

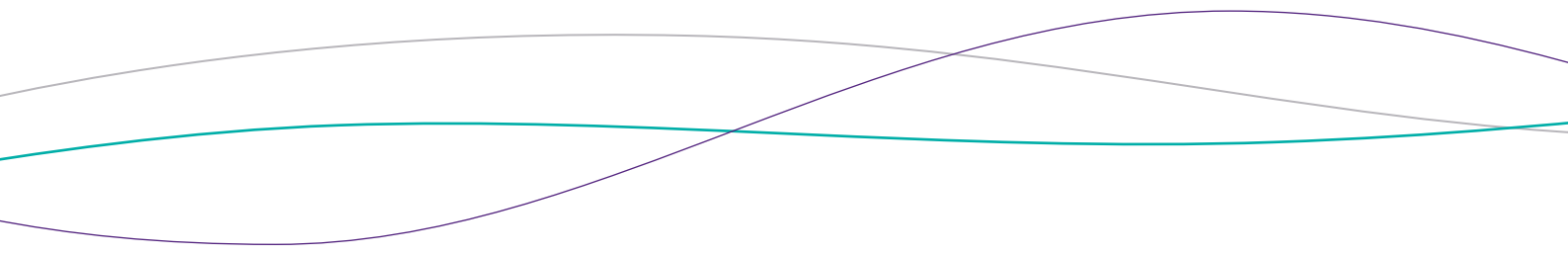


Annual Report and Accounts

2008/09

**personal accounts
delivery authority**

helping millions save
for their retirement

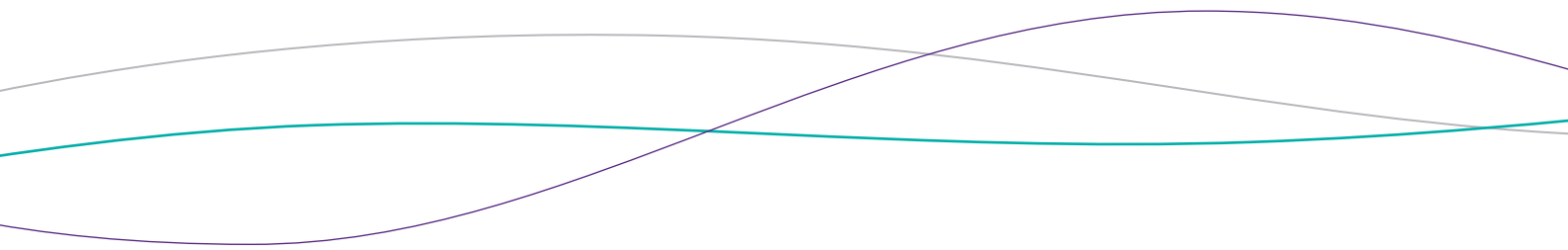




Personal Accounts Delivery Authority Annual Report and Accounts 2008/09

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of Schedule 6 to the Pensions Act 2007

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1 Foreword

The Personal Accounts Delivery Authority (PADA) is laying the foundations for a low-charge retirement saving scheme targeted at the millions of people on low-to-moderate incomes, who do not have access to a good workplace pension. Establishing this scheme is a large and complex project, however I remain confident that we will be ready for the onset of employer duties in 2012 and look forward to building on the significant progress we have made to date.

Looking back on the past 12 months, it is clear that this has been a significant year for PADA. Royal Assent of the Pensions Act 2008 reformed workplace pension provision and extended PADA's remit to include the delivery of the personal accounts scheme.

From 2012 there will be a new employer duty whereby employers will be required to automatically enrol employees into a workplace pension and make a minimum contribution.

There is no doubt that these are radical reforms – they are aimed at improving retirement outcomes for millions of people over the next century. Without them, the choices are stark – millions of poorer pensioners or an unrealistic tax burden on those in work to support the increasing number of those who have retired.

Personal accounts are an integral part of this fundamental change. Some people currently have no access to workplace pension provision, maybe because they don't meet their employer's qualification criteria or because their employer doesn't currently offer a workplace pension scheme.

During 2005, the Pensions Commission identified a need for a low-charge, universally accessible pension scheme for low-to-moderate earners who don't have access to workplace pension provision. Its recommendations achieved wide cross-party support and consensus among employer, employee, industry and consumer groups. This support can still be seen today as we progress further into our delivery phase.

We expect most members of the personal accounts scheme will be from employers without an existing pension scheme. We believe the scheme will be a vital part of the pensions landscape, to complement existing provision.

I would like to thank all our stakeholders for their insights and engagement and the PADA committees which have provided such valuable advice. I am extremely grateful for what you have given PADA so far.

I would also like to extend my thanks and welcome to all those who have worked and continue to work for PADA including Alison Wright, Chris Willford and Paul Hewitt who joined us as non-executive directors.

Millions stand to benefit from the successful introduction of the personal accounts scheme; as a critical component of the wider reforms, our work will ensure that millions more people can save for a pension and achieve a better outcome in retirement as a result. This is truly something to be proud of.



A handwritten signature in cursive script that reads "Jeannie Drake".

Jeannie Drake
Acting Chair
Personal Accounts Delivery Authority
8 July 2009





Section One **Annual Report**



2 Chief Executive's Report

The financial year marked a period of significant progress for the Personal Accounts Delivery Authority (PADA). Over much of the year we acted as an advisory body under the Pensions Act 2007, researching the implications of potential pensions reforms and making recommendations on the best way forward for personal accounts.

With the Royal Assent of the Pensions Act 2008, we moved into the delivery phase of the project and began working towards the launch of the personal accounts scheme. The Authority is a key delivery agent for the Departmental Strategic Objective:

“Promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform”

Success will mean a better quality of life in retirement, for millions of people. The importance of this goal drives everything we do and that is why we must succeed.

As is to be expected with a project of this scale and complexity our work is not without its challenges. By meeting these with rigorous planning, diligence and applied expertise, we are currently on track with our plan for delivery; launching our procurement for scheme administration services as scheduled.

I am pleased to report on our progress this year and achievements so far, while remaining mindful of just how far we have yet to go. The areas we focused on this year can be roughly divided into building the organisation, advising Ministers on the operational implications of the proposed reforms, understanding employer and member needs and commencing the process to procure scheme services.

Building the organisation

We began the year as a small executive body with advisory functions, in temporary accommodation and with mostly seconded and interim personnel. Early in the year we moved to more suitable Government accommodation in Borough, South London, which gave us the space and infrastructure we needed to house our people and begin to work towards delivering the personal accounts scheme. By the end of the period, we had drawn on a wide range of industry expertise, hiring people with the knowledge and skills needed to build a robust, delivery-focused organisation.

Advising Ministers

Working with the Department for Work and Pensions (DWP), we made substantial progress towards defining the key features of the personal accounts scheme and understanding its fit within the pensions landscape in which it will operate. This work informed our advice to Ministers through each of the Parliamentary stages of the Pensions Bill 2007 which received Royal Assent in November 2008 to become the Pensions Act 2008.

The Pensions Act 2008 sets out the direction of the reforms and lays the groundwork for the scheme. PADA in conjunction with the DWP continues to advise Ministers on secondary legislation and is currently undertaking a joint public consultation on the Scheme Order and Rules. This piece of legislation will govern how the scheme operates – similar in many respects to the Trust Deed of an occupational pension scheme.

Understanding employer and member needs

Making the most appropriate scheme design recommendations to the trustee corporation, which will eventually manage the operation of the scheme, requires us to consult widely on a number of topics. In order to underpin all our advice, we have sought, and received, high-quality input from a range of bodies representing consumers, employers and the investment industry.

We consulted on the charge structure which could apply to the scheme as well as how future members should secure their retirement income. These consultations generated a considerable volume of valuable responses, which are informing our thinking on these crucial elements of the scheme's design.

We also made significant progress regarding the scheme's potential investment policies. Our investment team has held numerous meetings with key stakeholders and held a number of events including a very well attended socially responsible investing event in January 2009. The team has recently published a substantial discussion document on investment policy and is currently receiving feedback from industry experts and other interested parties. This vital work will underpin the advice PADA will provide to the trustee corporation once it is established.

I am immensely grateful for all the insight we have received from all stakeholder groups, both through our advisory committees and in open debate. Ongoing engagement is crucial to successful delivery and we will continue to work openly and constructively with a broad spectrum of stakeholders.

Procuring scheme services

In the autumn of 2008, the DWP Enabling Retirement Savings Programme approved that PADA proceed to the procurement phase of the project. PADA has worked intensively in preparation for this phase of the project. We established our procurement strategy and route to market with the assistance of the Office of Government Commerce and undertook early market engagement to ensure potential suppliers understood the project's objectives. PADA's requirements and delivery teams defined the scheme requirements and documented the detailed specifications for potential suppliers.

In January 2009, PADA published an invitation to tender in the Official Journal of the European Union (OJEU) and held an industry day to describe our requirements and the Competitive Dialogue procurement process to all potential suppliers. I am delighted with the quality of engagement from potential suppliers and following a detailed evaluation of the responses to our OJEU notice, PADA is looking forward to working with short-listed candidates as we move into the competitive dialogue phase.

I would like to express my sincere thanks to everyone at PADA for their hard work and commitment and also to its stakeholders for their meaningful contributions and its many supporters for their enthusiastic backing.

We have made solid progress this year, yet there remains much to do. I have every confidence in our ability to deliver personal accounts on schedule – our success will mean a better quality of life in retirement for millions of people, who will be able to reap the benefits of increased levels of personal savings.



Tim Jones
Chief Executive
Personal Accounts Delivery Authority
8 July 2009

3 About the Personal Accounts Delivery Authority

The Personal Accounts Delivery Authority (PADA) was established as a Non-Departmental Public Body (NDPB) by the Pensions Act 2007. Its initial purpose was to provide advice to Government on the practicalities of the personal accounts policy.

It was also tasked with preparing to implement an occupational pension scheme, currently known by the working title 'personal accounts'. The Pensions Act 2008, which received Royal Assent on 26 November 2008, extended the remit and powers of PADA to take on responsibility for the project to deliver the personal accounts scheme and advise on the creation of a new trustee corporation, which will oversee the operation of the scheme.

PADA is a time-limited organisation put in place to deliver that project within the broader Enabling Retirement Savings Programme (ERSP). This Department for Work and Pensions (DWP) programme plays a major role in implementing the Government's policy on pensions reform.

