HSC Pension Scheme Resource Accounts for the year ended 31 March 2014

HSC Pension Scheme Resource Accounts for the year ended 31 March 2014

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

04 July 2014

Any enquiries regarding this document/publication should be sent to us at
financial.accountingunit@dhsspsni.gov.uk

This document/publication is also available on our website at http://www.dhsspsni.gov.uk

HSC Pension Scheme Resource Accounts
For the year ended 31 March 2014

CONTENTS **PAGE**

REPORT OF THE SCHEME MANAGERS

BACKGROUND TO THE HSC PENSION 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 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.

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.

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, Social Services and Public Safety, 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.

Benefits

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.

KEY DEVELOPMENTS IN YEAR

Scheme Changes – Legislative Changes 2013-14

Title of legislation	Effective Date	Purpose	Applies to
Health and Personal Social Services (Superannuation), (Injury Benefits) (Amendment) Regulations (Northern Ireland) 2013 (S.R. 2013 No.141)	31/5/2013	Closes the HPSS Injury Benefits Scheme in respect of injuries received on or after 31/5/2013	Injury Benefit Scheme
Health and Personal Social Services (Superannuation), Health and Social Care (Pension Scheme)(Amendment) Regulations (Northern Ireland) 2013 (S.R. 2013 No.247)	20/11/2013	Introduce revised pensionable pay and earnings bands for the purpose of assessing tiered contribution rates for members for the 2013-14 Scheme year	Both sections of the Scheme
Health and Personal Social Services (Superannuation Scheme and Additional Voluntary Contributions), Health and Social Care (Pension Scheme)(Amendment) Regulations (Northern Ireland) 2013 (S.R. 2013 No.259)	9/12/2013	Revoke cost-sharing provisions and requirement to make historic valuations; and make miscellaneous and technical amendments and minor corrections	Both sections of the Scheme and the AVC Scheme

Changes in Contributions

Band	Salary range	Contribution rate	
		2013-14	2012-13
1	Up to £15,278.99*	5.0%	5.0%
2	£15,279.00 to £21,175.99*	5.3%	5.0%
3	£21,176.00 to £26,557.99	6.8%	6.5%
4	£26,558.00 to £48,982.99	9.0%	8.0%
5	£48,983.00 to £69,931.99	11.3%	8.9%
6	£69,932.00 to £110,273.99	12.3%	9.9%
7	£110,274.00 and over	13.3%	10.9%

*For 2012-13 Band 1 salary range was up to £15,000.99 and Band 2 was £15,001.00 to £21,175.99

Changes in Benefits

Pension payments in 2013-14 increased by 2.2% (effective 8 April 2013).

Membership statistics

Active members				
Active members at 1 April 2013				62,649
Retrospective adjustment*				(824)
Add:	New entrants in the year			6,537
Less:	Leaving with deferred rights			(4)
	Retirements in the year			(1,023)
	Transfers out			-
	Refunds			(49)
	Leavers			(3,792)
	Deaths			(9)
Active members at 31 March 2014				**63,485**
Deferred members				
Deferred members at 1 April 2013				15,064
Retrospective adjustment*				160
Add:	Members leaving who have deferred pension rights			33
Less:	Rejoining service			-
	Transfers out			(58)
	Members taking up deferred pension rights			(340)
	Deaths			(9)
Deferred members at 31 March 2014				**14,850**
Pensioners in payment		**Members**	**Dependents**	**Total**
Pensioners in payment at 1 April 2013		16,879	3,515	20,394
Retrospective adjustment*		(396)	(55)	(451)
Add:	Members retiring in year at normal retiring age & voluntary early retirement	1,004	-	1,004
	Compensation payments	49	-	49
	New dependents	-	230	230
	Retiring previously deferred	298	-	298
Less:	Commuted pension	(18)	-	(18)
	Death in year	(279)	(152)	(431)
Pensioners in payment at 31 March 2014		**17,537**	**3,538**	**21,075**
Compensation payments > 60				
Members in receipt of compensation payments at 1 April 2013				2,052
Retrospective adjustment*				159
Add:	Members leaving under early retirement schemes during the year			1
Less:	Members reaching normal retirement age during the year			(50)
	Deaths before normal retirement age			(39)
Members in receipt of compensation payments at 31 March 2014				**2,123**

Membership statistics (continued)

Ill health retirement		
Ill health retirement members at 1 April 2013		8,234
Retrospective adjustment*		88
Add:	Members retiring on ill health grounds	143
Less:	Deaths in year	(207)
Ill health retirement members at 31 March 2014		**8,258**
Compensation payments < 60		
Members in receipt of compensation payments at 1 April 2013		201
Retrospective adjustment*		2
Add:	Members leaving under early retirement schemes during the year	-
Less:	Members reaching normal retirement age during the year	(49)
	Deaths before normal retirement age	-
Members in receipt of compensation payments at 31 March 2014		**154**
Undecided leavers**		
Undecided leavers at 31 March 2014		3,362
Undecided leavers at 31 March 2013		3,467

* 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 these resource accounts.

Financial position as at 31 March 2014

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure and net expenditure for the year is £626,263k.

Income mainly comprises contributions from employers (who are defined per page 2 above), of £222,764k and employee contributions of £149,244k. Other receipts include transfers in of £5,037k from other schemes (note 4) and other pension income of £61k (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 service cost of £500,000k, enhancements of £7,765k, transfers in of £5,037k and interest on scheme liabilities of £490,000k. Payments include other pension expenditure of £567k as per note 10 to the accounts.

Disclosure of information to auditor

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

Events after the reporting period

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

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;
- members' 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 has 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 2014-15.

