

**HSC Pension Scheme Statement
for the year ended 31 March 2016**

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*Laid before the Northern Ireland Assembly by the Department of Finance
under section 10(4) of the Government
Resources and Accounts Act (Northern Ireland) 2001*

01 July 2016



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HSC Pension Scheme Statement for the year ended 31 March 2016

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A) ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS

Background to the Scheme

Statutory basis for the Scheme

The HSC Pension 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 new 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 will be in the old section (the 1995 Section). New joiners, on or after 1 April 2008, will be members of the 2008 Section.

On 1 April 2015 a new 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.

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 Scheme is 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 years 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 on the basis of salary bands, which are reviewed annually 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.

Key developments in year

The HSC Pension Scheme Board was formed during the year as a result of recent legislation to ensure compliance with governance and administration requirements. There were no other key developments to be reported during the year.

Changes in contributions

Band	Salary range	2015-16
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21,477.99	5.6%
3	£21,478.00 to £26,823.99	7.1%
4	£26,824.00 to £47,485.99	9.3%
5	£47,486.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

Changes in benefits

Pension payments in 2015-16 increased by 1.2% (effective 6 April 2015).

Scheme Changes – Legislative Changes 2015-16

Title of legislation	Effective Date	Purpose	Applies to
Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (S.R. 2015 No.120)	1/4/2015	New Pension Scheme 2015 (CARE) Regulations	All members of the new 2015 Scheme
Health and Personal Social Services (Superannuation Scheme, Additional Voluntary Contributions and Injury Benefits), Health and Social Care (Pension Scheme) (Amendment) Regulations (Northern Ireland) 2015 (S.R. 2015 No.121)	1/4/2015	Introduce amendments to the 1995 Section, 2008 Section, AVC Regulations and Injury Benefit Regulations as a consequence of the introduction of the new 2015 Pension Scheme	Both sections of the AVC regulations and Injury Benefit regulations
Health and Social Care Pension Scheme (Transitional and Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.122)	1/4/2015	Makes provision for persons who have service in the 1995 and 2008 sections and who become members of the new 2015 Scheme	Both sections of the Scheme

Title of legislation	Effective Date	Purpose	Applies to
Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.167)	1/4/2015	Makes modifications to primary pension legislation (in particular contracting out / tax legislation) to ensure those joining the new scheme from the old scheme are not detrimentally affected.	Both sections of the Scheme

Membership statistics

Active members				
Active members at 1 April 2015				61,462
Retrospective adjustment*				(770)
Add:	New entrants			1,320
Less:	Retirements in the year			(1,290)
	Transfers out			-
	Undecided leavers			(668)
	Refunds			(11)
	Deaths			(7)
	Unclaimed refundable service			-
	Leaving with deferred rights			(9)
Active members at 31 March 2016				60,027
Deferred members				
Deferred members at 1 April 2015				14,867
Retrospective adjustment*				47
Add:	Members leaving with deferred rights			30
Less:	Taking up deferred rights			(387)
	Rejoining scheme			-
	Transfers out			(50)
	Deaths			(9)
Deferred members at 31 March 2016				14,498
Pensioners in payment		Members	Dependents	Total
Pensioners in payment at 1 April 2015		18,497	3,595	22,092
Retrospective adjustment*		(168)	(46)	(214)
Add:	Retiring at normal retiring age	1,238	-	1,238
	New dependents	-	260	260
	Retiring on ill health grounds	-	-	-
	Retiring previously deferred	339	-	339
	Retiring, previously in receipt of compensation payments	45	-	45
Less:	Commutated pension	(6)	-	(6)
	Death in year	(332)	(167)	(499)
Pensioners in payment at 31 March 2016		19,613	3,642	23,255
Compensation payments > 60				

Department of Health, Social Services and Public Safety
HSC Pension Scheme Statement 2015-16

Members in receipt of compensation payments at 1 April 2015				2,114
Retrospective adjustment*				72
Add:	Members leaving under early retirement			-
Less:	Members retiring at normal retirement age			(40)
	Deaths before normal retirement age			(62)
Members in receipt of compensation payments at 31 March 2016				2,084
Ill health retirement				
Ill health retirement members at 1 April 2015				8,237
Retrospective adjustment*				(20)
Add:	Members retiring on ill health grounds			249
Less:	Deaths in year			(228)
At 31 March 2016				8,238
Compensation payments < 60				
Members in receipt of compensation payments at 1 April 2015				101
Retrospective adjustment*				7
Add:	Members leaving under early retirement schemes during the year			-
Less:	Members retiring at normal retirement age			(45)
	Deaths before normal retirement age			-
Members in receipt of compensation payments at 31 March 2016				63
Undecided leavers**				
Undecided leavers at 31 March 2016				1,929
Undecided leavers at 31 March 2015				1,313

* 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 2016

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure and net expenditure for the year is £894,972k.

Income mainly comprises contributions from employers (who are defined per page 2 above), of £279,557k and employee contributions of £161,350k. Other receipts include transfers in of £6,517k from other schemes (note 4) and other pension income of £13k (note 5).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability (other than those arising from actuarial gains and losses). This comprises the current and past service cost of £700,001k, enhancements of £5,283k, transfers in of £6,517k and interest on scheme liabilities of £630,000k. Payments also include other pension expenditure of £608k as per note 10 to the financial statements.

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 auditors are aware of such information. So far as he is aware there is no relevant audit information of which the entity's auditors are unaware.

Events after the reporting period

There were no events after the reporting period requiring adjustment or disclosure in these financial statements.