3.1 PADA as an advisory body

During the majority of the period covered by this report, we carried out our duties under the Pensions Act 2007. Our key role was to advise the Government on development of its policies, particularly in reference to the Bill, which passed into law as The Pensions Act 2008.

3.2 PADA as a delivery body

Our initial remit as an executive NDPB with an advisory role was expanded by the Pensions

Act 2008¹, which also gives PADA the authority to do what is necessary to deliver the personal accounts scheme.

PADA will set up the infrastructure for the personal accounts scheme by:

- procuring the services of a scheme administrator, to administer members' accounts and collect members' contributions and pass them on to investment managers, to be invested;
- procuring fund accounting, custody services and investment management services; and
- procuring accommodation, IT systems and professional services to support the trustee corporation.

Since November, PADA has focused on commencing procurement activities for scheme administration services, engaging with suppliers and stakeholders in preparation for scheme build, and advising Ministers on plans for establishing a trustee corporation, which will manage the operation of the scheme.

Further key information about PADA and access to published documents are available on our website: www.padeliveryauthority.org.uk.

¹ The Pensions Act 2008, Chapter 6, Para 79 (1-7)





Directors' Report

4 Organisational structure and governance

4.1 Composition of the Board

The Pensions Act 2007, as updated by the Pensions Act 2008, sets out that the membership of the Board of the Delivery Authority should consist of:

- a Chair (appointed by the Secretary of State for Work and Pensions);
- a Chief Executive; and
- executive directors and non-executive directors.

The Act requires that the Secretary of State and the Authority should aim to ensure that the Board has no fewer than three and no more than nine members at any time.

The Act also requires that the Chair and the first non-executive and executive members of the Personal Accounts Delivery Authority (PADA) are appointed by the Secretary of State. Any subsequent appointments of non-executive members (apart from the Chair), and executive members are made by PADA subject to the approval of the Secretary of State.

The composition of the Board complies with the key recommendations of the Combined Code on Corporate Governance, in particular, that there should be a majority of non-executive directors on the Board.

4.1.1 Chair

Paul Myners was appointed Chair of the Authority on 1 August 2007. In October 2008 Paul accepted an invitation to take up an unpaid Ministerial position in HM Treasury as Financial

Services Secretary, and consequently resigned from his position as PADA's Chair on 3 October 2008, with immediate effect.

4.1.2 Acting Chair

Jeannie Drake, a non-executive director of the Authority, became our Acting Chair shortly after Paul Myners' resignation. Jeannie has a wealth of public sector experience. She currently serves on the boards of the Pension Protection Fund, the Equality and Human Rights Commission and the Employment Appeals Tribunal. Between 2002 and 2006, she served as a member of the Pensions Commission, and from 2006-08 she was Chair of the Railway Pensions Commission. She also has experience in the private sector, and is currently a pension scheme trustee for both O2 and Alliance & Leicester plc. Jeannie has held a number of trade union posts, including Deputy General Secretary of the National Communications Union and President of the Trades Union Congress. She recently retired from her post as Deputy General Secretary of the Communication Workers Union, which she had held since 1995, where she specialised in IT and telecommunications.

4.1.3 Chief Executive

Tim Jones was appointed Chief Executive of the Personal Accounts Delivery Authority on 8 October 2007. His substantial experience in the financial sector includes directorships at Capital One Bank (Europe) PLC and Investment Technology Group Inc. He has held a variety of senior positions, including Chief Executive of Retail Banking at NatWest Bank and Chief Executive at Mondex, Purseus and Simpay.

4.1.4 Non-executive directors

Jeannie Drake was appointed the Delivery Authority's first non-executive director on 17 September 2007 and was appointed Acting Chair with effect from 6 October 2008.

Paul Hewitt was appointed as a non-executive director in May 2008 for an initial period of three years. Paul holds non-executive posts as Director and Chairman of the Audit Committee of RJ Kiln Limited, a wholesale insurer, Director of Co-operative Financial Services and Chairman of YSC Limited, a leading psychology-based HR consultancy. He was formerly the Deputy Group Chief Executive for the Co-operative Group.

Chris Willford was appointed as a non-executive director in May 2008 for an initial period of three years. Chris is Group Finance Director for Bradford and Bingley plc where he is responsible for all aspects of financial management, as well as compliance, risk and audit. Chris began his career at Unilever and subsequently held senior positions at British Airways, including Group Treasurer, and Barclays where he was Finance Director of the business bank and the UK retail bank.

Alison Wright was appointed as a non-executive director in May 2008 for an initial period of three years. Alison is Strategy Director of Engine Group, a marketing services group of companies including the advertising agency WCRS and a range of direct marketing, digital, PR and sponsorship agencies. Alison's career history includes time as Chief Marketing Officer of Egg Banking, Prudential UK and Citibank's UK Consumer business. She has also held senior positions in a number of advertising agencies, advising among others, Abbey, the AA and Alliance & Leicester on their marketing communications.

4.1.5 Executive directors

Simon Richards was appointed as our Business Delivery Director on 1 September 2008 for an initial period of three years. Simon has worked extensively in the financial services industry. His previous employers include Citibank, Price Waterhouse (now PricewaterhouseCoopers), Goldman Sachs and Simpay. He also founded Alpheus, a successful niche IT consultancy, based in London and Frankfurt, where he was its CEO.

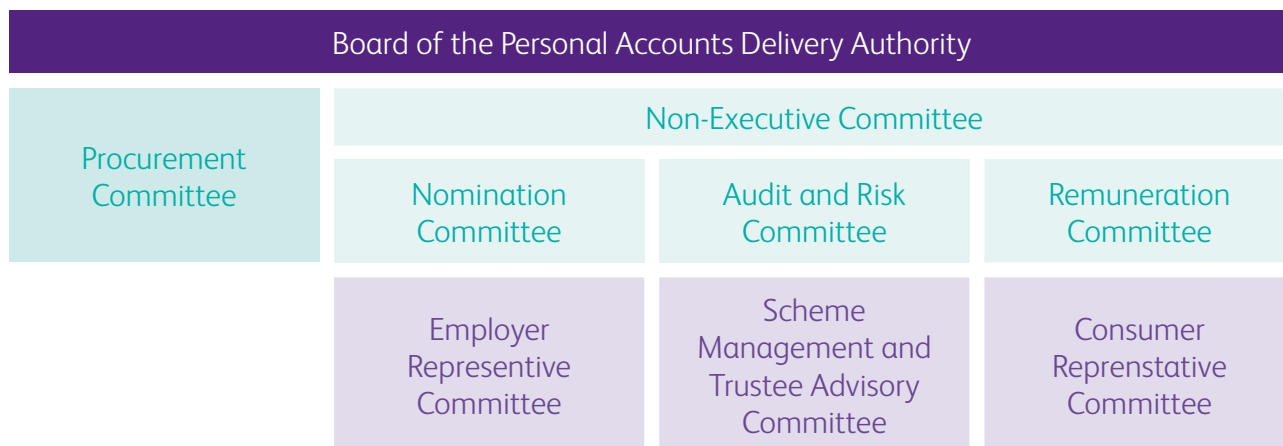
Helen Dean was appointed as our Policy and Product Development Director on 1 February 2009. Helen is a senior civil servant seconded to PADA from the Department for Work and Pensions (DWP). Helen previously worked in Pensions Policy in the DWP where she had responsibility for the Informed Choice programme, which sought to educate the general public about their pension options, and then for developing the policy on personal accounts. Prior to this she was responsible for a number of programmes including the introduction of a pension forecasting IT system and an interactive television service for pensions. She also worked on the introduction of the State Second Pension.

All appointments were made following an open and competitive selection process. The appointment of the Chair and non-executive directors complied with the Office of the Commissioner for Public Appointments (OCPA) Code of Practice for Public Appointments. Executive appointments were not subject to the OCPA code but, where appropriate, the code was observed as best practice.

4.2 Board members' interests

Members of the Board have registered any interests they hold that may give rise to a potential conflict with their responsibilities to the Authority. A register of Board Members' interests is published on our website.

4.3 Organisation of the Board and its Committees



Represents advisory committee

Procurement Committee

The Procurement Committee is chaired by Tim Jones and met five times in the year. The remit of the Committee is to direct the procurement activity undertaken by PADA staff engaged in negotiating with suppliers and evaluating the various procurements that form the operational and investment capabilities of the personal accounts scheme.

Non-Executive Committee

The Non-Executive Committee is chaired by Jeannie Drake. The remit of the Committee is to provide a mechanism for the Chair and non-executive directors to properly carry out their role of oversight and scrutiny and to consider matters most appropriately discussed

without the presence of the executive directors or others. The Pensions Act 2008 confers additional responsibilities on the Non-Executive Committee and these are set out below.

The Non-Executive Committee met on the same day as every Board meeting and reviewed the business and decisions of that Board meeting. In this way the Chair and non-executive directors have given themselves the opportunity to properly exercise their role of oversight and review.

Section 84 of the Pensions Act 2008 mandates that the Non-Executive Committee must keep under review the question of whether the Authority's internal financial controls secure the proper conduct of its financial affairs and must report on the discharge of this function in the Annual Report.

Audit and Risk Committee

The Non-Executive Committee has kept the Authority's internal financial controls under review by means of the work of the Audit and Risk Committee. All members of the Audit and Risk Committee are also members of the Non-Executive Committee.

The Audit and Risk Committee's remit, acting independently from executive members, is to ensure that the interests of stakeholders and taxpayers are properly protected in relation to financial reporting and internal control. The Committee, chaired by Chris Willford, supports the Board in its responsibilities for issues of risk management and governance by reviewing how comprehensive the assurances are in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances. The Committee, whose membership is entirely drawn from non-executive members of the Board, met three times in the 2008/09 financial year. Its activities included:

Internal audit programme

- Annual internal audit report received and reviewed.
- 2008/09 and 2009/10 internal audit plan commissioned and adopted; findings of all internal audit reviews subsequently received and reviewed.

Internal controls

- Statement of Internal Control reviewed.
- Accounting policies and procedures for the 2009/10 financial year considered and recommended to Board for approval.

Risk

- PADA risk management process reviewed. Committee content with risk management process in place as at January 2009.

External audit

- 2007/08 audit letter recommendations reviewed and their implementation monitored.
- Annual accounts reviewed and approved for submission to the Board.
- 2008/09 audit strategy discussed with National Audit Office.