While the Government have accepted the conclusions of the Hutton Report, the detail behind the proposals made has yet to be determined. The Commission's view was that the recommendations could be implemented before the end of this Parliament. The N.I. Executive on 8 March 2012 agreed to commit to a new Career Average Revalued Earnings (CARE) Pension Scheme linked to State Pension Age to be adopted for public service schemes from 1 April 2015 in line with their equivalent schemes in GB, and not to adopt different approaches for NI.

INFORMATION FOR MEMBERS

Further information about the Scheme is given in the explanatory booklet published in May 2009, which is issued to all members.

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

Any enquiries 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

STATEMENT BY THE ACTUARY

Introduction

This statement 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 2013-14 Resource Accounts of the Health and Social Care Pension Scheme for Northern Ireland ('HSCPS' or 'the Scheme').

The HSCPS is (for most members) a final salary defined benefit scheme, the rules of which are set out in The Health and Personal Social Services (Superannuation) Regulations (Northern Ireland) 1995 (SI 1995/95) and The Health and Social Care (Pension Scheme) Regulations (Northern Ireland) 2008 (SI 2008/256) and subsequent amendments to both. The Scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme 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 2014 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

31 March 2012 Membership data			2013-14 Accounts
Number of members (thousands)	Total salaries (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by contribution receipts (£ billion)
57	1.66	0.35	1.64

Table B – Deferred members

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

Table C – Pensions in payment

31 March 2012 Membership data		2013-14 Accounts
Number (thousands)	**Total pension* (pa) (£ million)**	**Total pension (pa) (£ million)**
27.8	224.6	260.4

*Pension amounts are as at the assessment date and so exclude pension increase 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 2013-14 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2014 was determined using the PUCM and the principal financial assumptions applying to the 2012-13 Resource Accounts.

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

Principal financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2014	31 March 2013
Rate of return (discount rate)	4.35% pa	4.10% pa
Rate of earnings increases*	4.50% pa	3.95% pa
Rate of future pension increases	2.50% pa	1.70% pa
Rate of return in excess of:		
Pension increases (CPI)	1.80% pa	2.35% pa
Earnings increases	-0.15% pa	0.15% pa
Expected return on assets:	n/a	n/a

* Short term adjustments have been made to this assumption for the period 2012 - 2015 inclusive (2010 – 2015 inclusive for the assessment as at 31 March 2013)

The pension increase assumption as at both 31 March 2013 and 31 March 2014 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

The demographic assumptions adopted to prepare this statement were derived from the specific experience of the Scheme membership.

The standard mortality tables known as S1NXA (for normal health pensioners and dependents) 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). Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom. These assumptions have been updated compared to the assumptions adopted for the 2012-13 Annual Accounts to reflect the recent experience of the Scheme as analysed for the valuation as at 31 March 2012.

The reforms to the Scheme due to be implemented in April 2015 may affect the behaviour of members, e.g. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Although no allowance for any expected changes was made for the 2012-13 Resource Accounts, the 2013-14 Accounts do anticipate expected changes in future retirement patterns for those members transferring to the new scheme in April 2015. The current service cost determined for the period 2014-15 remains based on the continued accrual in the existing scheme.

The contribution rate used to determine the accruing cost in 2013-14 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2012-13 Resource Accounts.

Liabilities

Table E summarises the assessed value as at 31 March 2014 of benefits accrued under the Scheme prior to 31 March 2014 based on the data, methodology and assumptions described in paragraphs 4 to 12 above. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

	31 March 2014 (£ billion)	**31 March 2013 (£ billion)**	**31 March 2012 (£ billion)**	**31 March 2011 (£ billion)**	**31 March 2010 (£ billion)**
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(15.13)	(11.83)	(10.50)	(10.60)	(13.00)
Surplus / (Deficit)	(15.13)	(11.83)	(10.50)	(10.60)	(13.00)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

The cost of benefits accruing in the year ended 31 March 2014 (the Current Service Cost) is based on a standard contribution rate of 30.5%. Members contributed between 5.0% and 13.3% 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 9.0%. The corresponding figures for 2012-13 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2013-14	**2012-13**
Standard contribution rate	30.5%	26.5%
Members' estimated average contribution rate	9.0%	7.9%
Employers' estimated share of standard contribution rate	21.5%	18.6%

For the avoidance of doubt, the actual rate of contributions payable by employers, currently 13.3% of pensionable pay is not the same as the employers' share of the standard contribution rate as above (21.5% for 2013-14). 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 Resource Accounts is the discount rate[1]. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of accounting standard IAS19.

The pensionable payroll for the financial year 2013-14 was £1.64 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2013-14 (at 30.5% of pay) is assessed to be £0.50 billion.

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 2014 of changes to the significant actuarial assumptions.

[1]The discount rate used for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. The actual rate used to set the 13.3% contribution rate was 3.5% pa (net of pension increases) whereas the 2013-14 accounting figure of 21.5% assumes 1.8% pa. A higher discount rate results in a lower assessed cost of benefit accrual. The discount rate used for scheme funding was reviewed in 2011 and reduced from 3.5% pa to 3% pa. This new rate will affect the rate of employer contributions payable from April 2015.

Changes to IAS 19 published on 16 June 2011 introduced enhanced disclosure requirements for defined benefit pension schemes, including the HSCPS. In particular, we understand these include a requirement to disclose a sensitivity analysis for each ‘significant’ actuarial assumption.

The principal financial assumptions are the discount rate, general earning 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 two 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 2014 of changes to these assumptions (rounded to the nearest ½%).

