Health and Social Care

Pension Scheme Statement 2022-23
For the year ended 31 March 2023

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Health and Social Care Pension Scheme Statement for the year ended 31 March 2023

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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 remained in the old section (the 1995 Section). New joiners, between 1 April 2008 and 31 March 2015, became members of the 2008 Section.

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

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

Eligibility to join the Scheme

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

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

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

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

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

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

Management of the Scheme

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

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

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

Contributions

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

Employee contributions to the Scheme are calculated on pensionable earnings, against tiers which from November 2022 are based on the Agenda for Change (AfC) payscales. These pay bands will be uplifted annually in line with AfC pay awards.

Key developments in year

Changes in benefits

Active members' benefits are increased in line with the Consumer price Index (CPI) plus 1.5% per annum – for 2022/23 this is 11.6%.

Pensions in payment increase in line with CPI – 10.1%.

Scheme Changes – Legislative Changes 2022-23

The below amending legislation was introduced for the year 2022-23:

- SR 2023/33 – The Health and Social Care Pension Scheme (Amendment) Regulations (Northern Ireland) 2023
- SR 2022/245 – The Health and Social Care Pensions (Abatement) (No 2) Regulations (Northern Ireland) 2022
- SR 2022/244 – The Health and Social Care Pension Scheme (Member Contributions) (Amendment) Regulations (Northern Ireland) 2022
- SR 2022/196 – The Health and Social Care Pension Schemes, Additional Voluntary Contributions and Injury Benefits (Amendment) Regulations (Northern Ireland) 2022
- SR 2022/156 – The Health and Social Care Pension Schemes (Amendment) Regulations (Northern Ireland) 2022

Issues for 2022-23

McCloud

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

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

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

All public servants, including members of the Health and Social Care Pension Scheme, who 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. Work is ongoing on the 2020 valuation. A draft Assumptions Report has been produced and will be presented to the Scheme Advisory Board at their June meeting. Local Directions are expected to issue in the near future.

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 SR 2022/196 – The Health and Social Care Pension Schemes, Additional Voluntary Contributions and Injury Benefits (Amendment) Regulations (Northern Ireland) 2022 came into operation on 16 August 2022.

COVID-19

The financial statements are being prepared at a time when the UK still continues to deal with the effects of 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 2023. Details of significant actuarial assumptions adopted in calculating the pension liability for inclusion in the financial statements as at 31 March 2023 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 2022				91,528
Retrospective adjustment*				6,092
Add:	New entrants			11,759
Less:	Retirements in the year			(2,337)
	Transfers out			(21)
	Undecided leavers			(18,026)
	Refunds			(646)
	Deaths			(23)
	Leaving with deferred rights			(22)
Active members at 31 March 2023				**88,304**
Deferred members				
Deferred members at 1 April 2022				12,417
Retrospective adjustment*				23
Add:	Members leaving with deferred rights			35
Less:	Taking up deferred rights			(450)
	Transfers out			(3)
	Deaths			(7)
Deferred members at 31 March 2023				**12,015**
Pensioners in payment		**Members**	**Dependents**	**Total**
Pensioners in payment at 1 April 2022		28,224	4,302	32,526
Retrospective adjustment*		920	19	939
Add:	Retiring at normal retirement age	2,225	-	2,225
	New dependents	-	317	317
	Retiring previously deferred	371	-	371
Less:	Commuted pension	(2)	-	(2)
	Death in year	(443)	(220)	(663)
Pensioners in payment at 31 March 2023		**31,295**	**4,418**	**35,713**
Compensation payments > 60				
Members in receipt of compensation payments at 1 April 2022				1,658
Retrospective adjustment*				(181)
Less:	Retiring at normal retirement age			(1)
Add:	Deaths before normal retirement age			90
Members in receipt of compensation payments at 31 March 2023				**1,566**
Ill health retirement				
Ill health retirement members at 1 April 2022				8,413
Retrospective adjustment*				77
Add:	Members retiring on ill health grounds			153
Less:	Deaths in year			(241)
Ill health retirements at 31 March 2023				**8,402**
Compensation payments < 60				
Members in receipt of compensation payments at 1 April 2022				2
Retrospective adjustment*				-
Plus leaving on early retirement				-
Members in receipt of compensation payments at 31 March 2023				**2**
Undecided leavers**				
Undecided leavers at 31 March 2023				**29,788**
Undecided leavers at 31 March 2022				11,760

*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 2023

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure. Net expenditure for the year is £1,984,127k. Income mainly comprises contributions from employers of £589,747k and employee contributions of £256,324k (Note 3). Other receipts include transfers in of £17,828k from other schemes (Note 4).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability. This comprises the current service cost of £2,200,000k, enhancements of £195k, transfers in of £17,828k and interest on scheme liabilities of £630,000k.

The Scheme liability at 31 March 2023 was £19,839,138k compared with £39,908,093k at 31 March 2022. The change of £20,068,955k is primarily due to an increase in the discount rate and, to a lesser extent, a reduction in expectations for future indexation (CPI inflation) and long-term pay increases.

Disclosure of information to auditor

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

Events after the reporting period

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

Information for members

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

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

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

The names and addresses of the Scheme's:

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

Employers:	Principal employers: Health and Social Care Trusts Health and Social Care Bodies Additional bodies permitted to join: General Practitioners Staff employed by General Medical Practitioners Direction Bodies GP Federations

Contact for enquiries and complaints

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

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

REPORT OF THE ACTUARY

Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Health (DoH). It provides a summary of GAD's assessment of the scheme liability in respect of the Health and Social Care Pension Scheme (HSCPS) as at 31 March 2023, and the movement in the scheme liability over the year 2022-23, prepared in accordance with the requirements of Chapter 12 of the 2022-23 version of the Financial Reporting Manual.

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

The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

Membership data

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

Table A – Active members

	Number thousands	**Total pensionable pay* (p.a.) £ million**
Males	14.4	548.3
Females	55.8	1,589.5
Total	70.2	2,137.7

* Pensionable pay is the actual figure.

Table B – Deferred members

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

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

Table C – Pensions in payment

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

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

Methodology

The present value of the liabilities as at 31 March 2023 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 2023. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2023 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 2022 in the 2021-22 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 2023 p.a.**	**31 March 2022 p.a.**
Nominal discount rate	4.15%	1.55%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%
Rate of general pay increases	3.65%	4.15%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
CPI Inflation	1.70 %	(1.30)%
Long–term pay increases	0.50%	(2.50)%
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2023.