Remuneration Committee

The Remuneration Committee, which is chaired by Chris Willford, has a principal remit to make recommendations to the Departmental Steward on the remuneration (both the salary and any bonuses) of executive members of the Board. The Committee also has oversight of the Authority's reward strategy. The Committee, whose membership is entirely drawn from non-executive members of the Board, met twice in the 2008/09 financial year, in July 2008 and November 2008. Its activities included:

- approval of the Authority's reward strategy and pension scheme;
- approval of salaries for senior vacancies;
- recommendation of the level of the Chief Executive's 2007/08 bonus; and
- review of the Chief Executive's salary.

Nomination Committee

The Non-Executive Committee has discharged its Pensions Act responsibilities with respect to Board appointments by means of the Nomination Committee chaired by Jeannie Drake.

The Nomination Committee's remit is to lead the process for Board appointments and make recommendations to the Board. The Committee, whose membership is entirely drawn from non-executive members of the Board, met once in the 2008/09 financial year, in January 2009.

The Pensions Act 2007, Schedule 6, requires the appointment of the first executive and non-executive members of the Board to be made by the Secretary of State. As such the Nomination Committee was not involved in the appointments of the Business Delivery Director or the three non-executive directors who joined in the year, all of which were made by the Secretary of State before the constitution of the Nomination Committee.

The 2007 Act, as amended by the Pensions Act 2008, requires that subsequent executive and non-executive appointments to the Board are made by the Authority with the approval of the Secretary of State. As such the Nomination Committee met in January 2009 to receive the report of the selection panel for the position of Director of Policy and Product Development and to agree a recommendation, in relation to that appointment, to the Secretary of State for Work and Pensions.

Details of the advisory committees to the Board can be found in Appendix A.

4.4 Details of meeting attendance

The table below presents details of meetings attended by Board members during the year.

	Boards meetings	Non-Executive Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Paul Myners	5/5	5/5	2/2	1/1	-
Jeannie Drake	10/10	10/10	1/1	2/2	1/1
Paul Hewitt	7/9	7/9	3/3	2/2	1/1
Chris Willford	7/9	7/9	3/3	2/2	1/1
Alison Wright	8/9	8/9	-	2/2	1/1
Tim Jones	10/10	-	-	-	-
Simon Richards	6/6	-	-	-	-
Helen Dean	1/1	-	-	-	-

The table presents the number of meetings individual directors have attended against the number of meetings held following their appointment to the Board.

4.5 Governance, internal control and risk management

The Board reviewed risks at each of its monthly meetings and received regular reports from the Chair of the Audit and Risk Committee. It considers and approves PADA's Financial Policies and Procedures on an annual basis.

4.6 Report of the Non-Executive Committee

The Non-Executive Committee has periodically assured itself, by means of reviewing the work of the Audit and Risk Committee, that during the financial year 2008/09, the Authority's internal financial controls have operated effectively. All members of the Audit and Risk Committee are also members of the Non-Executive Committee.

Section 84 of the Pensions Act 2008 also gives the Non-Executive Committee responsibility for appointments and setting the terms and conditions, including remuneration, of subsequent executive members of the Authority, with the approval of the Secretary of State. The Non-Executive Committee has exercised this responsibility by means of the work of the Nomination Committee and Remuneration Committee. All members of the Nomination Committee and Remuneration Committee are also members of the Non-Executive Committee.

The Non-Executive Committee, having met on the same day as each Board meeting, has reviewed the business and decisions of that Board meeting. In this way the Chair and non-executive directors have given themselves the opportunity to properly exercise their role of oversight and review.



4.7 Relationship with the Department for Work and Pensions

The DWP has overall responsibility for the Government's wider pensions reform. The Enabling Retirement Savings Programme (ERSP) forms part of this programme and PADA, along with the Pensions Regulator (tPR) and the DWP Communications Directorate, comprise the delivery arms for the ERSP. PADA's Chief Executive is a member of the Board of the ERSP. We therefore have a very close working relationship with DWP as one of its principal project-delivery organisations.

As a delivery arm of the ERSP, we contribute to the DWP's strategic objective: "promote independence and well-being in later life, continuing to tackle pensioner poverty and implementing pension reform".

As a non-departmental public body, PADA operates at arm's length from Government. However, we are accountable to Parliament through the Secretary of State for Work and Pensions, and as such, we operate within the terms of an agreed framework document which defines the roles and responsibilities in the relationship between PADA and DWP. This is governed through a stewardship relationship with DWP. In addition to project and programme governance, we have a duty to demonstrate effective performance as a public body to Ministers through the DWP Steward and his stewardship team.

During the financial year PADA met regularly with Ministers and with officials from the DWP and tPR. Our framework document gives more detail of the arrangements for working with the DWP on a day-to-day basis; it is published on our website.

4.8 Our people

As at 31 March 2009, we had a total of 163 people working for us spread across three sites in London, Leeds and Newcastle. To meet the scale and complexity of the task, we employ specialists with expertise in delivering large-scale financial systems. We also employ people to support our interaction with stakeholders, suppliers and Government and those with proven capability in areas such as policy, legislation, strategy, planning, procurement, research and communication.

PADA has a strong commitment to its people and seeks to create a supportive environment where individuals are highly motivated and encouraged to perform to their full potential. This has contributed to a very low rate of sickness absence. The average during 2008/09 was one day sickness-related absence per employee.

5 Organisational performance and activities

5.1 Board activity

The Board held ten meetings during 2008/09. The agendas included consideration and discussion of the following areas:

Areas of regular Board scrutiny

- Finance
- Advice to the Department for Work and Pensions (DWP)
- Compliance with the Personal Accounts Delivery Authority (PADA) principles

Regular reports

- Chief Executive's report
- Reports from Board committees

Governance matters

- Terms of reference, standing orders and Code of Conduct
- Delegations to Board committees and to PADA staff
- Membership of Board committees
- Recruitment of non-executive directors
- Governance effectiveness review
- Register of interests

Finance

- Budget
- Accounting policies and procedures

Review of PADA corporate documents and policies

- Organisational strategy and Business Plan
- Corporate strategy
- Publication scheme
- People plan

Discussion of strategic issues

- Investment
- Scheme funding
- Scheme volumes
- Scheme implementation and rollout
- Product strategy
- Scheme Order and Scheme Rules
- Trustee corporation
- Scheme communications

Review of PADA consultations

- Charges
- Investment
- Decumulation (annuitisation)

5.2 Performance and key achievements

The first PADA Business Plan, published last December, outlined our vision and strategic goals. It also defined our specific business objectives and performance criteria for the 2008/09 financial year to support achievement of our goals.

In addition to the information provided below, Appendix B sets out a detailed view of our achievements against each of the agreed performance measures.

5.2.1 Procurement

Objective 1.1: Complete preparation and commence procurement to acquire core services to deliver the personal accounts scheme.

We announced our intention to launch the procurement exercise by publishing a Prior Information Notice in June 2008. Following this, we received the necessary permission to progress to the procurement phase of the project.

In January 2009, we commenced the procurement process by issuing a supplier prospectus and publishing a notice in the Official Journal of the European Union (OJEU). Later in January, we held the first in a number of industry days established to explain the Authority's requirements in respect of the scheme administration contract. Interested parties replied to the notice at the end of February and the information they supplied was evaluated. A short list of successful candidates was drawn up in April and these candidates are currently participating in a competitive dialogue process.

5.2.2 Trustee corporation

Objective 2.1: Complete the scoping and preparation to set up the trustee corporation to administer the scheme, in collaboration with DWP.

We examined various options and, in liaison with DWP, consulted with key stakeholders for their input. The outcomes are being factored into development of the Target Operating Model and the latest draft Transition Plan. Further work is being done on the options for handover to the trustee corporation and this will continue during 2009/10.

5.2.3 Stakeholder engagement

Objective 3.1: Build and maintain effective relationships with stakeholders to establish PADA as a robust professional organisation.

We established a strong stakeholder management function and created an effective stakeholder management plan. This allowed us to begin proactive engagement immediately following passage of the Pensions Act 2008. We reviewed and updated our branding and corporate website in line with our extended remit and we continue to undertake proactive engagement and a campaign of presentations at relevant industry events. The consultations detailed above are aimed at obtaining and understanding the views of key stakeholders, and facilitating engagement.

5.2.4 Consultations

During the year we undertook, or began planning for, a number of consultations and discussion processes to gain access to a wide body of expertise. We sought views from a variety of key stakeholders and interested parties to help us make the right recommendations to the future trustee corporation regarding the design of the personal accounts scheme. All of the consultations published to date can be accessed on PADA's website.

We undertook a consultation to seek views on the charging structure for the personal accounts scheme. We published a response based on the valuable input received from stakeholders.

We also consulted about the potential ways that future members may secure their retirement income. As the period came to a close we had begun preparations to publish the responses to the consultation, which was published in May 2009.

Over the period considerable effort went into preparing a discussion paper related to establishing the investment approach for the scheme, which was published shortly after the end of the financial year. We also worked to support the DWP in publishing the draft Scheme Order and Rules and the attendant consultation document.

5.2.5 Legislative support and advice

Objective 3.2: Provide the Secretary of State with quality and timely advice on the personal accounts scheme and related matters.

We provided timely advice to DWP and Ministers, supporting the passage of the Pensions Act 2008. We have continued to

provide advice and assistance to DWP on establishing the secondary legal framework which will become the Scheme Order and Rules.

5.2.6 Building the organisation

Objective 4.1: Build a resilient and robust organisation capable of delivering our programme of work within the resources available.

We developed and implemented our corporate and organisation strategies to complete the set up of PADA as a robust organisation ready to commence active procurement.

We proactively reviewed our resource requirements throughout which ensured we remained within agreed budgets. In addition, we undertook a number of focused recruitment exercises to ensure we employ people with appropriate expert and specialist skills to deliver personal accounts.

5.2.7 Governance and controls

Objective 4.2: Ensure robust and resilient controls are in place to effectively govern the organisation and to meet obligations as a public body.

We launched a review of our corporate governance. Our 2007/08 Annual Report and Accounts was laid before Parliament in October 2008 in line with the requirements for executive NDPBs. We developed a performance and accountability framework to give assurance that we are meeting our obligations as a non-departmental public body.

5.2.8 PADA People

Objective 4.3: PADA has high quality people with the right skills in place to deliver the project.

We undertook a focused recruitment exercise to ensure that all key posts are covered by people with the highest quality skills, expertise and experience to effectively deliver the scheme. We completed building a robust HR function, putting all necessary frameworks and procedures in place. We also incorporated our values charter into the performance management process for all PADA employees, in support of objective 4.4 below.

Objective 4.4: Values based culture and operating model in place providing effective tools and working environment to deliver the project.

