

Foreword

We are pleased to present the Appeals Service agency Annual Report for 2001–2002.

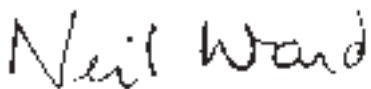
The main purpose of any Annual Report is to report on performance against specific targets set out in the previous year's Business Plan. This report does just that – setting out what we have achieved both in terms of operational performance against Secretary of State targets and progress against other key internal management targets.

The sum of these targets should be a complete picture of how we have worked together during the past year to move our Service forward.

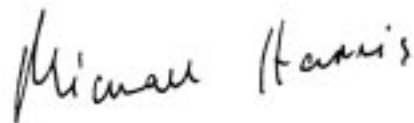
- we have waiting times of less than 14 weeks, with particularly marked improvements in our Eastern and Wales and the South West regions;
- we have continued our substantial improvement in reducing the number of cases over 24 weeks old; and
- we have paved the way for a more ambitious future – in the preparations for the take-on of Child Support Reforms.

Everyone who has contributed to these achievements – administrative staff and panel members alike – should feel justly proud of our continued progress.

We look forward to continuing to work together to achieve our goal of providing the highest possible quality of service to all who rely on us. We have recently secured an additional £22m of Government funding to improve the delivery of appeals services. This new investment will enable us to build on the improvements made over recent years. It will place users of our services at the heart of all that we do. Supported by new technology, our aim is to reduce waiting times still further and give appellants greater choice over where and when their appeal will be heard.



Neil Ward
Chief Executive



Judge Michael Harris
President

Introduction

The primary aim of this second Annual Report of the Appeals Service agency is to report on performance against the targets and objectives published in the Appeals Service agency Business Plan 2001–2002¹. Material is set out under the following headings:

- *Introduction*; a description of our business and management arrangements.
- *Performance and Service Delivery Targets*; reporting on agency performance against targets during the year.
- *Work Programme and Effective Use of Resources*; a commentary on how the agency delivered its agreed work programme and other key achievements over the course of the year.

Our Business

The Appeals Service agency arranges independent hearings for appeals on decisions on Social Security, Child Support, Vaccine Damage, Housing Benefit, Council Tax Benefit, Tax Credits and Compensation Recovery. Appeals are heard at a network of locally based tribunals in approximately 140 venues, and are processed at nine operational sites spread throughout Great Britain.



The Appeals Service consists of two distinct bodies within a single organisation. The first is a tribunal non-departmental public body, with responsibility for the judicial functioning of appeal tribunals, headed by the President. The second is an executive agency of the Department for Work and Pensions with responsibility for the administration of appeals, headed by a Chief Executive. The agency employs around 1,000 staff, whilst our judicial wing consists of over 2,000 panel members who serve on appeal tribunals.

The Appeals Service agency's aim is:

"To provide all who use or rely upon the agency with a modern, professional and prompt service which is focused on providing customers with an impartial re-examination of the decision under appeal."

¹ Copies of the agency's Annual Report, Business Plan and Service First Statement may be obtained by writing to Appeals Service, 4th Floor, Whittington House, 19-30 Alfred Place, London, WC1E 7LW; or via our website at www.appeals-service.gov.uk

Joint Management

The agency is led by the Chief Executive supported by six Directors, representing the key functional areas of our Service, who together form the Senior Management Team. The judicial wing is led by the President who is supported by the seven Regional Chairmen who make up the President's Steering Group.

In addition, and to reflect the joint nature of the Appeals Service, the Appeals Service Joint Board – chaired in turn by the President and Chief Executive – provides strategic direction on issues of importance to the combined Service. The work of this Board is supported by a number of other joint Committees; see *Appendix 6* for details of the overall management arrangements.

Performance

During the year we have made improvements in our waiting times and continued our substantial improvements in reducing the number of older cases...

Headlines

The aim for 2001–2002 was to ensure that the improvements in average waiting times (from receipt of an appeal at the Appeals Service to first hearing) for appellants were consolidated, and wherever possible improved upon. We met this target. Average waiting times achieved during the year were 13.3 weeks compared to 13.6 weeks for 2000–2001.

Performance is not yet uniformly consistent across the country. However, appellants in our Wales and the South West region and Eastern region have seen particularly marked improvements in the average waiting times. We have continued to make progress in the South East region, with recruitment of much needed additional permanent staff, improved induction training and reinforcement of the frontline appeals management structure. Targets have been set to reduce this variation in performance.

We continue to tackle that proportion of our caseload which has been with us for 24 weeks or more. The complexity of these cases generally requires adjournment for further evidence. By year end, we made substantial improvements in reducing the number of cases outstanding for more than 24 weeks. Around 14.5% of our caseload remained outstanding after 24 weeks. Over the year, cases over 24 weeks reduced from 15,674 to 8,841 – a reduction of 44%.

In all we received over 233,000 appeals (more than 15% fewer than forecast at the beginning of the year) and cleared over 277,000. To clear these appeals we held over 58,000 tribunal sessions.

Service Delivery Targets

Our Service Delivery targets fall into three categories:

- *Secretary of State targets* – focussed on improving the standard of service.
- *Service Delivery Agreement targets* – addressing local variations and end-to-end performance.
- *Service First standards* – setting out the minimum standards of service that we aim to provide to our customers.

- **Performance against Secretary of State Targets:**

The Secretary of State set the Appeals Service agency a range of challenging targets that provide users of our service with meaningful measures of our effectiveness. A comparison with previous year targets can be found at *Appendix 1*. Of the four targets set for us in 2001–2002, two were met and two were not met but progress was recorded for each of these. Our targets and performance were:

Target	Performance 2001–2002
The average waiting time for an appeal to be heard will be no more than 14 weeks ² from the time of receipt by the Appeals Service.	Met. An average of 13.3 weeks over the year.
By 31 March 2002, no more than 10% of cases will have been outstanding for more than 24 weeks ² .	Not Met. The actual figure at the end of the year was 14.5%. However, the number of appeals over 24 weeks old was reduced by more than 44% over the course of the year.
For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 8 weeks from the date of return to the Appeals Service.	Not met. The average figure over the year was 15.1 weeks. A substantial percentage of these appeals (around 25%) require an additional submission to be prepared by the first-tier agency before they can be processed by the Appeals Service agency, and this has had a major impact on waiting times.
By 31 March 2002, improve by 10% the measure of customer confidence in the level and quality of information provided on an appeal from the time it is received by the Appeals Service to the time of the appeal decision.	Met. This target was derived from the key findings of the Customer Survey 2000. The Customer Survey 2001 was used to measure our performance against the target. We asked a range of questions about the information we provide to customers. This showed that 78% of customers are confident in the level and quality of information provided on their appeal from the time it was received by us to the time of the appeal tribunal decision.

² Both of our waiting time targets – i.e. average waiting time and proportion of cases over 24 weeks old – are defined as excluding any 'stayed' cases (those cases that are awaiting decisions on lead cases in a higher court and over which we have no control).

● **Performance against Service Delivery Agreement targets:**

Target	Performance 2001–2002
The range of waiting time variations between our local offices will be reduced by a factor of at least 5% per annum over a 3 year period.	Not met. The range of waiting time variations remains the same as last year at 7.1%.
Identify and commission improvements in the end-to-end processing of appeals, leading to the development of cross-agency end-to-end performance targets by April 2002.	Not Met. However, the Appeals Service agency has taken the lead in the Appeals Integrated Service Delivery Team. The objective of the Team is to improve the end-to-end processing of appeals.

● **Performance against Service First Standards:**

Service First Standard	Performance 2001–2002
Appeals take an average 14 weeks from the time we receive the completed enquiry form (TAS 1) to the date of the tribunal hearing. Your case may be dealt with more quickly than this, but the length of time will vary depending on the particular circumstances of your appeal.	The average time taken from receipt of the completed enquiry form to the date of first hearing was 10.4 weeks.
At least 14 days (21 days for Child Support hearings) notice of hearing dates will be given.	Of appellants who requested an oral hearing, 98% received notification within these times.
The clerk to the tribunal will meet all customers at least 5 minutes before their appointment time.	This standard was measured as part of the customer survey. 88% of the sample of appellants, who attended an oral hearing stated they were met by the clerk at least 5 minutes before their appointment. This is an increase of 5% on 2000–2001.
Reasonable travel expenses will be paid, normally on the day of hearing.	Over 88% of travel claims were paid on the day of the tribunal hearing; an increase of 7% on 2000–2001.
A written decision will be provided on the day of the hearing or posted within 2 working days.	The average time for the issue of a written decision was 0.8 working days; an improvement of more than 1 working day over 2000–2001. 94.4% of decision notices were issued within 2 working days with 80% issued on the day of hearing.
Letters, e-mails or faxes will be answered within 15 working days (or specific dates advised).	This standard was measured as part of quality management checks. Of 675 checks conducted, over 93% received a response within 15 working days.
Calls will be answered within 30 seconds.	A sample exercise showed that 91.7% of calls to the Appeals Service were answered within 30 seconds.

