Health and Social Care Pension Scheme Statement for the year ended 31 March 2022

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

08 July 2022

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Health and Social Care Pension Scheme Statement for the year ended 31 March 2022

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REPORT OF THE MANAGERS

Background to the Scheme

Statutory basis for the Scheme

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

Scheme provisions are governed by the following regulations:

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

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

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

Eligibility to join the Scheme

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

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

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

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

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

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

Management of the Scheme

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

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

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

Contributions

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

Key developments in year

Changes in benefits

There was a 0.5% pension increase for 2021-22 from 12 April 2021.

Scheme Changes – Legislative Changes 2021-22

No amending legislation was introduced for year 2021-22.

Issues for 2021-22

McCloud

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

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

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

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

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

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

Any subsequent changes to the HSC Pension Scheme will be subject to further scheme level consultation.

2016 Cost Cap Valuations

Following publication of revised valuation directions by the Department of Finance on 22 November 2021 the 2016 valuation has now been completed. The cost of the HSC pension scheme in this cost cap valuation is -1.3% of pay below the employer cost cap. The result lies within the 2% corridor which means that no changes to benefits or member contributions are required. These results include the costs of the transitional protection remedy as a result of the outcome of the McCloud case.

Walker, Goodwin and Brewster Rulings

Following court rulings in the cases of Walker v Innospec LTD, [2017 UKSC47] Goodwin v the Secretary of State for Education [13085062016], Brewster Re: application for Judicial Review (Northern Ireland) [2017] UKSC8 the Department is required to consult on amending legislation that will :

- equalise entitlement to survivor benefits for male survivors of female scheme members,
- extend the automatic cover for pre- 1988 service to same sex civil partners and same sex spouses,
- withdraw the co-habiting nomination requirement for survivor benefits.

Consultation on draft amending regulations closed on 31 March 2022 and, following on from this, the Department intends to proceed to introduce the amending legislation in 2022.

COVID-19

The financial statements are being prepared at a time when the UK continues to deal with the COVID-19 pandemic. As outlined in the Report of the Actuary, it is too early to speculate on the full impact of the pandemic and any potential long-term effects of the pandemic on future economic/salary growth, mortality rates or financial assumptions underpinning the pension liability as at 31 March 2022. Details of significant actuarial assumptions adopted in calculating the pension liability for inclusion in the financial statements as at 31 March 2022 are included in note 16, together with sensitivity of the pension liability to changes in the significant actuarial assumptions in note 16.6.

Membership statistics

Active members				
Active members at 1 April 2021				89,200
Retrospective adjustment*				1,536
Add:	New entrants			11,143
Less:	Retirements in the year			(1,742)
	Transfers out			-
	Undecided leavers			(8,581)
	Refunds			-
	Deaths			(22)
	Leaving with deferred rights			(6)
Active members at 31 March 2022				**91,528**
Deferred members				
Deferred members at 1 April 2021				12,772
Retrospective adjustment*				86
Add:	Members leaving with deferred rights			24
Less:	Taking up deferred rights			(455)
	Transfers out			(4)
	Deaths			(6)
Deferred members at 31 March 2022				**12,417**
Pensioners in payment		**Members**	**Dependents**	**Total**
Pensioners in payment at 1 April 2021		26,390	4,165	30,555
Retrospective adjustment*		1,083	16	1,099
Add:	Retiring at normal retirement age	1,728	-	1,728
	New dependents	-	314	314
	Retiring previously deferred	348	-	348
Less:	Commuted pension	(19)	-	(19)
	Death in year	(1,306)	(193)	(1,499)
Pensioners in payment at 31 March 2022		**28,224**	**4,302**	**32,526**
Compensation payments > 60				
Members in receipt of compensation payments at 1 April 2021				1,756
Retrospective adjustment*				(9)
Less:	Retiring at normal retirement age			-
	Deaths before normal retirement age			(89)
Members in receipt of compensation payments at 31 March 2022				**1,658**
Ill health retirement				
Ill health retirement members at 1 April 2021				8,403
Retrospective adjustment*				21
Add:	Members retiring on ill health grounds			250
Less:	Deaths in year			(261)
Ill health retirements at 31 March 2022				**8,413**
Compensation payments < 60				
Members in receipt of compensation payments at 1 April 2021				2
Retrospective adjustment*				-
Plus leaving on early retirement				-
Members in receipt of compensation payments at 31 March 2022				**2**
Undecided leavers**				
Undecided leavers at 31 March 2022				**11,760**
Undecided leavers at 31 March 2021				10,035

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

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

Financial position as at 31 March 2022

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure. Net expenditure for the year is £1,647,929k. Income mainly comprises contributions from employers of £552,398k and employee contributions of £239,610k (Note 3). Other receipts include transfers in of £5,794k from other schemes (Note 4) and other pension income of £1,148k (Note 5).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability. This comprises the current service cost of £2,000,000k, enhancements of £1,085k, transfers in of £5,794k and interest on scheme liabilities of £440,000k.

Disclosure of information to auditor

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

Events after the reporting period

The Department introduced legislation during the year to close the legacy 1995 and 2008 sections of the HSC Pension Scheme to future accrual and move all active members into the 2015 HSC Pension Scheme effective from 1 April 2022.

Information for members

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

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

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

The names and addresses of the Scheme's:

Accounting Officer:	Mr P May Permanent Secretary Department of Health Castle Buildings Stormont Estate Belfast BT4 3SQ
Administrator:	Business Services Organisation Waterside House 75 Duke Street Derry County Londonderry BT47 6FP
Actuary:	Government Actuary's Department Finlaison House 15-17 Furnival Street London EC4A 1AB
Legal Advisers:	Departmental Solicitors Office Victoria Hall 12 May Street Belfast BT1 4NL
	Legal Department Business Services Organisation Headquarters 2 Franklin Street Belfast BT2 8DQ
Auditor:	Northern Ireland Audit Office 106 University Street Belfast BT7 1EU
Bankers:	Danske Bank Donegall Square West Belfast BT1 6JS

Employers:	Principal employers:
	Health and Social Care 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 GP Federations

Contact for enquiries and complaints

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

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

REPORT OF THE ACTUARY

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Health (DoH). It provides a summary of GAD's assessment of the scheme liability in respect of the Health and Social Care Pension Scheme (HSCPS) as at 31 March 2022, and the movement in the scheme liability over the year 2021-22, prepared in accordance with the requirements of Chapter 12 of the 2021-22 version of the Financial Reporting Manual.

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

The assessment has been carried out by calculating the liability as at 31 March 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2022.

Membership data

Tables A to C summarise the principal membership data as at 31 March 2016 used to prepare this statement.

Table A – Active members

	Number thousands	Total pensionable pay* (p.a.) £ million
Males	13	475
Females	49	1,250
Total	62	1,725

* Pensionable pay is the actual figure.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £ 000
Males	3,535	12,349
Females	13,152	29,249
Total	16,687	41,598

* Pension amounts include the pension increase granted in April 2016.

