

Health and Social Care

**Pension Scheme Statement 2023-24
For the year ended 31 March 2024**

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For the year ended 31 March 2024**

Laid before the Northern Ireland Assembly under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001
by the Department of Finance
on 5th July 2024



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Health and Social Care Pension Scheme Statement for the year ended 31 March 2024

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A) ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS

Background to the Scheme

Statutory basis for the Scheme

The Health and Social Care (HSC) Pension Scheme (“the Scheme”) is an unfunded occupational scheme, which is open to all HSC employees and employees of other approved organisations. The Scheme provides pensions in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits payable.

Scheme provisions are governed by the following regulations:

- The Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995, as amended
- The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008, as amended
- The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015, as amended
- The Health and Personal Social Services (Compensation for Premature Retirement) Regulations (Northern Ireland) 1983, as amended
- The Health and Personal Social Services (Superannuation) (Additional Voluntary Contributions) Regulations (Northern Ireland) 1999, as amended

On 1 April 2008 a section of the HSC Pension Scheme was introduced for new members (the 2008 Section). Most members of the Pension Scheme who joined prior to 1 April 2008 remained in the old section (the 1995 Section). New joiners, between 1 April 2008 and 31 March 2015, became members of the 2008 Section.

On 1 April 2015 a career average scheme was introduced for new members and members of the 1995 Section and 2008 Section who were more than 13 years and 5 months from their normal retirement age on 1 April 2012.

Under the McCloud remedy (see below), from 1 April 2022 all members belong to the 2015 scheme for future accrual. Benefits held by members from the previous schemes are unchanged and retain their final salary link until retirement. Under the remedy all affected members who had already moved to the 2015 scheme will be returned to their legacy scheme for the period from 1 April 2015 to 31 March 2022 – when they claim their benefits they will have a choice of legacy/new scheme benefits for this period.

Eligibility to join the Scheme

The employers of HSC Pension Scheme members are classified as Employing Authorities or Direction Bodies. Employing Authorities are defined in the Regulations and their staff have automatic entry to the Scheme. Non-HSC employers can apply for Direction Body status in order that their staff may join the Scheme provided they meet specific criteria.

Main features of the Scheme, including benefits and how they are funded

The HSC Pension Scheme (1995 and 2008 Sections) was a final salary scheme. Members of the 1995 Section receive a pension of 1/80th of the best of the last three year's pensionable pay for each year of membership.

Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon 1.4% of total pensionable earnings over the relevant pensionable service. The lump sum is normally three times the annual pension payment.

Members of the 2008 Section receive a pension of 1/60th of the average of the best three consecutive year's pensionable pay in the last ten for each year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon 1.87% of total pensionable earnings over the relevant pensionable service. There is no automatic lump sum entitlement; however, members can choose to receive a lump sum which may be a maximum of 25% of the value of their fund at retirement.

The 2015 Scheme is a Career Average Revalued Earnings (CARE) Scheme, with benefits based on a proportion of pensionable earnings each year. The pension is built up at a rate of 1/54th of each year's pensionable earnings. Active members accrued pension benefits are revalued in line with the Consumer Prices Index plus 1.5%. There is no automatic lump sum entitlement, however members can choose to receive a lump sum by giving up some of their accrued pension.

Management of the Scheme

From 1 April 2009 the HSC Pension Service, part of the Business Services Organisation (BSO), has been responsible for the administration of the HSC Pension Scheme.

The Scheme is managed by the Department of Health, which is responsible for Scheme legislation.

HSC employers are required to comply with Scheme Regulations, including submission of pension data to the HSC Pension Service.

Contributions

Employers' contributions to the Scheme are determined by the Scheme Actuary (the Government Actuary's Department) and are a percentage rate of the member's pensionable earnings. The percentage rates payable are reviewed as part of the periodical actuarial review which takes place at least every 4 years.

Employee contributions to the Scheme are calculated on pensionable earnings, against tiers which from November 2022 are based on the Agenda for Change (AfC) pay scales. These pay bands have been uplifted annually in line with AfC pay awards. From 2024/25 it is planned that the uplift will instead be based on CPI.

Key developments in year

Changes in benefits

Active members' benefits are increased in line with the Consumer Price Index (CPI) plus 1.5% per annum – for 2023/24 this is 8.2%.

Pensions in payment increase in line with CPI – 6.7%.

Scheme Changes – Legislative Changes 2023-24

The below amending legislation was introduced for the year 2023-24:

- SR 2024/49 – The Health and Social Care Pension Scheme (Amendment) Regulations (Northern Ireland) 2024 (come into operation from 1 April 2024)
- SR 2024/50 – The Health and Social care Pension Schemes (Partial Retirement etc.) Regulations (Northern Ireland) 2024 (come into operation from 1 April 2024)

Issues for 2023-24

2020 Actuarial Valuation

The 2020 valuation was completed on 26 October 2023. The employer contribution rate saw a 0.7% increase from 22.5% to 23.2% from 1 April 2024. The cost cap corridor was not breached therefore no change in employee rates or benefits was required.

McCloud

In December 2018, the Court of Appeal ruled that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes.

The reformed public service schemes in Northern Ireland, including the HSC Pension Scheme, incorporate similar age-based transitional protections. The Department of Finance ran a consultation from 19 August 2020 to 18 November 2020 consulting on proposals to I) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, II) remedy the effect of any discrimination scheme members may have incurred since April 2015. The Department of Finance issued its consultation response on 25 February 2021. It proposed to proceed with the deferred choice underpin.

This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period.

All public servants, including members of the Health and Social Care Pension Scheme, who have continued in service from 1 April 2022 onwards are doing so as members of their respective reformed scheme. Legislation to give effect to this was introduced from 1 April 2022.

The Department of Health implemented the 2015 Remedy Programme (McCloud Judgment) in two phases, namely the “Prospective Remedy” and the “Retrospective Remedy”. The legislation introduced from 1 April 2022 gives effect to the prospective remedy.

The Retrospective Remedy involves giving all eligible members the deferred choice underpin (DCU) which will be a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022. Provisions for the deferred choice underpin were implemented from 1 October 2023 for all eligible members. Members who have retired before the DCU is implemented and have a period of relevant service between 1 April 2015 and 31 March 2022, will be offered a choice which will be retrospective and backdated to the point that payment of pension benefits began.

Pension Flexibilities

In 2023 the Department consulted on introducing a package of new flexibilities within the 1995 Section of the HSC Pension Scheme to include pensionable re-employment, partial retirement and the removal of the 16 hour rule. These were designed to offer staff increased options at the end of their careers, enabling them to partially retire or return to work seamlessly and continue to build pension after retirement, if they wish to do so. It is hoped these changes could provide an important boost to HSC capacity as well as support patient care with the retention of experienced staff. The legislation to introduce these flexibilities came into operation from 1 April 2024.

Lifetime Allowance and Annual Allowance

The Spring 2023 Budget announced that the Lifetime Allowance charge was removed from April 2023 with the Finance Act 2024 abolishing it from April 2024. The intention of this is to incentivise those currently considering retirement to remain in employment and to encourage those who may have left the workforce due to pension taxation to return. From 6 April 2023 the Annual Allowance was also increased from £40,000 to £60,000 in the hope that high skilled staff are not disincentivised from remaining in the workforce.

COVID-19

As outlined in the Report of the Actuary, the current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. The projected mortality rates for 2022 are broadly in line with those assumed for 2019 and, after 2022, improvements will be in line with those projected assuming Covid-19 had not occurred. At this stage, the full impact of the Covid-19 pandemic are not known and will remain uncertain until further evidence has been established.