Independent Public Service Pension Commission

On 10 March 2011 the Independent Public Service Pensions Commission's Final Report from Lord Hutton was published, summarising Lord Hutton's proposals for the reform of public service pension schemes. The main recommendations of the review are that:

- the Government must honour in full the pension promises that have already accrued to scheme members, maintaining the link to final salary for past service;
- a new career average revalued earnings (CARE) scheme should be adopted for general use in the public service schemes, with existing members being moved to the new schemes as soon as practical;
- pension benefits in the CARE schemes should be uprated in line with average earnings while members are accruing benefits;
- flexible retirement should be encouraged, while abatement in its current form should be eliminated and caps on pension accrual should be removed or significantly lifted;
- member's Normal Pension Age in the new schemes should increase to be in line with the State Pension Age, and should be regularly reviewed to ensure the link remains appropriate;
- there should be a fixed cost ceiling, which if exceeded should be followed by a consultation process to bring costs back within the ceiling; and
- immediate savings could be made by increasing the member contribution rate. In this respect, the Government have already announced that it will implement progressive changes to the level of employee contributions such that employee contribution rates will increase by 3% on average by 2015-16.

In line with the Commission's view that the recommendations should be implemented before the end of this Parliament a new HSC Pension Scheme was introduced on 1 April 2015.

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 Equitable Life which is closed to new members.

Managers

Accounting Officer: Mr R Pengelly
Permanent Secretary
Department of Health, Social Services and Public Safety
Castle Buildings
Stormont Estate
Belfast
BT4 3SQ

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

Advisers

Pension Scheme 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 Board
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

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 report has been prepared by the Government Actuary's Department at the request of the Department of Health, Social Services and Public Safety ('DHSSPS'). It summarises the pensions disclosures required for the 2015-16 Annual Report and Financial Statements of the Health and Social Care Pension Scheme for Northern Ireland ('HSCPS' or 'the Scheme').

The HSCPS is a defined benefit pension scheme with various different benefit structures. In the existing schemes there are two main sections (the 1995 section with normal pension age (NPA) 60 and the 2008 section with NPA 65), the rules of which are set out in the Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 (SI 1995/95), the Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 (SI 2008/256) and subsequent amendments to both. Both sections provide benefits to practitioners on a career average, rather than final salary, basis. The HSCPS 2015 is a career average revalued earnings (CARE) scheme with NPA equal to State Pension Age, the rules of the scheme are set out in the Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (SR 2015/120). The schemes are wholly unfunded. I am not aware of any informal practices operated within the schemes which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2016 to reflect known changes.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2012 used to prepare this statement.

Table A – Active members

Number (thousands)	31 March 2012 membership data		2015-16 financial statements	
	Total salaries (pa) (£ billion)	Total accrued pensions (£billion)	Total salaries implied by receipts (£billion)	
57	1.66	0.35	1.7	

Table B – Deferred members

Number (thousands)	31 March 2012 membership data	
	Total deferred pension* (pa) (£million)	
16.2	34.9	

Table C – Pensions in payment

31 March 2012 membership data		2015-16 financial statements
Number (thousands)	Total pension* (pa) (£ million)	Total pension (pa) (£ million)
27.8	224.6	290.4

* Pension amounts are as at the valuation date and so exclude pension increases due in April 2012

Methodology

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2015-16 Pension Scheme Statement. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal financial assumptions applying to the 2014-15 Pension Scheme Statement.

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.

Principal financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2016	31 March 2015
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases*	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	-0.60%	-0.65%
Expected return on assets:	n/a	n/a

* short term adjustments have been made to this assumption for the period to 2020

The pension increase assumptions up to and including 31 March 2016 are based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

The demographic assumptions adopted to prepare this report were derived from the specific experience of the scheme membership. The standard mortality tables known as S1NXA (for normal health pensioners and dependants) and S1IXA (for ill-health pensioners) are used but with mortality rates reduced to 80% (males) and 85% (females) of actual rates (100% for both male and female future ill-health pensioners). These assumptions are the same as those adopted for the 2014-15 Financial Statements. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption has been updated in line with the latest ONS projections. The 2014-15 Financial Statements were based on the 2012-based projections.

The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Pension Scheme Statement.

Liabilities

Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the scheme prior to 31 March 2016 based on the data, methodology and assumptions described above. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
£ Billion					
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(16.96)	(17.52)	(15.13)	(11.83)	(10.50)
Surplus/(Deficit)	(16.96)	(17.52)	(15.13)	(11.83)	(10.50)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 40.6%. Members contributed between 5.0% and 14.5% of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 9.5%. The corresponding figures for 2014-15 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2015-16	2014-15
Standard contribution rate	40.60%	35.50%
Members’ estimated average contribution rate	9.50%	9.40%
Employers’ estimated share of standard contribution rate	31.10%	26.10%

For the avoidance of doubt, the actual rate of contributions payable by employers, 16.3% of pensionable pay for 2015-16, is not the same as the employers’ share of the standard contribution rate as above (31.1% for 2015-16). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Pension Scheme Statements is the discount rate. The discount rate for Pension Scheme Statements is set each year by HM Treasury to reflect the requirements of the accounting standard IAS19.

The pensionable payroll for the financial year 2015-16 was £1.7 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2015-16 (at 40.6% of pay) is assessed to be £0.69 billion.

A past-service cost of £9m has been included for 2015-16 in recognition of the announced Government policy to provide full indexation on GMPs for members who reach SPA between 6 April 2016 and 5 December 2018.

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 2016 of changes to the most significant actuarial assumptions.

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

There is significant uncertainty associated with how members will retire in future, both for those remaining in the current scheme where recent patterns of retirement have been materially different to historic patterns, and as a result of the scheme reform for those members who will move across to the new scheme. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in the 1995 section and so I have included an indication of the approximate effect (on the total past service liability) of assuming all 1995 section members retire at their Normal Pension Age (on average this equates to members retiring approximately 2 years earlier than assumed). The pattern of retirements from the 2008 section doesn’t have a significant impact on the liability as both early and late retirements are subject to actuarial adjustment.

Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to the nearest ½%).

Table G - Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions		
(i) discount rate*: -1/2% a year	+11.50%	+£2.0 billion
(ii) (long term) earnings increase*: -1/2% a year	-1.50%	-£0.3 billion
(iii) pension increases*: -1/2% a year	-7.50%	-£1.3 billion
Demographic assumptions		
(iv) each pensioner subject to longevity of an individual 1 year younger than assumed:	+2.50%	+£0.4 billion
(v) 1995 section members retire at their Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier):	+1.50%	+£0.3 billion

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



Sue Vivian
Government Actuary's Department
18 May 2016

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Department of Health, Social Services and Public Safety 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 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 and cash flows for the year then ended. 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 (formerly Department of Finance and Personnel), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going-concern basis.

