

**Health and Social Care Pension  
Scheme Statement for the year  
ended 31 March 2021**

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

09 July 2021



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## **Health and Social Care Pension Scheme Statement for the year ended 31 March 2021**

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## **A) ACCOUNTABILITY REPORT**

### **REPORT OF THE MANAGERS**

#### **Background to the Scheme**

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

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

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

##### **Eligibility to join the Scheme**

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

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

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

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

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

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

## **Management of the Scheme**

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

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

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

## **Contributions**

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

## **Key developments in year**

### **Changes in benefits**

There was a 1.7% pension increase for 2020-21 from 6 April 2020.

## **Scheme Changes – Legislative Changes 2020-21**

No amending legislation was introduced for year 2020-21.

### **Issues for 2020-21**

#### **McCloud**

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

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

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

Any subsequent changes to the Health and Social Care Pension Scheme will be subject to further scheme level consultation.

#### **2016 Cost Cap Valuations**

The 2016 Scheme valuation was paused as a consequence of the McCloud ruling. Following consultation with member representatives, the Department of Finance will publish revised valuation directions which will enable the 2016 valuation to be completed and the final cost cap results to be determined. These results will take into account the increased value of public service pensions, attributable to the ‘McCloud remedy’.

### **Goodwin v the Secretary of State for Education**

In June 2020, the Employment Tribunal handed down its judgment in *Goodwin v the Secretary of State for Education* [1308506/2019]. The tribunal considered the rules on survivor benefits in the Teacher's Pension Scheme and concluded that a female member in an opposite-sex marriage was treated less favourably than a female member in a same-sex marriage or civil partnership, and that treatment amounted to direct discrimination on the grounds of sexual orientation. As a direct result of this discrimination, male survivors of female members were entitled to a lower rate of survivor benefit than a comparable same-sex survivor. Consequently, the relevant provisions of the Teachers' Pension Scheme Regulations 2010 were found to be in breach of the non-discrimination rule set out in Section 61 of the Equality Act 2010.

Following the judgment in *Goodwin*, the Chief Secretary to the Treasury made a written ministerial statement on behalf of the government on 20 July 2020. The Chief Secretary to the Treasury announced:

“The government has concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.”

As a result the Department will be required to consult on amending legislation to equalise the position of female members in opposite sex marriages or civil partnerships under the 1995 Regulations only (2008 and 2015 Regulations have been fully equalised) where the entitlement to benefits arose on or after 5 December 2005 (the date on which same-sex civil partnerships came into operation).

### **COVID-19**

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2021. At this point in time there is no material effect on the Scheme. It is considered too early to speculate on any potential impact on long term assumptions used in the valuation of the Scheme (Report of the Actuary, page 10).

## Membership statistics

<b>Active members</b>				
Active members at 1 April 2020			82,094	
Retrospective adjustment*			465	
Add:	New entrants		12,485	
Less:	Retirements in the year		(1,390)	
	Transfers out		-	
	Undecided leavers		(4,433)	
	Refunds		-	
	Deaths		(19)	
	Leaving with deferred rights		(2)	
<b>Active members at 31 March 2021</b>			<b>89,200</b>	
<b>Deferred members</b>				
Deferred members at 1 April 2020			13,168	
Retrospective adjustment*			49	
Add:	Members leaving with deferred rights		22	
Less:	Taking up deferred rights		(454)	
	Transfers out		(4)	
	Deaths		(9)	
<b>Deferred members at 31 March 2021</b>			<b>12,772</b>	
<b>Pensioners in payment</b>		<b>Members</b>	<b>Dependents</b>	<b>Total</b>
Pensioners in payment at 1 April 2020		24,944	4,045	28,989
Retrospective adjustment*		1,130	5	1,135
Add:	Retiring at normal retirement age	1,338	-	1,338
	New dependents	-	310	310
	Retiring previously deferred	352	-	352
Less:	Commutated pension	(4)	-	(4)
	Death in year	(1,370)	(195)	(1,565)
<b>Pensioners in payment at 31 March 2021</b>		<b>26,390</b>	<b>4,165</b>	<b>30,555</b>
<b>Compensation payments &gt; 60</b>				
Members in receipt of compensation payments at 1 April 2020			1,850	
Retrospective adjustment*			1	
Less:	Retiring at normal retirement age		(4)	
	Deaths before normal retirement age		(91)	
<b>Members in receipt of compensation payments at 31 March 2021</b>			<b>1,756</b>	
<b>Ill health retirement</b>				
Ill health retirement members at 1 April 2020			8,413	
Retrospective adjustment*			11	
Add:	Members retiring on ill health grounds		253	
Less:	Deaths in year		(174)	
<b>Ill health retirements at 31 March 2021</b>			<b>8,503</b>	
<b>Compensation payments &lt; 60</b>				
Members in receipt of compensation payments at 1 April 2020			5	
Retrospective adjustment*			(8)	
Plus leaving on early retirement			5	
<b>Members in receipt of compensation payments at 31 March 2021</b>			<b>2</b>	
<b>Undecided leavers**</b>				
<b>Undecided leavers at 31 March 2021</b>			<b>10,035</b>	
Undecided leavers at 31 March 2020			9,428	



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

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

### **Financial position as at 31 March 2021**

The movements in the Scheme during the year are summarised in the Statement of Comprehensive Net Expenditure. Net expenditure for the year is £1,398,366k. Income mainly comprises contributions from employers of £530,353k and employee contributions of £223,314k (Note 3). Other receipts include transfers in of £4,118k from other schemes (Note 4) and other pension income of £150k (Note 5).

The charge to the Statement of Comprehensive Net Expenditure recognises the movements in the scheme liability. This comprises the current service cost of £1,600,001k, enhancements of (£8,410k), transfers in of £4,118k and interest on scheme liabilities of £560,000k. Other pension expenditure of £592k is also included as per Note 10 to the financial statements.

