

**HSC Pension Scheme Resource Accounts  
for the year ended 31 March 2015**

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for the year ended 31 March 2015**

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

*03 July 2015*



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## **REPORT OF THE SCHEME MANAGERS**

### **BACKGROUND TO THE HSC PENSION SCHEME**

#### **Statutory basis for the Scheme**

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

Scheme provisions are governed by the following regulations:

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

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

On 1 April 2015 a new career average HSC Pension 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.

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

#### **Management of the Scheme**

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

The Scheme is managed by the Department of Health, Social Services and Public Safety, which is responsible for Scheme legislation.

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

### **Contributions**

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

### **Benefits**

The Scheme is a final salary scheme. Members of the 1995 Section receive a pension of 1/80th of the best of the last three year's pensionable pay for each year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon 1.4% of total pensionable earnings over the relevant pensionable service. The lump sum is normally three times the annual pension payment.

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

**KEY DEVELOPMENTS IN YEAR**

**Scheme Changes – Legislative Changes 2014-15**

<b>Title of legislation</b>	<b>Effective Date</b>	<b>Purpose</b>	<b>Applies to</b>
Health and Personal Social Services (Superannuation), Health and Social Care (Pension Scheme) (Amendment) Regulations (Northern Ireland) 2014 (S.R. 2014 No.59)	1/4/2014	Introduce revised pensionable pay and earnings bands for the purpose of assessing tiered contribution rates for members for the 2014-15 Scheme year	Both sections of the Scheme
Health and Personal Social Services (Superannuation), Health and Social Care (Pension Scheme) (Amendment No.2) Regulations (Northern Ireland) 2014 (S.R. 2014 No.225)	15/10/2014	Introduce changes to the information that employers must keep, a requirement for scheme valuation and minor changes to reflect changes in HMRC Annual Allowance	Both sections of the Scheme
Health and Personal Social Services (Superannuation) Health and Social Care (Pension Scheme) (Amendment) Regulations (Northern Ireland) 2015 (S.R. 2015 No.56)	16/3/2015	Minor change to contribution tiers to reflect AFC pay award for 2014-15	Both sections of the Scheme
Health and Social Care Pension Scheme Regulations (Northern Ireland) 2015 (S.R. 2015 No.120)	1/4/2015	New Pension Scheme 2015 (CARE) Regulations	All members of the new 2015 Scheme
Health and Personal Social Services (Superannuation Scheme, Additional Voluntary Contributions and Injury Benefits), Health and Social Care (Pension Scheme) (Amendment) Regulations (Northern Ireland) 2015 (S.R. 2015 No.121)	1/4/2015	Introduce amendments to the 1995 Section, 2008 Section, AVC Regulations and Injury Benefit Regulations as a consequence of the introduction of the new 2015 Pension Scheme	Both sections of the AVC regulations and Injury Benefit regulations

Title of legislation	Effective Date	Purpose	Applies to
Health and Social Care Pension Scheme (Transitional and Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.122)	1/4/2015	Makes provision for persons who have service in the 1995 and 2008 sections and who become members of the new 2015 Scheme	Both sections of the Scheme
Health Service Workers (Consequential Provisions) Regulations (Northern Ireland) 2015 (S.R. 2015 No.167)	1/4/2015	Makes modifications to primary pension legislation (in particular contracting out / tax legislation) to ensure those joining the new scheme from the old scheme are not detrimentally affected.	Both sections of the Scheme

### Changes in Contributions

Band	Salary range	Contribution rate	
		2014-15	2013-14
1	Up to £15,431.99	5.0%	5.0%
2	£15,432.00 to £21,387.99	5.6%	5.3%
3	£21,388.00 to £26,823.99	7.1%	6.8%
4	£26,824.00 to £49,472.99	9.3%	9.0%
5	£49,473.00 to £70,630.99	12.5%	11.3%
6	£70,631.00 to £111,376.99	13.5%	12.3%
7	£111,377.00 and over	14.5%	13.3%

### Changes in Benefits

Pension payments in 2014-15 increased by 2.7% (effective 6 April 2014).

### Membership statistics

Active members			
	Active members at 1 April 2014		63,485
	Retrospective adjustment*		(6,316)
Add:	New entrants		6,312
Less:	Retirements in the year		(977)
	Transfers out		(1)
	Undecided leavers		(1,032)
	Refunds		(3)
	Deaths		(5)
	Unclaimed refundable service		-
	Leaving with deferred rights		(1)
	<b>Active members at 31 March 2015</b>		<b>61,462</b>



**Department of Health, Social Services and Public Safety**  
**HSC Pension Scheme Resource Accounts 2014-15**

<b>Deferred members</b>				
Deferred members at 1 April 2014				
				14,850
Retrospective adjustment*				
				415
Add:	Members leaving with deferred rights			21
Less:	Taking up deferred rights			(353)
	Rejoining scheme			-
	Transfers out			(63)
	Deaths			(3)
<b>Deferred members at 31 March 2015</b>				<b>14,867</b>
<b>Pensioners in payment</b>		<b>Members</b>	<b>Dependents</b>	<b>Total</b>
Pensioners in payment at 1 April 2014				
		17,537	3,538	21,075
Retrospective adjustment*				
		(5)	(41)	(46)
Add:	Retiring at normal retiring age	957	-	957
	New dependents	-	215	215
	Retiring on ill health grounds	-	-	-
	Retiring previously deferred	321	-	321
	Retiring previously in receipt of compensation payments	53	-	53
Less:	Commuted pension	(6)	-	(6)
	Deaths in year	(360)	(117)	(477)
<b>Pensioners in payment at 31 March 2015</b>		<b>18,497</b>	<b>3,595</b>	<b>22,092</b>
<b>Compensation payments &gt; 60</b>				
Members in receipt of compensation payments at 1 April 2014				
				2,123
Retrospective adjustment*				
				(15)
Add:	Members leaving under early retirement			-
Less:	Members retiring at normal retirement age			(55)
	Deaths before normal retirement age			61
<b>Members in receipt of compensation payments at 31 March 2015</b>				<b>2,114</b>
<b>Ill health retirement</b>				
Ill health retirement members at 1 April 2014				
				8,258
Retrospective adjustment*				
				36
Add:	Members retiring on ill health grounds			149
Less:	Deaths in year			(206)
<b>Ill health retirement members at 31 March 2015</b>				<b>8,237</b>
<b>Compensation payments &lt; 60</b>				
Members in receipt of compensation payments at 1 April 2014				
				154
Retrospective adjustment*				
				-
Add:	Members leaving under early retirement schemes during the year			-
Less:	Members retiring at normal retirement age			(53)
	Deaths before normal retirement age			-
<b>Members in receipt of compensation payments at 31 March 2015</b>				<b>101</b>

<b>Undecided leavers**</b>				
<b>Undecided leavers at 31 March 2015</b>				1,313
Undecided leavers at 31 March 2014				3,362

\* 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 activity/movement occurred, due to delays in data gathering and checks required to process actions on the system.