Demographic assumptions

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

Table E – Post-retirement mortality assumptions

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

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2022 were based on the assumptions adopted for the 2016 valuation.

Mortality improvements are assumed to be in line with the 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a different assumption to that used for the 2021-22 accounts.

Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 26 April 2023.

Liabilities

Table F summarises the assessed value as at 31 March 2023 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 have reduced significantly at 31 March 2023 compared to the previous year primarily due to an increase in the real discount rate assumption. The liabilities at 31 March 2022 and 2023 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F – Statement of Financial Position

	31 March 2023 £ 000	31 March 2022 £ 000
Total market value of assets	nil	nil
Value of liabilities	19,940,000	39,970,000
Surplus/(Deficit)	(19,940,000)	(39,970,000)
of which recoverable by employers	n/a	n/a

Accruing costs

The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 84.1% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed between 5.0% and 14.5% of pensionable pay until 1 November 2022, then 5.1% and 13.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions.

Table G shows the employer and employee contributions during the year 2022-23 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2022-23 accounts.

Table G – Contribution rate

	2022-23 % of pay	2021-22 % of pay
Employer contributions	22.5%	22.5%
Employee contributions (average)	9.8%	9.8%
Total contributions	**32.3%**	**32.3%**
Current service cost (expressed as a % of pay)	**84.1%**	**81.6%**

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 2022-23 was £2,621m (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2022-23 (at 84.1% of pay) is assessed to be £2,200m. 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 2022-23.

I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2022-23.

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 2023 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 2023 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.	- 9.0%	- £1.8 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.0%	+ £0.4 billion
(iii) pension increases*:	+0.5% p.a.	+ 8.0%	+ £1.6 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.0%	+ £0.6 billion

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

The discount rate sensitivity shown implies a scheme duration of c.19 years.

Covid-19 implications

As with the accounts last year, the 2022-23 Resource Accounts are being produced when the UK continues to deal with the impacts of 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 (2022) 08, dated 2 December 2022, 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 current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Aimee Chada FFA
Actuary
Government Actuary's Department
8 June 2023

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

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

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

GOVERNANCE STATEMENT

Introduction

This statement is given in respect of the Departmental Resource Accounts for 2022-23. 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) following the restoration of the NI Assembly in January 2020. However, the ongoing response to the COVID-19 pandemic meant the Department maintained its Business Continuity Plan and continued to operate under Emergency Planning structures during the 2022-23 financial year.

2022-23 has also seen the expansion of the Department's strategic role, following the closure of the Health and Social Care Board (HSCB) on 31 March 2022. From 1 April 2022, the Department took over the bulk of the functions of the former HSCB. A new Strategic Planning and Performance Group has been introduced into the existing structure of the Department, with responsibility for this area.

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.

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.

Application of Business Appointments Rules (BARs)

The NICS Standards of Conduct Policy, (Section 8 and Annexes 4) sets out the rules on the acceptance of outside business appointments, employment or self-employment by Civil Servants after leaving the NI Civil Service, including procedures to make staff aware of these rules and provides that the Permanent Secretary of the Department is responsible for the effective operation of the Business Appointment Rules within their Department. Further detail is available in the NICS Standards of Conduct Policy.

In compliance with Business Appointment Rules, the Department is transparent in the advice given to individual applications for senior staff, including special advisers.

Summary information in respect of applications from Senior Civil Service Grade 5 and above, including equivalent grades, and Special Advisers can be found at https://www.health-ni.gov.uk/doh-senior-staff-and-special-advisors-applications

	SCS	All other Grades	Total
Number of exits from the Civil Service			33
Number of BARs applications assessed by the Department over the year (by grade)	1	0	1
Number of BARs applications where conditions were set (by grade)	0	0	0
Number of applications that were found to be unsuitable for the applicant to take up (grade)	0	0	0
Number of breaches of the Rules in the preceding year	0	0	0

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 the emergency response, with processes returning to normal on a staged basis during 2022-23 as we emerged from the pandemic.

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). The terms of appointment of the existing NEDs expired on 30 September 2022 and two new NEDs were subsequently appointed from 1 October 2022.

The Board supports me, as Accounting Officer, in establishing the necessary governance and assurance mechanisms and in directing the business of the Department as effectively as possible. The Board has a key role in overseeing the sound financial management and corporate governance of the Department and closely monitors the Department's progress in the achievement of key objectives and priorities set out in the Departmental Business Plan.

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

Executive Board Members (EBM) 2022-23		No. of Meetings Attended
P May	Permanent Secretary and Chair	6/6
M McBride	Chief Medical Officer	5/6
S Holland	Deputy Secretary, Social Services Group & Chief Social Work Officer *(to 30 September 2022)*	2/3
P Toogood	Deputy Secretary, Social Services Group *(from 1 October 2022)*	2/3
M McIlgorm	Chief Nursing Officer *(to 19 August 2022)*	3/3
Chris Matthews	Deputy Secretary, Resource and Corporate Management Group *(from 25 April 2022)*	3/5
J Wilkinson	Deputy Secretary, Healthcare Policy Group	5/6
S Gallagher	Deputy Secretary, Transformation Planning and Performance	4/6
B Worth	Director of Finance, Resource and Corporate Management Group	6/6
D West	Chief Digital Information Officer	4/6
Non-Executive Directors (NED) 2022-23		No. of Meetings Attended
M Little	Non-Executive Director *(to 30 September 2022)*	2/3
F Caddy	Non-Executive Director *(to 30 September 2022)*	3/3
J McCooe	Non-Executive Director *(from 1 October 2022)*	2/3
A Magowan	Non-Executive Director *(from 1 October 2022)*	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. 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.

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 2022-23		No. of Meetings Attended
M Little	NED and Chair of DARAC *(to 30 September 2022)*	3/3
F Caddy	NED and DARAC Member *(to 30 September 2022)*	3/3
J McCooe	NED and Chair of DARAC *(from 1 October 2022)*	2/2
A Magowan	NED and DARAC Member *(from 1 October 2022)*	2/2
C Woods	Deputy Secretary, Department for Infrastructure – External Member	2/5
J Kerr	Deputy Secretary, Department for Communities – External Member – (*to 13 November 2022*)	2/3
L Williams	Deputy Secretary, Department for Communities – External Member – (*from 1 December 2022*)	1/2

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

DARAC – Responsibilities and Performance

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

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

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

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

The DARAC has also considered the Departmental Resource Accounts (DRA) for 2022-23 and on the basis of the evidence presented, has recommended them to the Departmental Accounting Officer for approval.

