

NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme

Resource Accounts 2002-03

NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme

Resource Accounts 2002 - 03

(For the year ended 31 March 2003)

*Ordered by the House of Commons to be printed
28 January 2004*

Contents

	Page
Report of the Manager	3-8
Introduction	
How the Scheme works	
Contributions and Benefits	
Review of the year	
Management structure	
Report of the Actuary	9-10
Statement of Accounting Officer's Responsibilities	11
Statement on Internal Control	12-13
Certificate and Report of the Comptroller and Auditor General	14-15
The Accounting Schedules :	
Schedule 1 – Summary of Resource Outturn	16-17
Schedule 2 – Combined Revenue Account	18
Schedule 3 – Combined Balance Sheet	19
Schedule 4 – Cash Flow Statement	20
Notes to the Accounts	21-28

INTRODUCTION

The NHS Pension Scheme provides pensions in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits.

REPORT OF THE MANAGER

This report provides a summary of the arrangements to ensure the Scheme affairs are managed in an efficient way and gives a broad outline of the major benefits offered by the Scheme.

The specific features of the year have been :

- The continuing re-instatement of NHS employees who were mis-sold personal pension plans;
- Continued successful participation in an exercise with the Audit Commission to identify deceased pensioners where the Scheme has not received notification of the death;
- The successful development of an online pensions service, which has led to wider roll-out of web-based services throughout 2002-2003;
- Continuing work on implementing European Court of Justice rulings on part-time staff and certain classes of NHS employees with special rights within the Scheme;

HOW THE SCHEME WORKS

The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and employees of other approved organisations. The Scheme provides pensions, based on final salary, in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits.

Scheme provisions are governed by the following sets of Regulations:

- The NHS Pensions Scheme Regulations 1995, as amended
- The NHS (Compensation for premature retirement) Regulations 2002 Consolidated
- The Pensions (Increase) Act 1971
- NHS AVC Regulations
- NHS Gratuitous Expectations Regulations

The day to day administration of the Scheme, including calculation of benefits, maintenance of member records and payment of benefits is undertaken by the NHS Pensions Agency. NHS employers are required to explain the Scheme to their employees. In addition they submit pension data to the NHS Pensions Agency, and a significant number of employers calculate pensions benefit estimates for their employees.

There are 1,326 participating NHS Trusts, Primary Care Trusts, Local Health Boards and Health Authorities, 8,817 participating GP Practice employers and 354 other participating employers. Employers are classified as Employing Authorities or Direction Bodies. Employing Authorities are defined in the Regulations and their staff have automatic entry to the Scheme. Non-NHS employers can apply for Direction Body Status to join their staff in the Scheme provided they meet specified criteria.

NHS PENSION SCHEME BENEFITS

Contributions

In order to defray the costs of benefits, employers and members pay contributions. Most employees pay 6% of pensionable pay but manual staff pay 5%. The Government Actuary conducts actuarial reviews every five years and recommends an employer contributions rate in his Valuation report. In 2002-03 employers paid 7% but the rate did not include the cost of pension indexation funded directly by Treasury. In November 2002 Ministers announced the transfer of indexation costs to the Scheme costs with a commensurate increase in the Department's baseline. NHS employers will be charged 14% from April 2004.

Benefits

The NHS Pension Scheme provides defined benefits, which are summarised below:

Annual Pensions

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

Pensions Indexation

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

Lump Sum Allowance

A lump sum is payable on retirement which is normally three times the annual pension payment.

Ill-Health Retirement

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity.

Death Benefits

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

Additional Voluntary Contributions (AVCs)

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other FSAVC providers.

Transfer between Funds

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

Preserved Benefits

Where a scheme member ceases NHS employment with more than two years service they can preserve their accrued NHS pension for payment when they reach retirement age.

Compensation for Early Retirement

Where a member of the Scheme is made redundant they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

A REVIEW OF THE YEAR

Pensions Review

Work continued on reinstating those members who were mis-sold personal pensions, but the number of cases declined as the industry review nears completion. There were 3,801 reinstatements this year compared to 5,522 in the previous year. The costs for this work are recovered from the personal pension providers through a set of tariff charges.

