lives. We also supported the across Government priority to deliver excellent public services. Our Key Performance Targets aimed to improve our performance and they also helped reassure our customers, stakeholders, partners and staff that we had meaningful measures of our success in place.

We published our 2002/03 Key Performance Targets in our 2002/07 Corporate Plan. Annex A details how we have either achieved or exceeded them all. We published our 2002/03 Service standards in our 2002/03 Service Charter. Annex B details how the Agency has performed against all of those standards.

Detailed below are the number of pensions in payment and the number of claims and appeals received over the period 1999/00 - 2002/03:

Type of pension in payment	1999/00	2000/01	2001/02	2002/03
Disablement	239,423	230,164	222,246	212,595
Widows	53,707	51,673	49,878	47,575
Others	780	618	600	560
Supplementary Allowances	*261,387	*250,954	*239,469	*227,510

Gratuity Awards made (1-19%)	4,598	3,945	4,390	3,430
NIL % Awards made	4,113	3,169	2,955	2,505

Type of claim received	1999/00	2000/01	2001/02	2002/03
First claims	11,810	11,015	9,818	9,055
Second claims, i.e. further conditions, deterioration and other reviews	16,395	15,615	14,636	14,075
Supplementary Allowances and Reviews	8,259	8,454	7,808	7,385
Treatment Allowances (Medical Expenses)	4,489	4,228	4,029	4,320
Treatment Reviews and Maintenance (Medical Reviews)	6,886	6,838	6,636	6,565
Widows	2,928	3,079	2,967	2,615
Widow Supplementary Allowances	3,348	3,266	3,216	3,090
Appeals	3,950	3,749	**5,219	4,150

* Includes all Disablement and Widows Allowances

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

For 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. Below are some of the measures, activities and initiatives we introduced during 2002/03 in order to help achieve them.

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 2002/03 Service Charter.

All of the standards we aspired to in our Service Charter were achieved (see Annex B).

Our Customer Research Strategy ensured we carried out regular, targeted research into our different customers needs on many diverse aspects of the service we provide. We sought customer input into new or improved product/service development. Our generic questionnaire for our main surveys was developed in consultation with key stakeholders and piloted before implementation. Not only did the questionnaire seek perception of the service we currently provide but also sought customer preferences, choices, ideas for service improvements and priorities.

In addition to our main surveys, we also sought customer perception of distinct areas of our business, e.g. the Welfare Service, IPPH and Helpline as well as less formal feedback via the many organisations that represent the ex-Service community. At a national level we consulted via the Central Advisory Committee (CAC) on War Pensions, which brings together senior ex-Service figures under the Chairmanship of the Minister for Veterans. Contact with customers and their representatives is extensive and provides constant feedback on our services.

WPCs provide us with a mechanism to keep in touch with 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 engaged panels of customers in the determination of what good service is and how we measure up against this. To ensure effective delivery of welfare services we managed partnership arrangements with ex-Service organisations to regularly review levels of service and refine its delivery.

To promote our service to remoter parts of the UK and make it more accessible we made use of a Mobile Advice Unit and an additional new Unit has recently been commissioned for use in 2003/04. This enables face-to-face contact with many customers who would otherwise be limited to telephone or letter. Our Welfare service in conjunction with our Public Relations group and latterly the MoD held many publicity and advice events successfully reaching significant numbers of potential customers.

We ran a number of initiatives aimed at increasing our staff's awareness of the concerns and problems encountered by our customers. These included our ongoing programme of "Lunchtime Presentations" where speakers from other areas of the MoD or ex-Service organisations provided an insight into aspects of Service life or disabled living. To enhance this we are introducing a programme of "Service Familiarisation Visits" where staff from the Agency will spend time with the various Armed Forces. Further initiatives to develop staff awareness of the customer included "Understanding Disablement" offering short-term placements in services for the disabled and participation of staff in an annual "Ski Bob" event in Austria for amputees run by The British Limbless Ex-Service Man's Association (BLESMA).

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.

We operate a range of "family friendly" policies to help staff balance their work and home lives. These include flexible hours, part-time/term-time working patterns and assistance with child costs on holiday play-schemes.

An annual Agency-wide staff survey has been conducted since 1998 and staff satisfaction levels have increased over that period. At the same time, performance against targets and customer satisfaction levels has also improved. Key areas for improvement identified from the Survey were fed into the Agency's planning process and Achieving Excellence Action Plan.

Learning and development also continued to be seen as an integral part of the organisation and included induction/job training, external and further education schemes, an on-site open learning centre, job shadowing and development schools. The Chief Executive (CE) and other Agency Management Team (AMT) members were personally involved in opening/presenting/attending many learning and development events. Examples of this included our two-day Development School, primarily aimed at administrative staff and junior managers, and our Welfare Conferences. Staff at all grades had the opportunity to attend one of the monthly AMT meetings to observe, comment and contribute to the items of business being addressed.



At IPPH we introduced a Guidance and Professional Support system to promote individual development and ensure each member of staff has planned and dedicated monthly meetings with their line manager. And in the WPWS we have provided Professional & Coaching Support which is a 'buddy' mentoring system perceived by WPWS staff as a useful additional support technique.

We have developed a process to facilitate the professional revalidation of our Medical Advisers (MA) in accordance with the requirements of the General Medical Council-sponsored legislation that has recently been enacted. Revalidation is the regular demonstration by doctors that they are up-to-date and fit to practise in their particular speciality.

Objective 3: 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 Lord Chancellor’s Department (LCD), the DWP and the ex-Service and other voluntary organisations.

We have continued to work with the Lord Chancellor’s Department (LCD) Court Service to reduce the average time it takes an appeal to pass through the war pensions appeals process. The VA monitors old cases still awaiting listing for hearing and meets with LCD and PAT staff in Edinburgh on a regular basis to resolve problems and identify areas for improvement.

The VA has continued to work in close partnership with the Post Office and the Universal Banking Services as an active participant in the Government’s Payment Modernisation Programme. This Programme is scheduled to introduce direct payment as a standard method of collecting pensions and benefits from 2003.

