

# Appeals Service

## Annual Report and Accounts 2004-2005

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INVESTOR IN PEOPLE



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## Foreword

I am pleased to present the Appeals Service Agency Annual Report and Accounts for 2004-2005.

The purpose of this Annual Report is to look back at our performance over the last year and record our achievements when measured against the specific targets set out in our 2004-2005 Business Plan. We have performed well against those targets, which are reported elsewhere in this Report.

Looking back over the year, it is worth noting the key developments that have influenced the running of the organisation and demanded our attention. In last year's Business Plan, we laid out our ideas for modernising the Appeals Service, with the core of our work being a Feasibility Study to be completed by June 2004. We achieved this, and the subsequent

Feasibility Study Report and Business Case were commended for their thoroughness and quality.

Additionally, an independent customer survey was carried out in order to improve our understanding of our customer needs. Based on information gathered from our survey, we identified a wider set of appellant needs. These extend beyond timeliness of our processing and embrace the quality and accessibility of our tribunal venues, the quality and timeliness of information available to appellants, and the flexibility of our service. This work was invaluable in helping us target our activities during the year and to plan for subsequent years.

During the year, progress towards the establishment of the new Tribunals Service within the Department for

'We have laid down some solid foundations during the year which will allow us to continue improving our customer service levels, provide value for money, and prepare us for the forthcoming transfer to the Tribunals Service.'

Constitutional Affairs gathered momentum and started to take shape. This change introduced an increased complexity to the management of our Agency which was unavoidable, but which will continue until our move away from the Department for Work and Pensions to the Department for Constitutional Affairs has been completed. In particular, this resulted in the decision not to proceed with the aspect of our modernisation programme associated with the rationalisation of all of our operations on one site.

However, we have laid down some solid foundations during the year which will allow us to continue improving our customer service levels, provide value for money, and prepare us for the forthcoming transfer to the Tribunals Service. In addition, there were some significant efficiency gains made above

those requested by the Department for Work Pensions which resulted in a reduction in our headcount.

I want to acknowledge the staff of the Appeals Service who worked tirelessly during the year to provide our customers with an improving service and I would like to thank them most sincerely for their continuing support in a challenging year.



Christina Townsend  
Chief Executive, Appeals Service

# 1 Introduction

## Overview

1.1 This document reports on our performance against targets and objectives as published in the Appeals Service Agency Business Plan 2004-2005<sup>1</sup>.

1.2 The information is set out under the following headings:

- Introduction: a description of our business and management arrangements;
- Performance against Targets: reporting on our performance against Secretary of State Targets, Service First Standards and Internal Management Targets during the year;
- Work Programme: a commentary on how we delivered our agreed work programme. In the 2004-2005 Business Plan we introduced a new format for presentation of our objectives and activities. We have replicated this format exactly in this Annual Report & Accounts publication to facilitate an easy comparison of our achievements against our intentions; and
- Use of Resources: our financial analysis

There is supporting information in the Appendices; in particular, Appendix 5 which contains our Accounts.

## Our Service

1.3 The Appeals Service combines two elements:

- An independent appeal tribunal function (constituted as a Tribunal Non-Departmental Public Body) that hears appeals against benefits and other decisions made by the Department for Work and Pensions (DWP) and other Government bodies. The tribunal function is wholly independent of the DWP and is headed by The President of appeal tribunals.
- An Executive Agency of the DWP that manages and provides support to the appeal tribunals, headed by a Chief Executive. This annual report covers the Agency element of the organisation, with the Chief Executive having responsibility for, and control of, the financial resources for both the executive Agency and the appeal tribunals.

1.4 We arrange independent hearings for appeals on decisions made by DWP Agencies (including Jobcentre Plus, the Pension Service, Disability & Carers Service, and Child Support Agency), as well as other Government Departments (Department of Health and Inland Revenue), and 409 Local Authorities. Each year we also receive over 8,000 requests for leave to appeal to the Office of the Social Security and Child Support Commissioners (the higher authority to which further appeals on a point of law may be lodged).

<sup>1</sup> The Appeals Service Agency Business Plan 2004-2005, available to view at [www.appeals-service.gov.uk](http://www.appeals-service.gov.uk)

- 1.5 Our appellants have a wide range of special needs. For example, the need for representation to assist with the presentation of their case or a requirement for interpretation services. In addition, there is a significant need for access to tribunal venues that cater appropriately for our appellants who have a disability. This is particularly important due to the large proportion of appeals associated with Disability Living Allowance and Incapacity Benefit claims (60% of our caseload). Many of our appellants travel to their hearing by private car or taxi to ease their journey (81%). On arrival at our venues, we want to ensure, therefore, that the immediate access and facilities continue to make their experience as comfortable as possible.
- 1.6 Appeals are heard at a network of 131 locally based tribunal venues and processed at 8 operational sites throughout Great Britain. The appeals process is delivered by the Chief Executive and around 770 administrative staff who support the President, 70 salaried legally-qualified panel members, one salaried medically-qualified panel member, and around 1,800 panel members who are paid on a fee basis.

## Our Purpose

- 1.7 We have a clear purpose statement that describes what we seek to do:

‘To bring together the parties to the appeal and the judiciary with all appropriate resources for the fair and independent delivery of decisions in a way that best meets both the expectations of all parties to the appeal and the demands of the public purse.’

- 1.8 Our strategic intents, objectives and targets are designed to meet our purpose and to drive improvement in our service delivery.

## 2 Performance against Targets

### Overview

- 2.1 This section of our Annual Report reports on our performance against Secretary of State Targets, Service First Standards and Internal Management Targets during 2004-2005.
- 2.2 Over the year, our intake of new appeals was 226,518 and we cleared 257,888 cases (this figure includes those appeals received before the end of March 2004 which had not been cleared). To clear these appeals, 51,055 Tribunal sessions were held.

### Secretary of State Targets

- 2.3 We had three Secretary of State Targets, all of which related to waiting times. These were:
- The average waiting time for an appeal to be heard will be no more than 11 weeks from the time of receipt by the Appeals Service<sup>2</sup>  
**Met – we achieved 10.4 weeks**
  - The number of cases over 20 weeks old as at 1 April 2004 will be reduced by at least 15% by 31 March 2005  
**Not met – we achieved a 9.2% reduction**
  - 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<sup>3</sup>  
**Met – we achieved 7.9 weeks**

2 Excludes stayed cases awaiting decision in lead cases in a higher court (the effective date will commence from withdrawal of stay being notified).

3 Excludes cases requiring further evidence.

## Service First Standards

2.4 We aim to provide our customers with a quality service and key elements of this are the accessibility of our service, our responsiveness and the information we provide to appellants and their representatives. Full details of our performance against each of our six Service First Standards and how they were measured can be found at Appendix 2. In summary, we had the following targets in 2004-2005:

- We will reply to general enquiries by post, email and fax as soon as we can, and 85% within 10 working days.  
Met
- We will respond to 85% of complaints and Ministerial correspondence within 15 working days. If we cannot, we will advise when we are able to do so together with the name and contact details of the person dealing with the response.  
Met
- We will answer the telephone within 30 seconds in 95% of cases.  
Met
- We aim to acknowledge arrival at the tribunal venue and the clerk will meet the appellant not less than 5 minutes before the hearing time to explain the procedure.  
Met

- We aim to do everything we reasonably can to ensure our service is available and accessible to anyone who needs it. We will provide well signposted venues with a range of facilities such as ramps and appropriate seating for those with disabilities. We will be available to take telephone calls from 8.30 a.m. until 5.00 p.m. (Monday to Friday).  
Met
- We aim to provide clear, straightforward information about our Service, including where to go and what to do if help is needed. This will include leaflets available in large print, Braille or audiotape and a range of languages. The information is available and can be obtained from our regional offices.  
Met

## Internal Management Targets

2.5 To supplement our Secretary of State Targets and Service First Standards, we retained an Internal Management Target associated with minimum performance variation between regions during 2004-2005 and we undertook work to introduce new mechanisms during the year in four key areas.

- Ensure that the minimum performance variation across regions is maintained

*Performance variation was 3.8 weeks. Our previous target set by Secretary of State was 3.7 weeks and we achieved 2.8 weeks during 2003-2004. It was difficult to maintain this variation during 2004-2005 due to the industrial action and the uncertainty for most of the year about the aspect of our modernisation programme associated with the rationalisation of all our operations on one site.*

- The unit cost of our service – measured across the various tribunal types

*We undertook work on the development of a system that will allow us to measure the unit cost of our service across tribunal types in some detail (including whether they were judicial panels made up of 1, 2 or 3 individuals).*

- Introduce a new satisfaction index for appellants – informed by surveys of appellants and representatives

*Based on our Customer Satisfaction Survey carried out in 2004, we have introduced a Customer Satisfaction Index. The Customer Satisfaction Index currently stands at 60%.*

- Utilisation rates for our tribunal rooms – measuring efficiency of their usage

*We have baselined our measurement of utilisation and established that our overall average utilisation for the year was 48%. This reflects the fact that currently we have a large number of tribunal venues as compared against our volume of appeals.*



## 3 Work Programme

### Overview

3.1 Our Work Programme for 2004-2005 was set out in our Business Plan. In this Annual Report we report against the strategic objectives and activities set out in that Business Plan at the start of the year.

### Significant improvement in our service to appellants

3.2 We progressed many activities during 2004-2005 specifically aimed at improving our service to appellants. Our highlights:

- MORI survey of appellants provided us with much better information regarding our appellants' needs which include better information, shorter appeals process, competent and professional staff and a flexible service;

- Development of a blueprint of a 'Modern Tribunal Venue' which articulated a standard for all of our accommodation to remove the existing variations which exist across our estate; and
- Involving appellants and representatives in the development of a new appeals leaflet in response to their request for better information.

The details of all our achievements associated with "Significant improvement in our service to appellants" are provided in the following tables.

**We will undertake an assessment of appellant satisfaction with the standard of service provided by the Agency and develop an index of satisfaction.**

<p><i>Undertake an assessment of appellant satisfaction by September 2004 to enable us to develop an index of satisfaction by December 2004. Produce an action plan by March 2005 to take forward identified improvement activities.</i></p>	<p>We commissioned MORI to undertake a survey of appellant satisfaction during August and September. Views were sought from appellants, representatives and panel members.</p> <p>Using the survey information, we developed a Customer Satisfaction Index which produced a baseline satisfaction rating of 60%.</p> <p>Following a full assessment of the satisfaction survey results, an improvement action plan has been produced which seeks to drive improvement in our Customer Satisfaction Index to 65% during 2005-2006.</p>
<p><i>Use feedback from our appellants' satisfaction survey to identify opportunities for further improvements to the services we provide to our appellants (e.g. use of interpreters, and provision of longer notice of tribunal hearing) and implement them as appropriate.</i></p>	<p>We used the feedback from our survey to identify areas for improvement. Specifically, we sought to improve the quality of our interpreter service through gaining access to the successful interpreter service managed by the Immigration Appellate Authority and we made improvements to the information provided to appellants regarding tribunals in the form of a new information leaflet.</p> <p>In addition, we introduced a revised letter that provides appellants with longer notice of their hearing date. It also provides more information about representation and the submission of further evidence in an effort to focus appellants on the need to prepare for their hearing.</p>
<p><i>Use the index of satisfaction to benchmark our Agency with other organisations both in the private and public sectors by March 2005.</i></p>	<p>We undertook some benchmarking activity with the Financial Ombudsman Service (FOS). FOS is an organisation that performs a similar function to the Appeals Service therefore provided a useful comparison. We identified a number of areas of good practice from FOS including their use of trained non-legal adjudicators to manage cases and the availability of a Helpline.</p>

**Continuing our programme to optimise the geographical distribution of our tribunal venues and to upgrade them to ensure they are better equipped, more secure and better utilised.**

*Develop a blueprint of a 'Modern Tribunal Venue' and produce an implementation plan to optimise the use of our tribunal venue estate by September 2004.*

Many of our appellants have a disability and, therefore, providing quality hearing accommodation adapted to their needs is important.

Our blueprint (completed as part of our Feasibility Study in June 2004) provides a standard for all of our accommodation to remove the existing variations across our estate, including:

- a Disability Discrimination Act compliant building;
- tribunal rooms in which size and layout conform to a designated standard;
- a private and suitably equipped medical room;
- the availability of a separate waiting area, to allow for the segregation of the parties (e.g. Child Support Agency cases) or consultation between the appellant and their representative;
- where practical, a room for presenting officers;
- the availability of enhanced IT facilities; and
- parking space for the disabled at, or within 50 metres of the venue.

The implementation plan took account of the appellants' needs with regards to both quality of venue accommodation and travelling time.

*Work with other tribunal organisations and the Department for Constitutional Affairs (DCA) to identify joint opportunities to optimise tribunal venue utilisation by engaging in tribunal venue-sharing arrangements. The possibility of generating income or entering into reciprocal arrangements for the use of tribunal venue space will be explored.*

There were 2 strands to our activity:

We worked closely with DCA to share information on the geographical distribution of venues to optimise tribunal venue distribution. This exercise was used to inform the plans for the proposed Tribunals Service. We also participated in the establishment of the Tribunal Clearing House which is a mechanism designed to enable other tribunals to use spare capacity at some hearing venues.

Secondly, our Regional Managers actively explored opportunities locally to improve our current low utilisation rate of our tribunal venues by engaging with other tribunal organisations with a view to sharing premises.

In relation to the question of income generation, the Senior Management Team agreed, after investigation, not to charge in 2004-2005.