Part-time staff

The ramifications of the case of Preston and Others -v- Wolverhampton Healthcare NHS Trust, which concerns retrospective access rights for part-time employees, continued to unfold during the year. A series of test cases were heard by the Employment Tribunals to determine entitlements in various circumstances. Some parties to the proceedings have lodged appeals against some of the decisions and a further hearing before the Employment Appeal Tribunal (EAT) is awaited.

Where access has been denied by the Scheme regulations, then there will be no direct cost to employers. Employer contributions will be charged against scheme funds as increased liabilities.

Part-time Mental Health Officers

Following the decision of the Employment Tribunals regarding access to occupational pension schemes for part-time staff, the Agency has continued to identify members and pensioners of the scheme who worked part-time in the area of mental health, and may now have access to special rights.

The Agency continues to review cases on a priority basis. Approximately 5,700 cases were actioned this year with 14,000 still to be reviewed. A completion date of December 2004 is anticipated.

NHS Pensions On-Line

The NHS Pensions On-Line service, which provides access via NHS employers to pensions records for members, was launched for NHS Trusts and Health Authorities towards the end of the last financial year. In April the service was extended to include GP Practices and Direction bodies who have access to

NHSnet. This extension of the service coincided with the launch of on-line electronic forms, which allow employers to submit data electronically instead of completing paper forms.

The NHS Pensions On-Line service provides employers with flexible options to undertake retirement planning with their staff, which is now a key part of the Improving Working Lives standard. 80% of membership data is accessible electronically to members via employers who use the service. At the end of the financial year 75% of employers had registered to use NHS Pensions On-Line.

Links with State Pension Scheme

As reported in the Resource Accounts for 2001-2002, a number of overpayments of pension have arisen in recent years due to delays in the changeover to a new National Insurance Recording System (NIRS). Initially these were primarily in those cases where an individual was in receipt of Incapacity Benefit after State pension age and moved onto retirement pension during the period June 1998 to March 2000. This was due to information about Guaranteed Minimum Pension (GMP) entitlements not being provided to the NHS

Pensions Agency (NHSPA), which would enable the NHSPA to stop indexing GMP and, therefore, avoid double indexation by the NHSPA and the Department of Social Security. This lack of data however now affects a wider number of NHS pensions, and whilst interim data on GMPs has now been provided by the Inland Revenue, and the exercise to correct pension payments continues, overpayments continue to be discovered. In 2002-2003 financial year, overpayments totaling £53,104 (2001-2002: £198,793) have been written off. The write-off of any remaining overpayments arising from this problem will be noted in next year's report.

National Fraud Initiative

In 1998, the Pension Scheme took part in the National Fraud Initiative co-ordinated by the Audit Commission. This initiative allowed the Scheme to submit approved data to the Audit Commission who matched it against other data sources to ensure the payments were still being made to the individual originally entitled to the pension. This exercise was in addition to the Scheme's normal procedure of regularly confirming entitlement with individual pensioners. The exercise identified 305 overpayments, with a value of £1.73m, which represented 0.07% of the annual benefit expenditure of the Scheme (1999-2000). The Scheme has recovered £64,804 (2001-2002: £90,700) during the year and written off £95,000 (2001-2002: £81,800). The recovery of the remainder of the overpayments (£398,700) is being actively pursued. All fraudulent claims from this exercise have been referred to the police for prosecution where appropriate.

In addition the National Fraud Initiative 2000 commenced in November 2000, and once again the Agency took part. The exercise identified 276 overpayments with a value of £509,900, which represented 0.018% of the annual benefit expenditure of the Scheme (2000-2001), and a further 15 overpayments with a value of £31,800 (2002-2003). The Scheme has recovered £27,300 during the year and written off £30,600. The recovery of the remainder of the overpayments £110,200 is being actively pursued. An update on the progress of this and the 1998 exercise will be noted in next year's report.

The Agency participated in a third exercise that took place in November 2002. The exercise identified 124 overpayments with a value of £414,000, which represented 0.013% of the annual benefit expenditure of the Scheme (2002-2003). An update on the progress of this and the previous two exercises will be noted in next year's report.