Table G – Sensitivity to main assumptions

Change in assumption		**Approximate effect on total liability**	
Financial assumptions			
(i) discount rate*:	-0.5% a year	+11.5%	+ £1.7 billion
(ii) (long term) earnings increase*:	-0.5% a year	- 2.5%	- £0.4 billion
(iii) pension increases:	-0.5% a year	- 7.0%	- £1.0 billion
Demographic assumptions			
(iv) each pensioner subject to longevity of an individual 1 year younger than assumed:		+ 2%	+ £0.3 billion
(v) 1995 section members retire at their Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier)		+ 2%	+ £0.3 billion

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

Sue Vivian
Government Actuary’s Department
May 2014

STATEMENT OF 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 a statement of accounts 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 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 and Personnel has appointed Dr. Andrew McCormick 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 Personnel and published in *Government Accounting Northern Ireland.*

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the Health and Social Care Pension Scheme (HSCPS) Resource Account for 2013-14. 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. 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 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.

Departmental Board

The Departmental 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 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 also scrutinises the governance and performance of the BSO as scheme administrator based on an assurance and accountability framework and ensures appropriate risk management procedures are applied to the Scheme.

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 two years. A review of the Departmental Board was conducted in 2013-14 (see details below).

Executive Board Members 2013-14	
Dr A McCormick	Permanent Secretary
Dr M McBride	Chief Medical Officer
Mrs J Thompson	Deputy Secretary, Resources and Performance Management Group
Mrs C Daly	Deputy Secretary, Health Care Policy Group
Mr S Holland	Deputy Secretary, Social Care Policy Group
Mrs C McArdle	Chief Nursing Officer (joined the Board April 2013)
Mr J Cole	Deputy Secretary, Health Estates Investment Group (left the Board June 2013)
Mr B Smyth	Health Estates Investment Group Representative (October 2013 to March 2014)
Mr M Spence	Health Estates Investment Group Representative (August 2013 to October 2013)
Mr H Thompson	Health Estates Investment Group Representative (July 2013 to August 2013)
Independent Board Members 2013-14	
Dr C King	
Mr M Little	(joined the Board February 2014)

Independent Board Members (IBMs) provide support, guidance and challenge to the Departmental Board. The Department had one IBM, with the remaining post being vacant for the majority of 2013-14, who also chaired the Departmental Audit and Risk Assurance Committee. The vacant IBM position was filled in February 2014. As Accounting Officer, I have regular meetings with the IBMs and carry out annual performance assessments.

Board Performance

A review of the Departmental Board was carried out in 2013-14 and a report was provided to Board members in February 2014, which included an evaluation of the implementation of the last Board Review in 2010-11. The review took the form of a self-assessment diagnostic questionnaire that gathered evidence under the headings of leadership, strategy and delivery. An overall assessment was made on the level of achievement of best practice and a comparison was made with the 2010-11 findings, with individual responses analysed and the combined comparative report presented for consideration by the Board as a whole.

Management Information

The Board reviews regular reports from Arms Length Bodies (ALBs) and HSCPS to challenge performance against Departmental 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 Framework has been rolled out over the past year and will continue to be refined as the implementation and embedding process progresses.

The performance of ALBs and the HSCPS has been subject to a process of continual review. The requirements of ALBs and the 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. The Board has recently asked for specific improvements to the ALBs and the HSCPS performance reporting regime, also the monthly Board report has been subject to a continuous programme of development and improvement throughout 2013-14.

Quality of Information

The Board receives a range of management information from ALBs and 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. During 2013-14 this was also reviewed in the context of the 2013 Code of Good Practice for Corporate Governance in Central Government Departments. 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 2013-14	
Dr C King	IBM and Chair of DARAC
Mr M Little	IBM and DARAC Member (joined February 2014)
Mrs J Pyper	Chief Executive Utility Regulator
Mr T Connolly	Finance Director Department of Education

The Departmental Audit and Risk Assurance Committee (DARAC) is a Committee of the Departmental Board and meets four times per year. The Committee comprises four members, each of whom is independent of Departmental management.

The DARAC gives detailed attention to internal governance issues, including the quality of risk management and corporate governance within the Department, as well as crossboundary issues affecting my role as the Accounting Officer. For example, 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 (PAC), NI Audit Office (NIAO), and the Regulation and Quality Improvement Authority (RQIA), are also examined. The DARAC advises the Board and myself as Accounting Officer on its conclusions and recommendations with regard to identified governance weaknesses.

A review of DARAC took place in 2013-14 and the Terms of Reference were amended accordingly. One of the key changes following the review was an amendment to the title of the Committee from Departmental Audit and Risk Committee (DARC) to Departmental Audit & Risk Assurance Committee (DARAC), re-affirming its non-executive assurance role. This is in line with the updated Her Majesty's Treasury (HMT) Audit and Risk Assurance Committee Handbook.

Each year, the DARAC conducts a self-assessment against the guidelines issued by the National Audit Office. The findings of the self-assessment are presented to DARAC for action as appropriate. As noted in the 2012-13 Governance Statement, the self-assessment for 2013-14 will now take place, as the second Independent Board Member is now in post.

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 accountability and assurance for its ALBs and the HSCPS. In addition, DARAC considers and comments on individual issues of internal governance and their implications for wider governance arrangements.

The DARAC has considered the HSC Pension Scheme Resource Accounts for 2013-14 and on the basis of evidence presented, recommended the accounts 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 weekly forum for the consideration and endorsement of corporate business and handling of emerging issues.

Strategic Planning Group

In my role as Accounting Officer and Chief Executive of the Health and Social Care Sector (HSC), I chair a quarterly Strategic Planning Group that is tasked with ensuring that the transformation of health and social care in Northern Ireland is delivered within a planned and managed strategic integrated framework and within the budget available. Membership of the Strategic Planning Group includes the Chief Executives of the Health and Social Care Board (HSCB), Public Health Agency (PHA) and Business Services Organisation (BSO).