**Review our published information provided to appellants by the Agency and develop a plan for the improvement of the content and accessibility of published material.**

<p><i>Develop a plan for simplifying the content of – and improving the clarity and accessibility (particularly in relation to diversity issues) of our written communications for our appellants – including forms, leaflets and letters.</i></p>	<p>Our Communications Plan was developed in Quarter 1 of 2004-2005 and the following actions were recommended:</p> <ul style="list-style-type: none"> <li>• Phase 1, new customer leaflet (see below), and redesign of the Pre-Hearing Enquiry Form</li> <li>• Phase 2, improve content and design (including interactive applications) of web-site</li> <li>• Phase 3, review all customer correspondence and associated forms; and</li> <li>• Phase 4, review telephone handling techniques.</li> </ul> <p>Phase 1 was implemented. Phases 2, 3 and 4 are planned to commence in 2005-2006.</p>
<p><i>Provide more and better information to appellants and their representatives on the appeals process; making it as clear as possible, and explaining what to expect, and how to get help if required.</i></p>	<p>We have produced a new customer leaflet entitled “How to Appeal, A Step-by-Step Guide”. This is an easy to understand and comprehensive guide on how to navigate through the appeals process for use by appellants and representatives.</p> <p>The leaflet will be available in nine languages, easy-read and Braille versions.</p>

**Develop national and local partnerships with representative organisations (with particular emphasis on our local relationships) to identify areas for improvement and, ultimately, improve the overall service for appellants.**

<p><i>Extend the use we make of local Tribunal User Groups and the National Customer Representative Liaison Forum to seek their active involvement in identifying opportunities to improve the services we provide.</i></p>	<p>Local Tribunal User Groups continued to take place involving judicial colleagues, representative groups and our local operations managers. These groups provided valuable information – particularly associated with the needs of our appellants – that was fed into the development of operational policy within the Agency.</p> <p>At a national level, we met with representative organisations that form the Agency’s National Customer Representative Liaison Forum to seek feedback on our performance and Forum members’ input to the development of our new customer leaflet.</p>
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**Develop national and local partnerships with representative organisations (with particular emphasis on our local relationships) to identify areas for improvement and, ultimately, improve the overall service for appellants.**

<p><b>Continued</b></p> <p><i>Seek to develop more effective partnerships with national and local representative organisations on how they might best represent appellants at the tribunal and/or indeed support appellants' preparation in advance of the tribunal.</i></p>	<p>Regional Managers engaged in developing effective local partnerships. We introduced a new key work objective associated with this activity for our local managers.</p> <p>We also involved local representative groups in the redesign of the letter we sent to appellants advising them of their hearing date.</p>
<p><i>Look to develop the role of local managers to expand on their existing relationship management functions and review staff complement to enable increased deployment of our supervisory and managerial staff to the front line.</i></p>	<p>Team Leader roles were modified to increase the time spent in venues in support of tribunal clerks. In addition, Regional Management Teams are now spending a greater proportion of their time at venues.</p> <p>Local activity resulted in:</p> <ul style="list-style-type: none"> <li>• Training needs of tribunal clerks being assessed and training proposed that will enable them to perform a more effective Relationship Management role. This will be taken forward in 2005-2006;</li> <li>• A new key work objective for Managers, Team Leaders and tribunal clerks associated with building effective partnerships locally; and</li> <li>• Monthly reporting on relationship management activities and progress.</li> </ul>

**Continuously review our Service First Standards and establish stretching achievement targets.**

<p><i>Establish new mechanisms early in the year for the monitoring and tracking of our achievement against the revised Service First Standards, to enable us better to manage our Service against our stretching achievement targets.</i></p>	<p>We have established internal targets and measurement indicators within our revised framework for Service First Standards (assessed via our operational information and also specific sampling exercises). This has enabled the organisation to report performance across all six standards (see Appendix 2 for full details).</p>
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## Better service to the President and judiciary

3.3 A number of activities were progressed in this area during the year although we do recognise that more is required during 2005-2006. Our highlights:

- A shortfall in the availability of medically qualified panel members was identified. Working with the President and judicial colleagues, we put plans in place to specifically address this issue and thereby avoid a potentially significant difficulty in resourcing appeal tribunals which require a medical panel member;
- We piloted a number of technology initiatives to provide more choice to the judiciary in the

way they conduct their business – the use of voice recognition software to assist with the production of statements and a secure email facility for use by fee-paid panel members to send documents from home;

- A number of measures introduced to maximise session time; and
- We worked with the President to provide increased flexibility in the panel member resource. We negotiated changes to terms and conditions to introduce increased flexibility associated with minimum sitting days and their primary venue designation.

The details of all our achievements associated with “Better service to the President and judiciary” are provided in the following tables.

**Seek to articulate clear standards and targets that describe the service we will provide to the President and the judiciary.**

<p><i>Review judicial requirements of administration with a view to identifying where these can be improved by July 2004. Support this activity with an agreed memorandum of understanding detailing standards and targets. Specifically we will seek to address action in the key areas listed below.</i></p>	<p>The review was undertaken and the key areas listed below addressed. Following discussions with the judiciary, we updated our Operational District Standards rather than develop a new memorandum of understanding.</p>
<p><i>New mechanisms to significantly reduce the time it takes to provide statements of reasons of the tribunal decision.</i></p>	<p>A number of information technology initiatives were piloted.</p> <p>The two key areas were:</p> <ul style="list-style-type: none"> <li>• the availability of a secure document transfer system that enables fee-paid panel members to send documents containing sensitive information to our operational sites via their home internet email; and</li> <li>• the use of voice recognition software to assist with the production of statements by some Chairmen.</li> </ul> <p>For the first pilot listed above, an average reduction in the end-to-end time for statement requests of 5 working days was achieved. In using voice recognition software, out of a sample of 18, 3 chairmen have been able to issue all statements without sending them to a typist and 5 chairmen are sending less than 50% of statement requests to typists.</p> <p>The remaining 10 chairmen continue to gain confidence in using the software and further evaluation and feedback will be undertaken during the year 2005-2006.</p> <p>Our aim is to roll these out, if subsequent independent evaluation reveals the pilots have been successful.</p>
<p><i>Reduce significantly the time taken to convey interlocutory and post-hearing decisions to interested parties.</i></p>	<p>New case control procedures were implemented and resulted in improvements in case management at all stages of the appeal.</p>

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**Seek to articulate clear standards and targets that describe the service we will provide to the President and the judiciary.**

<p><b><i>Continued</i></b>  <i>Adopt new measures to maximise the use of tribunal time, including those measures which will give greater flexibility in the listing of paper cases.</i></p>	<p>Analysis was undertaken to understand current practices and identify changes. A review of the Standard Listing Guidance was undertaken at the mid year stage and judicial agreement was secured for the introduction of a number of measures to maximise session time including:</p> <ul style="list-style-type: none"> <li>• New (interim) procedures introduced to manage and control the flow of paper cases and to monitor the extent to which paper cases are utilised to maximise session capacity</li> <li>• Stricter control of short notice cases</li> <li>• Introduction of a monitoring system to measure and record session lengths</li> </ul>
<p><i>Introduce improved case management to ensure that the most complex of cases are closely monitored and progressed to get them to first hearing as soon as possible.</i></p>	<p>Analysis was undertaken in relation to the benefit of non-legal registrars (adjudicators) to preview cases and the use of suitably trained clerks with extended duties. The feasibility of these proposals was discussed with the President and judicial colleagues and further consideration will be given to the proposals during 2005-2006.</p>
<p><i>Improve the notice given to panel members of their sitting allocation.</i></p>	<p>We introduced new processes for organising tribunal activity that provide a longer notification period to panel members (up to 3 months in advance rather than 1 month which was the previous notification period).</p>
<p><i>Look into the feasibility – together with the DWP – of appropriately trained clerks carrying out the full range of duties provided for within the legislation in addition to exploring whether the clerk’s range of duties can be extended.</i></p>	<p>Analysis was undertaken as part of our Feasibility Study. Proposals were developed for extending clerk’s powers – for example, some interlocutory management (the means via which we currently obtain judicial advice to enable the cases to be progressed to hearing). This will be taken forward jointly as part of our Business Plan for 2005-2006 and the Judicial Management Plan.</p>

*Continued opposite*

**Seek to articulate clear standards and targets that describe the service we will provide to the President and the judiciary.**

<p><b><i>Continued</i></b>  <i>Provide the President with management information so that he can consider both the consistency of tribunal decision-making and the efficiency with which the judiciary are deployed.</i></p>	<p>A number of discrete exercises were carried out to focus on particular aspects of performance including:</p> <ul style="list-style-type: none"> <li>• review of listing rates;</li> <li>• adjournment rates;</li> <li>• strike out activity (the number of cases which do not proceed because the appellant fails to return their pre-hearing enquiry form); and</li> <li>• post hearing and interlocutory activity.</li> </ul>
<p><i>Organise tailored and improved judicial training that assists the President in improving the consistency of judicial decision-making.</i></p>	<p>Training events were agreed with the President, detailed in the annual training plan and delivered as per the plan. We also arranged attendance at conferences and events aimed at specific aspects of judicial operations (137 such events and conferences during 2004-2005 compared with 47 in 2003-2004).</p> <p>We also introduced a new internet based Learning Management System to enable panel members to book and administer their own training and update their personal details via the internet.</p>
<p><i>Review with the President, improvements to the President's Report on the standard of decision making in the DWP Agencies and businesses.</i></p>	<p>We supported work associated with:</p> <ul style="list-style-type: none"> <li>• the inclusion of additional trend analysis showing changes over time of the distribution of outcomes; and</li> <li>• a commentary on end-to-end targets (the time taken from initial dispute to the original decision maker through to implementation of the tribunal decision).</li> </ul>
<p><i>Work with the President, the DWP and the DCA to determine a strategy for the numbers, skill mix and remuneration of employed and sessional judiciary.</i></p>	<p>A shortfall in the availability of medically qualified panel members was identified. Working with the President and judicial colleagues, we put plans in place to specifically address this issue and thereby avoid a potentially significant difficulty in resourcing appeal tribunals requiring a medical panel member.</p> <p>We worked with the President to provide increased flexibility in the panel member resource. We negotiated changes to terms and conditions to introduce increased flexibility associated with minimum sitting days and their primary venue designation.</p>

**Deliver a professional management and administration service to the President and judicial colleagues to support a range of activities.**

<p><i>Plan for and, with our DCA and DWP colleagues, assist in a major re-appointment exercise for panel members. Our contribution will be to inform the determination of the appropriate complement of panel members to ensure sufficient but not excessive numbers.</i></p>	<p>We worked with DCA and DWP colleagues to ensure the successful re-appointment of 1,500 panel members. In addition, a recruitment exercise for 132 new panel members was also undertaken to replace those who had retired or resigned.</p>
<p><i>Contribute towards, and improve, the exchange of management information with judicial colleagues to assist each other in the management and delivery of appeals.</i></p>	<p>Regional Managers routinely exchanged local performance information with their opposite number, the Regional Chairmen, to inform the management and delivery of appeals. We also commenced work to develop a new performance management summary which can be used by the President and judicial colleagues to assist with the management and delivery of appeals.</p>
<p><i>Support the training needs of the new appraisal process for judicial colleagues, and assist in the additional training for medically qualified panel members to support them through the General Medical Council's revalidation process.</i></p>	<p>A review of the administrative processes to support medical appraisal was completed and revised guidance implemented. We worked closely with judicial colleagues to identify the additional training for medically qualified panel members revalidation. This is currently on hold awaiting information on the revalidation processes which have still to be determined by the General Medical Council.</p>

**Benchmark our service with the administrative support provided in other tribunals and identify good practice in other organisations.**

<p><i>Benchmark our administrative support services to the judiciary with those provided in other tribunals and identify good practice as appropriate.</i></p>	<p>Limited work was commenced to benchmark the specific administrative support provided to the judiciary against that provided in other tribunals.</p>
<p><i>Produce a plan for further improvement by March 2005 and, once agreement has been obtained, implement as appropriate.</i></p>	<p>Benchmarking was limited to initial enquiries only and, therefore, the evidence base was not available for an improvement plan.</p>



## Delivery of an efficient service that provides value for money

3.4 There have been many achievements under this strategic intent; reflecting the considerable effort associated with both our business as usual and Feasibility Study activities in this area. In terms of the work we progressed and completed during the year, our highlights include:

- Headcount target exceeded – our headcount at the end of March 2005 was 768 compared with a target of 835 for 2004-2005. In reaching a headcount of 768 we have also met our target for 2005-2006. This was a deliberate strategy to deliver reductions quickly and provide some budget flexibility for future years.

- Extensive benchmarking analysis as to how other tribunals manage appeals was carried out and good practice incorporated into the Change Programme report; and
- Development of a coherent performance management regime culminating in the use of a balanced scorecard for the Agency (our scorecard provides key management information on the core aspects of our Agency – service to our customers, our operations, our staff and finance).

The details of all our achievements associated with “Delivery of an efficient service that provides value for money” are provided in the following tables.

**Deliver, as a minimum, the necessary headcount reduction target required within the DWP.**

*Improve our processes to continue to make efficiency savings, reducing the number of administrative staff needed to deliver our business from 881 in April 2004 to 835 by March 2005.*

Our headcount at the end of March 2005 was 768 compared with a target of 835 for 2004-2005. We achieved this reduction by reorganisation of work and changes to, and standardisation of, processes.

**Benchmark all aspects of our service provision and operation ('front-line', customer contact, support services) against other tribunal services and other organisations to inform the development of a unit cost target.**

*Benchmark all aspects of our service provision and operation ('front-line', customer contact, support services) against other tribunals services and DCA, and other organisations to inform the development of a unit cost target.*

Detailed benchmarking against a number of tribunal services was undertaken as part of our Feasibility Study. It addressed many aspects – processes, service, organisational structures, IT systems but limited information was available on unit costs. However, as noted in the section on our Internal Management Targets, we have developed a unit cost measure that will be part of the range of indicators reflected in our Agency's Balanced Scorecard (customers, operations, people and finance).

*Produce and implement a mechanism which is fully tested and in place by August 2004 to enable the Agency to track its unit costs to allow for challenging efficiency targets to be set for 2005-2006.*

We developed a mechanism to enable the Agency to calculate and track unit costs in quarter 1 of 2004-2005. This was refined during the year and was incorporated within the Agency's Balanced Scorecard.

## Develop a plan to optimise our tribunal venue estate and determine a target associated with tribunal venue utilisation.

*Develop an implementation plan that seeks to optimise our tribunal venue estate by September 2004.*

A key component of our Feasibility Study was the development of a blueprint for a 'Modern Tribunal Venue' and a plan for our future venue estate. This was completed in June 2004.

This aspect of our Feasibility Study was informed by modelling work undertaken on our behalf by a leading logistics company. The result was a proposal to implement a uniformly good quality venue structure:-

- Allowing the maintenance of the current average journey time of 45 minutes; and
- 93% of appellants being within 60 minutes travelling time of a venue.

In addition, the plan included the use of the venue estate of other tribunals as well as support to remote rural areas through the use of video-conferencing and domiciliary visits where appropriate.

*Establish challenging internal targets to improve tribunal venue utilisation by December 2004.*

We introduced mechanisms to capture and report monthly on venue utilisation from April 2004. Our current utilisation is 48%. The proposed model described above (completed by June 2004) would enable us to achieve a utilisation of 85%.

**Develop a set of key performance indicators that will enable the organisation to track progress against all of its strategic objectives.**

*Establish a coherent performance management regime relating to the management of all aspects of our business, supported by key performance indicators and measures, that will enable us to monitor our performance against them and take any necessary corrective action by May 2004.*

We introduced a new Balanced Scorecard in May 2004. This tool has been very helpful in managing the performance of our processing sites during a very uncertain year.