We have worked with the National Health Service to explore electronic links and other methods for exchanging medical information in a secure manner.

In February 2003, a joint initiative with The Royal British Legion (RBL) saw 500,000 copies of the VA Helpline leaflet distributed with the Legion magazine. Up to the end of April 2003 this had generated a significant number of calls. Service pensions, medals and Service records were the main focus of enquiries.

The Agency has now finished a pilot exercise whereby callers to the VA Helpline could be put directly through to the RBL ‘Legionline’. Whilst the number of calls transferred to the RBL was not high, this service was felt to be a useful facility and has now been extended to Combat Stress, Forces Pension Society, BLESMA, Soldiers’, Sailors’, Airmen and Families Association - Forces Help (SSAFA).

During 2002/03 the WPWS held three Best Practice events titled ‘Experiencing Darkness’. This was an experiential learning programme held at, and developed in partnership with, St. Dunstan’s, the national charity that works with men and women blinded in the Services. The events helped VA staff develop a broader appreciation of visual impairment and disability and their impact upon our customer base.



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

Objective 4: 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.

Since transferring Government Departments, the Agency has been able to deliver cumulative efficiencies of over £3million from the baseline funding associated with the transfer. At the same time we have delivered over and above our stated targets whilst improving many areas of both customer and staff satisfaction.

We have developed a Continuous Improvement Strategy that is based on European Foundation for Quality Management (EFQM) Model principles and is firmly embedded across the Agency. Annual assessments against the Model were conducted at agency and key functional area levels. The WPWS and IPPH conducted separate assessments as well as being an integral part of the Agency assessment. Increasingly, teams within functional areas carried out assessments to drive out improvements at a more 'local' level. This improvement activity clearly helped feed into organisational improvements. Outputs from the EFQM assessments along with improvements identified from customer and staff surveys and Investors in People, Charter Mark and Service Excellence Assessor reports were drawn together and prioritised under the Agency's annual Achieving Excellence Action Plan.

The Agency has commenced a thorough review of all its notifications to customers. The aim is to revisit over 150 notifications to ensure that they have a uniformly professional appearance and clear, appropriate language. The target date for completion is currently March 2004.

As part of the Notifications Review the Agency has conducted a thorough review of its procedures when a war pensioner dies. The outcome was a range of measures to improve processes and the quality of communications to the next of kin.

Advance planning ensured that the Agency was able to handle any war widows claims relating to fatalities from the Iraq conflict swiftly and with due sensitivity. Special procedures exist between the Armed Forces and the VA so that immediate help can be offered to the widows of those killed on active service. WPWS support is offered whilst working closely with the allotted Services Welfare Officer in a partnership approach.

The Agency has a Programme Review Board that has cross-Agency representation. All new initiatives and issues that may impact on the existing Work Programme are considered, analysed and challenged to ensure they provide optimum business delivery, fully support departmental/agency strategies, priorities and VA's Values and are affordable and manageable.

During 2002/03 the Agency was recognised by the National Audit Office as a "good practice" example of an Executive Agency delivering services directly to the public and the Agency featured in their publication titled "Improving Service Delivery". Particular good practice has been highlighted as:

- Adopting a customer driven approach to developing and delivering services;
- Having the capacity to meet sudden changes in service demand and workload so that service delivery is not put at risk;
- Giving special attention to the timeliness of service delivery;
- Working closely with organisations which have detailed knowledge of the client group and their interests and concerns;
- Adopting a portfolio approach to quality management;
- Seeking regular external assessments of the quality of service delivery.

Objective 5: Technology

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

We went to great lengths to make our service more accessible to our customers, many of whom are elderly. Our telephone Helpline is a Freephone and continued to provide a one-stop MoD access point for individual veterans and their families. During the period April 2002 to March 2003 the VA Helpline answered over 310,000 calls.

The Veterans website continued to attract increasing use. In the 12 months to March 2003 43,425 unique users accessed the site. The section on Service Records was consistently the most used facility; Medals and Links to Veterans Organisations also showed high usage.

We communicated with customers in a variety of ways to meet their individual needs during 2002/03. A minicom system is now available to assist our deaf customers and much of our communication media are produced in Braille, Welsh and on audiotape.

We have a wide range of information and advice leaflets which are all produced using plain English. Information on our business/services is also now available on the VA website.

Staff are now able to access job-specific information in the form of job guides and instruction manuals on our Intranet. General information about the Agency and other appropriate Business Units is also available on the Intranet. Our Intranet is regularly reviewed and has recently been re-vamped after taking into account users' views. Our new Knowledge Management Database (fully available from April 2003) will serve to further enhance and support the electronic sharing of knowledge and expertise across the Agency.

Improving our information systems and information technology is the key to the future delivery of the Agency's services. We are working closely with colleagues in the MoD to explore a long term

strategic approach to modernise our processes and systems which is consistent with the MoD's Information Technology Strategic Direction.

Objective 6: 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.

We continued to develop Resource Accounts and Budgeting systems providing the Agency with full cost information. Financial information is regularly reviewed and controlled through budgeting and expenditure reviews and it is this integrated approach to financial, personnel and work programme planning which helps ensure our objectives are achieved in the most cost effective manner.

We have continued to investigate allegations of fraud or abuse of benefits. Using the information gained from investigations we are able to identify weaknesses in current procedures and develop suitable preventative controls.

Our 2002/03 internal audit work programme has resulted in 12 full audits being delivered by the DWP's Internal Assurance Services (IAS). In addition to full audit reviews, a number of lower level Assurance Support Reviews have been undertaken. The findings of the activity carried out by IAS feed into the Agency's Annual Assurance Report in which IAS have awarded the VA an overall Substantial Level of Assurance.

Regular feedback on the work being done in this area is provided to the VA AMT and the VA Audit Committee. The Agency High Level Risk Register has been regularly monitored and kept under review. Throughout the year the VA has carried out 13 Control Risk Self Assessment Workshops.