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

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

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

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

### **Information for members**

Further information about the Scheme, and its sections, can be found on the HSC Pensions website [www.hscpensions.hscni.net](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 Pension Scheme has continued to offer a range of in-house top up money purchase AVC and Stakeholder Pension facilities from Standard Life and an AVC only facility from Utmost Life and Pensions<sup>1</sup> (formerly Equitable Life Assurance Society) which is closed to new members.

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<sup>1</sup> Following a High Court hearing in November 2019, Equitable Life Assurance Society received approval to transfer to Utmost Life and Pensions

**The names and addresses of the Scheme's:**

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

Employers:

Principal employers:

Health and Social Care Board  
Health and Social Care Trusts  
Health and Social Care Bodies

Additional bodies permitted to join:

General Practitioners  
Staff employed by General Medical Practitioners  
Direction Bodies  
GP Federations

### **Contact for enquiries and complaints**

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

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

## REPORT OF THE ACTUARY

### Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Health (DoH). It provides a summary of GAD's assessment of the scheme liability in respect of the Health and Social Care Pension Scheme (HSCPS) as at 31 March 2021, and the movement in the scheme liability over the year 2020-21, prepared in accordance with the requirements of Chapter 9 of the 2020-21 version of the Financial Reporting Manual.

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

The assessment has been carried out by calculating the liability as at 31 March 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2021.

### Membership data

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

#### Table A – Active members

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

\* Pensionable pay is the actual figure.

#### Table B – Deferred members

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

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

**Table C – Pensions in payment**

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

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

### **Methodology**

The present value of the liabilities as at 31 March 2021 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2021. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2021 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2020 in the 2019-20 accounts.

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

## Financial assumptions

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

**Table D – Principal financial assumptions**

Assumption	31 March 2021 p.a.	31 March 2020 p.a.
Nominal discount rate	1.25%	1.80%
Rate of increase in pensions in payment and deferred pensions assuming CPI inflation)	2.22%	2.35%
Rate of general pay increases	3.72%	4.10%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
CPI Inflation	(0.95%)	(0.50)%
Long-term pay increases	(2.38%)	(2.20%)
Expected return on assets	n/a	n/a

The assessment of the liabilities allows for the known pension increases up to and including April 2021.

## Demographic assumptions

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

**Table E – Post-retirement mortality assumptions**

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

The assumptions in Table E above are the same as those adopted for the 31 March 2016 funding valuation of the Scheme and the accounts as at 31 March 2020.

Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2019-20 accounts.

The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2019-20 accounts.

### **Liabilities**

Table F summarises the assessed value as at 31 March 2021 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2020 and 2021 both include an allowance for the higher cost of benefits accruing under McCloud.

**Table F – Statement of Financial Position**

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£ billion</b>	<b>£ billion</b>
<b>Total market value of assets</b>	nil	nil
<b>Value of liabilities</b>	34.82	30.35
<b>Surplus/(Deficit)</b>	(34.82)	(30.35)
<b>of which recoverable by employers</b>	n/a	n/a

**Accruing costs**

The cost of benefits accrued in the year ended 31 March 2021 (the current service cost) is assessed as 68.9% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 5.0% and 14.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2020-21 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2020-21 accounts.

**Table G – Contribution rate**

	<b>2020-21</b>	<b>2019-20</b>
	<b>% of pay</b>	<b>% of pay</b>
Employer contributions	22.5%	22.5%
Employee contributions (average)	9.6%	9.6%
<b>Total contributions</b>	<b>32.1%</b>	<b>32.1%</b>
<b>Current service cost (expressed as a % of pay)</b>	<b>68.9%</b>	<b>51.0%</b>

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

The pensionable payroll for the financial year 2020-21 was £2.32 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2020-21 (at 68.9% of pay) is assessed to be £1.60 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2020-21.



I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2020-21.

### 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 2021 of changes to the most significant actuarial assumptions.

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

Table H shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

**Table H – Sensitivity to significant assumptions**

Change in assumption	Approximate effect on total liability		
<b>Financial assumptions</b>			
(i) discount rate*:	+0.5% p.a.	- 12.0%	- £4.2 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.5%	+ £0.9 billion
(iii) pension increases*:	+0.5% p.a.	+ 8.5%	+ £3.0 billion
<b>Demographic assumptions</b>			
(iv) additional 1 year increase in life expectancy at retirement		+ 3.5%	+ £1.2 billion
(v) 1995 section members retire at Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier)		+ 0.5%	+ £0.2 billion

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

### Covid-19 implications

As with the accounts last year, the 2020-21 Resource Accounts are being produced when the UK continues to deal with the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2020) 12 Revised, dated 18 December 2020, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

The long-term salary assumption is set by DoH, having taken actuarial advice, and is intended to be an average over the future careers of Scheme members, with a recognition that increases in

any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

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



**Jeanette Johnson FIA**  
**Actuary**  
**Government Actuary's Department**  
**19 May 2021**

## STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

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

## **GOVERNANCE STATEMENT**

### **Introduction**

This statement is given in respect of the Health and Social Care Pension Scheme (HSCPS) for 2020-21. 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 and is also applicable to the management of the HSCPS. The Board of the Department of Health is accountable for internal control. As Accounting Officer, I have responsibility for maintaining a sound system of internal governance that supports the achievement of the Department's policies, aims and objectives. I also have responsibility for safeguarding the public funds and departmental assets in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The Department's strategic objectives have been updated to reflect Ministerial priorities and those developed by the NI Executive as part of the New Decade New Approach (NDNA) since the restoration of the NI Assembly in January 2020. However, the COVID-19 pandemic caused the Department to activate its Business Continuity Plan and the Executive to operate under Emergency Planning structures during most of the 2020-21 financial year.

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

As Principal Accounting Officer, I have a duty to satisfy myself that 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 NI 2013**

The Department applies the principles of good practice outlined in the Code. As required, the Department maintains and publishes a Register of Interests at <https://www.health-ni.gov.uk/publications/departmental-board-register-interests-0>. This register details any interests which the individual considers may conflict with their management or oversight responsibilities as Board members. Members are required to declare any conflicts of interest that might arise at each Board meeting, or in the course of their work. Any conflicts arising are reflected in the minutes of the meeting and managed to ensure full transparency and appropriate action. There have been no instances of reportable non-compliance for the period. Additionally, and to support compliance with Section 6 of the Civil Service (Special Advisers) Act (Northern Ireland) 2013, a Declaration of Interest form is completed by the Minister's Special Adviser (SpAd) and provided to DoF for publication on the Open Data NI website. The SpAd confirmed no relevant interests for 2020-21.