Membership statistics

Active members				
Active members at 1 April 2023			88,304	
Retrospective adjustment*			1,367	
Add:	New entrants		13,025	
Less:	Retirements in the year		(3,238)	
	Transfers out		(0)	
	Undecided leavers		(6,484)	
	Refunds		(862)	
	Deaths		(24)	
	Leaving with deferred rights		(31)	
Active members at 31 March 2024			92,057	
Deferred members				
Deferred members at 1 April 2023			12,015	
Retrospective adjustment*			37	
Add:	Members leaving with deferred rights		37	
Less:	Taking up deferred rights		(493)	
	Transfers out		(0)	
	Deaths		(13)	
Deferred members at 31 March 2024			11,583	
Pensioners in payment		Members	Dependents	Total
Pensioners in payment at 1 April 2023		31,295	4,418	35,713
Retrospective adjustment*		2,190	25	2,215
Add:	Retiring at normal retirement age	2,344	-	2,344
	New dependents	-	310	310
	Retiring previously deferred	80	-	80
Less:	Commuted pension	(19)	-	(19)
	Death in year	(1,690)	(195)	(1,885)
Pensioners in payment at 31 March 2024		34,200	4,558	38,758
Compensation payments > 60				
Members in receipt of compensation payments at 1 April 2023			1,566	
Retrospective adjustment*			(193)	
Less:	Retiring at normal retirement age		(1)	
Add:	Deaths before normal retirement age		93	
Members in receipt of compensation payments at 31 March 2024			1,465	
Ill health retirement				
Ill health retirement members at 1 April 2023			8,402	
Retrospective adjustment*			44	
Add:	Members retiring on ill health grounds		401	
Less:	Deaths in year		(275)	
Ill health retirements at 31 March 2024			8,572	
Compensation payments < 60				
Members in receipt of compensation payments at 1 April 2023			2	
Retrospective adjustment*			(1)	
Members in receipt of compensation payments at 31 March 2024			1	
Undecided leavers**				
Undecided leavers at 31 March 2024			39,401	
Undecided leavers at 31 March 2023			29,788	

*A retrospective adjustment to a member's status comes about when an action on the member's record is carried out at a point later than the actual date the requirement for action occurred, due to the data gathering process required to enable the action to take place.

**Undecided leavers are reported by headcount as this reflects the basis on which GAD have calculated the pension scheme liability for this pension scheme statement.

Financial position as at 31 March 2024

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure. Net expenditure for the year is £796,694k. Income mainly comprises contributions from employers of £590,330k and employee contributions of £252,983k (Note 3). Other receipts include transfers in of £8,226k from other schemes (Note 4).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability. This comprises the current service cost of £810,000k, enhancements of £173k, transfers in of £8,226k and interest on scheme liabilities of £830,000k.

The Scheme liability at 31 March 2024 was £19,290,000k compared with £19,940,000k at 31 March 2023. The change of £650,000k is primarily due to an increase in the discount rate and a reduction in expectations for long-term pay increases.

Disclosure of information to auditor

The Principal Accounting Officer, Permanent Secretary of the Department of Health, has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Scheme's auditor is aware of such information. So far as he is aware, there is no relevant audit information of which the Scheme's auditor is unaware.

Events after the reporting period

There were no events that require amendment to this statement after the reporting period.

Information for members

Further information about the Scheme, and its sections, can be found on the HSC Pensions website www.hscpensions.hscni.net which is accessible to all members and employers.

Additional Voluntary Contributions (AVCs), Free-Standing Additional Voluntary Contributions (FSAVCs) and Stakeholder Pensions

The Pension Scheme has continued to offer a range of in-house top up money purchase AVC and Stakeholder Pension facilities from Standard Life and an AVC only facility from Utmost Life and Pensions.

The names and addresses of the Scheme's:

Accounting Officer: Mr P May
Permanent Secretary
Department of Health
Castle Buildings
Stormont Estate
Belfast
BT4 3SQ

Administrator: Business Services Organisation
Waterside House
75 Duke Street Derry
County Londonderry
BT47 6FP

Actuary: Government Actuary's Department
Finlaison House
15-17 Furnival Street London
EC4A 1AB

Legal Advisers: Departmental Solicitors Office
Victoria Hall
12 May Street
Belfast
BT1 4NL

Legal Department
Business Services Organisation Headquarters
2 Franklin Street
Belfast
BT2 8DQ

Auditor: Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Bankers: Danske Bank
Donegall Square West
Belfast
BT1 6JS

Employers:

Principal employers:

Health and Social Care Trusts
Health and Social Care Bodies

Additional bodies permitted to join:

General Practitioners
Staff employed by General Medical Practitioners
Direction Bodies
GP Federations

Contact for enquiries and complaints

Any enquiries or complaints about the HSC Pension Scheme should be addressed to:

Mr M Bradley
The Scheme Administrator
HSC Pension Service
Waterside House
75 Duke Street
Londonderry
BT47 6FP

REPORT OF THE ACTUARY

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Health (DoH). It provides a summary of GAD's assessment of the scheme liability in respect of the Health and Social Care Pension Scheme (HSCPS) as at 31 March 2024, and the movement in the scheme liability over the year 2023-24, prepared in accordance with the requirements of Chapter 12 of the 2023-24 version of the Financial Reporting Manual.

The HSCPS is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2024.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A – Active members

	Number thousands	Total pensionable pay* (p.a.) £ million
Males	14.4	548.3
Females	55.8	1,589.5
Total	70.2	2,137.8

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number thousands	Total deferred pension* (p.a.) £ millions
Males	4.5	15.4
Females	16.0	36.2
Total	20.5	51.6

* Pension amounts include the pension increase granted in April 2020.

Table C – Pensions in payment

	Number thousands	Annual pension* (p.a.) £ million
Males	7.1	141.2
Females	25.4	217.9
Spouses & dependants	3.3	19.0
Total	35.8	378.1

* Pension amounts include the pension increase granted in April 2020.

Methodology

The present value of the liabilities as at 31 March 2024 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2024. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2024 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2023 in the 2022-23 accounts.

This statement takes into account the benefits normally provided under the scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Financial assumptions

The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2024 p.a.	31 March 2023 p.a.
Nominal discount rate	5.10%	4.15%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.55%	2.40%
Rate of general pay increases	3.55%	3.65%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
CPI Inflation	2.45 %	1.70 %
Long-term pay increases	1.45%	0.50%
Expected return on assets	n/a	n/a

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by DoH, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility (relative to CPI inflation).

The assessment of the liabilities allows for the known pension increases up to and including April 2024.

Additionally, for the accounts as at 31 March 2024, allowance has been made for known inflation experience up to March 2024 to inform, in part, the pension increase that is expected to apply in April 2025. This is different to the approach taken for the accounts as at 31 March 2023, where instead only known inflation up to September 2022 (which informed the next known pension increase taking effect in April 2023) was taken into account when rolling forward the past service liabilities.

Demographic assumptions

Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership and with regard to the corresponding experience of the NHS Pension Scheme (England and Wales). The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S3 tables’ with the percentage adjustments to those tables derived with reference to scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal health	S3NMA	91%
Current ill-health pensioners	S3IMA	134%
Future ill-health pensioners	S3IMA	134%
Dependants	S3NMA	82%
Females		
Retirements in normal health	S3NFA	103%
Current ill-health pensioners	S3IFA	134%
Future ill-health pensioners	S3IFA	134%
Dependants	S3DFA	89%

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those adopted for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2023 were also based on the assumptions adopted for the 2020 valuation.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a consistent assumption to that used for the 2022-23 accounts.