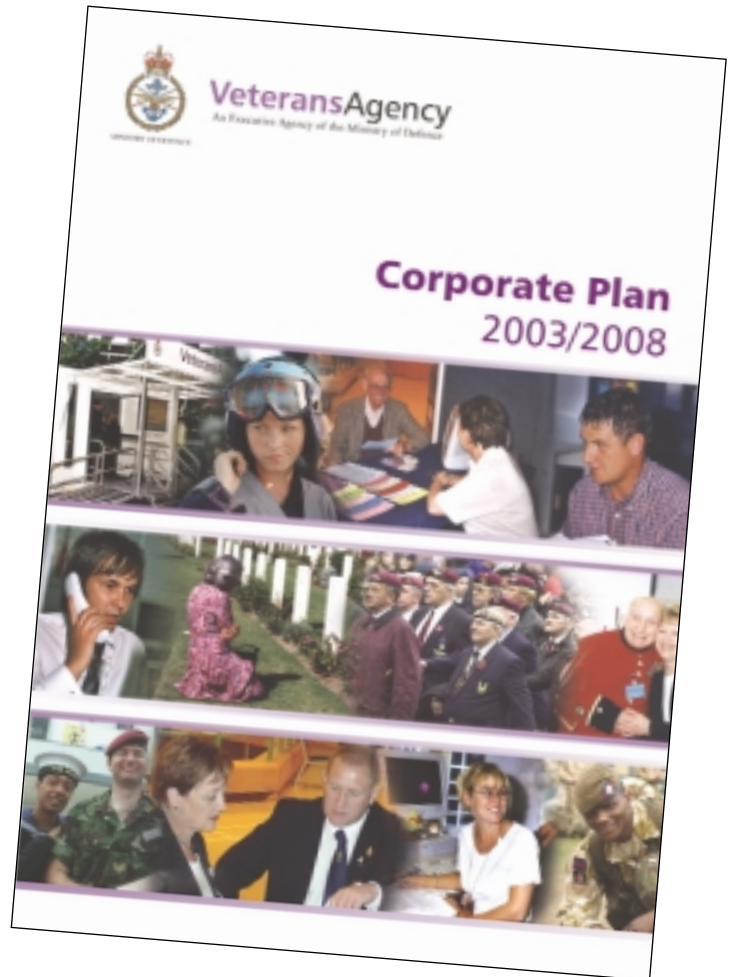
Looking Ahead - 2003/04

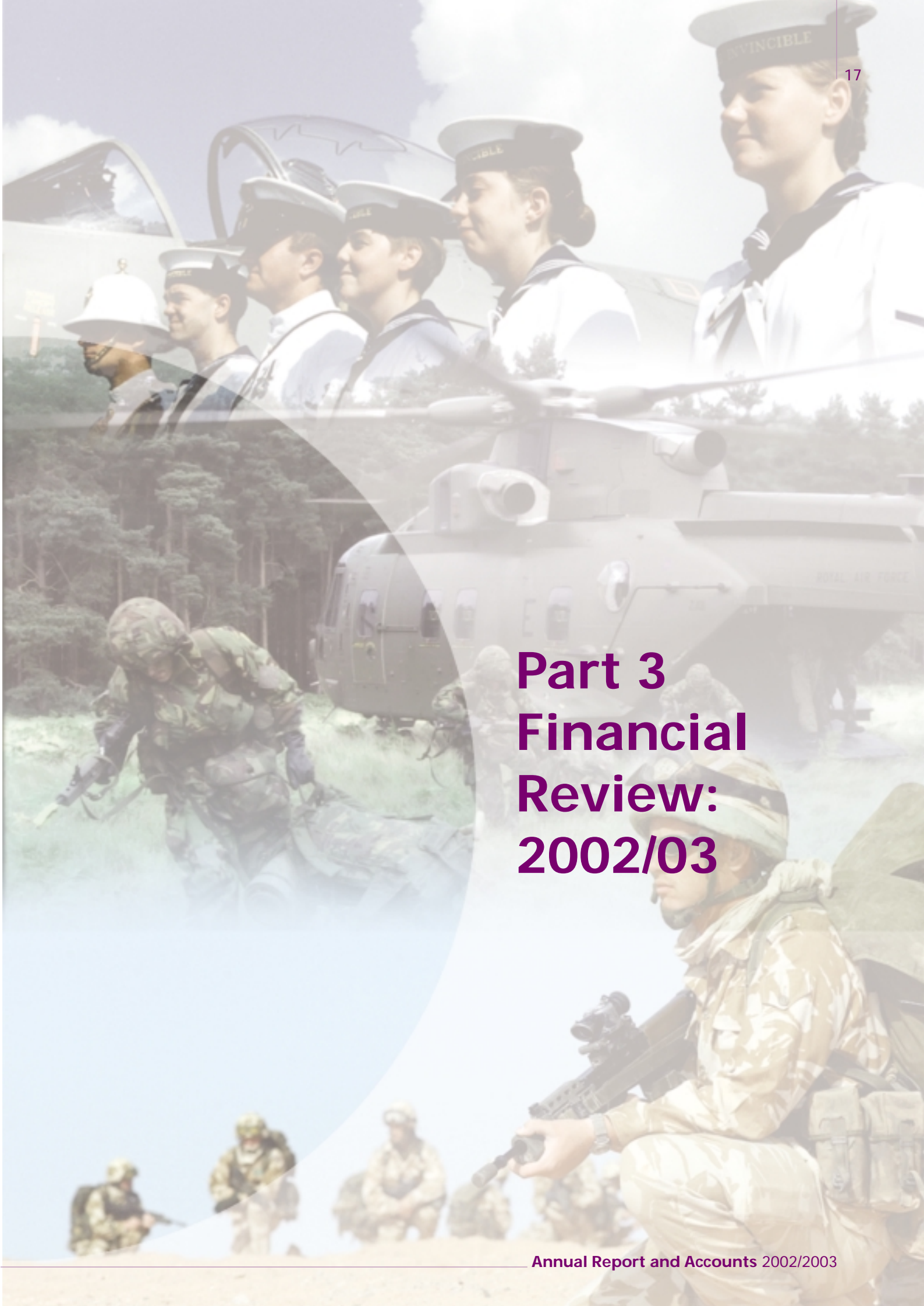
A wide-ranging and demanding set of initiatives populate our workplan for 2003-04. The continuing transfer of customers from order books and payable orders to more efficient, safer means of payment will be pursued. Providing advice and support to customers so that they can make an informed choice of payment methods will be an important feature of the process with personal contact from the WPWS, if required.