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £ million
Males	7,594	120
Females	23,841	177
Total	31,435	297

* Pension amounts include the pension increase granted in April 2016.

Methodology

The present value of the liabilities as at 31 March 2022 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2022. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2022 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2021 in the 2020-21 accounts.

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

Financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2022 p.a.	31 March 2021 p.a.
Nominal discount rate	1.55%	1.25%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.90%	2.22%
Rate of general pay increases	4.15%	3.72%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
CPI Inflation	(1.30)%	(0.95)%
Long–term pay increases	(2.50)%	(2.38)%
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2022.

Demographic assumptions

Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership and with regard to the corresponding experience of the NHS Pension Scheme (England and Wales). The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S2 tables’ with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal health	S2NMA	83%
Current ill-health pensioners	S2IMA	83%
Future ill-health pensioners	S2IMA	100%
Dependants	S2NMA	100%
Females		
Retirements in normal health	S2NFA	85%
Current ill-health pensioners	S2IFA	85%
Future ill-health pensioners	S2IFA	100%
Dependants	S2DFA	100%

The assumptions in Table E above are the same as those adopted for the 31 March 2016 funding valuation of the Scheme and the accounts as at 31 March 2021.

Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2020-21 accounts.

The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2020-21 accounts.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 26 May 2022.

Liabilities

Table F summarises the assessed value as at 31 March 2022 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2021 and 2022 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2022 £ 000	31 March 2021 £ 000
Total market value of assets	nil	nil
Value of liabilities	39,970,000	34,820,000
Surplus/(Deficit)	(39,970,000)	(34,820,000)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2022 (the current service cost) is assessed as 81.6% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 5.0% and 14.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2021-22 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2021-22 accounts.

Table G – Contribution rate

	2021-22 % of pay	2020-21 % of pay
Employer contributions	22.5%	22.5%
Employee contributions (average)	9.8%	9.6%
Total contributions	**32.3%**	**32.1%**
Current service cost (expressed as a % of pay)	**81.6%**	**68.9%**

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

The pensionable payroll for the financial year 2021-22 was £2,455,427k (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2021-22 (at 81.6% of pay) is assessed to be £2,000,000k . This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a material past service cost over 2021-22.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2021-22.

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 2022 of changes to the most significant actuarial assumptions.

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

Table H shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 12.0%	- £4.8 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.5%	+ £1.0 billion
(iii) pension increases*:	+0.5% p.a.	+ 8.5%	+ £3.4 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.0%	+ £1.6 billion

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

Covid-19 implications

As with the accounts last year, the 2021-22 Resource Accounts are being produced when the UK continues to deal with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2021) 10, dated 13 December 2021, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

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

The 2018 population mortality projections make no specific allowance for the impact of Covid-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods.

Garry Swann FIA
Actuary
Government Actuary's Department
24 June 2022

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

- Observe the Accounts Direction issued by the Department of Finance including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- Make judgements and estimates on a reasonable basis;

- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;

- Prepare the financial statements on a going-concern basis; and

- Confirm that the HSC Pension Scheme Statement as a whole is fair, balanced and understandable and takes personal responsibility for the HSC Pension Scheme Statement and the judgements required for determining that it is fair, balanced and understandable.

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

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the Departmental Resource Accounts for 2021-22. It outlines the Department's governance framework for directing and controlling its functions and how assurance is provided to support me in my role as Accounting Officer for Department of Health (DoH). The Board of the Department is accountable for internal control. As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Department's policies, aims and objectives. I also have responsibility for safeguarding public funds and Departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland (MPMNI).

The Department's strategic objectives have been updated to reflect Ministerial priorities and those developed by the NI Executive as part of the New Decade New Approach (NDNA) since the restoration of the NI Assembly in January 2020. However, the COVID-19 pandemic caused the Department to activate its Business Continuity Plan and the Executive to operate under Emergency Planning structures during most of the 2021-22 financial year.

The following statement, whilst primarily focusing on the Department, incorporates issues within its Arm's Length Bodies (ALBs) which deliver services directly to the public. The ALBs use their own governance structures developed in line with MPMNI, Departmental and other requirements and guidance. Each ALB publishes its own individual Governance Statement within their published annual report and accounts. ALB Boards have corporate responsibility for ensuring that their respective organisations fulfil their statutory responsibilities and the aims and objectives set by the Minister, including promoting the efficient, economic and effective use of staff and other resources.

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

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

The Department applies the principles of good practice outlined in the Code. As required, the Department maintains and publishes a Register of Interests. This register details any interests which the individual considers may conflict with their management or oversight responsibilities as Board members. Members are required to declare any conflicts of interest that might arise at each Board meeting, or in the course of their work. Any conflicts arising are reflected in the minutes of the meeting and managed to ensure full transparency and appropriate action. There have been no instances of reportable non-compliance for the period. Additionally, and to support compliance with Section 6 of the Civil Service (Special Advisers) Act (Northern Ireland) 2013, a Declaration of Interest form is completed by the Minister's Special Adviser (SpAd) and provided to DoF for publication on the Open Data NI website.

The Department complies with the Northern Ireland Civil Service HR Policy 6.01 Standards of Conduct in terms of declaration and management of interests for all staff and for the transparency of processes to be applied to any potential employment for civil service staff (including SpAds) after leaving the NI Civil Service.

Governance Framework

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

On 23 March 2020, in response to the COVID-19 outbreak, the Department's Business Continuity Plan (BCP) was activated, pausing all normal governance and sponsorship business. This remained the position through-out 2021-22. The pragmatic set of proposals for end of year processes 2020-21 has been rolled forward to 2021-22. However there will be a full reintroduction of normal governance activities in 2022-23.

The Departmental Board

The Board represents the collective and strategic leadership within the Department, in conjunction with the experience and contribution of two Non-Executive Directors (NEDs).

Given the impact of the pandemic and the need to redeploy Departmental resources to focus on the COVID-19 response, three of the six scheduled Board meetings in the period were cancelled. Key business was conducted via correspondence where necessary and also through the emergency structures put in place to coordinate the response. These structures ensured the effective direction of Departmental business and necessary maintenance of appropriate governance oversight in the circumstances.

The membership of the Board and attendance for the meetings held are set out in the table below.