Key performance indicators were developed, ongoing review and development of these measures takes place.

*Make better use of the management information available to us, and introduce improved performance monitoring mechanisms. These will be managed within a new performance management function within the Agency.*

The performance management information available from our Balanced Scorecard proved extremely useful to the Senior Management Team in identifying trends in performance at national and regional office level.

We also developed Balanced Scorecards at both Directorate and Regional levels and once a month our Management Team meetings are structured around our Agency Balanced Scorecard.

The new organisational structure for the performance management function was designed as part of the Feasibility Study but the new structure has not yet been implemented.

**Undertake a review of the resources for which the Chief Executive is accountable and identify opportunities for savings in all areas (including adjudication resource).**

*Commission a review of all resources, identify opportunities for efficiency savings, and develop an implementation plan to deliver future efficiencies.*

The review of our administrative resource was captured in our Feasibility Study. The Study reviewed both operations and central support functions and our proposals included:

- Rationalisation of our operating sites from 8 to 1;
- Optimisation of our tribunal estate;
- Changes in our business processes and organisational structure.

Our proposals were set out in our Change Programme Business Case.

In relation to judicial resources, a number of proposals were developed:

- Opportunities to make fuller use of tribunal time, for example, the availability of paper cases at hearings when there are gaps between cases
- An analysis of adjournments and proposals for reducing their number
- Extending the powers of clerks – some pre-hearing case management
- Investigation of the feasibility of reducing the number of appeals (Alternative Dispute Resolution model). A Steering Group was established to develop this work further under the Chairmanship of our Non-Executive Director, Sir Leonard Peach.



## Continuous development of our people, processes, and technology to support our modernisation aims

3.5 Significant analysis was undertaken during 2004-2005 – primarily through our Feasibility Study – to determine how to improve all aspects of our business – processes, estate configuration, organisational structure and our information technology. Our highlights:

- During the first half of 2004, we carried out a Feasibility Study to develop proposals for a transformational programme of change, addressing both improvements to customer service and the DWP efficiency agenda. The ensuing Business Case incorporated a number of elements:

*the centralisation of backroom processing (currently 8 sites) and support services into one site. We secured Burnley Pension Centre as our single site;*

*improvements to administrative and judicial processes;*

*the identification of a solution to replace our existing IT system;*

*optimisation of our venue estate – a uniformly good quality venue structure allowing the maintenance of the current average journey time of 45 minutes as well as 93% of appellants being within 60 minutes travel time of a venue; and*

*initiatives to reduce the number of cases going to the Appeal Tribunal (Alternative Dispute Resolution).*

Given that the Appeals Service is to be part of the new Tribunals Service, we consulted colleagues in the DCA about how our plans could best fit into the wider picture and, in the light of this consultation, decided not to proceed with the centralisation of our backroom processing. The remaining elements are being taken forward.

- We not only identified a low cost replacement IT solution for our existing system but also secured funding, identified a solution provider, negotiated the contract and commenced development work; and
- Management of our people remained a priority during a difficult and uncertain year. Our people faced job insecurity from our proposal to centralise our processing at Burnley Pension Centre and a long period of uncertainty before a final decision was made. We significantly improved our communication, in particular through regular team briefs and the Chief Executive's programme of visits to each site. We also worked closely with the DWP regional workforce planning groups to ensure we could successfully re-deploy any of our staff if necessary.

The details of all our achievements associated with "Continuous development of our people, processes, and technology to support our modernisation aims" are provided in the following tables.

## Change Programme – non-IT

Complete the feasibility work that is underway to determine the design of a Change Programme to deliver the modernisation aims of the Appeals Service. The programme will address a number of aspects of service delivery including our processes, technology, and our organisational structure.

*Produce a report by June 2004 detailing our plans for a future change programme to deliver the modernisation aims in our Strategic Plan 2004-2005 – 2006-2007. The detailed components of the feasibility work are addressed in the information which follows.*

A Strategic Outline Business Case for the proposed Change Programme was produced in June 2004 with a number of accompanying papers which addressed all the aspects identified in the objective.

*Plans for a simplified and more accessible appeals process that includes – as a minimum – recommendations on notice periods for hearings, greater choice in the date and times of hearings for parties to the proceedings, significant reductions in clerical workarounds, reduced dependence on paper files, greater fairness in the allocation of sittings for panel members, and increased deployment of staff to the front line directly supporting the tribunal and its members.*

We reviewed the complete appeals process and focused heavily on trying to reduce our dependency on paper files, centralising our processing functions to create efficiencies which could, in part, be redeployed to front line service delivery in support of the tribunal and its members. We also identified opportunities to improve the service to appellants and judiciary

*Continued over page*

## Change Programme – non-IT

Complete the feasibility work that is underway to determine the design of a Change Programme to deliver the modernisation aims of the Appeals Service. The programme will address a number of aspects of service delivery including our processes, technology, and our organisational structure.

### *Continued*

*An Estates Strategy that includes: specifications for tribunal, administrative, and judicial staff accommodation; plans for rationalising our operational sites and resource; and optimisation of tribunal venues to bring about the most effective use of our estate. Securing the necessary approval and commencing implementation as appropriate.*

Estate proposals were developed associated with the rationalisation of operating sites and support services into a single processing site, a blueprint of a 'Modern Tribunal Venue' (which specified the tribunal, administrative and judicial accommodation) and a new geographical distribution of venues. The proposal on rationalising the operating sites into a single site has been put on hold because of our inclusion in the new Tribunals Service within the DCA. Agreement for the new tribunal model is still being sought with the DWP and the DCA.

*Plans for a new organisational structure.*

A new organisational structure was developed which introduced the concept of Hearing Centres. A Hearing Centre is a building that includes:

- a venue – with a number of high quality tribunal rooms and tribunals clerks;
- judicial accommodation; and
- administrative support for the judiciary.

This model reflects best practice in Immigration Appellate Authority and other tribunals. Our proposals also set out a new structure for Central Support Directorates within the Appeals Service.

*Early engagement with key internal and external stakeholders to secure the necessary commitment to the delivery of this change programme.*

Stakeholders were engaged including in the context of the new Tribunals Service following our transfer to the DCA.

*Continued opposite*

## Change Programme – non-IT

Complete the feasibility work that is underway to determine the design of a Change Programme to deliver the modernisation aims of the Appeals Service. The programme will address a number of aspects of service delivery including our processes, technology, and our organisational structure.

### **Continued**

*Plans for non-IT dependent process change (balancing the benefits to appellants of expanded choice with the costs associated with such expansion).*

Process changes which are non-IT dependent were identified. These changes focused on reducing case file dependency, improving case management and demarcation of back office from front line functions.

**Seek to secure funding for the Change Programme from the DWP to accelerate the rate of change (based on the production of a robust business case).**

*Seek funding (based on the production of a robust business case) from the Department to enable development and implementation of further modernisation plans.*

Agreement is being sought for our proposed tribunal model together with the necessary funding.

**Change Programme – IT solution: this is also included within our feasibility work. Identify a new IT solution for our outdated legacy system and consider further automation of our processes and ways of working.**

*Identification of a new IT solution to replace our existing outdated legacy system; this will include a review of DWP Agencies and businesses' IT requirements associated with appeals management.*

Options for a new information technology solution were identified and appraised. A preferred way forward, namely re-platforming of our current system (GAPS – Generic Appeals Processing System), was identified in our Feasibility Study in June 2004.

*Continued over page*

**Change Programme – IT solution: this is also included within our feasibility work. Identify a new IT solution for our outdated legacy system and consider further automation of our processes and ways of working.**

<p><b>Continued</b></p> <p><i>Explore the possibilities of new IT to change our ways of working, for example, scanning correspondence and case files to improve transmission of information.</i></p>	<p>An investigation of scanning was completed as part of our Feasibility Study. It concluded that high volume scanning required by the Appeals Service to transform its document management and distribution processes did not currently represent value for money for the Agency. Further investigation of more restricted, localised scanning was also commenced to determine its viability.</p>
<p><i>Seek funding (raised on production of a robust business case) from the Department to enable development and implementation of these plans.</i></p>	<p>Funding for the re-platforming of our current IT system and the Digital Office Infrastructure aspects of the proposed Change Programme have been secured and implementation has started.</p>

**Technology – Business as usual. Develop a plan for improving the current internet site and implement a series of pilots to improve this aspect of our service delivery.**

<p><i>Develop a plan for improving the information on our internet site for appellants and representatives.</i></p>	<p>A plan was developed with the involvement of the Internet Team from the DCA. The plan sets out the activities required to rebuild our internet site. The main focus will be to provide a public web site that is easy to navigate, explain the appeals process simply, with access to up-to-date information.</p>
<p><i>Seek funding for the implementation, where appropriate, of discrete pilots to improve this aspect of our service delivery.</i></p>	<p>Not progressed. We will seek opportunities for funding of implementation during 2005-2006.</p>
<p><i>Evaluate these pilots and consider further opportunities for national roll out in 2005-2006.</i></p>	<p>Not progressed – implementation and evaluation of the pilots will occur throughout 2005-2006.</p>

**People – Develop approaches to cultural change, recruitment, training and development which ensure we attract and retain motivated and committed individuals to (i) support our modernisation aims; and (ii) ensure compliance with liP standards.**

*Develop strategies and policies that support the strategic intents of the Agency and benchmark our approach against other best practice organisations.*

There were some overriding issues that impacted on Appeals Service business and our ability to fully achieve this objective:

- we were managing in a time of great uncertainty; and
- high staff attrition.

However, we were actively involved in work aimed at trying to manage some of the uncertainty including attendance at regional DWP workforce management groups (RECIPE) and Trade Union consultation.

We continued to actively support training needs, for example, the Performance Development System and our new complaints procedures.

**People – Ensure communications to staff and external stakeholders are clear, concise and timely.**

*Build on the new Team Brief arrangements put in place during 2003-2004, seek feedback and identify opportunities for further improvements.*

We engaged in focused activity aimed at improving our communication channels:

- Senior Management Team members personally briefed staff on the content of the 2004-2005 Business Plan
- Team Brief Training provided to all staff at Executive Officer grade and above
- Bi-monthly Key Messages issued for inclusion in Team Briefs
- Chief Executive visits to all operating sites in order to present information on the Change Programme to staff
- Questions and Answers from all Key Messages circulated to all staff.

*Develop a continuous improvement plan for our communications with staff and external stakeholders.*

Our Internal Communications Plan was agreed in May 2004. The plan identified a range of specific communication mechanisms which could be used for relevant messages and audiences. Our new leaflet for appellants was undertaken and further phases for improving communication with appellants are planned for 2005-2006.

*Continued over page*

**People – Ensure communications to staff and external stakeholders are clear, concise and timely.**

**Continued**

*Take positive steps to address the key improvement issues identified in the most recent staff survey. In particular, we will seek to improve the way organisational change is managed and communicated within the Agency and build confidence in the new DWP Human Resource processes and procedures.*

Our staff survey results for 2003-2004 were reviewed and plans put in place to improve results – particularly in relation to our approach to managing change.

Our focus on improved communications was an activity aimed specifically at improving our approach to organisational change.

In addition, we successfully introduced the new Performance Development System within the Agency and, in doing so, had to work closely across our operations and human resource areas to build confidence in the new processes and procedures.

**Processes – Identify a range of non-IT dependent process changes to deliver efficiency and performance improvements and inject clarity to the process to simplify and enhance an appellant's ability to understand the appeals process.**

*Identify, test and roll-out process changes which will result in efficiency savings, improvements in the service to appellants and judiciary and/or deliver performance improvements.*

A number of process changes were identified, tested and implemented as part of our operational performance improvement activity. These included:

- Listing appeals on receipt of the pre-hearing enquiry form providing our appellants with 6 weeks notice of their hearing
- Earlier notification of sitting requirements to panel members – 3 months instead of 1 month
- Improved Case Management – tighter controls bringing cases to hearing as soon as they are ready
- New hearing date offered on the day of adjournment in most cases

**Additional activity not covered in the Business Plan: Technology – Business as usual. Ensure the current outdated IT infrastructure and software is maintained effectively and efficiently to minimise downtime and business disruption.**

<p><i>Implement maintenance and good practice releases in our main operating systems to ensure business continuity.</i></p>	<p>Our IT service providers carried out a risk assessment of our core operating applications and we put mitigation plans in place following their assessment.</p>
<p><i>Review our estate's IT structural design to identify and address weaknesses.</i></p>	<p>Service providers carried out an evaluation of our infrastructure. This led to the decision to roll out Digital Office Infrastructure (DOI) to our processing sites.</p> <p>DOI brings significant benefits to staff, for example, access to internet and mail services. In addition, DOI provides a robust, modern infrastructure for our re-platformed GAPS solution.</p>
<p><i>Explore the wider use of video and audio conferencing to facilitate improved attendance (e.g. of presenting officers) and accessibility (e.g. domiciliary visits) at tribunals.</i></p>	<p>We extended the pilot of video-conferencing for Presenting Officers. In addition, we procured some smaller units that are currently being tested with a view to utilising them in a domiciliary situation.</p>
<p><i>Upgrade some of our systems to increase automation, undertake the necessary work to facilitate electronic data transfer of tax, national insurance and expenses information to the Inland Revenue, and improve the recording of panel members' training and appraisal information.</i></p>	<p>A secure email site was piloted to enable Panel Members to submit statements of reasons to Appeals Service clerks from their own home based internet PCs. This removes approximately 5 days in lapsed time from the process.</p> <p>Our claims database was updated and we can now submit end of year fees and expenses details electronically to the Inland Revenue.</p> <p>As noted previously, an internet based Learning Management System was developed (and is currently being evaluated) to enable Panel Members to book and administer their own training and update their personal details via the internet.</p>

*Continued over page*

**Additional activity not covered in the Business Plan: Technology – Business as usual. Ensure the current outdated IT infrastructure and software is maintained effectively and efficiently to minimise downtime and business disruption.**

<p><b>Continued</b></p> <p><i>Look into the feasibility of continuing to roll out the DWP Digital Office Infrastructure programme within our Agency.</i></p>	<p>As a result of a value for money evaluation, it was decided to roll out the DOI to our eight processing sites but not to our current configuration of tribunal venues.</p>
<p><i>Contribute towards the DWP's e-government target.</i></p>	<p>Examples of our activity in this area include: our work associated with e-enabling the provision of statement of reasons (secure data transfer), fees and expenses information to the Inland Revenue and personal administration of training by panel members.</p>



## Contribution to the wider activity of the DWP in support of key Departmental objectives

3.6 During 2004-2005 we put in additional resources to develop further our working relationships with the DWP. These relationships will be increasingly important after our move to the DCA. Our highlights:

- We complied with the corporate requirements placed on us in relation to our audit and Human Resource processes;

- We worked closely with some of the other DWP Agencies to drive improvements in appeals delivery and also to agree standards of service; and
- We continued to build local relationships in addition to linking at corporate levels with other Agencies involved in benefit decisions and appeals delivery.