We worked across the organisation to identify and develop an agreed set of values that all our people believe in. We produced a number of key supporting products e.g. People Handbook, Security Policy, Health and Safety Policy. We also reviewed and updated our organisation structure to better meet the needs for delivering personal accounts successfully.

We implemented our IS/IT strategy and invested in a programme of premises maintenance to provide a safe and conducive working environment for PADA staff.

Objective 4.5: Open communication to generate involvement and commitment from all staff and encourage pride in working for PADA.

We completed a communications work programme to provide the means, across a number of channels, for people to communicate and keep up to date in our rapidly changing

environment. We launched an intranet and staff magazine, and held quarterly all-people communications events. We also used IS/IT facilities to support implementation of flexible working solutions across our three sites.

5.3 Conforming with The Pensions Act 2008, section 80

PADA has a set of principles laid down in legislation, which it must have regard to in carrying-out its actions to deliver the scheme. Each Board meeting is structured in such a way as to take account of the principles, with all Board papers requiring a cover sheet demonstrating compliance with the principles. The principles set out in the Pensions Act 2008 are as follows:

- participation in qualifying schemes should be encouraged and facilitated
- the burdens imposed on employers should be minimised
- any adverse effects on qualifying schemes, and the members and future members of these schemes should be minimised
- the cost of membership of the scheme should be minimised
- the preferences of members, and future members should, so far as is practicable, be taken into account in making any provision about investment choice
- diversity among members and future members of the scheme should be respected.

These principles reflect the Government's ambitions for pension reforms, including those set out in its White Paper, *Personal accounts: a new way to save*, published in December 2006. The principles aim to focus the design of personal accounts on the scheme's target

market of low-to-moderate income earners who at present, do not have access to good-quality workplace pension provision.

5.3.1 Example

Adhering to these principles is fundamental to providing assurance of effective delivery and ensuring that the scheme aligns with and supports achievement of the Government's policy intent. The example below shows how this has been applied in practice.

Investment discussions

The discussions concerning the scheme's investment objectives began with a public event in January of 2009 to discuss the concept of Socially Responsible Investing and continued through engagement with a wide range of investment professionals. Shortly after the year end we published a discussion document seeking the considered opinion of the investment industry and pension professionals on a range of issues relating to the design of an investment strategy for the personal accounts pension scheme.

We approached this process by developing an understanding of prospective members' needs, drawing on a range of research commissioned by the DWP and others and commissioning additional research or employing industry specialists to fill potential gaps in our understanding. This understanding of prospective members shows us that the investment approach for personal accounts is likely to be different to the traditional approach to risk and return found in other defined contribution pension schemes. Simply replicating practice would not serve our prospective members well and would hamper our attempts to encourage membership of

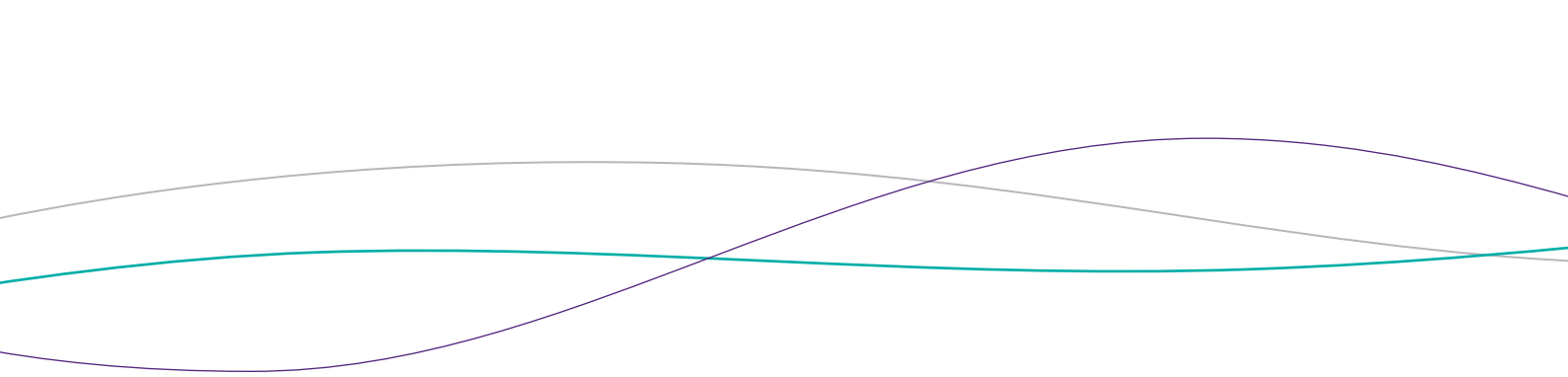
a low-charge scheme. Instead, through our discussions we are asking experts to help us develop an approach to investment which starts from the members' needs, applying existing practice where appropriate and developing innovative solutions elsewhere. We believe this process will help PADA design an investment strategy that addresses the preferences of the scheme's diverse membership while minimising costs.

5.4 Risk management

As a project delivery organisation, PADA understands the need to proactively manage risk. In line with Enabling Retirement Savings Programme (ERSP) requirements, our risk management processes are consistent with the DWP risk methodology.

In a programme of this size and complexity, running over a number of years, the top-level risks will change over time according to the status of the programme. These risks are regularly monitored and proactively managed through project and programme management governance.

In addition to this, our internal auditor has produced an assurance plan for PADA. This will provide independent assurance to PADA's Board on the effectiveness and relevance of the systems of internal control. PADA's Audit and Risk Committee meets quarterly to examine the management of risk and the management responses.



To help us highlight potential risks and address them at an early stage, we keep a number of operational areas under careful review:

- **Governance** – We have robust processes, both internally and through external scrutiny, to provide assurance that we operate effectively, provide value for money, achieve our objectives and comply fully with the requirements for a non-departmental public body.
- **Stakeholder engagement and relationships** – In a project like this, which is bringing a new product to market, success depends on effectively engaging with key stakeholders. Managing stakeholder relationships is integral to delivery of our objectives and we need to understand their views and opinions and manage their expectations. To that end we have put in place a stakeholder management function to build a body of knowledge about our key stakeholders and support effective relationship management.
- **Organisation capacity** – We have rapidly expanded our capability in recent months. We need to continue to monitor requirements so that we have the right mix of skills and experience over the lifetime of the project. This will enable us to deliver the best possible low-charge scheme for members, on time.
- **Managing costs** – In any project constrained by time, there is a risk that costs rise in order to deliver a high-quality outcome. Our priority, therefore, is to ensure that we manage our resources to achieve maximum value for money within the available funding.

- **Operational delivery & planning** – Delivering the personal accounts scheme, including setting up the trustee corporation to administer the scheme when it is launched, is a complex and long-term programme of work requiring a number of related strands of activity. It is vital that each project strand has a full understanding of the interdependencies between strand activities and potential impacts of change across the wider programme. Our project management office co-ordinates strand plans and provides project-level oversight. It reports to the management team and ERSP on a regular basis to highlight anything that may impact on successful delivery of the project.
- **Environmental scanning** – Linked to our operational delivery and planning, this relates to ongoing monitoring of an increasingly dynamic environment to assess strategic and long-term risk to successful delivery. The activity encompasses assessment of the standard cross section of political, economic, social and technological factors. We use this information to build an understanding of potential future risks, so that we can manage them effectively, and where necessary invoke contingency to reduce any negative impact. Risks identified under this heading will be managed via the ERSP programme governance route.

5.5 Corporate social responsibility

Corporate social responsibility is the integration of social and environmental concerns into business operations. As part of its development and ongoing operations, PADA considers its environmental impact and wider social relationships and committed to good environmental practice.

In future, we will seek to minimise our environmental impact where practical, taking steps to:

- reduce the use of energy
- minimise the use of consumables
- increase recycling and re-use
- make best use of technology to limit our carbon footprint
- produce a sustainable development strategy for handover to the trustee corporation.

5.6 Freedom of Information requests

The Freedom of Information Act 2000 (the FoIA) gives individuals and organisations the right to request information from any public authority. PADA has received a number of requests for information and has been the subject of some interest from Parliament and the media. As a public sector body, we respond to FoIA requests directly.

In keeping with the spirit of the FoIA, we seek to release information where possible and appropriate. Where we are unable to release the information requested, we aim to provide advice and assistance in keeping with the principles of the FoIA.

In the period 1 April 2008 – 31 March 2009, the Authority received nine requests for information under the FoIA 2000.

- In seven cases we disclosed some or all the information requested.
- In two cases we were not able to disclose the information requested.

We received one request to review our decision not to disclose information. Where information is withheld there is a right of appeal to the Information Commissioner. To our knowledge, no cases were referred to the Commissioner during the period of this report.

We have also established a publication scheme, a guide to which has itself been published on our website at: http://www.padeliveryauthority.org.uk/documents/publication_scheme_guide.pdf. The scheme sets out what information we will routinely publish on our website.

5.7 Personal data incidents

There were no personal data incidents during the year.

5.8 Payments to suppliers

The average time taken to pay suppliers was 37 days. During the year PADA installed a new accounting system which is expected to improve supplier payment timescales in 2009/10.

5.9 Aims and objectives for 2009/10

Our aims and objectives in relation to our remit from Government to deliver the personal accounts scheme, are set out in full in our Corporate Plan 2009-2012, which is available on our website. They are also summarised in the table below against each of our strategic goals.

Strategic Goal	Business Objectives – 2009/10
<p>Establish an occupational pension scheme for 2012 which delivers the best possible scheme for its members at low cost</p>	<p>Undertake procurement activities to acquire core services to deliver the personal accounts scheme</p> <p>Complete preparatory activities to enable scheme build</p>
<p>Set up a trustee corporation with an excellent governance framework, which attracts high calibre trustees, and manage a smooth and successful handover to the trustees</p>	<p>Complete handover planning activities in preparation for implementation</p> <p>Design and initiate a robust organisation capable of effectively administering the personal accounts scheme</p>
<p>Deliver valued advice and support to our strategic delivery partners</p>	<p>Provide the Secretary of State with quality and timely advice on the personal accounts scheme and related matters</p> <p>Provide high quality, timely advice and support to strategic partners</p>
<p>Build PADA as an organisation that engenders confidence, and is an asset in launching the new scheme</p>	<p>Maintain effective relationships and retain consensus with stakeholders and suppliers to ensure PADA is viewed as a robust, professional organisation</p> <p>Operate a resilient and robust organisation capable of delivering PADA's work programme within the resources available</p> <p>Robust controls are in place to effectively govern the organisation and meet obligations as a non-departmental public body</p>

5.9.1 Procurement

The focus of our efforts over the coming year is on managing the process to engage a supplier to provide scheme administration services. This will be achieved through a competitive dialogue process and evaluation of bids, in preparation to award the contract in the summer of 2010.