Executive Board Members (EBM) 2021-22		No. of Meetings Attended
R Pengelly	Permanent Secretary and Chair	3/3
M McBride	Chief Medical Officer	3/3
S Holland	Deputy Secretary, Social Services Group & Chief Social Work Officer	3/3
C McArdle	Chief Nursing Officer *(to 31 October 2021)*	1/2
L Kelly	Interim Chief Nursing Officer *(from 1 November 2021 until 13 March 2022)*	1/1
M McIlgorm	Chief Nursing Officer *(from 14 March 2022)*	N/A
D McNeilly	Deputy Secretary, Resource and Corporate Management Group *(to 7 February 2022*)	0/3
J Johnston	Deputy Secretary, Health Care Policy Group *(to 11 May 2021)*	0/1
J Wilkinson	Deputy Secretary, Healthcare Policy Group *(from 12 May 2021)*	1/2
S Gallagher	Deputy Secretary, Transformation Planning and Performance	3/3
B Worth	Director of Finance, Resource and Corporate Management Group	2/3
D West	Chief Digital Information Officer [*(from 1 July 2021)*]	3/3
Non-Executive Directors (NED) 2021-22		No. of Meetings Attended
M Little	Non-Executive Director	3/3
F Caddy	Non-Executive Director	3/3

Management Information

The Board reviews regular reports and updates to enable performance against Departmental objectives to be scrutinised and challenged where necessary. These reports and formats are kept under review to enable them to identify and respond to emerging issues. The requirements of ALB Governance within the Department have evolved to ensure that the accountability review process is appropriately balanced in terms of governance and performance.

Quality of Information

The Board receives a range of management information about matters such as Finance, Human Resources, the Departmental Business Plan, the Departmental Risk Register and the governance and performance of ALBs, to assist in discharging its role. Regular formal reviews of the operation of the Board include the quality of information provided. In addition, Board members, collectively and individually, keep the range and 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)

The DARAC is a Committee of the Board and usually meets a minimum of four times per year, with additional topic-focused meetings held as necessary. Given the impact of the pandemic, six meetings were held via videoconference, with further business conducted via correspondence where necessary.

DARAC comprises four members, each of whom is independent of Departmental management. In line with their terms of appointment, each member's function is to provide external advice, expertise and scrutiny. Officials invited to attend DARAC meetings include the Departmental Accounting Officer, the Deputy Secretary, Resource and Corporate Management Group, the Director of Finance, Resource and Corporate Management Group, the Head of Internal Audit (HIA) and officials from the Northern Ireland Audit Office (NIAO).

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

DARAC Members 2021-22		No. of Meetings Attended
M Little	NED and Chair of DARAC	6/6
F Caddy	NED and DARAC Member	6/6
C Woods	Deputy Secretary, Department for Infrastructure – External Member	4/6
C Archbold	Deputy Departmental Solicitor, Department of Finance – External Member (to 30 June 2021)	2/2
J Kerr	Deputy Secretary, Department for Communities – External Member – (from 1 July 2021)	2/4

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

DARAC – Responsibilities and Performance

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

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

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

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

The DARAC has also considered the Departmental Resource Accounts (DRA), HSC Pension Scheme Accounts and the Health and Social Care Board Accounts for 2021-22 and on the basis of the evidence presented, has recommended them to the Departmental Accounting Officer for approval.

Top Management Group

As Accounting Officer, I am supported by my Top Management Group (TMG), which is drawn from the Executive Board Members, with other officials in attendance as required. It provides a weekly forum for the consideration and endorsement of corporate business and the handling of emerging issues.

Departmental Framework for Business Planning, Risk Management and Assurance

Business planning and risk management is at the heart of governance arrangements to ensure that statutory obligations and Ministerial priorities are properly reflected in the management of business at all levels within the Department. The Framework for Business Planning, Risk Management and Assurance provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance.

I require formal written assurances from Directors, signed off by EBMs, about the proper operation of business planning, risk management and controls within their business areas. I have been provided with those written assurances for the 12 month period ending 31 March 2022 and am content that effective arrangements and controls have been in place, despite the ongoing impacts of the pandemic on departmental colleagues and our ALBs.

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 draft Programme for Government (PfG) and New Decade New Approach (NDNA). 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.

The Board is the custodian of the Departmental Business Plan's affordability and deliverability. In normal circumstances, progress against the Departmental Business Plan is addressed at Board meetings and includes updates against each of the targets in the fiscal year. With the impact of the pandemic and the cancellation of a number of Board meetings, this regular ongoing review has been interrupted, as objectives remain focussed initially on managing the immediate response to the pandemic and then subsequently on the rebuilding HSC services. The Department has relied on its Building Better, Delivering Together Framework and its 17 actions as the business plan for 2021-22.

EBMs ensure that the Directorates under their control have appropriate business plans and associated risk registers in place. Linkages between plans at Departmental and Directorate level are clearly identified. Similarly, there is 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. Whilst these processes have continued to be impacted and in many cases paused or interrupted due to the pandemic, the principles and approach have continued to be applied to the range of interim measures used in planning and managing the COVID-19 response and subsequent rebuilding.

Risk Management

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

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

Directorate business plans must be directly linked to the delivery of the Departmental Business Plan. Similarly there must be a clear connection at all levels between objectives and associated risks. Formal processes exist to escalate objectives and associated risks from Directorate to Departmental level. Additionally, risk monitoring and management processes within the ALBs are monitored by the Department through separate processes, as highlighted in the "Governance and Accountability within DoH ALBs" section below. As explained above, whilst normal reporting processes have been interrupted due to the pandemic, the important principles and approach have continued to be applied. TMG and EBMs have taken the lead in ensuring appropriate oversight of risk management and review of any emerging risks.

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

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

The system of internal governance has been in place in the Department for the year ending 31 March 2022 and continues up to the date of approval of the Annual Report and financial statements. This accords with DoF guidance.

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;
- A Data Protection Officer (DPO) provides independent advice and guidance regarding the processing and protection of personal information in line with the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA);
- The updated Information Asset Register solution, rolled out during 2019-20, has enhanced monitoring and management of such assets. However a significant amount of organisational change occurred in the period 2021-22 and an exercise to ensure the integrity of the IAR is due in 2022-23;
- Limited assurance from IAOs regarding the personal information assets they manage were sought in 2021-22 due the pressures on the Department in responding to the pandemic;
- IAOs are aware of their responsibilities to ensure information is securely stored, access-controlled and disposed of appropriately; and
- Established data incident and breach management procedures and reporting are in place.

An Information Management Assurance Checklist (IMAC) process is in place to provide required HSC Information Governance (IG) Assurances. For the year 2021-2022 a simplified process was deployed to reduce impact on HSC organisations.

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.

During 2021-22 the Department monitored the ongoing impact of the UK exit from the EU on 31 December 2020, to ensure that the required health, social care and public safety information could continue to be exchanged with authorities in the Republic of Ireland. No issues were detected during the reporting period.

Staffing arrangements within the Department continued to be significantly disrupted due to re-organisation and redeployment in response to the COVID-19 pandemic. The regular mandatory awareness online training, ‘Responsible for Information’ continued to be available to Departmental staff. This training will be superseded with updated online training, which will be mandatory for all NICS staff to complete in 2022. Information Management Branch continued to regularly remind staff and the TMG of the need to make arrangements to capture the Official Record and discharge legislative obligations.

The disruption caused by the pandemic also impacted on regular physical security checks (although remote monitoring of the correct use of the Electronic Document and Records Management system continued), and the update of the Information Asset Register/Information Asset Owners’ assurance returns.