The Department of Finance has appointed Mr R Pengelly 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 *Government Accounting Northern Ireland*.

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the Health and Social Care Pension Scheme Statement for 2015-16. It outlines the Department's governance framework for directing and controlling the function and how assurance is provided to support me in my role as Accounting Officer for the Department of Health, Social Services and Public Safety and is also applicable to the management of the HSCPS. 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 the public funds and departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

As Accounting Officer, I have a duty to satisfy myself that the HSCPS administrators 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 2013

The Department applies the principles of good practice outlined in the Code and continues to further strengthen its governance arrangements. The Department does this by undertaking continuous assessment of its compliance in line with the Corporate Governance Code.

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 includes providing advice on the allocation of Departmental resources and the setting of appropriate financial and non-financial performance targets for the Business Services Organisation (BSO) as HSCPS administrator.

The Departmental Board

The Departmental Board (the Board) represents the collective and strategic leadership within the Department, in conjunction with the experience and contribution of two Independent Board Members. The Board supports me as Accounting Officer in directing the business of the Department as effectively as possible, to achieve the objectives and priorities set by the Minister. The Board has a key role in overseeing the sound financial management and corporate governance of the Department including the HSCPS and closely monitors the Department's progress in the achievement of key objectives and priorities set out in the Departmental Business Plan, including Programme for Government commitments.

The Board ensures that appropriate risk management procedures are in place within the Department and it scrutinises the governance and performance of ALBs and the HSCPS based on an assurance and accountability framework.

The strategic aims, policies and strategies for the Department are set by the Minister. The role of the Departmental Board is to support me, as the Accounting Officer, in establishing the necessary governance and assurance mechanisms to ensure effective and efficient delivery of the Minister's priorities and other statutory functions of the Department. In line with best practice, the operational procedures of the Departmental Board are kept under continuous review and a more detailed evaluation is conducted every few years. The last review was undertaken in 2013-14 and the next review is scheduled for 2016-17.

Executive Board Members 2015-16	
Mr R Pengelly	Permanent Secretary
Mr S Holland	Deputy Secretary, Social Care Policy Group
Mrs C McArdle	Chief Nursing Officer
Dr M McBride	Chief Medical Officer
Mrs D McNeilly	Deputy Secretary, Health Care Policy Group
Mrs J Thompson	Deputy Secretary, Resources and Performance Management Group and Senior Finance Director
Independent Board Members 2015-16	
Dr C King	Independent Board Member
Mr M Little	Independent Board Member

Independent Board Members (IBMs) provide support, guidance and challenge to the Departmental Board. As Accounting Officer, I have regular meetings with the IBMs and carry out annual performance assessments.

Management Information

The Board reviews regular reports from the HSCPS to challenge performance against targets. These reports have been the subject of considerable refinement over recent years and are continually revised to allow them to identify and respond to emerging challenges.

In June 2012, the Board agreed a new Framework for Business Planning, Risk Management and Assurance. The Framework provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance.

The requirements of HSCPS Governance within the Department have evolved to ensure that the accountability review process is more balanced in terms of governance and performance. Submission and acceptability of Board level information and reports is subject to challenge.

Quality of Information

The Board receives a range of management information about matters such as Finance, Human Resources, the Departmental Business Plan, the Departmental Risk Register and the Governance and Performance of ALBs including the HSCPS, to assist it in discharging its role. Regular formal reviews of the operation of the Board include the quality of information provided to it. In addition, Board members, collectively and individually, keep the quality of reported information under continuous review and seek enhancements as necessary to support the Board and its committees.

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC Members 2015-16		No. of meetings attended
Dr C King	IBM and Chair of DARAC	4/4
Mr M Little	IBM and DARAC Member	4/4
Mrs J Pyper	Chief Executive Utility Regulator	2/4
Mr T Connolly	Finance Director Department of Education	3/4

The DARAC is a Committee of the Board and meets four times per year, with additional topic focused meetings. DARAC comprises four members, each of whom is independent of Departmental management. Other officials in attendance at DARAC meetings include the Departmental Accounting Officer, the Senior Finance Director, the Director of Finance, the Head of Internal Audit and officials from the Northern Ireland Audit Office (NIAO).

The DARAC gives detailed attention to internal governance issues, including the quality of risk management and corporate governance within the Department. This also includes consideration of HSC wide issues or any other issues outwith the Department that affect my role as the Department's Accounting Officer.

An example of this in respect of the adequacy of the arrangements by which I hold ALB Accounting Officers to account for the performance and governance of their organisations. Systems for responding to recommendations made by authoritative external bodies, including the Public Accounts Committee, NIAO, and the Regulation and Quality Improvement Authority (RQIA), 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 HMT Audit and Risk Assurance Committee Handbook, the Chair of DARAC sets an agreed core programme of work for each of its quarterly meetings, which includes:

- Scrutiny of the Departmental accounts;
- Consideration of internal audit strategy;
- Review of internal and external audit findings; and
- Monitoring of residual audit recommendations.

The Department provides regular reports to DARAC on risk management and assurance in the Department and the accountability and assurance of its ALBs. In addition, DARAC considers and comments on individual issues of internal governance and their implications for wider governance arrangements.

The DARAC conducts a self-assessment according to guidelines issued by the National Audit Office on a regular basis. The findings of the self-assessment are presented to DARAC for action as appropriate. In addition, the Chair of the DARAC delivers an annual report to both the Departmental Board and the DARAC and also reports to the Board following each quarterly meeting of the DARAC.

The DARAC has also considered the HSC Pension Scheme Statement for 2015-16 and on the basis of the evidence presented, has recommended the HSCPS to the Departmental Accounting Officer for approval.