Resourcing Sub Committee

The RSC is a Committee of the Board which was established in October 2022. The committee usually meets monthly, dependant on their work programme, with additional meetings held as necessary.

Membership comprises the Deputy Secretary for Resources and Corporate Management Group as Chair, with TMG members, a Non-Executive Director member of the DoH Departmental Board, the Director of Finance, the Director of Corporate Management and the NICSHR Strategic HR Business Partner.

The role of the DoH Resourcing Sub-Committee is to provide strategic oversight of DoH resources, in terms of people and financial planning, to ensure the Department has the right people within the anticipated timeframes (capacity) with the right skills at the required levels (capability), which are needed to deliver on the Departmental Business Plan.

Specifically the Sub-Committee:

- Provides assurance to the Departmental Board that the Department is operating at the optimum workforce size and mix and within affordable budget levels.
- Takes decisions on the management and allocation of Departmental staff resources, including the approval of additional vacancies and consideration of whether to fill via internal redeployment, taking account of the vacancy and surplus position, overall supply (via NICSHR) and demand position within the Department, and the management of long-term staff resourcing projections.
- Keeps under review the level of temporary staffing measures (i.e. agency workers, secondees, temporary promotions) within the Department.
- Considers potential approaches and solutions to address key business priorities when supply is limited and where there are competing demands for staff/resources across business areas and Groups. This may include the internal redeployment of staff to key priority areas, applying a corporate approach and optimising effective use of available resources across the organisation.

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

Resourcing Sub Committee		No. of Meetings Attended
C Matthews	Chair & Deputy Secretary, Resource and Corporate Management Group	5/6
M McBride	Chief Medical Officer	4/6
P Toogood	Deputy Secretary, Social Services Group	6/6
M McIlgorm	Chief Nursing Officer	5/6
J Wilkinson	Deputy Secretary, Healthcare Policy Group	5/6
S Gallagher	Deputy Secretary, Transformation Planning and Performance	4/6
B Worth	Director of Finance, Resource and Corporate Management Group	5/6
D West	Chief Digital Information Officer	4/6
A Morrison	Director Office of Social Services	4/6
D Gordon	Director of Communications	1/6
J Fullerton	Director of Corporate Management	6/6
B Beggs	NICSHR	6/6
Non-Executive Directors (NED) 2022-23		No. of Meetings Attended
A Magowan	Non-Executive Director	6/6

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 Executive Board Members, 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 2023 and I am content that effective arrangements and controls have been in place.

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. Progress against the Departmental Business Plan is addressed at Board meetings and includes updates against each of the targets in the fiscal year. During this year the Department has continued to rely on its Building Better, Delivering Together Framework and its 17 actions as the business plan for 2022-23. This has allowed us to focus on key front line service provision as we emerged from the pandemic, while developing a fresh set of strategic objectives for 2023-24, which will reflect learning from the COVID-19 response.

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. These principles and approaches 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.

Whilst normal reporting processes were interrupted during the COVID-19 response, 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. Emerging from the Pandemic and looking towards 2023-24, business and risk planning matrices have been substantially reviewed to take account of lessons learned from COVID-19 and other significant pressures facing the Department.

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

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

The system of internal governance has been in place in the Department for the year ending 31 March 2023 and continues up to the date of approval of the Annual Report and Accounts. 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:

- Information Management Branch staff regularly review 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);

- An Information Asset Register solution was rolled out during 2019-20. However, a significant amount of organisational change occurred in the period 2021-22 and 2022-23 and an exercise to ensure the integrity of the IAR is due in 2023-24;

- Limited assurance from IAOs regarding the personal information assets they manage were sought in 2022-23 due the pressures on the Department in responding to the pandemic;

- Established IAOs are aware of their responsibilities to ensure information is securely stored, access- controlled and disposed of appropriately. Plans are in place to refresh IAO training across the Department in 2023-24; 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 2022-23 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.

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 was superseded with updated mandatory online training 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. The retirement of the Assistant Departmental Security Officer and reassignment of duties also impacted on the undertaking of physical checks. However, this was mitigated by the move to the use of electronic versions of records and a significant decrease in the number of paper copies handled.

7 data mishandling events of which 5 were eventually deemed Data Breaches and investigated, occurred between April 2022 to December 2022. These events do not relate to the HSC Pension Scheme.

In each case appropriate mitigations were put in place. Three breaches were notified to the Information Commissioner's Office (ICO) between April 2022 and December 2022. Each occurrence was handled in accordance with the Department’s data breach management procedure. The DPO provided updates and final report on personal data breaches to the SIRO.

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 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, an 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; and
- Statutory Duty of Quality.

ALB Assurance and Accountability

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

The 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 maintain with ALBs.

ALB governance statements and BSO Head of Internal Audit annual opinion on individual DoH ALBs have provided assurance during 2022-23.

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.

Statutory Duty of Quality

The HPSS (Quality, Improvement and Regulation) (NI) Order 2003 places a statutory duty of quality on those HSC organisations which are responsible for the delivery of health and social care such as HSC Trusts and PHA.

The Regulation and Quality Improvement Authority (RQIA) provides independent assurance to the Minister on compliance with this Statutory Duty, via the Department. This is achieved by conducting a rolling programme of planned clinical and social care governance and thematic reviews across a range of subject areas in HSC organisations. There are also unannounced inspections of services as part of this review programme. The reviews are conducted as part of the RQIA's ongoing independent assessment of quality, safety and availability of HSC services or may be commissioned by the Department.

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

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

Regularity, Propriety and Value for Money of Expenditure

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

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

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

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

The spending authority is responsible for tracking progress against these conditions and must inform the Department as soon as a breach is identified, to allow the Department to assess the continued value for money of the proposal and take appropriate action should a revised approval be required.

Sources of Independent Assurance

The Department obtains independent assurance from the following sources:

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

Departmental Internal Audit

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

The HIA provides an annual opinion on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. This incorporates the outcome of the SPPG internal audit programme which is delivered on a sub-contracting basis from 1 April 2022 to BSO Internal Audit on behalf of the Departmental Internal Audit.

The internal audit activity was paused during 2020/21 and 2021/22 due to the impact of the Covid-19 pandemic and 'no audit opinion' was provided during these periods. The internal audit activity recommenced during 2022/23.