The Scheme’s actuarial factors were updated in 2023-24, allowing for the updated SCAPE discount rate and assumption changes as part of the 2020 actuarial valuation. These updated factors have been allowed for in the calculating the accounting position as at 31 March 2024.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 28 February 2024.

Liabilities

Table F summarises the assessed value as at 31 March 2024 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2023 and 2024 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2024	31 March 2023
	£ 000	£ 000
Total market value of assets	nil	nil
Value of liabilities	19,290,000	19,940,000
Surplus/(Deficit)	(19,290,000)	(19,940,000)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2024 (the current service cost) is assessed as 29.4% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed between 5.1% and 13.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2023-24 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2023-24 accounts.

Table G – Contribution rate

	2023-24	2022-23
	% of pay	% of pay
Employer contributions	22.5%	22.5%
Employee contributions (average)	9.6%	9.8%
Total contributions	32.1%	32.3%
Current service cost (expressed as a % of pay)	29.4%	84.1%

The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

The pensionable payroll for the financial year 2023-24 was £2,760,557k (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2023-24 (at 29.4% of pay) is assessed to be £810,000k.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a significant past service cost over 2023-24.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2023-24.

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2024 of changes to the most significant actuarial assumptions.

The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

Table H shows the indicative effects on the total liability as at 31 March 2024 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 8.0%	- £1.5 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.0%	+ £0.4 billion
(iii) inflationary (CPI) increases*:	+0.5% p.a.	+ 7.0%	+ £1.4 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.0%	+ £0.6 billion

* Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The discount rate sensitivity shown implies a scheme duration of c.17.7 years.

Covid-19 and climate change

Covid-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2023-24 Resource Accounts allow for the current impacts of Covid-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.

The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. The result is that the projected mortality rates for 2022 are broadly in line with those assumed for 2019 and, after 2022, improvements will be in line with those projected assuming Covid-19 had not occurred. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Aimee Chada FFA
Actuary
Government Actuary's Department

22 May 2024

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance has directed the HSC Pension Scheme to prepare for each financial year financial statements in the form and on the basis set out in the Accounts Direction.

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scheme at the year end and of the net resource outturn, Statement of Financial Position and cash flows for the financial year. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme Rules and the recommendations of the Actuary.

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

- Observe the Accounts Direction issued by the Department of Finance including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going-concern basis; and
- Confirm that the HSC Pension Scheme Statement as a whole is fair, balanced and understandable and take personal responsibility for the HSC Pension Scheme Statement and the judgements required for determining that it is fair, balanced and understandable.

The Department of Finance has appointed the Permanent Head of the Department as Accounting Officer for the HSC Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by the Department of Finance and published in *Managing Public Money Northern Ireland*.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HSC Pension Scheme's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the HSC Pension Scheme Statement for 2023-24. It outlines the governance framework for directing and controlling its functions and how assurance is provided to support me in my role as Accounting Officer for Department of Health (DoH). The Board of the Department of Health is accountable for internal control. As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Department's policies, aims and objectives. I also have responsibility for safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland (MPMNI).

As Principal Accounting Officer, I have a duty to satisfy myself that all Arm's Length Bodies (ALBs) have adequate governance systems and procedures in place to promote the effective, efficient conduct of their business and to safeguard financial propriety and regularity.

Corporate Governance in Central Government Departments: Code of Good Practice NI 2013

The Department applies the principles of good practice outlined in the Code. As required, the Department maintains and publishes a Register of Interests, complying with DAO (DoF) 07/21. This register details any interests which the individual considers may conflict with their management or oversight responsibilities as Board members. Members are required to declare any conflicts of interest that might arise at each Board meeting, or in the course of their work. Any conflicts arising are reflected in the minutes of the meeting and managed to ensure full transparency and appropriate action. There have been no instances of reportable non-compliance for the period.

The Department complies with the Northern Ireland Civil Service HR Policy 6.01 Standards of Conduct in terms of declaration and management of interests for all staff.

Governance Framework

In my role as Accounting Officer, I function with the support of the Departmental Board (the Board). This includes highlighting to the Board specific business implications or risks and, where appropriate, the measures that could be employed to manage these risks or implications. I am also required to combine my Accounting Officer role with my responsibilities to the Minister, which include providing advice on the allocation of Departmental resources and the setting of appropriate financial and non-financial performance targets for ALBs.

Departmental Audit and Risk Assurance Committee (DARAC)

The DARAC is a Committee of the Board and meets a minimum of four times per year, with additional topic-focused meetings held as necessary.

DARAC comprises four members, each of whom is independent of Departmental management. In line with their terms of appointment, each member's function is to provide external advice, expertise and scrutiny. Officials invited to attend DARAC meetings include the Departmental Accounting Officer, the Deputy Secretary, Resource and Corporate Management Group, the

Director of Finance, the Head of Internal Audit (HIA) and officials from the Northern Ireland Audit Office (NIAO).

DARAC membership and attendance for the meetings held are set out in the table below.

DARAC Members 2023-24		No. of Meetings Attended
J McCooe	NED and Chair of DARAC	5/5
A Magowan	NED and DARAC Member	5/5
C Woods	Deputy Secretary, Department for Infrastructure: External Member (to December 2023)	1/3
L Williams	Deputy Secretary, Department for Communities: External Member	3/5
L Watson	Director Department for Economy: External Member (from January 2024)	1/1

The DARAC gives detailed attention to internal governance issues, including the quality of risk management and corporate governance within the Department. DARAC also considers any HSC-wide issues or any other issues with the Department that affect my role as the Department's Accounting Officer. Systems for responding to recommendations made by authoritative external bodies are also examined. The DARAC advises the Board and me as Accounting Officer on its conclusions and recommendations with regard to identified governance weaknesses.

DARAC – Responsibilities and Performance

In line with best practice set out in the HM Treasury Audit and Risk Assurance Committee Handbook and the Department of Finance (DoF) Audit and Risk Assurance Committee Handbook (NI), the Chair of DARAC sets an agreed core programme of work for each of its meetings, which includes:

- the quality of strategic processes for risk management, governance and internal control and how these are reflected in the Governance Statement;
- the planned activity and results of both Internal and External Audit;
- the quality of the process for preparation of the annual accounts and annual report;
- the adequacy of management response to internal and external audit recommendations; and
- anti-fraud policies and whistleblowing processes, including arrangements for special investigations.

The Department provides regular reports to DARAC on risk management and assurance in the Department and issues arising in its ALBs. In addition, DARAC considers and comments on individual issues of internal governance and their implications for wider governance arrangements. DARAC also plays a key role in providing advice on the quality of risk management and assurance within the Department.

The DARAC conducts a self-assessment according to guidelines issued by the National Audit Office on an annual basis. The findings of the self-assessment are presented to the Chair of DARAC for action as appropriate. In addition, the Chair of the DARAC delivers an annual report to both the Board and the DARAC and also reports to the Board on any significant governance or internal control issue.

The DARAC has also considered the Departmental Resource Accounts (DRA) for 2023-24 and on the basis of the evidence presented, has recommended them to the Departmental Accounting Officer for approval.

Risk Management

Risk management is an organisation-wide responsibility. In the Department, there are two key levels at which the risk management process is formally documented:

- The Departmental Risk Register focuses on the principal risks to the Department's delivery of its statutory responsibilities and strategic objectives; and
- Directorate risk registers focus primarily on the risks to the achievement of Directorate objectives.

Directorate business plans must be directly linked to the delivery of the Departmental Business Plan. Similarly, there must be a clear connection at all levels between objectives and associated risks. Formal processes exist to escalate objectives and associated risks from Directorate to Departmental level. Additionally, risk monitoring and management processes within the ALBs are monitored by the Department through separate processes, as highlighted in the "Governance and Accountability within DoH ALBs" section below.