The Strategic Planning Group contributes to the development and implementation of a strategic commissioning agenda for Health and Social Care in Northern Ireland. It facilitates greater coherence in setting and communicating strategic priorities and provides a forum for early identification of emerging issues of significant public, political and media interest.

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.

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. For a new budget period, a substantive recasting of the plan is required.

The Departmental Board is the custodian of the Departmental Business Plan's affordability and deliverability, and progress against the Plan is a standing agenda item for Departmental Board meetings. This includes formal quarterly written reports in Red, Amber or Green format against each of the milestones 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 which 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 biannual 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. 'Risk appetite' is a common understanding of risk tolerance and the need for escalation across the organisation.

A set of risk assessment criteria have 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 2014 and up to the date of approval of the Annual Report and Accounts. This accords with Department of Finance and Personnel 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 Inspectorial/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 Arm's Length Bodies (ALBs) and the HSCPS.

The Department operates a robust risk monitoring and management process with respect to internal operations, which are reported within the Information Risk section below.

Additionally, risk monitoring and management processes within the ALBs are monitored by the Department though separate processes, as highlighted in Governance and Accountability within DHSSPS Arm's Length Bodies section below, which incorporate the HSCPS.

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 that information is securely stored, access-controlled and disposed of appropriately.

Regular mandatory awareness training is delivered to all 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 HSCPS had no data loss-related incidents in 2013-14.

Governance and Accountability within the Business Services Organisation (BSO)

Governance and Accountability can be considered under the following headings:

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

BSO Assurance and Accountability

The Department achieves its corporate objectives through direct Departmental action and through the BSO. The Chief Executive of the BSO is directly accountable to me (Permanent Secretary of the Department) as Principal Accounting Officer. The BSO through their Board are held to account for the delivery of their prescribed functions, Ministerial/Departmental priorities and compliance with other statutory responsibilities.

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

The Framework enables the Department and Minister to be assured that the BSO 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 the BSO are being used to deliver the intended objectives.

The Framework details the roles and responsibilities of all Department staff including Executive Board Members, sponsor branches in addition to informing the format and structure of the biannual accountability meetings with Chairs and Chief Executive of the BSO. Through its sponsor branch, the Department engages directly with the BSO, commensurate with the level of risk the body poses to the Department. BSO risks can either be escalated in the Department, through the accountability review meetings undertaken by the sponsors, or highlighted to the Department through the other formal and informal interactions that the sponsors, Executive Board Members and professional staff maintain with the BSO to allow information transfer opportunities.

Following the implementation of the new business planning arrangements for ALBs in 2012-13, which required the inclusion of Departmental objectives and targets, the Department has developed and implemented arrangements to monitor the progress of ALBs against objectives and targets. This was a significant step in strengthening the existing arrangements for holding ALBs to account for performance. The information collected from the monitoring exercises is used to inform the agenda of the mid-year and end-of-year accountability meetings with Chief Executives and Chairs of each ALB. A report on ALB performance is also presented to the Departmental Board on a biannual basis, which highlights trends and common themes in performance across all 17 ALBs.

The biannual accountability meeting with the BSO is structured to cover all relevant governance issues affecting the organisations and provide an accountability mechanism to support this Governance Statement.

The Chief Executive of the BSO has compiled a Governance Statement for its Accounts, and these have been reviewed on my behalf. This statement has been used to support this HSCPS governance statement.

During 2013-14, the Chief Executive of the BSO submitted a mid-year assurance statement. This statement supplements the year end Governance Statement by providing in-year assurance on the continuing robustness of the BSO's system of internal governance, including the identification of internal governance matters that have arisen, which were used to inform the Department's programme of accountability meetings with the BSO.

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 the BSO by initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance of the BSO administration of the HSCPS.

This monitoring is based on assessing the operation and performance of HSCPS 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.

Controls Assurance Standards (CAS)

Controls Assurance Standards are a central feature of the Health and Social Care (HSC) sector corporate governance and these also apply to all departmental functions. The standards as a whole cover key areas of organisational risk in the HSC and provide a mechanism for Accounting Officers to demonstrate that they are managing risks in order to meet their objectives and to protect users, staff, the public and other stakeholders against risk of all kinds.

For 2013-14, the compliance level for the three core standards of Governance, Risk Management and Financial Management, together with 18 other standards, has been set at ‘substantive’ for all ALBs including the BSO as HSCPS administrator. The Information Governance CAS, previously Records Management, has been extensively reviewed and updated resulting in a revised compliance rate of ‘Moderate’ for 2013-14. Substantive compliance with the core standards is particularly important as an underpinning of the individual governance statements. Whilst overall the BSO performed well against the 2013-14 standards, there are areas for improvement which are being pursued with individual organisations through the formal accountability processes.

Statutory Duty of Quality

The HPSS (Quality, Improvement and Regulation) (NI) Order 2003 places a statutory duty of quality on those organisations for which RQIA has lead responsibility (including HSC organisations).

The RQIA provides independent assurance to the Minister, via the Department, by conducting a rolling programme of planned clinical and social care governance and thematic reviews across a range of subject areas in HSC organisations. The reviews are conducted as part of RQIA’s on-going independent assessment of quality, safety and availability of HSC services or may be commissioned by the Department.

The Department has developed a set of ‘Quality Standards for Health and Social Care’ which are used as a benchmark for the RQIA in its role in inspecting, assessing and publicly reporting on the quality and accessibility of health and social services in Northern Ireland and in making recommendations for improvements to ensure services are up to standard.

Care standards for regulated services across the statutory, voluntary and private sectors have also been developed by the Department. These standards focus on the safety, dignity, wellbeing and quality of life of service users. They are designed to address unacceptable variations in the standards of treatment, care, service provision and to raise the quality of services within the HSC. They are used by RQIA, alongside the requirements stipulated within regulations in making decisions on the regulation of establishments and agencies.