5.9.2 Trustee corporation

Work has begun to develop the target operating model for the trustee corporation. This is due to be completed in the summer of 2009. Further work will then be undertaken, in liaison with DWP, to refine that model in light of decisions which have yet to be taken around the approach to handover. This forms the other strand of work in this area, to continue to examine and test the options for handover from PADA to the trustee corporation and provide advice and recommendations to the Secretary of State who is responsible for formally establishing the trustee corporation as a non-departmental public body.

5.9.3 Legislation

We will continue to provide advice and support to DWP, and thus to Ministers, on the secondary legislation required to set the legal framework for the personal accounts scheme.

5.9.4 Research

The research programme for 2009/10 will continue to play a critical role in PADA's business by:

- improving our understanding of how employers, individuals, the pensions industry and opinion formers will react to the personal accounts scheme, and thus informing future volumetrics and the distribution strategy;

- developing a robust and effective work programme to inform testing of business processes and user journeys as part of preparing for implementation;
- driving appropriate scheme communications to employers, their advisors and members; and
- responding to any future research gaps arising from the supplier dialogue process.

The programme for the coming year reflects new requirements emerging from our progression into active procurement. Research activities will focus on:

- supporting supplier dialogue and due diligence as part of the procurement process for scheme administration; and
- testing scheme communications products.

5.9.5 Consultations

Stakeholder engagement and active involvement in scheme development is vital to successful delivery. We will continue to consult our stakeholders on key aspects of the scheme.

Priorities for this financial year include:

- concluding and publishing the response to the consultation on securing a retirement income, which was launched in December 2008; and
- issuing a discussion document in respect of the scheme investment approach and, jointly with DWP, a consultation exercise on the Scheme Order and Rules.



Tim Jones
Chief Executive
Personal Accounts Delivery Authority
8 July 2009





Remuneration Report



6 Remuneration Report

Paul Myners was Chair of the Authority for the first 6 months of the financial year. Following his appointment as the Financial Services Secretary at HM Treasury, he resigned from the Authority on 3 October 2008.

On 6 October 2008 Jeannie Drake was appointed as Acting Chair by the Secretary of State for Work and Pensions and has been contracted to work five days per calendar month.

The initial Board recruitment was undertaken by the Department for Work and Pensions (DWP) and – within the terms of the Pensions Act 2007 – the remuneration of the Chair, Acting Chair, Chief Executive and non-executive directors was determined by the Secretary of State.

The Remuneration Committee for the Authority consists of three independent non-executive directors (Alison Wright, Paul Hewitt and the Committee Chair, Chris Willford). Heads of Department and the Board Chair may be invited to meetings of the Remuneration Committee, except on occasions when their own remuneration is being discussed.

The Remuneration Committee meets at least once a year and as a minimum, has delegated responsibility for recommending remuneration for the Chair, all executive directors and the senior management of the Authority. It also has responsibility for determining the terms and conditions of employment for executive directors, subject to the approval of the Board and the Secretary of State for Work and Pensions.

Executive Directors of the Board participate in a non-consolidated bonus of up to 15% of basic salary based upon meeting a set of performance targets set by the Chair and other non-executive members of the Board of the Personal Accounts Delivery Authority (PADA) in consultation with the DWP.

Additionally, the Chief Executive and Business Delivery Director have the opportunity to secure a non-consolidated terminal bonus of up to 50% of basic salary, based upon meeting a set of performance targets set by the Chair and the Remuneration Committee in consultation with the DWP.

Board members are appointed for an initial period of three years with an option to renew. PADA is liable to pay the notice periods for both the Chief Executive and Business Delivery Director in the event of early contract termination.

Remuneration

The information in the table below has been audited.

Name and position	Contract Details			2008/09 £000		2007/08 £000		
	Contract start date	Unexpired term	Notice period	Annual salary and allowances	Paid in year ¹	Annual salary and allowances	Paid in period ²	Bonuses
Paul Myners Chair ³	01 August 2007	N/A	6 months	145-150 ⁴	45-50	145-150	95-100	0
Jeannie Drake Acting Chair	17 September 2007 ⁵	1 year 5 months	6 months	85-90 ⁶	65-70 ⁷	15-20	10-15	0
Tim Jones Chief Executive	08 October 2007	1 year 6 months	3 or 6 months ⁸	230-235	230-235	225-230	100-105	10-15
Simon Richards Director	01 September 2008	2 years 5 months	3 or 6 months ⁸	195-200	115-120	N/A	N/A	N/A
Helen Dean Director ⁹	01 February 2009	2 years 9 months	3 months	100-105	15-20	N/A	N/A	N/A
Paul Hewitt Non-Executive Member	15 May 2008	2 years 1 month	6 months	15-20	15-20	N/A	N/A	N/A
Chris Willford Non-Executive Member	15 May 2008	2 years 1 month	6 months	15-20	15-20	N/A	N/A	N/A
Alison Wright Non-Executive Member	15 May 2008	2 years 1 month	6 months	15-20	15-20	N/A	N/A	N/A

¹ The salary and allowances paid in the year represent amounts received and receivable. Bonuses for 2008/09 may be payable once they have been determined and agreed by PADA's Chair, based on advice received from the Remuneration Committee.

² 2007/08 figures show amounts paid from the period of appointment to 31 March 2008.

³ Resigned 3 October 2008 with immediate effect.

⁴ Fees for Paul Myners' services as Chair include VAT at 17.5%.

⁵ Appointed Acting Chair 6 October 2008.

⁶ Annual salary and allowances applicable from appointment as Acting Chair. Annual salary and allowances as a non-executive member prior to this appointment were £15k to £20k.

⁷ Includes £15k for additional work performed between September 2007 and September 2008, primarily for the recruitment of additional Board members.

⁸ Depending on circumstances.

⁹ Helen Dean has been seconded to the Authority by DWP from 1 January 2008. The remuneration disclosed above as being paid in the year relates to the period from the date of her appointment as a director on 1 February 2009 to 31 March 2009.

The Chief Executive and Executive Directors are eligible to join the Authority's defined contribution pension scheme. Simon Richards is a member of the scheme and during 2008/09 the Authority made employer contributions totalling £9,334 towards Simon's pension fund.

Helen Dean is seconded to the Authority from the DWP. Helen's remuneration is agreed by the Remuneration Committee in consultation with the Department. Helen is a member of the Principal Civil Service Pension Scheme for which employer contributions are charged to the Authority for the secondment period.

PADA did not provide Directors with any benefits other than those listed above.

The Authority has developed a remuneration strategy for directly employed staff in accordance with Section 4.14 of its framework document. The strategy applies to all directly employed staff and comprises:

- Participation in a non-consolidated annual bonus scheme of up to 20% of basic salary;
- Upon taking up appointment, an invitation to join the Authority's defined contribution pension scheme, to which PADA contributes 8% for those who elect to join;
- 25 days paid holiday per annum;
- Critical illness cover; and
- 3 x salary life cover.



Tim Jones
Chief Executive
Personal Accounts Delivery Authority
8 July 2009



Appendices



Appendix A

Advisory committees to the Board

1. Consumer Representative Committee

1.1. The Committee's remit

- provide advice and expert support backed by evidence to the Board on a range of consumer matters related to the personal accounts scheme and to Employer Engagement and Enforcement issues;
- share research and evidence;
- provide guidance and expert support to the Authority's work with customer insight and focus groups.

1.2. Membership

- Help the Aged;
- Age Concern;
- Citizens Advice;
- Equality and Human Rights Commission;
- Financial Services Authority's Consumer Panel;
- The Pensions Advisory Service;
- Trades Union Congress;
- Which?.

2. Scheme Management and Trustee Advisory Committee

2.1. The Committee's remit

- provide advice and expert support, backed by evidence, to the Board on a range of matters that will be of interest to the trustee corporation of the personal accounts scheme;
- provide input to ensure that high quality standards of administration, accounting, reporting and overall scheme governance arrangements have been put in place for the trustee corporation;
- provide guidance, expert support and quality assurance to the Authority's work in developing the scheme provision and provide insight from a scheme management and trustee perspective;
- advise the Board from the perspective of the future trustee corporation and future members of the scheme.

2.2. Membership

- Actuarial Profession (Institute of Actuaries and Faculty of Actuaries);
- Association of British Insurers;
- Association of Pension Lawyers;
- Institute of Chartered Accountants in England and Wales;
- National Association of Pension Funds;
- Pensions Management Institute;
- Society of Pension Consultants.

3. Employer Representative Committee

3.1. The Committee's remit

- provide advice and expert support backed by evidence to the Board on a range of employer matters related to the personal accounts scheme and to Employer Engagement and Enforcement issues;
- share research and evidence;
- provide guidance and expert support to the Authority's work with employer insight and focus groups.

3.2. Membership

- British Chambers of Commerce;
- British Computer Society Payroll Group;
- Business Application Software Developers' Association;
- Chartered Institute of Personnel and Development;
- Confederation of British Industry;
- EEF, the manufacturers' organisation;
- Federation of Small Businesses;
- Forum of Private Business;
- Institute of Chartered Accountants in England and Wales;
- Institute of Directors;
- Institute of Payroll Professionals;
- Recruitment and Employment Confederation.