The details of all our achievements associated with “Contribution to the wider activity of the DWP in support of key Departmental objectives” are provided in the following tables.

**Work within the corporate framework agreed within the DWP to contribute to the wider Departmental goals.**

<p><i>Put into effect the DWP implementation plan on corporate governance, and in particular recruit three non-executives to work with both the Agency and the wider DWP.</i></p>	<p>We complied with the initiatives led by the DWP corporate governance programme.</p> <p>We have a single non-executive Director. A decision was taken not to appoint any further non-executive directors as on transfer to the DCA we will be part of a larger Agency with governance arrangements determined by them.</p>
<p><i>Carry out an audit of our responsibilities as an executive Agency and, for any identified areas of non-compliance, agree an appropriate action plan with the DWP.</i></p>	<p>Preparatory work was undertaken and a specification for the audit review was agreed with internal audit services. However, we deferred our audit pending the conclusion of the review by DWP of its corporate governance framework in September 2005.</p>
<p><i>Ensure that we meet all our legal obligations (specifically compliance with the Welsh Language Act, Race Relations Act, and Disability Discrimination Act).</i></p>	<p>Our revised Appeals Service Welsh Language Scheme was published.</p> <p>Our Race Equality Scheme has been produced and published.</p> <p>We have prepared our Diversity Action Plan which will be published in May 2005 – this will address disability issues also.</p> <p>Our Feasibility Study addressed the implications of the Disability Discrimination Act for our venue estate in the new Modern Tribunal Venue blueprint and venue footprint.</p>
<p><i>Effectively manage attendance policies, ensuring that sick absence rates for our staff do not exceed 8 days per head by March 2005.</i></p>	<p>The target was not achieved. Our sickness absence rate over the year was 12.5 days per head; this improved significantly in the last quarter of the year to 10.8 days per head.</p> <p>Our procedures for managing sick absence were compliant with DWP standards and we managed long and short-term absenteeism rigorously.</p>

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**Work within the corporate framework agreed within the DWP to contribute to the wider Departmental goals.**

<p><b>Continued</b></p> <p><i>Focus action on diversity to meet the DWP's aspirational targets relating to women, ethnicity, and disability by March 2005.</i></p>	<p>Overall, the number of staff employed from an ethnic minority background has increased marginally in the past year. The overall balance of women employed in the Agency remains consistent with previous years:</p> <ul style="list-style-type: none"> <li>• Staff employed from ethnic minority background at 31 March 2005 <span style="float: right;">8.1%</span></li> <li>• Women employed in the Agency <span style="float: right;">63.7%</span></li> <li>• Women at Grade 7 level and above <span style="float: right;">28.6%</span></li> <li>• Staff who consider themselves to have a disability <span style="float: right;">5.3%</span></li> </ul>
<p><i>Continue to implement corporate changes arising from the DWP's Human Resources Change Programme including performance and development/relative assessment, and the reward strategy.</i></p>	<p>The Performance Development System was introduced successfully to the Appeals Service. Key activities undertaken included the management of the training.</p> <p>In addition, we undertook work associated with:</p> <ul style="list-style-type: none"> <li>• Management of staff disputes. We worked successfully with DWP colleagues in managing the dispute action which took place during 2004;</li> <li>• Disability Discrimination Act 1995 changes that were introduced in October 2004; and</li> <li>• Management of DWP staff reductions. We managed the uncertainty for our staff through participation in Regional DWP workforce management groups (RECIPE) and Trade Union consultation.</li> </ul>

*Continued opposite*

**Work within the corporate framework agreed within the DWP to contribute to the wider Departmental goals.**

<p><b>Continued</b></p> <p><i>Work with the DWP to replace our finance and HR IT systems with the new Resource Management system.</i></p>	<p>Our Finance Directorate continued to take part in the development of the new DWP and DCA accounting systems.</p> <p>A decision is still to be made with regard to our future use of the Resource Management system developed by the DWP and that developed by the DCA.</p> <p>Similarly, our Human Resource Directorate provided information to the Resource Management project team on our current and future human resource processes.</p>
<p><i>Ensure we engage in the necessary DWP activity to promote sustainable development (engaging in social progress that recognises the needs of everyone; providing effective protection of the environment; prudently using natural resources; and maintaining high and stable levels of economic growth and employment).</i></p>	<p>Two key areas associated with our sustainable development effort were progressed:</p> <ul style="list-style-type: none"> <li>• Improving awareness of the issues, for example, article in our Agency newsletter “Tribune”, representation at DWP meetings on sustainable development</li> <li>• We have converted to 100% use of re-cycled paper and double-sided printing is being utilised where possible.</li> </ul>
<p><i>Prepare for the introduction of appeals against Child Trust Fund decisions from April 2005, subject to Parliamentary approval.</i></p>	<p>We successfully introduced procedures and training material to handle appeals resulting from decisions associated with Child Trust Funds.</p>

**Develop and improve the relationships with DWP Agencies and businesses including the development and implementation of National Service Statements, identifying opportunities for initiatives and pilots, and establish closer working relationships at a local level.**

*Seek to agree a clear framework (National Service Statement) on the level of service between (i) the DWP Agencies and businesses and our Agency and (ii) the Office of the Social Security and Child Support Commissioners and our Agency. These frameworks will allow all parties to engage in informed dialogue, monitor levels of service and identify improvement opportunities. Produce a plan to take forward improvement opportunities and consider introduction of pilots as appropriate.*

Significant work was progressed on defining and developing a new National Service Statement (NSS) with the Child Support Agency. This will be used as the model for new National Service Statements with the other Agencies. As part of the agreement we have an improvement plan which includes a pilot exercise to enable the attendance of a Presenting Officer at the Tribunal Hearing via video conferencing. The pilot was established in Cardiff and Southampton and following positive feedback from the Child Support Agency has been extended to include the Liverpool area.

We put plans in place to work with the Office of Social Security and Child Support Commissioner to review processes and procedures and to develop National Service Statements.

*Continued opposite*

**Develop and improve the relationships with DWP Agencies and businesses including the development and implementation of National Service Statements, identifying opportunities for initiatives and pilots, and establish closer working relationships at a local level.**

***Continued***

*Establish and embed efficient feedback mechanisms with DWP Agencies and businesses both nationally and regionally to improve both operational and strategic level engagement and, in particular, provide feedback that will enable them to improve their initial decision making.*

Significant work with DWP Agencies and businesses has been carried out to improve operational mechanisms, for example, emailing of Tribunal Decision Notices to Disability & Carers Service and Child Support Agency to speed up the feedback process.

The Appeals Service has engaged with Disability & Carers Service to support activity on:

- Improvements to handling of Further Evidence and late appeals processes
- Establishing the reasons why paper cases are overturned at hearing
- Judicial support for DWP Presenting Officer training sessions (to improve understanding of the Presenting Officer role at the tribunal in presenting the Secretary of State’s case)
- Improved reconsideration processes. We worked with DWP colleagues in an attempt to improve the earlier stages in the process before an appeal is lodged with the Appeals Service
- The development of joint plans to reduce the volume of appeals (Alternative Dispute Resolution). We have also established a Steering Group to progress this work under the Chairmanship of our Non-Executive Director.

*Use our regional and district managers to develop even closer working relationships with the DWP’s Agencies and other businesses at a local level.*

Regional Managers engaged with all partners involved in local appeals delivery to strengthen and develop relationships. This included a particular focus on working with counterparts in other Agencies and businesses to improve overall appeals delivery.

**Work closely with DWP and DCA colleagues on the establishment of the proposed Tribunals Service, including essential activity on migration from the DWP to the DCA.**

<p><i>Attend programme meetings and contribute to the DCA proposals for a new Tribunals Service.</i></p>	<p>The Appeals Service Chief Executive sat on the Tribunals Service Programme Board and is a member of the DCA Tribunals Service Virtual Management Team.</p>
<p><i>Work with the DWP and the DCA to develop a plan to migrate away from the DWP's framework of responsibilities for its agencies to that used by the DCA.</i></p>	<p>Appeals Service staff were involved in a number of joint working parties looking at various aspects of the Tribunals Service including communications, human resources, finance, estates and information technology.</p>
<p><i>Develop an overall plan for modernisation and migration and agree with the DWP and the DCA an agreed date for transfer.</i></p>	<p>The Appeals Service is represented on the DWP Appeals Service Transfer Group, which is managing the Department's aspects of the migration plan.</p>



## Working with colleagues in the DWP, the DCA and other tribunals, to make a significant contribution to the successful creation of the proposed Tribunals Service

3.7 There was significant engagement with the DCA during the course of the year in relation to business as usual activities, proposals emanating from our Feasibility Study and proposals concerning our transfer. Our highlights:

- We engaged with DCA colleagues on business as usual activities, for example, the establishment of a Venue Clearing House and also extensively on all aspects of Change Programme proposals – geographical distribution of venues, processing centres, information technology solution and general progress;

- We investigated some of the key aspects of the DCA's White Paper on the proposed Tribunals Service, in particular, Alternative Dispute Resolution. In doing so, we drew on external experience and good practice within the Financial Ombudsman Service; and
- We contributed fully to the communication activities associated with the appointment and introduction of the Chief Executive of the Tribunals Service.

The details of all our achievements associated with "Working with colleagues in the DWP, the DCA and other tribunals, to make a significant contribution to the successful creation of the proposed Tribunals Service" are provided in the following tables.

**Contribute to the DCA Tribunals Service programme and provide information to the DWP and the DCA to assist in the development of plans for our migration to the DCA and any early tribunal unification.**

<p><i>Contribute to the DCA Tribunals Service Programme, and provide information to our colleagues, both within the DWP and the DCA, to assist them in the development of robust plans, ensuring clarity of direction, and the establishing of efficient working arrangements.</i></p>	<p>We contributed fully to the arrangements established by the Tribunals Service Programme Board, participated in working groups in a number of key areas including Estates, Finance, HR and Information Technology. In addition, we participated in the Tribunals Service Virtual Management Team.</p> <p>We provided information when requested by DCA and DWP colleagues.</p>
<p><i>Work with the DWP and the DCA to develop an agreed plan for migration from the DWP's framework of responsibilities for executive agencies to the framework used by the DCA.</i></p>	<p>The Appeals Service is represented on the DCA Appeals Service Implementation Board. (This is in addition to our membership of the DWP Appeals Service Transfer Group.)</p>
<p><i>Work closely with DWP colleagues to provide input into the DCA White Paper on the setting up of the proposed Tribunals Service.</i></p>	<p>We provided our comments on the DCA Tribunals Service White Paper.</p> <p>In addition, subsequent to the White Paper being published, the Chief Executive commissioned exploratory work in the area of 'Alternative Dispute Resolution' – getting disagreements resolved at an earlier stage i.e. by DWP decision makers rather than appeal tribunals. External experts in this area were consulted (Professor Hazel Genn) and a Steering Group was established to progress this work.</p>

**Engage with colleagues in the DCA and other tribunals to develop strategic partnerships with other tribunals regarding the sharing of resources, estate and mode of operation, in advance of the move to the DCA.**

*Identify opportunities – in agreement with DWP and DCA – for early unification before any formal move to the DCA e.g. shared use of tribunal venue estate, where there may be financial or quality of service benefits.*

Activities were progressed in relation to the establishment of the DCA Venue Clearing House, the sharing of venues and better use of interpreters.

**Contribute to, and comply with, the DCA’s communication strategy for the proposed Tribunals Service; ensuring that appellants and their representatives are aware of the changes that will occur.**

*Work with the DWP and the DCA to determine what needs to be communicated and how and to play our part in this communication.*

Regular meetings were held with other DCA Tribunal Services through the Communication Working Group and the Better Information Group.

*Ensure that our staff and the judiciary are kept fully informed of the emerging plans for the Tribunals Service, providing feedback to the DCA Tribunals Service Programme as appropriate.*

A number of specific activities were progressed to ensure our staff and judiciary were aware of plans for the Tribunals Service including:

- Engagement with DCA colleagues and ensured general communication of news to all staff in the Appeals Service
- All Appeals Service staff receive copies of the DCA newsletter on the Tribunals Service
- Appeals Service management attended the DCA roadshows on the new Tribunals Service.

*Ensure effective stakeholder engagement with our appellants and their representatives, providing feedback to the DCA Tribunals Service Programme as appropriate.*

Tribunals Service plans were not sufficiently developed to take to appellant and representative groups at this stage.



## 4 Use of resources

- 4.1 Our operating costs for the year, including DWP corporate costs, but excluding income from other tribunals, amounted to £66.2 million. The income from other tribunals arose because salaried judicial officers employed by the Appeals Service carried out work in their jurisdictions and totalled £35 thousand.
- 4.2 Our operating costs of £66.2 million reflect a reduction of £6.7 million compared with the previous year. This saving relates primarily to our previous modernisation programme which was halted.
- 4.3 Our net operating costs (including accommodation, but excluding DWP corporate overheads, expenditure on a feasibility study to determine a new modernisation programme, and income from other tribunals) are funded by the DWP through our administration cost allocations. Our financial plan for 2004-2005 was based on initial funding of £62.4 million. Our direct expenditure amounted to £61.6 million representing a saving of £0.8 million, which is carried forward into 2005-2006.
- 4.4 Our distribution of resources is set out below:
- £54.2 million on the cost of hearing appeals, including related accommodation costs;
  - £7.4 million on necessary support services such as IT, Finance and HR.
- Some 88% of our administration costs, therefore, related to frontline activity, with 12% spent on support costs.
- 4.5 In addition we incurred indirect costs of £4.6m largely on DWP Corporate overheads, but also £0.8 million on a Feasibility Study to determine the direction of our future modernisation programme which was separately funded by the DWP Administration Welfare Modernisation Fund allocation.
- 4.6 A full set of our Annual Accounts is contained in Appendix 5. These accounts are prepared on an accruals basis and include a number of material non-cash items.

