Cabinet Office

Cabinet Office: Civil Superannuation Annual Report and Accounts 2021-22

HC 935

Cabinet Office

Civil Superannuation Annual Report and Accounts 2021-22

For the period 1 April 2021 to 31 March 2022

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Introduction

1.1 This report provides key information on the Civil Service pension arrangements, comprising the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Scheme, including ongoing developments and other information for members. Both are unfunded, defined benefit, contributory, public service occupational pension schemes. In this document, the term ‘Scheme’ covers both arrangements.

Main features of the Scheme

Principal Civil Service Pension Scheme (PCSPS)

1.2 The PCSPS was originally set up under the Superannuation Act 1972. It comprises four pension arrangements known as Classic, Classic Plus, Premium and Nuvos. It was closed to new members from 1 April 2015, and closed for all future accrual from 1 April 2022.

1.3 Before 30 July 2007, anyone employed in an organisation covered by the PCSPS was eligible to participate in one of the final salary arrangements (Classic, Classic Plus and Premium), though from 1 October 2002, new entrants were generally only able to join Premium. All had a normal pension age of 60.

1.4 From 30 July 2007, new joiners were offered membership of Nuvos, a career average pension with a normal pension age of 65. A summary of the way benefits are accrued in these arrangements is set out below.

Arrangement	Open From – To	Accrual Rate
Classic	1 June 1972 – 30 September 2002	1/80th of final salary, plus lump sum of 3/80^{ths} of final salary
Classic Plus	1 October 2002 (existing members only, never open to new members)	1/80th of final salary, plus lump sum of 3/80^{ths} of final salary (service to 30 September 2002) 1/60th of final salary (service from 1 October 2002)
Premium	1 October 2002 – 29 July 2007	1/60th of final salary
Nuvos	30 July 2007 – 31 March 2015	2.3% of each year’s pensionable earnings, with the total amount adjusted in line with Orders made under the Pensions (Increase) Act 1971

1.5 Retirement and other pension benefits are set out in rules made under the Superannuation Act 1972 and regulations made under the Public Service Pensions Act 2013.

1.6 Pensions in payment are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase is applied on the first Monday after 6 April each year. Since 2011, the increase has been based on the change in the Consumer Prices Index (CPI) in the 12 months to the end of the preceding September. As CPI at September 2020 was 0.5%, there was a 0.5% increase to pensions in April 2021.

1.7 Lump sum retirement benefits are payable automatically in Classic and also in Classic Plus (in respect of service up to 30 September 2002) and optional in other sections in return for commutation of pension at the rate of £12 of lump sum for every £1 of pension given up.

1.8 Members of the PCSPS who leave service before the normal pension age are given a deferred award, provided they have at least two years’ service (or have previously transferred in benefits from another pension arrangement). Deferred awards for deferred pensions are up-rated annually in line with the provisions of the Pensions (Increase) Act 1971. Deferred members may also transfer their Scheme benefits to certain other pension arrangements.

1.9 From the minimum pension age, which is 50 for those whose service began before 6 April 2006 and 55 for all others, members may bring their pension into payment before their normal pension age. An actuarial reduction is applied to early payments to reflect the fact that it will be in payment for a longer period of time.

1.10 From 1 April 2015, most PCSPS members switched to the new Civil Servants and Others Pension Scheme, also known as Alpha. Those who were previously members of Classic, Classic Plus or Premium retained a final salary link in Alpha, i.e. their PCSPS service counted towards a pension in the PCSPS but is based on their final salary when they leave Alpha. The PCSPS closed to future service accrual on 31 March 2022. Further details are provided in paragraph 1.61.

1.11 Some PCSPS members did not have to switch to Alpha under a process referred to as transitional protection. Those who were within 10 years of their PCSPS normal pension age on 1 April 2012 are generally allowed to remain in the PCSPS until they leave employment covered by the Scheme. Those who were between 10 and 13.5 years from their PCSPS normal pension age on 1 April 2012 were given a 'tapered Alpha enrolment date' between 1 May 2015 and 1 September 2025, but could opt to forego their tapered protection and switch to Alpha on 1 April 2015. There was a successful legal challenge against the transitional protection, which was found to be discriminatory on the grounds of age, and all final salary arrangements closed to future accrual on 31 March 2022, with remaining members in service accruing future pensions as members of Alpha. Further details are provided from paragraph 1.61.

Civil Servants and Others Pension Scheme (Alpha)

1.12 Alpha was introduced on 1 April 2015 under regulations set out in the Public Service Pensions Act 2013.

1.13 New entrants to the Civil Service from 1 April 2015 join the Alpha scheme. Existing members of PCSPS transferred to Alpha from 1 April 2015 unless they had transitional protection (see paragraph 1.11).

1.14 Alpha is a career average earnings scheme with an accrual rate of 2.32% of each year's pensionable earnings. The total amount accrued is adjusted annually in line with a rate set by His Majesty's Treasury (HMT) (currently linked to annual movements in the CPI).

1.15 Members may commute some of their pension into a lump sum at the rate of £12 of lump sum for every £1 of pension given up.

1.16 Alpha's normal pension age is the greater of the member's state pension age or 65.

Other pension arrangements

1.17 Money purchase pensions known as 'partnership' are available as an alternative for employees who joined on or after 1 October 2002. They are delivered through employer-sponsored stakeholder pensions from a choice of pension providers. Money invested in the stakeholder pension option is not under the control of the Cabinet Office and is not shown in these statements. Employer contributions will be shown in the relevant individual employer accounts.

1.18 The employer makes an age-related contribution, and also matches the first 3% of any contribution the member makes. The employer also makes a small contribution to the Civil Superannuation Vote to provide for death in service and ill-health retirement lump sum benefits.

Other benefits

1.19 All sections of the Scheme have provision for death and medical retirement benefits.

1.20 Anyone entitled to be covered by the Scheme is also covered by the Civil Service Injury Benefits Scheme (CSIBS), which provides compensation in the event of someone sustaining an injury at work (or directly related to their work) resulting in a loss of earnings or loss of earning capacity. The CSIBS is a scheme made under the Superannuation Act 1972. CSIBS benefits are paid from the Civil Superannuation Vote initially, with the relevant employer later reimbursing the Vote.

Eligibility to join the Scheme and the New Fair Deal

1.21 Normally, anyone employed in a public sector organisation covered by the Scheme can participate in the Scheme.

1.22 The New Fair Deal is a non-statutory policy that deals with staff who are compulsorily transferred from the public sector to independent providers delivering public services.

1.23 From October 2013, these independent providers can apply to join the Scheme under the New Fair Deal. The resulting employee members can remain in the Scheme while they continue to be principally employed on the work they carried out while in the public sector.

Funding

1.24 PCSPS and Alpha are unfunded schemes and the cash required to meet the payment of pension benefits is paid from public funds provided by Parliament. Members contribute on a 'pay-as-you-go' basis. These contributions (and those made by employers) are credited to the Exchequer under arrangements governed by the aforementioned Acts.

1.25 The contributions due from employers and employees to fund future service liabilities are set by the Actuary at the four-yearly Scheme valuation. Work on the valuation as at 31 March 2020 is now underway and more detailed information is provided in paragraph 1.55.

1.26 Member contribution rates for 2021-22 are set out in the table below and discussed further in the Report of the Actuary.

Annualised rate of pensionable earnings	Member contribution rate (%)
£0 to £23,100	4.60
£23,101 to £56,000	5.45
£56,001 to £150,000	7.35
£150,001 and above	8.05

Management of the Scheme

1.27 Under the Public Service Pensions Act 2013, the Minister for the Civil Service (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the Minister for the Cabinet Office, and the Permanent Secretary for the Cabinet Office. The Permanent Secretary is also the Accounting Officer of the Scheme.

1.28 Civil Service Pensions, based in the Cabinet Office, has operational responsibility for the management of the Scheme. Day-to-day administration is mainly carried out by MyCSP Ltd under a contract with the Cabinet Office. Other key responsibilities sit with employers. These relationships are discussed in more detail below.

Cabinet Office

1.29 The Cabinet Office retains direct management of:

- policy development and maintenance of Scheme rules;
- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman;
- admission of employers to the Scheme;
- ensuring appropriate audit programmes and risk management frameworks are in place;
- certain discretionary decisions on behalf of the Minister for the Civil Service;
- scheme finances, including the production of the Annual Report and Accounts; and
- other miscellaneous activities which arise from time to time.

Cabinet Office and MyCSP

1.30 The Cabinet Office oversees the delivery of Scheme administration by MyCSP through a formal contract that came into force in May 2012.

1.31 Under the contract, MyCSP is responsible for, but not limited to:

- providing administration for active, deferred and pensioner Scheme members, including paying pensions;
- maintaining accurate and secure records and a proper audit trail of all transactions;
- investigating and responding to complaints made by Scheme members, including any made under the first stage of the internal dispute resolution procedures;
- maintaining and enhancing Scheme communications, including the Scheme website;
- initially pursuing and reclaiming any overpayments of benefits;
- handling transfers in and out of the Scheme;
- calculating and paying annual pension increases;
- deducting and paying over tax to His Majesty's Revenue and Customs (HMRC);
- operating a payroll bank account; and
- producing financial and management reports.

Cabinet Office and Scheme employers

1.32 The Cabinet Office has in place participation agreements with all public sector employers and admission agreements with private sector (New Fair Deal) employers that have active members in the Scheme. Employers are responsible for:

- maintaining accurate and up-to-date pay and service records and providing these to MyCSP;
- informing new staff of their options for joining pension arrangements;
- keeping employees informed of pension issues; and
- paying the correct employers' and employees' pension contributions to the Cabinet Office.

Employers who participate in the Scheme are made up of publicly funded bodies who are part of the Civil Service, bodies listed in Schedule 1 to the Superannuation Act 1972 and 'New Fair Deal' employers.

Civil Service Compensation Scheme (CSCS)

1.33 The Civil Service Compensation Scheme (CSCS) is a scheme made under the Superannuation Act 1972, providing compensation for the termination of employment in certain circumstances. Employers make cash exit payments direct to employees. If an exit involves a member receiving an unreduced pension before their normal pension age, the employer will reimburse the Civil Superannuation Vote for the cost of early payment of the pension.

1.34 MyCSP, under contract to the Cabinet Office, acts as an agent for employers in the calculation of compensation benefits arising under the CSCS. Employers pay cash exit payments to members. These cash flows are not brought to account in these financial statements, but details of the amounts paid are disclosed in Note 13 of the financial statements.