Pension Increase

The annual pension increase applied for payments after 9 April 2001 was 3.3%. The increase applied for payments after 8 April 2002 was 1.7%. Pensions increase is based upon the rise in the retail price index (RPI) in the 12 month period up to the 30 September preceding the April uprating date.

In-house money purchase AVC provision

The Agency continued to provide a help-line facility for members investing with Equitable Life and received a high level of enquiries well into the first quarter of this year following the bulk transfer of some 11,000 members moving investments with Equitable Life to Prudential and Standard Life. Press articles about Equitable Life continue to prompt member enquiries about the loss of investment on contributions and other issues but the next important development is likely to be the publication of the Penrose Report, expected in Winter 2003.

The NHS Scheme's contract with Equitable Life was due for review on 5 April 2003, and scheme managers together with advisers from Government Actuary's Department met with representatives from Equitable to discuss the future terms. It was agreed that current terms will continue to be available whilst negotiations are ongoing, scheme managers have received firm proposals from Equitable Life, which are being considered.

During the year we have worked closely with AVC and Stakeholder Pension providers Prudential and Standard Life and developed comprehensive administration and publicity material for NHS employers and Scheme Members. Although Equitable Life now attracts little new business, membership totals around 28,000. Membership for other providers continues to grow at around 14,500 but overall take-up is slow.

The investment market in general has not produced high returns for investors and against this background it is not surprising that there is little evidence of a substantial increase in membership of the AVC Scheme, however, new providers are encouraged by the interest expressed.

Post Balance Sheet Events

Publication of Scheme Valuation 1999

The report of the Government Actuary's investigation into the NHS Pension Scheme covering the period 1 April 1994 to 31 March 1999 was published in September of this year, and Ministers have accepted the report's findings.

In his Report, the Government Actuary finds the NHS Pension Scheme continues to operate on a sound financial basis.

Change In Status of the NHS Pensions Agency

The Minister of State for Health has announced that the NHS Pensions Agency is to become a Special Health Authority with effect from 1 April 2004. This decision arises from recommendations made as part of the Quinquennial Review of the Agency and aims to align the management of the service more closely with the NHS. It fits with the policy of the Department of Health to shift the balance of responsibility for service delivery into the NHS and will enable us to develop closer ties to the service.

Scheme Membership

Details of Membership of the Scheme at 31 March 2003 are set out below:

Summary of Contributors

Numbers	31 March 2003	31 March 2002
Nurses, physiotherapists	468,760	445,357
Medical practitioners	46,692	44,644
Dental practitioners	19,195	18,502
Part-time specialists	9,442	9,233
Manual Workers	101,687	100,790
Mental Health Officers	33,122	42,925
Administrative staff	489,811	463,227
Total	1,168,709	1,124,678

Summary of Membership at the end of the Financial Year

	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998
Contributors	1,168,709	1,124,678	1,055,077	996,671	958,879	920,437
Pensioners	488,889	473,380	462,000	450,900	442,694	428,946
Preserved benefits	334,697	304,383	306,343	302,121	290,343	280,652
Total	1,992,295	1,902,441	1,823,420	1,749,692	1,691,916	1,630,035

P Corless
Acting Chief Executive
28 November 2003

MANAGEMENT STRUCTURE AND ADVISERS

Scheme Administrator :

NHS Pensions Agency
Hesketh House
200-220 Broadway
Fleetwood
FY7 8LG

In-house AVC Providers :

(refer to note 20)

Equitable Life Assurance Society
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

Standard Life Assurance Company
Standard Life House
30 Lothian House
Edinburgh
EH1 2DH

Prudential Plc
250 Euston Road
London
NW1 2PQ

Actuary :

Government Actuary's Department
New King's Beam House
22 Upper Ground
London
SE1 9RJ

Auditors :

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

NHS PENSION SCHEME REPORT OF THE ACTUARY FOR THE ACCOUNTING YEAR ENDED 31 MARCH 2003

The Report of the Actuary relates to the NHS Pension Scheme and the funding of the Schemes' future liabilities.