The Department complies with the Northern Ireland Civil Service HR Policy 6.01 Standards of Conduct in terms of declaration and management of interests for all staff and for the transparency of processes to be applied to any potential employment for civil service staff (including SpAds) after leaving the NI Civil Service. During 2020-21, there have been no applications made via DOF to the department in line with NICS policy.

### **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.

On 23 March 2020, in response to the COVID-19 outbreak, the Department's Business Continuity Plan (BCP) was activated, pausing all normal governance and sponsorship business. There was a gradual reintroduction of these arrangements, but not a full reversion to normal business during summer 2020. However, Top Management Group (TMG) agreed on 21 September 2020 to reactivate the Department's Business Continuity Plan in full, to respond to a second surge of COVID-19 which remained the position for the remainder of the 2020-21 year. I have however agreed a pragmatic set of proposals for end of year processes 2020-21 and the intention to restart and rebuild governance activities in 2021-22.

### **The Departmental Board**

The Departmental Board (the Board) represents the collective and strategic leadership within the Department, in conjunction with the experience and contribution of two Non-Executive Directors (NEDs). The Board supports me as Accounting Officer in directing the business of the Department as effectively as possible, to achieve the strategic objectives and priorities set by the Minister.

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

The membership of the Board and attendance for the meeting that was able to proceed 14 August 2020 is set out in the table below.

Executive Board Members (EBM) 2020-21		No. of Meetings Attended
Mr. R Pengelly	Permanent Secretary and Chair	1/1
Dr. M McBride	Chief Medical Officer	0/1
Mr. S Holland	Deputy Secretary, Social Services Policy Group	1/1
Prof. C McArdle	Chief Nursing Officer	1/1
Mrs. D McNeilly	Deputy Secretary, Resource and Corporate Management Group	0/1
Mr. J Johnston	Deputy Secretary, Health Care Policy Group	1/1
Mrs. S Gallagher	Deputy Secretary, Transformation Planning and Performance (from 28 September 2020 also Chief Executive HSCB)	0/1
Mrs. N Lloyd	Director of Finance, Resource and Corporate Management Group (to 10 July 2020)	N/A
Miss. B Worth	Director of Finance, Resource and Corporate Management Group (from 13 July 2020)	1/1
Mr. D West	Chief Digital Information Officer	0/1
Non-Executive Directors (NED) 2020-21		No. of Meetings Attended
Mr. M Little	Non-Executive Director	1/1
Mr. F Caddy	Non-Executive Director	1/1

### Management Information

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

### Quality of Information

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

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

DARAC Members 2020-21		No. of Meetings Attended
Mr. M Little	NED and Chair of DARAC	2/2
Mr. F Caddy	NED and DARAC Member	2/2
Ms. C Archbold	Deputy Departmental Solicitor, Department of Finance – External Member	2/2
Mr. S McMurray	Director of Finance, Department for the Economy – External Member (retired 26 June 2020)	N/A
Mr. C Woods	Director of Corporate Governance – Department for the Economy – External Member (from 1 November 2020)	N/A

The DARAC is a Committee of the Board and usually meets a minimum of four times per year, with additional topic-focused meetings held as necessary. Given the impact of the pandemic, three scheduled DARAC meetings in the period were cancelled, with two proceeding on 8 July and 16 September 2020. Key business was conducted via correspondence where necessary.

DARAC comprises four members, each of whom is independent of Departmental management. In line with their terms of appointment, each member's function is to provide external advice, expertise and scrutiny. Independent external member, Stephen McMurray, retired from the NICS and DARAC in June 2020 and was subsequently replaced by Colin Woods. Officials invited to attend DARAC meetings include the Departmental Accounting Officer, the Deputy Secretary, Resource and Corporate Management Group, the Director of Finance, Resource and Corporate Management Group, the Head of Internal Audit (HIA) and officials from the Northern Ireland Audit Office (NIAO).

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

#### *DARAC – Responsibilities and Performance*

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

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

- anti-fraud policies, whistleblowing processes, including arrangements for special investigations.

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

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

The DARAC has also considered the HSC Pension Scheme Accounts for 2020-21 and on the basis of the evidence presented, has recommended both to the Departmental Accounting Officer for approval.

### **Top Management Group**

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

### **Departmental Framework for Business Planning, Risk Management and Assurance**

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

I require formal written assurances from Directors, signed off by EBMs, about the proper operation of business planning, risk management and controls within their business areas. I have been provided with those written assurances for the 12 month period ending 31 March 2021 and am content that effective arrangements and controls have been in place, despite the unprecedented impacts of the pandemic on departmental colleagues and our ALBs.

### **Business Planning**

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

The Board is the custodian of the Departmental Business Plan's affordability and deliverability.



In normal circumstances, progress against the Departmental Business Plan is addressed at Board meetings and includes updates against each of the targets in the fiscal year. With the impact of the pandemic and the cancellation of a number of Board meetings, this regular ongoing review was not undertaken, as objectives were focussed on managing the immediate response and then subsequently on those to rebuild HSC services.

EBMs ensure that the Directorates under their control have appropriate business plans and associated risk registers in place. Linkages between plans at Departmental and Directorate level are clearly identified. Similarly, there is a clear connection at all levels between objectives and associated risks. This is evidenced through the risk management, business planning and assurance processes operated within the Department. Whilst these processes have all been impacted and in many cases paused or interrupted due to the pandemic, the principles and approach have continued to be applied to the range of interim measures used in planning and managing the COVID response.

### **Risk Management**

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

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

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

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

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

The system of internal governance has been in place in the Department for the year ending 31 March 2021 and continues up to the date of approval of the Annual Report and Accounts. This accords with DoF guidance.