The overall system of internal governance is designed to help manage risk rather than to eliminate it and controls must be commensurate and proportionate with the nature of the risk.

The system of internal governance is based on an ongoing process to identify and prioritise the risks to the discharge of the Department's statutory responsibilities, including the delivery of its strategic objectives. The system also determines the controls and analyses the risks in terms of their impact and likelihood of realisation in conjunction with the controls.

The system of internal governance has been in place in the Department for the year ending 31 March 2024 and continues up to the date of approval of the Annual Report and Accounts. This accords with DoF guidance.

Fraud

The Department takes a zero-tolerance approach to fraud in order to protect and support our key public services. We have put in place an Anti-Fraud Policy and Fraud Response Plan to outline our approach to tackling fraud, define staff responsibilities and the actions to be taken in the event of suspected or perpetrated fraud, whether originating internally or externally to the organisation. The Department promotes fraud awareness, co-ordinates investigations (through dedicated Fraud Liaison Officers) in conjunction with the Business Services Organisation (BSO) Counter Fraud Services (CFS) team and provides advice to personnel on fraud reporting arrangements. All staff are provided with mandatory fraud awareness training in support of the Anti-Fraud Policy and Fraud Response Plan, which are kept under review and updated as

appropriate. Department officials attend and participate in the NICS Fraud Forum, which is a best practice advisory group consisting of representatives from all NICS Departments.

Governance and Accountability within DoH ALBs

Governance and Accountability can be considered under the following headings:

- ALB Assurance and Accountability;
- Departmental Assurance; and
- Statutory Duty of Quality.

ALB Assurance and Accountability

The Department achieves its corporate objectives through direct Departmental action and through its 16 ALBs. The Chief Executives of ALBs (as ALB Accounting Officers) are directly accountable to me (Permanent Secretary of the Department) as Principal Accounting Officer. ALBs, through their Boards, are held to account for the delivery of their prescribed functions and Ministerial priorities and ensuring compliance with other statutory responsibilities.

The Sponsorship Handbook sets out the Department's approach to sponsorship of its ALBs, including Business Services Organisation (BSO) and ensures, as far as possible, that there is consistency of approach and proportionality of application. The guidance and arrangements described within the handbook reflect the responsibilities placed on the Department, under MPMNI, for the sponsorship of BSO.

The handbook details the roles and responsibilities of all Departmental staff, including EBMs and Sponsor Branches, in addition to describing the format and structure of the biannual accountability process. Through its Sponsor Branch, the Department engages directly with BSO, commensurate with the level of assessed risk. BSO risks can either be escalated in the Department, through the accountability review process, or highlighted to the Department through the other formal and informal interactions that the Sponsor Branch, EBMs and professional staff maintain with BSO.

Full Sponsorship activity has been reinstated following previous relaxation of some activities as part of the response to the COVID-19 pandemic. The operation of these arrangements for BSO has provided assurance during 2023-24.

Departmental Assurance on Business Services Organisation

The Department receives much of its assurance through an ongoing process of monitoring of BSO's corporate governance, use of resources and the delivery and quality of services. In addition to regular monitoring information derived primarily from management information systems, the Department periodically tests the assurance provided by BSO by initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance. This monitoring is based on assessing the operation and performance of BSO against standards, guidance and targets, statutory and licensing requirements and Departmental policy and strategy.

Regularity, Propriety and Value for Money of Expenditure

The Department has a well-established process to ensure the regularity, propriety and value for money of expenditure including obtaining the necessary approvals from the DoF when required by delegated authority arrangements. The Department has extended these delegated authority arrangements to BSO. The Department requires that the principles of appraisal should be applied with proportionate effort to every proposal for spending or saving public money, or proportionate changes in the use of public sector resources.

The Department carries out a regular test drilling exercise for expenditure delegated limits and post project evaluations annually, the results of which are reported to the DARAC, the Board and to the DoF. If a BSO delegated authority is exceeded Departmental approval for the expenditure proposal is required.

There are a number of standard conditions of Departmental approval, including:-

- Approval is always given on the basis that projects will be implemented as described and costed in the business case upon which the approval is based;
- Tolerance levels on cost are +/- 10%;
- The tolerance limit on the key project milestones is 12 months.

The spending authority is responsible for tracking progress against these conditions and must inform the Department as soon as a breach is identified, to allow the Department to assess the continued value for money of the proposal and take appropriate action should a revised approval be required. This is essential to eliminate the risk of incurring irregular spend and qualifying the departmental accounts.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources:

- Departmental Internal Audit; and
- Business Services Organisation (BSO) Internal Audit (via ALBs and in respect of ALB's governance, risk management, and control framework).

Departmental Internal Audit

The Departmental Internal Audit function operates to defined public sector internal audit standards. The Department's Head of Internal Audit (HIA) reports directly to the Departmental Accounting Officer and attends and provides reports to the DARAC.

The HIA is required by the standards to provide an annual opinion on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control.

Internal Audit has provided an overall 'limited' opinion for 2023/24 on the Department's governance, risk management and internal control system. This is based on the internal audit activity carried out during 2023/24 and cumulative assurance derived from 2022/23.

It is important to note that while a 'limited' opinion has been provided, the main areas of weakness did not impact on the HSC Pension Scheme. Internal Audit reviews of key governance processes were completed during 2023/24 and were found to be satisfactory, including areas of Sponsor Control, Risk Management and Business Planning.

BSO Internal Audit

BSO Internal Audit is a centralised service which provides internal audits and specialist advice and guidance to Boards within HSC organisations and Departmental ALBs, including the Northern Ireland Fire and Rescue Service (NIFRS). The Department reviews the BSO HIA's mid and end-year independent opinions, on the adequacy and effectiveness of each of the ALB's system of internal control, together with any recommendations for improvement. The BSO HIA's overall opinion to BSO in 2023/24 was satisfactory assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. The last HSC Pensions audit was conducted during 2021/22 and satisfactory assurance was provided.

External Audit Findings

NIAO

The NIAO provides an opinion to the NI Assembly on whether HSC Pension Scheme's financial statements give a true and fair view, have been prepared in accordance with the relevant accounting standards and are in accordance with the guidance issued by relevant authorities.

The NIAO also seeks to promote better value for money through highlighting and demonstrating ways in which improvements could be made to realise financial savings or reduce costs; safeguard against the risk of fraud, irregularity and impropriety; attain improvements in service provision and support and enhance management, administrative and organisational processes. A representative of the NIAO attends the DARAC meetings at which corporate governance and risk management matters are considered.

Review of Effectiveness of the System of Internal Governance

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal governance. My review is informed by our internal assurance processes and reporting, the annual report from DARAC and reporting by internal and external auditors. I have been advised on the effectiveness of the system of internal control and the plans to address any identified weaknesses.

Internal Governance Divergences

Prior Year Issues

An update is provided below on internal governance divergences in prior years. These matters are resolved and are not considered to represent internal governance divergences for 2023-24. These include:

Underpayment of Employers Superannuation Contributions

During February 2017 it was brought to the attention of the BSO Payroll Shared Services Centre, by one of the HSC bodies, that there was a potential error in how the HRPTS system was calculating employers' superannuation contributions during periods of sickness and ordinary and

stretch maternity leave. This error in the specification of the system dates back to the introduction of HRPTS which went 'live' in BSO in December 2012 and was rolled out throughout HSC on a phased basis thereafter.