\*\*If a member leaves the Scheme they have 12 months to decide whether they want a refund or to transfer their contributions to another Scheme (less than 2 years service), or whether they want to defer their accrued benefits or transfer them to another Scheme (2 or more years service). During these 12 months they are classifed as an undecided leaver and are reported by headcount as this reflects the basis on which GAD have calculated the pension scheme liability for these resource accounts.

### **Financial position as at 31 March 2015**

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure and net expenditure for the year is £880,247k.

Income mainly comprises contributions from employers (who are defined per page 2 above), of £223,685k and employee contributions of £157,809k. Other receipts include transfers in of £8,437k from other schemes and other pension income of £4k.

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the Scheme liability (other than those arising from actuarial gains and losses). This comprises the current service cost of £600,000k, enhancements of £1,193k, transfers in of £8,437k and interest on Scheme liabilities of £660,000k. Payments also include other pension expenditure of £552k.

### **Disclosure of information to auditor**

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

### **Events after the reporting period**

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

### **Independent Public Service Pension Commission**

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

- the Government must honour in full the pension promises that have already accrued to scheme members, maintaining the link to final salary for past service;
- a new career average revalued earnings (CARE) scheme should be adopted for general use in public service schemes, with existing members being moved to the new schemes as soon as practical;
- pension benefits in the CARE schemes should be uprated in line with average earnings while members are accruing benefits;
- flexible retirement should be encouraged, while abatement in its current form should be eliminated and caps on pension accrual should be removed or significantly lifted;
- member's Normal Pension Age in the new schemes should increase to be in line with the State Pension Age, and should be regularly reviewed to ensure the link remains appropriate;
- there should be a fixed cost ceiling, which if exceeded should be followed by a consultation process to bring costs back within the ceiling; and
- immediate savings could be made by increasing the member contribution rate. In this respect, the Government have already announced that it will implement progressive changes to the level of employee contributions such that employee contribution rates will increase by 3% on average by 2014-15.

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

### **INFORMATION FOR MEMBERS**

Further information about the Scheme, and its sections, can be found on the HSC Pensions Website [www.hscpensions.hscni.net](http://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 Scheme has continued to offer a range of in-house top up money purchase AVC and Stakeholder Pension facilities from Standard Life and an AVC only facility from Equitable Life which is now closed to new members.

### **Managers**

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

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

**Advisers**

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

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

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

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

Bankers Danske Bank  
Donegall Square West  
Belfast  
BT1 6JS

**Employers**

Principal employers: Health and Social Care Board  
Health and Social Care Trusts  
Health and Social Care Bodies

Additional bodies permitted to join:

General Practitioners  
Staff employed by General Medical Practitioners  
Direction Bodies

**Contact for enquiries**

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

Mr M Bradley  
The Scheme Administrator  
Business Services Organisation  
Waterside House  
75 Duke Street  
Londonderry  
BT47 6FP

## STATEMENT BY THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department at the request of the Department of Health, Social Services and Public Safety ('DHSSPS'). It summarises the pensions disclosures required for the 2014-15 Resource Accounts of the Health and Social Care Pension Scheme for Northern Ireland ('HSCPS' or 'the scheme').

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

The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2015 to reflect known changes.

### Membership data

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

Table A – Active members

31 March 2012 Membership data			2014-15 Accounts
Number (thousands)	Total salaries (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by receipts (£ billion)
57	1.66	0.35	1.69

Table B – Deferred members

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

**Table C – Pensions in payment**

<b>31 March 2012 Membership data</b>		<b>2014-15 Accounts</b>
<b>Number (thousands)</b>	<b>Total pension* (pa) (£ million)</b>	<b>Total pension (pa) (£ million)</b>
27.8	224.6	275.4

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

### **Methodology**

The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2014-15 Resource Accounts. The contribution rate for accruing costs in the year ended 31 March 2015 was determined using the PUCM and the principal financial assumptions applying to the 2013-14 Resource Accounts.

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

### **Principal financial assumptions**

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

**Table D – Principal financial assumptions**

<b>Assumption</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Rate of return (discount rate)	3.55%	4.35%
Rate of earnings increases*	4.20%	4.50%
Rate of future pension increases	2.20%	2.50%
Rate of return in excess of:		
Pension increases (CPI)	1.30%	1.80%
Earnings increases	-0.65%	-0.15%

\* Short term adjustments have been made to this assumption for the period 2012 – 2015 inclusive

The pension increase assumption as at both 31 March 2014 and 31 March 2015 is based on the Consumer Price Index (CPI) expectation of inflation.

### Demographic assumptions

The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership. Some changes were made to a number of demographic assumptions (rates of voluntary exit pre-retirement and rates of promotional pay increases) for the 2014-15 accounts compared to those adopted for the 2013-2014 accounts to align demographic assumptions to those adopted for the 2012 funding valuation of the scheme.

The standard mortality tables known as S1NXA (for normal health pensioners and dependents) and S1IXA (for ill health pensioners) are used but with mortality rates reduced to 80% (males) and 85% (females) of actual rates (100% for both male and female future ill-health pensioners). Mortality improvements are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom. These assumptions are the same as those adopted for the 2013-14 Annual Accounts.

The contribution rate used to determine the accruing cost in 2014-15 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2013-14 Resource Accounts.