Work Programme

Support for the President and Tribunal Members

The agency provides administrative support to the President, panel members and appeal tribunals.

Our senior managers work closely with judicial colleagues to develop operational policy and procedures in line with legislative and other changes. Every regional operational site has a Judicial Support Section providing a range of support functions for full-time and part-time judicial officers. These include:

- the distribution of literature and information to panel members;
- the maintenance of judicial libraries;
- the compilation of statistical material;
- the organisation of judicial training; and
- the allocation of panel members to appeal hearings.

Throughout the year we have worked, together with the Lord Chancellor's Department and the Department for Work and Pensions, to develop recruitment procedures and to identify more precisely the numbers of additional panel members required in specific areas of the country. We now have an agreed protocol, with the Lord Chancellor's Department, for recruitment arrangements.

We have refined our six monthly district and venue based tribunal user group meetings to focus more effectively on local issues of service delivery and performance. Aligning our end of year user group meetings with the business planning process has allowed us to reflect local issues in our plans for the year ahead.

The President has a strong commitment to improving the standards of decision-making across tribunals and has initiated a system of monitoring and appraisal of members in addition to ongoing training in all aspects of tribunal work.

In addition to the President's role of improving judicial standards in appeal tribunals he also has a statutory role in reporting on the standards of decision-making across the Department for Work and Pensions. We select a statistically valid sample of appeals to enable the President to fulfil his statutory duty to report to the Secretary of State on the standards of decision-making in cases that reach a tribunal. The first report was published in July 2001. The Appeals Service agency has worked with colleagues in the Department for Work and Pensions' agencies providing quarterly reports during the year.



Improving Performance

We have introduced a reinforced and experienced local operational management team, completing the work which began in 2000–2001 and created a new senior post of Director of Operations who took up post in November 2001. We have also drawn on private sector experience, appointing an Information Systems Director on a year's secondment.

Detailed recovery plans were put in place in offices where backlogs had developed and cases were exported to offices with greater capacity. Procedures on Commissioner's re-hearing cases were streamlined and better case management introduced, such as revised handling procedures where nominated team leaders take ownership of cases requiring re-hearing, in order to improve the overall standard of performance. Specialist teams were developed within offices to process old cases which required greater input due to their complexity. Quality issues were addressed and a revised system of management checks introduced.

A pilot project in the North East region looked at a full range of issues to minimise variations in regional performance, including improved allocation and listing processes, that could influence the performance of a tribunal. The findings of the project have been taken forward by the President's Steering Group.

Consumer Focus

We have continued to consult representative organisations both nationally and locally. In consultation with all interested groups we have recently completed a review of our Service First Standards. The new standards came into force from April 2002, recognising the diversity of the customers we commit to serve and placing emphasis on the quality of that service.

We have made significant improvements to how we support our staff, judicial colleagues and customers. For example we have:

- provided induction loops in all our permanent tribunal venues as recommended by the Royal National Institute for the Deaf in their audit of our organisation in 2000; and
- set up a new National Customer Representative Liaison Forum which brought together the National Customer Liaison Committee and the User Group of the Office of Social Security and Child Support Commissioners.

Complaints

We recognise that customer service and complaints handling is an important part of our liaison with our customers and we are constantly seeking ways of reducing our complaints and learning from our mistakes.

We received 1,895 complaints in the 2001–2002 year, slightly down on the figure for the previous year. Complaints fell by around 13% in the second half of the year compared with the first.

Complaints about the administration of our Service accounted for 65% of the total complaints received:

- the main cause of complaint was, as in previous years, delay in an appeal reaching a hearing or with the appeals process generally (42.8% of all administrative complaints);
- the second most common cause for complaint was a lack of liaison (17.6%). This can be attributed to a breakdown in communication with customers and their representatives before and after tribunal hearings; and
- incorrect documentation and the problems connected to this error accounted for 9.1% of administrative complaints.

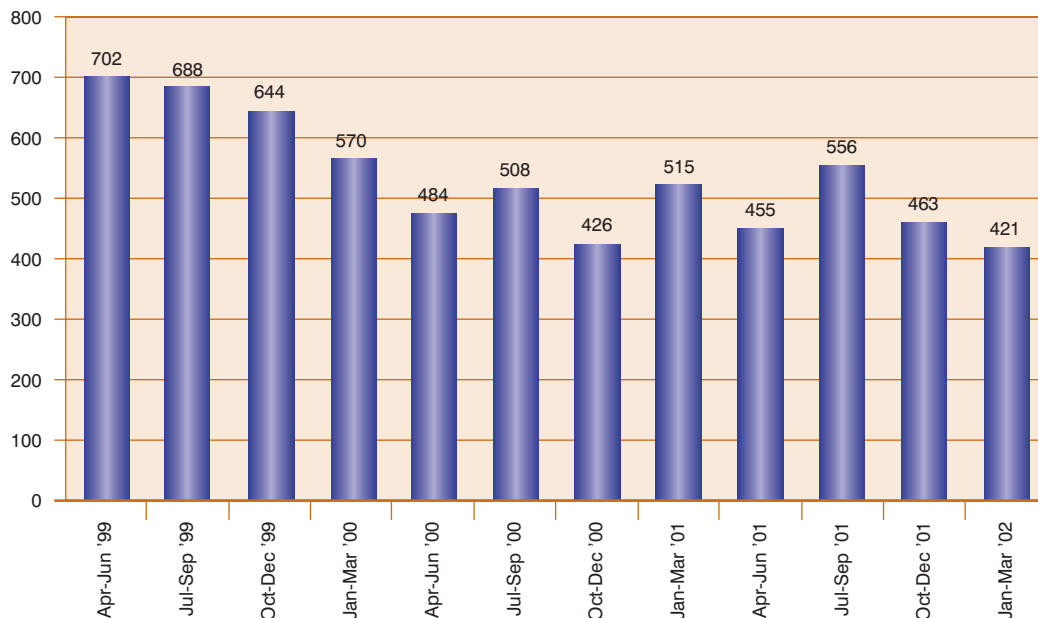
Managers will discuss complaints with staff and look at how we can prevent similar situations arising. This might include reviewing procedures and arranging local training where necessary or improving monitoring and control of our workloads.



The President is responsible for the investigation of judicial complaints, which made up 35% of the total complaints received. The main area of concern related to the conduct of the tribunal (57.6% of judicial complaints). This figure includes a number of complaints where dissatisfaction has been expressed with the tribunal outcome. Such correspondence can only be handled by an appeal on a point of law to the Social Security and Child Support Commissioners. From May 2002, only complaints about the personal conduct of a panel member will be classified in the judicial complaint category.

During the year we received 60 informal enquiries from the Parliamentary Commissioner for Administration (Parliamentary Ombudsman) and nine complaints for full investigation. Generally, these complaints and enquiries are about delay and problems in progressing a case. The Ombudsman reported on five of these cases.

Complaints received – three year quarterly trend



Improvements in Accommodation

We have an agreed minimum standard of accommodation which was set in 2000. This provides that all venues are:

- safe and accessible for all users; and
- are suitable for the hearing of our tribunals.

The Appeals Service agency is working towards all venues reaching the minimum standard and more, including any needed only occasionally in remote areas.



Progress this year has included improved facilities for disabled users, such as toilets and induction loops, and the introduction of IT into venues for staff and panel members. New, high quality tribunal venues have opened in Sunderland, Bristol, Wrexham, Warrington and Blackpool and, in Swansea we have greatly improved the venue.

A comprehensive review of safety for all our users in venues was undertaken and a plan produced to implement the 33 recommendations.

Managing People



Investors in People

The agency's accreditation as an Investor in People was again confirmed with a successful review in May 2001. The Assessor was particularly complimentary about the effectiveness of the induction process for new staff as well as the approach to learning and development.

Staff involvement

We remain committed to involving and consulting staff, trade union representatives and tribunal members on ways to improve the services we offer. This year we took forward priority areas identified in the 2000–2001 staff survey and carried out a further survey. This demonstrated that staff perceptions had improved in all areas with the most marked improvements in the priority areas of career development, job satisfaction, effective leadership (local) and reward and recognition.

Each October we conduct a series of Checkpoint events across all our sites to enable every member of staff and available judicial colleagues to participate in a collective mid-year review of progress, to make suggestions for improvements and become involved in prioritising and action planning them. The Chief Executive and members of the Senior Management Team attend each of these events.