We plan to improve and expand our capability to act as the focal point within MoD for provision of advice and information to veterans and we will take a leading role in progressing the emerging communications strategy supporting the veterans initiative.

We have given a high priority to improving the quality of the notifications we issue to customers. The current computer-produced documents have attracted justifiable criticism and we will be conducting a thorough review and update of over 150 separate items by the end of March 2004.

Our biggest asset continues to be exceptionally skilled, industrious and effective staff whose wholehearted commitment to their customers is the defining characteristic of the VA. We will continue to strive to create a working environment that encourages and rewards excellent performance and provides opportunities for personal development which match the best in the public sector.





Part 3
Financial
Review:
2002/03

Financial Review

Results

The net operating cost for 2002/03 was £34.586m. This represented a reduction of 0.97% over the previous year. Continuing efficiencies and good housekeeping have ensured that costs have been kept to a minimum. Notional and non-cash costs - included in the figures above and for which no funding allocation is required - were £1.891m

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 funding allocation for 2002/03 was £33.965m.

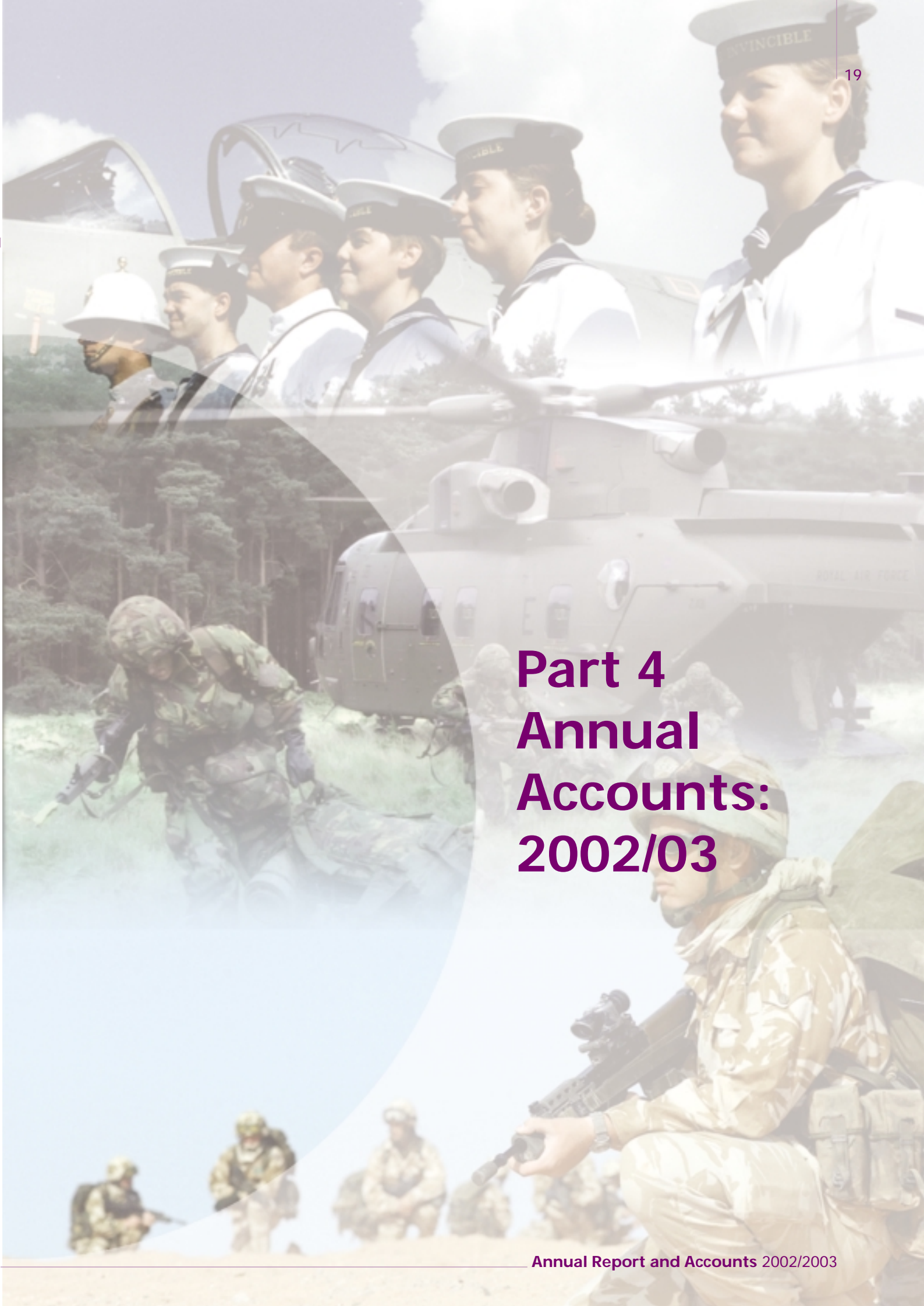
Cash Flows

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

	£ '000
<u>Funding</u>	<u>31,444</u>
<u>Fees from IPPH</u>	<u>1,191</u>

the principal outflows for the year were:

<u>Operating costs</u>	<u>32,695</u>
<u>Capital expenditure</u>	<u>0,133</u>



**Part 4
Annual
Accounts:
2002/03**

Annual Accounts for the year ended 31 March 2003

Foreword

The Veterans Agency (formerly the War Pensions Agency) presents its accounts for the financial year ended 31 March 2003. 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 1st April 1994. On 11 June 2001 responsibility for the Agency was transferred to the Ministry of Defence and on 1st 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 Department). The Agency's owner is Deputy Chief of the Defence Staff (Personnel), Air Marshal Sir Malcolm Pledger (until 25 July 2002), Lieutenant General Anthony Palmer CBE (from 26 July 2002). The Owner receives advice and support from his Advisory Board. The composition of the Advisory Board at 31 March 2003 is as follows:

Lieutenant General Anthony Palmer CBE
Deputy Chief of the Defence Staff (Personnel)

Ms Liz McLoughlin CBE
Director General Service Personnel Policy

Mr Paul Gray CB
Managing Director, Pensions and Disability Directorate, Department for Work and Pensions

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.