1. Liabilities

The capitalised value as at 31 March 2003 of expected future benefit payments under the NHS Pension Scheme, for benefits accrued in respect of employment or former employment prior to 31 March 2003, has been assessed using the methodology and assumptions set out in sections 3 and 4 below. The results are as follows:

Value of Liabilities	£ billion
Pensions in Payment	28.9
Deferred Pensions	7.8
Active Members (Past Service)	57.9
Total	94.6

2. Accruing Costs

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the balance of the cost of the benefits being met by the employers and the Exchequer. The total cost of benefits accruing in the year 2002-2003 has been assessed, using the methodology and assumptions set out in sections 3 and 4 below, as follows:

	% of Pensionable Pay
Standard Contribution Rate	20.0%
Members' Average Contribution Rate	5.9%
Employers' share of standard cost	14.1%
Actual rate charged to employers for current year	7.0%

The actual rate charged of 7% is less than the standard cost of 14.1%. This is mainly due to the fact that the actual contribution rate excludes the cost of pensions increases in line with the Retail Prices Index, the cost of increases being met by the Exchequer. In relation to the pensionable payroll for the financial year, the employers' actual charges in cash terms were £1.64 billion for the financial year 2002-2003.

3. Methodology

The value of liabilities has been obtained using the projected accrued benefit method with allowance for expected future pay increases in respect of active members. The liabilities and standard contribution rate include pension increases awarded since leaving service for pensioners and deferreds, plus allowance for future pension increases for all categories of member. The standard contribution rate for accruing costs has been determined using the new entrant method.

4. Assumptions

The principal financial assumptions adopted for the pension assessments made in relation to this statement are an investment return in excess of price increases of 3.5% p.a.. (most pension benefits under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 2% p.a. The gross rate of return is assumed to be 7% p.a. although this assumption has only a minor impact on the calculation of the liability. In nominal terms these assumptions are then equivalent to an allowance for increases in salaries of 4.9% p.a. and an allowance for price inflation of 3.4% p.a. The demographic assumptions adopted for the assessments are derived from the specific experience of the membership of the scheme, and other similar large public service pension schemes where some aspect of the experience is not readily available.

5. Notes

- (i) Sections 1 and 2 of this statement are based on the actuarial assessment carried out as at 31 March 1999, with an approximate updating for the subsequent financial years to reflect known changes that have occurred between 1 April 1999 and 31 March 2003, based on the available data. The method assumes that the profile of the membership has remained stable within the period, which may not necessarily be the case, and so the results should be viewed as an indication of the order of magnitude of the liabilities rather than a full actuarial assessment.
- (ii) The actual rate charged to employers for 2002/03 at 7.0% of pay follows the recommendations made at the 1999 assessment.
- (iii) The pension benefits taken into account in this assessment are those normally provided from the rules of the Scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits or premature retirement benefits awarded on redundancy.

C D Daykin CB MA FIA
Government Actuary
London

13 August 2003

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, the Accounting Officer is required to prepare a combined financial statement for the NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme in the form and on the basis determined by HM Treasury.

With the exception of certain transactions (which are accounted for on a cash basis) the combined financial statements are prepared on an accruals basis and must show a true and fair view of the financial transactions of the combined scheme during the year and the disposition, at the end of the financial year, of the combined net liabilities. Note 3, "Accounting Policies", to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the combined net liabilities at the year end.

In preparing these financial statements, the Accounting Officer is required to satisfy herself that:

- Suitable accounting policies have been selected and applied consistently;
- The combined financial statements have been prepared on a going-concern basis, unless it is inappropriate to presume that either of the schemes will continue in operation;
- Reasonable and prudent judgements and estimates have been made;
- Applicable accounting standards have been followed, in accordance with the guidelines set out by HM Treasury, subject to any material departures disclosed in the financial statements.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Schemes' assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

P A Corless
Acting Chief Executive
28 November 2003

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control. This system of internal control supports the achievement of the NHS Pensions Agency's policy in administering the Scheme's policies, aims and objectives, set by the department's Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Agency administers the Scheme, risk and accountability is dealt with for the Scheme through the Agency, and the two overlap and are not handled separately in practice. The Agency is an Executive Agency of the Department of Health and is accountable directly to the Agency's Senior Departmental Sponsor (SDS) in the Department of Health and the Agency's Ministerial Advisory Board (MAB). I provide regular business and financial reports to both the SDS and the MAB. The Agency have an Audit and Risk Management Committee who review and provide advice to me on audit, internal control and risk management issues.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically. This process has been in place since July 2002 and up to the date of approval of the Scheme's resource accounts, and accords with Treasury guidance.