Training and Development

A comprehensive range of learning and development for administrative staff and panel members was delivered. This is detailed at *Appendix 3*. For the first time we used e-learning to successfully deliver Housing Benefit and Council Tax Benefit training. A review of our leadership programme for managers has meant that the programme has been further refined to better equip our managers to deal with change, coach staff and manage performance.



During the year an internal communications strategy was produced that ensured staff were kept informed of developments within the agency and the wider Department for Work and Pensions.

Diversity

The Appeals Service agency has implemented a comprehensive Four Year Plan to address diversity issues. We have made good progress against Department for Work and Pensions aspirational targets in a number of areas. The overall percentage of staff employed from an ethnic minority background has increased from 5.6% to 6.1% (compared to 2000). The overall balance of men and women employed in the Appeals Service remains broadly consistent with previous years (63% of staff are women) but significant progress has been made in the level of representation in the SEO grade (where 60% are female against a target of 45%). However, the overall percentage of staff who consider themselves to have a disability has fallen from 7.1% to 5.4% since 2000.

Appendix 4 shows the numbers, types and regions of panel members and staff currently in post.

Sick absence

The Appeals Service agency has introduced robust managing attendance policies, making significant progress against sickness absence targets over the last two years and is the most improved agency within the Department for Work and Pensions compared to the baseline year (1999). In 2001 the agency exceeded the milestone target of an average of 9.9 days per head (4.4%), achieving 9.7 days per head (4.3%).

Electronic Government

We have achieved our internal target to deliver at least 25% of our services to customers or their representatives electronically in the following ways:

- we have undertaken a programme of work to roll-out technology to our tribunal hearing venues to enable the printing of decision notices on the day of the hearing. To date we now have PCs at over 80% of our permanent venues and intend to complete this programme during 2003;
- we have continually reviewed our web-site – www.appeals-service.gov.uk – to ensure it provided a full range of information on our services and how to access them; and
- we have continued to use our web-site for customer feedback.

In addition, we have improved the internal electronic communication within the agency in the following ways:

- e-mail is the communication channel of choice for nearly all of our Operational and Central Support staff;
- we continue to extend the use of e-mail to communicate with panel members and send decision notices to the Department for Work and Pensions' other agencies;
- the Intranet is at the forefront of communication and knowledge management strategies; and
- Intranet based discussion groups are freely available to staff providing a valuable forum for ideas on cross agency working and a route for obtaining feedback from all staff.

During the year further development was undertaken on the panel members' secure Internet site ensuring that it continued to provide up-to-date information and on-line links to support them in their decision-making.

We are also continuing to improve security and integrity of all our systems. Security accreditation is based on the policy set by the Government defining clear standards on access to our system and protecting information. We have recently completed a review of our Operational Centres to ensure that the appropriate access controls and anti-virus protection are in place.

We have also implemented policies covering Data Protection and Freedom of Information.

Preparing for Legislative Change



In July 2001 appeal tribunals began to hear appeals on Housing Benefit and Council Tax Benefit. Prior to doing so, we collaborated closely with local authorities throughout the country and the Department for Work and Pensions to ensure that both we and the local authorities were fully prepared for the change. We trained panel members nominated to hear such appeals, and sound administrative procedures were put into place. These efforts resulted in a smooth transition, and Housing Benefit and Council Tax Benefit appeals now form an integral part of the work of the tribunals.

Similar measures have been developed to prepare for the implementation of the Child Support Reforms.

Effective Use of Resources:

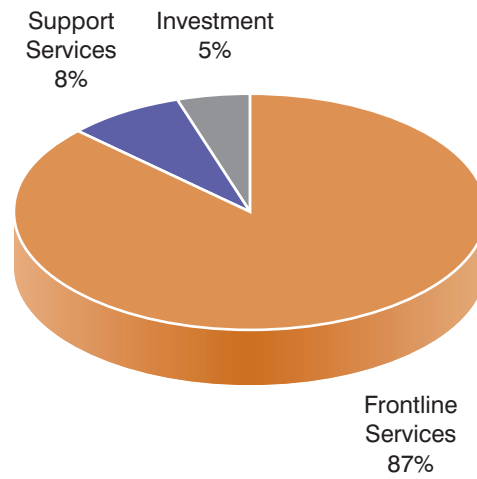
In managing its resources, the Appeals Service agency has strengthened its corporate governance arrangements by measures including:

- the implementation of a new ledger system to record financial transactions and support the production of annual accounts;
- the introduction of new resource accounting and budgeting procedures to change the way it accounts for, measures and reports its financial performance; and
- monitoring and reporting on compliance issues to a newly formed audit committee.

The agency is in a sound financial position. The original expectation for the Appeals Service agency in 2001–2002 was to clear 288,000 appeals in exchange for a funding level of £51.9 million. Running Costs expenditure amounted to £51.3 million, a saving of 1.25% on the overall allocation, and was comprised as follows:

- £44.6 million on the frontline costs of hearing appeals, including accommodation;
- £4.1 million on support services – IT, finance, personnel and communications; and
- £2.6 million on investing in long-term improvements in the quality of our service, specifically improved accommodation and training.

More than 90% of our annual running costs therefore related to frontline activity and investment, whilst less than 10% was spent on support costs. Our distribution of resources is illustrated below:



A full set of the agency's Annual Accounts are contained in *Appendix 5*. The Accounts are prepared on an accruals basis and include a number of material non-cash items, including outsourced accommodation costs of £8.0 million.

Appendix 1:

Secretary of State Targets for 2000–2001 and 2001–2002

	2000–2001	2001–2002	2002–2003
Throughput	<ul style="list-style-type: none"> ● By March 2001 the average waiting time for an appeal to be heard will be no more than 14 weeks³ from the time of receipt by the Appeals Service. <p>Met. Average of 13.6 weeks over the year.</p> <ul style="list-style-type: none"> ● By 31 March 2001, no more than 10% of cases will have been outstanding for more than 26 weeks³ <p>Not met.</p>	<ul style="list-style-type: none"> ● The average waiting time for an appeal to be heard will be no more than 14 weeks³ from the time of receipt by the Appeals Service. <p>Met. Average of 13.3 weeks over the year.</p> <ul style="list-style-type: none"> ● By 31 March 2002, no more than 10% of cases will have been outstanding for more than 24 weeks³ <p>Not met.</p> <ul style="list-style-type: none"> ● For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 8 weeks from the date of return to the Appeals Service. <p>Not met.</p>	<ul style="list-style-type: none"> ● The average waiting time for an appeal to be heard will be no more than 14 weeks³ from the time of receipt by the Appeals Service. <ul style="list-style-type: none"> ● The number of cases over 24 weeks³ old as at 1 April 2002 will be reduced by at least 30% by 31 March 2003. <ul style="list-style-type: none"> ● For cases returned by the Commissioner, the average waiting time for an appeal to be re-heard will be no more than 10 weeks from the date of return to the Appeals Service in at least 75% of cases. <ul style="list-style-type: none"> ● The range of waiting time variations between our local offices will be reduced by a factor of at least 5% per annum over a two-year period.

³ Both of our waiting time targets – i.e. average waiting period and proportion of cases over 24 weeks – are defined as excluding any ‘stayed cases’ (those cases that are awaiting decisions on lead cases in a higher court and over which we have no control).

Secretary of State Targets for 2000–2001 and 2001–2002

	2000–2001	2001–2002	2002–2003
<p>Quality</p>	<ul style="list-style-type: none"> ● To publish a Service First Statement, put in place arrangements to collect information on performance against the new measures, and meet the published standards. <p>Met.</p> <ul style="list-style-type: none"> ● To put in place monitoring systems to allow a Secretary of State target for customer satisfaction to be set by April 2001. <p>Met.</p>	<ul style="list-style-type: none"> ● By 31 March 2002, improve by 10% the measure of customer confidence in the level and quality of information provided on an appeal from the time it is received by the Appeals Service to the time of the appeal decision. <p>Met.</p>	

Appendix 2:

Performance against Service First Standards for 2000–2001 and 2001–2002

Service First Standard	Performance 2000–2001	Performance 2001–2002	Standards 2002–2003
Appeals take on average 14 weeks from the time we receive the completed enquiry form (TAS 1) to the date of the tribunal hearing. Your case may be dealt with more quickly than this, but the length of time will vary depending on the particular circumstances of your appeal.	The average time taken from initial receipt of an appeal submission to the date of first hearing was 13.6 weeks. When measured from the date of receipt of the pre-hearing enquiry form (TAS1), the time taken falls to 9.3 weeks.	The average time taken from receipt of the completed enquiry form to the date of first hearing was 10.4 weeks.	No standard.
At least 14 days (21 days for Child Support hearings) notice of hearing dates will be given.	More than 98% of appellants who requested an oral hearing received notification within these times.	Of appellants who requested an oral hearing, 98% received notification within these times.	No standard.
The clerk to the tribunal will meet all customers at least 5 minutes before their appointment time.	This standard was measured as part of the customer survey, with 83% of the sample of appellants who attended an oral hearing stating that they had definitely been met by the clerk at least 5 minutes before their appointment.	This standard was measured as part of the customer survey. 88% of the sample of appellants who attended an oral hearing stated they were met by the clerk at least 5 minutes before their appointment.	If you attend your hearing, the clerk to the tribunal will meet you at least 5 minutes before your appointment time.
Reasonable travel expenses will be paid, normally on the day of hearing.	Over 81% of travel claims were paid on the day of the tribunal hearing.	Over 88% of travel claims were paid on the day of the tribunal hearing.	No standard.
A written decision will be provided on the day of the hearing or posted within 2 working days.	The average time for the issue of a written decision in 2000/2001 was 1.98 working days.	The average time for the issue of a written decision was 0.8 working days.	No standard.
Letters, e-mails or faxes will be answered within 15 working days (or specific dates advised).	Almost 80% of complaints correspondence received was cleared within 15 working days.	This standard was measured as part of quality management checks. Of the sample checked over 93% received a response within 15 working days.	When you write, fax or contact us by e-mail, we will reply to you as soon as we can and within 15 working days. If we cannot we will tell you when we will be able to do so.

Performance against Service First Standards for 2000–2001 and 2001–2002

Service First Standard	Performance 2000–2001	Performance 2001–2002	Standards 2002–2003
Calls will be answered within 30 seconds.	A sample exercise indicated that the average response time to a call was 6 seconds.	A sample exercise showed that 91.7% of calls to the Appeals Service were answered within 30 seconds (10 rings).	When you phone our offices we aim to answer your call within 30 seconds.
			We aim to provide you with clear and straight forward information about our service, including where to go and what to do if you need help.
			We aim to deal effectively with any complaint you may have about the service of our agency or the way it handles your appeal.
			We aim to do everything we reasonably can to ensure our service is available and accessible to anyone who needs it.

Appendix 3:

Training & Development Programme

Judicial training

Judicial training is the statutory responsibility of the President, who must also consult with the Chief Medical Officer in relation to medical members and with the Secretary of State in relation to all other members. In the discharge of this responsibility the President is advised by the Judicial Training Advisory Group (JTAG). This is chaired by the National Judicial Training Officer (NJTO) and comprises of Regional Judicial Training Officers from each region, co-opted medical and disability panel members and co-opted academics with an interest in Social Security law.

The NJTO and JTAG are supported at an administrative level by agency staff. Additional administrative support is provided by a central training support team and by regional training staff who attend all events. The total cost of judicial training was £709,993.

The programme of judicial training for 2001–2002 is set out below.

Training event	No. of events	Target Audience	Number trained
Equal Treatment	5	All panel members	256
Regional One Day Training Events	13	All panel members	1,030
Residential Conference	1	Lawyers	73
Regional & District Chairmen's Annual Conference	1	Regional & District Chairmen	86
Housing Benefit Conference	4	Housing Benefit Panel Members	208
Joint Conference	1	RJTOs/Local Training and Development Officers	19
Induction Conference – 2 day residential	4	Newly Appointed Panel Members	248
Child Support Reform Conference	1	Regional & District Chairmen	62
Evening training (<i>arranged regionally & by District</i>)	At least 1 event per lawyer	Lawyers	Various

Administrative training

The following table summarises the training programme for agency staff, and lists National training events, local events and training given by external providers.

National training event	Number Trained
<i>Policy/Strategy related training</i>	
Housing Benefit/ Council Tax Benefit	417
IT Security and Data Protection	612
Equal Treatment	145
Training for Customer Service Managers	22
Inter Office Challenge events (team working)	546
National Team Competition	14
<i>Leadership/Management Development Training</i>	
Effective Leadership Programme	304
Senior Management Training	7
EO Induction Event	53
Annual Conference - Change Management Workshop	80
<i>Specialist training</i>	
Panel Members Database	11
AO – EO Promotion candidate coaching	50
Trades Union Representative skills	19
Plain English	20
Local training event	
New Entrants/promotees	408
Job Change/Refresher training	417
Other non-technical training e.g. appraisal awareness, telephone skills, customer service, ECHR etc	399
Tribunal Clerk Training	14
E-mail, intranet and internet	23
Basic Word, Excel & Windows	19
Health & Safety (provided by Trillium)	145
Team Development Events	104
Trainer Training	4
Training delivered by external providers	
IT software skills	143
IT Specialist skills	13
Project Management	6
Management Skills	40
Other personal development	45

Appendix 4:

Analysis of Panel Members and Staff

Panel members

The following table shows the number of panel members (including Regional Chairmen and The President) in post at the year end, presented by panel member type and by region.

Region	Legal Full time		Legal Part time		Medical		Disability		Finance		Total	
	M	F	M	F	M	F	M	F	M	F	M	F
Central	5	4	41	28	76	14	18	41	1	-	141	87
Eastern	4	3	53	30	75	14	15	57	-	1	147	105
North East	10	3	89	30	127	18	19	62	-	-	245	113
North West	8	3	87	38	137	28	23	62	1	-	256	131
Scotland	7	2	69	46	101	32	33	52	2	2	212	134
South East	3	5	29	32	64	27	28	42	3	-	127	106
Wales and South West	7	2	71	26	118	21	17	58	2	-	215	107
Total	44	22	439	230	698	154	153	374	9	3	1,343	783
	66		669		852		527		12		2,126	

Footnote: As at March 2002, these figures included 145 members who declared they were of ethnic minority background and 234 who had a disability.

Staff

The following table shows the number of full-time and part-time Appeals Service agency staff employed (includes those staff who are in receipt of Higher Duties Allowance) at the year end, by grade and by gender.

Grade	Male	Female	Total
SCS	1	0	1
Grade 6	2	1	3
Grade 7	5	0	5
Senior Executive Officer	6	10	16
Higher Executive Officer	27	30	57
Executive Officer	70	118	188
Administrative Officer	177	370	547
Administrative Assistant	57	53	110
Other	22	45	67
Casual	3	3	6
Total	370	630	1,000

Footnote: As at March 2002, these figures included 61 members of staff who declared they were of ethnic minority background and 54 members of staff who had a disability (based on voluntary provision of details by staff).

Appendix 5:

Annual Accounts for the year ended 31 March 2002

Foreword

Statutory background

The Appeals Service presents its accounts for the financial year ended 31 March 2002. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of section 7(2) of the Government Resources and Accounts Act 2000. The Agency was established as an Executive Agency of the Department for Work and Pensions ("the Department") on 3 April 2000 under the Next Steps Initiative.

Principal activities

The agency's principal activities are set out in its Framework Document published in April 2000. The agency exists to administer appeals made in connection with Social Security, Child Support, Vaccine Damage, Housing Benefit, Council Tax Benefit, Tax Credits and Compensation Recovery in accordance with the law and directions from the Secretary of State.

Performance targets

The agency's performance targets are set out in the 2001–2002 Business Plan which was published in April 2001. A more detailed description is provided on pages 6 to 7 of the Annual Report.

Results for the year on an accruals basis

The Operating Cost Statement shows the net operating cost of the agency on an accruals basis.

The net operating cost amounted to £61 million (2000–2001 £58 million). Capital expenditure for the year amounted to £335,000 (2000–2001 £275,000) (see Note 7a).

The net operating cost includes £43,000 (2000–2001 £53,000) of expenditure on assets valued at less than £5,000 which are not capitalised (see Note 1.2).

The net cost of operations has been calculated after including a number of notional costs which are not currently charged to the agency but which are borne centrally by the Exchequer, for example, interest on capital (see Note 5).

Parliamentary funding

The Appeals Service is a supply financed Executive Agency of the Department for Work and Pensions and as such remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Appeals Service operations, along with the rest of the Department, will be accounted for within Schedule 1 of the Department's Resource Account. All the agency's expenditure will be included within the Department's Consolidated Resource Account. These accounts are planned to be published later in the year.

The agency's work programme and expenditure plans for the year were published in the agency's Business Plan for 2001–2002 and form part of CM5115 Social Security Departmental Report, the Government's Expenditure Plans 2001–2002 to 2003–2004 and Main Estimate 2001–2002.

Fixed assets

Tangible fixed assets employed by the agency are valued at net current replacement cost (see Note 7).