1.35 All exit schemes under the CSCS are approved by the Cabinet Office. The Government published a consultation document in 2017 in order to gather views from interested parties on proposed amendments to the CSCS. On 15 August 2022, the Government published a supplementary consultation to provide commentary on the consultation to date and set out the Government's proposals in the current economic context, building on the consultation document published in 2017. The Government continues to consult with representative trade unions on making reforms to the CSCS and until new CSCS terms are finalised exit schemes will be on 2010 CSCS terms. The Scheme manager will provide a minimum of 3 months' notice to employers in advance of new CSCS exit terms coming into effect.

Other payments

1.36 The Civil Superannuation Vote also funds the other pension schemes, which are brought to account in these financial statements; however, they are managed under separate arrangements.

1.37 The Vote also covers a small number of other pension-related payments, which are detailed in Note 14 of the financial statements. The amounts paid are not material.

Governance

1.38 The governance arrangements for the Scheme are detailed in the accompanying Governance Statement on pages 23 to 29.

Scheme data

Membership statistics

1.39 The Scheme has 327 employers (2021: 303): 203 public sector organisations (departments, non-departmental public bodies and government agencies) (2021: 210) and 124 private sector employers (2021: 93).

1.40 Membership reporting by entitlement is set out in the table on the next page. Reporting by entitlement means that some individuals may be recorded twice in the membership numbers if they have an entitlement in more than one pension scheme arrangement. The membership numbers include an adjustment for late notifications due to timing differences between the receipt of information from employers and the publication of the financial statements.

Active members	
At 1 April 2021	542,373
Adjustment for late notifications	(6,614)
	535,759
New members and re-joiners	96,603
Retirements	(15,388)
Deferreds	(17,343)
Transfers out	(1,049)
Refunds	(5,983)
Suspended*	(13,161)
Deaths	(1,005)
Other leavers from active status**	(17,946)
At 31 March 2022	**560,487**
Deferred pensioners	
At 1 April 2021	354,010
Adjustment for late notifications	(725)
	353,285
New deferred pensioners	15,846
Retirements	(12,378)
Partial retirements (from single to dual status)	(833)
Deaths	(304)
Transfers out	(391)
No benefits due***	(1,373)
Deferred cases being processed	3,453
Updated records and other cessations	(2,261)
At 31 March 2022	**355,044**
Pensioners	
At 1 April 2021	706,351
Retirements	23,820
New dependants	6,880
Deaths and other cessations	(24,295)
At 31 March 2022	**712,756**
Grand total	**1,628,287**

As at 31 March 2022, there are 4,151 (2021: 3,923) dual status pensioners (deferred members with part benefits in payment). Active membership is based on information provided by employers via interface files and deferred and pensioner membership is recorded by the Administrator. Unreconciled differences between categories are due to timing differences.

*Members who have left the Scheme within two years of service and are entitled to a choice of benefit are moved to suspended status while they make a decision on either a refund or a transfer.

**Includes those opting out, joining partnership without deferred benefits, leaving with less than three months' service and cases reverted to active.

***Members who re-join the Scheme and have their records aggregated.

Financial review

Resource outturn

1.41 Net expenditure in 2021-22 was £11.6 billion (2020-21: £10.5 billion). The increase was caused largely by an increase in the service cost to £12.9 billion (2020-21: £10.5 billion), partly offset by a decrease in the pension financing cost by £1.2 billion due to a decrease in the nominal discount rate from 1.8% p.a. as at 31 March 2020 to 1.25% p.a. as at 31 March 2021.

1.42 The Scheme outturn was £564.0 million lower than voted funds of £12.2 billion due to the pension financing cost being lower than forecast by £136.5 million, the service costs of the Scheme being lower than forecast by £296.0 million, and contributions and other income received was £131.5 million higher than originally forecast.

Net cash requirement

1.43 The net cash requirement in 2021-22 was £774.2 million (2020-21: £1.1 billion), which was £351.0 million less than the voted amount of £1.1 billion.

1.44 This variance was caused by an over-projection of the cash required in the January 2022 supplementary estimates. Payments of pension benefits and to leavers were slightly lower than expected and contributions into the Scheme increased following recruitment drives across the Civil Service.

Trend analysis

1.45 The table below represents a five-year summary of the movements in the Scheme's outturn analysed by budget type.

Type of spend	2021-22 Outturn £bn	2020-21 Outturn £bn	2019-20 Outturn £bn	2018-19 Outturn £bn	2017-18 Outturn £bn
Net expenditure	11.6	10.5	9.5	13.1	9.9
Net cash	0.8	1.1	1.2	2.1	2.1

1.46 Net expenditure has fluctuated over the last few years, caused by the legal ruling on transitional protection. The significant increase in expenditure in 2018-19 was due to a past service cost of £3.7 billion in respect of the ruling, and in 2019-20 a negative past service cost of £1.2 billion was included following a change in the approach of the calculations. Net cash has decreased over the last four years following the increase in employer contribution rate from 21.1% to 27.0% and the increase in active membership.

1.47 The current service charge rate has changed annually since 2017-18. This has led to significant changes in current service costs and net expenditure. The current service costs are based on the contributions received; movement can be seen in the following table:

	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn	2017-18 £bn
Current service cost	12.9	10.5	7.6	6.9	6.5
Contributions received	5.9	5.5	5.1	3.9	3.7
	%	%	%	%	%
Current service cost rate	71.8	64.0	48.5	47.4	47.2

1.48 The main estimate for 2022-23 is in line with outturn for 2021-22 and shown in the table below.

	2022-23 Main estimate £bn	2021-22 Outturn £bn
Net resource requirement	15.0	11.6
Net cash	1.1	0.8

Work on the 2015 Remedy Programme will progress for the next two years, and the provision may be adjusted to reflect the outcome. Where required, those members affected by the decision will be reimbursed leading to an increase in future cash requirements.

Scheme liability of the Principal Scheme

1.49 At 31 March 2022, the total liability for future pension benefits in the Principal Scheme was £342.1 billion, compared with £307.5 billion at 31 March 2021.

1.50 The change of £34.6 billion is the net impact of the current service cost, pension financing cost and changes in the actuarial assumptions which have increased the liability, less the benefits payable, which have decreased it.

1.51 The changes in the actuarial assumptions include an actuarial gain of £0.6 billion driven by lower than assumed pensionable pay increases and the provision of new member data, which have decreased the present value of the Scheme's liabilities. Further details are given in the Report of the Actuary on page 17 and in Note 19 of the financial statements.

Administration charges

1.52 The cost of administering the Civil Service pension arrangements incurred by the Cabinet Office during 2021-22 was £34.9 million (2020-21: £34.0 million), and is met from a 'levy' on pensionable pay, which is paid as part of the monthly employer pension contributions. This can be broken down as follows:

Central management and overhead	£3.7m
Third party costs	£31.2m
Total	£34.9m

Key developments

Amendments to the Principal Civil Service Pension Scheme (PCSPS)

1.53 Amendments to the Public Service (Civil Servants and Others) Pensions Regulations 2014 were laid before Parliament on 18 March 2022.

1.54 The amendments moved PCSPS active members into Alpha from 1 April 2022. The Regulations provided for the member contribution rates for the scheme year ending on 31 March 2022 to also apply to the 2022-23 scheme year, with no changes to the annualised rate of pensionable earnings bands, along with some miscellaneous technical amendments.

Actuarial valuation and the cost cap

1.55 Actuarial valuation reports set out the rate of employer contributions required to meet the cost of scheme benefits, calculated in accordance with valuation Directions made by HM Treasury. The balance of funding required to meet Scheme benefits is provided by Parliament.

1.56 A full actuarial (funding) valuation is undertaken every four years and its purpose is to assess the liability in respect of the benefits due under the Scheme (taking into account recent demographic experience), and to recommend contribution rates payable by the employer.

1.57 The latest actuarial valuation undertaken for the Scheme was completed as at 31 March 2016 and was expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. However, on 30 January 2019, the Government announced a pause to the cost control mechanism which was to form part of the valuation. This was due to the Court of Appeal ruling in December 2018 relating to the transitional protection offered to some members in the 2015 pension reforms. On 4 February 2021, the Government announced that the cost cap mechanism calculations would be completed, allowing for the transitional protection remedy costs. The results for the Scheme were set out in the Government Actuary's Department report of 2 March 2022, which stated that the cost cap cost was within the +/-2% corridor specified in the HMT regulations and so no changes to benefits or member contributions were required.

1.58 The cost cap mechanism is being reformed with effect from the 2020 valuation. The new mechanism will only allow for the reformed scheme, will have an increased cost cap corridor of +/-3% and will also include an economic check, which means that a breach would only result in changes if there was still a breach once the impact of any change in the discount rate has been taken into account.

1.59 The next actuarial valuation is due as at 31 March 2020 and is now in progress. Changes to employer contribution rates as a result of the 2020 valuation are expected to take effect from April 2024. In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism. On 4 July 2022, the judicial review was granted permission to be heard. Further details can be found under 'Events after the reporting period' on page 15.

Changes in benefits

1.60 In accordance with scheme regulations, eligible pensions which have been in payment for a year were increased by 0.5% from 12 April 2021 in line with the September 2019 to September 2020 increase in the CPI.

Challenge against transitional protection provisions

1.61 When public service pension reforms were introduced in 2015, there were transitional protection provisions which permitted members close to their normal pension age to continue accruing pension in their existing schemes (the PCSPS in the case of civil servants).

1.62 Some public service pension scheme members successfully made claims to employment tribunals stating that these provisions amount to unlawful discrimination on the grounds of age, race and sex. The Government appealed this decision, and the Court of Appeal ruled on 20 December 2018 that the transitional protection arrangements were discriminatory on the basis of age.

1.63 On 15 July 2019 HMT confirmed that – as 'transitional protection' was offered to members of all the main public service pension schemes as part of the 2015 pension reforms – the difference in treatment will need to be remedied across all those schemes. This includes the Civil Service pension arrangements.

1.64 The PCSPS was closed to future service accrual on 31 March 2022 following the passing of the Public Service Pensions and Judicial Offices Act. A subsequent statutory instrument, the Public Service (Civil Servants and Others) Pensions (Amendment) Regulations 2022, moved all remaining active members in the PCSPS into Alpha from 1 April 2022. This ended the ongoing discrimination identified in the McCloud judgement.