Seven data incidents/breaches were recorded in the Department although no data loss was involved. In each case appropriate mitigations were put in place. Two breaches were notified to the Information Commissioner's Office (ICO) in 2021-22.

The first breach occurred within the Covid Certification Service in July 2021, caused by a technical malfunction within the identity assurance part of the service, (known as the Northern Ireland Identity Assurance NIDA), which is delivered by the Department of Finance NI Direct service. A small number of users reported that they had been provided with a Covid Cert for someone else.

This breach was caused due to a large number of individuals accessing the system simultaneously and a small number of duplicate ID tokens being delivered. A robust incident response team was set up and the technical fault was quickly resolved. The ICO was content with the handling of the breach and confirmed their investigation closed on 10 September 2021.

The second breach notified to the ICO was in relation to the publication of redacted versions of responses to the Department’s Duty of Candour consultation in December 2021. One organisation reported an issue with the redaction process and the consultation responses were immediately removed from the Departmental website while additional redaction was undertaken. Due to the nature of the breach and that it was impossible for the Department to determine who may have reversed the redactions, the breach was reported to the ICO. The ICO was content with all steps and mitigations put in place by the Department and closed their investigation on 13 January 2022.

Cyber Security

IT Assist, within the DoF Enterprise Shared Services (ESS) Division, is responsible for the provision of IT services, including Cyber security environments, to all NICS Core Departments. To provide assurance to Departmental organisations using ESS, the services provided by IT Assist, and other ESS bodies (RecordsNI, HR Connect, Account NI & NI Direct), have been accredited by the NICS Risk and Information Assurance Council as meeting NICS security policy and suitable for secure controlled access to external organisations. IT Assist services also has annual compliance certification to the Public Service Network for interconnectivity to GB Public Sector Organisations.

The Department has ongoing engagement with the NICS Cyber Security specialists for assurance on NICS preventative actions and to ensure HSC alignment with Public Sector best practice on cyber response.

The initial elements of the HSC Cyber Security Programme have been deployed across the HSC. The Regional Cyber Programme is now transitioning to a “business as usual” governance arrangement to monitor cyber security across the HSC organisations (in response to increasing threats and attacks on global healthcare systems).The Cyber Security Incident Plan has been deployed on a number of occasions in response to emerging threats. As a result of “lessons learnt” from such deployments, a HSC Cyber Security protocol has been implemented for those organisations and partners potentially compromised by a cyber-attack wishing to interact with the HSC.

Fraud

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

Governance and Accountability within DoH ALBs

Governance and Accountability can be considered under the following headings:

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

ALB Assurance and Accountability

The Department achieves its corporate objectives through direct Departmental action and through its 17 ALBs (16 from 1 April 2022, following closure of the Health and Social Care Board). The Chief Executives of ALBs (as ALB Accounting Officers) are directly accountable to me (Permanent Secretary of the Department) as Principal Accounting Officer. ALBs, through their Boards, are held to account for the delivery of their prescribed functions and Ministerial priorities and ensuring compliance with other statutory responsibilities. The HSCB also performs a key role, alongside the Department, in relation to the performance and financial management of HSC Trusts.

The Sponsor Branch Handbook sets out the Department's approach to sponsorship of its ALBs and ensures, as far as possible, that there is consistency of approach and proportionality of application. The guidance and arrangements described within the handbook reflect the responsibilities placed on the Department, under MPMNI, for the sponsorship of ALBs operating under its control.

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

Although departmental governance and sponsorship activity was largely paused during 2021-22, ALB governance statements and BSO Head of Internal Audit annual opinion on individual DoH ALBs have provided an ongoing level of assurance.

Departmental Assurance on ALBs

The Department receives much of its assurance through an ongoing process of monitoring of each ALB's Corporate Governance, Use of Resources and the Delivery and Quality of Services. In addition to regular monitoring information derived primarily from management information systems, the Department periodically tests the assurance provided by ALBs 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 each ALB. This monitoring is based on assessing the operation and performance of ALBs against standards, guidance and targets; statutory and licensing requirements and Departmental policy and strategy.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources:

- Departmental Internal Audit;
- Northern Ireland Audit Office (NIAO); and
- Business Services Organisation (BSO) Internal Audit.

Departmental Internal Audit

The Department utilises an internal audit function which operates to defined standards and whose work is informed by an analysis of risk to which the Department is exposed and annual audit plans are based on this analysis.

The Department's Head of Internal Audit (HIA) reports directly to the Departmental Accounting Officer and attends and provides reports to the DARAC. As such, the HIA therefore plays a crucial role in the review of the effectiveness of risk management, control and governance by:

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

Internal Audit provides an annual formal opinion on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. The HIA has been unable to provide an overall opinion for 2021-22 for the reasons set out below:

- The Internal Audit activity, which was paused during 2020-21, continued to be paused for the majority of this period. The audit activity which was completed during 2021-22 was insufficient to contribute to providing an overall audit opinion.

- Due to the limited audit activity performed in the last two years, previous Internal Audit opinions provided can no longer be relied upon, as the full impact of COVID-19 is not yet fully known and control frameworks may have significantly changed.

- The HIA is unable to rely on the department's sponsorship and governance arrangements which were also paused during the year.

It is recognised that 2021-22 continued to be an exceptional year due to COVID-19 and that this impacted on the provision of the internal audit service, as the department paused normal governance processes and maintained activation of its Business Continuity Plan.

During 2021-22, Internal Audit provided an overall 'limited' opinion on the governance and oversight by the Department over the monitoring of the implementation of recommendations arising from reviews conducted by RQIA.

Internal Audit were unable to follow-up on previous audits which received overall 'limited' opinions - these included the reviews of Clinical Excellence Awards; Prison Healthcare; HSC and NIFRS Pension Schemes; and Families Matter Strategy. Follow-up of all these will be considered within future Audit Plans depending upon progress.

The Head of Internal Audit for DoF provides an annual and mid-year inter-departmental report on all shared services provided by DoF to other Departments. The mid-year inter-departmental report was issued on 1 December 2021. The end-year inter-departmental report is due to be provided in June 2022.

NIAO

The NIAO provides an opinion on whether 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 continue to be reported to the Northern Ireland Assembly.

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

The NIAO published one report during the 2021-22 reporting year covering Supply and procurement of Personal Protective Equipment to local healthcare providers. The NIAO are continuing work on their Mental Health Services report, with plans to publish the results of this review later in 2022.

The Supply and procurement of Personal Protective Equipment to local healthcare providers report which was published 1 March 2022 contained four principle learning points and identified a number of issues for the Department and BSO-Procurement and Logistics Service to address.

These included the need for improved contingency and emergency planning to avoid a repetition of any supply shortages; less reliance on uncompetitive procurement processes, better controls for managing potential conflicts of interest, and more comprehensive documenting of decisions over high cost procurements. The report also identified the need for clarity over longer-term procurement and funding arrangements for PPE provision to the independent care sector.