## **Information Risk**

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

- The Assistant Departmental Security Officer (ADSO) regularly reviews Departmental information to ensure that it is appropriately protected;
- A Senior Information Risk Owner (SIRO) and Information Asset Owners (IAOs) are in place to reduce the risk to personal information within the Department;
- A Data Protection Officer (DPO) provides independent advice and guidance regarding the processing and protection of personal information in line with the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA);
- The updated Information Asset Register solution, rolled out during 2019-20, has enhanced monitoring and management of such assets;
- Annual assurance from IAOs regarding the personal information assets they manage;
- IAOs are aware of their responsibilities to ensure information is securely stored, access-controlled and disposed of appropriately; and
- Established data incident and breach management procedures and reporting are in place.

An Information Management Assurance Checklist (IMAC) process is in place to provide required HSC Information Governance (IG) Assurances.

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

During 2020-21 the Department continued to monitor preparations for the UK exit from the EU on 31 December 2020, to ensure that the required health, social care and public safety information could continue to be exchanged with authorities in the Republic of Ireland. No issues were detected during the reporting period.

Staffing arrangements within the Department were significantly disrupted due to re-organisation and redeployment in response to the COVID-19 pandemic. The regular mandatory awareness training on information governance issues and risks continued to be available to Departmental staff. However training opportunities were not always taken up. This will be addressed in the next reporting period. Information Management Branch did regularly remind staff and the Top Management Group of the need to make arrangements to capture the Official Record and discharge legislative obligations.

The disruption also impacted on regular physical security checks (although remote monitoring of the correct use of the Electronic Document and Records Management system continued), and the update of the Information Asset Register/Information Asset Owners' assurance returns. This will be addressed during the next reporting period.

Ten data incidents were recorded in the Department although no data loss was involved. In each case appropriate mitigations were put in place. No reportable Information Commissioner's Office (ICO) breaches occurred in 2020-21.

## **Cyber Security**

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

The HSC Cyber Security Programme continued to be deployed across the HSC and planning to move from a programme basis to a "business as usual" operation with appropriate governance is underway. The Cyber Security Incident Plan has been used on a number of occasions in response to emerging threats.

The Department continues to work closely with the National Cyber Security Centre (NCSC), and the NI Cyber Security Centre to enhance cyber security and compliance with the Network Information Systems Regulations across the HSC.

## **Fraud**

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

## **Governance and Accountability within DoH ALBs including the HSCPS**

Governance and Accountability can be considered under the following headings:

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

### **HSCPS Assurance and Accountability**

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

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

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

Although departmental governance and sponsorship activity was largely paused during 2020-21, ALB governance statements and BSO Head of Internal Audit annual opinion on individual DOH ALBs has provided a level of assurance.

### **Departmental Assurance**

The Department receives much of its assurance through an on-going process of monitoring of the BSO acting as the HSCPS administrator, including Corporate Governance, Use of Resources and the Delivery and Quality of Services. In addition to regular monitoring information derived primarily from management information systems, the Department periodically tests the assurance provided by initiating external reviews, audits, inquiries, ad-hoc and self-assessment exercises which are designed to sample aspects of the governance arrangements and performance of each ALB, including the BSO administration of the HSCPS where considered necessary. This monitoring is based on assessing the operation and performance of ALBs against standards, guidance and targets; statutory and licensing requirements and Departmental policy and strategy.

## **Sources of Independent Assurance**

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

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

## **Departmental Internal Audit**

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

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

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

Internal Audit provides an annual formal opinion on the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. The HIA has been unable to provide an overall opinion for 2020-21 for the reasons set out below.

- The Internal Audit activity was paused during the period.
- Previous Internal Audit opinions provided may not be reliable as the full impact of COVID-19 is not fully known and control frameworks may have changed significantly.
- The HIA is unable to rely on the department's sponsorship and governance arrangements which were paused during the year.

It is recognised that 2020-21 has been an exceptional year due to COVID-19 and that this impacted on the provision of the internal audit service as the department activated its Business Continuity Plan.

The Department also relies on the Head of Internal Audit (HIA), DoF to provide an inter-departmental annual report on all shared services it provides to other Departments. The annual report for 2020-21 was provided to all Permanent Secretaries on 2 June 2021.

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

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

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

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

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

The Business Services Organisation (BSO) Internal Audit Unit provides an internal audit service to all 17 Arms' Length Bodies of DoH, including BSO itself. Internal Audit of HSC Pension processes is included in BSO's 3 year Internal Audit programme.

The Department reviews the Head of Internal Audit's (HIA) mid and end-year independent opinions, on the adequacy and effectiveness of each of the ALBs system of internal control, together with any recommendations for improvement.

The opinion for 2020-21 was that overall there was a satisfactory system of internal control designed to meet the BSO's objectives. The last internal audit of HSC Pensions was carried out during the 2019-20 year in which satisfactory assurance was provided.

### **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 Internal Audit and the Executive Board Members within the Department, who have responsibility for the development and maintenance of the internal framework, and comments made by the external auditors in their 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 plans to address any identified weaknesses.

### **Internal Governance Divergences**

#### **Prior Year Issues**

**A number of governance matters arising in prior years are still considered to represent internal control divergences for 2020-2021. These include:**

### **Underpayment of Employers Superannuation Contributions**

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

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

An additional system fix was implemented in March 2021 however there is one aspect that still needs addressed with regards to how payroll process sick adjustments for those on virtual rota when they are on half pay. This predominantly affects fortnightly staff as they are mostly held on zero hour contracts in the system. A further system change is anticipated to remedy this in the next 3-6 months.

### **Interface from Payroll Systems to Pensions Systems**

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

Although the interface is operating as per design, errors are occurring due to incomplete information within the payroll system. At December 2017 there were approximately 7,500 data queries. Legacy queries were reduced to circa 2000, through a Pensions Payroll remediation team, but subsequently increased to levels of circa 4,500. A transfer of pension related functions from the Payroll Shared Services Centre to HSC Pension Services (HSCPS) to streamline pension activity and improve customer service was completed. With queries remaining at circa 4,500, a comprehensive change request was agreed, an impact assessment completed and software change developed. This solution awaits detailed System Testing, with the need of a combined team of testers from HR, Shared Services Payroll and Pensions Payroll. Unfortunately Covid-19 lockdown has delayed testing and deployment, however, this has now been scheduled to commence in May 2021.