The HIA has provided 'no opinion' for a further year on the Department's adequacy and effectiveness of the Department's framework of governance, risk management and control. This is due to insufficient audit coverage as the Covid-19 pandemic continued to impact the Department and the lack of ability to rely upon previous assurances. A 'limited in scope' audit plan was developed however this did not cover all key functions and governance processes. While some governance processes did recommence, others were not fully operational. An assurance gap was also highlighted in relation to DHCNI which became part of the Department in 2019. Internal Audit advised that if these issues are not addressed and fully operational for 2023/24, this will impact the audit opinion going forward.

Overall 'limited' audit opinions were provided within seven audit assignments. These are summarised below:

1. Cancer Charities Support Fund (the 'Fund'). There was insufficient assurance arrangements in place between the Department and the appointed Intermediary Funding Body to confirm that the Fund had been appropriately administered. There was a lack of monitoring of progress and specific targets had not been set for the delivery of the Fund.
2. Governance over the monitoring of the implementation of RQIA Review Recommendations. There was a lack of governance and monitoring over this area and a significant number of RQIA Review recommendations appeared to be outstanding.
3. StopCOVID-19 App Governance Arrangements. There was a lack of assurance mechanisms in place to confirm that functions which had been formally delegated by the Department to other bodies had been appropriately performed. The allocated and actual expenditure could also not be determined.
4. Management of Unallocated Balances. The review found that £41.5m of balances remained unallocated as at 8 February 2023, which had reduced to £32m by the end of February. Delays in the receipt of business cases and completion of the business case approval process are resulting in delays in allocations. Control over unallocated balances needs strengthened at Directorate level across SPPG. There is no formal or consistent system in place to capture, record and report key milestones/dates within the business case process and an escalation process of issues identified is also not in place.
5. Audit of Process around the Annual Roll Forward Decisions in respect of Commissioning. There was a lack of effective commissioning in place with the focus on the need to rebuild services following the significant impact of the Covid-19 pandemic. There was no considered, controlled process around commissioning roll forward that considers and adjusts commissioned activity levels in light of activity delivered in the previous year and the population needs.
6. Family Practitioner Services – General Medical Services (GMS) contract. The current contract which dates back to 2004 does not provide SPPG with the ability to effectively performance manage GP Practices in 2022, there is a lack of measurable indicators in place. BSO Probity visits to GP Practices had also not recommenced following being stood down during Covid-19.
7. Management of mental health beds for patients requiring in-patient treatment. Whilst the daily process for monitoring and managing available acute mental beds is operating effectively, strategic actions are required to address the underlying risks and service pressures in this area. A number of key work programmes also need to be progressed further.

The review of Clinical Excellence Awards (CEA) which previously received an overall 'limited' opinion was closed off by Internal Audit as superseded by a new Scheme which is planned. Internal Audit were unable to follow-up on previous audits which received overall 'limited' opinions - these included the reviews of Prison Healthcare; HSC and NIFRS Pension Schemes; and Families Matter Strategy.

Follow-up of reports with limited opinions will be considered by the Departmental Internal Audit within future Audit Plans depending upon progress against agreed timescales. BSO Internal Audit will perform mid-year and end-year follow-ups of recommendations.

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 to the Accounting Officer on 17 January 2023. The end-year inter-departmental report was provided in June 2023.

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 2022/23 was satisfactory assurance on the adequacy and effectiveness of the organisation's framework of governance, risk management and control. The last HSC Pensions audit was conducted during 2021/22 and satisfactory assurance was provided.

External Audit Findings

NIAO

The NIAO provides an opinion to the NI Assembly on whether 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 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.

Issues significantly impacting on the Department

COVID-19 Pandemic

The World Health Organisation (WHO) declared the outbreak of Coronavirus disease (COVID-19) a pandemic on 11 March 2020, and Department's response to the pandemic has been ongoing since 2020 and has continued into 2022-23.

Protecting the population, particularly the most vulnerable, ensuring that health and social care services were not overwhelmed, saving lives through mitigating the impact of the pandemic and patient and staff safety has remained at the forefront throughout Health's emergency response. This has required a number of measures to urgently repurpose and temporarily reconfigure the provision of services, and to identify additional capacity including the need to ensure availability of appropriate Personal Protective Equipment (PPE). Financial measures have been put in place by the NI Executive to tackle the response to COVID-19 and the Department has obtained essential financial support from this package of measures to assist in the ongoing fight against COVID-19.

Given the wide-ranging impact and the need to react immediately to changing healthcare needs, this has had an effect on the ability to conduct routine Departmental business, with a need to curtail non- urgent policy development and healthcare activity in order to re-direct

resources to deal with the pandemic. There have been substantial resourcing impacts across the Department and ALBs to scale up the response to ensure adequate staff resourcing to meet increasing demands, which included calling on volunteers, retired medical staff and medical students to rally together to strive to enable an optimum response to the pandemic.

During 2022/23 the COVID-19 vaccination programme continued to be implemented in line with advice from the Joint Committee on Vaccination and Immunisation (JCVI).

On 12 May 2021, the Prime Minister announced his intention to establish an independent UK-wide Public Inquiry into the handling and management of the COVID-19 pandemic under the 2005 Inquiries Act. On 15 December 2021, the Prime Minister appointed the Right Honourable Baroness Heather Hallett, DBE, as Chair of the Public Inquiry. The Inquiry formally launched on 21 July 2022 and is currently ongoing.

Transformation/Rebuilding

The approach for transforming health and social care over a period of 10 years 'Health and Wellbeing 2026: Delivering Together' was published in October 2016. It remains the roadmap for health and social care transformation in Northern Ireland. COVID-19 has had a significant impact on health and social care services, and whilst the drive for long term and transformation of our Health Service remains a key priority for the Department, a key focus for this year has been on continuing to stabilise our services so that any transformative activity takes place in an environment which allows it to be sustainable in the long term.

Governance arrangements to provide strategic oversight for the management and implementation of the change agenda were revised during 22/23, resulting in the establishment of :

- the Health and Social Care Performance and Transformation Executive Board (PTEB);
- and the Health and Social Care Improvement and Transformation Advisory Board (ITAB).