### Liabilities

Table E summarises the assessed value as at 31 March 2015 of benefits accrued under the scheme prior to 31 March 2015 based on the data, methodology and assumptions described previously. The corresponding figures for the previous four year ends are also included in the table.

**Table E – Statement of Financial Position**

	<b>31 March 2015 (£ billion)</b>	<b>31 March 2014 (£ billion)</b>	<b>31 March 2013 (£ billion)</b>	<b>31 March 2012 (£ billion)</b>	<b>31 March 2011 (£ billion)</b>
<b>Total market value of assets</b>	nil	nil	nil	nil	nil
<b>Value of liabilities</b>	(17.52)	(15.13)	(11.83)	(10.50)	(10.60)
<b>Surplus / (Deficit)</b>	(17.52)	(15.13)	(11.83)	(10.50)	(10.60)
<b>Of which recoverable by employers</b>	n/a	n/a	n/a	n/a	n/a

### Accruing costs

The cost of benefits accrued in the year ended 31 March 2015 (the Current Service Cost) is based on a standard contribution rate of 35.5%. Members contributed between 5.0% and 14.5% of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost taking into account an estimated average rate of contributions paid by members of 9.4%. The corresponding figures for 2013-14 are also included in the table.



**Table F – Contribution rate**

	Percentage of pensionable pay	
	2014-15	2013-14
<b>Standard contribution rate</b>	35.5%	30.5%
<b>Members' estimated average contribution rate</b>	9.4%	9.0%
<b>Employers' estimated share of standard contribution rate</b>	26.1%	21.5%

For the avoidance of doubt, the actual rate of contributions payable by employers, 13.3% of pensionable pay for 2014-15, is not the same as the employers' share of the standard contribution rate as above (26.1% for 2014-15). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions. The key difference between the assumptions used for funding valuations and Resource Accounts is the discount rate. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of accounting standard IAS19.

The pensionable payroll for the financial year 2014-15 was £1.69 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2014-15 (at 35.5% of pay) is assessed to be £0.60 billion.

### **Sensitivity analysis**

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2015 of changes to the significant actuarial assumptions.

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

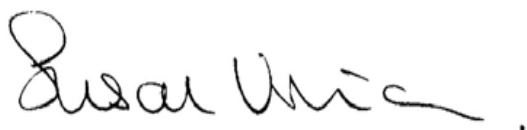
There is significant uncertainty associated with how members will retire in future, both for those remaining in the current scheme where recent patterns of retirement have been materially different to historic patterns, and as a result of the scheme reform for those members who will move across to the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

Table G shows the indicative effects on the total liability as at 31 March 2015 of changes to these assumptions (rounded to the nearest ½%).

**Table G – Sensitivity to main assumptions**

<b>Change in assumption</b>	<b>Approximate effect on total liability</b>		
<b>Financial assumptions</b>			
(i) discount rate*:	-0.5% a year	+12%	+ £2.1 billion
(ii) (long term) earnings increase*:	-0.5% a year	- 2%	- £0.4 billion
(iii) pension increases:	-0.5% a year	-8%	- £1.4 billion
<b>Demographic assumptions</b>			
(iv) each pensioner subject to longevity of an individual 1 year younger than assumed:		+ 2%	+ £0.4 billion
(v) 1995 section members retire at their Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier)		+ 1.5%	+ £0.3 billion

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



**SUSAN VIVIAN**  
**Government Actuary's Department**  
**May 2015**

## **STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES**

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

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

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

- observe the accounts direction issued by the Department of Finance and Personnel including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Secretary 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 Personnel and published in *Government Accounting Northern Ireland*.

## **GOVERNANCE STATEMENT**

### **Introduction**

This statement is given in respect of the Health and Social Care Pension Scheme (HSCPS) Resource Account for 2014-15. It outlines the Department's governance framework for directing and controlling the function and how assurance is provided to support me in my role as Accounting Officer for the Department of Health, Social Services and Public Safety. As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Department's policies, aims and objectives. I also have responsibility for safeguarding the public funds and departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

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

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

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

### **Governance Framework**

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

### **Departmental Board**

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

The strategic aims, policies and strategies for the Department are set by the Minister. The role of the Departmental Board is to support me, as the Accounting Officer, in establishing the necessary governance and assurance mechanisms to ensure effective and efficient delivery of the Minister's priorities and other statutory functions of the Department. In line

with best practice, the operational procedures of the Departmental Board are kept under continuous review and a more detailed evaluation is conducted after two financial years have elapsed. The last review was undertaken in 2013-14 and the next review is therefore due in 2015-16.

<b>Executive Board Members 2014-15</b>	
Mr R Pengelly	Permanent Secretary (appointed July 2014)
Dr A McCormick	Permanent Secretary (resigned June 2014)
Mrs J Thompson	Deputy Secretary, Resources and Performance Management Group and Senior Finance Director
Mrs D McNeilly	Deputy Secretary, Health Care Policy Group (appointed January 2015)
Mrs C Daly	Deputy Secretary, Health Care Policy Group (resigned December 2014)
Mr S Holland	Deputy Secretary, Social Care Policy Group
Mrs C McArdle	Chief Nursing Officer
Dr M McBride	Chief Medical Officer
Mr B Smyth	Health Estates (resigned September 2014)
<b>Independent Board Members 2014-15</b>	
Dr C King	Independent Board Member
Mr M Little	Independent Board Member

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

### **Management Information**

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

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

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

### **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, Governance and Performance of ALBs and the HSCPS, to assist it in discharging its role. Regular formal reviews of the operation of the Board include the quality of information provided to it. During 2014-15 this was also reviewed in the context of the '2013 Code of Good Practice for Corporate Governance in Central Government Departments'. In addition, Board members, collectively and individually, keep the quality of reported information under continuous review and seek enhancements as necessary to support the Board and its committees.