### **New Issues for 2020-21**

No new governance issues were identified for 2020-21.

## **Conclusion**

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

Further to considering the accountability framework within the Department, including the BSO, and in conjunction with assurances given to me by the DARAC, I am content that the DoH and the HSC Pension Scheme have operated a sound system of internal governance throughout 2020-21.



## **STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY**

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

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

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

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

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

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

**Summary tables – mirror Part II and III of the Estimates**

**Summary table, 2020-21, all figures presented in £000**

Type of spend	Note	Outturn			Estimate			Outturn vs Estimate saving / (excess)	Prior Year Outturn Total 2019-20
		Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total	Net Total	
<b>Request for Resources</b>									
Providing a pension scheme for persons employed in health and social care									
Annually Managed Expenditure		2,156,301	(746,261)	1,410,040	2,223,298	(746,261)	1,477,037	66,997	1,091,504
<b>Total Resources</b>	<b>SoAS 1</b>	<b>2,156,301</b>	<b>(746,261)</b>	<b>1,410,040</b>	<b>2,223,298</b>	<b>(746,261)</b>	<b>1,477,037</b>	<b>66,997</b>	1,091,504

**Net Cash requirement 2020-21, all figures presented in £000**

Item	Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)	Prior Year Outturn Total, 2019-20
Net Cash requirement	SoAS 2	-	-	-	-

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

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

	Note	Forecast 2020-21		Outturn 2020-21	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
<b>Total amount payable to the Consolidated Fund</b>	SoAS 3	-	<i>241,561</i>	249,110	<i>237,436</i>

**Notes to the Statement of Assembly Supply, 2020-21 (£000s)**

**SoAS note 1. Reconciliation of outturn to net operating expenditure**

Item	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Prior Year Outturn Total 2019-20
Net Resource Outturn	SoAS 1	1,410,040	1,477,037	66,997	1,091,504
Non-supply income (CFERs)	SoAS 3	(11,674)	-	11,674	(14,060)
<b>Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure</b>	<b>SOCNE</b>	<b>1,398,366</b>	<b>1,477,037</b>	<b>78,671</b>	<b>1,077,444</b>

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

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

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

Item	Note	Outturn total	Estimate	Outturn vs Estimate Saving/ (excess)
Resource outturn	<b>SoAS 1</b>	1,410,040	1,477,037	66,997
Accruals to cash adjustments <i>Adjustments to remove non-cash items:</i>				
New provisions and adjustments to previous provisions	<b>16</b>	(2,155,709)	(2,221,730)	(66,021)
Changes in working capital other than cash	<b>SoAS 2(b)</b>	(11,402)	(22,500)	(11,098)
Use of provisions	<b>16</b>	519,635	525,632	5,996
Excess cash receipts surrenderable to the Consolidated Fund	<b>SoAS 3</b>	237,436	241,561	4,125
<b>Net cash requirement</b>		-	-	-

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

### SoAS note 2 (b). Movements in working capital other than cash

This note is provided to enhance the explanation for reconciling items within SoAS 2(a) above.

	Note	2020-21	2019-20
		£000	£000
Decrease/(Increase) in receivables related to supply	12	12,382	(35,614)
Decrease/(Increase) in receivables not related to supply (injury benefit)	12	376	(1,432)
Increase/(Decrease) in payables falling due within one year	14	1,030	(3,923)
Movement in working capital		13,788	(40,969)
Movement in CFERS excess accruing resources	15	(2,386)	14,060
<b>Movement in working capital</b>		<b>11,402</b>	<b>(26,909)</b>

### SoAS note 3. Analysis of income payable to the Consolidated Fund

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

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

Item	Note	Forecast 2020-21		Outturn 2020-21	
		Income £000	<i>Receipts</i> £000	Income £000	<i>Receipts</i> £000
Operating income and receipts – excess Accruing Resources	<b>SoAS 4</b>	-	-	11,674	-
Excess cash surrenderable to the Consolidated Fund	<b>SoAS 2</b>	-	<i>241,561</i>	237,436	<i>237,436</i>
<b>Total amount payable to the Consolidated Fund</b>		-	<i>241,561</i>	249,110	<i>237,436</i>

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

Item	Note	2020-21 £000	2019-20 £000
Operating income	SoCNE	757,935	685,550
Income authorised to be Accruing Resources		(746,261)	(671,490)
<b>Operating income payable to the Consolidated Fund</b>	SoAS 3	<b>11,674</b>	14,060

## OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

### Losses and Special Payments

#### Losses Statement

	2020-21	2019-20
<b>Total number of losses</b>	118	126
<b>Total value of losses (£000)</b>	2	2
<b>Details of losses over £250,000</b>	-	-

#### Special Payments

	2020-21	2019-20
<b>Total number of special payments</b>	23	23
<b>Total value of special payments (£000)</b>	80	78
<b>Details of special payments over £250,000</b>	-	-



**Richard Pengelly**  
Accounting Officer  
01 July 2021

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

### **Opinion on financial statements**

I certify that I have audited the financial statements of the Department of Health: Health and Social Care Pension Scheme (the Scheme) for the year ended 31 March 2021 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

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

In my opinion the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2021 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2021 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Basis for opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of Department of Health: Health and Social Care Pension Scheme in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

### **Conclusions relating to going concern**

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

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

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

### **Other Information**

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

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

I have nothing to report in this regard.

### **Opinion on other matters**

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

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

### **Matters on which I report by exception**

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

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

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

### **Responsibilities of the Accounting Officer for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included governing legislation and any other relevant laws and regulations identified;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls; and presentation of the Statement of Assembly Supply;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;



- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
  - performing analytical procedures to identify unusual or unexpected relationships or movements;
  - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
  - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
  - investigating significant or unusual transactions made outside of the normal course of business; and
- addressing the risk of fraud in relation to the accuracy and presentation of the Statement of Assembly Supply (SoAS) by:
  - ensuring all balances included in the SoAS have been accurately extracted from the underlying accounting records and primary financial statements; and
  - reviewing the composition of current asset and current liability balances in the Statement of Financial Position to ensure items are accurately classified for net cash requirement calculation purposes.