Central Arm’s Length Bodies Governance Unit

Throughout 2013-14, the Central Arm’s Length Bodies Governance Unit (CAGU) has been taking forward a programme of work to strengthen the Department’s oversight of each of its Arm’s Length Bodies including the BSO as HSCPS administrator.

A component of this work has been the continued application of the Department’s Assurance and Accountability Framework. The framework, which was developed during 2012-13, applies to the 16 Health and Social Care Bodies and to the Northern Ireland Fire and Rescue Service. The intention of the Framework is to build on and strengthen the arrangements which already exist, in order to ensure that a consistent approach is adopted across the Department regarding the sponsorship of ALBs. A building block of the Framework includes a uniform approach to the format and structure of the Accounting Officer (Permanent Secretary) sponsored biannual accountability meetings with Chief Executives and Chairs of each ALB. The agendas for these meetings reflect the roles which Chairs and their Boards discharge and are uniformly structured for all ALB accountability meetings.

Following the implementation of the new business planning arrangements for ALBs in 2012-13, which required having a Business Plan approved and in place by 1 April of the year to which it relates, the Department has developed and implemented arrangements to monitor the progress of ALBs against objectives and targets. This was a significant step in strengthening the existing arrangements for holding ALBs to account for performance. The information collected from the monitoring exercises is used to inform the agenda of the Accounting Officer (Permanent Secretary) sponsored twice yearly accountability meetings with Chief Executives and Chairs of each ALB. A report on ALB performance is now presented to the Departmental Board on a biannual basis and the report highlights trends and common themes in performance across all 17 ALBs.

The Board Governance Self Assessment Tool was introduced by the Department in 2012-13 and further developed by the Department during 2013-14 to enable ALB Boards to assess their strengths and weaknesses. It also assists to identify guidance, training or other support they may need to discharge their roles and responsibilities. The tool has been completed by all ALBs for the second time and has enabled them to develop action plans to address potential weaknesses in their governance arrangements.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources:

- 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 Accounting Officer and provides reports to the Departmental Audit and Risk Assurance Committee. 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 internal governance implications of proposed and emerging changes.

Northern Ireland Audit Office

The purpose of the NIAO is to provide 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 though 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.

During 2013-14, the NIAO did not issue any reports that directly related to the Department or the HSC sector. However, a number of reports were issued in relation to wider NICS issues, including Sickness Absence in the Northern Ireland Public Sector; Account NI: A Review of Public Sector Financial Shared Service Centre; and Financial Reporting and Auditing 2013. Whilst no major or significant issues specific to DHSSPS or the HSC Pension Scheme were highlighted in these reports, the Department will act as appropriate on any recommendations relevant to it.

A representative of the Northern Ireland Audit Office (NIAO) attends Departmental Audit and Risk Assurance Committee 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 professional assurance in relation to internal audit and specialist advice and guidance to Boards within HSC organisations and Departmental ALBs. The Department reviews the mid and end-year Head of Internal Audit's (HIA) independent opinion on the adequacy and effectiveness of each of the ALBs' system of internal control, together with recommendations for improvement.

Internal Audit Opinion

The BSO's internal audit service ('IAS') operates in accordance with Government Internal Audit Standards. The annual audit plan is derived from an analysis of the corporate risk register.

The HIA has provided a satisfactory opinion in relation to the HSC Pension Service for the period covering governance, risk and controls.

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 Departmental Board and the Audit & Risk Assurance Committee 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.

Internal Governance Divergences

Prior Year Issues

There were no governance matters arising in previous years.

New Issues for 2013-14

No governance matters arose during the period 2013 -14.

Ministerial Directions

During 2013-14, no Ministerial Directions were sought or given in relation to the HSCPS.

Conclusion

DHSSPS 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 DHSSPS has operated a sound system of internal governance during the period 2013-14.

Dr A McCormick
Accounting Officer
27 June 2014

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 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These 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 Managers, Report of 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 voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 2014 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 2014 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with 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 Managers and the Report of 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

KJ Donnelly

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

2 *July 2014*

STATEMENT OF ASSEMBLY SUPPLY 2013-14

Summary of Resource Outturn 2013-14

		2013-14							2012-13
		Estimate			Outturn				Outturn
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net total outturn compared with Estimate: saving / (excess)	Prior Year Outturn
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Request for resources									
Providing a pension scheme for persons employed in the health and social care sector									
Annually Managed Expenditure		1,024,833	(345,748)	679,085	1,003,369	(345,748)	657,621	21,464	594,736
Total resources	**SOAS 2**	**1,024,833**	**(345,748)**	**679,085**	**1,003,369**	**(345,748)**	**657,621**	**21,464**	594,736

Summary of Net Cash Requirement 2013-14

		2013-14			2012-13
		Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
	Note	£000	£000	£000	£000
Net cash requirement	**SOAS 3**	**-**	**-**	**-**	**-**

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):

		2013-14 Forecast		2013-14 Outturn	
		Income	Receipts	Income	Receipts
	Note	£000	£000	£000	£000
Total	**SOAS 4**	**-**	***14,176***	**68,539**	***43,732***

Total income due to be paid over to the Consolidated Fund is £68,539k. Total receipts are £43,732k.

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

(1) Changes in working capital other than cash (£33,136k - see SOAS 3)

A greater than forecast estimate for the movement in CFERs included in receivables is the principle reason for this variance.

(2) Excess cash receipts surrenderable to the Consolidated Fund, this excludes Excess Accruing Resources (£31,358k) (£37,181k - see SOAS 3, 4)

Based on forecast budget and working capital information this figure was estimated as £14,176k. Actual outturn was more than estimate by £23,005k.