PTEB membership consists of the Chief Executives of the Trusts, Business Services Organisation, and the Public Health Agency, as well as Senior Officials from the Department. PTEB is chaired by the Department of Health's Permanent Secretary. ITAB brings together members of the wider HSC system, Trade Union and Service User input and plays a key role in supporting and advising the Minister on the strategic approach to HSC Improvement and Transformation. Members provide this support and advice based on the knowledge and experience they bring from their respective fields in line with the principles set out within Delivering Together and co-production. As part of the new Governance Structures, the Previous Health Minister also agreed to the creation of an Expert / Clinician Panel to ensure both boards had access to expert clinical advice and input. This group is comprised on clinicians from a range of specialties and provide clinical input and guidance to PTEB and ITAB, as required to support decision making on the wider Transformation agenda.

UK Exit from the EU

In 2022-23 there were several announcements by the United Kingdom Government and the European Commission in the context of the implementation of the Northern Ireland Protocol.

The European Commission legislation (April 2022) addressed key issues raised by DoH to DHSC but there remained residual issues. The Medical Supplies Directorate continued to work with DHSC to achieve a long-term solution and key remaining issues associated with the supply of medicines were addressed in the Windsor Framework announced in February 2023. The Medical Supplies Directorate are liaising with DHSC to ascertain the detail underpinning the Framework and will subsequently work with DHSC for the development of the associated legislation and guidance. Medical devices were not specifically addressed in the Windsor Framework. Therefore, the Medical Supplies Directorate in conjunction with the DoH lead for medical devices safety will liaise with DHSC to ascertain what long-term solutions within the remit of UK Government can be obtained.

Department of Health officials also attended the DHSC led Northern Ireland Programme Board to raise issues and to inform mitigations. DoH in conjunction with DHSC is involved in the management of medical supply shortages and discontinuations.

One mitigation currently in place is 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.

Ongoing medicine 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 2022-23 the Department engaged proactively with stakeholders from the pharmaceutical industry, supply chain, community pharmacy and the healthcare sector to support continuity of medical supplies.

Closure of the HSCB

Significant progress has been made in 2022/23 with regards to the transformation of the commissioning framework for Health and Social Care Services in Northern Ireland.
The HSCB was formally closed with effect from 31st March 2022 with the successful transfer of its responsibilities in the main to the Department and the transfer of its staff to BSO through a hosting arrangement whereby they work under the direction of the Department.

The implementation of the closure and the integration of its responsibilities within the Department has been a considerable achievement at a time of significant challenge. Importantly the embedding of the changes over the past year has enabled a more streamlined structure and facilitated much closer working relationships across health and social care.

This has provided a sound foundation upon which to build the new Commissioning Framework, ICS NI, which has seen considerable development and which, subject to legislative provision, is planned for introduction in April 2024.

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 2022-23. 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 was operating as per design, errors were occurring due to incomplete information within the payroll system. HSC Pension Service put in place a change request with the HSC Payroll Provider to ensure that future data transferred from HSC Employers to HSC Pension Service will ensure accuracy to meet the requirements of the Scheme Valuation.

While the electronic interface form Pensions Service (HSCPS) Altair system to the BSO Shared Services payroll system is fixed going forward, the time period where it was not has left significant gaps in the scheme data which now need to be repopulated. For the current valuation the scheme had to arrange data dumps directly from payroll to GAD in order to provide them with adequate data. New staff are coming on board who will be working on repopulating the data gaps but the situation is not yet resolved and consequently this continues to be considered an internal control issue.

Audit Qualification

The HSC Pension Scheme Statement for the year ended 31 March 2022 were qualified because the audit evidence available to the C&AG was limited. This was because the actuarial valuation of the Scheme with an effective date of 31 March 2020 was not complete at the time of the audit and consequently, the C&AG 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 C&AG could satisfy themselves regarding the valuation of these liabilities. The C&AG was therefore unable to determine whether any adjustments to the scheme liability were necessary.

The HSC Pension Scheme Statement for the year ended 31 March 2023 has been prepared using GAD's assessment of the scheme liability in respect of the HSC Pension Scheme as at 31 March 2023, and the movement in the scheme liability over the year 2022-23. As stated in the Report of the Actuary, the assessment has been carried out in accordance with the requirements of Chapter 12 of the 2022-23 version of the FReM by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

2022-23 Budget Position and Authority

The Northern Ireland Budget Act 2023 was passed by Parliament and received Royal Assent on 8 February 2023 which authorised the cash and use of resources for all departments and other bodies for the full 2022-23 year, and also included a Vote on Account for the early months of the 2023-24 financial year. This will be followed by a further Budget Bill which the Secretary of State will bring to Parliament in due course, following the 2023-24 Northern Ireland Budget which he set in his Written Ministerial Statement on 27 April 2023.

The Written Ministerial Statement has enabled the Department to issue opening allocations for 2023/24 which will enable essential services to continue. However, despite plans to deliver significant efficiencies, the budget allocation provided has resulted in a significant funding gap. The Department and its Arm's Length Bodies are currently working on the development of further savings measures to bridge the gap. However, it is clear that, if the Department does not receive significant additional funding, achieving breakeven will require a challenging savings programme to be delivered and some difficult choices around a pay settlement for staff.

New Issues for 2022-23

No new governance issues were identified for 2022-23.

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 2022-23.

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

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

Summary tables – mirror Part II and III of the Estimates

Summary table, 2022-23, all figures presented in £000

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate, saving / (excess)		Prior Year Outturn Total, 2021-22
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Annual Managed Expenditure										
Resource	SOAS 1.1	1,984,127	-	1,984,127	2,038,789	-	2,038,789	54,662	54,662	1,647,929
Total Budget Expenditure		**1,984,127**	**-**	**1,984,127**	**2,038,789**	**-**	**2,038,789**	**54,662**	**54,662**	**1,647,929**

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

Net Cash requirement 2022-23, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2021-22
Net Cash requirement	**SOAS 3**	**(225,122)**	**(169,811)**	**55,311**	**-**

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

Administration Costs 2022-23, all figures presented in £000

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2021-22
Administration Costs	**SOAS 1.1**	**-**	**-**	**-**	**-**

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

Notes to the Statement of Outturn against Assembly Supply, 2022-23 (£000)
This note mirrors Part II of the Estimates: (Revised) Subhead Detail and Resource to Cash Reconciliation.