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

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

**Report**

I have no observations to make on these financial statements.



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

*8 July 2021*

**B) FINANCIAL STATEMENTS**

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

**for the year ended 31 March 2021**

	Note	2020-21	2019-20
		£000	£000
<b>Income</b>			
Contributions receivable	3	753,667	674,856
Transfers in	4	4,118	9,455
Other pension income	5	150	1,239
		<b>757,935</b>	<b>685,550</b>
<b>Expenditure</b>			
Service cost	6	(1,600,001)	(1,040,003)
Enhancements	7	8,410	2,000
Transfers in	8	(4,118)	(9,455)
Pension financing cost	9	(560,000)	(714,000)
Other expenditure	10	(592)	(1,536)
		<b>(2,156,301)</b>	<b>(1,762,994)</b>
<b>Net Expenditure</b>		<b>(1,398,366)</b>	<b>(1,077,444)</b>
<b>Other Comprehensive Net Expenditure</b>			
Pension re-measurements:			
Actuarial (loss) / gain	16.4	(2,820,000)	(4,780,000)
<b>Total Comprehensive Net (Expenditure)/ Income for the year</b>		<b>(4,218,366)</b>	<b>(5,857,444)</b>

Notes 1 to 20 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

**As at 31 March 2021**

	Note	2020-21	2019-20
		£000	£000
<b>Current assets</b>			
Receivables	12	73,301	86,059
Cash and cash equivalents	13	237,436	152,458
<b>Total current assets</b>		<b>310,737</b>	238,517
<b>Current liabilities</b>			
Payables (within 12 months)	14	(257,194)	(173,572)
<b>Total current liabilities</b>		<b>(257,194)</b>	(173,572)
<b>Net current assets, excluding pension liability</b>		<b>53,543</b>	64,945
Pension liability	16.1	(34,810,228)	(30,354,154)
<b>Net liabilities, including pension liabilities</b>		<b>(34,756,685)</b>	(30,289,209)
<b>Taxpayers' equity</b>			
General fund		(34,756,685)	(30,289,209)
		<b>(34,756,685)</b>	(30,289,209)

Notes 1 to 20 form part of these financial statements.

**Richard Pengelly**  
**Accounting Officer**  
01 July 2021

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2021

	Note	General Fund	
		2020-21	2019-20
		£000	£000
<b>Balance at 1 April</b>		(30,289,209)	(24,265,247)
Excess accruing resources	<b>SoAS 4</b>	(11,674)	(14,060)
Excess cash receipts payable to the Consolidated Fund	<b>Note 13</b>	(237,436)	(152,458)
Comprehensive Net Expenditure for the year		(1,398,366)	(1,077,444)
Actuarial (loss) / gain		(2,820,000)	(4,780,000)
Net change in Taxpayers' Equity		(4,467,476)	(6,023,962)
<b>Balance at 31 March</b>		<b>(34,756,685)</b>	(30,289,209)

Notes 1 to 20 form part of these financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	2020-21	2019-20
		£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(1,398,366)	(1,077,444)
<b>Adjustments for non-cash transactions:</b>			
(Increase)/Decrease in receivables related to supply	12	12,382	(35,614)
(Increase)/Decrease in receivables not related to supply	12	376	(1,432)
(Decrease)/Increase in payables	14	1,030	(3,923)
Increase in pension provision	16.1	2,160,001	1,754,003
Increase in pension provision - enhancements and transfers in	16.1	(4,292)	7,455
Use of provisions - pension liability	16.2	(516,221)	(486,087)
Use of provisions - refunds and transfers	16.3	(3,414)	(4,500)
<b>Net cash inflow from operating activities</b>		<b>251,496</b>	152,458
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>251,496</b>	152,458
Payments of amounts due to the Consolidated Fund		(166,518)	(55,648)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>		<b>84,978</b>	96,810
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>152,458</b>	55,648
<b>Cash and cash equivalents at the end of the period</b>	13	<b>237,436</b>	152,458

Notes 1 to 20 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

#### 1.1 HSC Pension Scheme

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

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

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

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

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

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

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

### **2.1 Accounting convention**

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

### **2.2 Contributions receivable**

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

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

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

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

### **2.4 Transfers in and out**

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

### **2.5 Other income**

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

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

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



## **2.6 Current service cost**

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the nominal discount rate applicable at 1 April 2020, being 1.8%.

## **2.7 Past service cost**

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

## **2.8 Interest on Scheme liabilities**

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The cost is based on the nominal discount rate applicable at 1 April 2020, being 1.8%.

## **2.9 Other expenditure**

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

## **2.10 Scheme liability**

Provision is made for liabilities to pay pensions and other benefits in the future. The 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 2021, being a 1.25% nominal discount rate. The discount rate and inflation assumptions are as set out in the Public Expenditure System (PES) note issued by HM Treasury: PES (2020) 12 Revised, dated 18 December 2020.

As per the requirements of IAS 19 and IAS26, as amended by FReM, full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years.

In accordance with this, a full actuarial valuation was undertaken for the HSC pension scheme as at 31 March 2016. The Scheme liability included in these financial statements has been calculated by rolling forward the results of this valuation, namely, using membership data and demographic assumptions as at 31 March 2016. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2021. These assumptions represent significant judgements on behalf of the scheme. Whilst this approach is reasonable and provides an appropriate basis for IAS 19 valuation purposes in accordance with FReM requirements, it introduces some degree of uncertainty. It should therefore be recognised the results for the IAS 19 valuation at 31 March 2021 included in these financial statements may differ from those that would emerge following a full actuarial valuation based on actual membership data at 31 March 2021.