Top Management Group

As Accounting Officer, I am supported by my Top Management Group, which comprises the Executive Board Members. It provides a forum for the consideration and endorsement of corporate business and the handling of the emerging issues.

Departmental Framework for Business Planning, Risk Management and Assurance

Business planning and risk management is at the heart of governance arrangements to ensure that statutory obligations and Ministerial priorities are properly reflected in the management of business at all levels within the Department.

The Framework for Business Planning, Risk Management and Assurance provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance. In order to ensure its continued effectiveness, a review of the Framework commenced in 2014-15. The review sought feedback from each business area regarding their application of the Framework, and included engagement with the Departmental Internal Audit Group to consider any emerging issues/lessons learned from its ongoing programme of directorate governance audits. The review's outcome is currently being finalised.

Business Planning

In establishing its strategic objectives, the Department takes its lead from the statutory framework governing the functions of the Department and the specific priorities set by the Minister and the Executive, including those outlined in the Programme for Government. The Departmental Business Plan also takes account of the governance arrangements that the Department must put in place for the proper discharge of its responsibilities as a Government Department and public authority e.g. financial probity, equality, human rights etc. Within a budget period, the existing Departmental Business Plan is rolled forward into a new fiscal year.

The Departmental Board is the custodian of the Departmental Business Plan's affordability and deliverability. Progress against the Departmental Business Plan is addressed at quarterly Board meetings and includes formal quarterly written reports in Red, Amber or Green format against each of the targets in the fiscal year.

It is the responsibility of Executive Board Members to ensure that the Directorates under their control have appropriate plans in place. It is essential that linkages between plans at Departmental and Directorate level are clearly stated. Similarly, there must be a clear connection at all levels between objectives and associated risks. This is evidenced through the risk management, business planning and assurance processes operated within the Department.

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 including those of the HSCPS; and
- Directorate risk registers focus primarily on the risks to the achievement of Directorate objectives including those of the HSCPS.

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, subject to the approval of the Departmental Board.

The Departmental Risk Register is reviewed at the beginning of the financial year to update all risks, controls and actions. These are maintained in conjunction with the Departmental Business Plan. It is therefore subject to the same Departmental Board reporting arrangements.

Executive Board Members are responsible for ensuring that the Directorates under their control have a business plan and fully-linked risk register. I require bi-annual formal written assurances from Executive Board Members and Directors about the proper operation of business planning and risk management within their business areas. Where a risk identified at Directorate level becomes unmanageable within the Directorate's resources, or where it threatens to impact on Departmental objectives or across Directorates, it must be escalated to the Departmental Board and considered for inclusion on the Departmental Risk Register.

The system of internal governance is designed to help manage risk rather than to eliminate it and controls must at all times be commensurate with the nature of the risk. A set of risk assessment criteria has been developed, agreed and applied by those Departmental officials involved in the risk assessment process.

The system of internal governance is based on an on-going 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 2016 and continues up to the date of approval of the HSC Pension Scheme Statement. This accords with Department of Finance guidance.

The system of internal governance entails monitoring and reporting on: a) the delivery of Ministerial/Departmental Policy; b) the use of resources (including financial, human, estate and information); c) compliance with statutory requirements; d) statistical and other performance monitoring reports; e) the content of external and internal audit reports; f) serious adverse incident reporting; g) RQIA and other reports prepared by inspecting/regulatory/licensing bodies; h) inquiry reports; i) compliance with standards and guidance; j) the discharge of statutory functions; k) corporate governance and, l) business planning arrangements. These are with respect to both the Department itself and its ALBs, including the HSC Pension Scheme.

The DARAC also plays a key role in providing advice on the quality of risk management and assurance within the Department. 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.

Information Risk

Safeguarding the Department's information is a critical aspect of supporting the Department in the delivery of its objectives. Central to achieving this is the effective management of information risk. The arrangements in place to manage this risk include:

- The Assistant Departmental Security Officer (ADSO) regularly reviews Departmental information to ensure that it is appropriately protected;
- A Senior Information Risk Owner (SIRO) and Information Asset Owners (IAOs) are in place to reduce the risk to personal information within the Department;
- Regular reviews and updates of the personal information asset register; and
- IAOs are aware of their responsibilities to ensure information is securely stored, access-controlled and disposed of appropriately.

Regular mandatory awareness training is delivered to Departmental staff, providing them with an up-to-date understanding of information governance issues and risks.

Restrictions exist to protect access to and disposal of electronic and paper records and the Department has an Information and Records Management Policy Statement underpinning its records management arrangements. Appropriate guidance, central controls and a disposal schedule process all govern the retention and disposal of Departmental Records.

The Department and the HSC Pension Scheme had no data loss-related incidents in 2015-16.

Governance and Accountability within DoH ALBs including the HSCPS

Governance and Accountability can be considered under the following headings:

- ALB Assurance and Accountability;
- Departmental Assurance;
- Controls Assurance Standards;
- Statutory Duty of Quality; and
- Service Frameworks.

HSCPS Assurance and Accountability

The Department, including the HSCPS, achieves its corporate objectives through direct Departmental action and through its 17 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/Departmental priorities and ensuring compliance with other statutory responsibilities. The HSCB also performs a key role, alongside the Department, in relation to the performance and financial management of HSC Trusts.

The Department gains assurance on probity in the use of public funds and governance application in the wider sector through an assurance and accountability framework and its associated guidance. The framework applies to the 16 Health and Social Care (HSC) Bodies and to the Northern Ireland Fire and Rescue Service. The guidance and arrangements described within the assurance and accountability framework have been developed to meet the responsibilities placed on the Department, under Managing Public Money NI, for the sponsorship of ALBs operating under the control of DoH.

The framework enables the Department and Minister to be assured that each of the ALBs, including the HSCPS, is delivering on the Programme for Government, Ministerial and statutory responsibilities and Department policy and strategy. In so doing, the Department is also able to give substantive assurances that public funds allocated to its ALBs, including the HSCPS, are being used to deliver the intended objectives.