Appendix B

PADA performance 2008/2009

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
1. Establish an occupational pension scheme for 2012 which delivers the best possible scheme for its members at low cost	Objective 1.1 Complete preparation and commence procurement to acquire core services to deliver the personal accounts scheme	1.1.1 Prior Information Notice published – June 2008	Yes	
		1.1.2 Documentation delivered to meet policy and programme review requirements	Yes	
		1.1.3 OJEU notice delivered to programme requirements – January 2009	Yes	
2. Set up a trustee corporation with an excellent governance framework, which attracts high calibre trustees, and manage a smooth and successful handover to the trustees	Objective 2.1 Complete the scoping and preparation to set up the trustee corporation to administer the scheme, in collaboration with DWP	2.1.1 Detailed scoping plan – September 2008	Yes	High level plans developed from September 2008 and key milestones shared with DWP
		2.1.2 Robust links to external expertise established – January 2009	Yes	
		2.1.3 Consult with stakeholders on scheme governance – January 2009	Yes	Began a rolling programme of meetings with key stakeholders in January 2009 to get insight and engagement in consideration of requirements for the trustee corporation
3. Deliver valued advice and support to our strategic delivery partners	Objective 3.1 Build and maintain effective relationships with stakeholders to establish PADA as a robust professional organisation	3.1.1 Build effective stakeholder engagement mechanisms	Yes	Stakeholder mapping completed and relationships in place with key external organisations and media contacts
		3.1.2 Consult with stakeholders in developing the approach to the personal accounts scheme	Yes	Formal consultations on choosing a charging structure and securing a retirement income completed
		3.1.3 Develop and deliver an effective stakeholder and media management plan	Yes	Plans in place and programme of media engagement launched post Royal Assent
	Objective 3.2 Provide the Secretary of State with quality and timely advice on the personal accounts scheme and related matters	3.2.1 Provide advice to DWP during passage of the Pensions Bill 2007	Yes	The Bill received Royal Assent in November 2008
		3.2.2 Contribute to the development of the funding strategy	Yes	Advice and input provided to DWP to planned timescales
		3.2.3 Provide advice to DWP on development of secondary legislation	Yes	Joint Order and Rules Group established with DWP. High quality advice provided on an ongoing basis with due regard to the PADA principles

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
4. Build PADA as an organisation that engenders confidence, and is an asset in launching the new scheme	Objective 4.1 Build a resilient and robust organisation capable of delivering our programme of work within the resources available to us	4.1.1 Operate an effective business management regime, providing value for money and living within resource allocations	Yes	Forecast outturn for 2008/2009 substantially less than original budget
		4.1.2 Agreed policies and procedures in place for funding, following Royal Assent	Yes	An interim loan has been put in place for PADA's chargeable activities since December 2008. Prior to that date PADA was funded solely through grant-in-aid in line with the framework document
		4.1.3 Effective business planning completed	Yes	Business plan for 2008/09 published on the PADA website, December 2008
	Objective 4.2 Robust and resilient controls are in place to effectively govern the organisation and to meet obligations as a public body	4.2.1 Framework Document agreed with DWP upon receipt – January 2009	Yes	Following the interim loan agreement a revised framework document is currently being agreed
		4.2.2 Delegated Accounting Officer duties discharged effectively via Annual Report and Accounts; laid before Parliament – October 2008	Yes	
		4.2.3 Effective corporate governance in place	Yes	PADA Board and sub-committees established, including process for internal audit. Review of corporate governance launched January 2009
		4.2.4 Initial appointments to Board completed – November 2008	No	One remaining post, Finance Director, remains to be appointed
		4.2.5 Publication scheme published – July 08	Yes	
		4.2.6 100% Freedom of Information requests responded to within 20 days	No	Due to administrative error one individual's request exceeded the target response time by three days
		4.2.7 Parliamentary Questions are responded to within Parliamentary timetable	Yes	All PQ responses met Parliamentary timetable

Strategic Goal	Business Objective	Measures / KPI's	Met	Comments
	Objective 4.3 PADA has high quality people with the right skills in place to deliver the project	4.3.1 100% initial key posts filled with high quality people – March 2009	Yes	
		4.3.2 Remuneration and reward framework and underpinning plans and procedures in place	Yes	
		4.3.3 Values charter incorporated into performance management for all PADA people	Yes	People performance procedures, incorporating values charter, established & included in 2008/09 performance reviews
	Objective 4.4 Values based culture and operating model in place providing effective tools and working environment to deliver the project	4.4.1 Organisational development strategy delivered – October 2008	Yes	Organisation Strategy agreed September 2008 and included in document set for Government's Major Project Review Group, October 2008
		4.4.2 Information strategy developed and phase 1 implemented by September 2008	Yes	
		4.4.3 Business case for London location approved by HM Treasury – September 2008	Yes	
	Objective 4.5 Open communication to generate involvement and commitment from all staff and encourage pride in working for PADA	4.5.1 PADA intranet launched – May 2008	Yes	Intranet launched as planned, and reviewed following Royal Assent to incorporate revised remit and branding
		4.5.2 PACE internal staff magazine launched June 2008	Yes	PACE online magazine launched in June 2008. Internal survey indicates 58% of staff read every edition
		4.5.3 All workforce attend induction event within 4 weeks of start date	Yes	
		4.5.4 All people communications events held quarterly. 65% of people proud to work for PADA	Yes	Quarterly events held. 79% of people state they are proud to work for PADA, exceeding the performance target by 14%



Section Two

Financial Report

Statement of Accounting Officer's responsibilities

Under Schedule 6 (part 3, paragraph 19) of the Pensions Act 2007, the Personal Accounts Delivery Authority (PADA) is required to prepare for each financial year a statement of accounts 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 state of affairs of the Personal Accounts Delivery Authority and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

The Principal Accounting Officer of the Department for Work and Pensions has designated the Chief Executive as Accounting Officer of the Personal Accounts Delivery Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Personal Accounts Delivery Authority's assets, are set out in *Managing Public Money*, published by HM Treasury.



Tim Jones
Accounting Officer
Personal Accounts Delivery Authority
8 July 2009

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Personal Accounts Delivery Authority's policies, aims and objectives, while safeguarding the public funds and Authority's assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

Background

The Personal Accounts Delivery Authority (PADA) was established on 26 July 2007 under section 20 of the Pensions Act 2007, to advise the Government on its policy relating to personal accounts. Following enactment of the Pensions Act 2008, the Authority's functions and powers were extended to establish the infrastructure to support the development of personal accounts. PADA is sponsored by the Department for Work and Pensions (DWP) and its working relationship with the Department is set out in a framework that was agreed between both parties on 1 March 2008.

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 the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in PADA for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

The Authority has a structured risk management process and responsibility for the identification, assessment and management of risks lies with the Board. The capacity to handle risk is managed by means of detailed, integrated plans, a comprehensive risk management function and internal audit work.

Each PADA strand is supported by a specific Project Management Office (PMO) planner. Part of their role is to ensure the appropriate identification and management of risks, including escalation where necessary. The central management of strand planners enables common standards to be applied. Good practice is developed and shared in regular cross-strand risk workshops managed by the PMO.

The risk and control framework

Risk management in PADA is a formal, ongoing activity managed at each level of the programme and overseen by the PMO. It is considered a business as usual activity and risk management is seen as a core element of project management within PADA.

In keeping with the structure of PADA, risk management is aligned to the strands of work within the organisation, with strand planners responsible for coordinating risk management activity. Each strand planner is provided with guidance outlining risk management processes and is given training and support by experienced risk practitioners.

When a risk is recognised, it is raised and recorded at strand level and the strand lead is responsible for monitoring and mitigating the risk.

If a risk is considered so severe that it threatens the success of the project or impacts areas across more than one strand, the strand lead escalates the risk to the Executive Team who will report the risk to the Board and manage it on their behalf. The Executive Team is responsible for implementing measures to mitigate the risk. However, risks may be de-escalated to a lower level within PADA as the result of agreed decisions, actions or re-assignment.

When a risk is considered by the Executive Team to be so severe that the success of the wider Enabling Retirement Savings Programme (ERSP) might be impacted, that risk is brought to the attention of the ERSP Principal Senior Responsible Owner (SRO) who will report this to the ERSP Board.

The Principal SRO will draw Ministers' attention to risks associated with PADA, as necessary.

Review of effectiveness

As Accounting Officer, I 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 Authority who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board

The Board reviewed risks at each of its monthly meetings and has received regular reports from the Chair of the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee is chaired by a non-executive director and is scheduled to meet four times per annum. In 2008/09, PADA's first year of operation, the Committee met three times. It is composed entirely of non-executives and follows a work plan in line with that recommended by the HM Treasury Audit Committee Handbook. The Committee directs the work programme of the internal audit function which includes a consideration of systems of internal control. Both internal and external auditors have a right of direct access to the Committee.

Internal audit

Risk Assurance Division (RAD - the in-house internal audit function of DWP) provides an internal audit service to the Authority on an arm's-length basis. Internal audit has direct access to the Authority's Accounting Officer and the Audit and Risk Committee and operates to Government Internal Audit Standards. The annual audit plan is risk-based and approved by the Audit and Risk Committee, to whom internal audit makes regular reports. All work undertaken is subject to internal quality assurance processes. For each assignment, internal audit provides an opinion on the adequacy and effectiveness of the system of internal control and makes recommendations for improvement. Recommendations arising from audits are followed up promptly to ensure that appropriate action is taken and improvements in the risk management, governance and internal control processes are achieved where necessary. At the end of the year, the Head of Internal Audit produces an annual report which is presented to the Audit and Risk Committee. This report summarises the work completed during the year and identifies any significant issues which may impact upon the effectiveness of the Authority's control environment. The overall opinion provided by RAD on the adequacy and effectiveness of the Authority's systems of internal control, based on the audits undertaken, was "reasonable assurance".

Other explicit review/assurance mechanisms include:

- Policies covering a wide range of issues, providing part of an effective control framework across a range of risks including, *inter alia*: human resource (HR) matters; workforce strategy; finance; procurement; information technology; and regularity, propriety and authorisation of expenditure. Guidance on related arrangements is set out in codes and other instructions.
- A system of internal controls designed to manage human resource and workforce strategy risks. This includes a system for providing robust people data which facilitates budget forecasting and HR reporting. The Authority also has a number of HR Framework documents in place to ensure full compliance with current employment law.
- The Authority's information technology services are provided through DWP's information technology systems. Consequently the Authority relies substantially on the controls in the DWP information technology environment in order to mitigate risks to information and data. In addition, the Authority's own risk and control framework includes a security policy which adheres to Cabinet Office security standards. The security policy sets out specific measures to effectively control and manage information and mitigate the risk of information loss.
- Regular reports to the Authority's Board and Executive Team on progress against the Authority's key milestones and targets.
- The establishment of an appropriate delegated budget management framework, including budget setting, forecasting, monthly management accounts, periodic CEO-led expenditure reviews and continuous forecasting of outturns.
- Progress against budget is reported monthly to the Board. Updates of year-to-date performance are provided and forecast issues are considered. Remedial action is agreed and monitored where necessary.

- A comprehensive '*Financial Policy and Procedures*' document signed off by the Board in February 2008, with revisions and updates approved by the Board in January 2009. This policy draws heavily on HM Treasury's publication '*Managing Public Money*' and the DWP's financial policy, with an emphasis on value for money and proper stewardship of public funds. The document also covers the system of internal financial controls, including those associated with procurement and payment.