### **Departmental Audit and Risk Assurance Committee (DARAC)**

<b>DARAC Members 2014-15</b>	
Dr C King	IBM and Chair of DARAC
Mr M Little	IBM and DARAC Member
Mrs J Pyper	Chief Executive Utility Regulator
Mr T Connolly	Finance Director Department of Education

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

The DARAC gives detailed attention to internal governance issues, including the quality of risk management and corporate governance within the Department, as well as any HSC-wide issues or any other issues outwith the Department, that affect my role as principal Accounting Officer, for example in respect of the adequacy of the arrangements by which I hold ALB Accounting Officers to account for the performance and governance of their organisations. Systems for responding to recommendations made by authoritative external bodies, including the Public Accounts Committee, NIAO, and the Regulation and Quality Improvement Authority (RQIA), are also examined. The DARAC advises the Board and myself as Accounting Officer on its conclusions and recommendations with regard to identified governance weaknesses.

*DARAC – Responsibilities and Performance*

In line with best practice set out in the HMT Audit and Risk Assurance Committee Handbook, the Chair of DARAC sets an agreed core programme of work for each of its quarterly meetings, which includes:

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

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

Each year, the DARAC conducts a self-assessment according to guidelines issued by the National Audit Office. The findings of the self-assessment are presented to DARAC for action as appropriate. The self-assessment for 2014-15 has been completed and the outcome of this will be presented by the Chair of the DARAC in September 2015. In addition, the Chair of the DARAC delivers an annual report to both the Departmental Board and the DARAC and also reports to the Board following each quarterly meeting of the DARAC.

The DARAC has considered the HSC Pension Scheme Resource Accounts for 2014-15 and on the basis of evidence presented, recommended the accounts to the Departmental Accounting Officer for approval.

**Top Management Group**

As Accounting Officer, I am supported by my Top Management Group which comprises the Executive Board Members. It provides a forum for the consideration and endorsement of corporate business and 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 was agreed by the Board in 2012 and provides a clear and common understanding of business planning, risk management and assurance processes in the Department, along with associated guidance. In order to ensure its continued effectiveness, a review of the Framework commenced in 2014-15. The review sought feedback from each business area regarding their application of the Framework, and included engagement with the Departmental Internal Audit Group to consider any emerging issues/lessons learned from its ongoing programme of directorate governance audits. The outcome of the review is still being finalised.

## **Business Planning**

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

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

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

## **Risk Management**

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

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

Directorate business plans must be directly linked to the delivery of the Departmental Business Plan. Similarly there must be a clear connection at all levels between objectives and associated risks. Formal processes exist to escalate objectives and associated risks from directorate to departmental level subject to the approval of the Departmental Board.

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

Executive Board Members are responsible for ensuring that the directorates under their control have a business plan and fully-linked risk register. I require bi-annual formal written assurances from Executive Board Members and Directors about the proper operation of business planning and risk management within their business areas. Where a risk identified at directorate level becomes unmanageable within the directorate's resources, or where it



threatens to impact on Departmental objectives or across directorates, it must be escalated to the Departmental Board and considered for inclusion on the Departmental Risk Register.

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

A set of risk assessment criteria has been developed, agreed and applied by those departmental officials involved in the risk assessment process.

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

The system of internal governance has been in place in the Department for the year ending 31 March 2015 and up to the date of approval of the Annual Report and Accounts. This accords with Department of Finance and Personnel guidance.

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

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

The DARAC also plays a key role in providing advice on the quality of risk management and assurance within the Department. Additionally, risk monitoring and management processes within the ALBs and the HSC Pension Scheme are monitored by the Department through separate processes.

### **Information Risk**

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

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

Regular mandatory awareness training is delivered to Departmental staff, providing them with an up-to-date understanding of information governance issues and risks. Restrictions exist to protect access to and disposal of electronic and paper records and the Department has an Information and Records Management Policy Statement underpinning its records management arrangements. Appropriate guidance, central controls and a disposal schedule process all govern the retention and disposal of Departmental Records.

The Department and the HSC Pension Scheme had no data loss-related incidents in 2014-15.

### **Governance and Accountability within the Business Services Organisation (BSO)**

Governance and Accountability can be considered under the following headings:

- BSO Assurance and Accountability;
- Departmental Assurance; and
- Service Frameworks.

#### **BSO Assurance and Accountability**

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

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

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

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

## **Departmental Assurance**

The Department receives much of its assurance through an on-going process of monitoring of the BSO acting as the HSCPS administrator, including Corporate Governance, Use of Resources and the Delivery and Quality of Services. In addition to regular monitoring information derived primarily from management information systems, the Department periodically tests the assurance provided by the BSO by initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance of the BSO administration of the HSCPS.

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

## **Sources of Independent Assurance**

The Department obtains independent assurance from the following sources:

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

## **Departmental Internal Audit Group (IAG)**

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

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

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

The HIA has provided an opinion of satisfactory assurance on the Department's management of risk, control and governance for the period 1 April 2014 to 31 March 2015.

Substantial and satisfactory assurance was recorded for all but six audits carried out during the year, as follows:

- The review of the Quality 2020 Programme found weaknesses within the project management of the programme;
- Significant weaknesses were identified in the Department's governance and management of the arrangements for ensuring that the Discharge of Statutory Duties were being effectively executed by the HSCB and Trusts;
- The review of recommendations from RQIA Review Reports identified a number of issues in the following up/implementation of recommendations by policy branches;
- The review of the Human Resources Directorate found inadequate management and control of their financial budget and weaknesses in their risk management procedures;
- Non-compliance by Departmental staff with the NICS absence management processes was identified; and
- The sponsorship branch for one Arms Length Body was unable to provide documentary evidence of compliance with their sponsorship role.

The Departmental IAG will follow up on recommendations from all audits and report to the DARAC on a quarterly basis.

### **Northern Ireland Audit Office (NIAO)**

The NIAO provides reasonable assurance that an organisation's financial statements give a true and fair view, have been prepared in accordance with the relevant accounting standards and are in accordance with the guidance issued by relevant authorities. The results of the NIAO's financial audit work are reported to the Northern Ireland Assembly.

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

### **Business Services Organisation (BSO) Internal Audit**

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

The HSC Pension Scheme was not subject to any internal audit reviews during 2014/15.

### **Review of Effectiveness of the System of Internal Governance**

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

## **Internal Governance Divergences**

### **Prior Year Issues**

There were no governance matters arising in the prior year.