The Addiction Services report, published in 2020-21, contained 10 recommendations and highlighted a number of key issues and challenges including the impact of polydrug use, the misuse of prescription only medicines, the increasing complexity of cases, the demand on substance misuse services and the need to get better at capturing data and outcomes from treatment services.

The findings from the report and the subsequent PAC enquiry have been incorporated, as appropriate, throughout the new Substance Use Strategy launched in September 2021. The Substance Use Strategy Programme Board, chaired by the Chief Medical Officer and incorporating input from a wide range of relevant stakeholders, is overseeing the implementation of the strategy.

BSO Internal Audit

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

UK Exit from the EU

In 2021-22 there were several announcements by the United Kingdom Government and the European Commission in the context of the implementation of the Northern Ireland Protocol. In July 2021 the United Kingdom Government published the command paper "Northern Ireland Protocol: the way forward"[1] . In this paper it was stated that "Given the range and depth of these challenges, the simplest way forward may be to remove all medicines from the scope of the Protocol entirely". In September 2021, Lord Frost, the then Minister of State in the Cabinet Office provided the unilateral announcement that "…the Government will continue to operate the Protocol on the current basis. This includes the grace periods and easements currently in force". In December 2021 the European Commission announced a unilateral proposal for medicines and the Northern Ireland Protocol. Department of Health officials in conjunction with a Departmental Solicitor's Office solicitor reviewed the European Commission proposal. The proposal addressed issues the Department of Health had raised with the United Kingdom Government but there remained issues requiring further consideration and clarification. These issues were highlighted to the United Kingdom Government including the Department of Health and Social Care (DHSC) as well as the Foreign, Commonwealth and Development Office. The Department of Health has worked collaboratively with the Medicines and Healthcare products Regulatory Agency and the Department of Health and Social Care England to seek long term solutions and develop contingency plans.

Department of Health officials have attended the DHSC led Northern Ireland Programme Board to raise issues and to inform mitigations. One such mitigation was the Northern Ireland Medicines Healthcare products and Regulatory Agency Authorised Route (NIMAR) for the supply of non-prescription medicines to Northern Ireland if a supplier had formally notified to DHSC that they had discontinued a medicine.

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008451/CCS207_CCS0721914902-005_Northern_Ireland_Protocol_Web_Accessible__1_.pdf

Departmental officials continue to address a range of medical supply and regulatory issues in conjunction with DHSC and the Medicines Healthcare products and Regulatory Agency.

Ongoing supply chain surveillance occurs via the DHSC led Medicines Shortage Response Group (MSRG) supported locally by the Department of Health led Northern Ireland Medicines Shortage Advisory Group (NIMSAG). Throughout 2021-22 the Department engaged proactively with stakeholders from the pharmaceutical industry, supply chain, community pharmacy and the healthcare sector to support continuity of medical supplies.

The Department of Health led Northern Ireland Protocol Programme Board was established in 2021 to work with representatives from the Health and Social Care Trusts, the Health and Social Care Board and the Public Health Agency to put in place mitigations associated with the implementation of the Northern Ireland Protocol to ensure the continuity of medical supplies to Northern Ireland. To provide oversight of medical device discontinuations the DHSC established the Discontinuations Management Oversight Group. Department of Health officials are represented on this group.

Review of Effectiveness of the System of Internal Governance

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

Internal Governance Divergences

Prior Year Issues

A number of the governance matters arising in prior years are still considered to represent internal governance divergences for 2021-22. These include:

Underpayment of Employers Superannuation Contributions

During February 2017 it was brought to the attention of the BSO Payroll Shared Services Centre, by one of the HSC bodies, that there was a potential error in how the HRPTS system was calculating employers’ superannuation contributions during periods of sickness and ordinary and stretch maternity leave. This error in the specification of the system dates back to the introduction of HRPTS which went ‘live’ in BSO in December 2012 and was rolled out throughout HSC on a phased basis thereafter.

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

A further system fix was applied in November 2021 going forward which amended manual processes to ensure correct calculation of employers superannuation. Manual retrospective calculations are still required for the period April 2019 to November 2021. Whilst this does not affect BSO payroll specifically, it does have an impact on other HSC organisations.

Interface from Payroll Systems to Pensions Systems

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

Although the interface is operating as per design, errors are occurring due to incomplete information within the payroll system. At December 2017 there were approximately 7,500 data queries. This has now been reduced to 1,500. A previous backlog of outstanding queries has now been resolved, however ongoing queries are continuing to build up.

HSC Pension Service has put in place a change request with the HSC Payroll Provider to ensure that future data transferred from HSC Employers to HSC Pension Service will ensure accuracy to meet the requirements of the Scheme Valuation. HSC Pension Service is also proactively working to address any concerns raised by GAD in relation to historic data used in previous valuations.

2022-23 Budget Position and Authority

The Assembly passed the Budget Act (Northern Ireland) 2022 in March 2022 which authorised the cash and use of resources for all departments for the 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2022 also included a Vote on Account which authorised departments' access to cash and use of resources for the early months of the 2022-23 financial year. The cash and resource balance to complete for the remainder of 2022-23 will be authorised by the 2022-23 Main Estimates and the associated Budget Bill based on an agreed 2022-23 Budget. In the event that this is delayed, then the powers available to the Permanent Secretary of the Department of Finance under Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 will be used to authorise the cash, and the use of resources during the intervening period.

New Issues for 2021-22

No new governance issues were identified for 2021-22.

Conclusion

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

Further to considering the accountability framework within the Department, including the BSO, and in conjunction with assurances given to me by the DARAC, I am content that the DoH and the HSC Pension Scheme have operated a sound system of internal governance throughout 2021-22.

STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY

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

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

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

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

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

The supporting notes detail the following: A reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOAS to the financial statements (note 1); a reconciliation of net resource outturn to net cash requirement (note 2); an analysis of income payable to the Consolidated Fund (note 3), and a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (note 4).

Summary tables – mirror Part II and III of the Estimates

Summary table, 2021-22, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate saving / (excess)	Prior Year Outturn Total
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	2020-21
Request for Resources									
Providing a pension scheme for persons employed in health and social care									
Annually Managed Expenditure		2,446,879	(798,950)	1,647,929	2,490,701	(803,376)	1,687,325	39,396	1,410,040
Total Resources	**SOAS 1**	2,446,879	(798,950)	1,647,929	**2,490,701**	**(803,376)**	**1,687,325**	**39,396**	**1,410,040**

Net Cash requirement 2021-22, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2020-21
Net Cash requirement	**SOAS 2**	-	-	-	-

Summary of income payable to the Consolidated Fund, all figures presented in £000

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

	Note	Forecast 2021-22		Outturn 2021-22	
		Income	*Receipts*	Income	*Receipts*
Total amount payable to the Consolidated Fund	**SOAS 3**	-	***245,304***	**241,547**	***241,547***

Notes to the Statement of Outturn against Assembly Supply, 2021-22 (£000)