The notes on pages 33 to 35 form part of the Statement of Assembly Supply.

NOTES TO THE HSC PENSION SCHEME RESOURCE ACCOUNTS (STATEMENT OF ASSEMBLY SUPPLY)

SOAS 1. Statement of Accounting Policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

SOAS 1.1 Accounting convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the system of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOAS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences. However none of these are relevant to the Scheme accounts.

SOAS 2. Reconciliation of Estimates, accounts and budgets

SOAS 2.1 Reconciliation of Net Resource Outturn to Net Expenditure

		2013-14			2012-13
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
	Note	£000	£000	£000	£000
Net Resource Outturn		657,621	679,085	21,464	594,736
Non - supply income (CFERs)	SOAS 4	(31,358)	-	31,358	(4,455)
Net expenditure in SoCNE		**626,263**	**679,085**	**52,822**	590,281

SOAS 2.2 Outturn against final Administration Budget

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

SOAS 3. Reconciliation of resources to net cash requirement

		Estimate	Outturn	Net total outturn compared with Estimate savings / (excess)
	Note	£000	£000	£000
Net Resource Outturn	SOAS 2.1	679,085	657,621	21,464
Accruals Adjustments:				
Changes in working capital other than cash	SOAS 3.1	5,000	(28,136)	33,136
Use of provisions	16	326,572	336,136	(9,564)
New provisions and adjustments to previous provisions	16	(1,024,833)	(1,002,802)	(22,031)
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 4	14,176	37,181	(23,005)
Net cash requirement		**-**	**-**	**-**

SOAS 3.1 Movements in working capital other than cash

	Note	2013-14 £000	2012-13 £000
Decrease in receivables related to supply	12a	3,175	27,807
Increase in receivables not related to supply (injury benefit)	12a	(383)	(152)
Increase in payables falling due within one year	14a	538	4,142
Movement in working capital		3,330	31,797
Movement in CFERS excess accruing resources	SOAS 4	24,806	880
Movement in working capital		**28,136**	32,677

SOAS 4. Analysis of income payable to the Consolidated Fund

	2013-14 Forecast		2013-14 Outturn	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts - excess accruing resources	-	-	31,297	6,490
Other operating income and receipts not classified as accruing resources	-	-	61	61
Operating income and receipts surrenderable to the Consolidated Fund	-	-	31,358	6,551
Excess cash surrenderable to the Consolidated Fund	-	14,176	37,181	37,181
Total income payable to the Consolidated Fund	**-**	**14,176**	**68,539**	**43,732**

SOAS 5. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	2013-14 £000	2012-13 £000
Operating income	377,045	348,765
Income authorised to be Accruing Resources	(345,748)	(344,310)
Operating income payable to the Consolidated Fund	**31,297**	4,455

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Income			
Contributions receivable	3	372,008	341,706
Transfers in	4	5,037	7,015
Other pension income	5	61	44
		377,106	348,765
Expenditure			
Pension cost	6	(500,000)	(410,000)
Enhancements	7	(7,765)	(11,326)
Transfers in	8	(5,037)	(7,015)
Pension financing cost	9	(490,000)	(510,000)
Other expenditure	10	(567)	(705)
		(1,003,369)	(939,046)
Net Expenditure		**(626,263)**	(590,281)
Other Comprehensive Net Expenditure			
Pension re-measurements:			
Actuarial (loss)	16.4	(2,684,867)	(698,708)
Total Comprehensive Net Expenditure for the year ended 31 March		**(3,311,130)**	(1,288,989)

The notes on pages 40 to 56 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2013-14 £000	2012-13 £000
Current assets			
Receivables	12	41,397	44,189
Cash and cash equivalents	13	36,509	55,708
Total current assets		**77,906**	99,897
Current liabilities			
Payables (within 12 months)	14	(82,660)	(76,515)
Total current liabilities		**(82,660)**	(76,515)
Net current (liabilities) / assets, excluding pension liability		**(4,754)**	23,382
Pension liability	16.1	(15,130,000)	(11,778,467)
Net liabilities, including pension liabilities		**(15,134,754)**	(11,755,085)
Taxpayers' equity			
General fund		(15,134,754)	(11,755,085)
		(15,134,754)	(11,755,085)

The notes on pages 40 to 56 form part of these accounts.

Dr A McCormick
Accounting Officer
27 June 2014

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2014

		General Fund	
	Note	**2013-14**	**2012-13**
		£000	**£000**
Balance at 1 April		(11,755,085)	(10,398,709)
Excess accruing resources	SOAS 4	(31,358)	(4,455)
Excess cash receipts payable to Consolidated Fund	SOAS 4	(37,181)	(62,932)
Comprehensive net expenditure for the year		(626,263)	(590,281)
Actuarial loss		(2,684,867)	(698,708)
Net change in Taxpayers' Equity		(3,379,669)	(1,356,376)
Balance at 31 March		**(15,134,754)**	(11,755,085)

The notes on pages 40 to 56 form part of these accounts.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net (expenditure) for the year		(626,263)	(590,281)
Adjustments for non-cash transactions:			
Decrease in receivables related to supply	12	3,175	27,807
(Increase) in receivables not related to supply	12	(383)	(152)
Increase in payables	14	538	4,142
Increase in pension provision	16.1	990,000	920,000
Increase in pension provision - enhancements and transfers in	16.1	12,802	18,341
Use of provisions - pension liability	16.2	(328,894)	(306,061)
Use of provisions - refunds and transfers	16.3	(7,242)	(7,289)
Net cash inflow from operating activities		**43,733**	66,507
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**43,733**	66,507
Payments of amounts due to the Consolidated Fund		(62,932)	(33,899)
Net (decrease) / increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(19,199)**	32,608
Cash and cash equivalents at the beginning of the period	13	**55,708**	23,100
Cash and cash equivalents at the end of the period	13	**36,509**	55,708

The notes on pages 40 to 56 form part of these accounts.