### **New Issues for 2014-15**

No governance matters arose during the period 2014-15.

### **Ministerial Directions**

During 2014-15, no Ministerial Directions were sought or given in relation to the HSCPS.

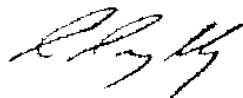
### **Other Matters**

In 2006-07 the Scheme incurred an excess on its Net Cash Requirement control total. The cash overspend of £7.224m resulted in an excess vote and the C&AG qualified his regularity audit opinion as a result. The Department have not to date sought Assembly approval through the Supply Estimates process to regularise this overspend. The necessary approval will be sought as part of the 2015-16 Spring Supplementary Estimate process.

### **Conclusion**

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

Further to considering the accountability framework within the Department, including the BSO, and in conjunction with assurances given to me by the DARAC, I am content that the DHSSPS and HSC Pension Scheme have operated a sound system of internal governance during the period 2014-15.



Mr R Pengelly  
Accounting Officer  
25 June 2015

## **CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL**

I certify that I have audited the financial statements of the Department of Health, Social Services and Public Safety's HSC Pension Scheme for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the Accounting Officer and auditor**

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

### **Scope of the audit of the financial statements**

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

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

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and

## CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the scheme's affairs as at 31 March 2015 and of its net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001.

### Opinion on other matters

In my opinion:

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

### Matters on which I report by exception

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

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

### Report

I have no observations to make on these financial statements.



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

30 June 2015

STATEMENT OF ASSEMBLY SUPPLY 2014-15

Summary of Resource Outturn 2014-15

		2014-15						2013-14	
		Estimate			Outturn				Outturn
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net total outturn compared with Estimate: saving / (excess)	Prior Year Outturn
	Note	£000	£000	£000	£000	£000	£000	£000	£000
<b>Request for resources</b>									
Providing a pension scheme for persons employed in the health and social care sector									
Annually Managed Expenditure		1,292,943	(386,956)	905,987	1,270,182	(386,956)	883,226	22,761	(657,621)
<b>Total resources</b>	<b>SOAS 2</b>	<b>1,292,943</b>	<b>(386,956)</b>	<b>905,987</b>	<b>1,270,182</b>	<b>(386,956)</b>	<b>883,226</b>	<b>22,761</b>	<b>(657,621)</b>

Summary of Net Cash Requirement 2014-15

	Note	2014-15			2013-14
		Estimate	Outturn	Net total outturn compared with Estimate: saving / (excess)	Outturn
		£000	£000	£000	£000
<b>Net Cash Requirement</b>	<b>SOAS 3</b>	-	-	-	-



**Summary of Income Payable to the Consolidated Fund**

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

	Note	2014-15 Forecast		2014-15 Outturn	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
<b>Total</b>	SOAS 4	-	<i>32,257</i>	<b>5,442</b>	<b><i>33,759</i></b>

Total income due to be paid over to the Consolidated Fund is £5,442k. Total receipts are £33,759k.

***Explanation of the variation between estimate and outturn (net total resources):***

The estimate was based on actuarial advice at the time. Actual outturn on pension scheme outgoings was less than forecast by £22,761k.

The notes on pages 31 to 33 form part of the Statement of Assembly Supply.

## NOTES TO THE STATEMENT OF ASSEMBLY SUPPLY

### SOAS 1. Statement of accounting policies

The Statement of Assembly Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply accounting policies contained in the FReM are consistent with those set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual.

#### SOAS 1.1 Accounting convention

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

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

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

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

#### SOAS 1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are also a number of differences. However no such differences are relevant to these accounts.

### SOAS 2. Reconciliation of Estimates, accounts and budgets

#### SOAS 2.1 Reconciliation of Net Resource Outturn to Net Expenditure

	Note	2014-15			2013-14
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
		£000	£000	£000	£000
Net Resource Outturn		883,226	905,987	22,761	657,621
Non - supply income (CFERs)	SOAS 4	(2,979)	-	2,979	(31,358)
<b>Net expenditure in SCNE</b>		<b>880,247</b>	<b>905,987</b>	<b>25,740</b>	626,263

### SOAS 2.2 Outturn against final Administration Budget

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

### SOAS 3.1 Reconciliation of resources to net cash requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate savings / (excess)
		£000	£000	£000
<b>Net Resource Outturn</b>	SOAS 2	905,987	883,226	22,761
<b>Accruals Adjustments:</b>				
Changes in working capital other than cash	SOAS 3.2	10,000	25,182	(15,182)
Use of provisions	16	344,699	358,759	(14,060)
New provisions and adjustments to previous provisions	16	(1,292,943)	(1,269,630)	(23,313)
Excess cash receipts surrenderable to the Consolidated Fund	SOAS 4	32,257	2,463	29,794
<b>Net Cash Requirement</b>		-	-	-

### SOAS 3.2 Movements in working capital other than cash

	Note	2014-15	2013-14
		£000	£000
Decrease in receivables related to supply	12.1	1,597	3,175
Increase in receivables not related to supply (injury benefit)	12.1	(209)	(383)
Increase in payables falling due within one year	14.1	(288)	538
Movement in working capital		1,100	3,330
Movement in CFERS excess accruing resources	SOAS 4	(26,282)	24,806
<b>Movement in working capital</b>		<b>(25,182)</b>	<b>28,136</b>

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

*(1) Changes in working capital other than cash (£15,182)k - see SOAS 3.1*

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

*(2) Excess cash receipts surrenderable to the Consolidated Fund, this excludes Excess Accruing Resources (£2,979k) (£2,463k - see SOAS 3.1)*

Based on forecast budget and working capital information this figure was estimated as £32,257k. Actual outturn was less than estimate by £29,794k. See SOAS 3.1 for detailed breakdown of variance.