Equal opportunities

The Appeals Service pursues comprehensive equal opportunities policies which exceed the minimum legislative requirements in relation to both staff and customers. The agency demonstrates its commitment by treating employees, customers and partners fairly and with respect and by recognising and valuing the differences each person brings to work. The agency promotes improvements in service delivery to customers with disabilities and takes positive steps to encourage the recruitment of disabled people.

Employee involvement

Staff have access to welfare services and to trade union membership. The Appeals Service uses the established Whitley process of staff consultation. The Whitley council and committees provide a recognised and agreed forum in which both employer and trade unions meet to discuss matters. In this way, staff views are represented and information for employees is communicated.

Payments to suppliers

The Appeals Service is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of the receipt of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during a six month period, conducted to measure how promptly the Appeals Service pays its bills, found that approximately 90% (2000–2001 96%) of bills were paid within the standard.

The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998, allows suppliers to charge interest for overdue debts. The interest charges arising and payable by the agency of £7,000 (2000–2001 £7,000) are included as part of other administration costs (see Note 3).

Audit

These accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on pages 28 to 29.

Post balance sheet events

On 25th April 2002 it was announced that the Appeals Service was to receive an additional £22 million from the Government to help fund the modernisation of its service. The modernisation funding will be expended over a three year period commencing in 2002–2003.

The Euro

The planning and preparation work of the Euro programme being implemented by the Department has identified changes required in the event of a decision to join the Single European Currency and adopt the Euro as the national currency. These include changes to the Department's computer systems, business products and other processes in order to process transactions in Euros.

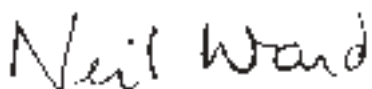
Senior Management Team

Members of the Executive Board during the year were:

Neil Ward	Chief Executive
Alex Maddocks	Finance Director
Bill Craig	Operations Director North (<i>Resigned 5 November 2001</i>)
Alan Coulthard	Operations Director South (<i>Resigned 5 November 2001</i>)
Emma Churchill	Operational Policy and Judicial Support Director (<i>Resigned 10 September 2001</i>)
Paul Hirst	Information Systems Director (<i>Resigned 17 September 2001</i>)
Paul Ewart	Strategy and Programmes Director (<i>Resigned 27 March 2002</i>)
Anne Jones	Consumer Relationships and HR Director
Norman Egan	Director of Operations (<i>Appointed 5 November 2001</i>)
Ian McWilliam	Operational Policy, Communications and Judicial Support Director (<i>Appointed 3 December 2001</i>)
Carol Brooke	Information Systems Director (<i>Appointed 17 September 2001, resigned 4 January 2002</i>)
Paul Hayes	Information Systems Director (<i>Appointed 14 January 2002</i>)

Senior Management Team responsibilities

The Senior Management Team have approved the accounts for the year ended 31 March 2002 and I confirm that they give a true and fair view of the state of the affairs of the Appeals Service for the year. In the preparation of the accounts, suitable accounting policies have been selected and applied consistently; judgements and estimates made that are reasonable and prudent; and the accounts prepared on a going concern basis.



Neil Ward

Chief Executive

27th June 2002

Statement of the Appeals Service and Accounting Officer responsibilities

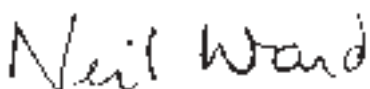
Under section 7(2) of the Government Resources and Accounts Act 2000, the Treasury has directed the agency to prepare a statement of accounts for the financial year in the form and on the basis set out in the Accounts Direction on page 46.

The accounts are prepared on an accruals basis and must give a true and fair view of the Appeals Service state of affairs at the year-end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

The Chief Executive is the Accounting Officer for the Appeals Service. He is appointed by the Permanent Secretary of the Department for Work and Pensions. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the agency's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting



Neil Ward

Chief Executive

27th June 2002

The Appeals Service

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

I certify that I have audited the financial statements on pages 32 to 46 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 35 to 36.

Respective responsibilities of the agency, the Chief Executive and Auditor

As described on page 27, the agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The agency and Chief Executive are also responsible for the preparation of other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

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

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

I review whether the statement on page 30 reflects the agency's compliance with Treasury's guidance 'Corporate governance: statement on the system of internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the agency's circumstances, consistently applied and adequately disclosed.

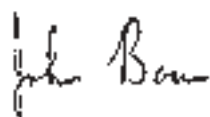
I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Appeals Service at 31 March 2002 and of the net operating cost, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General

11 July 2002

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

Statement on the System of Internal Control

The Appeals Service

Statement on Internal Control for year ending 2001/02

As Accounting Officer for the Appeals Service, I have responsibility for maintaining a sound system of internal control that supports the achievement of agency and Departmental policies, aims and objectives, set by the Department's Ministers, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place in March 2003 necessary to implement Treasury guidance. This takes account of the time needed to fully embed the processes, which the Department has agreed should be established and improve their robustness.

The Management Board has changed its agenda so that risk management and internal control will be considered on a regular basis during the year and there will be a full risk and control assessment before reporting on the year ending 31 March 2003. A board level risk workshop has been held and risk management has been incorporated more fully into the corporate planning and decision-making processes of the agency.

The Board require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects.

In addition to the actions mentioned above, in the coming year the agency intends to:

- regularly review and keep up to date the record of risks facing the organisation;
- introduce a programme of risk awareness training;
- maintain organisation-wide assumptions and risk registers in accordance with Department for Work and Pensions procedures;
- implement further enhancements to its internal control identified in its corporate governance framework;
- implement the Department for Work and Pensions validation and test checking framework (VAT2000); and
- arrange for the receipt by the Board of periodic reports from the chairman of the audit committee concerning internal control.

Audit services are provided by the Internal Assurance Services of the Department for Work and Pensions, which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Assurance Services is informed by an analysis of the risk to which the Appeals Service is exposed, and annual audit plans are based on this analysis. The analysis of risk and the audit plans are endorsed by the Appeals Service Audit Committee and approved by me. At least annually, the Head of Internal Assurance Services provides me with a report on audit activity in the Appeals Service. The report includes his opinion on the adequacy of the Appeals Service's system of internal control, together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by work conducted by Internal Assurance Services, the Audit Committee which oversees the work of the internal auditor, the executive managers within the Appeals Service 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.

Neil Ward

Neil Ward

Chief Executive

27th June 2002

Operating Cost Statement

for the year ended 31 March 2002

		2001-2002	2000-2001
	Notes	£'000	£'000
Administration Costs			
Staff costs	2	21,270	20,543
Other administration costs	3	39,592	37,282
Gross Administration Costs		60,862	57,825
Operating income	6	(20)	(21)
Net Operating Costs		60,842	57,804

Prior Year other administration costs have been restated due to a change in accounting treatment for minor occupier accommodation charges, as explained in note 3f.

The net operating costs arise wholly from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2002

		2001-2002	2000-2001
	Notes	£'000	£'000
Net (loss)/gain on prior year adjustment re accommodation	3f	535	(535)
Net (loss)/gain on revaluation of tangible fixed assets	14	15	(14)

The notes on pages 35 to 46 form part of the accounts.

Balance Sheet

for the year ended 31 March 2002

		31 March 2002	31 March 2001	
	Notes	£'000	£'000	
Fixed assets				
Tangible assets	7	<u>1,098</u>	<u>1,238</u>	
Current assets				
Debtors: Amounts due within one year	9	586	494	
Amounts due after more than one year	9	277	356	
Cash at bank and in hand	10	<u>16</u>	<u>16</u>	
		879	866	
Creditors (amounts falling due within one year)	11	<u>(4,046)</u>	<u>(3,364)</u>	
Net current liabilities		<u>(3,167)</u>	<u>(2,498)</u>	
Total assets less current liabilities		<u>(2,069)</u>	<u>(1,260)</u>	
Creditors (amounts falling due after more than one year)				
Provision for liabilities and charges	12	<u>(544)</u>	<u>(619)</u>	
		<u>(544)</u>	<u>(619)</u>	
		<u>(2,613)</u>	<u>(1,879)</u>	
Taxpayers' equity				
General fund	13	(2,628)	(1,879)	
Revaluation reserve	14	<u>15</u>	<u>0</u>	
		<u>(2,613)</u>	<u>(1,879)</u>	

The notes on pages 35 to 46 form part of the accounts.