### **2.11 Pension benefits payable**

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

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

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

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

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

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

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

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

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

### **2.15 Actuarial gains/losses**

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

### **2.16 Additional Voluntary Contributions**

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

### **2.17 Administration expenses**

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

## 2.18 Cash and cash equivalents

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

## 2.19 Currency and rounding

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

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

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

## 2.21 Going Concern

The Statement of Financial Position as at 31 March 2021 shows net liabilities of £34,756,685k, reflecting liabilities due in future years. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements as it is anticipated that HSC Pension Scheme funding will continue for the foreseeable future through the ability for future funding to be met through Consolidated Fund Supply through the Estimates process, if necessary.

## 3. Contributions receivable

	2020-21	2019-20
	£000	£000
Employers	530,353	473,528
Employees	223,314	201,328
	<b>753,667</b>	<b>674,856</b>

£756,417k contributions are expected to be payable to the Scheme in 2021-22.

## 4. Transfers in

	2020-21	2019-20
	£000	£000
Individual transfers in from other schemes	4,118	9,455
	<b>4,118</b>	<b>9,455</b>

## 5. Other pension income

	2020-21	2019-20
	£000	£000
Refund of pension payments	-	1
Final Pay Control	150	1,238
	<b>150</b>	<b>1,239</b>

## 6. Service cost

	2020-21	2019-20
	£000	£000
Current service cost	1,600,001	1,070,003
Past service cost	-	(30,000)
	<b>1,600,001</b>	<b>1,040,003</b>

## 7. Enhancements (see also Note 16.1)

	2020-21	2019-20
	£000	£000
Employers:		
Pre-funded compensation payments	(8,410)	(2,000)
	<b>(8,410)</b>	<b>(2,000)</b>

## 8. Transfers in – additional liability

	2020-21	2019-20
	£000	£000
Individual transfers in from other schemes	4,118	9,455
	<b>4,118</b>	<b>9,455</b>

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Statement of Comprehensive Net Expenditure as expenditure as part of the movement in the pension provision during the year.

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

	2020-21	2019-20
	£000	£000
Net interest on defined benefit liability	560,000	714,000
	<b>560,000</b>	<b>714,000</b>

## 10. Other pension expenditure

	2020-21	2019-20
	£000	£000
Contributions Equivalent Premium	9	13
Contribution refunds	583	1,523
	<b>592</b>	<b>1,536</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, Utmost Life and Pensions (formerly Equitable Life Assurance Society) or Standard Life, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contributions (FAVC) Schemes. The managers of the HSC Pension Scheme have responsibility only for the onward payment by employers of members' contributions to the Scheme's approved provider. These AVCs are not recognised in these financial statements. Members participating in the arrangement each receive an annual statement from the approved provider at 31 March each year confirming the amounts held to their account and the movements in the year.

The aggregate amounts of AVC investments are as follows:

### Utmost Life and Pensions (formerly Equitable Life Assurance Society)

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

#### Scheme Number W0111

Movements in the year were as follows:

	2020-21	2019-20
	£000	£000
Balance at 1 April	1,961	1,992
New investments (net of transfers/refunds)	(248)	39
Sales of investments to provide pension benefits	(132)	(117)
Changes in market value of investments	346	47
<b>Balance at 31 March</b>	<b>1,927</b>	<b>1,961</b>

**Scheme Number WP111**

Movements in the year were as follows:

	2020-21	2019-20
	£000	£000
Balance at 1 April	1,964	2,018
New investments (net of transfers/refunds)	(21)	(27)
Sales of investments to provide pension benefits	(160)	(85)
Changes in market value of investments	165	58
<b>Balance at 31 March</b>	<b>1,948</b>	<b>1,964</b>

**Standard Life**

Movements in the year were as follows:

	2020-21	2019-20
	£000	£000
Balance at 1 April	3,569	4,104
New investments (net of transfers/refunds)	55	79
Sales of investments to provide pension benefits	(204)	(400)
Changes in market value of investments	743	(214)
<b>Balance at 31 March</b>	<b>4,163</b>	<b>3,569</b>

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

### Analysis by type

	2020-21	2019-20
	£000	£000
<b>Amounts falling due within one year:</b>		
Pension contributions due from employers	43,731	53,749
Employees' normal contributions	19,361	25,735
Capitalised cost of enhancement to pensions payable on departure	8,409	588
Other receivables	302	4,113
<b>Sub-total</b>	<b>71,803</b>	<b>84,185</b>
Non-supply receivables:		
Injury benefits receivable	1,498	1,874
<b>Total amounts falling due within one year</b>	<b>73,301</b>	<b>86,059</b>

Included in pension contributions due is £11,674k (2019-20: £14,060k) that will be due to the Consolidated Fund once the debts are collected. Other receivables refers to overpaid pensions totalling £302k. The corresponding balance in the prior year was £280k.

## 13. Cash and cash equivalents

	2020-21	2019-20
	£000	£000
Balance at 1 April	152,458	55,648
Net change in cash balances	84,978	96,810
<b>Balance at 31 March</b>	<b>237,436</b>	<b>152,458</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	237,436	152,458
<b>Balance at 31 March</b>	<b>237,436</b>	<b>152,458</b>

#### 14. Payables - in respect of pensions

##### Analysis by type

	2020-21	2019-20
	£000	£000
<b>Amounts falling due within one year:</b>		
Pensions	2,341	1,874
HMRC	4,942	4,337
Other creditors	801	843
CFERs due to be paid to Consolidated Fund – excess accruing resources current year	11,674	14,060
CFERs due to be paid to Consolidated Fund – excess accruing resources prior year	-	-
Other CFERs due to the Consolidated Fund – excess cash receipts resources current year	234,164	152,458
Other CFERs due to the Consolidated Fund – excess cash receipts prior year	3,272	-
<b>Total amounts due within one year</b>	<b>257,194</b>	<b>173,572</b>