1.65 Some members with service in PCSPS may have ongoing added pension or added years contracts within PCSPS post 1 April 2022, even if they are now active members in Alpha. Members with PCSPS service also retain a final salary link, meaning their final salary is calculated based on their salary when they leave active service, and not when they moved from PCSPS to Alpha.

1.66 In order to implement the 2015 Remedy, further legislation is needed, including HM Treasury Directions and HMRC tax regulations. There will also be a second statutory instrument laid which will cover the implementation of the Remedy.

1.67 Under the Public Service Pensions and Judicial Offices Act, schemes will need to offer affected members a choice of PCSPS or Alpha benefits for the Remedy period (2015-22) via a Deferred Choice Underpin (DCU). This will need to be operational by 1 October 2023.

1.68 For members yet to take benefits, they will get this choice at retirement, providing it is after 1 October 2023. For those members who have already taken benefits, schemes will have 18 months from 1 October 2023 to provide them with a choice. A member who chooses alternative scheme benefits will have these backdated to the date which the original benefits were taken and any arrears settled.

Challenge to the inclusion of 2015 Remedy costs within the cost control mechanism

1.69 In December 2021 six unions filed for a joint judicial review against the Government on the inclusion of the Remedy costs within the 2016 cost control mechanism (detailed in paragraph 1.55 to 1.59). The risk to the 2015 Remedy Programme is that if the Government loses the judicial review and is directed to remove the remedy costs from the 2016 cost control mechanism, additional work may be required to recalculate member entitlements and update member records. Any judicial review and the subsequent outcome is unlikely to be known for some time, and the risk remains uncertain. Further information on the planned programme of work known as the 2015 Remedy Programme is provided on page 29.

Legal challenges

1.70 In addition to the challenge on transitional protection, a number of other challenges have been brought against the Scheme and other public sector schemes in recent years concerning survivor benefits. These cases and their impacts have been considered for 2021-22 and have been found to be immaterial to the financial statements.

Looking forward

1.71 It remains our long-term vision to transform the Civil Service pension arrangements into the best managed and administered scheme in the UK public sector. We have accordingly set up a new programme to deliver an administration model that will meet our aims and objectives.

1.72 The programme has received ministerial approval to move to the procurement stage. We have undertaken various engagement events with the market and have issued an invitation to tender and a selection questionnaire. The programme will be a lengthy and complex one, with the procurement phase expected to take 12 months to complete. There will then be a period of up to two years to transition to the new administration solution. Providing an improved service to pension scheme members that will help them to engage more easily with the Scheme and to value their pension scheme benefits more highly remains the cornerstone of the programme.

Statement on the disclosure of relevant audit information

1.73 The accompanying financial statements have been prepared on a statutory basis in accordance with the requirements of HMT and are designed to comply with generic Accounts Directions issued to departments by HMT under section 5(2) of the Government Resources and Accounts Act 2000.

1.74 The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination, and whose opinion is expressed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. During the reporting year, no payment was made to the auditors for non-audit work (2020-21: £nil). The notional cost for the audit of these financial statements in 2021-22 was £160,000 (2020-21: £160,000) and is recognised in the Cabinet Office departmental account.

1.75 I confirm that, so far as I am aware, there is no relevant audit information of which the auditors are unaware, that the financial statements as a whole are fair, balanced and understandable. I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the reporting period

1.76 The final directions to enable completion of the 2020 valuation are expected from HM Treasury during 2022. The results of the 2020 valuation including the employer cost cap will be reported in the 2022-23 Annual Report and Accounts.

1.77 In December 2021 six unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism. On 4 July 2022 the judicial review was granted permission to be heard, with no further detail currently available on the timeline for a hearing. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes, such as any impact on scheme liabilities, would be highly speculative at this stage.

1.78 There have been no other material events between the Statement of Financial Position date and the date the financial statements were authorised for issue.

1.79 The Accounting Officer of the Scheme has authorised these financial statements to be issued on the same date as the Comptroller and Auditor General's certificate.

Additional information for members

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

1.80 The CSAVCS is a statutory scheme that allows Scheme members to increase their benefits by contributing to defined contribution arrangements. Further details on this are provided in Note 15 to the financial statements.

1.81 Members who choose to contribute to the CSAVCS build up a personal fund. The options offered to them at retirement depend on what the individual provider permits, and it may be necessary for members to transfer to alternative arrangements with the same provider or to another provider to access all types of flexibility.

1.82 The current CSAVC scheme is administered by Legal & General as part of the WorkSave Mastertrust. Civil Service Pensions continues to exercise its duty of care towards members by monitoring the CSAVCS providers and working with GAD.

Managers, advisers, auditors and bankers

The managers and advisers for the Civil Service schemes are listed below:

Managers	
Accounting Officer:	Alex Chisholm, 70 Whitehall, London SW1A 2AS
Scheme Manager (contact):	Dominic Arthur, Cabinet Office, 70 Whitehall, London SW1A 2AS
Advisers	
Scheme Actuary:	Government Actuary's Department, Finlaison House, 15–17 Furnival Street, London EC4A 1AB
Legal Advisers:	Treasury Advisory Division, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ
Medical Advisers:	Health Management Ltd, Ash House, Ringmer, East Sussex BN8 5NN
Auditors	
External Auditors:	Comptroller and Auditor General, National Audit Office, 157–197 Buckingham Palace Road, London SW1W 9SP
Internal Auditors:	Government Internal Audit Agency, 10 Victoria Street, London SW1H 0NB
Bankers	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB

Further information

Further information can be found at www.civilservicepensionscheme.org.uk. Please address any enquiries about Civil Service pension arrangements to:

Civil Service Pensions
Cabinet Office
Priestley House
Priestley Road
Basingstoke
RG24 9NW

Email: scheme.managementexecutive@cabinetoffice.gov.uk

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office
19 January 2023

2 Report of the Actuary

Introduction

2.1 This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Cabinet Office (CO). It provides a summary of GAD's assessment of the Scheme liability in respect of the Civil Service Pension Scheme (CSPS) as at 31 March 2022, and the movement in the Scheme liability over the year 2021-22, prepared in accordance with the requirements of Chapter 12 of the 2021-22 version of the Financial Reporting Manual.

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

2.3 The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2022.

Membership data

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

Table A – Active members

	Number	Total pensionable pay* (p.a.) £m
Males	233,000	8,293
Females	266,000	8,596
Total	499,000	16,889

*Pensionable pay is the full-time equivalent figure.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £m
Males	157,000	627
Females	206,000	686
Total	363,000	1,313

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

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £m
Males	292,000	3,459
Females	281,000	1,848
Spouses & dependants	104,000	499
Total	677,000	5,806

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

Methodology

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

2.6 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

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

Table D – Principal financial assumptions

Assumption	31 March 2022	31 March 2021
Nominal discount rate	1.55%	1.25%
Rate of pension increases	2.90%	2.22%
Rate of general pay increases	4.15%	3.72%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• pension increases	(1.30%)	(0.95%)
• long-term pay increases	(2.50%)	(2.38%)
Expected return on assets	n/a	n/a

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

Demographic assumptions

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

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table*	Adjustment
Males		
Retirements in normal and ill-health	S2NMA	104%
Dependants	S2NMA	117%
Females		
Retirements in normal and ill-health	S2NFA	104%
Dependants	S2DFA	100%

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

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

2.12 Whilst it is common practice to use recent mortality data to form the projections for future experience, for 31 March 2022, our recommendation remains to retain the projected improvements underlying the existing 2018-based national population projections published by ONS. The primary reason for this is that we would look to implement updated projections for future experience alongside updating the base tables. The analysis to review the appropriateness of the base tables is still ongoing as part of the 2020 actuarial valuations of the public service schemes.

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

Liabilities

2.14 Table F summarises the assessed value as at 31 March 2022 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 2.5 to 2.13. The corresponding figures for the previous four years are shown for comparison. The liabilities at 31 March 2021 and 2022 both include an allowance for the higher cost of benefits accruing under the 2015 Remedy.

Table F – Statement of financial position (£bn)

	31 March 2022	31 March 2021	31 March 2020	31 March 2019	31 March 2018
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	342.10	307.51	280.12	237.20	237.02
Surplus/(Deficit)	(342.10)	(307.51)	(280.12)	(237.20)	(237.02)
Of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

Accruing costs

2.15 The cost of benefits accrued in the year ended 31 March 2022 (the current service cost) is assessed as 71.8% of pensionable pay.

2.16 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 financial statements. Members contributed between 4.6% and 8.05% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2021-22 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2021-22 financial statements.

Table G – Contribution rates

	Pensionable pay	
	2021-22 %	2020-21 %
Employer contributions*	27.3	27.3
Employee contributions (average)	5.7	5.7
Total contributions	33.0	33.0
Current service cost (expressed as a % of pay)**	71.8	64.0

*Under the current arrangements, the expenses of administering the Scheme are borne by employers through an administration levy which is included in the contributions payable to the Scheme (0.32% of pay).

**The expenses of administering the Scheme are excluded from the current service cost.

2.17 The key difference between the assumptions used for funding valuations and the financial statements 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 the financial statements is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19 – 'Employee Benefits'.

2.18 The pensionable payroll for the financial year 2021-22 was £17.99 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2021-22 (at 71.8% of pay) is assessed to be £12.92 billion. This includes an allowance for the higher cost of benefits accruing over the year under the 2015 Remedy.

2.19 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 2021-22.

2.20 We have estimated a settlement loss in respect of group transfers in of £0.33 billion. This is because the estimated value of the accounting liabilities transferred into the Scheme exceeds the assets transferred by approximately £0.33 billion. I am not aware of any other events that have led to a material settlement or curtailment gain or loss over 2021-22.

Sensitivity analysis

2.21 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2022 of changes to the most significant actuarial assumptions.

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

2.23 Table H shows the indicative effects on the total liability as at 31 March 2022 of changes to these assumptions (rounded to the nearest ½%).

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions	**%**	**£bn**
(i) discount rate*: +½% a year	(10.5)	(35.9)
(ii) (long-term) earnings increase*: +½% a year	1.5	5.1
(iii) pension increases*: +½% a year	10.0	34.2
Demographic assumptions		
(iv) additional one-year increase in life expectancy at retirement	4.5	15.4

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

COVID-19 implications

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

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

2.26 The long-term salary assumption is set by Cabinet Office, 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 in excess of inflation as well as lower short-term forecasts from the Office for Budget Responsibility.