Performance targets

The Agency's performance targets are set out in the 2002/2003 Business Plan which was published in March 2002. 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 March 2003, amounted to £1,145 million (2001/2002: £1,199 million), and ex-gratia payments to Far Eastern Prisoners of War which amounted to £4 million (2001/2002: £41 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 cost for the year of £34.586 million has been charged to the General Fund. Net operating cost for the year excluding notional and non-cash costs (see Note 3) was £32.695 million and capital expenditure for the year was £0.154 million (see Note 5). This expenditure was within the total budget allocation of £33.965 million.

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 at 31 March 2003 consisted of:

Mr Alan Burnham
Chief Executive

Mr Tony Burke
Acting Director of Operations

Mr Vic McGeown
Acting Director of Finance and Human Resources

Dr Paul Kitchen
Medical Director

Mr Roy Burrows
Non-executive Director

Mr Alan Burnham was appointed Chief Executive on 1 September 2002 following an open competition for the post. Prior to that he had been Acting Chief Executive since 5 February 2001.

Mr Ron Forrest resigned as Non-executive Director on 14 March 2003.

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.

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, DBA performance, reported in their accounts for 2002/2003 was that 99.9% of all certified bills submitted for payment were paid within 11 days.

Staff involvement

This is comprehensive and fully covered in the foregoing report.

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.

Post balance sheet events

As part of the Early Office Infrastructure initiative, managed by the Department for Work and Pensions, IT hardware with an acquisition value of £128,000 has been deployed within the Agency. The assets will be transferred to the Agency on completion of the project.

Signed:

A handwritten signature in black ink, appearing to read 'A Burnham', with a large, stylized flourish at the end.

Alan Burnham
Chief Executive
7 July 2003

Statement of 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:

- 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;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Departmental Accounting Officer for the Ministry of Defence has designated the Chief Executive of the Veterans Agency as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement of Internal Control

1. 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's expenditure, and for prudent and economical administration in compliance with Departmental rules.
2. As Chief Executive, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated by the Veterans Agency.
3. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
4. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of Agency policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place since the year ended 31 March 1998 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.
5. As Chief Executive, I also have responsibility for reviewing the effectiveness of the system of internal control. The system of internal control is based on a framework of regular management information, administrative procedures including the 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: -
 - 5.1 Financial systems, including:
 - 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 Management Board 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;
 - 5.2 Procurement systems with clearly defined investment guidelines to ensure that the Agency obtains the goods and services that it requires in the most cost effective manner;
 - 5.3 Payroll system controls to ensure that staff remuneration and reimbursement payments are made correctly and timeously;
 - 5.4 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;
 - 5.5 Key performance and risk indicators:
 - a) Systems used to ensure compliance with specific regulations or procedures laid down by central departments;

- b) The Veterans Agency Audit Committee and Agency Management Team, who monitor progress made on audit recommendations made by DWP Internal Assurance Services and the National Audit Office. These two bodies also monitor progress with current initiatives and compliance with extant external requirements;
 - c) The Agency Directors meet regularly in order to set the strategic direction of the Agency. The Agency Management Team meets monthly to consider the plans and strategic direction of the Agency which comprises of the senior members of the Agency and one external independent member;
 - d) The VA Audit Committee, which gives advice to the Accounting Officer on the adequacy on internal and external audit arrangements and on the implications of assurances provided in respect of risk and control in the organisation;
 - e) A regular programme of facilitated Control Risk Self Assessment workshops to provide risk awareness training and identify and keep up to date the record of risks facing the Agency;
 - f) A guide published in order to promote risk management to all members of staff within the Agency;
 - g) Maintenance of an Agency-wide Risk Register;
 - h) A Risk Management and Corporate Governance function to identify the Agency's 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 VA Audit Committee and Agency Management Team on a regular basis, detailing the steps managers are taking to manage risks in their areas of responsibility;
 - i) Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;
 - j) The Veterans Agency makes use of the Department for Work and Pensions (DWP) Internal Assurance Services, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit 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 endorsed by the Agency's Audit Committee and approved by me. At least annually the DWP Head of Internal Audit (HIA) provides myself and the Directors with a report on internal audit activity in the Agency. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Agency's system of internal control.
6. My review of the effectiveness of the system of internal control is informed by the work carried out by DWP Internal Assurance Services and the Agency's Audit Committee which oversees the work of the internal auditors, the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.
7. My review of the effectiveness of the system of internal control has not highlighted any significant weaknesses.

Signed:



Alan Burnham
Chief Executive
7 July 2003

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

I certify that I have audited the financial statements on pages 29 to 46 under the Government Resources and Accounts Act 2000. These financial statements 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 32 and 33.

Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 24, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury Directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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 and income 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 Foreword is 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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 25 and 26 reflects the Agency's compliance with Treasury's guidance 'Corporate Governance: Statement On Internal Control'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

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 of the financial transactions included 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'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 and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have 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 at 31 March 2003 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 Act 2000 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
14 July 2003

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

Operating Cost Statement for the year ended 31 March 2003

	Note	2002/2003 £'000	2001/2002 £'000
Administration Costs			
Staff costs	2	(18,749)	(18,658)
Other administration costs	3	(18,381)	(18,386)
Gross Administration Costs		(37,130)	(37,044)
Operating income	4	2,544	2,119
Net Operating Costs		(34,586)	(34,925)

The Net Operating Costs arise wholly from continuing operations.

Statement of Recognised Gains and Losses for the year ended 31 March 2003

	Note	2002/2003 £'000	2001/2002 £'000
Net gain on revaluation of tangible fixed assets	12	0	1

The notes on pages 32 to 46 form part of the accounts.