SOAS 1. Outturn detail, by Estimate Line

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

Type of spend (Resource)	Resource outturn							Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total, – 2021-22
	Administration			Programme			Total	Total	Virements*	Total inc. virements		
	Gross	Income	Net	Gross	Income	Net						
Spending in Annually Managed Expenditure (AME)												
Voted Expenditure												
1 – Health and Social Care Pension Scheme	-	-	-	2,848,026	(863,899)	1,984,127	1,984,127	2,038,789	-	2,038,789	54,662	1,647,929
Total resource	**-**	**-**	**-**	**2,848,026**	**(863,899)**	**1,984,127**	**1,984,127**	**2,038,789**	**-**	**2,038,789**	**54,662**	**1,647,929**

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

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

SOAS 2. Reconciliation of outturn to net expenditure

Item	Note	Outturn total 2022-23 £000	Prior Year Outturn Total, 2021-22 £000
Total Resource Outturn	**SOAS 1.1**	**1,984,127**	**1,647,929**
Net Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SOCNE**	**1,984,127**	**1,647,929**

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

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

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

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

Item	Note	Outturn total £000	Estimate £000	Outturn vs Estimate, Saving / (excess) £000
Total Resource outturn	SOAS 1.1	***1,984,127***	**2,038,789**	**54,662**
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions	16	*(2,848,023)*	(2,898,000)	(49,977)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables	12	*36,348*	53,000	16,652
(Increase)/decrease in payables	14	*2,607*	-	(2,607)
Use of Provisions	16	*599,819*	636,400	36,581
Net cash requirement		***(225,122)***	**(169,811)**	**55,311**

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

SOAS 4. Amounts of Income to the Consolidated Fund

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

SOAS 4.1 Analysis of income payable to the Consolidated Fund

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

Item	Note	Outturn total 2022-23 £000		Prior Year 2021-22 £000	
		Accruals	*Cash Basis*	Accruals	*Cash Basis*
Excess cash surrenderable to the Consolidated Fund	**13**	225,122	*225,122*	241,547	*241,547*
Total amount payable to the Consolidated Fund		**225,122**	***225,122***	**241,547**	***241,547***

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses and Special Payments

Losses Statement

	2022-23	2021-22
Total number of losses	74	78
Total value of losses (£000)	1	1
Details of losses over £250,000	-	-

Special Payments

	2022-23	2021-22
Total number of special payments	23	23
Total value of special payments (£000)	83	80
Details of special payments over £250,000	-	-

Peter May
Accounting Officer
29 June 2023

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 2023 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 the preparation of the financial statements is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual (FReM).

I have also audited the Statement of Outturn against Assembly Supply, and the related notes.

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 2023 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 2023 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, was not complete when determining the scheme liability as at 31 March 2022. Consequently, I did not receive sufficient information regarding the determination of the opening scheme liability for 2022-23, in accordance with the FReM. There were no alternative means by which I could satisfy myself regarding the opening valuation of these liabilities. I was therefore unable to determine whether any adjustments to the opening scheme liability or the actuarial gain for the year 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 the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

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

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

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in the 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.

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 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 information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In 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 the Accountability Report.

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

- adequate accounting records have not been kept; or

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

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Government Resources and Accounts Act (Northern Ireland) 2001;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due

to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;

- completing risk assessment procedures to assess the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls;

- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;

- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;

- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;

- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business; and

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

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

Report

As indicated above, I have qualified my audit opinion on these financial statements because the audit evidence available to me was limited. As the actuarial valuation of the Scheme with an effective date of

31 March 2020 was not complete, the present value of the scheme liability as at 31 March 2022 was calculated by rolling forward the liability calculated as at 31 March 2016 (the last full valuation of the Scheme) to 31 March 2022. This was not in accordance with the FReM requirement for actuarial valuations to be completed every four years. There were no alternative means available to confirm the valuation of these liabilities and therefore determine whether any adjustments to the scheme liability were necessary. Consequently, it was not possible to determine whether any adjustment to the 2022-23 opening balance was necessary or whether there was any effect on the actuarial gain for the year ended 31 March 2023. 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.

Dorinnia Carville

Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
3 July 2023

B) FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Income			
Contributions receivable	3	846,071	792,008
Transfers in	4	17,828	5,794
Other pension income	5	-	1,148
		863,899	798,950
Expenditure			
Service cost	6	(2,200,000)	(2,000,000)
Enhancements	7	(195)	(1,085)
Transfers in	8	(17,828)	(5,794)
Pension financing cost	9	(630,000)	(440,000)
Other expenditure	10	(3)	-
		(2,848,026)	(2,446,879)
Net Expenditure		(1,984,127)	(1,647,929)
Other Comprehensive Net Expenditure			
Pension re-measurements:			
Actuarial gain / (loss)	16.4	22,278,204	(3,261,932)
Total Comprehensive Net Income/(Expenditure) for the year		**20,294,077**	(4,909,861)

Notes 1 to 20 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Current assets			
Receivables	12	107,626	71,278
Cash and cash equivalents	13	225,122	241,547
Total current assets		**332,748**	312,825
Current liabilities			
Payables (within 12 months)	14	(231,886)	(250,918)
Total current liabilities		**(231,886)**	(250,918)
Net current assets, excluding pension liability		**100,862**	61,907
Pension liability	16.1	(19,940,000)	(39,970,000)
Net liabilities, including pension liabilities		**(19,839,138)**	(39,908,093)
Taxpayers' equity			
General fund		(19,839,138)	(39,908,093)
		(19,839,138)	(39,908,093)

Notes 1 to 20 form part of these financial statements.

Peter May
Accounting Officer
29 June 2023

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2023

		General Fund	
	Note	**2022-23**	2021-22
		£000	£000
Balance at 1 April		(39,908,093)	(34,756,685)
Excess cash receipts payable to the Consolidated Fund	**Note 13**	(225,122)	(241,547)
Comprehensive Net Expenditure for the year		(1,984,127)	(1,647,929)
Actuarial gain / (loss)		22,278,204	(3,261,932)
Net change in Taxpayers' Equity		20,068,955	(5,151,408)
Balance at 31 March		**(19,839,138)**	(39,908,093)

Notes 1 to 20 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	**2022-23** £000	2021-22 £000
Cash flows from operating activities			
Net expenditure for the year		(1,984,127)	(1,647,929)
Adjustments for non-cash transactions:			
(Increase)/Decrease in receivables related to supply	12	(36,637)	2,791
Decrease/(Increase) in receivables not related to supply	12	289	(768)
(Decrease)/Increase in payables	14	(2,607)	1,287
Increase in pension provision	16.1	2,830,000	2,440,000
Increase in pension provision - enhancements and transfers in	16.1	18,023	6,879
Use of provisions - pension liability	16.2	(589,858)	(544,445)
Use of provisions - refunds and transfers	16.3	(9,961)	(4,594)
Net cash inflow from operating activities		**225,122**	253,221
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**225,122**	253,221
Payments of amounts due to the Consolidated Fund		(241,547)	(249,110)
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(16,425)**	4,111
Cash and cash equivalents at the beginning of the period	13	**241,547**	237,436
Cash and cash equivalents at the end of the period	13	**225,122**	241,547

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 2022-23 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

1.1 HSC Pension Scheme

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

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

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

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

2. Statement of accounting policies

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

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

2.1 Accounting convention

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

2.2 Contributions receivable

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

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

2.3 Pre-funding of contributions from employing bodies

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

2.4 Transfers in and out

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

2.5 Other income

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

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

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

2.6 Current service cost

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The current service cost is based on a standard contribution rate of 84.1% of pensionable pay, as determined at the start of 2022-23.