## Appendices

## Appendix 1

### Performance against Secretary of State Targets for 2002–2003, 2003–2004 and 2004–2005

2002-2003	2003-2004	2004-2005
<p>The average waiting time for an appeal to be heard will be no more than 14 weeks* from the time of receipt by the Appeals Service.</p> <p><b>Met.</b> An average of 12.5 weeks over the year.</p>	<p>The average waiting time for an appeal to be heard will be no more than 13 weeks* from the time of receipt by the Appeals Service.</p> <p><b>Met.</b> An average of 11.2 weeks over the year.</p>	<p>The average waiting time for an appeal to be heard will be no more than 11 weeks* from the time of receipt by the Appeals Service.</p> <p><b>Met.</b> An average of 10.4 weeks over the year.</p>
<p>The number of cases over 24 weeks old as at 1 April 2002 will be reduced by at least 30% by 31 March 2003. *</p> <p><b>Met.</b> We reduced the number of older cases by 48%.</p>	<p>The number of cases over 24 weeks at 1 April 2003 will be reduced by at least 15% by 31 March 2004. *</p> <p><b>Met.</b> We reduced the number of older cases by 29%.</p>	<p>The number of cases over 20 weeks old as at 1 April 2004 will be reduced by at least 15% by 31 March 2005. *</p> <p><b>Not met.</b> We reduced the number of older cases by 9.2%</p>
<p>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.**</p> <p><b>Not met.</b> The average waiting time for re-hearing was no more than 10 Weeks in 71% of cases.</p>	<p>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.**</p> <p><b>Met.</b> Cases returned from the Commissioners were heard in an average of 8.4 weeks</p>	<p>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> <p><b>Met.</b> Cases returned from the Commissioners were heard in an average of 7.9 weeks.</p>

*Continued opposite*

\* Both of our waiting time targets – i.e. average waiting period and proportion of cases over 24/20 weeks – are defined as excluding any stayed cases (those cases that are awaiting a decision in a higher court and over which we have no control).

\*\* Excluding cases requiring further evidence.

**Performance against Secretary of State Targets for 2002–2003, 2003–2004 and 2004-2005**

2002-2003	2003-2004	2004-2005
<p><i>Continued</i></p> <p>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.</p> <p><b>Met.</b> Year-end figure of 3.9 weeks against a target of 6.7 weeks.</p>	<p>The range of waiting time variations between our local offices will be reduced by a factor of at least 5% (3.7 weeks).</p> <p><b>Met.</b> The variation in waiting time across offices was reduced to 2.8 weeks.</p>	<p>Not a Secretary of State Target in 2004-2005</p>

## Appendix 2

### Performance against 2004-2005 Service First Standards

Service First Standard	Performance 2004-2005
<p>1 We will reply to general enquiries by post, email and fax as soon as we can, and 85% within 10 working days.</p>	<p>90% received a response within 10 working days (determined via a sampling exercise).</p>
<p>2 We will respond to 85% of complaints and Ministerial correspondence within 15 working days. If we cannot, we will advise when we are able to do so together with the name and contact details of the person dealing with the response.</p>	<p>We replied to 88% of administration complaints within our reply standard of 15 working days, and 93% of Ministerial correspondence within 15 working days.</p> <p><b>Complaints Review</b></p> <p>During the year we set up a working group chaired by the chair of the DWP Standards Committee to carry out a comprehensive review of the way in which we handle administrative complaints. Our aim was to improve the quality of our responses, and also learn from the customer feedback. We identified best practice complaints processing techniques in other organisations and analysed a representative sample of our own past complaints and the replies we issued.</p> <p>As a result of this work, a new, staged process for dealing with complaints, which highlights the importance of personal contact by telephone with complainants, was introduced in February 2005, following training for relevant managers. Additionally, a new customer leaflet will be produced detailing the recourse for customers, as well as the standards they can expect from the Appeals Service.</p> <p><b>Complaints for 2004-2005</b></p> <p>Of the 226,518 appeals received in 2004-2005, we received a total of 663 complaints (549 administrative and 114 judicial), a 29% reduction from the previous year against a similar caseload. Administrative complaints accounted for 83% of the total number received.</p>
<p>3 We will answer the telephone within 30 seconds in 95% of cases.</p>	<p>A sample exercise showed that we answered 96% of telephone calls within 30 seconds.</p>

## Performance against 2004-2005 Service First Standards

Service First Standard	Performance 2004-2005
<p>4 We aim to acknowledge arrival at the tribunal venue and the clerk will meet the appellant not less than 5 minutes before the hearing time to explain the procedure.</p>	<p>Our sample survey of appellants showed that 99% who attended a hearing were met not less than 5 minutes before the hearing time and had the procedure explained to them.</p>
<p>5 We aim to do everything we reasonably can to ensure our service is available and accessible to anyone who needs it. We will provide well signposted venues with a range of facilities such as ramps and appropriate seating for those with disabilities. We will be available to take telephone calls from 8:30am until 5:00pm (Monday to Friday).</p>	<p>We have 131 venues of which 79 are permanent venues and 52 are hired on a daily basis.</p> <p>Our venues are clearly identifiable, with Appeals Service signage wherever possible.</p> <p>Disability Discrimination Act Surveys have been made of all sites and adjustments made where advised. With the exception of one daily hire venue, people with disabilities can access all venues.</p> <p>A range of seating, (with and without arms), is provided, including orthopedic chairs.</p> <p>Staff in our centres are available to take telephone calls from 8:30am until 5:00pm (Monday to Friday).</p>
<p>6 We aim to provide clear, straightforward information about our service, including where to go and what to do if help is needed. This will include leaflets available in large print, Braille or audiotape and a range of languages. Information is made widely available and can be obtained from our regional offices.</p>	<p>All appellants who are invited to attend a tribunal hearing are sent a detailed map and instructions of how to get to the venue.</p> <p>Three information leaflets are available on our website and also in hard copy at all venues. The leaflets are available in English, large print, Braille, audiotape and in nine other languages – Welsh, Arabic, Bengali, Chinese, Gujerati, Punjabi, Somali, Urdu and Vietnamese.</p> <p>In our survey of appellants, 92% of those who asked for a leaflet received the leaflet requested.</p>

## Appendix 3a

### Learning and Development Programme

We delivered a comprehensive range of learning and development events for administrative staff and panel members.

During the year, we delivered a new programme of training to all managers within operations to equip them with the necessary skills to administer the new complaints handling system, following an Agency wide review.

We also delivered a new training programme to support all staff within operations to enable them to process appeals following changes resulting from the implementation of the Improving Operational Performance Initiative.

Administrative staff received a total of 4237.5 days of training at a cost of £632,900. Of those 4237.5 days, 524 training days were delivered to support managers in their roles, including, leadership, managing diversity and building people skills.

Year	Days delivery	Numbers trained	Days per head	Training spend	Spend per head
2002-2003	5124.5	2,981	5.4	£871,985	£914
2003-2004	4568.5	4,270	5.1	£792,237	£875
2004-2005	4237.5	2,927	5.7	£632,900	£851

## Learning and Development Programme

Administrative Training 2004-2005	Numbers Trained	Days Committed
<b>Core Business Training</b>		
New Entrant etc	445	1,293
Improving Operational Performance	534	309
Business Card / Government Procurement Card	219	202
Email / Intranet	191	151
Data Protection and Security	213	120
Clerk as Managers / Decision Notices / Potentially Violent and Potentially Aggressive Situations	84	79
Health and Safety	62	54.5
Performance and Development System	66	51.5
Child Support Awareness	46	39.5
Equal Treatment	26	27
Plain English	19	19
Telephone Skills	17	11
Recruitment and Selection	7	5.5
Key Messages	4	4
<b>Total</b>	<b>1,933</b>	<b>2,366</b>
<b>Business Improvement (internal delivery)</b>		
Team builds and development events	197	274.5
Letter Writing / Drafting	162	202.5
Presentation Skills	72	95
Facilitation Skills	41	48
<b>Total</b>	<b>472</b>	<b>620</b>
<b>External Training</b>		
Business Improvement (External delivery)	266	374.5
IT (Word, Excel, PowerPoint etc & Systems Administrator Training)	94	150
<b>Total</b>	<b>360</b>	<b>524.5</b>
Management / Leadership Training	162	317
<b>Totals</b>	<b>2,927</b>	<b>4,237.5*</b>

\* Includes 410 days coaching/at desk training

## Appendix 3b

### Judicial Training

Judicial Training is the statutory responsibility of the President (who has a duty also to consult with the Secretary of State and the Chief Medical Officers of England, Wales and Scotland).

In the discharge of this responsibility the President is advised by the Judicial Training Advisory Group. This is chaired by the National Judicial Training Officer and comprises seven Regional Judicial Training Officers, the Full Time Chairman, the Chief Medical Member, National Judicial Information & Resource Officer, Judicial Training Manager, co-opted legal, medical and disability panel members and a co-opted academic member.

An administrator, the Judicial Training Manager, supports the Judicial Training Advisory Group with the aid of a judicial training support team. The Judicial Training Manager and his team also

manage the budget/financial targets and the administrative support for training, assist in the identification of training needs and maintain training plans/records.

The President's statutory duty to consult the Secretary of State and Chief Medical Officers is met through the President's Judicial Training Consultative Committee. This is chaired by the President and comprises the National Judicial Training Officer, a representative of the Chief Medical Officers, a representative of the Secretary of State and the Appeals Service Agency Human Resource Director (as budget holder).

During the year 137 training conferences/events were held (of which 83 related to local/district events) and 3028 panel members received training, over 2748 'delegate days'. The total cost of judicial training for 2004-2005 was £937,157.

2003-2004	2004-2005
47 Training Events	137 Training Conferences/Events
2,900 panel members trained	3,028 panel members trained
3,200 days delegated to training	2,748 days delegated to training
Cost of £779,069	Cost of £937,157

## Judicial Training

Training Event	No. of events	Target Audience	Number Trained
Medical Appraisal Training	3	District Chairmen and Medically Qualified panel members	95
1/2 Day Medical Training	7	Medically Qualified panel members	240
1 Day Medical Training	9	Medically Qualified panel members	393
Regional Conferences	11	All panel members	549
Induction Training for New District Chairmen	1	District Chairmen	11
01 Lawyers Conversion	1	Legally Qualified panel members	36
Lawyers HB/CTB Conversion	1	Legally Qualified panel members	18
Lawyers PCA Conversion	1	Legally Qualified panel members	23
Lawyers Child Support Conversion	1	Legally Qualified panel members	25
Panel Member Refresher	9	All panel members	399
Residential Conferences for Lawyers	2	Legally Qualified panel members	142
Effective Use of Small Groups (JSB)	1	Legally Qualified and Medically Qualified panel members	23
Annual RC/DC Conference	1	Regional and District Chairmen	91
IT Training	Various	Regional and District Chairmen	22
Lawyers & Disability members' Evening/District meetings/Miscellaneous Regional Training	Various	LQPMs & DQPMs /Selected panel members	830
DQPM Consultation Forum	1	Regional and District Chairmen and Disability Qualified panel members	21
Panel Members' Refresher Facilitator Event	1	Regional and District Chairmen	38
Panel Members Refresher Training Workshop (Lecturers)	1	District Chairmen	13
Panel Members Refresher Training Workshop (Facilitators)	1	District Chairmen	12
Medical Appraisal Evaluation Event	1	Regional and District Chairmen and Medically Qualified panel members	34
Residential Conferences for Lawyers Workshop (Facilitators)	1	District Chairmen	13
		<b>Total</b>	<b>3028</b>

## Appendix 4

### Analysis of Administrative Staff and Panel Members

#### Total number of administrative staff in post as at 31 March 2005

Grade	Male	Female	Total
Senior Civil Servant	1	1	2
Grade 6	1	0	1
Grade 7	3	1	4
Senior Executive Officer	7	10	17
Higher Executive Officer	22	19	41
Executive Officer	51	94	145
Administrative Officer	143	327	470
Administrative Assistant	76	81	157
Total	304	533	837

#### Notes:

- 1 These figures exclude interim appointments.
- 2 The figure of 837 is the staff in post equivalent of the 768 FTE figure declared for our headcount. This reflects our use of part-time staff within the Agency.

#### Staff turnover

- Volume of wastage 13.84% (109 leavers)
- Transfer to other DWP – 61
- Total wastage = 21.58% (170 leavers)

## Analysis of Administrative Staff and Panel Members

### Total number of Salaried and Fee-Paid Tribunal members by type and region as at 31st March 2005

	Salaried legally qualified panel members	Salaried medical member	Legally qualified panel member	Medically qualified panel member – non specialist	Medically qualified panel member - specialist	Disability qualified panel member	Financially qualified panel member	Total
Central	8	-	48	44	9	48	2	159
Eastern	10	1	89	58	27	82	3	270
North East	11	-	114	68	43	71	3	310
North West	11	-	108	99	35	80	1	334
Scotland	11	-	103	90	36	75	3	318
South East	9	-	58	50	27	58	2	204
Wales and South West	10	-	95	63	32	85	4	289
Total	70	1	615	472	209	499	18	1,884

# Annual Accounts for the year ended 31st March 2005

## Foreword

### Statutory background

The Appeals Service Agency presents its accounts for the financial year ended 31 March 2005. The accounts have been prepared in accordance with the direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

The Agency was established as an Executive Agency of the Department for Work and Pensions ('the Department') on 3 April 2000.

### Principal activities

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 2004-2005 Business Plan which was published in April 2004. A more detailed description is provided on pages 8 to 10 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 £66 million (2003/04, £73 million). The reduction in costs is mainly due to a decrease in the payment of Professional Services following the termination of the Modernisation programme. Capital additions, including transfers from the Corporate Centre, amounted to £728,000 (2003/04, £217,000).

The net operating cost 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, the cost of capital charge (see Note 5).

### Parliamentary funding

The Agency is a supply financed Executive Agency of the Department and as such remains subject to gross expenditure control under the Parliamentary Vote system. The net cash cost of the Agency's operations, along with the rest of the Department, will be accounted for within Schedule 1 of the Department's Resource Account. This account is planned to be finalised and 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 2004-2005 and form part of CM6539 DWP Departmental Report 2005.

## The National Insurance Fund

The National Insurance Fund (NIF) is the responsibility of the Inland Revenue. However, the contributory benefits funded from the NIF are administered by the Department on behalf of the Inland Revenue. The Appeals Service incurs costs associated with the administration of these benefits. The Agency receives income from the NIF to recover these costs and these recoveries are recorded in the General Fund as Funding from the National Insurance Fund (see Note 14).

## Taxpayers' Equity

The balance sheet at 31 March 2005 shows negative Taxpayers' Equity of £3,422,000. This reflects the inclusion of liabilities falling due in future years which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet the Net Cash Requirement of the Department of which the Agency is part. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund by that Department other than required for the service of the specified year or retained in excess of that need.