Neil Ward

Neil Ward

Accounting Officer

27th June 2002

Cash Flow Statement

for the year ended 31 March 2002

		2001-2002	2000-2001
	Notes	£'000	£'000
Net cash (outflow) from operating activities		(50,620)	(46,746)
Capital expenditure and financial investment		(327)	(276)
Payments to the Consolidated Fund		0	0
Financing from the Consolidated Fund		32,953	31,953
Financing from the National Insurance Fund		17,994	15,075
Increase in cash in the period		0	6
		£'000	£'000
Reconciliation of operating cost to operating cash flow			
Net operating cost		60,842	57,804
Adjust for non-cash transactions	4	(9,628)	(9,561)
Adjust for movements in working capital other than cash	8	(669)	(1,583)
Adjust for movement in provision		75	86
Net cash flow from operating activities		50,620	46,746
Analysis of capital expenditure and financial investment			
Purchases of fixed assets		327	276
Proceeds of disposal of fixed assets		0	0
Net cash outflow from investing activities		327	276
Analysis of financing and reconciliation to the net cash requirement			
Voted amount available in year		0	0
Amounts not drawn into Departmental bank accounts		0	0
Cash drawn into Departmental bank account		0	0
Non-DSS capital additions		0	0
Advances from/to other Departmental bodies		32,953	31,953
Financing from Consolidated Fund		32,953	31,953
Financing from National Insurance Fund		17,994	15,075
Financing inflow	13	50,947	47,028
Increase in cash	10	0	(6)
Net cash requirement		50,947	47,022

Notes to the Accounts

for the year ended 31 March 2002

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2001–2002 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the Public Sector. Where the RAM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the agency for giving a true and fair view has been selected. The agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historic cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Tangible fixed assets

All computers plus other tangible assets costing more than the prescribed capitalisation level of £5,000 are treated as capital assets. Where an item costs less than the capitalisation level but forms an integral part of a package whose total value is greater than the capitalisation level, then the item is treated as a capital asset. Internally developed software is not capitalised on the grounds of materiality.

All fixed assets are revalued monthly by reference to appropriate Treasury approved indices. Capital assets are valued at net current replacement cost.

Increases in value are credited to the revaluation reserve while decreases are debited to the revaluation reserve up to the level of depreciated historic cost for any asset previously revalued. Any excess devaluation is charged to the Operating Cost Statement along with devaluation on assets (such as computers) not previously revalued.

1.3 Land and buildings

The Appeals Service does not include on its Balance Sheet capital values for the freehold and leasehold land and buildings it occupies under the Private Sector Resource Initiative for Management of the Estate contracts.

1.4 Depreciation

Depreciation is provided on all tangible fixed assets, using the straight line method, at rates calculated to write off, in equal instalments, the current replacement cost (less any estimated residual value) of each asset over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal.

The tangible fixed assets are depreciated over the following estimated useful lives:

Computers	5 years
Office equipment	5 to 10 years
Motor vehicles	4 to 5 years

1.5 Stock

The Appeals Service hold stocks of stationery, computer spares and similar consumable materials. Due to the nature of these items the agency does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly the Appeals Service have charged all purchases of consumable items to the Operating Cost Statement when purchased.

1.6 Administration expenditure

Administration costs reflect the accruals effect of expenditure recorded as running costs as defined under the administration cost control regime, together with associated operating income.

1.7 Operating income

Operating income is income that relates directly to the operating activities of the Appeals Service and includes income from investments. Income is analysed in the notes between that which is appropriated in aid and that which is not.

1.8 Capital charge

A charge, reflecting the cost of capital utilised by the Appeals Service, is included in operating costs. The charge is calculated at the Government's standard rate of 6% in real terms on all assets less liabilities, except for:

- a. intra Departmental balances;
- b. cash balances with the OPG where the charge is nil; and
- c. assets and liabilities in respect of amounts due from, or due to be surrendered to, the Consolidated Fund where the charge will be at nil rate.

1.9 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory (except for a contribution of 1.5% of pensionable earnings for widows' or widowers' and dependants' benefits) and unfunded. Although this is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The Appeals Service meet the cost of pension cover provided for the staff they employ by paying charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS, which is available from the Pensions Scheme Administrator.

1.10 Early departure costs

The Appeals Service is required to meet the additional cost of benefits beyond the normal PCSPS benefits for employees who retire early. The Appeals Service provides in full for this cost when the early retirement programme has been announced and is binding on the agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 6% in real terms. The Appeals Service was previously able to settle some or all of its liability by making a payment to the Civil Superannuation Vote, but this option ceased on 1 April 2000. The remaining prepayment is disclosed within debtors (see Note 9).

1.11 Value Added Tax

Irrecoverable VAT is charged to expenditure in the year in which it is incurred. Recoverable VAT is recovered from Her Majesty's Customs & Excise.

2 Staff numbers and costs

Staff costs consist of:

	2001-2002	2000-2001
	£'000	£'000
Wages and salaries	19,107	17,334
Social security costs	402	1,612
Other pension costs (see Note below)	1,761	1,597
Total	21,270	20,543

The PCSPS is an unfunded multi-employer defined benefit scheme but the agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out on 31 March 1999. Details can be found in the separate scheme statement of the PCSPS.

For 2001-2002 contributions of £1,766,000 (2000-2001 £1,517,000) were paid to the PCSPS at rates determined by the Government Actuary and advised by the Treasury. These rates were in the range 12-18.5% of pensionable pay. Outstanding contributions amounting to £151,000 (2000-2001 £172,000) were payable to the Civil Superannuation Vote at 31 March 2002 and are included in creditors.

Staff numbers:

	2001-2002	2000-2001
	Number	Number
The average number of whole-time equivalent persons employed (including senior management) during the year was as follows:	904	849

Pensions

Pensions benefits are provided through the PCSPS. This is a statutory scheme which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement.

Members pay contributions of 1.5% of pensionable earnings. Pensions increase in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years.

Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced for widow(er) pensions.

The salary and pension entitlements of the Members of the Board were:

Name	Age at 31 March 2001	Salary (as defined below)		Real increase in pension at age 60		Total accrued pension at age 60 at 31 March	
		2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001
		Years	£'000	£'000	£'000	£'000	£'000
Neil Ward	49	75-80	70-75	0-2.5	0-2.5	5-10	5-10
Alex Maddocks	38	55-60	55-60	0-2.5	0-2.5	0-5	0-5
Bill Craig	53	20-25	45-50	0-2.5	0-2.5	15-20	15-20
Alan Coulthard	50	20-25	40-45	0-2.5	0-2.5	15-20	10-15
Emma Churchill	26	15-20	35-40	0-2.5	0-2.5	0-5	0-5
Paul Hirst	48	20-25	35-40	0-2.5	0-2.5	15-20	10-15
Paul Ewart	48	35-40	30-35	0-2.5	0-2.5	10-15	5-10
Anne Jones	47	40-45	40-45	0-2.5	0-2.5	10-15	10-15
Norman Egan	51	20-25		0-2.5		15-20	
Ian McWilliam	46	10-15		0-2.5		10-15	
Carol Booke	40	5-10		0-2.5		5-10	
Paul Hayes	41	0					

Fees of £9,500 were payable to BT Syntegra in respect of Paul Hayes. This amount is not included in the above analysis. The Appeals Service has no involvement in his individual pension arrangements.

Salary quoted relates to the period during the year when the individuals concerned served on the Board. Salary includes gross salary, reserved rights to London allowances, recruitment and retention allowances, Private Office allowances and any other allowance to the extent that it is subject to UK taxation.

Increases in pensions quoted relate solely to the period during the year when the individuals concerned served on the Board.

Total accrued pension amounts relate to the Board member's PCSPS entitlements at the balance sheet date, or the date of their departure from the Board where this occurred during the year. These amounts therefore include any PCSPS accrued pension rights earned prior to their appointment to the Board which, where appropriate, incorporates earlier service with other central Government bodies.

The estimated monetary value of benefits in kind covers any benefits provided and treated by the Inland Revenue as taxable income.

3 Other administration costs

		2001-2002	2000-2001
	Notes	£'000	£'000
Goods and services	3a	7,499	5,537
Accommodation Costs	3f	2,152	2,106
Early departure cost – uplift	3b	53	42
Early departure cost – unwinding of the discount	3c	1	0
Non-cash items	4	9,628	9,561
Compensation to customers	3d	13	22
Other expenditure	3e	20,246	20,014
		39,592	37,282

- a. Goods and services expenditure is mainly in respect of training, staff non-payroll costs, IT, postage, telephone and other office costs.
- b. The annual compensation payments are increased each year in line with movements in the Retail Price Index. This increase is reflected in the early departure provision (see Note 12).
- c. The unwinding of the discount represents the effect of recalculating the present value of the provision before the impact of the uplift has been taken into account (see Note 12).
- d. The agency compensates those customers whose cases have been badly handled.
- e. Other expenditure is the cost of staging the appeal tribunals. This includes the fees and expenses of tribunal members, accommodation costs, the costs of additional medical evidence and travel expenses of the appellants themselves.
- f. Due to a change in accounting treatment agreed with the Department for Work and Pensions, costs of £535,000 relating to prior years have been restated accordingly in the Operating Cost Statement for 2000–2001. This is for consistency with the agreed treatment for this year.