Balance Sheet as at 31 March 2003

	Note	31 March 2003		31 March 2002
		£'000	£'000	£'000
Fixed assets				
Tangible assets	5		521	768
Current assets				
Debtors				
Amounts due after more than one year	7	40		305
Amounts due within one year	7	493		1,044
		533		1,349
Cash at bank and in hand	8	59		36
		592		1,385
Creditors - amounts falling due within one year	9	(2,335)		(1,518)
Net current assets			(1,743)	(133)
Total assets less current liabilities			(1,222)	635
Provision for liabilities and charges	10		(535)	(763)
			(1,757)	(128)
Taxpayers' Equity				
General fund	11		(1,762)	(133)
Revaluation reserve	12		5	5
			(1,757)	(128)

The notes on pages 32 to 46 form part of the accounts.

Signed:



Alan Burnham
Chief Executive
7 July 2003

Cash Flow Statement for the year ended 31 March 2003

	Note	2002/2003 £'000	2001/2002 £'000
Net cash (outflow) from operating activities	(i)	(31,356)	(27,643)
Capital expenditure and financial investment	(ii)	(65)	(54)
Financing from the Consolidated Fund	(iii)	31,444	27,689
Increase/(Decrease) in cash in the period		23	(8)
Notes to the Cash Flow Statement			
(i) Reconciliation of Net Operating Cost to operating cash flow			
Net Operating Cost		(34,586)	(34,925)
Adjust for non-cash expenditure	3	1,891	720
Adjust for non-cash receipts		(68)	(15)
Adjust for movements in working capital other than cash	6	1,635	6,794
Adjust for movement in provision	10	(228)	(217)
Net cash (outflow) from operating activities		(31,356)	(27,643)
(ii) Analysis of capital expenditure and financial investment			
Purchases of fixed assets		(133)	(69)
Interest on early departure annuity	4	68	15
Net cash (outflow) from investing activities		(65)	(54)
(iii) Analysis of financing			
From Consolidated Fund		31,444	27,689
Financing inflow	11	31,444	27,689
(Increase)/Decrease in cash		(23)	8
Total cash requirement		31,421	27,697

The notes on pages 32 to 46 form part of the accounts.

Notes to the accounts for the year ended 31 March 2003

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2002-03 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 historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. 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. 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 estimated residual values on a straight line basis over their estimated useful lives.

Asset lives are normally in the following ranges:

Computers	5 to 7 years
Office machinery	5 to 10 years
Furniture and fittings	10 years
Motor vehicles	4 to 7 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 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 Customs & Excise. Transactions are shown net of VAT where it can be directly recovered from HM Customs & Excise otherwise they are shown gross. Income from services provided to third parties is included in Operating Income.

1.6 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 6 per cent in real terms 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.

1.7 Foreign exchange

Transactions, which are denominated in a foreign currency, are translated into sterling using the Department's general accounting rate (GAR) ruling on the date of each transaction. 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.

1.8 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 elements of the 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 elements of the schemes, the Agency recognises the contributions payable for the year.

1.9 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.

1.10 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 Treasury discount rate of 3½ per cent in real terms.

1.11 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 costs and numbers

Staff costs consist of:

	2002/2003 £'000	2001/2002 £'000
Wages and salaries	15,652	15,650
Social Security costs	957	1,020
Other pension costs	2,140	1,988
Total	18,749	18,658

The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 1999 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2002-03, normal employer contributions of £2,140,000 were payable to the PCSPS (2001-02 £1,988,000) at rates in the range 12 to 18½ per cent of pensionable pay, based on salary bands. Rates will remain at that level for next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £Nil were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12½ per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £Nil, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £Nil. Contributions prepaid at that date were also £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% of payroll costs.

Staff numbers

The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:

	2002/2003 Number	2001/2002 Number
Central Operations	679	729
War Pensioners' Welfare Service	147	143
Iford Park Polish Home	46	49
Total	872	921

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

Name and Title	Year	Age	Salary (a)	Real increase	Total accrued	Benefits
			(as defined below) £'000	in pension at age 60 (b) £'000	pension at age 60 at 31 March 2001 (b) £'000	in Kind (c) £'000
Alan Burnham Chief Executive	02/03		Consent to disclosure withheld			
	01/02		50 - 55	2.5 - 5.0	20 - 25	0
Tony Burke Acting Director of Operations	02/03		Consent to disclosure withheld			
	01/02		30 - 35	2.5 - 5.0	15 - 20	3.2
Vic McGeown Acting Director of Finance & Human Resources	02/03		Consent to disclosure withheld			
	01/02		40 - 45	0 - 2.5	10 - 15	2.5
Dr Paul Kitchen Director	02/03		Consent to disclosure withheld			
	01/02		60 - 65	0 - 2.5	5 - 10	0
Roy Burrows Non-Executive Director	02/03	63	10 - 15	0	0	0
	01/02		15 - 20	0	0	0
Ron Forrest Non-Executive Director	02/03	60	5 - 10	0	0	0
	01/02		10 - 15	0	0	0

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

- a. 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.

- b. Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). From 1 October 2002, civil servants may be one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). New entrants after 1 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).

Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1½ 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 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 and with service enhanced as for widow(er) pensions.

Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2¼ 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 3½ per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths 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 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 where the employer pays a basic contribution of between 3% and 12½% (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% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% 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% of the fund as a lump sum.

- c. The estimated value of benefits in kind covers any benefits provided and treated by the Inland Revenue as taxable emolument.

3. Other administration costs

	Note	2002/2003 £'000	2001/2002 £'000
Non-cash items			
Interest on Capital		(131)	23
Auditors' remuneration and expenses	3c	60	66
Intra-Departmental services	3d	1,561	0
	11	1,490	89
Notional costs			
Depreciation	5	279	298
Loss on disposal of fixed assets	5	9	38
Impairment of fixed assets	5	113	295
Total notional and non-cash items		1,891	720
Property management		3,798	3,394
Accommodation charges		352	24
Utilities		6	95
Training, safety and welfare		3,573	3,532
IT and telecommunications		2,720	2,709
Equipment support		68	0
Legal and professional fees		607	562
Travel & subsistence		671	660
Rental under operating leases		13	64
Early departure cost - uplift	3a	15	27
Finance cost - unwinding of the discount	3b	58	138
Bank charges		20	21
Consumables		228	91
Admin contracted out services		211	146
Admin claims - special payments		42	164
Overseas agents fees		102	108
Order book encashment fees		3,251	3,495
Other		755	2,436
Other operating costs		16,490	17,666
Total other administration costs		18,381	18,386

- The annual compensation payments are increased each year in line with movements in the Retail Prices Index. This increase is reflected in the early departure provision (see Note 10).
- The unwinding of the discount represents the effect of recalculating the present value of the provision before the impact of the uplift has been taken into account.
- The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. This amount does not include fees in respect of non-audit work.
- Intra-Departmental cost of £1,561,000 represents the charge for corporate services provided by Headquarters and is calculated at a flat rate per annum of £1,790 per head measured in whole time equivalent units.