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

Jessica Dunsmore FIA

Actuary

Government Actuary's Department

29 June 2022

3 Statement of Accounting Officer's Responsibilities

3.1 Under the Government Resources and Accounts Act 2000, HMT has directed the Cabinet Office to prepare for each financial year a statement of account in the form and on the basis set out in the Accounts Direction.

3.2 The combined financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs at year end of the CSPS, certain other minor pension schemes and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purpose intended by Parliament or material transactions that have not conformed to the authorities which govern them. In addition, the financial statements must be prepared so far as to demonstrate that the contributions payable to the Schemes during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

3.3 In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- observe the Accounts Direction issued by HMT, 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 FReM, 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 Annual Report and financial statements as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and financial statements and the judgements required for determining that it is fair, balanced and understandable.

3.4 HMT has appointed the Permanent Secretary of the Cabinet Office as Accounting Officer for the Civil Superannuation Annual Report and Accounts. 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 'Managing Public Money' published by HMT.

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

4 Governance Statement

Scope of responsibility

4.1 As the Accounting Officer for the Civil Superannuation during 2021-22, I am required to provide assurances about the stewardship of the Scheme. These assurances are provided in this Governance Statement, in line with HMT guidance. I also have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the Scheme's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in 'Managing Public Money'.

4.2 The Civil Superannuation Vote covers the Civil Service pension arrangements, 'the Scheme', the Civil Service Compensation Scheme and some minor agency arrangements set out in statute.

4.3 The Scheme makes up the bulk of the Civil Superannuation Vote and is the focus of much of this Statement. The Scheme is managed by Civil Service Pensions, which is based in the Cabinet Office. The other arrangements covered by the Vote are managed separately and I receive appropriate assurances to enable me to exercise my role as Accounting Officer for the whole Vote.

Governance: roles and responsibilities

4.4 The bodies and individuals involved in Scheme governance are set out below:

- The **Minister for the Civil Service** (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the **Minister for the Cabinet Office** and me, as the **Permanent Secretary for the Cabinet Office** and the Accounting Officer of the Scheme.

- The **Cabinet Office Audit and Risk Committee** supports and advises me, as the Accounting Officer, on all relevant matters concerning audit and risk.

- The **Civil Service Pension Board (CSPB)** gained statutory footing under the Public Services Pensions Act 2013, 'the 2013 Act'. Its role is to support the Scheme Manager.

- The **Scheme Advisory Board** is also a requirement of the 2013 Act. Its role is to provide policy advice to the Minister, when requested.

- The **Pensions Finance Governance Group** reviews the Governance Statement and provides a review of the Scheme Annual Report and financial statements and related issues. The **Cabinet Office Finance Director** ensures that expenditure by Civil Service Pensions, though not funded by the Cabinet Office, is subject to appropriate scrutiny. He is also a member of the CSPB and attends the Cabinet Office Audit and Risk Committee.

- **Civil Service Pensions** is responsible for leading on pension policy and managing the Scheme.

- **MyCSP**, a private company, carries out most day-to-day administration of the Scheme under a contract with the Cabinet Office operated in accordance with the Department's internal control framework.

4.5 Other responsibilities sit with employers, including ensuring that key membership data is accurate and up to date.

Cabinet Office Audit and Risk Committee (COARC)

4.6 COARC is chaired by Mike Ashley, an independent non-executive member of the Cabinet Office Board. All COARC meetings were attended by him, at least one other non-executive director and the Cabinet Office Finance Director.

4.7 COARC received reports and updates provided by Civil Service Pensions on the 2015 Remedy Programme implementation, the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA).

Civil Service Pensions Board (CSPB)

4.8 The CSPB is a statutory requirement. Its role is to support the Scheme Manager in complying with the administrative application of the Scheme rules and relevant laws and regulation. It seeks to do this by providing expertise, advice and challenge to the Scheme Manager and those involved in scheme administration.

4.9 During 2021-22 the CSPB had 15 members detailed below. One member nominee, one ex officio member and one non-executive member were replaced during the year. A regulated public appointment recruitment campaign was run to appoint the non-executive board member, with the appointment made by Minister Lopez and ratified by the Prime Minister.

4.10 The CSPB focuses on the administration of the Scheme, including compliance with regulations and legislation. It reviews the performance of the third party pension administrators and monitors actions taken by Cabinet Office in terms of any administration issues identified. This also includes the monitoring of employers' performance in respect of their responsibilities in the pursuit of the successful delivery of the Scheme for the members.

4.11 The CSPB has an effectiveness framework in place and reviews board performance through post-meeting feedback forms. An annual review report is produced each year and the chair holds conversations with board members annually to discuss individual performance. A conflict of interest policy is in place and a register of interests is maintained by the secretariat function. One conflict was registered during the year.

4.12 The CSPB met formally on four occasions in 2021-22. A secretariat function, based in the Cabinet Office, supports the Board. The Director of Civil Service Pensions attends CSPB meetings. The reports presented by Civil Service Pensions provide the right level of detail to assure the Board of the effective management and administration of the Scheme, and the Board considers the papers provided are of good quality. Further information about the Board can be found at: www.civilservicepensionscheme.org.uk/about-us/civil-service-pensions-board/

Board member	Role	Meetings attended	Out of a possible
Margaret Edwards	Non-Executive Chair	4	4
Lorna Merry	Member Nominee	2	4
Jonathan Russell	Employer Nominee	2	4
Sir Adrian Johns	Non-Executive Member	4	4
Lesley Davie	Non-Executive Member	4	4
Tony Clare	Non-Executive Member	4	4
Nicola Bettesworth	Employer Nominee	1	2
Rob Woodstock	Employer Nominee	3	4
David Howdon	Member Nominee	4	4
Jayne Beeslee	Member Nominee	4	4
Karen Watts	Member Nominee	4	4
Rich Hornby	Employer Nominee	3	4
Shrinivas Honap	Non-Executive Member	3	4
Dominic Arthur	Ex Officio Member	4	4
Nathan Paget	Ex Officio Member	2	4

Scheme Advisory Board (SAB)

4.13 The SAB provides strategic advice to the Minister for the Cabinet Office. This covers the design of the Scheme, including the desirability of rule changes and any issues arising from the four-yearly scheme valuation process. The SAB is accountable to the Minister as Scheme Manager.

4.14 The SAB was chaired by Clive Bolton, an independent non-executive member. Attendees include, but are not limited to, the Chair of the CSPB, Civil Service Pensions and HR staff, trade union representatives and GAD.

4.15 The SAB met five times during 2021-22 and discussed member contributions, the cost cap, the 2015 Remedy Programme, prospective legislation, member contributions and the 2020 valuation.

Pensions Finance Governance Group

4.16 The Pensions Finance Governance Group met with representatives from the National Audit Office, GAD and the Cabinet Office finance department. The group discussed the content of the Governance Statement and Report of the Manager, and the progress of the audit.

Civil Service Pensions

4.17 Civil Service Pensions has 65 staff working on the Scheme. Its principal activities are set out in the Report of the Manager.

MyCSP

4.18 MyCSP has a contract with the Cabinet Office to administer the Scheme; its responsibilities are set out in the Report of the Manager. As Accounting Officer, I have responsibility for ensuring MyCSP is managing its risks effectively, and for reviewing the effectiveness of its system of internal control.

Corporate Governance Code

4.19 The Scheme complies with HMT's Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above. All potential conflicts are reported and managed as set out in the code.

My review of the system of internal control

4.20 As part of my responsibilities as Accounting Officer, I have reviewed the effectiveness of the system of internal control, including risk management. My review is informed by regular reports from the Director of Civil Service Pensions and GIAA, which is the Scheme's internal audit service. I have been advised on the implications of the result of my review by COARC. The system has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

4.21 The GIAA Head of Internal Audit provides me with a report on internal audit activity over the reporting period which contains their independent opinion on the adequacy and effectiveness of the Scheme's governance, risk management and internal control arrangements.

4.22 The report provided a 'moderate' opinion, reflecting continued steady improvement in the Scheme's governance, risk management and control with a reasonably stable control environment. The management of the Scheme continues to identify and mitigate key risks, whether due to legacy issues or current operation risks across a large and complex scheme.

4.23 MyCSP produces an Annual Assurance Statement (AAS) as part of its contractual requirements, summarising the outcomes of internal audit work over the year and also produces a report in accordance with the principles established in Audit and Assurance Faculty 01/06 by the Institute of Chartered Accountants in England and Wales (AAF 01/06) and the International Standard on Assurance Reporting 3402 (ISAE 3402) issued by the International Auditing and Assurance Standards Board (IAASB). This gives MyCSP's internal auditor's opinion on the overall adequacy and effectiveness of governance, risk management and control and is used to gauge how MyCSP assesses their own controls.

4.24 The Scheme's system of internal control provides me with evidence that the controls in place to manage the risks to the Scheme are sufficiently robust and effective to achieve the principal objectives. Plans to ensure continuous improvement are in place and COARC continues to monitor improvements in the overall corporate assurance framework. There are a number of Scheme risks managed by other parties, such as MyCSP and participating employers, and we continue to monitor and encourage continual improvements to their control environments.

Review of risk management

Strategic risk

4.25 The long-term vision of the Scheme is to become the best managed, best administered and best value public sector scheme in the UK. This is underpinned with five strategic objectives:

- to provide a quality and value-for-money service for all members and employers;
- to invest in and develop our people to be recognised across the Civil Service as pensions specialists;
- to ensure scheme members value and understand their benefits and are actively planning for retirement;
- to ensure employers value and understand the Scheme as part of the overall reward package and fulfil their obligations to support delivery of a quality service to members; and
- to ensure the Scheme is sustainable and supports the wider 'Modern Civil Service' agenda.

Service

4.26 Our dual aim has been to improve the administration of the Scheme by lifting the performance of the current Administrator while designing a future services model for Scheme administration. This will form the basis of the next iteration of the Scheme's administration services.

4.27 The existing contract between MyCSP and the Cabinet Office has been extended until the end of December 2023, and MyCSP will partner with the Cabinet Office to implement the 2015 Remedy Programme.

4.28 Work on a new programme has commenced to consider the future administration services of the Scheme, including a new re-procurement exercise. Further details can be found in paragraph 1.71.