SOAS note 1. Reconciliation of outturn to net operating expenditure

Item	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn Total 2020-21
Net Resource Outturn	SOAS 1	1,647,929	1,687,325	39,396	1,410,040
Non-supply income (CFERs)	SOAS 3	-	-	-	(11,674)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SOCNE**	1,647,929	1,687,325	**39,396**	1,398,366

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

SOAS note 2 (a). Reconciliation of net resource outturn to net cash requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

Item	Note	Outturn total	Estimate	Outturn vs Estimate Saving/ (excess)
Resource outturn	**SOAS 1**	1,647,929	1,687,325	39,396
Accruals to cash adjustments *Adjustments to remove non-cash items:*				
New provisions and adjustments to previous provisions	**16**	(2,446,879)	(2,489,129)	(42,250)
Changes in working capital other than cash	**SOAS 2(b)**	8,364	(8,500)	(16,864)
Use of provisions	**16**	549,039	565,000	15,961
Excess cash receipts surrenderable to the Consolidated Fund	**SOAS 3**	241,547	245,304	3,757
Net cash requirement		-	-	-

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

SOAS note 2 (b). Movements in working capital other than cash
This note is provided to enhance the explanation for reconciling items within SOAS 2(a) above.

	Note	**2021-22** **£000**	2020-21 £000
Decrease/(Increase) in receivables related to supply	12	2,791	12,382
Decrease/(Increase) in receivables not related to supply (injury benefit)	12	(768)	376
Increase/(Decrease) in payables falling due within one year	14	1,287	1,030
Movement in working capital		3,310	13,788
Movement in CFERS excess accruing resources	15	(11,674)	(2,386)
Movement in working capital		**(8,364)**	11,402

SOAS note 3. Analysis of income payable to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund.

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

Item	**Note**	**Forecast 2021-22**		**Outturn 2021-22**	
		Income £000	***Receipts £000***	**Income £000**	***Receipts £000***
Operating income and receipts – excess Accruing Resources	**SOAS 4**	-	-	-	-
Excess cash surrenderable to the Consolidated Fund	**SOAS 2**	-	*245,304*	241,547	*241,547*
Total amount payable to the Consolidated Fund		-	*245,304*	241,547	*241,547*

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

Item	**Note**	**2021-22 £000**	**2020-21 £000**
Operating income	**SoCNE**	**798,950**	757,935
Income authorised to be Accruing Resources		**(798,950)**	(746,261)
Operating income payable to the Consolidated Fund	SOAS 3	**-**	11,674

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and Special Payments

Losses Statement

	2021-22	2020-21
Total number of losses	78	118
Total value of losses (£000)	1	2
Details of losses over £250,000	-	-

Special Payments

	2021-22	2020-21
Total number of special payments	23	23
Total value of special payments (£000)	80	80
Details of special payments over £250,000	-	-

Peter May
Accounting Officer
06 July 2022

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

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Department of Health: Health and Social Care Pension Scheme (the Scheme) for the year ended 31 March 2022 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual (FReM).

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

In my opinion except for the possible effects of the matters described in the basis for opinion section of my report, the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2022 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

The audit evidence available to me was limited because the actuarial valuation of the Scheme with an effective date of 31 March 2020 is not complete and consequently, I did not receive sufficient information regarding the determination of the amount of the scheme liability in accordance with the FReM. There were no alternative means by which I could satisfy myself regarding the valuation of these liabilities. I was therefore unable to determine whether any adjustments to the scheme liability were necessary.

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

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

Conclusions relating to going concern

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in the FReM, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future. In auditing the financial statements, I have concluded that Scheme's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other Information

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

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

Matters on which I report by exception

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

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

- the financial statements are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Except for the matter referred to in the basis for opinions section, 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
- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included Government Resources and Accounts Act (Northern Ireland) 2001;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls; and presentation of the Statement of Assembly Supply;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business.

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

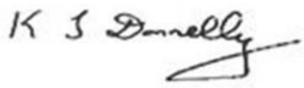
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

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

Report

As indicated above, I have qualified my audit opinion on these financial statements because the audit evidence available to me was limited. The actuarial valuation of the Scheme liabilities with an effective date of 31 March 2020 is not complete. I have been advised that it was not practicable to utilise membership data for the Scheme as at 31 March 2020 in the roll forward valuation within the time parameters available. The present value of the scheme liability has been calculated by rolling forward the liability calculated as at 31 March 2016 (the last full valuation of the Scheme) to 31 March 2022. This is not in accordance with the FReM requirement for actuarial valuations to be completed every four years. I have therefore not obtained sufficient appropriate audit evidence to support my audit opinion on the financial statements in respect of this matter.

I would encourage the Scheme to ensure that actuarial valuations are completed in accordance with the FReM at least every four years.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Galwally
BELFAST
BT8 6RB
7 July 2022

B) FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2022

	Note	**2021-22**	2020-21
		£000	£000
Income			
Contributions receivable	3	792,008	753,667
Transfers in	4	5,794	4,118
Other pension income	5	1,148	150
		798,950	757,935
Expenditure			
Service cost	6	(2,000,000)	(1,600,001)
Enhancements	7	(1,085)	8,410
Transfers in	8	(5,794)	(4,118)
Pension financing cost	9	(440,000)	(560,000)
Other expenditure	10	-	(592)
		(2,446,879)	(2,156,301)
Net Expenditure		(1,647,929)	(1,398,366)
Other Comprehensive Net Expenditure			
Pension re-measurements:			
Actuarial loss	16.4	(3,261,932)	(2,820,000)
Total Comprehensive Net Expenditure for the year		**(4,909,861)**	(4,218,366)

Notes 1 to 20 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note	**2021-22** £000	2020-21 £000
Current assets			
Receivables	12	71,278	73,301
Cash and cash equivalents	13	241,547	237,436
Total current assets		**312,825**	310,737
Current liabilities			
Payables (within 12 months)	14	(250,918)	(257,194)
Total current liabilities		**(250,918)**	(257,194)
Net current assets, excluding pension liability		**61,907**	53,543
Pension liability	16.1	(39,970,000)	(34,810,228)
Net liabilities, including pension liabilities		**(39,908,093)**	(34,756,685)
Taxpayers' equity			
General fund		(39,908,093)	(34,756,685)
		(39,908,093)	(34,756,685)

Notes 1 to 20 form part of these financial statements.