Subsequent significant investigations resulted in the identification of a material regional liability in respect of underpayments of these contributions dating back to the introduction of the new HRPTS system in each individual HSC body. All HSC employers made payments on account of estimated liability to the Pension Scheme in 2017/18 and 2018/19. The mechanism to correct the system was implemented in 2019/20. While the system solution at this stage does not address the requirement in full, sufficient additional manual processes have been implemented to obtain regional agreement that the control divergence has been addressed.

A further system fix was applied in November 2021 which amended manual processes to ensure correct calculation of employers' superannuation. Manual retrospective calculations were completed for the period April 2019 to November 2021 and adjustments made to the payroll in March 2023. Given that the systemic historic issue has been suitably addressed and the calculation is now confirmed as operating effectively with no further issues arising, this is no longer considered a control issue and is closed.

Interface from Payroll Systems to Pensions Systems

Pensions Service (HSCPS) Altair system receives an electronic interface from the BSO Shared Services payroll system, updating members' records on a monthly basis. At the outset of procuring a new payroll solution this interface requirement was identified and included as part of the new system requirements. In May 2012 an initial specification was submitted to the system supplier, detailing Altair data interface requirements and subsequently the interface went live on 25 May 2016.

Although the interface was operating as per design, errors were occurring due to incomplete information within the payroll system. HSC Pension Service put in place a change request with the HSC Payroll Provider to ensure that future data transferred from HSC Employers to HSC Pension Service will ensure accuracy to meet the requirements of the Scheme Valuation.

While the electronic interface from Pensions Service (HSCPS) Altair system to the BSO Shared Services payroll system is fixed going forward, the time period where it was not had left significant gaps in the scheme data which needed to be repopulated. For the 2020 valuation the scheme had to arrange data dumps directly from payroll to GAD in order to provide them with adequate data. A Task and Finish Group comprising of GAD, HSCPS and PSSC was established to ensure that any data gaps were populated and a comprehensive data cleanse was carried out. The T&F Group has completed this exercise and as a result this gives assurance that no such issues should occur when the extract for the 2024 Valuation is carried out and the matter is now considered closed.

Internal Control Divergencies arising in 2023/24

No new internal control divergencies arose in 2023/24.

Ministerial Directions

There have been no ministerial directions issued in 2023/24.

Conclusion

The Department has established governance and assurance mechanisms which includes the provision of Assurance Statements from BSO on their risk management processes and internal control arrangements.

Deputy Secretaries use the Assurance Statements to identify exceptions/material concerns within BSO. Sponsorship arrangements are in place for BSO. I have been provided with this written assurance by the Deputy Secretaries for the twelve-month period ending 31 March 2024 and I am content that effective arrangements and controls have been in place.

Whilst the Head of Internal Audit has provided a limited opinion on the Department's adequacy and effectiveness of the Department's framework of governance, risk management and control, it is acknowledged that the Department has encountered unprecedented pressures over the last four years due to the COVID-19 pandemic, servicing the COVID-19 and other Inquiries and the return of the NI Assembly which have all placed significant resource pressures on the Department. This opinion is based on a return to the provision of a complete audit program which has not been possible since the COVID pandemic.

Peter May
Accounting Officer

STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY (AUDITED)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Health and Social Care Pension Scheme to prepare a Statement of Outturn against Assembly Supply (SOAS) and supporting notes.

The SOAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SOAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SOAS.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The SOAS contain a summary table, detailing performance against the control limits that the Assembly has voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly reconcile to cash spent) and administration.

The supporting notes detail the following: Outturn detailed by Estimate line, providing a more detailed breakdown (SOAS 1); a reconciliation of Outturn to Net Expenditure in the SoCNE, to tie the SOAS to the financial statements (SOAS 2); a reconciliation of Net Resource Outturn to Net Cash Requirement (SOAS 3); and an analysis of income payable to the Consolidated Fund (SOAS 4).

Summary tables – mirror Part II and III of the Estimates

Summary table, 2023-24, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving / (excess)		Prior Year Outturn Total, 2022-23
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Annual Managed Expenditure Resource	SOAS 1.1	796,694	-	796,694	1,049,100	-	1,049,100	252,406	252,406	1,984,127
Total Budget Expenditure		796,694	-	796,694	1,049,100	-	1,049,100	252,406	252,406	1,984,127

Figures in the areas outlined in bold are voted totals subject to Assembly control.

Net Cash requirement 2023-24, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2022-23
Net Cash requirement	SOAS 3	(237,102)	(115,700)	121,402	(225,122)

Figures in the areas outlined in bold are voted totals subject to Assembly control.

Administration Costs 2023-24, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2022-23
Administration Costs	SOAS 1.1	-	-	-	-

Administration costs are not a separate voted limit and a breach of the administration budget will not result in an excess vote.

Notes to the Statement of Outturn against Assembly Supply, 2023-24 (£000)

SOAS 1. Outturn detail, by Estimate Line

SOAS 1.1 Analysis of resource outturn by Estimate line, all figures presented in £000

Type of spend (Resource)	Resource outturn							Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total, – 2023-24
	Administration			Programme			Total	Total	Virements*	Total inc. virements		
	Gross	Income	Net	Gross	Income	Net						
Spending in Annually Managed Expenditure (AME)												
Voted Expenditure												
1 – Health and Social Care Pension Scheme	-	-	-	1,648,405	(851,711)	796,694	796,694	1,049,100	-	1,049,100	252,406	1,984,127
Total resource	-	-	-	1,648,405	(851,711)	796,694	796,694	1,049,100	-	1,049,100	252,406	1,984,127

*Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can reconcile this Estimate back to the Estimates approved by the Assembly.

SOAS 2. Reconciliation of outturn to net expenditure

Item	Note	Outturn total 2023-24 £000	Prior Year Outturn Total, 2022-23 £000
Total Resource Outturn	SOAS 1.1	796,694	1,984,127
Net Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SOCNE	796,694	1,984,127

As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net expenditure, linking the SOAS to the financial statements.

The total resource outturn in the SOAS is the same as net expenditure in the SoCNE and therefore no reconciliation is required.

SOAS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

Item	Note	Outturn total £000	Estimate £000	Outturn vs Estimate, Saving / (excess) £000
Total Resource outturn	SOAS 1.1	796,694	1,049,100	252,406
<i>Adjustments to remove non-cash items:</i>				
New provisions and adjustments to previous provisions	16	(1,648,399)	(1,915,400)	(267,001)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables	12	(33,685)	50,000	83,685
(Increase)/decrease in payables	14	(6,543)	-	6,543
Use of Provisions	16	654,831	700,600	45,769
Net cash requirement		(237,102)	(115,700)	121,402

As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

SOAS 4. Amounts of Income to the Consolidated Fund

SOAS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics)

Item	Note	Outturn total 2023-24 £000		Prior Year 2022-23 £000	
		Accruals	<i>Cash Basis</i>	Accruals	<i>Cash Basis</i>
Excess cash surrenderable to the Consolidated Fund	13	237,102	<i>237,102</i>	225,122	<i>225,122</i>
Total amount payable to the Consolidated Fund		237,102	<i>237,102</i>	225,122	<i>225,122</i>

This surplus cash was due to a net negative net cash requirement position in the Estimates, and as bodies are not allowed to hold more cash than they need the surplus cash was surrendered to the Consolidated Fund. The negative amount was Voted by the Assembly in the Estimates Part II: Resource to cash reconciliation and so is not required to be shown separately in the Estimates Part III: Note C Analysis of Consolidated Fund Extra Receipts.