Capacity to handle risk

An Agency Risk Management Policy and Strategy is in place which covers the Scheme as well as the Agency, the Agency's Executive Team has responsibility for ensuring this is delivered effectively. Risk Workshops have been held during the year across the Agency. The Agency's risk guidance is also available on the Agency's Intranet site. The Agency's Risk Manager and Internal Audit are available to provide advice and regularly benchmark the Agency's risk management processes to ensure that good practice is reflected in the Agency's overall risk strategy.

The risk environment

The Agency maintains a Strategic Risk Register where the principal risks of the Scheme and the Agency are actively managed. The register is reviewed by the Executive Team each month when risks and associated actions are evaluated. Strategic Risks are allocated to Executive Team members to manage, they are prioritised and actions are identified to improve management of each risk. The Strategic Risk Management priorities of the Agency during 2002-03 have been:

- Disaster Management
- Financial Management
- Fraud Management
- Contract Management
- Information Security Management

The Agency is committed to managing risks to an acceptable level on all aspects of business activity. The Agency Strategic Risk Register been aligned with the Agency's Business Plans to ensure that all business priorities have been risk assessed.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency. The Audit and Risk Committee have also advised me on the implications of the result of my review of the effectiveness of the system of internal control.

For 2002-03 all Managers across the Agency were formally allocated accountability for risk management and internal control. At the end of 2002-03 all managers signed an assurance statement confirming the adequacy of risk management and internal control in their business area. Our Private Sector Partner has also signed an annual assurance statement, which sets out the processes they have in place to provide assurance over the effectiveness of their risk management and internal control. This statement was quality reviewed by internal audit and the Agency contract management team.

The Agency uses the Department of Health's Internal Audit Unit, which operates to standards within the Government Internal Audit Manual. They submit regular reports, which include independent opinion by the Head of Internal Audit on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement.

Significant internal control problems

The Agency did not have a fully tested business continuity plan (BCP) in place during 2002-03, this has now been addressed and a comprehensive BCP has been developed and will be tested by February 2004. Required improvements in exception reporting did not fully materialise during 2002-03, however an action plan, which addresses the internal control weaknesses, has now been agreed and is being taken forward. The Agency has also experienced weaknesses in the timely allocation of cash receipts for the scheme. The systems operated by our Private Sector Partner are under review and an action plan is being developed to address the risks identified.

P Corless
Acting Chief Executive
28 November 2003

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements on pages 16 to 28 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the accounting policies set out on pages 22 and 23.

Respective responsibilities of the Accounting Officer and auditor

As described on page 11, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made there under and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the Schemes have been paid in accordance with the Schemes' rules and the recommendations of the actuary. I also report if, in my opinion, the Report of the Schemes' Manager is not consistent with the financial statements, if the NHS Pensions Agency has not kept proper accounting records for the Schemes or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 12 and 13 reflects the Agency's compliance with Treasury's guidance "Corporate Governance: Statement on Internal Control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Agency in the preparation of the financial statements and of whether the accounting policies are appropriate to the scheme's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

My opinion takes into account that the present value of unfunded future scheme liabilities are not required to be recognised in the financial statements but are disclosed in the report of the actuary and in the notes to these accounts.

Opinion

In my opinion:

- the financial statements give a true and fair view of the financial transactions of the NHS Pension Scheme and the NHS Compensation for Premature Retirement Scheme for the year ending 31 March 2003, the net income and cash requirement and cash flows for the year and the amount and disposition at that date of its assets and liabilities, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by the Treasury;

- in all material respects:
 - the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them;

 - the contributions payable to the Schemes during the year ended 31 March 2003 have been paid in accordance with the Schemes' rules and the recommendations of the Actuary.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
LONDON SW1W 9SP