**SOAS 4. Analysis of income payable to the Consolidated Fund**

	2014-15 Forecast		2014-15 Outturn	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts - excess accruing resources	-	-	2,979	31,296
Operating income and receipts surrenderable to the Consolidated Fund	-	-	2,979	31,296
Excess cash surrenderable to the Consolidated Fund	-	32,257	2,463	2,463
<b>Total income payable to the Consolidated Fund</b>	<b>-</b>	<b>32,257</b>	<b>5,442</b>	<b>33,759</b>

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

	2014-15	2013-14
	£000	£000
Operating income	389,935	377,045
Income authorised to be Accruing Resources	(386,956)	(345,748)
<b>Operating income payable to the Consolidated Fund</b>	<b>2,979</b>	<b>31,297</b>

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

**For the year ended 31 March 2015**

	Note	2014-15	2013-14
		£000	£000
<b>Income</b>			
Contributions receivable	3	381,494	372,008
Transfers in	4	8,437	5,037
Other pension income	5	4	61
		<b>389,935</b>	<b>377,106</b>
<b>Expenditure</b>			
Pension cost	6	(600,000)	(500,000)
Enhancements	7	(1,193)	(7,765)
Transfers in	8	(8,437)	(5,037)
Pension financing cost	9	(660,000)	(490,000)
Other expenditure	10	(552)	(567)
		<b>(1,270,182)</b>	<b>(1,003,369)</b>
<b>Net Expenditure</b>		<b>(880,247)</b>	<b>(626,263)</b>
<b>Other Comprehensive Net Expenditure</b>			
Pension re-measurements:			
Actuarial loss	16.4	(1,480,000)	(2,684,867)
<b>Total Comprehensive Net Expenditure for the year ended 31 March</b>		<b>(2,360,247)</b>	<b>(3,311,130)</b>

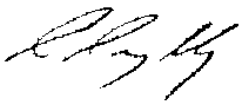
The notes on pages 38 to 54 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Note	2014-15	2013-14
		£000	£000
<b>Current assets</b>			
Receivables	12	40,010	41,397
Cash and cash equivalents	13	68,233	36,509
<b>Total current assets</b>		<b>108,243</b>	<b>77,906</b>
<b>Current liabilities</b>			
Payables (within 12 months)	14	(87,815)	(82,660)
<b>Total current liabilities</b>		<b>(87,815)</b>	<b>(82,660)</b>
<b>Net current assets / (liabilities), excluding pension liability</b>		<b>20,428</b>	<b>(4,754)</b>
Pension liability	16.1	(17,520,871)	(15,130,000)
<b>Net liabilities, including pension liabilities</b>		<b>(17,500,443)</b>	<b>(15,134,754)</b>
<b>Taxpayers' equity</b>			
General fund		(17,500,443)	(15,134,754)
		<b>(17,500,443)</b>	<b>(15,134,754)</b>

The notes on pages 38 to 54 form part of these financial statements.



Mr R Pengelly  
Accounting Officer  
25 June 2015

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

**For the year ended 31 March 2015**

	Note	General Fund	
		2014-15	2013-14
		£000	£000
<b>Balance at 1 April</b>		(15,134,754)	(11,755,085)
Excess accruing resources	SOAS 4	(2,979)	(31,358)
Excess cash receipts payable to the Consolidated Fund	SOAS 4	(2,463)	(37,181)
Comprehensive Net Expenditure for the year		(880,247)	(626,263)
Actuarial loss		(1,480,000)	(2,684,867)
Net change in Taxpayers' Equity		(2,365,689)	(3,379,669)
<b>Balance at 31 March</b>		<b>(17,500,443)</b>	(15,134,754)

The notes on pages 38 to 54 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2015**

	Note	2014-15	2013-14
		£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(880,247)	(626,263)
<b>Adjustments for non-cash transactions:</b>			
Decrease in receivables related to supply	12	1,597	3,175
Increase in receivables not related to supply	12	(209)	(383)
Increase in payables	14	(288)	538
Increase in pension provision	16.1	1,260,000	990,000
Increase in pension provision - enhancements and transfers in	16.1	9,630	12,802
Use of provisions – benefits payable	16.2	(353,216)	(328,894)
Use of provisions - refunds and transfers	16.3	(5,543)	(7,242)
<b>Net cash inflow from operating activities</b>		<b>31,724</b>	43,733
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>31,724</b>	43,733
Payments of amounts due to the Consolidated Fund		-	(62,932)
		-	
<b>Net increase / (decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>31,724</b>	(19,199)
<b>Cash and cash equivalents at the beginning of the year</b>	13	<b>36,509</b>	55,708
<b>Cash and cash equivalents at the end of the year</b>	13	<b>68,233</b>	36,509

The notes on pages 38 to 54 form part of these financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Basis of preparation of the Scheme financial statements**

The financial statements of the Scheme have been prepared in accordance with the relevant provisions of the 2014-15 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

#### **1.1 HSC Pension Scheme**

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

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

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

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

### **2. Statement of accounting policies**

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

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Scheme for the purpose of giving a true

and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme financial statements.

## **2.1 Accounting convention**

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

## **2.2 Contributions receivable**

Employers' normal contributions are accounted for on an accruals basis.

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

## **2.3 Pre-funding of contribution from employing bodies**

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

## **2.4 Transfers in and out**

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

## **2.5 Other income**

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

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

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

## **2.6 Current service cost**

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current year and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the discount rate applicable at 1 April 2014, being 1.80% real rate (i.e. 4.35% including inflation).

## **2.7 Interest on Scheme liabilities**

The interest cost is the increase during the year in the present value of the Scheme liabilities because benefits are one year closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the discount rate applicable at 1 April 2014, being 1.80% real rate (i.e. 4.35% including inflation).

## **2.8 Past service costs**

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

## **2.9 Other expenditure**

Other expenditure is accounted for on an accruals basis.

CEP payments relate to National Insurance Contributions due to the Contributions Agency resulting from members who have left the Scheme.

## **2.10 Scheme liability**

Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and is discounted at the rate applicable at the close of 31 March 2015, being 1.30% real rate (i.e. 3.55 % including inflation).

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

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

## **2.11 Pension benefits payable**

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

## **2.12 Pension payments to those retiring at their normal retirement age**

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

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

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

Where a member leaving the Scheme before normal retirement age is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Scheme liability on an accruals basis. Refunds include amounts payable both at the time of leaving or at normal retirement age (or earlier death).