Member and employer engagement

4.29 The Scheme depends on participating employers to promote the Scheme and provide the right data and information to allow deductions and benefits to be accurately calculated. Due to the wide-ranging nature of this dependency, employer engagement continues to be a key part of the internal control framework. Activities include:

- the employer Strategic Working Group, which provides a forum where senior officials can contribute to the strategic direction and administration of the Scheme;
- the Practitioner Group, which comprises working-level pension practitioners from a range of employers, and is used as a forum to test new initiatives and canvass employer and member feedback;
- Regional Employer Forums, which take place biannually across the UK and were held virtually for 2021-22, but have now returned to in-person:
- Employer Pensions Notices (EPNs), which are sent to employers to provide updates on scheme policy and processes as well as any changes to legislation that affect the management of the Scheme; and
- an Employer Relationship Management (ERM) team, introduced by MyCSP, to ensure employers are supported to deliver their responsibilities.

4.30 We also work closely with MyCSP to engage with members and potential members. Important developments have included developing a more digital approach, creating innovative promotional materials and carrying out face-to-face presentations. This has included:

- delivery of a virtual Civil Service Live presentation providing an overview of the benefits of the Scheme, retirement options and updating members on the 2015 Remedy Programme;
- Pension Awareness Week in September which incorporated presentations and question and answer sessions;
- the Active Member Newsletter and the Pensioner Newsletter, which cover topics such as pension increases and promotion of the portal to increase new registrations; and
- in January 2022, a new scheme website was introduced which provided a new look and feel for our members. This also introduced one of the latest content management systems to enable more development of planning tools on the scheme website.

Review of operational risk management

4.31 There are three operational areas where continuous oversight and monitoring is carried out: Administrator performance, employer performance and data quality.

Administrator performance

4.32 The contract management function within Civil Service Pensions manages MyCSP's service delivery, ensure value for money is being achieved and assist MyCSP in dealing with issues in a timely manner while continuing to improve the services offered to scheme members and employers.

4.33 Key areas of focus for the year included reducing complaints due to administration error or delay, reviewing business processes via the Digital by Design project, increase digitalisation and automation to improve end-to-end processing times for members and to provide the ability for members to self-serve. The first part of this project is reflected in the rebuild of the Scheme website, which went live in January 2022.

4.34 During 2021-22, MyCSP received 1,795 complaints (2020-21: 1,826), a significant decrease on previous years. A total of 178 Internal Dispute Resolution (IDR) stage 1 appeals were received by MyCSP (2020-21: 316) and 197 were resolved during the same period (2020-21: 356). Of the resolved cases, 149 were upheld or partly upheld. A total of 128 IDR stage 2 appeals were received by Cabinet Office and 111 were resolved during the same period. Of the resolved cases, 48 were upheld or partly upheld.

4.35 Just under half of cases at the second stage of the IDR process were complaints as a result of overpayments, approximately the same as last year. The number of cases where the outcome changes from stage one to stage two of the IDR process was slightly higher (approximately 10%). The majority was in relation to a higher compensation award being made.

Employer responsibilities

4.36 Employer Accounting Officers provide me with an Annual Assurance Statement (AAS) setting out the operation of their pension internal controls framework and compliance with the terms of their participation agreements and contracts. The AAS asks a series of questions focused on the processes and procedures employers have in place to ensure adherence with scheme rules and guidance. MyCSP undertakes the process of issuing the statements and collating the returns for analysis.

4.37 The prior year's exercise highlighted two areas which we require employers to take action on:

- compliance with acceptable secure file and data transfer methods to bring employers up to a minimum expected standard of security; and
- encouraging employers to carry out free administration training to ensure they have the skills to support the Scheme, especially given the numerous changes in relation to large projects such as the 2015 Remedy.

4.38 The 2022 exercise will cover over 300 employers and the results are expected by the end of January 2023.

Data quality and security

4.39 Following the completion of the employer-led data-cleanse programme for active members, the next phase had been to address data issues impacting deferred and pensioner members' data. Phase 1 of this project was undertaken by the Scheme Administrator and was completed in December 2021, having exceeded all of the specified targets. The focus of the project was to improve the Pension Regulator data quality scores by reducing the number of Data Validation Failures (DVFs) and the number of members affected by DVFs. The Pension Regulator scores are measured by the cleanliness of member records (a record fails regardless of the number of DVFs). Since the Deferred and Pensioner Cleanse began:

- DVFs have reduced from 1,262,111 to 65,031;
- records with a DVF have reduced from 598,695 to 36,943; and
- the Baseline Pension Regulator score at the start of the Programme (for this group) has increased from 42.11% to 96.52%.

4.40 A Security Working Group meets on a monthly basis and monitors all matters concerning information assurance and data security subject to the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. During the reporting period, while 77 minor data breaches were identified, these were not reportable to the Information Commissioner's Office (ICO) and were monitored by the Security Working Group, and all breaches were reported and reviewed within the required timescales. A total of 20 Subject Access Requests and 21 Freedom of Information (FOI) requests were recorded, with no late responses recorded.

The Pension Regulator (TPR)

4.41 TPR has extended regulatory oversight of the Scheme, and has an ongoing formal relationship with the Scheme. Regular engagement takes place in respect of governance and administration of the Scheme. In line with TPR Code of Practice No. 14, there were no material breaches of law referred to TPR during the year.

Risk framework

4.42 We have continued to improve the risk framework around the Scheme and a dedicated Risk and Compliance Manager is in place to ensure ongoing adherence to the risk management policy and framework. The system identifies and documents controls linking them to the risks, with risk owners accountable for the controls and the mitigation procedures and control owners responsible for testing the operational and design effectiveness of their controls. The system of internal control management (i.e., first and second line testing with independent evidence validation) has been demonstrated to CSPB members through informal one-to-ones and has received positive feedback for being a robust and thorough system of internal control.

4.43 The current focus in this area is managing the risks around the successful delivery of the 2015 Remedy Programme, the future administration service provision, the Digital by Design Programme and developing a scheme wide internal business and continuous improvement plan.

4.44 A management system is in place for evaluating risks, defining controls, testing controls and automated aggregation of data into management information. This system has been operational since 2019, has been continually improved based on lessons learned and has proved to be robust, effective and efficient.

Fraud environment

4.45 Fraud cases are discussed at the monthly Risk and Compliance meetings between the Scheme Manager and MyCSP to ensure these are dealt with appropriately. On an annual basis, MyCSP assesses themselves against the Fraud Risk Management Guide set out by the Association of Certified Fraud Examiners and Committee of Sponsoring Organisations. MyCSP Internal Audit performs an annual review of fraud governance and controls and reports this to the Scheme Manager for review, oversight and challenge. The Scheme Manager also conducts a risk assessment where risks are documented and tracked around fraud, both inward-looking and with our suppliers. The Scheme Administrator has a Speak Out policy together with an Anti-Bribery Policy, Gifts and Hospitality Policy and internal control frameworks for wider anti-fraud, and is audited annually by the Administrator's internal audit function to ensure it remains fit for purpose and effective.

4.46 Experience over the years has proven that the risk of fraud is very low, and robust detective controls are in place which are regularly tested and audited to ensure that cases of fraud are identified. The current risk register has identified three main types of fraud that can occur:

- external fraud by a third party such as members, non-member fraudulently claiming to be a member or a third party organisation;
- internal fraud within the Scheme administrator; and
- internal fraud by a Cabinet Office employee.

4.47 The most common type of fraud that occurs within the Scheme relates to external fraud. Currently, there are approximately one to two fraud incidents a year which are detected and either stopped before the fraud takes place, or in the case that fraud has taken place, necessary action taken to remediate the issue and to prevent future occurrence.

Key issues arising in the reporting period

2015 Remedy Programme

4.48 The 2015 Remedy Programme will focus on the remedy to remove the inherent discrimination caused by transitional protection. There are 420,000 scheme members who will need to be offered a choice of scheme benefits to remedy the discrimination. We are developing a series of communications and tools to help members to make the right decision for their circumstances and to support employers.

4.49 The risks associated with the 2015 Remedy Programme include, but are not limited to:

- ineffective communications to key stakeholders;
- unsuccessful remedy implementation or slippage with project activities;
- inability to administer pension reforms; and
- data integrity and data quality issues.

4.50 Resources are now imbedded with support from the risk management function. Robust controls have been operating for the last few years and have therefore matured over time to ensure that active engagement is taking place with key stakeholders and to ensure communication with members is effective. We have also introduced processes for managing the impacts on the Scheme Administrator.

Coronavirus (COVID-19) pandemic

4.51 We continue to work with MyCSP and have retained a number of easements with processes to ensure there are no detrimental impacts to members or employers. We review these easements on a quarterly basis. The Digital by Design strategy will assist in transforming the service offered, to ensure that there will be no detrimental impact to the service in the event of any further pandemics.

Other schemes

4.52 Responsibility for the governance and administration of the other pension schemes included in these financial statements rests with the relevant agencies. The National Security Adviser has provided me with an assurance statement that they are satisfied there are suitable controls in operation within the agencies.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

19 January 2023

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply – (subject to audit)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual, the 'FReM', requires the Scheme to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS 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 capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year. 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 SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following: analysis of net resource outturn by estimate line (SOPS1); and a reconciliation of net resource outturn to net cash requirement (SOPS3).

Summary of resource and capital outturn 2021-22

								2021-22	2020-21
			Outturn			Estimate			Outturn
Type of spend	SoPS Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Outturn vs Estimate, saving/ (excess) £000	Prior Year Outturn Total, £000
Departmental Expenditure Limit									
• **Resource**		-	-	-	-	-	-	-	-
• **Capital**		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	SOPS1	11,647,201	-	11,647,201	12,211,230	-	12,211,230	564,029	10,522,255
• **Capital**		-	-	-	-	-	-	-	-
Total Budget Expenditure									
• **Resource**		11,647,201	-	11,647,201	12,211,230	-	12,211,230	564,029	10,522,255
• **Capital**		-	-	-	-	-	-	-	-
Total Budget Expenditure		11,647,201	-	11,647,201	12,211,230	-	12,211,230	564,029	10,522,255
Non-Budget Expenditure		-	-	-	-	-	-	-	-
Total Budget and Non budget		**11,647,201**	**-**	**11,647,201**	**12,211,230**	**-**	**12,211,230**	**564,029**	**10,522,255**

Net Cash Requirement 2021-22 – all figures presented in £000's

	Note	2021-22 Outturn £000	2021-22 Estimate £000	2021-22 Outturn vs Estimate, saving/ (excess) £000	2020-21 Outturn Total £000
Net Cash Requirement	SOPS3	774,165	1,125,200	351,035	1,130,532

Administration costs 2021-22 – all figures presented in £000's

	2021-22 Outturn £000	2021-22 Estimate £000	2021-22 Outturn vs Estimate, saving/ (excess) £000	2020-21 Outturn Total £000
Administration costs	-	-	-	-

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Supporting explanation for variance against outturn and the net cash requirement can be found under the financial review section of the Report of the Manager.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The notes below form part of these disclosures.