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 2013-14 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. 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 & 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 (DHSSPS). 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, 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 this statement.

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 2013, being 2.35% real rate (i.e. 4.10% including inflation).

2.7 Pension financing cost

The pension financing 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 2013, being 2.35% real rate (i.e. 4.10% including inflation).

2.8 Past service costs

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 Pension liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at the close of 31 March 2014, being 1.80% real rate (i.e. 4.35 % 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 resource accounting valuation was carried out as at 31 March 2008. Work on the next actuarial valuation as at 31 March 2012 is currently ongoing.

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 pension 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 pension 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 pension 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 pension 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 pension 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.

2.17 Administration expenses

All costs of administering the HSC Pension Scheme are borne by the DHSSPS 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 accounts.

3. Contributions receivable

	2013-14	2012-13
	£000	**£000**
Employers	222,764	216,223
Employees	149,244	125,483
	372,008	341,706

Employer contributions for the year ended 31 March 2013 are shown net of a £5.4m adjustment in respect of GP underpayments for the period 2008 to 2011 which were settled via funding from the HSC Board during the prior year.

£373,236k contributions are expected to be payable to the Scheme in 2014-15.

4. Transfers in (see also Note 8)

	2013-14	2012-13
	£000	**£000**
Group transfers in from other schemes	-	13
Individual transfers in from other schemes	5,037	7,002
	5,037	7,015

5. Other pension income

	2013-14	2012-13
	£000	**£000**
Other	61	44
	61	44

6. Pension cost

	2013-14	2012-13
	£000	**£000**
Current service cost (see note 16.1)	500,000	410,000
	500,000	410,000

7. Enhancements (see also Note 16.1)

	2013-14	2012-13
	£000	**£000**
Employees:		
Purchase of added years	2,217	2,337
Employers:		
Pre-funded compensation payments	5,548	8,989
	7,765	11,326

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

	2013-14	2012-13
	£000	**£000**
Group transfers in from other schemes	-	13
Individual transfers in from other schemes	5,037	7,002
	5,037	7,015

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)

	2013-14	2012-13
	£000	£000
Net interest on defined benefit liability	490,000	510,000
	490,000	510,000

10. Other pension expenditure

	2013-14	2012-13
	£000	£000
Contributions Equivalent Premium	268	446
Contribution refund	299	259
	567	705

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 accounts. 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:

	2013-14	2012-13
	£000	£000
Balance at 1 April	2,136	2,025
New investments (net of transfers/refunds)	(65)	31
Sales of investments to provide pension benefits	(126)	(95)
Changes in market value of investments	128	175
Balance at 31 March	**2,073**	2,136

Scheme Number WP111

Movements in the year were as follows:

	2013-14	2012-13
	£000	£000
Balance at 1 April	2,518	2,495
New investments (net of transfers/refunds)	(6)	(24)
Sales of investments to provide pension benefits	(64)	(50)
Changes in market value of investments	75	97
Balance at 31 March	**2,523**	2,518

Standard Life

Movements in the year were as follows:

	2013-14	2012-13
	£000	£000
Balance at 1 April	3,808	3,644
New investments (net of transfers/refunds)	(40)	(120)
Sales of investments to provide pension benefits	(204)	(113)
Changes in market value of investments	347	397
Balance at 31 March	**3,911**	3,808

12. Receivables - contributions due in respect of pensions

12.(a) Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	17,631	21,160
Employees' normal contributions	11,630	11,036
Capitalised cost of enhancement to pensions payable on departure	9,827	9,550
Overpaid pensions	520	1,123
Other receivables	100	14
Non-supply receivables:	39,708	42,883
Injury benefit	1,689	1,306
Total receivables due within one year	**41,397**	44,189

Included in pension contributions due is £29,261k (2012-13: £4,455k) that will be due to the Consolidated Fund once the debts are collected.

12.(b) Analysis by Organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balances with other central government bodies	6,942	5,832	-	-
Balances with HSC Trusts	21,866	22,700	-	-
Balances with bodies external to government	12,589	15,657	-	-
Total receivables	**41,397**	44,189	**-**	-

13. Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	55,708	23,100
Net change in cash balances	(19,199)	32,608
Balance at 31 March	**36,509**	55,708
The following balances at 31 March were held at:		
Commercial banks and cash in hand	36,509	55,708
Balance at 31 March	**36,509**	55,708

14. Payables - in respect of pensions

14.(a) Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Pensions	3,554	2,046
HMRC	3,353	2,963
Other payables	2,759	4,119
CFERs due to be paid to Consolidated Fund	35,813	4,455
Other CFERs due to the Consolidated Fund	37,181	62,932
Total payables due within one year	**82,660**	76,515

14.(b) Analysis by Organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balances with other central government bodies	76,911	70,820	-	-
Balances with bodies external to government	5,749	5,695	-	-
Total payables	**82,660**	76,515	**-**	-

15. Amounts due to the Consolidated Fund

	2013-14	2012-13
	£000	£000
Net Cash Requirement (Summary of Resource Outturn)	-	-
Excess cash receipts surrenderable to the CF	(37,243)	(62,932)
Excess Accruing Resources payable to Consolidated Fund	(35,752)	(4,455)
	(72,995)	(67,387)
Cash and cash equivalents	36,509	55,708
Consolidated Fund Extra Receipts included in receivables	29,261	4,455
Excess net cash requirement	7,224	7,224
	72,995	67,387