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

### Employment of disabled persons

People with disabilities as defined in the Disability Discrimination Act 1995, are employed across all grades within the Department.

### Commitment to equality and valuing diversity

The Agency is committed to providing services which embrace diversity and which promote equality of opportunity. As an employer the Agency is also committed to equality and valuing diversity within our workforce. Our goal is to ensure that these commitments, reinforced by our values, are embedded in our everyday working practises with all our customers, colleagues and partners.

### Employee involvement

The Agency communicates with staff on a regular basis through key messages in order to create awareness and encourage feedback and involvement in the business.

Staff also have access to trade union membership. The Agency 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 Agency is committed to the prompt payment of bills for goods and services received. Payments are normally made as specified in contracts. If there is no contractual provision or other understanding, they should be paid within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. A review of all payments made during a twelve month period, conducted to measure how promptly the Agency pays its bills, found that 10,452 invoices out of 10,764 (97%) invoices were paid within this standard (2003-2004 95%).

The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 November 1998 and the 'Late Payment of Commercial Debts Regulations 2002' which came into force on 7 August 2002 provides all businesses and public sector bodies with, amongst other entitlements, the right to claim interest for late payment.

### Details of company directorships and other significant interests held by board members

A register of Director's Business Interests is held by the Board Secretariat at the following address:

The Appeals Service  
5th Floor  
Fox Court  
14 Grays Inn Road  
London WC1X 8HN

## **External audit**

These accounts have been audited by the Comptroller and Auditor General whose certificate and report appear on pages 70 to 71. For 2004-2005 the Comptroller and Auditor General has instructed the detailed audit work to PKF. The total audit fee for 2004-2005 is £43,000 (see note 5).

There were no fees in respect of non-audit work during 2004-2005.

## **Post Balance Sheet events**

There have been no post balance sheet events and the financial statements reflect conditions that existed at the balance sheet date.

The Appeals Service will be joining the Department for Constitutional Affairs from 1st April 2006.

## **Introduction of the Euro**

The Agency continues to maintain its changeover planning and preparation activities such that, in the event of a positive decision to join the Single European currency, the changes required to the computer systems, business systems and products will have been identified and quantified and we would be able to meet the timescales set out in the Third National Changeover Plan.

### Appointment and remuneration of the Chief Executive

The Chief Executive of the Appeals Service Agency was appointed by the Permanent Secretary. The appointment is for an indefinite term under the terms of the Senior Civil Service Management Code.

The Chief Executive's pay is determined by the Permanent Secretary in line with the Senior Civil Service pay arrangements.

Further details of remuneration are set out in Note 2 to these accounts.

### Board of Management

Members of the Board of Management during the year were:

<b>Christina Townsend</b>	Chief Executive
<b>Norman Egan</b>	Director of Operations & Deputy Chief Executive
<b>Alex Maddocks</b>	Director of Finance and Planning (until 10th January 2005)
<b>Edward James</b>	Director of Finance and Planning (from 10th January 2005)
<b>Paul Duffy</b>	Modernisation Director
<b>Carol Brooke</b>	Information Systems Director
<b>Beryl Condra</b>	Change Director (until 17th May 2004)
<b>Nick Peacey</b>	Change Director (from 17th May 2004)
<b>Steve Hayes</b>	Human Resources Director
<b>Phil Teece</b>	Modernisation Programme Director
<b>Ian McWilliam</b>	Operational Policy, Communications and Judicial Support Director
<b>Sir Leonard Peach</b>	Non-Executive Director

### Board of Management responsibilities

The Board of Management has approved the accounts for the year ended 31 March 2005 and has confirmed that it gives a true and fair view of the state of the affairs of the Agency and of the results of the Agency for the year. In the preparation of the accounts, the Board of Management has accepted suitable accounting policies and applied them consistently; made judgements and estimates that are reasonable and prudent; and have prepared the accounts on a going concern basis.



Christina Townsend  
Chief Executive

## Statement of the Appeals Service and Accounting Officer responsibilities

Under the Government Resources and Accounts Act 2000, the Treasury has directed the Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction detailing the resources acquired, held, or disposed of during the year and the use of resources by the Agency during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its 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 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Principle Accounting Officer of the DWP has appointed me as the Accounting Officer for the Agency. The responsibilities of an 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 Officers' Memorandum, issued by the Treasury and published in Government Accounting.

The maintenance and integrity of the Agency website is the responsibility of the Accounting Officer.

Signed



Christina Townsend

Chief Executive

## 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 78 to 97 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 81 to 83.

### Respective responsibilities of the Agency, the Chief Executive and Auditor

As described on page 69 the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 72 to 77 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of the financial

transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In my opinion:

The financial statements give a true and fair view of the state of affairs of the Appeals Service Agency at 31 March 2005 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  
15th July 2005

National Audit Office  
157 - 197 Buckingham Palace Road  
Victoria  
London SW1 9SP

### 1 Scope of responsibility

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Appeals Service Agency's 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.

My responsibilities as Agency Accounting Officer are more fully defined in a letter from the Permanent Secretary. This provides that I am responsible to the Minister and accountable to Parliament for the Agency's use of resources in carrying out its functions.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency and departmental policies, aims and objectives, to evaluate the likelihood of those risks being experienced 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 the Appeals Service for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3 Capacity to handle risk

The Agency Senior Management Team and myself lead the risk management process. The Senior Management Team maintains a risk register. All identified risks are assigned to named senior risk owners and risk action managers who are accountable for their management and mitigation. The strategic risk register is reviewed on a monthly basis by the Senior Management Team, whose members present monthly reports of the risks to achievement of the targets and objectives for which they are accountable. Procedures are in place for the escalation of risks as required to the Executive Team of the Department for Work and Pensions (DWP). The Appeals Service Finance Director represents the Appeals Service on the DWP Strategic Risk Review Board.

The Audit Committee, chaired by our non-executive director, Sir Leonard Peach, acts in an advisory capacity. Its role is to support me by offering objective advice on issues concerning the risk, control and governance of the organisation and the associated assurances. Its terms of reference are consistent with the Audit Committee Handbook published by HM Treasury and were reviewed in June 2004

Guidance is available to all staff in an Appeals Service Risk Management Guide and in DWP guidance. All actual or potential senior risk owners and risk action managers have been trained, or have access to training, in the procedures. Best practice is identified and disseminated by risk management experts in DWP and advice is available from the DWP's internal auditors.

## 4 The risk and control framework

The Appeals Service has adopted the DWP Risk Management Policy and strategy as its own. Its underlying risk management principles are that:

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

### Context

In my Statement on Internal Control for the year ending 31st March 2004, I recognised that some caution was required as we moved into a new era in our business development and organisation design. Accordingly we took stock of our arrangements and implemented steps to strengthen internal control. These included, focusing internal audit coverage more on risk and improving performance measurement, reporting and management. More is said about this in section 5. However steps to strengthen the constitution of our Audit Committee were not progressed because on transfer to the Department for Constitutional Affairs we will be part of a larger Agency with governance arrangements determined by this department.

The top risk priorities for the Agency are any risks to the achievement of Secretary of State and other key targets and objectives, risks to the success of our change programme, risks to the achievement of our headcount reduction targets and our ability to manage the service with the headcount reduction and risks from the complexity of management arising from the strong interest in us by the DCA prior to our move to their department.

The Senior Management Team assesses the organisation's management of risk during the annual planning and monthly performance review cycle. Our management of risk is embedded in policymaking, planning and delivery by incorporating the identification of risks in the annual business plans produced by each Director and by regularly reviewing and updating risk registers at each level of the Agency. I sit on the DWP Efficiency Programme Board, chaired by the

Permanent Secretary, which directs the delivery of modernisation projects, including oversight of risks and governance procedures.

Risks are also managed with stakeholders and partners through a variety of forums and service agreements. We have begun the process of updating and strengthening these arrangements and will complete them during the coming financial year.

We also have in place national and local business continuity plans to manage the risk of loss of premises, staff, computer systems and services provided by external providers. These have been rehearsed successfully a number of times during the year. My Information Services Director reports annually to me and to the Audit Committee on the effectiveness of our business continuity arrangements.

Internal control is further exercised through a system of checks designed to mitigate the risk of fraud and error. During the year we have completed a review of existing mandatory controls and checks to assess whether they are proportionate and effectively managing genuine risk. We have identified those controls and checks that need to be embedded within existing and new processes and systems and designed improved management information on control and compliance.

Our risk environment involves managing a number of risks that might impact on the public. We have during the year continued to improve security at our tribunal venues, with a security presence at each, thus mitigating risks to members of the public, panel members and others. Representatives of the public, DWP Agencies and other relevant benefit decision-making bodies are consulted via local Tribunal User Groups and a National Customer Liaison forum.

The security regime addresses risks to assets and internal security, including

maintenance of a Fixed Asset Register and associated asset checks. My Information Services Director reports to me and to the Audit Committee annually on the Agency's security status.

Compliance with information security procedures is monitored by accreditation requirements and a series of security healthchecks. The Agency complies with relevant data protection legislation and takes appropriate action to minimise unauthorised disclosures of any personal information it is required to hold as a result of its business. The Agency has also put in place policies and procedures for ensuring compliance with the Freedom of Information Act.

There remain some risks that inevitably lie outside of my direct control. Obviously, I have no role in the running or decisions of the individual tribunals, nor any role in the management, appraisal or discipline of tribunal members. There continues to be a level of inherent risk arising from the fact that I do not have control over judicial processes. The principal areas concerned are:

- Number of appeals listed. Case timings are set by the judiciary, effectively determining the number of cases to be listed for hearing sessions for each given case type as set out in the Clerks Handbook of Appeals Procedures;
- Frequency of hearings adjourned or postponed for a future date. Whether a hearing should be adjourned or postponed is at the discretion of the tribunal;
- Control over the number of panel members appointed and over the terms and conditions of their appointments. Section 6(4) of the Social Security Act 1998 provides that the numbers of, and terms and conditions for, panel members shall be determined by the Lord Chancellor – though with the

consent of the Secretary of State. Section 6(5) provides that a person may only be removed in limited specified circumstances. The 5 yearly panel member appointments are automatically renewable. Non renewal can only take place for the reasons set out in section 6(5), or for reasons related to a reduction in numbers arising from operational or structural requirements.

These factors restrict my flexibility as accounting officer of the Appeals Service to meet changing service needs and as such present a potential risk to service delivery, modernisation, Secretary of State targets and to improving efficiency. I am in discussion with judicial representatives to identify the means by which such risks may be best managed and made some progress in 2004-2005. In particular, during the year I gained agreement to the terms of appointment being altered so that if work is not available, payment is not made. I also gained agreement for the primary tribunal venue to which a panel member is assigned being altered if operational requirements change. These amendments to the terms of appointment were agreed ahead of the reappointment of 1,503 of the 2,001 panel members.

## **Change**

The DWP headcount targets resulted in uncertainty for our staff and some loss of motivation as reported by the judiciary as well as resistance from the judiciary, concerned about the impact on operational service levels. Good communications with our staff and suitable redeployment opportunities for them provided through DWP regional workforce management groups has helped maintain good employee relations. The full use of our management information relating to the performance of each of our operating sites has been

valuable in managing the change, enabling us to take corrective action quickly.

The 2004-2005 Business Plan indicated that there had been DWP agreement to establish a Change Programme predicated on the results of our Feasibility Study completed in June 2004. The aims of the study were to reduce operating costs, allow more efficient use of the estate and to improve customer service. The study recommended the rationalising of our processing from eight sites to one, at Burnley Pension Centre, improvements to the quality of our tribunal accommodation and their geographical locations and stabilising our IT system through replatforming it. Given that the Appeals Service is to be part of the new Tribunal Service, we consulted colleagues in the DCA about how our plans could best fit into the wider picture and, in the light of this consultation, decided not to proceed with the centralisation of our backroom processing. The other components of the Change Programme are being progressed.

The Agency is currently supporting the joint DWP / DCA plan for its transfer to the Tribunals Service. In addition it continues to pursue its own operations in line with the aims and objectives agreed in its approved and published Business Plan. The increased complexity to the management of the Agency is unavoidable and will continue until the move from the DWP to the DCA is complete.

## 5 Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the DWP Internal Assurance Services and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Senior Management Team and the Audit Committee and a plan to ensure continuous improvement of the system is in place.

The Agency has continued to face a period of uncertainty and change as it moves towards modernisation, improved efficiency and service to its customers, and its eventual move to the DCA. This required the continuous development of improved management information, more effective systems of internal control, and increased focus on risk management and on staff communication and close working with DWP in order to successfully re-deploy staff where necessary.

### Audit Committee

The Audit Committee met three times in 2004/5. It discussed the system of internal control, receives reports from DWP Internal Assurance Services and where appropriate representatives of the National Audit Office (NAO). The Committee is chaired by our non-executive Director and the Committee's terms of reference and membership are in accordance with the HM Treasury publication 'The Audit Committee Handbook'. During the coming year the

Committee will assess its own effectiveness using the self-assessment framework recommended by the NAO.

I also commissioned an independent external review of corporate governance within the Agency. The recommendations have been considered by the Senior Management Team and the Audit Committee and a number of the recommendations agreed and are now in place.

### Improving risk management

My Finance Director acts as Risk Improvement Manager and is responsible for developing and improving the Agency's risk management capability as a result of the risk improvement programme resulting from the Strategy Unit's report 'Improving Government's capability to handle risk and uncertainty'. I have continued to assess the Agency's risk management capability and effectiveness using the HM Treasury Risk Assessment Framework.

The current Strategic Plan sets out clearly our strategic intents and provides a sound basis for an annual Business Plan, which in 2004/5 was more comprehensive, and target driven than before.

Improvement actions that have been, or are in the process of being, implemented include:

- improvements in the use of management information, with a balanced scorecard containing financial, operational, staff and customer information being presented to the Senior Management Team each month;
- monthly reports from Directors setting out progress against and risks to targets and objectives are produced monthly;
- meetings of the Senior Management Team have now increased to twice

monthly, one meeting considering risks and performance against plans and the second considering strategic issues;

- further enhancements to management information computer systems;
- introduction of a new strategic risk register consistent with the requirements of the DWP Executive Team;
- the full induction to the DWP, DCA and the Appeals Service of our non-executive director who chairs the Audit Committee and attends Senior Management Team meetings;
- the Chair of the Audit Committee also sits on the DWP Audit Committee ensuring a better understanding of the operational context for the Appeals Service
- presentation of terms of reference for internal audit studies for agreement by the Senior Management Team;
- presentation of internal audit reports and recommendations and draft Audit Committee agendas to the Senior Management Team for comment and implementation;
- presentation of the external auditors' management letter to the Senior Management Team for comment and action;
- the introduction of letters of delegation from myself to each of my Directors setting out their accountabilities (including their responsibilities for ensuring conformance with the Standing Financial Instructions of the DWP), the outcomes they are expected to achieve, the decision-making forums on which they are to sit, their delegated purchasing authority and their delegated financial authority;

## Internal audit

In agreeing our internal audit plan, emphasis has been placed on the engagement and involvement of all members of my Senior Management Team. The plan has also been reviewed at each Audit Committee meeting. The Internal Audit Plan is focusing coverage more on the Agency's identified key risks and improving performance measurement, reporting and management than previously.