Notes to the Statement of Outturn against Parliamentary Supply, 2021-22 (£000s) (subject to audit)

SOPS1. Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate line

	2021-22											2020-21
	Resource Outturn £000							Estimate £000			Outturn vs Estimate, saving/ (excess)	Prior Year Outturn Total, 2020-21 £000
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
Spending in Annually Managed Expenditure (AME)												
Voted expenditure												
A – Civil superannuation	-	-	-	17,795,434	(6,148,233)	11,647,201	11,647,201	12,211,230	-	12,211,230	564,029	10,522,255
Non-Voted expenditure	-	-	-	-	-	-	-	-		-	-	
Total spending in AME	**-**	**-**	**-**	**17,795,434**	**(6,148,233)**	**11,647,201**	**11,647,201**	**12,211,230**	**-**	**12,211,230**	**564,029**	**10,522,255**
Total resource	**-**	**-**	**-**	**17,795,434**	**(6,148,233)**	**11,647,201**	**11,647,201**	**12,211,230**	**-**	**12,211,230**	**564,029**	**10,522,255**

SOPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn in SOPS1 is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure, therefore no reconciliation is required.

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Outturn total £000	Estimate £000	Outturn vs Estimate, saving/(excess) £000
Total Resource Outturn	SOPS1	11,647,201	12,211,230	564,029
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions		(17,787,268)	(18,217,430)	(430,162)
Adjustments to reflect working balances:				
(Increase)/decrease in payables		64,398	-	(64,398)
Increase/(decrease) in receivables		2,963	-	(2,963)
(Increase)/decrease in non-supply payables		(89,622)	-	89,622
Increase/(decrease) in non-supply receivables		602	-	(602)
Use of provisions		6,935,891	7,131,400	195,509
Net Cash Requirement		774,165	1,125,200	351,035

As noted in the introduction to the SOPS above, outturn and the estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Parliamentary Accountability Disclosures

Losses and Special Payments
(subject to audit)

During the year, 12,847 cases totalling £1,661,498 were written off (2020-21: 11,475 – £1,402,304). There were no individual losses in excess of £300,000 in 2021-22 (2020-21: nil). There were no special payments made in the year (2020-21: nil).

Remote contingent liabilities
(subject to audit)

In the unlikely event of default by an appointed AVC provider, pension payments are guaranteed by the Scheme. This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contribution Schemes (FSAVCS) nor where members exercise the open-market option and purchase their annuity elsewhere.

There were no other remote contingent liabilities during 2021-22.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation Account ("the Scheme") for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 March 2022 and its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* 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 my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's 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 certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, 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 subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; 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 and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Scheme or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury'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:

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- Inquiring of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Superannuation Act 1972, the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Managing Public Money and the regulations set by The Pensions Regulator.
- discussing among the engagement team and involving relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the selection of inappropriate assumptions or methodology underpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Scheme's framework of authority as well as other legal and regulatory frameworks in which the Scheme operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2021, Managing Public Money, Superannuation Act 1972, Public Service Pensions Act 2013 and the regulations set by The Pensions Regulator.

In addition, I considered the control environment in place at the Scheme, the administrator and the scheme actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing substantive testing of contributions received and benefits paid in the year to ensure compliance with laws and regulations and regularity;
- engaging an auditor's expert to review the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking any further procedures as necessary; and
- reviewing any significant correspondence with the Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

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 Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **24 January 2023**

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

	Note	2021-22	2020-21
Principal Scheme arrangements		**£000**	**£000**
Income			
Contributions receivable[1]	5	(5,936,384)	(5,452,322)
Transfers in	6	(100,066)	(79,131)
Other pension income	7	(28)	(585)
		(6,036,478)	(5,532,038)
Expenditure			
Service cost	8	12,917,746	10,510,259
Enhancements	9	33,846	32,321
Transfers in	10	427,873	79,131
Injury benefits	11	6,934	7,284
Pension financing cost	12	3,882,775	5,077,582
		17,269,174	15,706,577
Net Expenditure		**11,232,696**	**10,174,539**
Other minor agency/principal pension schemes			
Income			
Contributions receivable		(111,755)	(116,107)
Expenditure			
Total charge to provisions		525,028	462,287
Benefits payable	14	1,232	1,536
Net Expenditure for the year		**414,505**	**347,716**
Combined Net Expenditure for the year		**11,647,201**	**10,522,255**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension re-measurements:			
- Actuarial loss	19.7	24,732,960	18,845,038
Total Comprehensive Net Expenditure		**36,380,161**	**29,367,293**

[1] A small element of employer contributions is paid in respect of the cost of administering the Scheme and has been deducted from the total shown here. Scheme administration costs are shown within the main Cabinet Office Account and details can also be found within the Report of the Manager on page 13.

The notes on pages 41 to 54 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2022

	Note	2021-22 £000	2020-21 £000
Principal Scheme arrangements			
Current assets			
Receivables (within 12 months)	16	487,233	483,723
Cash and cash equivalents	17	161,410	250,430
Total current assets		**648,643**	**734,153**
Current liabilities			
Payables (within 12 months)	18	(484,093)	(548,491)
Total current liabilities		**(484,093)**	**(548,491)**
Net current assets excluding pension liability		**164,550**	**185,662**
Non-current assets and liabilities			
Receivables (after 12 months)	16	53	53
Pension liability	19.4	(342,096,861)	(307,512,524)
Net liabilities, including pension liabilities		**(341,932,258)**	**(307,326,809)**
Compensation agency arrangements – CSCS			
Receivables (within 12 months)	21	4,179	4,726
Net current assets		**4,179**	**4,726**
Pension liability	22.2	(7,280,000)	(6,280,000)
Net liabilities, including pension liabilities		**(7,280,000)**	**(6,280,000)**
Combined Scheme – Total net liabilities		**(349,208,079)**	**(313,602,083)**
Taxpayers' equity			
General Fund		(349,208,079)	(313,602,083)
		(349,208,079)	**(313,602,083)**

The notes on pages 41 to 54 form part of these financial statements.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

19 January 2023

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Balance at 31 March		(313,602,083)	(285,365,322)
Net Parliamentary Funding – drawn down		684,543	1,256,930
Net Parliamentary Funding – deemed	18	256,151	129,753
Supply payable adjustment	18	(166,529)	(256,151)
Comprehensive net expenditure for the year	SOPS1	(11,647,201)	(10,522,255)
Actuarial loss	19.7	(24,732,960)	(18,845,038)
Net change in taxpayers' equity		**(35,605,996)**	**(28,236,761)**
Balance at 31 March		**(349,208,079)**	**(313,602,083)**

The notes on pages 41 to 54 form part of these financial statements.

Combined Statement of Cash Flows for the year ended 31 March 2022

	Note	2021-22	2020-21
		£000	**£000**
Cash flows from operating activities			
Combined net expenditure for the year	SOPS 1	(11,647,201)	(10,522,255)
Adjustments for non-cash transactions			
Increase in Scheme receivables (within 12 months)	16	(3,510)	(39,581)
Less movements in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Decrease in CSCS receivables	21	547	491
Less movement in non-supply receivables	16, 21	(602)	(741)
(Decrease)/increase in Scheme payables	18	(64,398)	147,472
Movement in payables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Less movement in non-supply payables	18	89,622	(126,398)
Increase in Scheme pension provisions	19.4	16,800,521	15,587,841
Increase in Scheme pension provisions – enhancements, transfers in and settlement gains	19.4	461,719	111,452
Increase in other schemes' pension provisions		525,028	462,287
Use of Scheme provisions – benefits paid	19.4	(6,793,809)	(6,619,259)
Use of Scheme provisions – refunds and transfers out	19.4	(50,211)	(43,032)
Use of other schemes' provisions		(91,871)	(88,809)
Net cash outflow from operating activities		**(774,165)**	**(1,130,532)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		684,543	1,256,930
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sum payments)	13	(6,517)	(32,790)
Reimbursement of compensation payments by employers (including lump sum payments)	13, 21	7,064	33,281
Injury benefit payments made on behalf of employers	11	(11,319)	(11,164)
Reimbursement of injury benefit payments by employers	11, 16	11,374	11,414
Net Financing		**685,145**	**1,257,671**
Net (decrease)/increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	(89,020)	127,139
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net (decrease)/increase in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(89,020)**	**127,139**
Cash and cash equivalents at the beginning of the period	17	250,430	123,291
Cash and cash equivalents at the end of the period	17	**161,410**	**250,430**

The notes on pages 41 to 54 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Civil Superannuation Annual Report and Accounts have been prepared in accordance with the relevant provisions of the 2021-22 Government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 – 'Employee Benefits' and IAS 26 – 'Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

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

The Statement of Financial Position as at 31 March 2022 shows a pension liability of £342.1 billion (31 March 2021: £307.5 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need.

In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of Supply to be approved annually by Parliament. Such approval for amounts required for 2022-23 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Principal Civil Service Pension arrangements

1.1.1 The Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Civil Service Pensions team on behalf of members of the Civil Service who satisfy the membership criteria. Before 1 April 2016, the Scheme was a contracted-out pension scheme.

1.1.2 Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary. The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process.

1.1.3 The financial statements of the Scheme show the financial position 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, among 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.

1.2 Civil Service Compensation Scheme

1.2.1 The Cabinet Office acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought to account in the financial statements. However, the financial statements recognise the liabilities arising from the central funding of compensation payments which amount to £6.5 million (2021: £32.8 million) (see Note 13).

1.3 Other minor agency and principal pension scheme arrangements

1.3.1 The financial statements include transactions relating to other minor pension schemes, a number of which are closed schemes. The Scheme acts as principal in respect of pension paid to the governor of an overseas colony, awarded before the introduction of a new scheme on 30 September 1978. The Scheme acts as principal in respect of the other pension schemes on the basis of information supplied by the agencies.

1.3.2 Civil Service Pensions acts as an agent for the following schemes:

- pension increases to former Prime Ministers, former Speakers, various former public service appointees and former MEPs and their widow(er)s;
- payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service;
- payments to the Post Office Staff Superannuation Scheme for pensions paid in respect of periods in the Civil Service;
- pension increases in respect of pensions paid to former staff of the Raw Cotton Commission;
- pension increases in respect of pensions paid to former staff of the Sugar Board; and
- Federated Superannuation System for Universities.