The 2008/09 Head of Internal Audit's opinion stated:

The PADA Internal Audit Plan was agreed by the Audit Committee in July 2008, therefore no audit activity was conducted in the first quarter of the operational year. Following agreement of the plan, four reviews have been concluded with others scheduled for completion in the first quarter of 2009/10.

Of the four reviews completed, the audits of communication and recruitment and retention were given the strongest possible assurance ratings. The audit reviews of budgetary control and use of interims and consultants were awarded the next level.

The four reviews led to a total of eight recommendations. Five of these recommendations concerned minor weaknesses in governance, risk management and/or control and the other three identified scope for improvement in governance, risk management and/or control. PADA has accepted the recommendations in respect of potential risks to business objectives and has addressed all potential control issues identified.

Significant internal control issues

There are no significant internal control issues to report.



Tim Jones
Accounting Officer
Personal Accounts Delivery Authority
8 July 2009

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Personal Accounts Delivery Authority for the year ended 31 March 2009 under the Pensions Act 2007. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive, as Accounting Officer, is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Pensions Act 2007, and Secretary of State for Work and Pensions directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the

part of the Remuneration Report to be audited have been properly prepared in accordance with the Pensions Act 2007 and Secretary of State for Work and Pensions directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Foreword, the Chief Executive's Report, "About the Personal Accounts Delivery Authority", the Directors' Report and the unaudited parts of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the Annual Report and consider whether it is

consistent with the audited financial statements. This other information comprises the Foreword, the Chief Executive's Report, "About the Personal Accounts Delivery Authority", the Directors' Report and the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Pensions Act 2007, and directions made thereunder by the Secretary of State for Work and Pensions, of the state of the Personal Accounts Delivery Authority's affairs as at 31 March 2009 and of its net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Pensions Act 2007 and Secretary of State for Work and Pensions directions made thereunder; and
- information, included within the Annual Report, which comprises the Foreword, the Chief Executive's Report, "About the Personal Accounts Delivery Authority", the Directors' Report and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
Date: 13 July 2009



Financial statements 2008/09

Personal Accounts Delivery Authority: Income and Expenditure Account for the year ended 31 March 2009

	Note	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Income			
Other income	2	206	7
Expenditure			
Staff costs	3	(13,120)	(1,074)
Other operating costs	4	(17,738)	(922)
Gross operating cost		(30,858)	(1,996)
Net operating deficit		(30,652)	(1,989)
Interest on loan funding		(8)	–
Net operating deficit for period after interest		(30,660)	(1,989)
Reversal of cost of capital		(239)	(3)
Net operating cost transferred to General Fund		(30,899)	(1,992)

Statement of Recognised Gains and Losses

There were no recognised gains or losses in the year other than those mentioned above (2007/08 – nil).

Personal Accounts Delivery Authority: Balance Sheet as at 31 March 2009

	Note	As at 31 March 2009 £000	As at 31 March 2008 £000
Fixed assets			
Tangible assets	6	166	–
Intangible assets	7	2	–
		168	–
Current assets			
Debtors	8	697	7
Cash at bank	9	561	3,285
		1,258	3,292
Creditors			
Amounts falling due within one year	10	(5,886)	(1,984)
Net current (liabilities) / assets		(4,628)	1,308
Total assets less current liabilities		(4,460)	1,308
Creditors			
Amounts falling due after more than one year	11	(5,623)	–
Provisions for liabilities and charges	12	(930)	–
Net (liabilities) / assets		(11,013)	1,308
Financed by:			
General Fund	14	(11,106)	1,308
Other reserves	15	93	–
		(11,013)	1,308

The Board of the Personal Accounts Delivery Authority approved these accounts on 18 June 2009.



Tim Jones

Accounting Officer
Personal Accounts Delivery Authority
8 July 2009

The accounting policies and notes on pages 53 to 66 form part of these financial statements.

Personal Accounts Delivery Authority: Cash Flow Statement for the period 1 April 2008 to 31 March 2009

	Note	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Net cash flow from operating activities	a	(26,732)	(15)
Returns on investment and servicing of finance		(8)	–
Capital expenditure	6a	(92)	–
Financing	b	24,108	3,300
(Decrease) / increase in cash		(2,724)	3,285

a Reconciliation of net operating deficit to net cash flow from operating activities

	Note	Year ended 31 March 2009 £000	One month ended 31 March 2008 (restated) £000
Net operating deficit after interest		(30,660)	(1,989)
Add back loan interest payable		8	-
Adjustment for non-cash items and notional costs	5	(222)	(3)
Increase in debtors	8	(690)	(7)
Increase in creditors	10	3,902	1,984
Increase in provisions	12	930	-
Net cash outflow from operating activities		(26,732)	(15)

b Financing

	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Grant-in-aid	18,485	3,300
Loan	5,623	-
Total financing	24,108	3,300

Notes to the accounts

1 Statement of accounting policies

The Personal Accounts Delivery Authority (PADA) accounts have been prepared in accordance with the 2008/09 Government Financial Reporting Manual (FRoM) issued by HM Treasury. The accounting policies contained in the FRoM follow generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. The accounting policies adopted by the Authority are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

Basis of accounting

These accounts follow the accruals concept of accounting and have been prepared under the modified historical cost convention.

Going concern

The future financing of the Authority is to be met through future supply to the Department for Work and Pensions, to be approved annually by Parliament. Such approval for amounts during 2009/10 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt the going concern basis for the preparation of these financial statements.

Assets and depreciation

Tangible fixed assets

Tangible fixed assets are valued at the lower of replacement cost and recoverable amount.

The Authority's capitalisation threshold is £1,000. Items with a value below this threshold are charged direct to the Income and Expenditure Account.

Intangible fixed assets

Subject to the Authority's £1,000 capitalisation threshold, expenditure on purchased computer software licences covering a period of more than one year is capitalised as intangible fixed assets. Capitalised software licences are amortised over the shorter of the licence period or five years, with amortisation commencing in the month following acquisition. Capitalised software licences are not revalued. Expenditure on annual software licences is charged directly to the Income and Expenditure Account as incurred.

Land and buildings

PADA occupies three properties, each under an operating lease for which the costs are expensed as they are incurred.

Depreciation

Provision is made for depreciation of fixed assets at rates calculated to write down the cost or valuation (less any estimated residual value) of each asset on a straight-line basis evenly over its expected useful economic life, or, if shorter, over the term of the Authority's expected continued existence, as follows:

- Information technology and telecoms equipment: 3-5 years
- Furniture and office equipment: 2-5 years
- Major software licences and software development: 3 years

Depreciation is calculated from the month following that of acquisition. No depreciation is charged in the month of disposal.

Assets are not depreciated until they are commissioned or brought into use.

Stock

PADA holds no stocks of materials other than consumable items, the costs for which are expensed as they are incurred.

Funding

The Authority is funded by the DWP through the mechanisms of grant-in-aid and loan funding.

Costs associated with the functions of Government are not chargeable to members and are met through grant-in-aid funding. All grant-in-aid payments are treated as capital injections, credited to the General Fund and considered contributions from a controlling party.

Costs not associated with functions of Government are treated as loan funding which is subsequently chargeable to members. The loan is recognised as a liability on the Balance Sheet.

Income

Income is reflected in the Income and Expenditure Account and is recognised on a receivable basis. In the year the only income received was interest earned on balances on deposit with the Office of HM Paymaster General.

Expenditure

All expenditure is recognised on an accruals basis.

Notional cost of capital

This concerns notional interest on capital employed (notional interest has been calculated at HM Treasury's standard rate of 3.5 per cent applied to the average value of total assets less liabilities, with the exception of balances held with the Office of HM Paymaster General). These costs are included in the accounts to ensure that the results reflect the full economic costs of the Authority and are reversed out of the Income and Expenditure Account below the result for the year.

Pension costs

PADA operates a defined contribution pension scheme for the Authority's directly employed staff. PADA recognises the employer costs in the period in which they are incurred.

The pension costs of civil servants on secondment to PADA are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in the DWP's Resource Accounts. PCSPS costs for civil servants on secondment to PADA are included in the payment made by PADA to the "home" departments of the staff concerned as part of the reimbursement of their employment costs. There is no residual liability for PADA in respect of PCSPS.

Provisions

PADA 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 cash flows are discounted using PADA's weighted average cost of capital.

Leases

Costs associated with operating leases are charged to the Income and Expenditure Account as incurred. Amounts received as inducements to enter into operating leases are taken to reserves and amortised to reduce the operating lease costs over the period of the lease.

Lease inducements

Assets received from third parties which are regarded as falling within the UITF Abstract 28 definition of lease inducements are capitalised and credited to a lease inducement reserve where appropriate. The lease inducement reserve is amortised over the remaining term of the lease.

VAT

The Authority does not make taxable supplies and therefore is not registered for VAT. Consequently, where input VAT is payable, costs are shown inclusive of VAT.



Financial instruments

Financial assets and financial liabilities are recognised in PADA's Balance Sheet when it becomes party to the contractual provisions of the instrument. Financial liabilities comprise accruals and trade creditors. Financial liabilities are initially recognised at fair value and subsequently carried at the invoiced amount. They are derecognised when the right to receive cash flows has expired or PADA has transferred substantially all the risks and rewards of ownership or control of the asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value and subsequently held at amortised cost. The fair value of trade and other receivables is usually the original invoiced amount.

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arm's-length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to a present value.

Cash at bank comprises current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. For the purpose of the Cash Flow Statement, cash at bank is as defined above.

PADA assesses at each Balance Sheet date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the Balance Sheet date and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Income and Expenditure Account.

Prior period comparatives

The prior period comparative figures presented within the financial statements and supporting notes cover the period 1 March 2008 to 31 March 2008. This reflects PADA's transition to grant-in-aid status on 1 March 2008, carrying with it the transfer of responsibility to the Authority to account separately for expenditure from that date forward.

2 Income

	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Interest receivable	206	7

Interest received and receivable on cash balances the Authority held on deposit with the Office of HM Paymaster General relating to the period is treated as income.

The Authority's principal source of funding is provided directly by the DWP. These resources are not accounted for as income (see notes 11 and 14).

3 Staff numbers and related costs

3a Staff costs

The Authority is staffed by a combination of direct employees, staff seconded from other organisations (the majority from the DWP), and a number of temporary staff.

	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Directly employed staff		
Wages & salaries	2,006	233
Social Security costs	234	29
Pension costs	75	–
Sub-total	2,315	262
Secondees	4,684	306
Interim staff	6,121	506
Total	13,120	1,074

3b Pension arrangements

PADA operates a defined contribution pension scheme for the Authority's directly employed staff. There were 47 employees in this pension scheme as at 31 March 2009. PADA recognises the employer costs in the period in which they are incurred. At the Balance Sheet date there was one month's contributions outstanding amounting to £32k.