4 Non-cash items

		2001-2002	2000-2001
	Notes	£'000	£'000
Notional costs	5	9,034	8,748
Depreciation	7c	310	496
Loss on disposal of fixed assets	7c	35	96
Impairment of fixed assets	7d	249	221
		9,628	9,561

5 Notional costs

Certain services are provided and received by the Appeals Service without the transfer of cash. These costs of £9.0m (2000–2001 £8.7 million) are included in the net operating costs and are made up as follows:

	Notes	2001–2002		2000–2001	
		£'000	£'000	£'000	£'000
Interest on capital			(138)		(6)
Auditors' remuneration and expenses	5a		55		60
Intra Departmental Charges					
Charges from the former Information Technology Services Agency			0		1,131
Services provided and costs incurred by other Departmental business units on behalf of the agency	5b	11,450		7,575	
Less:					
Services provided and costs incurred by the agency on behalf of other Departmental business units	5c	(2,333)		(12)	
			9,117		7,563
			9,034		8,748

- The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.
- Services provided by the other Departmental Business Units on behalf of the agency include corporate management services and overheads provided by Headquarters and Benefits Agency Central services. Costs incurred by other Departmental Business Units on behalf of the agency include £7.99 million (2000–2001 £6.95 million) of accommodation costs.
- Services provided by the agency on behalf of other Departmental Business Units include corporate services and overheads.

6 Operating income

	2001–2002			2000–2001		
	Appropriated in-aid £'000	Payable to Consolidated Fund £'000	Total £'000	Appropriated in-aid £'000	Payable to Consolidated Fund £'000	Total £'000
Operating income analysed by classification and activity:						
Fees and charges to other Government departments	0	0	0	0	0	0
Interest received on pre-funding for early departure costs	(20)	0	(20)	(21)	0	(21)
	(20)	0	(20)	(21)	0	(21)

7 Tangible fixed assets

2001-2002

Cost or valuation	Notes	Computers	Office machinery	Motor vehicles	Total
		£'000	£'000	£'000	£'000
At 1 April 2001		1,588	606	223	2,417
Additions	7a	335	0	0	335
Transfer in	7b	0	0	121	121
Disposals		(64)	(15)	(38)	(117)
Transfers out	7b	0	0	(19)	(19)
Revaluation	7d	(448)	31	1	(416)
At 31 March 2002		1,411	622	288	2,321
Depreciation					
At 1 April 2001		783	250	146	1,179
Charged in year	7c	183	90	37	310
Transfer in	7b	0	0	17	17
Disposals		(40)	(15)	(38)	(93)
Transfers out	7b	0	0	(8)	(8)
Revaluation	7d	(215)	16	17	(182)
At 31 March 2002		711	341	171	1,223
Net book value at 31 March 2002		700	281	117	1,098
Net book value at 31 March 2001		805	356	77	1,238

- Total additions in the year to date were £335,000 (2000-2001 £275,000).
- The transfer of assets with a net book value of £104,000 (2000-2001 £19,000) relates to the purchase of motor vehicles by Departmental HQ on behalf of the agency. Cost was £121,000 and accumulated depreciation £17,000.
- Total depreciation in the year to date was £327,000 (2000-2001 £496,000). The loss on sale of fixed assets charged to the Operating Cost Statement in the year is £35,000 (2000-2001 £96,000) (see Note 4).
- The increase in asset values arising from the revaluation of fixed assets of £15,000 has been transferred to the revaluation reserve. The impairment in fixed asset values arising from the decrease in value of £249,000 in excess of previous revaluation has been charged to the Operating Cost Statement. (See note 4)

8 Movements in working capital other than cash

		2001-2002	2000-2001
	Notes	£'000	£'000
Decrease in debtors	9	(13)	720
Increase in creditors	11	682	760
		669	1,480

9 Debtors

		31 Mar 2002	31 Mar 2001
	Notes	Net Debtors £'000	Net Debtors £'000
Amounts falling due within one year:			
Intra Departmental		114	3
VAT		277	247
Deposits and advances		34	34
Prepayments and accrued income		75	125
Early departure prepayment		79	82
Other debtors		7	3
		586	494
Amounts falling due after more than one year:			
Intra Departmental		0	0
Deposits and advances		0	0
Prepayments and accrued income		0	0
Early departure prepayment		277	356
Other debtors		0	0
		277	356

Due to the prior year adjustment as disclosed in note 3f, the comparative value for 2000-2001 has been restated by £432,000 within the Intra Departmental line for debtors falling due within one year.

10 Cash at bank and in hand

	2001-2002	2000-2001
	£'000	£'000
Balance at 1 April 2001	16	10
Net cash inflow:		
Appeals Service	0	6
Balance at 31 March 2001	16	16
The following balances are held at 31 March 2002:		
Commercial banks and cash in hand	16	10
	16	10

The current Departmental policy is to hold all operational bank accounts centrally due to Vote funding requirements. The Financial Services Division of the Department for Work and Pensions Corporate is the custodian of the Department's bank accounts and, as such, holds balances on behalf of all Departmental business units.

11 Creditors: amounts falling due within one year

	31 Mar 2002	31 Mar 2001
	£'000	£'000
Trade creditors	(1,680)	(515)
Amounts due to other Government Departments	(151)	(0)
Other taxation and Social Security	1 (316)	(955)
Accruals and deferred income	(1,673)	(1,836)
Other creditors	(226)	(58)
	(4,046)	(3,364)

12 Provision for liabilities and charges

Early retirement and pension commitments

	2001-2002			
	Notes	Gross Provision £'000	Prepayment £'000	Net Provision £'000
Balance at 1 April 2001		(619)	438	(181)
Utilised in year		129	(91)	38
Increase/(decrease) in provision				
New entrants		0	0	0
Uplift	3b	(53)	9	(44)
Unwinding of the discount	3c	(1)		(1)
Balance at 31 March 2002		(544)	356	(188)

The prepayment available for offset is included within debtors (see note 9).

13 Reconciliation of net operating cost to changes in General Fund

		2001-2002	2000-2001
	Notes	£'000	£'000
Net operating cost for the year		(60,842)	(57,269)
Financing inflow		50,947	47,028
Notional charges	5	9,034	8,748
Transfer of realised element of revaluation reserve to General Fund	14	0	0
Non-cash capital movements		(320)	(121)
Prior-period adjustments		432	(432)
Net decrease in General Fund		(749)	(2,046)
General Fund at 1 April 2001		(1,879)	167
General Fund at 31 March 2002		(2,628)	(1,879)

14 Reserves

Revaluation reserve

		2001-2002	2000-2001
	Notes	£'000	£'000
Balance at 1 April 2001		0	14
Arising on revaluation during the year (net)	7d	15	(14)
Transferred to General Fund in respect of realised element of revaluation reserve		0	0
Transferred to other Government departments		0	0
Balance at 31 March 2002		15	0

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

15 Capital commitments

	2001-2002	2000-2001
	£'000	£'000
Contracted capital commitments at 31 March for which no provision has been made	30	23

16 Related party transaction

The Appeals Service is an Executive Agency of the Department for Work and Pensions (the Department).

The Department is regarded as a related party. During the year, the Appeals Service has had a significant number of material transactions with the Department and with other entities for which the Department is regarded as the parent department, for example: the Benefits Agency, the Child Support Agency and Corporate Services Directorate.

In addition the Appeals Service has had a significant number of material transactions with other Government departments and other Central Government bodies. Most of these transactions have been with the Inland Revenue.

None of the Members of the Board or senior executives have undertaken any material transactions with the Appeals Service during the year.

17 Financial Instruments

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

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

Liquidity Risk

The agency's net revenue resource requirements are financed by resources voted annually by Parliament. It is not therefore, exposed to significant liquidity risks.

Interest Rate Risk

All the agency's financial assets carry nil or fixed rates of interest and it is not therefore exposed to significant interest rate risk.

Financial Liabilities

Currency	Total	Non-interest bearing financial liabilities	Weighted -average period until maturity
	£'000	£'000	Years
At 31 March 2002			
Sterling	411	411	3.8
Other	0	0	0.0
Gross financial liabilities	411	411	3.8

Financial Assets

Currency	Total	Fixed-rate financial assets		
		Fixed-rate financial assets	Weighted-average interest rate	Weighted -average period for which rate is fixed
	£'000	£'000	%	Years
At 31 March 2002				
Sterling	277	277	3.5	5.6
Other	0	0	0.0	0.0
Gross financial assets	277	277	3.5	5.6

Figures for 2000–2001 are not available

Currency Risk

The agency does not hold currency assets and liabilities, and it is not therefore exposed to any foreign currency risks.