4. Operating income (see also Note 1.5)

	2002/2003			2001/2002		
	Income included in Operating Cost Statement £'000	Payable to Consolidated Fund		Income included in Operating Cost Statement £'000	Payable to Consolidated Fund	
		£'000	£'000		£'000	£'000
Operating income analysed by classification and activity, is as follows:						
Fees and charges to external customers	1,191	0	1,191	1,211	0	1,211
Fees and charges to other departments	1,264	0	1,264	893	0	893
Interest received on prepayment of early departure costs	68	0	68	15	0	15
Miscellaneous	21	0	21	0	0	0
	2,544	0	2,544	2,119	0	2,119

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

	2002/2003			2001/2002		
	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000	Income £'000	Full Cost £'000	Surplus/ (deficit) £'000
Ilford Park Polish Home	1,191	(2,280)	(1,089)	1,211	(2,288)	(1,077)
Charges to DWP	1,264	(1,264)	0	893	(893)	0

5. Tangible fixed assets

	Note	Computers £'000	Office Machinery £'000	Furniture & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation						
At 1 April 2002		1,441	78	26	253	1,798
Additions	5a	14	0	0	117	131
Prior year additions	5a	23	0	0	0	23
Disposals	5c	(53)	0	0	(45)	(98)
Revaluation	5d	(232)	(6)	0	(87)	(325)
At 31 March 2003		1,193	72	26	238	1,529
Depreciation						
At 1 April 2002		771	64	24	171	1,030
Charged in year	5b	218	5	1	51	275
Prior year additions	5b	4	0	0	0	4
Disposals	5c	(46)	0	0	(43)	(89)
Revaluation	5d	(140)	(5)	0	(67)	(212)
At 31 March 2003		807	64	25	112	1,008
Net book value at 31 March 2003		386	8	1	126	521
Net book value at 1 April 2002		670	14	2	82	768

- Total additions in the year were £154,000 (2001/2002: £201,000). This consisted of £131,000 (2001/2002: £201,000) of capital expenditure and £23,000 (2001/2002: £Nil) of assets which had been purchased prior to 2002/2003 but which had not been recorded on the asset register.
- Total depreciation charged to the Operating Cost Statement was £279,000 (2001/2002: £298,000). This comprised £275,000 of in-year depreciation and £4,000 depreciation on assets purchased prior to 2002/2003.
- The loss on sale of fixed assets charged to the Operating Cost Statement in the year is £9,000 (2001/2002: £38,000) (see Note 3).
- The impairment of fixed assets amounting to £113,000. £97,000 was due to reducing retail price indices and £16,000 resulted from a Departmental fixed asset quinquennial review.

6. Movements in working capital other than cash

	Note	2002/2003 £'000	2001/2002 £'000
Decrease/(increase) in debtors	7	816	6,405
Increase in creditors (excluding capital trade creditors and CFERs not treated as income)	9	819	389
		1,635	6,794

7. Debtors

	Note	31 March 2003 £'000	31 March 2002 £'000
Amounts falling due within one year			
Due from other Government Departments		12	568
Trade debtors		59	73
VAT debtor		76	31
Deposits and advances		0	29
Prepayments and accrued income		65	12
Early departure prepayment		281	331
		493	1,044
Amounts falling due after more than one year			
Deposits and advances		40	24
Early departure prepayment		0	281
		40	305

8. Cash at bank and in hand

	31 March 2003 £'000	31 March 2002 £'000
Balance at 1 April	36	44
Net Agency cash inflow/(outflow)	23	(8)
Balance at 31 March	59	36
The following balances are held at 31 March:		
Commercial Banks	58	36
Cash in hand	1	0
Commercial banks and cash in hand	59	36

9. Creditors - amounts falling due within one year

	Note	31 March 2003 £'000	31 March 2002 £'000
Trade creditors - Non-capital		287	142
Trade creditors - Capital		0	2
Due to other Government Departments		654	167
Other taxation and social security		0	503
Early departure costs	10	306	374
Accruals and deferred income		1,082	320
Other creditors		6	10
		2,335	1,518

10. Provision for liabilities and charges

Early departure and pension commitments	Note	Gross Provision 2002/2003 £'000	2001/2002 £'000
Balance at 1 April		1,137	1,381
Utilised in year		(369)	(409)
New entrants		0	0
Uplift	3a	15	27
Unwinding of the discount	3b	58	138
Balance at 31 March		841	1,137
Payable within one year	9	306	374
Payable after more than one year		535	763
		841	1,137

The Agency meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3½ per cent in real terms. In past years the Agency paid in advance some of its liability for early retirement by making a payment to the Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment.

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

	Note	2002/2003 £'000	2001/2002 £'000
Net Operating Cost for the year		(34,586)	(34,925)
Financing inflow		31,444	27,689
Non-cash items	3	1,490	89
Non-cash inter-agency capital transfers out		0	(59)
Non-cash capital additions		23	85
Net increase (decrease) in general fund		(1,629)	(7,121)
General fund at 1 April		(133)	6,988
General fund at 31 March		(1,762)	(133)

12. Reserves

Revaluation Reserve	Note	2002/2003 £'000	2001/2002 £'000
Balance at 1 April		5	4
Arising on revaluation during the year (net)		0	1
Balance at 31 March		5	5

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments. Reductions in value of assets not previously revalued are charged to the Operating Cost Statement.