The Department's internal auditors have undertaken at my request a review of key risks impacting the Agency and the systems of control in place to mitigate them. This work culminates in the presentation of the IAS Annual Assurance Report, which offered substantial assurance (basically sound risk management, governance arrangements or control systems established, but they are not fully developed or consistently applied). Recommendations made by the internal auditors have been accepted onto the Agency's work programme.

## 6 Significant internal control problems

There were no significant internal control problems in the year.

Christina Townsend, Chief Executive.

Signed:



Christina Townsend  
Chief Executive

## Operating Cost Statement for the year ended 31 March 2005

	Notes	2004-2005 £'000	2003-2004 £'000
<b>Administration Costs</b>			
Staff costs	2	27,729	26,880
Non-staff administration costs	3	38,532	46,051
		<hr/>	<hr/>
<b>Gross Administration Costs</b>		66,261	72,931
Interest receivable and similar income	6	(40)	(25)
		<hr/>	<hr/>
<b>Net Administration Costs</b>		66,221	72,906

All income and expenditure are derived from continuing operations

## Statement of Recognised Gains and Losses for the year ended 31 March 2005

	Notes	2004-2005 £'000	2003-2004 £'000
Net (loss)/gain on revaluation of tangible fixed assets	15	0	(29)
		<hr/>	<hr/>
<b>Total recognised gains and losses for the financial year</b>		0	(29)

The notes on pages 81 to 97 form part of the accounts.

## Balance Sheet As at 31 March 2005

	Notes	31 March 2005		31 March 2004	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	7		<u>1,326</u>		<u>1,212</u>
<b>Debtors falling due after more than one year</b>	9		90		166
<b>Current assets</b>					
Debtors falling due within one year	9	582		353	
Cash at bank and in hand	10	<u>13</u>		<u>14</u>	
		595		367	
<b>Current liabilities</b>					
Creditors (amounts falling due within one year)	11	<u>(5,210)</u>		<u>(5,801)</u>	
<b>Net Current liabilities</b>			<u>(4,615)</u>		<u>(5,434)</u>
<b>Total assets less current liabilities</b>			(3,199)		(4,056)
<b>Creditors (amounts falling due after more than one year)</b>					
Provisions for liabilities and charges	13	<u>(223)</u>		<u>(336)</u>	
			<u>(223)</u>		<u>(336)</u>
			<u>(3,422)</u>		<u>(4,392)</u>
<b>Taxpayers' equity</b>					
General fund	14		(3,422)		(4,392)
Revaluation reserve	15		<u>0</u>		<u>0</u>
			<u>(3,422)</u>		<u>(4,392)</u>

The notes on pages 81 to 97 form part of the accounts.

Signed:



Christina Townsend  
Chief Executive  
7th July 2005

## Cash Flow Statement for the year ended 31 March 2005

		2004-2005	2003-2004
	Notes	£'000	£'000
<b>Net cash outflow operating activities</b>	(i)	(53,468)	(57,089)
<b>Capital expenditure and financial investment</b>	(ii)	(45)	(246)
<b>Financing from the Consolidated Fund</b>	(iii)	33,566	33,388
<b>Financing from the National Insurance Fund</b>	(iii)	19,946	23,946
<b>Increase/(Decrease) in cash in the period</b>		<u>(1)</u>	<u>(1)</u>
Notes to the Cashflow Statement		£'000	£'000
<b>(i) Reconciliation of operating cost to operating cash flow</b>			
<b>Net operating cost</b>		66,221	72,906
Adjustment for non-cash transactions	4	(13,778)	(13,427)
Adjustment for movements in working capital other than cash	8	897	(2,523)
Amount of provision utilised in year	13	128	133
<b>Net cash outflow from operating activities</b>		<u>53,468</u>	<u>57,089</u>
<b>(ii) Analysis of capital expenditure and financial investment</b>			
Purchases of fixed assets	7e	45	246
Proceeds from disposal of fixed assets		0	0
<b>Net cash outflow</b>		<u>45</u>	<u>246</u>
<b>(iii) Analysis of financing and reconciliation to the net cash requirement</b>			
From Consolidated Fund	14	33,566	33,388
From National Insurance Fund	14	19,946	23,946
<b>Financing Inflow</b>		<u>53,512</u>	<u>57,334</u>
(Increase)/Decrease in cash	10	1	1
<b>Total cash requirement</b>		<u>53,513</u>	<u>57,335</u>

The notes on pages 81 to 97 form part of the accounts.

## 1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2004-2005 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 the purpose of giving a true and fair view has been selected. The Agency's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

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

### 1.2 Tangible fixed assets

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

All computers, together with other tangible assets costing more than the prescribed capitalisation limit of £5,000, are treated as capital assets. Where an item costs less than the capitalisation limit 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. On initial recognition they are measured at cost including any costs, such as installation, directly attributable to bringing them into working condition.

All fixed assets are revalued by reference to appropriate HM Treasury approved indices. Increases in value are credited to the revaluation reserve whilst decreases in value 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 upwards.

### 1.3 Land and buildings

The Agency does not include in its Balance Sheet capital values for the freehold and leasehold land and buildings which it occupies under the Private sector Resource Initiative for Management of the Estate (PRIME) contract.

### 1.4 Depreciation

Depreciation is provided on all tangible fixed assets, using the straight line method, at rates calculated to write off the current replacement cost (less any estimated residual value) of each asset, in equal instalments over its expected useful life. Fixed assets are depreciated from the month following acquisition. No depreciation is charged in the month of disposal. Assets in the course of construction are not depreciated until they are brought into use.

Tangible fixed assets are depreciated over the following estimated useful lives:

Information Technology	3 to 5 years
Office Machinery	5 to 10 years
Motor Vehicles	4 to 7 years

### 1.5 Stock

The Agency holds stocks of stationery, computer spares and similar consumable materials. Due to the nature of these items the Agency does not consider it appropriate to reflect their value in the Balance Sheet. Accordingly the Agency has charged all expenditure on consumable items to the Operating Cost Statement.

### 1.6 Administration expenditure

Administration costs reflect the costs of running the Agency. These include both administration costs and associated income. Income is analysed in the notes between that which, under the administrative cost-control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

### 1.7 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It principally comprises fees and charges for services provided on a full-cost basis to external customers, as well as public repayment work. It includes both income appropriated in aid of the Estimate but also income to be surrendered to the Consolidated Fund which in accordance with the Resource Accounting Manual is treated as operating income (see Note 6). Operating income is stated net of VAT.

### 1.8 Cost of capital charge

A charge, reflecting the cost of capital utilised by The Appeals Service, is included in notional operating costs (see Note 5). The charge is calculated at the real rate set by HM Treasury (currently 3.5% : 2003-2004 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a. intra departmental balances
- b. 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), details of which are described in Note 2. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. The Appeals Service meets the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. In respect of the defined Contribution Schemes, the Appeals Service recognises the contributions payable for the year. There is a separate scheme statement for the PCSPS as a whole. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

### **1.10 Early departure costs**

The Agency meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Agency provides for this in full when the early retirement programme becomes binding on the Agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 per cent in real terms. In past years the Agency paid in advance some of its liability for early retirement by making a payment to Paymaster General's Account at the Bank of England for the credit of the Civil Service Superannuation Vote. The balance remaining is treated as a prepayment which is disclosed within debtors (see Note 9).

### **1.11 Operating leases**

Operating lease rentals are charged to the Operating Cost Statement in equal amounts over the term of the lease on a straight line basis.

### **1.12 Private Finance Initiative (PFI) transactions**

PFI transactions have been accounted for in accordance with Technical Note No.1 (Revised) 'How to account for PFI transactions' as required by the RAM. Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Agency has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract.

### **1.13 Provisions**

The Agency provides for legal or constructive obligations which are of uncertain timing or amount at the Balance Sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate of 3.5% (2003-2004 – 3.5%) in real terms.

### **1.14 Value Added Tax**

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

## 2 Staff numbers and related costs

### a Staff costs

Staff costs consist of:

			2004-2005	2003-2004
	Permanently employed staff	Others	Total	
	£'000	£'000	£'000	£'000
Wages and salaries	21,001	1,374	22,375	21,710
Social security costs	1,713	0	1,713	1,675
Other pension costs	3,641	0	3,641	3,495
<b>Total</b>	<u>26,355</u>	<u>1,374</u>	<u>27,729</u>	<u>26,880</u>

The Principal Civil Service Pension Schemes (PCSPS) to which most of the Appeals Service's employees are members is an unfunded multi-employer defined benefit scheme but The Appeals Service is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-2005 normal employer contributions of £3.6 million (2003-2004 – £3.5million) were payable, to the PCSPS at one of the four rates in the range 12% – 18.5% of pensionable pay, based on salary bands. The schemes' Actuary reviews employer contributions every four years following a full schemes' valuation. Rates will increase from 2005-2006. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred; and reflect past experience of the scheme.

Outstanding contributions amounting to £89k (2003-2004 – £nil) were payable to the Civil Superannuation Vote at 31 March 2005 and are included in creditors (see note 11).

Employees joining after 1 October 2002 could opt to open a partnership pension account which is a stakeholder pension with an employer contribution. Employer's contributions of £4k (2003-2004 £nil) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3-12.5% (2003-2004 3-12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

2 persons (2003-2004 nil persons) retired on ill-health grounds; the additional accrued pension liabilities in the year amounted to £8k (2003-2004 £11k).

## b Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

	Permanently employed staff Number	Others Number	2004-2005 Number	2003-2004 Number
Average number of whole time equivalents persons employed	782	27	809	856
Members of the Judiciary	71	0	71	71
<b>Total</b>	<u>853</u>	<u>27</u>	<u>880</u>	<u>927</u>

## c Salary and pension entitlements

The following sections provide details of the remuneration and pensions interests of the Senior management of the Agency.

Remuneration	2004-2005		2003-2004	
Senior Management	Benefits in kind		Benefits in kind	
	Salary £'000	(to nearest £100) £	Salary £'000	(to nearest £100) £
Christina Townsend (from June 2003)	115-120	0	60-65	0
Norman Egan	60-65	0	60-65	4,800
Alex Maddocks (to 10th January 2005)	50-55	1,500	65-70	4,200
Carol Brooke	35-40	0	30-35	0
Beryl Condra (to 17th May 2004)	15-20	0	45-50	0
Nick Peacey (from 17th May 2004)	30-35	2,300	0	0
Phil Teece	55-60	0	55-60	0
Ian McWilliam	45-50	0	45-50	0

### Salary

Salaries quoted relate solely to the period during the year when the individuals concerned served on the Board.

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Steve Hayes, Human Resources Director; Paul Duffy,

Modernisation Director; and Edward James, Director of Finance and Planning, are not salaried.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Two Directors have had the use of Private Use Scheme (PUS) motor vehicles during the year 2004/05.

## Pension Benefits

Senior Management	Real increase in pension and related lump sum at age 60 £'000	Accrued pension at age 60 as at 31/03/05 and related lump sum £'000	CETV at 31/03/05 £'000	CETV at 31/03/04 £'000	Real increase in CETV £'000	Employer contribution to partnership account £'000
Christina Townsend	0-2.5	0-5	55	21	18	0
Norman Egan	0-2.5 Plus 0-2.5 lump sum	25-30 Plus 80-85 lump sum	472	444	7	0
Alex Maddocks (to January 2005)	0-2.5 Plus 0-2.5 lump sum	5-10 Plus 20-25 lump sum	97	86	6	0
Carol Brooke	0-2.5 Plus 2.5-5 lump sum	5-10 Plus 25-30 lump sum	114	95	13	0
Beryl Condra (to May)	0-2.5 Plus 0-2.5 lump sum	10-15 Plus 35-40 lump sum	204	201	3	0
Nick Peacey (from May)	0-2.5 Plus 2.5-5 lump sum	5-10 Plus 25-30 lump sum	120	91	22	0
Phil Teece	0-2.5 Plus 0-2.5 lump sum	0-5 Plus 10-15 lump sum	57	42	12	0
Ian McWilliam	0-2.5 Plus 2.5-5 lump sum	15-20 Plus 55-60 lump sum	273	241	17	0

## Civil Service Pensions

Pensions benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three year's pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to the limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill-health retirement).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by the member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member

leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own costs. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## d) Non – executives

Fees paid to non-executive Board members amounting to £16k (2003-2004 – £2k) were:

	2004-2005	2003-2004
	Total Fees	Total Fees
Notes	£'000	£'000
Sir Leonard Peach	16	2

Fees paid to Sir Leonard Peach include amounts in respect of his membership of the DWP Audit Committee.

### 3 Non-staff administration costs

		2004-2005	2003-2004
	Notes	£'000	£'000
Goods and services	3a	4,996	11,265
Accommodation costs		1,331	2,178
Operating Leases: Hire of Plant & Machinery		487	667
Non-cash items	4	13,778	13,427
Compensation to customers	3b	4	12
Tribunal Expenses	3c	17,936	18,502
		<u>38,532</u>	<u>46,051</u>

- a Goods and Services expenditure is mainly in respect of postage, printing and stationery, minor capital items, external consultancy costs, utilities and staff related non payroll costs.
- b The Agency compensates those customers whose cases have been badly handled. The Agency has extended its policy on redress and will, exceptionally, consider making consolatory payments for worry and distress caused by serious official error, or by the mishandling of a complaint.
- c This is the cost of staging the appeals tribunals and includes the fees and expenses of tribunal members, accommodation costs, the cost of additional medical evidence and travel expenses of the appellants themselves.

### 4 Non-staff administration costs: Non-cash items

		2004-2005	2003-2004
	Notes	£'000	£'000
Notional costs	5	13,149	12,861
Depreciation	7d	503	396
(Profit)/Loss on disposal of fixed assets	7d	50	63
Impairment of fixed assets	7b	61	79
		<u>13,763</u>	<u>13,399</u>
Provisions:			
Movement in year	4a/13	8	2
Unwinding of discount	4b/13	7	26
		<u>13,778</u>	<u>13,427</u>

- a 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.
- b 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.