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 2022, being 1.55%.

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 2023 being 4.15% nominal discount rate. The Scheme applies assumptions for the discount rate and the rate of inflation as prescribed by HM Treasury.

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

The pension liability included in these financial statements has been calculated utilising membership data as at 31 March 2020 and demographic assumptions in line with those recommended for the 2020 funding valuation as at 31 March 2020. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2023. 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 2023 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 2023.

2.11 Pension benefits payable

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

2.12 Pension payments to those retiring at their normal retirement age

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

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

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

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

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

2.14 Lump sums payable on death in service

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

2.15 Actuarial gains/losses

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

2.16 Additional Voluntary Contributions

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

2.17 Administration expenses

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

2.18 Cash and cash equivalents

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

2.19 Currency and rounding

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

2.20 Impending application of standards adopted during 2022-23 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 the adoption of these standards, interpretations and amendments that became effective during 2022-23 has not had a significant impact on the financial position or results of the Scheme accounts.

Additionally, the Scheme has reviewed the additional or revised accounting standards and new (or amendments to) interpretations that are due to come into effect in future years and concludes that these are not expected to have a significant impact on the Scheme accounts going forward.

2.21 Going Concern

The Statement of Financial Position at 31 March 2023 shows net liabilities of £19,839,138k. 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 2022-23.

3. Contributions receivable

	2022-23	2021-22
	£000	£000
Employers	589,747	552,398
Employees	256,324	239,610
	846,071	792,008

£876,750k contributions are expected to be payable to the Scheme in 2023-24.

4. Transfers in

	2022-23	2021-22
	£000	£000
Individual transfers in from other schemes	17,828	5,794
	17,828	5,794

5. Other pension income

	2022-23	2021-22
	£000	£000
Refund of pension payments	-	1
Final Pay Control	-	1,147
	-	1,148

6. Service cost

	2022-23	2021-22
	£000	£000
Current service cost	2,200,000	2,000,000
	2,200,000	2,000,000

7. Enhancements (see also Note 16.1)

	2022-23	2021-22
	£000	£000
Employers:		
Pre-funded compensation payments	195	1,085
	195	1,085

8. Transfers in – additional liability

	2022-23	2021-22
	£000	£000
Individual transfers in from other schemes	17,828	5,794
	17,828	5,794

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)

	2022-23	2021-22
	£000	£000
Net interest on defined benefit liability	630,000	440,000
	630,000	440,000

10. Other pension expenditure

	2022-23	2021-22
	£000	£000
Pension Levy	3	-
	3	**-**

11. Additional Voluntary Contributions

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

The aggregate amounts of AVC investments are as follows:

Utmost Life and Pensions (formerly Equitable Life Assurance Society)

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

Scheme Number W0111

Movements in the year were as follows:

	2022-23	2021-22
	£000	£000
Balance at 1 April	1,710	1,927
New investments (net of transfers/refunds)	9	(166)
Sales of investments to provide pension benefits	(58)	(172)
Changes in market value of investments	(50)	121
Balance at 31 March	**1,611**	1,710

Scheme Number WP111

Movements in the year were as follows:

	2022-23	2021-22
	£000	£000
Balance at 1 April	1,851	1,948
New investments (net of transfers/refunds)	(1)	(64)
Sales of investments to provide pension benefits	(80)	(102)
Changes in market value of investments	(23)	69
Balance at 31 March	**1,747**	1,851

Standard Life

Movements in the year were as follows:

	2022-23	2021-22
	£000	£000
Balance at 1 April	3,921	4,163
New investments (net of transfers/refunds)	112	52
Sales of investments to provide pension benefits	(228)	(397)
Changes in market value of investments	(180)	103
Balance at 31 March	**3,625**	3,921

12. Receivables - contributions due in respect of pensions

Analysis by type

	2022-23	2021-22
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	71,680	47,248
Employees' normal contributions	33,071	21,049
Capitalised cost of enhancement to pensions payable on departure	456	334
Overpaid pensions	442	381
Sub-total	**105,649**	69,012
Non-supply receivables:		
Injury benefits receivable	1,977	2,266
Total amounts falling due within one year	**107,626**	71,278

13. Cash and cash equivalents

	2022-23	2021-22
	£000	£000
Balance at 1 April	241,547	237,436
Net change in cash balances	(16,425)	4,111
Balance at 31 March	**225,122**	241,547
The following balances at 31 March were held at:		
Commercial banks and cash in hand	225,122	241,547
Balance at 31 March	**225,122**	241,547

14. Payables - in respect of pensions

Analysis by type

	2022-23	2021-22
	£000	£000
Amounts falling due within one year:		
Pensions	623	3,661
HMRC	5,532	4,899
Other creditors	609	811
Consolidated Fund Extra Receipts payable to the Consolidated Fund – excess cash receipts resources current year	225,122	241,547
Total amounts due within one year	**231,886**	250,918

15. Amounts due to the Consolidated Fund

	2022-23	2021-22
	£000	£000
Excess cash receipts surrenderable to the Consolidated Fund	(225,122)	(241,547)
	(225,122)	(241,547)
Cash and cash equivalents	225,122	241,547
	225,122	241,547

16. Pension liability

Assumptions underpinning the pension liability

The HSC Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Scheme liabilities as at 31 March 2023. The Report of the Actuary on pages 11 to 17 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

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

The key financial assumptions used by the Actuary were:

	31 Mar 23	31 Mar 22	31 Mar 21	31 Mar 20	31 Mar 19
Rate of general pay increases	3.65%	4.15%	3.72%	4.10%	4.10%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.40%	2.90%	2.22%	2.35%	2.60%
Inflation assumption	2.40%	2.90%	2.22%	2.35%	2.60%
Nominal discount rate	4.15%	1.55%	1.25%	1.80%	2.90%
Discount rate net of CPI inflation	1.70%	(1.30)%	(0.95)%	(0.50)%	0.29%

The impact of changes in assumptions on the scheme liability as at 31 March 2023 results in an decrease in liabilities over 2022-23 of £21,810,000k.