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 2014. The Statement by 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 2004 and completed in 2009. A full actuarial (funding) valuation as at 31 March 2008 was suspended by HM Treasury before completion and the obligation to complete it has been removed from the Scheme Regulations. A funding valuation as at 31 March 2012 is currently underway, but has not yet been completed. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

This year's assessment has been carried out using full membership data as at 31 March 2012, which has been provided for the formal actuarial valuation. The previous assessment was based on full membership data as at 31 March 2010. 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:

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

The key financial assumptions used by the Actuary were:

	31 Mar 14	31 Mar 13	31 Mar 12	31 Mar 11	31 Mar 10
Rate of increase in salaries*	4.50%	3.95%	4.25%	4.90%	4.30%
Rate of increase in pensions in payment and deferred pensions**	2.50%	1.70%	2.00%	2.70%	2.80%
Inflation assumption***	2.50%	1.70%	2.00%	2.70%	2.80%
Nominal discount rate	4.35%	4.10%	4.85%	5.60%	4.60%
Discount rate net of price inflation	1.80%	2.35%	2.80%	2.90%	1.80%

* short term adjustments have been made to this assumption for the period 2012-2015 inclusive (2010-2015 inclusive for the assessment as at 31 March 2013).

** on 22 June 2010 the Government announced that the rate of increase in pensions in payment and deferred pensions would be by reference to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

*** the inflation assumptions shown at 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014 are assumed rates of CPI. For 31 March 2010 they are assumed rates of RPI.

Details of mortality assumptions are outlined at Note 16.7.

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 accounts 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 a significant increase in the pension liability.

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

Categories	At 31 March 2014 £bn	At 31 March 2013 £bn	At 31 March 2012 £bn	At 31 March 2011 £bn	At 31 March 2010 £bn
Pensions in Payment	4.8	3.8	3.4	3.3	3.5
Deferred Pensions	0.8	0.6	0.6	0.5	1.2
Active Members (Past Service)	9.5	7.4	6.5	6.8	8.3
Total	**15.1**	**11.8**	**10.5**	**10.6**	**13.0**

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 notes 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	2013-14		2012-13	
		£000	£000	£000	£000
Scheme liability at 1 April			11,778,467		10,454,768
Current service cost	6	500,000		410,000	
Pension financing cost	9	490,000		510,000	
			990,000		920,000
Enhancements	7	7,765		11,326	
Pension transfers in	4	5,037		7,015	
			12,802		18,341
Benefits payable	16.2	(328,894)		(306,061)	
Pension payments to and on account of leavers	16.3	(7,242)		(7,289)	
			(336,136)		(313,350)
Actuarial loss	16.4		2,684,867		698,708
Scheme liability at 31 March			**15,130,000**		11,778,467

During the year ended 31 March 2014, employer contributions represented an average of 13.3% of pensionable pay.

16.2 Analysis of benefits paid

	2013-14	2012-13
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	261,406	241,922
Commutations and lump sum benefits on retirement	65,137	62,217
Death in service benefits	2,351	1,922
Total benefits paid	**328,894**	306,061

16.3 Analysis of payments to and on account of leavers

	2013-14	2012-13
	£000	£000
Individual transfers to other schemes	7,242	7,289
Total payments to and on account of leavers	**7,242**	7,289

16.4 Analysis of actuarial (loss)

	2013-14	2012-13
	£000	£000
Experience (losses) / gains arising on the Scheme liabilities	(704,867)	11,292
Changes in demographic assumptions underlying the present value of Scheme liabilities	(360,000)	(20,000)
Changes in financial assumptions underlying the present value of Scheme liabilities	(1,620,000)	(690,000)
Total actuarial (loss)	**(2,684,867)**	(698,708)

16.5 History of experience (losses) / gains

	2013-14	2012-13	2011-12	2010-11	2009-10
	£000	£000	£000	£000	£000
Experience (losses) / gains on Scheme liabilities:					
Amount (£000)	(704,867)	11,292	280,000	750,000	(430,000)
Percentage of the present value of Scheme liabilities	(4.7)%	0.1%	2.7%	7.1%	(3.3)%
Total amount recognised in statement of Changes in Taxpayers Equity :					
Amount (£000)	(2,684,867)	(698,708)	840,000	1,790,000	(3,860,000)
Percentage of the present value of Scheme liabilities	(17.7)%	(5.9)%	8.0%	17.0%	(29.8)%

16.6 Sensitivity of results

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2014 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
Decrease in the rate of return in excess of salaries of ½% per annum, holding all other assumptions constant*	Decrease of 2.5% for active members	(£0.4 billion)
Decrease in the rate of return in excess of pensions of ½% per annum, holding all other assumptions constant*	Decrease of 7% for all members	(£1.0 billion)
Assumed longevity increased by rating the tables assumed down by 1 year	Increase of 2% for all members	£0.3 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 Resource Accounts as at 31 March 2014.

Average number of years current pensioners expected to live after retiring at age:	Men	Women
55	35.5	37.5
60	30.4	32.4
65	25.4	27.3

Average number of years future pensioners expected to live after retiring at age:	Men	Women
55	36.8	38.7
60	32.1	34.1
65	27.6	29.5

17. Financial Instruments

As the cash requirements for the DHSSPS 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 of Health, Social Services and Public Safety will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contributions.

19. Losses and special payments

19(a) Losses Statement

	2013-14	2013-14	2012-13
	No of cases	£000	£000
Total	132	322	47

19(b) Special Payments

	2013-14	2013-14	2012-13
	No of cases	£000	£000
Total	28	76	76

20. 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.

21. Events after the Reporting Period

There are no subsequent events that have a material effect on the 2013-2014 accounts.

Date of authorisation for issue

The Accounting Officer has authorised these financial statements for issue on 2 July 2014.

ISBN Number

………...........