2. Statement of accounting policies

The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) 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 judged to be most appropriate to the 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.

An assessment of IFRS issued but not yet effective considered ‘IFRS 16 Leases’ and ‘IFRS 17 Insurance Contracts’ and determined they are not applicable as the Scheme has not entered into any such arrangements.

2.1 Accounting convention

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

2.2 Contributions receivable

2.2.1 Contributions receivable are outside the scope of ‘IFRS 15 Revenue from Contracts with Customers’ with the exception of the levy on employer contributions to cover the cost of administering the Scheme, which are not considered to be material to the Scheme.

2.2.2 Employers’ normal pension contributions are accounted for on an accruals basis. There are also some employers’ special pension enhancements, which are detailed in Note 9 of the financial statements.

2.2.3 Employees’ pension contributions that exclude amounts received in respect of the purchase of added pension (dealt with below) and Additional Voluntary Contributions (dealt with below) are accounted for on an accruals basis.

2.2.4 Employees’ pension contributions paid in respect of the purchase of added pension are accounted for on an accruals basis. The associated increase in the Scheme pension liabilities is recognised as expenditure.

2.2.5 Under the Scheme rules which came into effect in April 2010, those members who take early retirement and receive an Actuarially Reduced Pension can buy out the actuarial reduction and, as a result, receive a full pension. Income received from members in respect of this is shown in Note 5.

2.2.6 Effective Pension Age (EPA) is where members can make additional contributions payments to buy EPA, which is a portion of pension paid early without reduction. These are accounted for on an accruals basis.

2.2.7 The cost of administering the Scheme is met from a levy on employer pension contributions. These are accounted for on an accruals basis and recognised when performance obligations are satisfied.

2.3 Transfers in

2.3.1 Individual transfers in are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on a cash basis, although group transfers in are accounted for on an accruals basis when the Scheme has formally accepted liability and the relevant commitment forms are signed.

2.4 Enhancements

2.4.1 Amounts received in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the cost of pension enhancement capitalised either at the time of an early departure or at normal retirement age, are accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

2.5 Other pension income

2.5.1 Amounts receivable from employers in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the capitalised costs of pension enhancement either at early departure or normal retirement age, are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on an accruals basis. In accordance with 'IFRS 9 Financial Instruments', any expected credit losses are not considered to be material to the Scheme.

2.6 Additional Voluntary Contributions (AVCs)

2.6.1 AVCs are deducted from employees' salaries and are paid directly by the employing departments to one of the appointed AVC providers. Details of the providers and the amounts of the AVC investments can be found in Note 15.

2.7 Current service cost

2.7.1 The current service cost is the increase in the present value of the Scheme pension liabilities arising from members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. It is determined by the Scheme Actuary based on a discount rate of (0.95)% real (1.25% including inflation) (2020-21: (0.5)% real, 1.80% including inflation).

2.8 Pension financing cost

2.8.1 The financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one year closer to settlement, and is recognised in the Combined Statement of Comprehensive Net Expenditure. The financing cost is based on a discount rate of (0.95)% real (1.25% including inflation) (2020-21: (0.5)% real, 1.80% including inflation).

2.9 Injury benefits

2.9.1 Injury benefits are accounted for on an accruals basis. They are not funded through the employers' pension contributions, and the amounts payable in respect of injuries sustained before 1 April 1998 are a charge on the Scheme and are shown in the Combined Statement of Comprehensive Net Expenditure. Those benefits paid in respect of injuries sustained on or after 1 April 1998 are recoverable from employers each month.

2.10 Scheme liabilities

2.10.1 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liabilities are measured on an actuarial basis using the Projected Unit Credit Method and are discounted at (1.30)% real (1.55% gross) (2020-21: (0.95)% real, 1.25% gross). The Actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

2.11 Pension benefits payable

2.11.1 Pension benefits payable, including lump sums, are accounted for on an accruals basis as a decrease in the Scheme pension liabilities. When there is a choice, benefits are accounted for in the period in which the member notifies the Scheme of their decision on the type and amount of benefit to be taken, so date of recognition is the latter of the date of retirement or the date the option was exercised. If there is no member choice, they are accounted for on the date of retirement or leaving.

2.12 Payments to and on account of leavers

2.12.1 Refunds of employees' contributions are accounted for on an accruals basis and as a decrease in the Scheme pension liabilities. Refunds include amounts payable both at time of leaving or at normal retirement age (or earlier death).

2.13 Transfers out

2.13.1 Transfers out are accounted for on a cash basis. They are accounted for as a decrease in the Scheme pension liabilities.

2.14 Actuarial gains/losses

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

2.15 Payables/receivables

2.15.1 Payables and receivables are held at amortised cost in accordance with 'IFRS 9 Financial Instruments'. Owing to the immaterial size of such receivables balances and losses thereon, any expected credit losses are not considered to be material to the Scheme.

2.16 Critical accounting judgements and key sources of estimation uncertainty

2.16.1 In accordance with IAS 1 – 'Presentation of Financial Statements' – the preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure, in particular the pension liability, past and current service cost and interest cost. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. There have been no changes made to past assumptions. The key estimates and judgements relate to the valuation of the pensions liability set out in Note 19.

3. Accounting policies for CSCS agency arrangements

Compensation benefits for staff leaving before normal retirement age are met by employing departments. For administrative convenience and value-for-money considerations, compensation benefits are paid initially by Civil Service Pensions, throughout the month, but are then recovered from employers at month end. These transactions are not recorded in the combined Statement of Comprehensive Net Expenditure. Details of compensation benefits payable during the year are shown in Note 13.

4. Accounting policies for other minor agency and principal pension scheme arrangements

The policies applied to the Scheme principal arrangements also apply to the transactions and balances of the other pension schemes included within these financial statements, with the exception that current service costs are calculated using rates specific to the agencies.

5. Contributions receivable

	2021-22	2020-21
	£000	£000
Employers	(4,876,788)	(4,485,924)
Employees:		
Normal	(1,025,778)	(934,663)
Purchase of added years	(30,085)	(27,976)
Actuarial Retirement Reduction Buy Out	(839)	(1,274)
Effective Pension Age	(2,894)	(2,485)
	(5,936,384)	**(5,452,322)**

Contributions of £5.5 billion are expected to be payable to the Scheme in 2022-23.

6. Transfers in (see also Note 10)

	2021-22	2020-21
	£000	£000
Group transfers from other schemes	(18,469)	(17,134)
Individual transfers in from other schemes	(81,597)	(61,997)
	(100,066)	**(79,131)**

7. Other pension income

	2021-22	2020-21
	£000	£000
Amounts receivable in respect of:		
Capitalised cost of enhancement to pensions, payable at age 60	-	(558)
Effective Pension Age receivable from employer	(28)	(27)
	(28)	**(585)**

8. Service cost

	2021-22	2020-21
	£000	£000
Current service cost	12,917,746	10,510,259
	12,917,746	**10,510,259**

9. Enhancements (see also Note 19.4)

	2021-22	2020-21
	£000	£000
Employees:		
Purchase of added years	30,085	27,976
Actuarial Retirement Reduction Buy Out	839	1,274
Effective Pension Age	2,894	2,485
Employers:		
Effective Pension Age	28	28
Enhancements to pensions on retirement	-	558
	33,846	**32,321**

10. Transfers in – additional liability

	2021-22	2020-21
	£000	£000
Group transfers in from other schemes	346,276	17,134
Individual transfers in from other schemes	81,597	61,997
	427,873	**79,131**

11. Injury benefits

	2021-22	2020-21
	£000	£000
Injury benefits payable	18,253	18,448
Less: recoverable from employers	(11,319)	(11,164)
Recognised in the Statement of Comprehensive Net Expenditure	**6,934**	**7,284**

Injury benefits payable to former employees are recoverable from employers unless the injury was sustained on or before 31 March 1998.

12. Pension financing cost (see also Note 19.4)

	2021-22	2020-21
	£000	£000
Interest charge for the year	3,882,775	5,077,582
	3,882,775	**5,077,582**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13. Compensation benefits payable

	2021-22 £000	2020-21 £000
Annual compensation recoverable from employers	152	5,095
Total annual compensation payable	**152**	**5,095**
Lump sums payable recoverable from employers	6,365	27,695
Total lump sums payable	**6,365**	**27,695**

Statement of Comprehensive Net Expenditure – Other minor agency and principal pension scheme arrangements

14. Benefits payable – not charged to provisions

	2021-22 £000	2020-21 £000
George Cross (recoverable)	1	-
Pensions increase for ex-PMs/Speakers	92	415
Pensions increase for Public Service Appointments	168	164
Pensions increase for ex-MEPs/widow(er)s	894	855
Payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	9	11
Payments to the Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	20	22
Pensions increases in respect of pensions paid to former staff of the Sugar Board	2	5
Federated Superannuation System for Universities	46	64
	1,232	**1,536**

15. Additional Voluntary Contributions (AVCs)

The Civil Service Additional Voluntary Contribution Scheme (CSAVCS) provides for employees to make AVCs to increase their pension entitlements or to increase life cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment by their employers to appointed providers below, 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 Contribution Schemes (FSAVCs).

The Managers of the CSAVCS are only responsible for payments made to the Scheme's appointed providers. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the appointed provider at 31 March each year (5 April for Utmost Life and L&G) confirming the amounts held in their account and the movements in year.

The aggregate amounts of AVC investments are as follows:

				2021-22
	Standard Life	Utmost Life[1]	L&G[1]	Scottish Widows
	£000	£000	£000	£000
Movements in the year				
Balance at 1 April	14,520	1,456	175,537	39,002
New investments	-	27	16,605	-
Sales of investments to provide pension benefits	(1,621)	(144)	(13,163)	(4,442)
Changes in market value of investments	468	55	26,106	3,966
Balance at 31 March	**13,367**	**1,394**	**205,085**	**38,526**
Contributions to provide life cover	n/a	12	n/a	n/a
Benefits paid on death	106	-	436	33

				restated 2020-21
	Standard Life	Utmost Life[1]	L&G[1]	Scottish Widows
	£000	£000	£000	£000
Movements in the year				
Balance at 1 April	12,730	10,111	145,147	42,372
New investments	4	43	50,953	-
Sales of investments to provide pension benefits	(680)	(9,689)	(8,230)	(4,067)
Changes in market value of investments	2,466	991	(12,333)	697
Balance at 31 March	**14,520**	**1,456**	**175,537**	**39,002**
Contributions to provide life cover	n/a	15	n/a	n/a
Benefits paid on death	8	-	440	34

[1] Data as at 5 April.