## 5 Notional costs

Certain services are provided and received by the Agency without the transfer of cash. Amounts are included in the net cost of operations of £13.1 million (2003-2004 – £12.9 million) to reflect these costs and are made up as follows:

		2004-2005	2003-2004
	Notes	£'000	£'000
Costs of Capital charge		(124)	(110)
Auditors remuneration and expenses	5a	43	57
Intra Departmental Charges: Services provided and costs incurred by other Departmental business on behalf of the Agency	5b	13,230	13,474
Less: Costs incurred by the Agency on behalf of other Departmental business	5c	0	(560)
		<u>13,149</u>	<u>12,861</u>

a 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 during 2004-2005 and 2003-2004.

b Services provided by other Departmental Business Units on behalf of the Agency include the operation of payroll, accounting systems and accommodation costs

provided by DWP Corporate Centre. Costs incurred by other Departmental Business Units on behalf of the Agency include £9.1 million (2003-2004 £9.3 million) of accommodation costs.

c Services provided by the Agency on behalf of other Departmental Business Units includes corporate services and overheads.

## 6 Income and Appropriations in Aid

### Operating Income

Operating income not appropriated in aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not. In 2004-2005 all operating income not classified as A in A was within public expenditure.

Administration Income	2004-2005			2003-2004		
	Appropriated in aid	Payable to Consolidated Fund	Total	Appropriated in aid	Payable to Consolidated Fund	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees and charges to external customers	(35)	0	(35)	(24)	0	(24)
Interest received on pre-funding for early departure costs	(5)	0	(5)	(1)	0	(1)
	<u>(40)</u>	<u>0</u>	<u>(40)</u>	<u>(25)</u>	<u>0</u>	<u>(25)</u>

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

	2004-2005			2003-2004		
	Income	Full cost	Surplus/Deficit	Income	Full cost	Surplus/Deficit
	£'000	£'000	£'000	£'000	£'000	£'000
External customers	(35)	35	0	(24)	(24)	0
	<u>(35)</u>	<u>35</u>	<u>0</u>	<u>(24)</u>	<u>(24)</u>	<u>0</u>

Income information is provided to meet HM Treasury's Fees and Charges requirements and not for SSAP 25 purposes.

## 7 Tangible fixed assets

		Information Technology	Office Machinery	Motor Vehicles	Assets Under Construction	Total
<b>Cost or valuation</b>	Notes	£'000	£'000	£'000	£'000	£'000
At 1 April 2004		1,914	477	168	0	2,559
Additions	7a	32	1	0	165	198
Transfers in	7c	517	1	12	0	530
Disposals	7d	(77)	(6)	(10)	0	(93)
Revaluation		0	6	3	0	9
Impairment	7b	(96)	0	0	0	(96)
As at 31 March 2005		<u>2,290</u>	<u>479</u>	<u>173</u>	<u>165</u>	<u>3,107</u>
<b>Depreciation</b>						
At 1 April 2004		955	298	94	0	1,347
Charged in year	7d	403	56	44	0	503
Transfers in	7c	0	0	0	0	0
Disposals	7d	(29)	(6)	(8)	0	(43)
Backlog Depreciation		0	4		0	9
Backlog Depreciation Impairment	7b	(35)	0	5	0	(35)
As at 31 March 2005		<u>1,294</u>	<u>352</u>	<u>0</u>	<u>0</u>	<u>1,781</u>
Net book value 31 March 2005		<u>996</u>	<u>127</u>	<u>135</u>	<u>165</u>	<u>1,326</u>
Net book value 31 March 2004		<u>959</u>	<u>179</u>	<u>38</u>	<u>0</u>	<u>1,212</u>
Utilisation 31 March 2005				74		
Assets in current use:						
Owned		996	127		165	1,326
Finance leased		0	0	38	0	0
Net book value 31 March 2005		<u>996</u>	<u>127</u>	<u>0</u>	<u>165</u>	<u>1,326</u>

- a Total additions in the year were £198k (2003-2004, £217k).
- b The impairment in fixed assets arising from the decrease in value of £61k in excess of previous revaluation has been charged to the Operating Cost Statement (see Note 4).
- c The transfers in and out of assets relates to the purchase and disposal by Departmental Corporate Centre on behalf of the Agency, computer equipment with a net book value of £517k (2003-2004, £474k) office machinery of £1k (2003/04 £nil), and motor vehicles acquired of £12k (2003-2004 £20k).
- d Total depreciation in the year was £503k (2003-2004, £396k). The loss on sale of fixed assets charged to the Operating Cost Statement for the year is £50k (2003-2004, £63k), (see Note 4).

## e Cash Flow Reconciliation

	£'000
Capital Creditor/(Prepayment) at 1 April	16
Capital Accruals at 1 April	0
Capital Additions	198
Capital Creditor at 31 March 2005	(4)
Capital Accruals at 31 March 2005	(165)
Purchases of Tangible Fixed Assets per Cash Flow Statement	<u>45</u>

## 8 Movements in working capital other than cash

		2004-2005	2003-2004
	Notes	£'000	£'000
(Increase)/Decrease in debtors	9	(153)	348
(Decrease)/Increase in creditors	11	(591)	2,146
		<u>744</u>	<u>2,494</u>
Adjustments: movement in working capital not relating to net operating costs			
Movement in capital trade creditors	11	12	2
Movement in capital accruals	11	(165)	27
		<u>(897)</u>	<u>2,523</u>

## 9 Debtors

		2004-2005	2003-2004
	Notes	£'000	£'000
Amounts falling due after more than one year			
Deposits and advances	9a/20	18	29
Early departure prepayment		72	137
		<u>90</u>	<u>166</u>
Amounts falling due within one year			
Intra Departmental		0	0
VAT		307	136
Deposits and advances		28	0
Prepayments and accrued income		153	80
Early departure prepayment		66	76
Other debtors		28	61
		<u>582</u>	<u>353</u>

- a Deposits and advances due after one year include £18k (2003-2004 £24k) house purchase advances.

## 10 Cash at bank and in hand

	2004-2005	2003-2004
Notes	£'000	£'000
Balance at 1 April	14	15
Net cash inflow/(outflow)	(1)	(1)
Balance at 31 March 2005	<u>13</u>	<u>14</u>

The following balances were held at 31 March 2005

Commercial banks and cash in hand	13	14
-----------------------------------	----	----

- a The Office of HM Paymaster General (OPG) provides a current account banking service.
- b The current Departmental policy is to hold all operational bank accounts centrally due to Vote funding requirements. The Financial Services Division of the Corporate Centre is the custodian of the Department's bank accounts and, as such, holds balances on behalf of the Agency.

## 11 Creditors

	31 March	31 March
Notes	2005	2004
	£'000	£'000
<b>Amounts falling due within one year</b>		
Trade creditors	(1,945)	(808)
Capital trade creditors	(4)	(16)
Amounts due to other Government Departments (including Local Authorities)	(52)	0
Taxation and social security	(1,041)	(941)
Superannuation	(89)	0
Accruals and deferred income	(1,690)	(3,813)
Capital accruals	(165)	0
Other creditors	(224)	(223)
	<u>(5,210)</u>	<u>(5,801)</u>

## 12 Intra-government balances

	Debtors: amounts falling due within one year £'000	Debtors: amounts falling due after more than one year £'000	Creditors: amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
Balances with other central government bodies	0	0	30	0
Balances with local authorities	0	0	22	0
Balances with bodies external to government	582	90	5,158	0
<b>As at 31 March 2005</b>	<u>582</u>	<u>90</u>	<u>5,210</u>	<u>0</u>

## 13 Provision for liabilities and charges

### Early retirement and pension commitments

		2004-2005		
	Notes	Provision £'000	Prepayment £'000	
			Net Provision £'000	
Balance at 1 April 2004		336	(213)	123
Amounts utilised in year		(128)	80	(48)
Increase in provisions:				
New entrants	4	4		4
Uplift	4	4		4
Unwinding of the discount	4	7		7
Interest received on prefunding		0	(5)	(5)
Balance at 1 April 2005		<u>223</u>	<u>(138)</u>	<u>85</u>
Due within one year		109	(66)	43
Due after one year	20	114	(72)	42

The prepayment available for offset is included in debtors (see Note 9).

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

	Notes	2004-2005		2003-2004	
		£'000	£'000	£'000	£'000
Net operating cost for the year			(66,221)		(72,906)
Financing from Consolidated Fund			33,566		33,388
Financing from National Insurance Fund			19,946		23,946
Notional charges	5		13,149		12,861
Non-cash capital additions			530		483
Net increase/(decrease) in General Fund			970		(2,228)
General Fund at 1 April			(4,392)		(2,164)
General Fund at 31 March 2005			<u>(3,422)</u>		<u>(4,392)</u>

The General Fund represents the historical cost of the assets employed by the Agency in its operations.

## 15 Reserves

### Revaluation reserve

	Notes	2004-2005	2003-2004
		£'000	£'000
Balance at 1 April		0	29
Arising on revaluation during the year (net)	7	0	(29)
Transferred to General Fund in respect of realised element of revaluation reserve	14	0	0
Balance at 31 March		<u>0</u>	<u>0</u>

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

## 16 Capital commitments

	31 March 2005 £'000	31 March 2004 £'000
Contracted capital commitments at 31 March for which no provision has been made	1,035	0
	<u>1,035</u>	<u>0</u>

## 17 Commitments under non-Private Finance Initiative leases

### Operating Leases

At 31 March The Appeals Service was committed to making the following payments during the next year, analysed according to the period in which the lease expires:

	2004-2005 Notes £'000	2003-2004 £'000
Expiry within 1 year	15	151
Expiry after 1 year but not more than 5 years	56	113
Expiry thereafter	0	0
	<u>71</u>	<u>264</u>

## 18 Commitments under PFI contracts

There are no contracted PFI contracts outstanding.

## 19 Related Party Transactions

The Appeals Service is an Executive Agency of the DWP (the Department).

The Department is regarded as a related party. During the year, the Agency has had a significant number of material transactions with the Department and other central Government bodies and with other entities for which the Department is

regarded as the parent department, viz.: Child Support Agency, Jobcentre Plus, the Pension Service, Independent Statutory Bodies. (see Note 5).

In addition the Agency has had a number of transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Inland Revenue.

## 20 Financial Instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its

activities. Because of the largely non-trading nature of its activities and the way in which 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.

### **Liquidity Risk**

The Agency's net revenue resource requirements are financed by resources voted annually by Parliament, just as its capital expenditure is and by recoveries from the National Insurance Fund. The Agency is not, therefore, exposed to significant liquidity risks.

### **Interest Rate Risk**

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

### **Financial Liabilities**

As at 31st March 2005 the Agency's gross financial liabilities totalled £114,526 (31 March 2004 – £209,465), all of which related to non-interest bearing financial liabilities. The weighted-average period to maturity was 0.9 years (March 2004 – 1.7 years).

### **Financial Assets**

As at 31 March 2005 gross financial assets totalled £17,933 (31 March 2004 – £24,497), all of which relates to non-interest bearing financial assets. The weighted-average period to maturity was 5.1 years (31 March 2004 – 3.2 years).

## **21 Performance against targets**

The Agency was set the high level performance target of managing the Agency's resources to deliver its Business Plan within the funds voted by Parliament and funds recovered from the National Insurance Fund. The Agency has delivered its 2004-2005 Business Plan within gross allocations.

## Appendix 6

### Senior Officers of the Appeals Service and Office Locations

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

John Tinnion	Regional Chair	North East
Nick Warren	Regional Chair	North West
Jim Wood	Regional Chair	Wales & the South West
Jeremy Bennett	Regional Chair	South East
Robert Martin	Regional Chair	Eastern
Ken Kirkwood	Regional Chair	Scotland
Jessica Burns	Regional Chair	Central

The Chief Executive, **Dr Christina Townsend**, is supported by a team of eight Executive Directors and one Non-Executive Director:

Norman Egan	Director of Operations and Deputy Chief Executive
Paul Duffy (interim)	Modernisation Director
Alex Maddocks	Director of Finance and Planning (to January 2005)
Phil Teece	Modernisation Programme Director
Edward James (interim)	Director of Finance and Planning
Carol Brooke	Information Systems Director
Steve Hayes (interim)	Human Resources Director
Ian McWilliam	Operational Policy, Communications and President's Support Director
Nicholas Peacey	Acting Change Director
Sir Leonard Peach	Non-Executive Director

## Appeals Service Headquarters (London)

Appeals Service  
Fox Court  
14 Gray's Inn Road  
London  
WC1X 8HN  
Tel. 0207 712 2600

President: His Honour Judge Michael Harris  
Chief Executive: Christina Townsend  
Operational Policy: Ian McWilliam

## Appeals Service Administration Centres

### Bristol

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

Finance Director: Ed James  
Finance Director: Alex Maddocks (to January 2005)  
HR Director: Steve Hayes

### Burnley

Appeals Service  
Burnley Pension Centre  
Simonstone  
Blackburn Road  
Burnley  
BB12 7TG  
Tel. 01282 688836

Modernisation Programme Director: Phil Teece  
IS/IT Director: Carol Brooke

## 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  
Senior Operations Manager: 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  
Regional Manager: Joseph Traynor

### **Appeals Service Newcastle**

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

Regional Chairman (North East): John Tinnion  
(based in Leeds)  
Regional Manager: Joseph Traynor (based in  
Leeds)

### **Appeals Service Liverpool**

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

Regional Chairman (North West): Nick Warren  
Acting Change Director: Nicholas Peacey  
Senior Operations Manager: Ken Riley  
Regional Manager: Shirley Brown

### **Appeals Service Sutton**

Copthall House  
9 The Pavement  
Grove Road  
Sutton  
SM1 1DA  
Tel. 0208 710 2900

Regional Chairman (South East): Jeremy Bennett  
Regional Manager: Sheila Lankertis

### **Appeals Service Birmingham**

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

Regional Chairman (Central): Jessica Burns  
Acting Regional Manager: John Carlin

### **Appeals Service Nottingham**

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

Regional Chairman (Eastern): Robert Martin  
Regional Manager: Dianne Maddox

### **Appeals Service Cardiff**

Oxford House  
Hills Street  
The Hayes  
Cardiff  
CF1 2DR  
Tel. 0292 037 8071

Regional Chairman (Wales & South West of  
England): Jim Wood  
Regional Manager: Teresa Shackell

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