The change in assumptions reflects:

- a decrease in the value of the liabilities due to changes to the financial assumptions, which is driven by:

  - the decrease in the assumed rate of pension increases from 2.90% p.a. to 2.40% p.a. and the decrease in the assumed rate of general pay increases from 4.15% p.a. to 3.65% p.a., both of which decrease the value of the liabilities.

  - the increase in the nominal discount rate from 1.55% p.a. to 4.15% p.a., which decreases the value of the liabilities.

- a decrease in the value of the liabilities due to changes in the demographic assumptions, which is driven by:

  - the update to the assumed future improvements in mortality, which use the latest population projections published by ONS, from the 2018 projections to the 2020 projections, which decreases the value of the liabilities.

  - the change in baseline mortality assumptions and other demographic assumptions to reflect changes proposed for the 2020 valuation. These changes decrease the value of the liabilities.

A review of scheme factors was triggered on 30 March 2023 following the announcement of the methodology and rate of the SCAPE discount rate which will be used for the 31 March 2020 valuations. The review of the factors is expected to take place during 2023-24. GAD have made no allowance for any possible updates to the scheme factors, after the reporting date, where a change would not be expected to have a material impact on the disclosed liabilities.

The following table sets out an analysis of the impact of changes in assumptions on the scheme liability as at 31 March 2023.

	2022-23 **£ thousand**
Change in projected improvements in mortality	(260,000)
Change in baseline mortality assumptions	(1,530,000)
Change in demographic assumptions (other than mortality)	(480,000)
Change in financial assumptions	(19,540,000)
Total impact of changes in assumptions	**(21,810,000)**

The £19,540k gain arising due to changes in financial assumptions underlying the present value of pension liability is attributable to the increase of 2.6% in the discount rate assumption and the reduction of 0.5% in the CPI assumption.

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

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

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

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

Analysis of the provision for pension liability

Categories	At 31 March 2023 £bn	At 31 March 2022 £bn	At 31 March 2021 £bn	At 31 March 2020 £bn	At 31 March 2019 £bn
Pensions in Payment	6.5	7.4	7.1	6.8	6.3
Deferred Pensions	1.2	1.8	1.7	1.6	1.3
Active Members (Past Service)	12.3	30.8	26.0	22.0	16.7
Total	**20.0**	40.0	34.8	30.4	24.3

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

		2022-23		2021-22	
	Note	**£000**	**£000**	£000	£000
Scheme liability at 1 April			39,970,000		34,810,228
Current service cost	6	2,200,000		2,000,000	
Past service cost	6	-		-	
Pension financing cost	9	630,000		440,000	
			2,830,000		2,440,000
Enhancements	7	195		1,085	
Pension transfers in	8	17,828		5,794	
			18,023		6,879
Benefits payable	16.2	(589,858)		(544,445)	
Pension payments to and on account of leavers	16.3	(9,961)		(4,594)	
			(599,819)		(549,039)
Actuarial (gain) / loss	16.4		(22,278,204)		3,261,932
Scheme liability at 31 March			**19,940,000**		39,970,000

The pension scheme liability can be split into £14.2 billion for the closed sections of the scheme (1995 and 2008) and £5.7 billion for the open section (2015 CARE scheme).

During the year ended 31 March 2023, employer contributions represented an average of 22.5% of pensionable pay.

16.2 Analysis of benefits paid

	2022-23	2021-22
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	456,601	425,560
Commutations and lump sum benefits on retirement	129,099	115,583
Death in service benefits	4,158	3,302
Total benefits paid	**589,858**	544,445

16.3 Analysis of payments to and on account of leavers

	2022-23	2021-22
	£000	£000
Individual transfers to other schemes	9,961	4,594
Total payments to and on account of leavers	**9,961**	4,594

16.4 Analysis of actuarial gain/(loss)

	2022-23	2021-22
	£000	£000
Experience gains / (losses) arising on the scheme liabilities	468,204	(1,932)
Changes in assumptions underlying the present value of scheme liabilities	21,810,000	(3,260,000)
Total actuarial gain / (loss)	**22,278,204**	(3,261,932)

16.5 History of experience gains / (losses)

	2022-23	2021-22	2020-21	2019-20	2018-19
	£000	£000	£000	£000	£000
Experience gains/(losses) on Scheme liabilities:					
Amount (£000)	468,204	(1,932)	440,000	120,000	110,000
Percentage of the present value of Scheme liabilities	2.3%	0.0%	1.3%	0.4%	0.5%
Total amount recognised in statement of Changes in Taxpayers Equity:					
Amount (£000)	22,278,204	(3,261,932)	(2,820,000)	(4,780,000)	1,659,000
Percentage of the present value of Scheme liabilities	111.7%	(8.2)%	(8.1)%	(15.7)%	6.8%

16.6 Sensitivity analysis

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2023 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 9.0%	(£1.8 billion)
Long term earnings increase of ½ % per annum*	Increase of 2.0%	£0.4 billion
Pension increases of ½ % per annum*	Increase of 8.0%	£1.6 billion
Assumed longevity increased by rating the tables assumed up by 1 year	Increase of 3.0%	£0.6 billion

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

16.7 Pensioner mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Pension Scheme Statements at 31 March 2023.

	2022-23		**2021-22**	
Average number of years current pensioners expected to live after retiring at age:	**Men**	**Women**	**Men**	**Women**
60	28.0	29.2	28.8	30.2
65	23.1	24.3	23.8	25.3

	2022-23		**2021-22**	
Average number of years future pensioners expected to live after retiring at current age:	**Men**	**Women**	**Men**	**Women**
60	29.7	30.8	30.5	31.9
65	24.7	25.8	25.5	26.9

17. Financial instruments

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

18. Contingent liabilities disclosed under IAS37

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 which 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 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 HSC Pension Scheme from 1 April 2022 is now in place. Work is progressing on the legislative steps required to implement the remedy moving forward with the Department of Health consultation on the retrospective part of the McCloud Remedy closing on 30 June 2023. 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 is calculated based on the expectation that all members are in 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 3rd July 2023.

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