#### 15. Amounts due to the Consolidated Fund

	2020-21	2019-20
	£000	£000
Excess cash receipts surrenderable to the Consolidated Fund	(237,436)	(152,458)
Excess ARs payable to Consolidated Fund	(11,674)	(14,060)
	<b>(249,110)</b>	<b>(166,518)</b>
Cash and cash equivalents	237,436	152,458
CFERs included in receivables	11,674	14,060
CFERs received in respect of prior year receivables, yet to be paid	-	-
	<b>249,110</b>	<b>166,518</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 2021. The Report of the Actuary on pages 10 to 16 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

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

The key financial assumptions used by the Actuary were:

	31 Mar 21	31 Mar 20	31 Mar 19	31 Mar 18	31 Mar 17
Rate of increase in salaries	3.72%	4.10%	4.10%	3.95%	4.55%
Rate of increase in pensions in payment and deferred pensions	2.22%	2.35%	2.60%	2.45%	2.55%
Inflation assumption	2.22%	2.35%	2.60%	2.45%	2.55%
Nominal discount rate	1.25%	1.80%	2.90%	2.55%	2.80%
Discount rate net of price inflation	(0.95)%	(0.50)%	0.29%	0.10%	0.24%

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

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

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

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

### Analysis of the provision for pension liability

	At 31 March 2021 £bn	At 31 March 2020 £bn	At 31 March 2019 £bn	At 31 March 2018 £bn	At 31 March 2017 £bn
Pensions in Payment	7.1	6.8	6.3	6.5	6.2
Deferred Pensions	1.7	1.6	1.3	1.4	1.4
Active Members (Past Service)	26.0	22.0	16.7	16.5	15.1
<b>Total</b>	<b>34.8</b>	<b>30.4</b>	24.3	24.4	22.7

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

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

### 16.1 Analysis of movements in the Scheme liability

	Note	2020-21		2019-20	
		£000	£000	£000	£000
Scheme liability at 1 April			30,354,154		24,303,283
Current service cost	6	1,600,001		1,070,003	
Past service cost	6	-		(30,000)	
Pension financing cost	9	560,000		714,000	
Enhancements	7	(8,410)	2,160,001	(2,000)	1,754,003
Pension transfers in	8	4,118		9,455	
Benefits payable	16.2	(516,221)	(4,292)	(486,087)	7,455
Pension payments to and on account of leavers	16.3	(3,414)		(4,500)	
Actuarial loss/(gain)	16.4		(519,635)		(490,587)
			2,820,000		4,780,000
<b>Scheme liability at 31 March</b>			<b>34,810,228</b>		30,354,154

The pension scheme liability can be split into £28.0 billion for the closed sections of the scheme (1995 and 2008) and £6.9 billion for the open section (2015 CARE scheme).

During the year ended 31 March 2021, employer contributions represented an average of 22.5% of pensionable pay.

## 16.2 Analysis of benefits paid

	2020-21	2019-20
	£000	£000
Pensions or annuities to retired employees and dependents (net of recoveries or overpayments)	405,858	376,526
Commutations and lump sum benefits on retirement	107,965	106,866
Death in service benefits	2,398	2,695
<b>Total benefits paid</b>	<b>516,221</b>	<b>486,087</b>

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

	2020-21	2019-20
	£000	£000
Individual transfers to other schemes	3,414	4,500
<b>Total payments to and on account of leavers</b>	<b>3,414</b>	<b>4,500</b>

## 16.4 Analysis of actuarial (loss)/gain

	2020-21	2019-20
	£000	£000
Experience (losses)/gains arising on the scheme liabilities	440,000	120,000
Changes in assumptions underlying the present value of scheme liabilities	(3,260,000)	(4,900,000)
<b>Total actuarial (loss)/gain</b>	<b>(2,820,000)</b>	<b>(4,780,000)</b>

## 16.5 History of experience gains/ (losses)

	2020-21	2019-20	2018-19	2017-18	2016-17
	£000	£000	£000	£000	£000
<b>Experience gains/(losses) on Scheme liabilities:</b>					
Amount (£000)	440,000	120,000	110,000	(710,000)	190,000
Percentage of the present value of Scheme liabilities	1.3%	0.4%	0.5%	(2.9)%	0.8%
<b>Total amount recognised in statement of Changes in Taxpayers Equity:</b>					
Amount (£000)	(2,820,000)	(4,780,000)	1,659,000	(470,000)	(4,850,000)
Percentage of the present value of Scheme liabilities	(8.1)%	(15.7)%	6.8%	(1.9)%	(21.4)%

## 16.6 Sensitivity analysis

The Government Actuary has been asked to indicate the approximate effects on the actuarial liability as at 31 March 2021 of changes to the main actuarial assumptions.

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

Change in assumption	Approximate % change in the total liability	Approximate increase / (decrease) to the total liability
Discount rate increase of ½ % per annum*	Decrease of 12.0%	(£4.2 billion)
Long term earnings increase of ½ % per annum*	Increase of 2.5%	£0.9 billion
Pension increases of ½ % per annum*	Increase of 8.5%	£3.0 billion
Assumed longevity increased by rating the tables assumed up by 1 year	Increase of 3.5%	£1.2 billion
1995 Section members retire at the Normal Pension Age (approximately equivalent to assuming members retire around 2 years earlier)	Increase of 0.5%	£0.2 billion

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

## 16.7 Pensioner mortality

The following tables show the average number of years that both current and future pensioners are expected to live after retirement age, under the mortality assumptions used for the Pension Scheme Statements at 31 March 2021.

Average number of years current pensioners expected to live after retiring at age:	Men	Women
60	28.7	30.1
65	23.8	25.2

Average number of years future pensioners expected to live after retiring at current age:	Men	Women
60	30.4	31.8
65	25.4	26.8

## 17. Financial instruments

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

## 18. Contingent liabilities disclosed under IAS37

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

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

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

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

Work is progressing on the legislative steps required to implement the remedy. The actuarial liability as at 31 March 2021 includes accrual for management's best estimate of the higher expected costs to implement the remedy under the latest proposals based on information currently available. Should there be any further change to the proposals, amounts recognised may need to be revised.

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

#### **19. Related party transactions**

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

#### **20. Events after the reporting period**

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

#### **Date of authorisation for issue**

The Accounting Officer authorised the issue of these financial statements on 08 July 2021.