Peter May
Accounting Officer
06 July 2022

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2022

	Note	General Fund	
		2021-22	2020-21
		£000	£000
Balance at 1 April		(34,756,685)	(30,289,209)
Excess accruing resources	**SOAS 4**	-	(11,674)
Excess cash receipts payable to the Consolidated Fund	**Note 13**	(241,547)	(237,436)
Comprehensive Net Expenditure for the year		(1,647,929)	(1,398,366)
Actuarial loss		(3,261,932)	(2,820,000)
Net change in Taxpayers' Equity		(5,151,408)	(4,467,476)
Balance at 31 March		**(39,908,093)**	(34,756,685)

Notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	**2021-22** £000	2020-21 £000
Cash flows from operating activities			
Net expenditure for the year		(1,647,929)	(1,398,366)
Adjustments for non-cash transactions:			
Decrease in receivables related to supply	12	2,791	12,382
(Increase)/Decrease in receivables not related to supply	12	(768)	376
Increase in payables	14	1,287	1,030
Increase in pension provision	16.1	2,440,000	2,160,001
Increase/(Decrease) in pension provision - enhancements and transfers in	16.1	6,879	(4,292)
Use of provisions - pension liability	16.2	(544,445)	(516,221)
Use of provisions - refunds and transfers	16.3	(4,594)	(3,414)
Net cash inflow from operating activities		**253,221**	251,496
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**253,221**	251,496
Payments of amounts due to the Consolidated Fund		(249,110)	(166,518)
Net increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**4,111**	84,978
Cash and cash equivalents at the beginning of the period	13	**237,436**	152,458
Cash and cash equivalents at the end of the period	13	**241,547**	237,436

Notes 1 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements of the HSC Pension Scheme ("the Scheme") have been prepared in accordance with the relevant provisions of the 2020-21 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

1.1 HSC Pension Scheme

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

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

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

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

2. Statement of accounting policies

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

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

2.1 Accounting convention

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

2.2 Contributions receivable

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

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

2.3 Pre-funding of contributions from employing bodies

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

2.4 Transfers in and out

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

2.5 Other income

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

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

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

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The current service cost is based on a standard contribution rate of 81.6% of pensionable pay, as determined at the start of 2021-22.

2.7 Past service cost

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

2.8 Interest on Scheme liabilities

The interest cost is the increase during the year in the present value of the Scheme liabilities because the benefits are one year closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the nominal discount rate applicable at 1 April 2021, being 1.25%.

2.9 Other expenditure

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

2.10 Scheme liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method and is discounted at the rate applicable at 31 March 2022 being 1.55% nominal discount rate. The Scheme applies assumptions for the discount rate and the rate of inflation as prescribed by HM Treasury.

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

The pension liability included in these financial statements has been calculated utilising the most recent full actuarial valuation, namely, using membership data and demographic assumptions as at 31 March 2016. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2022. These assumptions represent significant judgements on behalf of the scheme. Whilst this approach is reasonable and provides an appropriate basis for IAS 19 valuation purposes in accordance with FReM requirements, it introduces some degree of uncertainty.

It should therefore be recognised the results for the IAS 19 valuation at 31 March 2022 included in these financial statements may differ from those that would emerge following a full actuarial valuation based on actual membership data at 31 March 2022.

2.11 Pension benefits payable

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

2.12 Pension payments to those retiring at their normal retirement age

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

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

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

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

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

2.14 Lump sums payable on death in service

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

2.15 Actuarial gains/losses

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

2.16 Additional Voluntary Contributions

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

2.17 Administration expenses

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

2.18 Cash and cash equivalents

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

2.19 Currency and rounding

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

2.20 Impending application of standards adopted during 2021-22 and accounting standards not yet effective

The Scheme has reviewed:

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

The Scheme considers that these are not relevant or material to the operation of the Scheme.

2.21 Going Concern

The Statement of Financial Position at 31 March 2022 shows net liabilities of £39,908,093k. This reflects the inclusion of liabilities falling due in future years which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grant-in-aid approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the Department which funds the Scheme. Under the Government Resources and Accounts Act 2001, no money may be drawn from the Fund by the Department other than that required to service the specified year or retained in excess of that need. There is no reason to believe that the future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Scheme's financial statements for 2021-22.

3. Contributions receivable

	2021-22	2020-21
	£000	£000
Employers	552,398	530,353
Employees	239,610	223,314
	792,008	753,667

£833,934k contributions are expected to be payable to the Scheme in 2022-23.

4. Transfers in

	2021-22	2020-21
	£000	£000
Individual transfers in from other schemes	5,794	4,118
	5,794	4,118

5. Other pension income

	2021-22	2020-21
	£000	£000
Refund of pension payments	1	-
Final Pay Control	1,147	150
	1,148	**150**

6. Service cost

	2021-22	2020-21
	£000	£000
Current service cost	2,000,000	1,600,001
Past service cost	-	-
	2,000,000	1,600,001

7. Enhancements (see also Note 16.1)

	2021-22	2020-21
	£000	£000
Employers:		
Pre-funded compensation payments	1,085	(8,410)
	1,085	(8,410)

8. Transfers in – additional liability

	2021-22	2020-21
	£000	£000
Individual transfers in from other schemes	5,794	4,118
	5,794	4,118

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)

	2021-22	2020-21
	£000	£000
Net interest on defined benefit liability	440,000	560,000
	440,000	560,000

10. Other pension expenditure

	2021-22	2020-21
	£000	£000
Contributions Equivalent Premium	-	9
Contribution refunds	-	583
	-	592

11. Additional Voluntary Contributions

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

The aggregate amounts of AVC investments are as follows:

Utmost Life and Pensions (formerly Equitable Life Assurance Society)

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

Scheme Number W0111

Movements in the year were as follows:

	2021-22	2020-21
	£000	£000
Balance at 1 April	1,927	1,961
New investments (net of transfers/refunds)	(166)	(248)
Sales of investments to provide pension benefits	(172)	(132)
Changes in market value of investments	121	346
Balance at 31 March	**1,710**	1,927

Scheme Number WP111

Movements in the year were as follows:

	2021-22	2020-21
	£000	£000
Balance at 1 April	1,948	1,964
New investments (net of transfers/refunds)	(64)	(21)
Sales of investments to provide pension benefits	(102)	(160)
Changes in market value of investments	69	165
Balance at 31 March	**1,851**	1,948

Standard Life

Movements in the year were as follows:

	2021-22	2020-21
	£000	£000
Balance at 1 April	4,163	3,569
New investments (net of transfers/refunds)	52	55
Sales of investments to provide pension benefits	(397)	(204)
Changes in market value of investments	103	743
Balance at 31 March	**3,921**	4,163

12. Receivables - contributions due in respect of pensions

Analysis by type

	2021-22	2020-21
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	47,248	43,731
Employees' normal contributions	21,049	19,361
Capitalised cost of enhancement to pensions payable on departure	334	8,409
Overpaid pensions	381	302
Sub-total	69,012	71,803
Non-supply receivables:		
Injury benefits receivable	2,266	1,498
Total amounts falling due within one year	**71,278**	73,301

Included in pension contributions due is £nil (2020-21: £11,674k) that will be due to the Consolidated Fund once the debts are collected.