Fair Values

Set out below is a comparison by category of book values and fair values of the agency's financial assets and liabilities as at 31 March 2002.

	Book Value £'000	Fair Value £'000	Basis of fair valuation
Primary financial instruments			
Financial assets			
Cash at bank	16	16	
Debtors due after more than one year	277	323	Note a
Financial Liabilities			
Provisions	411	411	Note b

a Cash flows have been discounted by the Treasury discount rate of 6% in real terms.

b Fair value is not significantly different from book value since in the calculation of book value the expected cash flows have been discounted by the Treasury discount rate of 6% in real terms.

18 Performance against targets

The Appeals Service was set the high-level performance target of managing the agency's resources to deliver its business plan within the funds voted by Parliament. The Appeals Service has delivered its 2001–2002 business plan within gross allocations.

Appendix to the Accounts

Accounts Direction given by the Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000

- 1 This direction applies to the Appeals Service.
- 2 This executive agency shall prepare accounts for the year ended 31 March 2002 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by HM Treasury which is in force for 2001–2002.
- 3 The accounts shall be prepared so as to give a true and fair view of the income and expenditure (or as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses), and cash flows of the agency for the financial year and of the state of affairs as at 31 March 2002.
- 4 Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

David Loweth

Head of the Central Accountancy Team, Her Majesty's Treasury

26 February 2002

Appendix 6:

Senior officers of the Appeals Service and Office Locations

The President of appeal tribunals, **His Honour Judge Michael Harris**, is supported by seven Regional Chairmen:

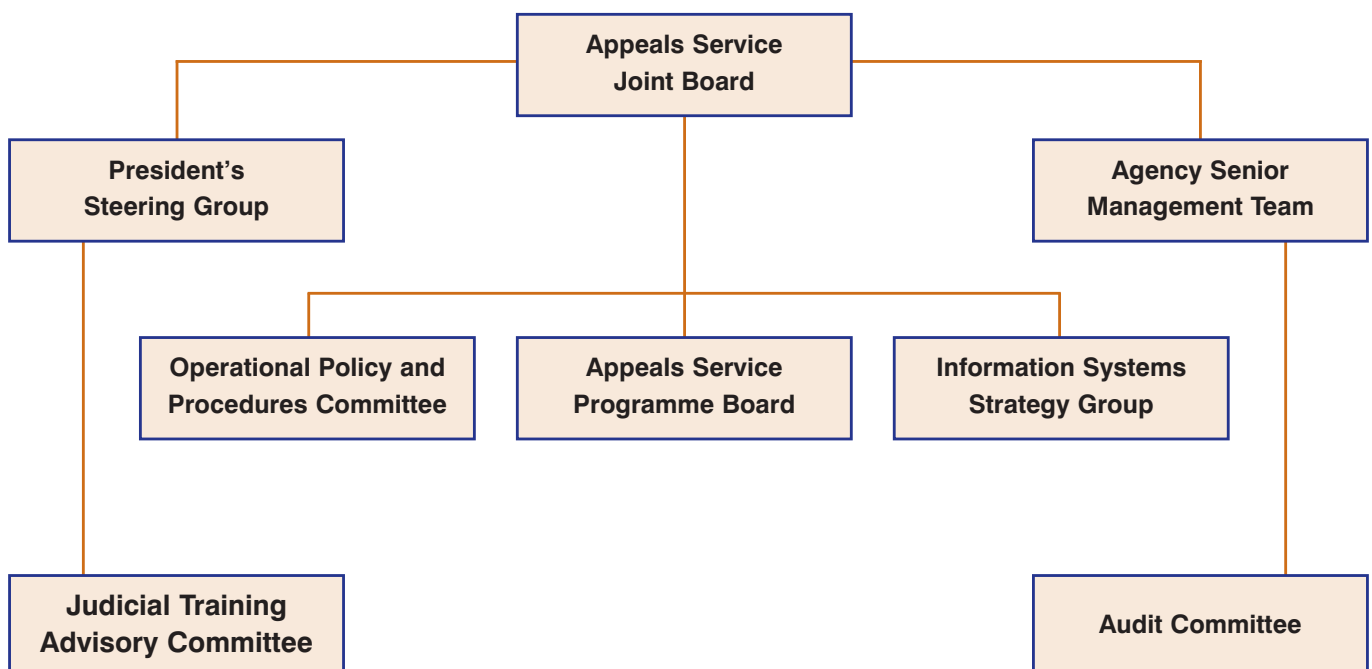
Nick Warren	Regional Chair	North West
John Tinnion	Regional Chair	North East
Barrie Stephens	Regional Chair	Wales and the South West
Richard Smithson	Regional Chair	South East
Robert Martin	Regional Chair	Eastern
Ken Kirkwood	Regional Chair	Scotland
Jessica Burns	Regional Chair	Central

The Chief Executive, **Neil Ward**, is supported by a team of six executive directors:

Norman Egan	Director of Operations
Paul Ewart	Strategy and Programme Director (resigned 27 March 2002)
Paul Hayes	Information Systems Director
Anne Jones	Consumer Relationship and HR Director
Alex Maddocks	Finance Director
Ian McWilliam	Operational Policy, Communications and Judicial Support Director

The following diagram shows the joint management and committee arrangements:

Appeals Service Management Structures



APPEALS SERVICE HEADQUARTERS (LONDON)

Appeals Service
Whittington House
19-30 Alfred Place
London WC1E 7LW
Tel 020 7712 2600

President: His Honour Judge Michael Harris
Chief Executive: Neil Ward
Operational Policy, Communications and
Judicial Support Director: Ian McWilliam

APPEALS SERVICE ADMINISTRATION CENTRE (BRISTOL)

Appeals Service
Government Buildings
Flowers Hill
Bristol BS4 5LA
Tel 0117 972 5210

Finance Director: Alex Maddocks
Consumer Relationship and HR Director: Anne Jones
(based Birmingham)

THE APPEALS SERVICE OPERATIONAL CENTRES

Appeals Service Glasgow

Wellington House
134-136 Wellington Street
Glasgow G2 2XL
Tel 0141 354 8400

Regional Chairman (Scotland): Ken Kirkwood
Director of Operations: Norman Egan
Territorial Director: Bill Craig
Regional Manager: Martin McKenna

Appeals Service Leeds

York House
York Place
Leeds LS1 2ED
Tel 0113 251 9500

Regional Chairman (North East): John Tinnion
Territorial Director: Bill Craig (based Glasgow)
Regional Manager: Rita Costello

Appeals Service Newcastle

Manorview House
Kings Manor
Newcastle upon Tyne NE1 6PA
Tel 0191 201 2300

Regional Chairman (North East): Mr John Tinnion (based Leeds)
Territorial Director: Bill Craig (based Glasgow)
Regional Manager: Rita Costello (based Leeds)

Appeals Service Liverpool

Prudential Building
36 Dale Street
Liverpool L2 2UZ
Tel 0151 243 1400

Regional Chairman (North West): Nick Warren
Territorial Director: Bill Craig (based Glasgow)
Regional Manager: Ken Riley

Appeals Service Salford

Anchorage 2
Anchorage Quay
Salford M5 2YN
Tel 0161 868 3600

Regional Chairman (North West): Mr Nick Warren (based Liverpool)
Information Systems Director: Mr Paul Hayes
Territorial Director: Bill Craig (based Glasgow)
Regional Manager: Ken Riley (based Liverpool)

Appeals Service Sutton

Copthall House
9 The Pavement
Grove Road
Sutton SM1 1DA
Tel 020 8710 2900

Regional Chairman (South East): Richard Smithson
Territorial Director: Alan Coulthard (based Chelmsford)
Regional Manager: Elisabeth Thibaut

Appeals Service Birmingham

Auchinleck House
Broad Street
Birmingham B15 1DL
Tel 0121 643 6464

Regional Chairman (Central): Jessica Burns
Consumer Relationship and HR Director: Anne Jones
Territorial Director: Alan Coulthard (based Chelmsford)
Regional Manager: Mel Green

Appeals Service Nottingham

The Pearson Building
57 Upper Parliament Street
Nottingham NG1 6AZ
Tel 0115 909 3600

Regional Chairman (Eastern): Robert Martin
Territorial Director: Alan Coulthard (based Chelmsford)
Regional Manager: Lesley Dalby

Appeals Service Cardiff

Oxford House
Hills Street
The Hayes
Cardiff CF1 2DR
Tel 029 2037 8071

Regional Chairman (Wales & South West of England): Barrie Stephens
Territorial Director: Alan Coulthard (based Chelmsford)
Regional Manager: Teresa Shackell