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and Special Payments (Audited)

Losses Statement

	2023-24	2022-23
Total number of losses	87	74
Total value of losses (£000)	1	1
Details of losses over £300,000	-	-

Special Payments

	2023-24	2022-23
Total number of special payments	23	23
Total value of special payments (£000)	91	83
Details of special payments over £300,000	-	-

Peter May
Accounting Officer
28 June 2024

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Health: Health and Social Care Pension Scheme (the Scheme) for the year ended 31 March 2024 under the Government Resources and Accounts Act (Northern Ireland) 2001. The Scheme financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the Statement of Outturn against Assembly Supply, and the related notes and the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2024 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. My staff and I are independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in the Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises the information included in the Annual Report other than the financial statements, the parts of the Accountability Report described in that report as having been audited and my audit certificate and report. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In light of the knowledge and understanding of the Scheme and its environment, obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the annual report is prepared in accordance with the applicable financial reporting framework;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Scheme will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Government Resources and Accounts Act (Northern Ireland) 2001;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;

- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following area: management override of controls;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
2nd July 2024

B) FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2024

	Note	2023-24	2022-23
		£000	£000
Income			
Contributions receivable	3	843,313	846,071
Transfers in	4	8,226	17,828
Other pension income	5	172	-
		851,711	863,899
Expenditure			
Service cost	6	(810,000)	(2,200,000)
Enhancements	7	(173)	(195)
Transfers in	8	(8,226)	(17,828)
Pension financing cost	9	(830,000)	(630,000)
Other expenditure	10	(6)	(3)
		(1,648,405)	(2,848,026)
Net Expenditure		(796,694)	(1,984,127)
Other Comprehensive Net Expenditure			
Pension re-measurements:			
Actuarial gain	16.4	1,643,568	22,278,204
Total Comprehensive Net Income for the year		846,874	20,294,077

Notes 1 to 20 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	2023-24	2022-23
		£000	£000
Current assets			
Receivables	12	73,941	107,626
Cash and cash equivalents	13	237,102	225,122
Total current assets		311,043	332,748
Current liabilities			
Payables (within 12 months)	14	(250,409)	(231,886)
Total current liabilities		(250,409)	(231,886)
Net current assets, excluding pension liability		60,634	100,862
Pension liability	16.1	(19,290,000)	(19,940,000)
Net liabilities, including pension liabilities		(19,229,366)	(19,839,138)
Taxpayers' equity			
General fund		(19,229,366)	(19,839,138)
		(19,229,366)	(19,839,138)

Notes 1 to 20 form part of these financial statements.

Peter May
Accounting Officer
28 June 2024

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2024

	Note	General Fund	
		2023-24	2022-23
		£000	£000
Balance at 1 April		(19,839,138)	(39,908,093)
Excess cash receipts payable to the Consolidated Fund	13	(237,102)	(225,122)
Comprehensive Net Expenditure for the year		(796,694)	(1,984,127)
Actuarial gain		1,643,568	22,278,204
Net change in Taxpayers' Equity		609,772	20,068,955
Balance at 31 March		(19,229,366)	(19,839,138)

Notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	Note	2023-24	2022-23
		£000	£000
Cash flows from operating activities			
Net expenditure for the year		(796,694)	(1,984,127)
Adjustments for non-cash transactions:			
Decrease/(Increase) in receivables related to supply	12	33,871	(36,637)
(Increase)/Decrease in receivables not related to supply	12	(186)	289
Increase/(Decrease) in payables	14	6,543	(2,607)
Increase in pension provision	16.1	1,640,000	2,830,000
Increase in pension provision - enhancements and transfers in	16.1	8,399	18,023
Use of provisions - pension liability	16.2	(642,281)	(589,858)
Use of provisions - refunds and transfers	16.3	(12,550)	(9,961)
Net cash Inflow from Operating Activities		237,102	225,122
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		237,102	225,122
Payments of amounts due to the Consolidated Fund		(225,122)	(241,547)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		11,980	(16,425)
Cash and cash equivalents at the beginning of the period	13	225,122	241,547
Cash and cash equivalents at the end of the period	13	237,102	225,122

Notes 1 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of the Health and Social Care Pension Scheme financial statements

The financial statements of the HSC Pension Scheme (“the Scheme”) have been prepared in accordance with the relevant provisions of the 2023-24 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

In addition to the primary statements prepared under International Financial Reporting Standards, as adapted or interpreted for the public sector, the FReM also requires the Scheme to prepare an additional statement - a Statement of Outturn against Assembly Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 HSC Pension Scheme

The HSC Pension Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme which is operated by the Business Services Organisation on behalf of the Department of Health and is open to all HSC employees and employees of other approved organisations.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme’s Actuary and approved by the Department of Health. The contributions fund payments made by the Scheme. The administrative expenses associated with the operation of the Scheme are borne largely by the Business Services Organisation (BSO) and costs relating to pensioners are charged to the Scheme. This information is reported in their financial statements.

The financial statements of the Scheme show the financial position of the HSC Pension Scheme at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

The financial statements also have regard to the Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 as amended, the Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 as amended, The Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 as amended and the Health and Personal Social Services (Compensation for Premature Retirement) Regulations 1983 as amended.

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate in the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme's financial statements.

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Contributions receivable

Employers' normal pension contributions are accounted for on an accruals basis. Employers' special pension and compensation contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, on a cash basis.

Employees' pension contributions and amounts received in respect of the purchase of added years are accounted for on an accruals basis. The associated increase in the Scheme liability is recognised as expenditure. Neither Additional Voluntary Contributions (AVCs) (refer to Note 11) nor payments to providers of Stakeholder Pensions are brought into account in these financial statements.

2.3 Pre-funding of contributions from employing bodies

Amounts receivable from employing bodies to reduce or extinguish their liabilities in respect of future payment of benefits arising from the early retirement of their employees are accounted for on an accruals basis.

2.4 Transfers in and out

Transfers in, in respect of individual members, are normally accounted for as income and expenditure (representing the associated increase in the Scheme liability) on a cash basis.

2.5 Other income

Other income, including Contributions Equivalent Premium (CEP) and refunds of pension overpayments, are accounted for on an accruals basis.

Contributions Equivalent Premium income relates to the refund of National Insurance Contributions from the Contributions Agency relating to members who left the Scheme but subsequently returned to the Scheme before the end of their 13-month disqualifying period.

Other income includes refunds of gratuities, pension overpayments, final pay control and miscellaneous income. Pension overpayments can arise as a result of Pensioner error, Departmental error or Exchequer loss.

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The current service cost is based on a standard contribution rate of 29.4% of pensionable pay, as determined at the start of 2023-24.

2.7 Past service cost

The past service cost is the increase in the period in the present value of the Scheme liabilities arising from current members' past service in the current period and is recognised in the Statement of Comprehensive Net Expenditure.

2.8 Interest on Scheme liabilities

The interest cost is the increase during the year in the present value of the Scheme liabilities because the benefits are one year closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the nominal discount rate applicable at 1 April 2023, being 4.15%.

2.9 Other expenditure

Other expenditure includes final pay control charges and it is accounted for on an accruals basis. CEP payments relate to National Insurance Contributions due to the Contributions Agency in respect of members who have left the Scheme.

2.10 Scheme Liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at 31 March 2024 being 5.10% nominal discount rate. The Scheme applies assumptions for the discount rate and the rate of inflation as prescribed by HM Treasury.

Full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years in accordance with the requirements of the FReM. In the intervening periods the actuary reviews the most recent actuarial valuation at the reporting period date and updates it to reflect current conditions. FReM stipulates that approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for reporting purposes.

The pension liability included in these financial statements has been calculated utilising membership data as at 31 March 2020 and demographic assumptions in line with those for the 2020 funding valuation as at 31 March 2020. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2024. These assumptions represent significant judgements on behalf of the scheme. Whilst this approach is reasonable and provides an appropriate basis for IAS 19 valuation purposes in accordance with FReM requirements, it introduces some degree of uncertainty.