13. Cash and cash equivalents

	2021-22	2020-21
	£000	£000
Balance at 1 April	237,436	152,458
Net change in cash balances	4,111	84,978
Balance at 31 March	**241,547**	237,436
The following balances at 31 March were held at:		
Commercial banks and cash in hand	241,547	237,436
Balance at 31 March	**241,547**	237,436

14. Payables - in respect of pensions

Analysis by type

	2021-22	2020-21
	£000	£000
Amounts falling due within one year:		
Pensions	3,661	2,341
HMRC	4,899	4,942
Other creditors	811	801
CFERs due to be paid to Consolidated Fund – excess accruing resources current year	-	11,674
CFERs due to be paid to Consolidated Fund – excess accruing resources prior year	-	-
Other CFERs due to the Consolidated Fund – excess cash receipts resources current year	241,547	234,164
Other CFERs due to the Consolidated Fund – excess cash receipts prior year	-	3,272
Total amounts due within one year	**250,918**	257,194

15. Amounts due to the Consolidated Fund

	2021-22	2020-21
	£000	£000
Excess cash receipts surrenderable to the Consolidated Fund	(241,547)	(237,436)
Excess ARs payable to Consolidated Fund	-	(11,674)
	(241,547)	(249,110)
Cash and cash equivalents	241,547	237,436
CFERs included in receivables	-	11,674
CFERs received in respect of prior year receivables, yet to be paid	-	-
	241,547	249,110

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 2022. The Report of the Actuary on pages 10 to 16 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

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

The key financial assumptions used by the Actuary were:

	31 Mar 22	**31 Mar 21**	**31 Mar 20**	**31 Mar 19**	**31 Mar 18**
Rate of general pay increases	4.15%	3.72%	4.10%	4.10%	3.95%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.90%	2.22%	2.35%	2.60%	2.45%
Inflation assumption	2.90%	2.22%	2.35%	2.60%	2.45%
Nominal discount rate	1.55%	1.25%	1.80%	2.90%	2.55%
Discount rate net of CPI inflation	(1.30)%	(0.95)%	(0.50)%	0.29%	0.10%

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

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

Analysis of the provision for pension liability

Categories	At 31 March 2022 £bn	At 31 March 2021 £bn	At 31 March 2020 £bn	At 31 March 2019 £bn	At 31 March 2018 £bn
Pensions in Payment	7.4	7.1	6.8	6.3	6.5
Deferred Pensions	1.8	1.7	1.6	1.3	1.4
Active Members (Past Service)	30.8	26.0	22.0	16.7	16.5
Total	**40.0**	34.8	30.4	24.3	24.4

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

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

16.1 Analysis of movements in the Scheme liability

		2021-22		2020-21	
	Note	**£000**	**£000**	£000	£000
Scheme liability at 1 April			34,810,228		30,354,154
Current service cost	6	2,000,000		1,600,001	
Past service cost	6	-		-	
Pension financing cost	9	440,000		560,000	
			2,440,000		2,160,001
Enhancements	7	1,085		(8,410)	
Pension transfers in	8	5,794		4,118	
			6,879		(4,292)
Benefits payable	16.2	(544,445)		(516,221)	
Pension payments to and on account of leavers	16.3	(4,594)		(3,414)	
			(549,039)		(519,635)
Actuarial loss/(gain)	16.4		3,261,932		2,820,000
Scheme liability at 31 March			**39,970,000**		34,810,228

The pension scheme liability can be split into £30.01 billion for the closed sections of the scheme (1995 and 2008) and £9.96 billion for the open section (2015 CARE scheme).

During the year ended 31 March 2022, employer contributions represented an average of 22.5% of pensionable pay.

16.2 Analysis of benefits paid

	2021-22	2020-21
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	425,560	405,858
Commutations and lump sum benefits on retirement	115,583	107,965
Death in service benefits	3,302	2,398
Total benefits paid	**544,445**	516,221

16.3 Analysis of payments to and on account of leavers

	2021-22	2020-21
	£000	£000
Individual transfers to other schemes	4,594	3,414
Total payments to and on account of leavers	**4,594**	3,414

16.4 Analysis of actuarial (loss)/gain

	2021-22	2020-21
	£000	£000
Experience (losses)/gains arising on the scheme liabilities	(1,932)	440,000
Changes in assumptions underlying the present value of scheme liabilities	(3,260,000)	(3,260,000)
Total actuarial (loss)/gain	**(3,261,932)**	(2,820,000)

16.5 History of experience gains/ (losses)

	2021-22	2020-21	2019-20	2018-19	2017-18
	£000	£000	£000	£000	£000
Experience gains/(losses) on Scheme liabilities:					
Amount (£000)	(1,932)	440,000	120,000	110,000	(710,000)
Percentage of the present value of Scheme liabilities	0.0%	1.3%	0.4%	0.5%	(2.9)%
Total amount recognised in statement of Changes in Taxpayers Equity:					
Amount (£000)	(3,261,932)	(2,820,000)	(4,780,000)	1,659,000	(470,000)
Percentage of the present value of Scheme liabilities	(8.2)%	(8.1)%	(15.7)%	6.8%	(1.9)%

16.6 Sensitivity analysis

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2022 of changes to the main actuarial assumptions.

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

Change in assumption	Approximate % change in the total liability	Approximate increase / (decrease) to the total liability
Discount rate increase of ½ % per annum*	Decrease of 12.0%	(£4.8 billion)
Long term earnings increase of ½ % per annum*	Increase of 2.5%	£1.0 billion
Pension increases of ½ % per annum*	Increase of 8.5%	£3.4 billion
Assumed longevity increased by rating the tables assumed up by 1 year	Increase of 4.0%	£1.6 billion

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

16.7 Pensioner mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Pension Scheme Statements at 31 March 2022.

	2021-22		**2020-21**	
Average number of years current pensioners expected to live after retiring at age:	**Men**	**Women**	**Men**	**Women**
60	28.8	30.2	28.7	30.1
65	23.8	25.3	23.8	25.2

	2021-22		**2020-21**	
Average number of years future pensioners expected to live after retiring at current age:	**Men**	**Women**	**Men**	**Women**
60	30.5	31.9	30.4	31.8
65	25.5	26.9	25.4	26.8

17. Financial instruments

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

18. Contingent liabilities disclosed under IAS37

AVCs

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

McCloud

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

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

This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period. All public servants who continue in service from 1 April 2022 onwards will do so as members of their respective reformed scheme (for example, the HSC 2015 CARE pension scheme). These proposals have been developed at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented.

Legislation to close the legacy 1995 and 2008 Sections of the HSC Pension Scheme to future accrual and to move all active members in to the 2015 HSS Pension Scheme from 1 April 2022 is now in place. Work is progressing on the legislative steps required to implement the remedy moving forward. Past service costs were included in the 2018/19 and 2019/20 accounts and subsequently the 2020/21 and 2021/22 service costs to make allowance for the higher expected cost of accrual under McCloud. The service cost for 2022/23 will be calculated based on the expectation that all members are moved into the 2015 scheme from 1 April 2022.

GMP Equalisation

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

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

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

Other Cases

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

19. Related party transactions

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

20. Events after the reporting period

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

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 07 July 2022.