3c Average number of staff employed

	2008/09 Average full time equivalents	March 2008 Average full time equivalents
Directly employed staff	23	2
Secondees	76	71
Interim staff	39	45
Total average staff (full time equivalents)	138	118

4 Other operating costs

	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Professional advice and support	11,282	629
Accommodation ¹	1,818	–
Recruitment and other staff costs	1,560	230
Research costs	1,451	–
Legal fees and expenses	859	13
Information technology and telephony	363	12
Staff training	149	7
Auditor remuneration – audit fee	60	8
Internal audit	48	–
Auditor remuneration for non-audit work ²	6	–
Other administrative expenditure	344	26
Depreciation & loss on disposal	37	–
Notional costs	(239)	(3)
	17,738	922

¹ Included within 2008/09 accommodation costs is £647k in respect of annual lease payments for St Dunstan's House (2007/08 – nil).

² Auditor remuneration for non-audit work relates to work performed by the National Audit Office to confirm the Authority's preparedness for converting to International Financial Reporting Standards which are to be adopted in line with HM Treasury directions.

5 Non-cash items and notional costs

	Year ended 31 March 2009 £000	One month ended 31 March 2008 £000
Depreciation	27	–
Fixed asset disposals	10	–
Sub-total depreciation and loss on disposal	37	–
Lease inducement amortisation	(20)	–
Notional costs - cost of capital	(239)	(3)
	(222)	(3)

6 Tangible fixed assets

	Fixtures & fittings £000	Information technology £000	Total £000
Cost or valuation			
As at 1 April 2008	–	–	–
Additions	183	20	203
Disposals	(11)	–	(11)
As at 31 March 2009	172	20	192
Depreciation			
As at 1 April 2008	–	–	–
Charged in year	22	5	27
Disposals	(1)	–	(1)
Accumulated depreciation as at 31 March 2009	21	5	26
Net book value at 31 March 2009	151	15	166
Net book value at 31 March 2008	–	–	–

6a Capital expenditure

During 2008/09 the Authority purchased fixed assets (tangible and intangible) totalling £92k (2007/08 – nil). It received further assets valued at £113k from the previous tenant to facilitate the transfer of the lease of one of the properties occupied by the Authority.

7 Intangible fixed assets

The Authority's intangible fixed assets comprise purchased software licences.

Cost or valuation	£000
As at 1 April 2008	–
Additions	2
Disposals	–
As at 31 March 2009	2
Amortisation	
As at 1 April 2008	–
Charged in year	–
Disposals	–
Accumulated amortisation as at 31 March 2009	–
Net book value at 31 March 2009	2
Net book value at 31 March 2008	–

8 Debtors and prepayments

	31 March 2009	31 March 2008
	£000	£000
Other Government bodies	527	7
Staff loans	1	–
Prepayments	169	–
	697	7

9 Cash at bank

	31 March 2009	31 March 2008
	£000	£000
Opening balance	3,285	–
Net change in cash balances	(2,724)	3,285
Balance at 31 March	561	3,285

The above balances were held with the Office of HM Paymaster General.

10 Creditors

10a Creditors: amounts falling due within one year

	31 March 2009 £000	31 March 2008 £000
Trade creditors	1,197	595
Other taxation and social security	171	13
Superannuation	32	–
Accruals	4,486	1,376
Total	5,886	1,984

Accruals comprise staff costs of £0.9m and other costs of £3.6m.

10b Creditors: analysis by amounts owing to central Government

The following table identifies balances with other types of public sector organisation included within creditors:

	31 March 2009 £000	31 March 2008 £000
Balances with other central Government bodies	348	608
Amounts owing to other bodies	5,538	1,376
Total	5,886	1,984

Within the balance owing to other central Government bodies is £171k (2007/08 – £13k) owing to HM Revenue and Customs for employment-related tax and social security costs.

11 Creditors: amounts falling due after more than one year

	31 March 2009 £000	31 March 2008 £000
DWP loan	5,623	-

The effective date of loan funding was 1 December 2008 following the extension of PADA's role through the Pensions Act 2008 and is provided by the DWP to meet scheme implementation costs (these are referred to as chargeable costs because they will be repaid by scheme members). During the year PADA incurred chargeable costs of £11.1m drawing £5.6m of loan finance. It is intended that all liabilities in respect of the loan will be transferred to the trustee corporation. Because PADA has no revenue making powers and has no ability to repay this loan, the DWP has assured the Authority that if such a transfer is not executed the Department will ensure the Authority is in a position to meet its liabilities. The loan is due to be repaid on 1 October 2012, the date subject to variation by agreement between parties.

This is an interim funding arrangement which will be reviewed following a decision on the funding strategy. The loan is currently provided with interest charged at a rate of 6.84% (the European Commission's benchmark for a commercial rate loan); interest being payable on 30 September and 31 March. Any changes to this funding arrangement will be accounted for at that time and reported in the financial statements of that period.

12 Provisions for liabilities and charges

	31 March 2009 £000	31 March 2008 £000
Opening balance	-	-
Provided in year	930	-
Utilised in year	-	-
Unwinding of discount	-	-
Balance as at 31 March	930	-

The provisions created during the year relate to estimated amounts to settle property repairing liabilities which may arise. The provision represents estimated future cash flows discounted at the Authority's weighted average cost of capital (4.01%). We expect to utilise £350k of the provision during 2009/10.

13 Operating leases

Annual commitments for 2009/10 in respect of leases expiring:

	Within 1 year £000	Within 2 to 5 years £000	Over 5 years £000
Land and buildings	–	647	–

14 Reconciliation of net operating cost to changes in the General Fund

	2008/09 £000	One month ended 31 March 2008 £000
Net deficit for the year	(30,899)	(1,992)
Financing from Consolidated Fund – grant-in-aid	18,485	3,300
Net movement in General Fund	(12,414)	1,308
General Fund opening balance	1,308	–
General Fund as at 31 March	(11,106)	1,308

15 Reserves

15a Revaluation reserves

The Authority did not make any revaluations during the period.

15b Other reserves

2008/09 One month ended
31 March 2008
£000 £000

Lease inducement reserve	£000	£000
As at 1 April	–	–
Additions	113	–
Disposals	–	–
As at 31 March	113	–
Amortisation		
As at 1 April	–	–
Charged in year	20	–
Disposals	–	–
Accumulated amortisation as at 31 March	20	–
Net book value at 31 March	93	–

The Authority created a lease inducement reserve in the period to recognise the value of assets received from the previous tenant to facilitate the transfer of the lease for one of the properties now occupied by the Authority. The lease inducement reserve is being amortised over the period of the lease (5.75 years) and credited against accommodation rental costs.

16 Related party transactions

The Personal Accounts Delivery Authority is a non-departmental public body accountable to the Secretary of State for Work and Pensions. DWP is the Authority's sponsoring department and the two bodies are regarded as related parties. During the year the Authority has had a number of significant transactions with DWP totalling £4.5m. At 31 March 2009, £125k remained to be paid.

This relationship with DWP includes provision to the Authority of:

- grant-in-aid and loan funding by DWP to the Authority;
- information technology services (including telephony), office accommodation and internal audit services;
- seconded; and
- for part of the year, supplier payment services.

During the period no other related parties, including the Authority's Board members and senior management, had undertaken any material transactions with the Authority.

17 Capital commitments

There are no amounts contracted for but not provided for in the accounts.

18 Financial instruments

Financial assets by category as at 31 March 2009

	Loans and receivables £000
Cash	561
Other Government bodies	527
Imprest and advances	1
Total	1,089

The above figures exclude statutory debtors and prepayments.

Financial liabilities as at 31 March 2009

	£000
Trade creditors	1,197
Accruals	4,486
Total	5,683

The above figures exclude statutory creditors.

It is, and has been, PADA's policy that no trading in financial instruments is undertaken.

PADA does not face the degree of exposure to financial risk that commercial businesses do. In addition financial assets and liabilities generated by day-to-day operational activities are not held in order to change the risks facing PADA in undertaking its activities.

The Authority borrows money from DWP to fund activities which will subsequently be repaid from revenue raised from charges to scheme members. At the time of preparing these accounts the interest rate applicable to the loan is still to be agreed with DWP and HM Treasury (see note 11).

PADA's financial assets and liabilities which are outside the scope of activities to be charged to scheme members have either a nil or a fixed rate of interest related to the cost of capital (currently 3.5%).

PADA has no exposure to foreign currency risk at the Balance Sheet date.

The book value of PADA's financial assets and liabilities as at 31 March 2009 are not materially different from their fair values.



19 Contingent liabilities disclosed under FRS 12

The interest rate applicable to the loan from DWP is provisional and subject to agreement by HM Treasury (see note 11). Any increase in the rate of interest is expected to apply retrospectively and would increase the amount chargeable to scheme members. However, the increased charge to scheme members has not been provided for as this cannot be reliably estimated in the absence of an agreed different rate of interest.

20 Post Balance Sheet events

The loan to fund activities which will subsequently be repaid from revenue raised from charges to scheme members, referred to in notes 18 and 19 and disclosed in note 11, was formally agreed between DWP and PADA in an agreement signed on 18 May 2009.

These accounts are authorised to be issued on 13 July 2009.



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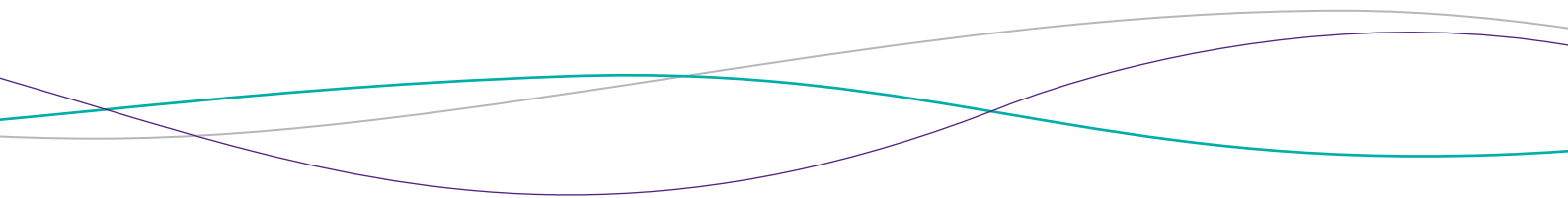
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