The framework details the roles and responsibilities of all Departmental staff, including Executive Board Members and sponsor branches, in addition to informing the format and structure of the biannual accountability process. Through its sponsor branches, the Department engages directly with each ALB, commensurate with the level of risk the body poses to the Department. ALB risks can either be escalated in the Department, through the ALB accountability review process, or highlighted to the Department through the other formal and informal interactions that the sponsors, Executive Board Members and professional staff maintain with ALBs.

During 2015-16, the Department reviewed its assurance and accountability arrangements to ensure it is complying with Managing Public Money NI (MPMNI) and other relevant guidance and is receiving effective and proportionate assurance from its ALBs. The review concluded that the Department is meeting the requirements set out in MPMNI. Any issues of compliance were dealt with by the review or will be addressed through mainstream work of the Governance Unit and sponsor branches.

Departmental Assurance

The Department receives much of its assurance through an on-going process of monitoring of the BSO acting as the HSCPS administrator, including 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 initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance of the BSO administration of the HSCPS.

This monitoring is based on assessing the operation and performance of ALBs against standards, guidance and targets; statutory and licensing requirements and Departmental policy and strategy. Three important examples of these are Controls Assurance Standards; the statutory Duty of Quality and Service Frameworks.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources in relation to the HSCPS:

- Departmental Internal Audit Group;
- Northern Ireland Audit Office; and
- Business Services Organisation Internal Audit.

Departmental Internal Audit Group (IAG)

The Department's IAG reports directly to the Departmental Accounting Officer and attends and provides reports to the DARAC. It therefore plays a crucial role in the review of the effectiveness of risk management, controls and governance by:

Focusing audit activity on the key business risks:

- Being available to guide managers and staff through improvements in internal controls;
- Auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
- Providing advice to management on the internal governance implications of proposed and emerging changes.

The IAG operates in accordance with Public Sector Internal Audit Standards. The annual audit plan is derived from an analysis of the Departmental Risk Register. The remit of the IAG includes an assessment of internal financial controls and the wider internal environment which affects the achievement of Departmental objectives. IAG submits regular reports to management and the DARAC, which include the Head of Internal Audit's (HIA) independent opinion on the adequacy and effectiveness of the Department's system of internal control, together with recommendations for improvement.

The HIA has provided me with an opinion on the Department's management of risk, control and governance. The Internal Audit opinion reflects an aggregate assessment of Internal Audit activity over a four year period from 2012-13 to 2015-16. This indicates that, overall, the system of governance, risk management and internal control within the Department is satisfactory.

Northern Ireland Audit Office (NIAO)

The NIAO provides reasonable assurance that an organisation'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 results of the NIAO's financial audit work are reported to the Northern Ireland Assembly.

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; support and enhance management, administrative and organisational processes.

A representative of the NIAO attends the DARAC quarterly meetings at which corporate governance and risk management matters are considered.

Business Services Organisation (BSO) Internal Audit

BSO Internal Audit is a centralised service which provides reasonable assurance in relation to internal audit and specialist advice and guidance to Boards within HSC organisations and Departmental ALBs, including the HSC Pension Scheme. The Department reviews the Head of Internal Audit's (HIA) mid and end-year independent opinions, on the adequacy and effectiveness of each of the ALBs and the HSC Pension Scheme's system of internal control, together with any recommendations for improvement. The opinion for 2015-16 was satisfactory.

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 of the effectiveness of the system of internal governance is informed by the work of the Department's IAG and the Executive Board Members within the Department, who have responsibility for the development and maintenance of the internal framework. I also consider the comments made by the NIAO in its management letter and other reports. I have been advised by the DARAC on the implications of my review of the effectiveness of the system of internal control, and a plan to address weaknesses and ensure continuous improvement of the system is in place. This is evidenced through DARAC's review of the Departmental Governance Statement and the DARAC Chair's annual report to me as Accounting Officer.

Internal Governance Divergences

Prior Year Issues

There were no governance matters arising in previous years.

New Issues for 2015-16

No governance matters arose during 2015 -16.

Conclusion

The Department of Health, Social Services and Public Safety has a rigorous system of accountability which I can rely on as Accounting Officer to form an opinion on the probity and use of public funds, as detailed in Managing Public Money NI. The system operates on a principle of devolved authority and the accountability framework structure across the Department's operating base.

Further to considering the accountability framework within the Department, including the BSO, and in conjunction with assurances given to me by the DARAC, I am content that the DoH and the HSC Pension Scheme have operated a sound system of internal governance during 2015-16.



Mr R Pengelly
Accounting Officer
29 June 2016

HSC PENSION SCHEME

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

I certify that I have audited the financial statements of the HSC Pension Scheme for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. These financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the HSC Pension Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the HSC Pension Scheme; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Scheme Managers, Report by the Actuary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against 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.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2016 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance (formerly Department of Finance and Personnel) directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

Opinion on other matters

In my opinion:

- the information given in the Report of the Scheme Managers and Report by the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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 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 Department of Finance's guidance.

Report

I have no observations to make on these financial statements.


KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 June 2016

STATEMENT OF ASSEMBLY SUPPLY AND RELATED NOTES

Summary of Resource Outturn 2015-16

	Note	2015-16						2014-15	
		Estimate			Outturn			Outturn	
		Gross Expenditure £000	Accruing Resources £000	Net Total £000	Gross Expenditure £000	Accruing Resources £000	Net Total £000	Net total outturn compared with Estimate: saving / (excess) £000	Prior Year Outturn £000
Request for resources									
Providing a pension scheme for persons employed in the health and social care sector									
Annually Managed Expenditure		1,368,431	(449,341)	919,090	1,342,409	(447,437)	894,972	24,118	(883,226)
Total resources	SOAS 1	1,368,431	(449,341)	919,090	1,342,409	(447,437)	894,972	24,118	(883,226)

Summary of Net Cash Requirement 2015-16

	Note	2015-16			2014-15
		Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
		£000	£000	£000	£000
Net Cash Requirement	SOAS 2(a)	-	-	-	-

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the pension scheme and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	2015-16 Forecast		2015-16 Outturn	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total	SOAS 3	-	27,361	44,392	47,371

Total Income due to be paid over to the Consolidated Fund is £44,392K. Total Receipts are £47,371K.