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

### **2.14 Lump sums payable on death in service**

Lump sum payments payable on death in service are accounted for on a cash basis. They are funded through 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 conditions at the Statement of Financial Position date, are recognised in the Statement of Changes in Taxpayers' Equity for the year.

### **2.16 Additional Voluntary Contributions**

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing organisations to the approved AVC providers.

### **2.17 Administration expenses**

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

### **2.18 Cash and cash equivalents**

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

### **2.19 Currency and rounding**

The functional currency is sterling and all figures are rounded to the nearest thousand pounds.

### **2.20 Impending application of newly issued Accounting Standards not yet effective**

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

### 3. Contributions receivable

	2014-15	2013-14
	£000	£000
Employers	223,685	222,764
Employees	157,809	149,244
	<b>381,494</b>	372,008

£438,159k contributions are expected to be payable to the Scheme in 2015-16. This increase is due to an increase in employer rates from 1 April 2015 (13.3% to 16.3%).

### 4. Transfers in (see also Note 8)

	2014-15	2013-14
	£000	£000
Group transfers in from other schemes	165	-
Individual transfers in from other schemes	8,272	5,037
	<b>8,437</b>	5,037

### 5. Other pension income

	2014-15	2013-14
	£000	£000
Refund of pension payments	4	-
Other	-	61
	<b>4</b>	61

### 6. Pension cost

	2014-15	2013-14
	£000	£000
Current service cost (see note 16.1)	600,000	500,000
	<b>600,000</b>	500,000

**7. Enhancements (see also Note 16.1)**

	2014-15	2013-14
	£000	£000
Employees:		
Purchase of added years	2,217	2,217
Employers:		
Pre-funded compensation payments	(1,024)	5,548
	<b>1,193</b>	<b>7,765</b>

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

	2014-15	2013-14
	£000	£000
Group transfers in from other schemes	165	-
Individual transfers in from other schemes	8,272	5,037
	<b>8,437</b>	<b>5,037</b>

Amounts receivable in respect of inward transfers increase the Scheme 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 Scheme liability during the year.

**9. Pension financing cost (see also Note 16.1)**

	2014-15	2013-14
	£000	£000
Net interest on defined benefit liability	660,000	490,000
	<b>660,000</b>	<b>490,000</b>

## 10. Other expenditure

	2014-15	2013-14
	£000	£000
Contributions Equivalent Premium	300	268
Contribution refunds	252	299
	<b>552</b>	<b>567</b>

## 11. Additional Voluntary Contributions

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

The aggregate amounts of AVC investments are as follows:

### The Equitable Life Assurance Society

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

### Scheme Number W0111

Movements in the year were as follows:

	2014-15	2013-14
	£000	£000
Balance at 1 April	2,073	2,136
New investments (net of transfers/refunds)	23	(65)
Sales of investments to provide pension benefits	(73)	(126)
Changes in market value of investments	144	128
<b>Balance at 31 March</b>	<b>2,167</b>	<b>2,073</b>

**Scheme Number WP111**

Movements in the year were as follows:

	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	2,523	2,518
New investments (net of transfers/refunds)	(16)	(6)
Sales of investments to provide pension benefits	(51)	(64)
Changes in market value of investments	83	75
<b>Balance at 31 March</b>	<b>2,539</b>	<b>2,523</b>

**Standard Life**

Movements in the year were as follows:

	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	3,911	3,808
New investments (net of transfers/refunds)	20	(40)
Sales of investments to provide pension benefits	(55)	(204)
Changes in market value of investments	73	347
<b>Balance at 31 March</b>	<b>3,949</b>	<b>3,911</b>



## 12. Receivables - contributions due in respect of pensions

### 12.1 Analysis by type

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	18,952	17,631
Employees' normal contributions	13,225	11,630
Capitalised cost of enhancement to pensions payable on departure	5,432	9,827
Overpaid pensions	499	520
Other receivables	4	100
	38,112	39,708
Non-supply receivables : Injury benefit	1,898	1,689
<b>Total receivables due within one year</b>	<b>40,010</b>	<b>41,397</b>

Included in pension contributions due is £2,979k (2013-14: £29,261k) that will be due to the Consolidated Fund once the debts are collected.

### 12.2 Analysis by organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15	2013-14	2014-15	2013-14
	£000	£000	£000	£000
Balances with other central government bodies	5,340	6,942	-	-
Balances with HSC Trusts	20,463	21,866	-	-
Balances with bodies external to government	14,207	12,589	-	-
<b>Total receivables</b>	<b>40,010</b>	<b>41,397</b>	<b>-</b>	<b>-</b>

### 13. Cash and cash equivalents

	2014-15	2013-14
	£000	£000
Balance at 1 April	36,509	55,708
Net change in cash balances	31,724	(19,199)
<b>Balance at 31 March</b>	<b>68,233</b>	<b>36,509</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	68,233	36,509
<b>Balance at 31 March</b>	<b>68,233</b>	<b>36,509</b>

### 14. Payables - in respect of pensions

#### 14.1 Analysis by type

	2014-15	2013-14
	£000	£000
<b>Amounts falling due within one year:</b>		
Pensions	3,817	3,554
HMRC	3,569	3,353
Other payables	1,993	2,759
CFERs due to be paid to Consolidated Fund	38,792	35,813
Other CFERs due to the Consolidated Fund	39,644	37,181
<b>Total payables due within one year</b>	<b>87,815</b>	<b>82,660</b>

#### 14.2 Analysis by Organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15	2013-14	2014-15	2013-14
	£000	£000	£000	£000
Balances with other central government bodies	82,465	76,911	-	-
Balances with HSC Trusts	69	-	-	-
Balances with bodies external to government	5,281	5,749	-	-
<b>Total payables</b>	<b>87,815</b>	<b>82,660</b>	<b>-</b>	<b>-</b>

## 15. Amounts due to the Consolidated Fund

	2014-15	2013-14
	£000	£000
Net Cash Requirement (Summary of Resource Outturn)	-	-
Excess cash receipts surrenderable to the Consolidated Fund	(39,705)	(37,243)
Excess accruing resources payable to Consolidated Fund	(38,731)	(35,752)
	<b>(78,436)</b>	<b>(72,995)</b>
Cash and cash equivalents	68,233	36,509
Consolidated Fund extra receipts included in receivables	2,979	29,262
Excess net cash requirement	7,224	7,224
	<b>78,436</b>	<b>72,995</b>