13. Capital commitments

At 31 March 2003, capital commitments amounted to £Nil (2001/2002: £58,000).

14. Commitments under operating leases

	31 March 2003		31 March 2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
At 31 March the Agency was committed to make the following payments during the next year in respect of operating leases expiring:				
Within one year	0	7	0	19
Between two and five years	0	36	0	112
After five years	0	0	0	0
	0	43	0	131

15. Contingent liabilities

There were no contingent liabilities at 31 March 2003 (2001/2002: £Nil).

16. Related party transactions

For the purposes of the accounts, the Veterans Agency was considered to be an Executive Agency of the Ministry of Defence for the whole of the year.

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 Ministry of Defence is regarded as the parent Department. These are Defence Bills Agency and Pay & Personnel Agency.

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 has 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.

Liquidity risk

The Agency's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure largely is. The Agency is not therefore exposed to significant liquidity risk.

Interest rate risk

All of the Department's financial assets and financial liabilities carry nil or fixed rates of interest, and the Agency is not therefore exposed to significant interest rate risk.

Interest rate profile

The following two tables show the interest rate and currency profiles of the Department's financial liabilities and assets.

Currency	Total	Floating-rate financial Liabilities	Fixed-rate financial Liabilities	Non-interest-bearing financial Liabilities	Fixed-rate financial Liabilities		Non-interest-bearing financial Liabilities
					Weighted-Average interest rate	Weighted-Average period for which rate is fixed	Weighted-Average period until maturity
	£'000	£'000	£'000	£'000	%	Years	Years
At 31 March 2003:							
Sterling	535	-	-	535	-	-	5
Euro	-	-	-	-	-	-	-
Gross financial Liabilities	535	-	-	535	-	-	5
At 31 March 2002:							
Sterling	763	-	-	763	-	-	6
Euro	-	-	-	-	-	-	-
Gross financial Liabilities	763	-	-	763	-	-	6

Currency	Total	Floating-rate financial Assets	Fixed-rate financial Assets	Non-interest-bearing financial Assets	Fixed-rate financial Assets		Non-interest-bearing financial Assets
					Weighted-Average interest rate	Weighted-Average period for which rate is fixed	Weighted-Average period until maturity
	£'000	£'000	£'000	£'000	%	Years	Years
At 31 March 2003:							
Sterling	11	-	-	11	-	-	-
Euro	48	-	-	48	-	-	-
Gross financial Liabilities	59	-	-	59	-	-	-
At 31 March 2002:							
Sterling	281	-	281	-	5.7	2	-
Euro	36	-	-	36	-	-	-
Gross financial Liabilities	317	-	281	36	5.7	2	-

- a. Debtors due after more than one year represents the remaining asset from the pre-funding of early departure costs in March 1998. The interest rate has been calculated based on the initial payment, interest paid and payable and withdrawals over the life of the asset. The fair value is based on the current value discounted by the interest rate quoted on the previous page.
- b. Provisions represent the estimated future costs of early departures in respect of individual members until they attain 60. The calculation is based on annual compensation payments made, discounted at the current cost of capital (3½%). For this reason, the fair value of the liability remains the same as the current value.

A collage of military images. The top half shows a line of sailors in white uniforms and caps, with the word 'INVINCIBLE' visible on their caps. The middle section features a large military helicopter, possibly a Chinook, with 'ROYAL AIR FORCE' written on its side. The bottom half shows soldiers in camouflage gear, some in a desert environment and others in a forested area. The text 'Part 5 Annexes' is overlaid in purple on the right side of the collage.

Part 5 Annexes

Annex A

VA Key Performance Targets: 2000/01 - 2002/03

	2000/01 Target (Achievement)	2001/02 Target (Achievement)	2002/03 Target (Achievement)
Key Performance Targets			
Service			
Key Target 1: To issue decisions on claims to war pension:	within an average of 100 working days (92 days)	within an average of 90 working days (73 days)	within an average of 82 working days (63 days)
Key Target 2: To issue decisions on war widow(er)s claims:	within an average of 36 working days (32 days)	within an average of 36 working days (25 days)	within an average of 34 working days (24 days)
Key Target 3: To achieve a claims quality/accuracy rate of at least:	90% - quality (92.17%)	94% - accuracy (96.17%)	95% - accuracy (98%)
Personnel			
Key Target 4: To carry out an externally validated programme of internal IIP assessments during 2002/03 to determine whether the Agency continues to meet the requirements of IIP standards	N/A	Achieved	Achieved
Working in Partnership			
Key Target 5: To work with the LCD'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)
Efficiency			
Key Target 6: To develop a methodology for costing agency outputs to provide the baseline to measure any future years' business efficiencies.	N/A	N/A	Achieved

Annex B

VA Published Service Charter Standards: 2002/03

Service Charter Standard	Performance
Decisions on claims to war pensions should be issued within an average of 82 working days	63
Decisions on war widow(er)s claims should be issued within an average of 34 working days	24
A claims accuracy rate of at least 95% should be achieved	98%
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
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 visitors should be attended to within 10 minutes of their appointment/arrival, whichever is the later	Achieved
Appeals to war pension should be cleared within an average of 175 working days at Stage 1 of the process	136
Appeals to war pension should be cleared within an average of 100 working days at Stage 2 of the process by March	136
Appeals to war pension should be cleared within an average of 15 working days at Stage 3 of the process	11

Stage 1: VA referral of appeal and all associated documentation to the PAT;

Stage 2: LCD action to clear appeal by the PAT;

Stage 3: VA action on return of the appeal documentation from the PAT.



Your Comments

As part of Veterans Agency'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 2002/03 Annual Report and Accounts.

Please use the tick box questionnaire below and the additional space overleaf to give us your views, and return to Veterans Agency, Room 6421, Norcross, Blackpool, Lancs FY5 3WP.

Q1 WHAT WAS YOUR OVERALL IMPRESSION OF THE ANNUAL REPORT AND ACCOUNTS?

- | | |
|---|---------------------------------------|
| <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 ANNUAL REPORT AND ACCOUNTS 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 comments.



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