Date: 18 December 2003

SCHEDULE 1

Summary of Resource Outturn

for the year ended 31 March 2003

	2002-03						2001-02	
	Estimate			Outturn			Net total outturn compared with estimate saving/ (excess)	Prior year outturn
	Gross Expenditure <u>1</u> £000	A in A <u>2</u> £000	Net Total <u>3</u> £000	Gross Expenditure <u>4</u> £000	A in A <u>5</u> £000	Net Total <u>6</u> £000		
Request for Resource Net Cash Requirement	3,286,922	3,221,452	65,470	3,265,836	3,221,452	44,384	21,086	26,615
			<u>45,750</u>			-	<u>45,750</u>	<u>110,913</u>
Reconciliation of Resources to Cash Requirement		Note	£000's			£000's	£000's	£000's
Net Total Resources		10	<u>65,470</u>			<u>44,384</u>	<u>21,086</u>	<u>26,615</u>
Accruals adjustments:								
Changes in working capital other than cash		21	(19,720)			(97,461)	77,741	76,293
Transfer from provision		15	-			28,138	(28,138)	8,005
Receipts in excess of the net cash requirement payable to the Consolidated Fund			-			<u>24,939</u>	<u>(24,939)</u>	-
Net cash requirement			<u>45,750</u>			-	<u>45,750</u>	<u>110,913</u>

Explanation of the variation between Estimate and Outturn:

The expenditure is within 0.7 per cent of the estimate, and does not require explanation.

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

The level of cash receipts was higher than forecast, and were received ahead of profile in March.

Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Scheme and is payable to the Consolidated Fund (cash receipts are shown in italics)

	2002-03 Forecast		2002-03 Outturn	
	<u>Income</u>	<u>Receipts</u>	<u>Income</u>	<u>Receipts</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Contributions receivable not Classified as Appropriations in Aid Other CFERs	100,000	100,000	177,730	177,730
	250	250	451	451
Transitional Adjustment (see Note 14)	-	-	(53,062)	(53,062)
TOTAL	<u>100,250</u>	<u>100,250</u>	<u>125,119</u>	<u>125,119</u>

Explanation of the variance between forecast and outturn:

The continued increase in the rate of growth in the NHS Scheme membership has had a direct impact on contributions paid into the Scheme.

Additional outturn - Resources:

Request for Resources 1: Actual amount net resource outturn £44,383,321.90. Actual amount of savings in resources over Estimate £21,086,678.10.

Actual outturn – cash:

Net Cash requirement: Outturn net requirement £0.00 which is £45,750,000.00 less than estimate.
The actual receipts surrenderable to the Consolidated Fund is £125,118,792.75.

The notes on pages 21-28 form part of these accounts.

SCHEDULE 2

Combined Revenue Account
for the year ended 31 March 2003

	Note	<u>2002-03</u> £000	<u>2001-02</u> £000
Contributions and Benefits			
Contributions receivable	4	3,185,853	3,043,534
Transfers from other schemes	5	<u>188,390</u>	<u>195,883</u>
Total income		<u>3,374,243</u>	<u>3,239,417</u>
Benefits payable	6	3,124,212	2,964,701
Payments to and on behalf of leavers	7	<u>141,624</u>	<u>130,269</u>
Total expenditure		<u>3,265,836</u>	<u>3,094,970</u>
Net (income)/outgoings for the year	10	<u>(108,407)</u>	<u>(144,447)</u>

The notes on pages 21 to 28 form part of these accounts.

SCHEDULE 3

Combined Balance Sheet
as at 31 March 2003

		31 March 2003	31 March 2002
	Note	<u>£000</u>	<u>£000</u>
Current Assets and Liabilities			
Cash at bank		170,869	240,512
Debtors			
Contributions due in respect of pensions	11	219,213	216,241
Contributions due from employers in respect of premature retirements	12	<u>740,235</u>	<u>804,099</u>
		1,130,317	1,260,852
Creditors: amounts falling due within 12 months			
Pensions	13	76,079	39,510
Amounts to be repaid to the Consolidated Fund	14	170,869	171,589
Net current assets		<u>883,369</u>	<u>1,049,753</u>
Provisions for liabilities and charges	15	<u>1,022,372</u>	<u>1,050,510</u>
Net (liabilities)/assets		<u>(139,003)</u>	<u>(757)</u>
Financed by:			
Revenue Account			
Balance brought forward		(757)	62,834
Combined net income/(outgoings) for the year		108,407	144,447
Payment to Consolidated Fund		(121,985)	(269,874)
Amounts to be repaid to the Consolidated Fund	14	(170,418)	(171,062)
Financing from the Consolidated Fund		<u>45,750</u>	<u>232,898</u>
Balance carried forward		<u>(139,003)</u>	<u>(757)</u>

P A Corless
Acting Chief Executive
28 November 2003

The notes on pages 21 to 28 form part of these accounts.