Explanation of the variation between estimate and outturn (net cash requirement):

(1) Changes in working capital other than cash £3,842k - see SOAS 2a

The forecast is based on actuarial advice available at a point in time, resulting in the variance against the estimate.

(2) Excess cash receipts surrenderable to the Consolidated Fund, this excludes Excess Accruing Resources (£nil) (£17,031k - see SOAS 2a)

Based on forecast budget and working capital information this figure was estimated as £27,361k. Actual outturn was greater than estimate by £17,031k.

The notes on pages 30 to 31 form part of the Statement of Assembly Supply.

SOAS 1. Reconciliation of Estimates, accounts and budgets

	Note	2015-16			2014-15
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
		£000	£000	£000	£000
Net Resource Outturn		894,972	919,090	24,118	883,226
Non - supply income (CFERs)	SOAS 4	-	-	-	(2,979)
Net expenditure in SCNE		894,972	919,090	24,118	880,247

The Scheme does not have an administrative budget and all costs of administering the Scheme are borne by DoH and BSO.

SOAS 2(a). Reconciliation of resources to cash requirement

	Note			Net total outturn compared with Estimate savings / (excess)
		Estimate	Outturn	
		£000	£000	£000
Net Resource Outturn	SOAS 1	919,090	894,972	24,118
Accruals Adjustments:				
Changes in working capital other than cash	SOAS 2(b)	20,000	16,158	3,842
Use of provisions	16	392,980	386,279	6,701
New provisions and adjustments to previous provisions	16	(1,359,431)	(1,341,801)	(17,630)
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 3	27,361	44,392	(17,031)
Net Cash Requirement		-	-	-

SOAS 2(b). Movements in working capital other than cash

	Note	2015-16	2014-15
		£000	£000
Increase in receivables related to supply	12	(3,770)	1,597
Increase in receivables not related to supply (injury benefit)	12	(328)	(209)
Decrease in payables falling due within one year	14	(1,857)	(288)
Movement in working capital		(5,955)	1,100
Excess net cash requirement adjustment		(7,224)	-
Movement in CFERS excess accruing resources	SOAS 3	(2,979)	(26,282)
Movement in working capital		(16,158)	(25,182)

SOAS 3. Analysis of income payable to the Consolidated Fund

	2015-16 Forecast		2015-16 Outturn	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts – excess accruing resources				2,979
Operating income and receipts surrenderable to the Consolidated Fund				2,979
Excess cash surrenderable to the Consolidated Fund	-	27,361	44,392	44,392
Total income payable to the Consolidated Fund	-	27,361	44,392	47,371

SOAS 4. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	2015-16	2014-15
	£000	£000
Operating income	447,437	389,935
Income authorised to be Accruing Resources	(447,437)	(386,956)
Operating income payable to the Consolidated Fund	-	2,979

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and special payments

Losses Statement

	2015-16	2015-16	2014-15
	No of cases	£000	£000
Total	179	3	31

Special Payments

	2015-16	2015-16	2014-15
	No of cases	£000	£000
Total	27	76	79

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2016

	Note	2015-16	2014-15
		£000	£000
Income			
Contributions receivable	3	440,907	381,494
Transfers in	4	6,517	8,437
Other pension income	5	13	4
		447,437	389,935
Expenditure			
Service cost	6	(700,001)	(600,000)
Enhancements	7	(5,283)	(1,193)
Transfers in	8	(6,517)	(8,437)
Interest on scheme liabilities	9	(630,000)	(660,000)
Other expenditure	10	(608)	(552)
		(1,342,409)	(1,270,182)
Net Expenditure		(894,972)	(880,247)
Other Comprehensive Net Income/(Expenditure)			
Pension re-measurements:			
Actuarial gain/(loss)	16.4	1,520,000	(1,480,000)
Total Comprehensive Net Income/(Expenditure) for the year ended 31 March		625,028	(2,360,247)

The notes on pages 37 to 53 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2015-16	2014-15
		£000	£000
Current assets			
Receivables	12	44,108	40,010
Cash and cash equivalents	13	44,392	68,233
Total current assets		88,500	108,243
Current liabilities			
Payables (within 12 months)	14	(51,914)	(87,815)
Total current liabilities		(51,914)	(87,815)
Net current assets, excluding pension liability		36,586	20,428
Pension liability	16.1	(16,956,393)	(17,520,871)
Net liabilities, including pension liabilities		(16,919,807)	(17,500,443)
Taxpayers' equity			
General fund		(16,919,807)	(17,500,443)
		(16,919,807)	(17,500,443)

The notes on pages 37 to 53 form part of these financial statements.


Mr R Pengelly
Accounting Officer
29 June 2016

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2016

	Note	General Fund	
		2015-16	2014-15
		£000	£000
Balance at 1 April		(17,500,443)	(15,134,754)
Excess accruing resources	SOAS 4	-	(2,979)
Excess cash receipts payable to CF	SOAS 3	(44,392)	(2,463)
Comprehensive Net Expenditure for the year		(894,972)	(880,247)
Actuarial gain /(loss)		1,520,000	(1,480,000)
Net change in Taxpayers' Equity		580,636	(2,365,689)
Balance at 31 March		(16,919,807)	(17,500,443)

The notes on pages 37 to 53 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	Note	2015-16	2014-15
		£000	£000
Cash flows from operating activities			
Net expenditure for the year		(894,972)	(880,247)
Adjustments for non-cash transactions:			
Increase in receivables related to supply	12	(3,770)	1,597
Increase in receivables not related to supply	12	(328)	(209)
Increase in payables	14	(1,857)	(288)
Increase in pension provision	16.1	1,330,001	1,260,000
Increase in pension provision - enhancements and transfers in	16.1	11,800	9,630
Use of provisions - pension liability	16.2	(377,392)	(353,216)
Use of provisions - refunds and transfers	16.3	(8,887)	(5,543)
Net cash inflow from operating activities		54,595	31,724
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		54,595	31,724
Payments of amounts due to the Consolidated Fund		(78,436)	-
		-	-
Net (decrease) / increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(23,841)	31,724
Cash and cash equivalents at the beginning of the period	13	68,233	36,509
Cash and cash equivalents at the end of the period	13	44,392	68,233

The notes on pages 37 to 53 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation of the Scheme financial statements

The financial statements of the Scheme have been prepared in accordance with the relevant provisions of the 2015-16 *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, the FReM also requires the Scheme to prepare an additional statement - a Statement of 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, Social Services and Public Safety and which 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, Social Services and Public Safety. The contributions fund payments made by the Scheme. The administrative expenses associated with the operation of the Scheme are borne by the Business Services Organisation (BSO) and 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 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) nor payments to providers of Stakeholder Pensions are brought into account in these financial statements.