The AVC investments for 2020-21 have been restated to include the AVC policy held with L&G previously omitted.

Statement of Financial Position: Principal arrangements

16. Receivables – contributions due in respect of pensions

Analysis by type	2021-22	2020-21
	£000	£000
Amounts falling due within one year		
Pension contributions due from employers	388,609	378,809
Employees' normal contributions	81,460	77,973
Employees' added pension	1,760	1,714
Early retirement employer costs	4,040	4,063
Overpayment receivables (net of provision for non-recovery)	10,266	20,150
Other receivables	158	19
Sub-total	**486,293**	**482,728**
Non-supply receivables		
Injury benefit receivables	940	995
	487,233	**483,723**
Amounts falling due after more than one year		
Long-term receivables	53	53
	53	**53**

17. Cash and cash equivalents

	2021-22	2020-21
	£000	£000
Balance at 1 April	250,430	123,291
Net change in cash balances	(89,020)	127,139
Balance at 31 March	**161,410**	**250,430**

The following balances at 31 March were held at:		
Government banking services	160,712	249,757
Balance with government departments	698	673
Balance at 31 March	**161,410**	**250,430**

18. Payables – in respect of pensions

Analysis by type

	2021-22	2020-21
	£000	£000
Amounts falling due within one year		
Pensions	(273,966)	(244,547)
HMRC and voluntary contributions	(7,343)	(16,656)
Other creditors	(36,255)	(31,137)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(166,529)	(256,151)
	(484,093)	**(548,491)**

19. Pension liabilities

19.1 Assumptions underpinning the pension liability

The CSPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2022. The Report of the Actuary on pages 17 to 21 sets out the scope, methodology and results of the work the Actuary has carried out.

The Cabinet Office, the Actuary and the auditors have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Cabinet Office should make available to the Actuary to meet the expected requirements of the Scheme auditors. 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 group transfers in 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 major assumptions used by the Actuary were:

	At 31 March 2022	**At 31 March 2021**	**At 31 March 2020**	**At 31 March 2019**	**At 31 March 2018**
Rate of general pay increases[1]	4.15%	3.72%	4.10%	4.10%	3.95%
Rate of pension increases	2.90%	2.22%	2.35%	2.60%	2.45%
Nominal discount rate	1.55%	1.25%	1.80%	2.90%	2.55%
Real discount rate in excess of pension increases	(1.30)%	(0.95)%	(0.5)%	0.29%	0.10%
Real discount rate in excess of Long-term pay increases	(2.50)%	(2.38)%	(2.20)%	(1.15)%	(1.35)%
Life expectancy[2] (in years)					
Current retirements – Life expectancy at age 60					
Females	28.6	28.6	28.5	29.3	29.2
Males	27.0	26.9	26.8	27.6	27.5
Current retirements – Life expectancy at age 65					
Females	23.8	23.7	23.6	24.3	24.2
Males	22.1	22.0	21.9	22.7	22.6
Life expectancy at age 60 – Current age 40					
Females	30.3	30.2	30.2	31.2	31.1
Males	28.7	28.6	28.5	29.6	29.5
Life expectancy at age 65 – Current age 45					
Females	25.4	25.3	25.2	26.2	26.1
Males	23.8	23.7	23.6	24.6	24.5

[1] The assumptions shown are the nominal long-term increases in salaries and the nominal long-term inflation assumption.

[2] Stated life expectancy figures are for members retiring on grounds other than ill-health. Assumed life expectancy of ill-health pensioners is lower.

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 Cabinet Office acknowledges that the valuation reported in the 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 – 'Employee Benefits' – 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 – 'Employee Benefits' – the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption at 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.

19.2 Analysis of the pension liability

	At 31 March 2022	At 31 March 2021	At 31 March 2020	At 31 March 2019	At 31 March 2018
	£bn	£bn	£bn	£bn	£bn
Current pensions and associated contingent pensions	112.00	109.61	93.35	88.33	91.4
Deferred pensions, including contingent pensions, for members no longer contributing to the Scheme	53.74	48.59	40.9	35.17	36.47
Accrued benefits available to members contributing to the Scheme	176.36	149.31	145.87	113.7	109.15
Total	**342.10**	**307.51**	**280.12**	**237.2**	**237.02**

Pension scheme liabilities accrue over an employee's period 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 in the future. The 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, age of retirement and 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, the value of the pension liability will increase or decrease. The Scheme Manager accepts 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 19.7. 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.

19.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption as at the end of the accounting year is shown below.

Change in assumption			**Approximate effect on total liability**	
Financial assumptions			**%**	**£bn**
(i)	discount rate*	+0.5% a year	(10.5)	(35.9)
(ii)	earnings increases*	+0.5% a year	1.5	5.1
(iii)	pension increases*	+0.5% a year	10.0	34.2
Demographic assumptions				
(iv)	additional one-year increase to life expectancy at retirement		4.5	15.4

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

The assumptions for the discount rate and pension increases are specified by HMT in the PES (2021) 12 Revised, dated 13 December 2021, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

19.4 Analysis of movement in the Scheme liability

	2021-22	2020-21
	£000	£000
Scheme liability at 1 April	(307,512,524)	(280,117,006)
Service cost (Note 8)	(12,917,746)	(10,510,259)
Pension financing cost (Note 12)	(3,882,775)	(5,077,582)
Settlement cost	(327,807)	-
Enhancements (Note 9)	(33,846)	(32,321)
Pension transfers in	(100,066)	(79,131)
Benefits payable (Note 19.5)	6,793,809	6,619,259
Pension payments to and on account of leavers (Note 19.6)	50,211	43,032
Actuarial loss (Note 19.7)	(24,166,117)	(18,358,516)
Scheme liability at 31 March	**(342,096,861)**	**(307,512,524)**

During the year ended 31 March 2022, employers' and employees' contributions represented an average of 33.0% of pensionable pay. There are no proposed changes to these rates for 2022-23.

19.5 Analysis of benefits payable

	2021-22	2020-21
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	5,929,647	5,835,885
Commutations and lump sum benefits on retirement	864,162	783,374
Per Statement of Cash Flows	**6,793,809**	**6,619,259**

19.6 Analysis of payments to and on account of leavers

	2021-22	2020-21
	£000	£000
Refunds to members leaving the service	14,373	13,793
Group transfers to other schemes	85	265
Individual transfers to other schemes	35,753	28,974
Per Statement of Cash Flows	**50,211**	**43,032**

19.7 Analysis of actuarial gain/(loss)

	2021-22	2020-21
	£000	£000
Experience gains arising on the Scheme liabilities	555,108	7,029,464
Changes in assumptions underlying the present value of Scheme liabilities	(24,721,225)	(25,387,980)
PCSPS	**(24,166,117)**	**(18,358,516)**
Other schemes actuarial loss	(566,843)	(486,522)
Per Statement of Changes in Taxpayers' Equity	**(24,732,960)**	**(18,845,038)**

19.8 History of experience (gains)/losses

	2021-22	2020-21	2019-20	2018-19	2017-18
Experience (gains)/losses on the Scheme liabilities					
Amount (£000)	(555,108)	(7,029,464)	(2,419,544)	(795,447)	1,998,881
Percentage of the present value of the Scheme liabilities	(0.2%)	(2.3%)	(0.9%)	(0.3%)	0.8%
Total amount recognised in Statement of Changes in Taxpayers' Equity Amount (£000)	24,166,117	18,358,516	34,753,561	(10,575,447)	(4,494,119)
Percentage of the present value of the Scheme liabilities	7.1%	6.0%	12.4%	(4.5%)	(1.9%)

20. Financial instruments

The Scheme has no significant exposure to foreign exchange rate risk as the risk falls on the recipient of any payments made overseas to individual members. Any increase or decrease in the amounts receivable are borne by the individual member. The exception is when payments are made overseas to individual members from the Commissioners of Irish Lights. In these circumstances, the Scheme bears the foreign exchange liability as part of the transfer terms, but it is not seen to be a material financial risk.

The Scheme has no significant exposure to credit, liquidity or market risk. As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a private sector scheme of a similar size. The majority of the 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.

Statement of Financial Position – CSCS compensation agency arrangements

21. Receivables – non-supply

	2021-22	2020-21
	£000	£000
Recoverable annual compensation payments including lump sums	4,179	4,726
Balance at 31 March	**4,179**	**4,726**

Statement of Financial Position – Other minor agency and principal pension scheme arrangements

22. Pension liability

22.1 The Actuary provides an annual valuation of the other pension schemes included within these financial statements.

22.2 Analysis of movement in scheme liability

	2021-22	2020-21
	£000	£000
Opening scheme liability at 1 April	(6,280,000)	(5,420,000)
Net movement in year (including actuarial gain/loss)	(1,000,000)	(860,000)
Scheme liability at 31 March	**(7,280,000)**	**(6,280,000)**

23. Related party transactions

The CSPS, CSCS and the other schemes fall within the ambit of the Cabinet Office, which is regarded as a related party. During the year, the schemes have had material transactions with the Cabinet Office and other departments, executive agencies, fair deal employers and trading funds whose employees are members of the schemes. None of the Scheme Managers, key managerial staff or other related parties has undertaken any material transactions during the year.

MyCSP Ltd is a private company that carries out administration of the Scheme under a contract with the Cabinet Office. The Cabinet Office incurred charges of £30.2 million (2021: £24.3 million) relating to pensions administration, which has been funded by a charge on Civil Superannuation employer pension contributions.

24. Events after the reporting period

The final directions to enable completion of the 2020 valuation are expected from HM Treasury during 2022. The results of the 2020 valuation including the employer cost cap will be reported in the 2022-23 Annual Report and Accounts.

In December 2021 several unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism. On 4 July 2022 the Judicial Review was granted permission to be heard, with no further detail currently available on the timeline for a hearing. Even if the judicial review is successful, it is unclear what remedy the court may order, and the Government would then need to consider how to proceed following that. Any attempt to predict such outcomes, such as any impact on scheme liabilities, would be highly speculative at this stage.

There have been no other material events between the Statement of Financial Position date and the date the financial statements were authorised for issue.

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the same date as the Comptroller and Auditor General's certificate.

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