## 16. Pension liability

### Assumptions underpinning the pension liability

The HSC Pension Scheme is an unfunded defined benefit scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2015. The Statement by the Actuary on pages 11 to 15 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

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

The key financial assumptions used by the Actuary were:

	31 Mar 15	31 Mar 14	31 Mar 13	31 Mar 12	31 Mar 11
Rate of increase in salaries*	4.20%	4.50%	3.95%	4.25%	4.90%
Rate of increase in pensions in payment and deferred pensions**	2.20%	2.50%	1.70%	2.00%	2.70%
Inflation assumption***	2.20%	2.50%	1.70%	2.00%	2.70%
Nominal discount rate	3.55%	4.35%	4.10%	4.85%	5.60%
Discount rate net of price inflation	1.30%	1.80%	2.35%	2.80%	2.90%

\* short term adjustments have been made to this assumption for the period 2012-2015 inclusive.

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

\*\*\* the inflation assumptions shown are assumed rates of CPI.

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 greatest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

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

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

**Analysis of the provision for pension liability**

Categories	At 31	At 31	At 31	At 31	At 31
	March	March	March	March	March
	2015	2014	2013	2012	2011
	£bn	£bn	£bn	£bn	£bn
Pensions in Payment	5.3	4.8	3.8	3.4	3.3
Deferred Pensions	0.9	0.8	0.6	0.6	0.5
Active Members (Past Service)	11.3	9.5	7.4	6.5	6.8
<b>Total</b>	<b>17.5</b>	<b>15.1</b>	<b>11.8</b>	<b>10.5</b>	<b>10.6</b>

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

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

### 16.1 Analysis of movements in the Scheme liability

	Note	2014-15		2013-14	
		£000	£000	£000	£000
Scheme liability at 1 April			15,130,000		11,778,467
Current service cost	6	600,000		500,000	
Pension financing cost	9	660,000		490,000	
			1,260,000		990,000
Enhancements	7	1,193		7,765	
Pension transfers in	8	8,437		5,037	
			9,630		12,802
Benefits payable	16.2	(353,216)		(328,894)	
Payments to and on account of leavers	16.3	(5,543)		(7,242)	
			(358,759)		(336,136)
Actuarial loss	16.4		1,480,000		2,684,867
<b>Scheme liability at 31 March</b>			<b>17,520,871</b>		<b>15,130,000</b>

During the year ended 31 March 2015, employer contributions represented an average of 13.3% of pensionable pay.

### 16.2 Analysis of benefits paid

	2014-15	2013-14
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	278,417	261,406
Commutations and lump sum benefits on retirement	73,087	65,137
Death in service benefits	1,712	2,351
<b>Total benefits paid</b>	<b>353,216</b>	<b>328,894</b>

### 16.3 Analysis of payments to and on account of leavers

	2014-15	2013-14
	£000	£000
Individual transfers to other schemes	5,543	7,242
<b>Total payments to and on account of leavers</b>	<b>5,543</b>	<b>7,242</b>

### 16.4 Analysis of actuarial loss

	2014-15	2013-14
	£000	£000
Experience gains / (losses) arising on Scheme liabilities	60,000	(704,867)
Changes in demographic assumptions	320,000	(360,000)
Changes in financial assumptions	(1,860,000)	(1,620,000)
<b>Total actuarial loss</b>	<b>(1,480,000)</b>	<b>(2,684,867)</b>

### 16.5 History of experience (losses) / gains

	2014-15	2013-14	2012-13	2011-12	2010-11
	£000	£000	£000	£000	£000
Experience gains / (losses) on Scheme liabilities:					
Amount (£000)	60,000	(704,867)	11,292	280,000	750,000
Percentage of the present value of Scheme liabilities	0.3%	(4.7)%	0.1%	2.7%	7.1%
Total amount recognised in statement of Changes in Taxpayers Equity :					
Amount (£000)	(1,480,000)	(2,684,867)	(698,708)	840,000	1,790,000
Percentage of the present value of Scheme liabilities	(8.4)%	(17.7)%	(5.9)%	8.0%	17.0%

## 16.6 Sensitivity of results

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2015 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:

<b>Change in assumption</b>	<b>Approximate % change in the total liability</b>	<b>Approximate increase / decrease to the total liability</b>
Decrease in discount rate, holding all other assumptions constant*	Increase of 12% for all members	£2.1 billion
Decrease in the rate of return in excess of salaries of ½% per annum, holding all other assumptions constant*	Decrease of 2% for active members	(£0.4 billion)
Decrease in the rate of return in excess of pensions of ½% per annum, holding all other assumptions constant*	Decrease of 8% for all members	(£1.4 billion)
Assumed longevity increased by rating the tables assumed down by 1 year	Increase of 2% for all members	£0.4 billion

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

## 16.7 Pensioner mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Resource Accounts as at 31 March 2015.

<b>Average number of years current pensioners expected to live after retiring at age:</b>	<b>Men</b>	<b>Women</b>
55	35.7	37.6
60	30.5	32.5
65	25.5	27.5

<b>Average number of years future pensioners expected to live after retiring at current age:</b>	<b>Men</b>	<b>Women</b>
55	36.9	38.8
60	32.3	34.2
65	27.7	29.6



## 17. Financial instruments

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

## 18. Contingent liabilities disclosed under IAS37

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

## 19. Losses and special payments

### 19.1 Losses statement

	2014-15	2014-15	2013-14
	No of cases	£000	£000
<b>Total</b>	94	31	322

### 19.2 Special payments

	2014-15	2014-15	2013-14
	No of cases	£000	£000
<b>Total</b>	27	79	76

## 20. Related party transactions

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

## 21. Events after the Reporting Period

There are no subsequent events that have a material effect on the 2014-2015 financial statements.

### Date of authorisation for issue

The Accounting Officer has authorised these financial statements for issue on 30 June 2015.

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