It should therefore be recognised the results for the IAS 19 valuation at 31 March 2024 included in these financial statements may differ from those that would emerge following a full actuarial valuation based on actual membership data at 31 March 2024.

2.11 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the Scheme liability on an accruals basis.

2.12 Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

Where a retiring member of the pension scheme has a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Scheme liability on a cash basis.

2.13 Pension payments to and on account of leavers before their normal retirement age

Where a member leaving the Scheme before normal retirement age is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis.

Where a member leaving the Scheme before normal retirement age has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the Scheme liability on a cash basis.

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on a cash basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains/losses

Actuarial gains and losses, arising from any new valuation and from updating the latest actuarial valuation to reflect the conditions at the Statement of Financial Position date, are recognised in the Statement of Comprehensive Net Expenditure for the year.

2.16 Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing organisations to the approved AVC providers. Details on AVCs are at note 11 to the financial statements.

2.17 Administration expenses

The administrative expenses associated with the operation of the Scheme are borne largely by the Business Services Organisation (BSO) and costs relating to pensioners are charged to the Scheme.

2.18 Cash and cash equivalents

Cash and cash equivalents represent cash balances held at bank as adjusted for any outstanding payments and receipts that have yet to be processed through the account.

2.19 Currency and rounding

The functional currency is sterling and all figures are rounded to the nearest thousand pounds. Totals may not sum on occasion due to rounding.

2.20 Impending application of standards adopted during 2023-24 and accounting standards not yet effective

The Scheme has reviewed:

- accounting standards, interpretations and amendments to published standards and FReM;
- accounting standards, interpretations and amendments to published standards not yet effective; and
- financial reporting - future developments.

The following accounting standards have been issued but have not been applied by the Scheme in these financial statements:

- IFRS 17 (Insurance Contracts) will replace IFRS 4 (Insurance Contracts) and is effective for accounting periods beginning on or after 1 January 2023. In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2025.
- IFRS 18 (Presentation and Disclosure in Financial Statements) was issued in April 2024, replacing IAS 1 (Presentation of Financial Statements), and is effective for accounting periods beginning on or after 1 January 2027. IFRS 18 will be implemented, as interpreted and adapted for the public sector if required, from a future date (not before 2027-28) that will be determined by the UK Financial Reporting Advisory Board in conjunction with HM Treasury following analysis of this new standard.

The Scheme concludes that these are not expected to have a significant impact on the Scheme accounts going forward. The Scheme has not entered and does not expect to enter into insurance contracts as defined by IFRS 17, and the Scheme presents its accounts in line with the Illustrative Statements referred to in the FReM as adapted for bodies in Northern Ireland.

The Scheme considers that the adoption of these standards, interpretations and amendments that became effective during 2023-24 has not had a significant impact on the financial position or results of the Scheme accounts.

2.21 Going Concern

The Statement of Financial Position at 31 March 2024 shows net liabilities of £19,229,366k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grant-in-aid approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the Department which funds the Scheme. Under the Government Resources and Accounts Act 2001, no money may be drawn from the Fund by the Department other than that required to service the specified year or retained in excess of that need. There is no reason to believe that the future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Scheme's financial statements for 2023-24.

3. Contributions receivable

	2023-24	2022-23
	£000	£000
Employers	590,330	589,747
Employees:		
Normal	252,888	256,223
Purchase of added years	95	101
	843,313	846,071

£937,606k contributions are expected to be payable to the Scheme in 2024-25.

4. Transfers in

	2023-24	2022-23
	£000	£000
Individual transfers in from other schemes	8,226	17,828
	8,226	17,828

5. Other pension income

	2023-24	2022-23
	£000	£000
Final Pay Control	172	-
	172	-

6. Service cost

	2023-24	2022-23
	£000	£000
Current service cost	810,000	2,200,000
	810,000	2,200,000

The reduction in current service cost is due to the increase in discount rate net of CPI inflation between 31 March 2022 (-1.3% p.a.) and 31 March 2023 (1.7% p.a.).

7. Enhancements (see also Note 16.1)

	2023-24	2022-23
	£000	£000
Employers: Pre-funded compensation payments	173	195
	173	195

8. Transfers in – additional liability

	2023-24	2022-23
	£000	£000
Individual transfers in from other schemes	8,226	17,828
	8,226	17,828

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Statement of Comprehensive Net Expenditure as expenditure as part of the movement in the pension provision during the year.

9. Pension financing cost (see also Note 16.1)

	2023-24	2022-23
	£000	£000
Net interest on defined benefit liability	830,000	630,000
	830,000	630,000

10. Other pension expenditure

	2023-24	2022-23
	£000	£000
Bank Charges	6	-
Pension Levy	-	3
	6	3

11. Additional Voluntary Contributions

The HSC Pension Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to supplement their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to one of the approved providers, Utmost Life and Pensions (formerly Equitable Life Assurance Society) or Standard Life, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contributions (FAVC) Schemes. The managers of the HSC Pension Scheme have responsibility only for the onward payment by employers of members' contributions to the Scheme's approved provider. These AVCs are not recognised in these financial statements. Members participating in the arrangement each receive an annual statement from the approved provider at 31 March each year confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

Utmost Life and Pensions (formerly Equitable Life Assurance Society)

Employees make contributions to two schemes (W0111) and (WP111) provided by Utmost Life and Pensions.

Scheme Number W0111

Movements in the year were as follows:

	2023-24	2022-23
	£000	£000
Balance at 1 April	1,611	1,710
New investments (net of transfers/refunds)	(191)	9
Sales of investments to provide pension benefits	(13)	(58)
Changes in market value of investments	134	(50)
Balance at 31 March	1,541	1,611

Scheme Number WP111

Movements in the year were as follows:

	2023-24	2022-23
	£000	£000
Balance at 1 April	1,747	1,851
New investments (net of transfers/refunds)	(2)	(1)
Sales of investments to provide pension benefits	(129)	(80)
Changes in market value of investments	117	(23)
Balance at 31 March	1,733	1,747

Standard Life

Movements in the year were as follows:

	2023-24	2022-23
	£000	£000
Balance at 1 April	3,625	3,921
New investments (net of transfers/refunds)	-	112
Sales of investments to provide pension benefits	(92)	(228)
Changes in market value of investments	180	(180)
Balance at 31 March	3,713	3,625

12. Receivables - contributions due in respect of pensions

Analysis by type

	2023-24	2022-23
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	48,708	71,680
Employees' normal contributions	22,386	33,071
Capitalised cost of enhancement to pensions payable on departure	333	456
Overpaid pensions	351	442
Sub-total	71,778	105,649
Non-supply receivables:		
Injury benefits receivable	2,163	1,977
Total amounts falling due within one year	73,941	107,626

13. Cash and cash equivalents

	2023-24	2022-23
	£000	£000
Balance at 1 April	225,122	241,547
Net change in cash balances	11,980	(16,425)
Balance at 31 March	237,102	225,122
The following balances at 31 March were held at:		
Commercial banks and cash in hand	237,102	225,122
Balance at 31 March	237,102	225,122

14. Payables - in respect of pensions

Analysis by type

	2023-24	2022-23
	£000	£000
Amounts falling due within one year:		
Pensions	5,408	623
HMRC	7,014	5,532
Other creditors	885	609
Consolidated Fund Extra Receipts payable to the Consolidated Fund – excess cash receipts resources current year	237,102	225,122
Total amounts due within one year	250,409	231,886

15. Amounts due to the Consolidated Fund

	2023-24	2022-23
	£000	£000
Excess cash receipts surrenderable to the Consolidated Fund	(237,102)	(225,122)
	(237,102)	(225,122)
Cash and cash equivalents	237,102	225,122
	237,102	225,122

16. Pension liability

Assumptions underpinning the pension liability

The HSC Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Scheme liabilities as at 31 March 2024. The Report of the Actuary on pages 11 to 17 sets out the scope, methodology and results of the work the actuary has carried out.