2.3 Pre-funding of contribution 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 resulting from 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 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 cost is based on the discount rate applicable at 1 April 2015, being 1.30% real rate (i.e. 3.55% including inflation).

2.7 Interest on Scheme liabilities

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the discount rate applicable at 1 April 2015, being 1.30% real rate (i.e. 3.55% including inflation).

2.8 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.

2.9 Other expenditure

Other expenditure is accounted for on an accruals basis.

CEP payments relate to National Insurance Contributions due to the Contributions Agency resulting from 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 Scheme liability is measured on an actuarial basis using the projected unit method and is discounted at the rate applicable at the close of 31 March 2016, being 1.37% real rate (i.e. 3.60 % including inflation)

As per the requirements of IAS 19 and IAS26, as amended by FReM, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years. In accordance with this a full funding valuation was carried out as at 31 March 2012.

The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date, in this case the 2012 valuation, and updates it to reflect current conditions.

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. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

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

All costs of administering the HSC Pension Scheme are borne by the DoH and the Business Services Organisation.

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.

2.20 Impending application of newly issued Accounting Standards not yet effective

There have been no changes which would impact on these financial statements.

3. Contributions receivable

			2015-16	2014-15
			£000	£000
Employers			279,557	223,685
Employees			161,350	157,809
			440,907	381,494

£455,355k contributions are expected to be payable to the Scheme in 2016-17.

4. Pension Transfers in (see also Note 8)

			2015-16	2014-15
			£000	£000
Group transfers in from other schemes			-	165
Individual transfers in from other schemes			6,517	8,272
			6,517	8,437

5. Other pension income

			2015-16	2014-15
			£000	£000
Refund of pension payments			13	4
Other			-	-
			13	4

6. Pension cost

			2015-16	2014-15
			£000	£000
Current service cost (see note 16.1)			691,003	600,000
Past service cost			8,998	-
			700,001	600,000

The past service cost has been included for 2015-16 in recognition of the announced Government policy to provide full indexation on GMPs for members who reach SPA between 06 April 2016 and 05 December 2018.

7. Enhancements (see also Note 16.1)

		2015-16	2014-15
		£000	£000
Employees:			
Purchase of added years		2,217	2,217
Employers:			
Pre-funded compensation payments		3,066	(1,024)
		5,283	1,193

8. Transfers in – additional liability (see also note 4)

		2015-16	2014-15
		£000	£000
Group transfers in from other schemes		-	165
Individual transfers in from other schemes		6,517	8,272
		6,517	8,437

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)

		2015-16	2014-15
		£000	£000
Net interest on defined benefit liability		630,000	660,000
		630,000	660,000

10. Other pension expenditure

		2015-16	2014-15
		£000	£000
Contributions Equivalent Premium		221	300
Contribution refund		387	252
		608	552

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, 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:

The Equitable Life Assurance Society

Employees make contributions to two schemes (W0111) and (WP111) provided by the Equitable Life Assurance Society.

Scheme Number W0111

Movements in the year were as follows:

		2015-16	2014-15
		£000	£000
Balance at 1 April		2,167	2,073
New investments (net of transfers/refunds)		(95)	23
Sales of investments to provide pension benefits		(153)	(73)
Changes in market value of investments		(11)	144
Balance at 31 March		1,908	2,167

Scheme Number WP111

Movements in the year were as follows:

		2015-16	2014-15
		£000	£000
Balance at 1 April		2,539	2,523
New investments (net of transfers/refunds)		(65)	(16)
Sales of investments to provide pension benefits		(152)	(51)
Changes in market value of investments		2	83
Balance at 31 March		2,324	2,539

Standard Life

Movements in the year were as follows:

		2015-16	2014-15
		£000	£000
Balance at 1 April		3,949	3,911
New investments (net of transfers/refunds)		(214)	20
Sales of investments to provide pension benefits		(218)	(55)
Changes in market value of investments		316	73
Balance at 31 March		3,833	3,949

12. Receivables - contributions due in respect of pensions

Analysis by type

	2015-16	2014-15
	£000	£000
Amounts falling due within one year:		
Pension contributions due	36,280	32,177
Capitalised cost of enhancement to pensions payable on departure	5,259	5,432
Overpaid pensions	335	499
Other receivables	8	4
Sub-total	41,882	38,112
Non-supply receivables:		
Injury benefit	2,226	1,898
Total receivables due within one year	44,108	40,010

Included in pension contributions due is £nil (2014-15: £2,979k) that will be due to the Consolidated Fund once the debts are collected.