The Scheme managers together with the actuary and the auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme managers should make available to the actuary in order to meet the expected requirements of the Scheme auditor.

This information includes, but is not limited to, details of:

- Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- following consultation with the actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key financial assumptions used by the Actuary were:

	31 Mar 24	31 Mar 23	31 Mar 22	31 Mar 21	31 Mar 20
Rate of general pay increases	3.55%	3.65%	4.15%	3.72%	4.10%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.55%	2.40%	2.90%	2.22%	2.35%
Inflation assumption	2.55%	2.40%	2.90%	2.22%	2.35%
Nominal discount rate	5.10%	4.15%	1.55%	1.25%	1.80%
Discount rate net of CPI inflation	2.45%	1.70%	(1.30)%	(0.95)%	(0.50)%

The impact of changes in assumptions on the scheme liability as at 31 March 2024 results in a reduction in liabilities over 2023-24 of £3,150,000k (2022-23: £21,810,000k). This reduction is as a result of changes in the financial assumptions, primarily due to the increase in the nominal discount rate.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Scheme managers acknowledge that the valuation reported in these financial statements is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table.

In accordance with IAS 19 the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

The key demographic assumption relates to pensioner mortality. The assumptions made are represented by the sample life expectancies set out in note 16.7.

Analysis of the provision for pension liability

	At 31 March 2024 £bn	At 31 March 2023 £bn	At 31 March 2022 £bn	At 31 March 2021 £bn	At 31 March 2020 £bn
Pensions in Payment	7.5	6.5	7.4	7.1	6.8
Deferred Pensions	1.0	1.2	1.8	1.7	1.6
Active Members (Past Service)	10.8	12.3	30.8	26.0	22.0
Total	19.3	20.0	40.0	34.8	30.4

Pension scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. These variables include not only the key financial assumptions noted in the table above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable.

The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, without changing the discount rate, the value of the pension scheme liability will increase or decrease. The managers of the Scheme accept that, as a consequence, the valuation provided by the actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 16.4. The note also discloses ‘experience’ gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

16.1 Analysis of movements in the Scheme liability

	Note	2023-24		2022-23	
		£000	£000	£000	£000
Scheme liability at 1 April			19,940,000		39,970,000
Current service cost	6	810,000		2,200,000	
Past service cost	6	-		-	
Pension financing cost	9	830,000		630,000	
			1,640,000		2,830,000
Enhancements	7	173		195	
Pension transfers in	8	8,226		17,828	
			8,399		18,023
Benefits payable	16.2	(642,281)		(589,858)	
Pension payments to and on account of leavers	16.3	(12,550)		(9,961)	
			(654,831)		(599,819)
Actuarial (gain)	16.4		(1,643,568)		(22,278,204)
Scheme liability at 31 March			19,290,000		19,940,000

The pension scheme liability can be split approximately into £13.3 billion for the closed sections of the scheme (1995 and 2008) and £6.0 billion for the open section (2015 Scheme).

During the year ended 31 March 2024, employer contributions represented an average of 22.5% of pensionable pay.

16.2 Analysis of benefits paid

	2023-24	2022-23
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	523,233	456,601
Commutations and lump sum benefits on retirement	115,572	129,099
Death in service benefits	3,476	4,158
Total benefits paid	642,281	589,858

16.3 Analysis of payments to and on account of leavers

	2023-24	2022-23
	£000	£000
Individual transfers to other schemes	12,550	9,961
Total payments to and on account of leavers	12,550	9,961

16.4 Analysis of actuarial gain

	2023-24	2022-23
	£000	£000
Experience (losses)/gains arising on the scheme liabilities	(1,506,432)	468,204
Changes in assumptions underlying the present value of scheme liabilities	3,150,000	21,810,000
Total actuarial gain	1,643,568	22,278,204

16.5 History of experience gains / (losses)

	2023-24	2022-23	2021-22	2020-21	2019-20
	£000	£000	£000	£000	£000
Experience (losses)/gains on Scheme liabilities:					
Amount (£000)	(1,506,432)	468,204	(1,932)	440,000	120,000
Percentage of the present value of Scheme liabilities	(7.8)%	2.3%	0.0%	1.3%	0.4%
Total amount recognised in statement of Changes in Taxpayers Equity:					
Amount (£000)	1,643,568	22,278,204	(3,261,932)	(2,820,000)	(4,780,000)
Percentage of the present value of Scheme liabilities	8.5%	111.7%	(8.2)%	(8.1)%	(15.7)%

16.6 Sensitivity analysis

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2024 of changes to the main actuarial assumptions.

The key financial assumptions are the rate of return net of price inflation and the rate of return net of salary inflation. A key demographic assumption is members' longevity. The table below indicates the order of magnitude of changes to these assumptions on the Scheme's liability:

Change in assumption	Approximate % change in the total liability	Approximate increase / (decrease) to the total liability
Discount rate increase of ½ % per annum*	Decrease of 8.0%	(£1.5 billion)
Long term earnings increase of ½ % per annum*	Increase of 2.0%	£0.4 billion
Pension increases of ½ % per annum*	Increase of 7.0%	£1.4 billion
Assumed longevity increased by rating the tables assumed up by 1 year	Increase of 3.0%	£0.6 billion

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

16.7 Pensioner mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Pension Scheme Statements at 31 March 2024.

	2023-24		2022-23	
Average number of years current pensioners expected to live after retiring at age:	Men	Women	Men	Women
60	28.0	29.3	28.0	29.2
65	23.2	24.3	23.1	24.3

	2023-24		2022-23	
Average number of years future pensioners expected to live after retiring at current age:	Men	Women	Men	Women
60	29.7	30.9	29.7	30.8
65	24.8	25.8	24.7	25.8

17. Financial instruments

As the cash requirements for the HSC Pension Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

18. Contingent liabilities disclosed under IAS37

AVCs

In the unlikely event of a default by one of the approved AVC providers, the Department will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contributions.

GMP Equalisation

The High Court in England ruled on 26 October 2018 that all Guaranteed Minimum Pension (GMP) benefits in UK pension plans must be equalised for males and females. The outcome of this judgement will affect all UK defined benefit schemes, including public sector pension schemes such as the HSC Pension Scheme, which had been contracted out of the State pension arrangements resulting in members of the scheme having a GMP.

On 20 November 2020 the High Court in England ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due as a result of GMP equalisation. While this judgement addresses another unknown for schemes looking to implement GMP equalisation, it will also add to the work required to complete such exercises. The most pressing consideration is to understand the potential scale of any impact and to consider the implications.

For public service pension schemes, including the HSC Pension Scheme, it is expected that this ruling will be taken forward on a cross-scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined.

Other Cases

There are also a number of other legal cases lodged against public sector schemes which may have implications for the HSC Pension Scheme. Given the nature of these cases and current status of proceedings, it is not possible to quantify the potential financial impact on the HSC Pension Scheme at this time.

19. Related party transactions

The Scheme falls within the ambit of the Department of Health. The department is regarded as a related party with which the Scheme has had various material transactions during the year.

In addition, the Scheme has had material transactions with other government departments, and other central government bodies whose employees are members of the Schemes.

None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

20. Events after the reporting period

There were no events that require amendment to these financial statements after the reporting period.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 3rd July 2024.