13. Cash and cash equivalents

	2015-16	2014-15
	£000	£000
Balance at 1 April	68,233	36,509
Net change in cash balances	(23,841)	31,724
Balance at 31 March	44,392	68,233
The following balances at 31 March were held at:		
Commercial banks and cash in hand	44,392	68,233
Balance at 31 March	44,392	68,233

14. Payables - in respect of pensions
Analysis by type

	2015-16	2014-15
	£000	£000
Amounts falling due within one year:		
Pensions	2,268	3,817
HMRC	3,718	3,569
Other payables	1,536	1,993
CFERs due to be paid to Consolidated Fund	-	38,792
Other CFERs due to the Consolidated Fund	44,392	39,644
Total payables due within one year	51,914	87,815

15. Amounts due to the Consolidated Fund

	2015-16	2014-15
	£000	£000
Excess cash receipts surrenderable to the Consolidated Fund	(44,392)	(39,705)
Excess ARs payable to Consolidated Fund	-	(38,731)
	(44,392)	(78,436)
Cash and cash equivalents	44,392	68,233
Consolidated Fund Extra Receipts included in receivables	-	2,979
Excess net cash requirement	-	7,224
	44,392	78,436

16. Pension liability

Assumptions underpinning the pension liability

The HSC Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2016. The Report of the Actuary on pages 10 to 14 sets out the scope, methodology and results of the work the actuary has carried out.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years."

The last formal actuarial valuation undertaken for the HSC Pension Scheme was carried out as at 31 March 2012. The primary purpose of the formal actuarial valuations was to set employer and employee contribution rates, and these have been determined under the new scheme design.

This year's IAS 19 assessment has been carried out by rolling forward the results of the latest funding valuation as at 31 March 2012. In undertaking the valuation, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The Scheme managers together with the actuary and the auditor identified, 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:

- o Scheme membership, including age and gender profiles, active membership, deferred pensioners and pensioners;
- o benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- o income and expenditure, including details of expected bulk transfers into or out of the Scheme; and
- o 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 16	31 Mar 15	31 Mar 14	31 Mar 13	31 Mar 12
Rate of increase in salaries*	4.20%	4.20%	4.50%	3.95%	4.25%
Rate of increase in pensions in payment and deferred pensions	2.20%	2.20%	2.50%	1.70%	2.00%
Inflation assumption	2.20%	2.20%	2.50%	1.70%	2.00%
Nominal discount rate	3.60%	3.55%	4.35%	4.10%	4.85%
Discount rate net of price inflation	1.37%	1.30%	1.80%	2.35%	2.80%

* short term adjustments have been made to this assumption for the period to 2020.

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 FR&M, 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. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

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 below.

Analysis of the provision for pension liability

Categories	At 31				
	March	March	March	March	March
	2016	2015	2014	2013	2012
	£bn	£bn	£bn	£bn	£bn
Pensions in Payment	5.1	5.3	4.8	3.8	3.4
Deferred Pensions	0.9	0.9	0.8	0.6	0.6
Active Members (Past Service)	11.0	11.3	9.5	7.4	6.5
Total	17.0	17.5	15.1	11.8	10.5

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 included 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	2015-16		2014-15	
		£000	£000	£000	£000
Scheme liability at 1 April			17,520,871		15,130,000
Current service cost	6	691,003		600,000	
Past service cost	6	8,998		-	
Pension financing cost	9	630,000		660,000	
			1,330,001		1,260,000
Enhancements	7	5,283		1,193	
Pension transfers in	4	6,517		8,437	
			11,800		9,630
Benefits payable	16.2	(377,392)		(353,216)	
Pension payments to and on account of leavers	16.3	(8,887)		(5,543)	
			(386,279)		(358,759)
Actuarial(gain)/ loss	16.4		(1,520,000)		1,480,000
Scheme liability at 31 March			16,956,393		17,520,871

During the year ended 31 March 2016, employer contributions represented an average of 16.4% of pensionable pay.

16.2 Analysis of benefits paid

	2015-16	2014-15
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	291,620	278,417
Commutations and lump sum benefits on retirement	82,974	73,087
Death in service benefits	2,798	1,712
Total benefits paid	377,392	353,216

16.3 Analysis of payments to and on account of leavers

	2015-16	2014-15
	£000	£000
Individual transfers to other schemes	8,887	5,543
Total payments to and on account of leavers	8,887	5,543

16.4 Analysis of actuarial gain/(loss)

	2015-16	2014-15
	£000	£000
Experience gains arising on the pension liabilities	140,000	60,000
Changes in mortality assumptions	330,000	-
Changes in demographic assumptions (other than mortality)	-	320,000
Changes to financial assumptions	1,050,000	(1,860,000)
Total actuarial gain/ (loss)	1,520,000	(1,480,000)

16.5 History of experience gains/(losses)

	2015-16	2014-15	2013-14	2012-13	2011-12
	£000	£000	£000	£000	£000
Experience gains / (losses) on Scheme liabilities:					
Amount (£000)	140,000	60,000	(704,867)	11,292	280,000
Percentage of the present value of Scheme liabilities	0.8%	0.3%	(4.7)%	0.1%	2.7%
Total amount recognised in statement of Changes in Taxpayers Equity :					
Amount (£000)	1,520,000	(1,480,000)	(2,684,867)	(698,708)	840,000
Percentage of the present value of Scheme liabilities	9.0%	(8.4)%	(17.7)%	(5.9)%	8.0%

16.6 Sensitivity of results

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2016 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 decrease of ½ % per annum*	Increase of 11.5%	£2.0 billion
Long term earnings increase of ½ % per annum*	Increase of 1.5%	£0.3 billion
Pension increases of ½ % per annum*	Increase of 7.5%	£1.3 billion
Assumed longevity increased by rating the tables assumed up by 1 year	Increase of 2.5%	£0.4 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 2016.

Average number of years current pensioners expected to live after retiring at age:	Men	Women
55	35.4	36.9
60	30.2	31.8
65	25.2	26.8

Average number of years future pensioners expected to live after retiring at current age:	Men	Women
55	36.6	38
60	31.9	33.4
65	27.4	28.9

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

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.

19. Related party transactions

The HSC Pension Scheme falls within the ambit of the Department of Health, Social Services and Public Safety which is regarded as a related party. During the year, the Scheme has had material transactions with the Department, in addition to other government departments and central government bodies whose employees are members of the Scheme. None of the managers of the Scheme, key managerial staff or other related parties have undertaken any material transactions with the Scheme during the year.

20. Events after the Reporting Period

There are no subsequent events that have a material effect on the 2015-2016 financial statements.

The Accounting Officer has authorised these financial statements for issue on 30 June 2016.

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