SCHEDULE 4

Cash Flow Statement

for the year ended 31 March 2003

		<u>2002-03</u>	<u>2001-02</u>
	Note	£000	£000
Net cash inflow from operating activities (note A)		177,730	60,149
Receipts due to the Consolidated Fund		451	527
Payments of amounts due to the Consolidated Fund		(293,574)	(269,874)
Financing (note B)		<u>45,750</u>	<u>232,898</u>
(Decrease)/ Increase in cash in period		<u>(69,643)</u>	<u>23,700</u>
Note A – Reconciliation of Net income to operating cash flows		<u>2002-03</u>	<u>2001-02</u>
		£000	£000
Net income for the year (Schedule 2)		108,407	144,447
Adjustments for movements in non-cash working capital	21	97,461	(76,293)
Adjustments for movements in provisions	15	<u>(28,138)</u>	<u>(8,005)</u>
Net cash inflow from operating activities		<u>177,730</u>	<u>60,149</u>
Note B – Analysis of financing, and reconciliation to the net cash requirement		<u>2002-03</u>	<u>2001-02</u>
		£000	£000
From the Consolidated Fund (Supply) – current year		<u>45,750</u>	<u>232,898</u>
Net Financing		45,750	232,898
Decrease/(Increase) in cash during the period		<u>69,643</u>	<u>(23,700)</u>
Net cash flows other than financing		<u>115,393</u>	<u>209,198</u>
Adjustments for payments and receipts not relating to supply:			
Cash Repayment to the Consolidated Fund of Supply over issued in a prior year		(121,985)	-
Amounts due to the Consolidated Fund – received in a prior year and paid over – Excess Appropriations in Aid relating to prior year		(171,589)	(269,874)
Amounts due to the Consolidated Fund – received and not paid over		<u>178,181</u>	<u>171,589</u>
Net cash requirement (Schedule 1)		<u>-</u>	<u>110,913</u>

The notes on pages 21 to 28 form part of these accounts.

Notes to the Accounts

1. The NHS Pension Scheme

1.1 The NHS Pension Scheme is an unfunded defined benefits scheme. A full actuarial valuation of the Scheme was carried out as at 31 March 1999. The Report of the Actuary is set out on pages 9 and 10. This has been updated to 31 March 2003 by the Government Actuary. The major assumptions used by the actuary to the scheme were:

	At 31 March 2003	At 31 March 2002
Rate of Investment Return net of salary increase	2.0%	2.0%
Rate of Investment Return net of price increase	3.5%	3.5%

1.2 Most pension benefits under the Scheme are increased in line with inflation. In accordance with the Resource Accounting Manual, the scheme liability has been discounted at the above rates.

1.3 The present value of scheme liabilities at 31 March 2003 was £94.6 billion.

1.4 During the year ended 31 March 2003 employer contributions were 7% of pensionable pay, but the rate did not include the cost of pension indexation funded directly by Treasury. In November 2002 Ministers announced the transfer of indexation costs to the Scheme costs with a commensurate increase in the Department's baseline. NHS employers will be charged 14% from April 2004.

1.5 Movements in scheme liability during the year

		<u>£bn</u>
Scheme Liability at 1 April 2002		86.80
Current Service Cost	4.81	
Past Service Cost	-	
Interest on pension scheme liability	4.48	
	<u>9.29</u>	
Benefits payable	(3.13)	
Pension payments to and on account of leavers	<u>(0.16)</u>	
		(3.29)
Pension transfers in and added years		0.47
Actuarial Loss		<u>1.34</u>
Scheme Liability at 31 March 2003		<u>94.61</u>
Analysis of actuarial loss		<u>2002-2003</u>
		<u>£bn</u>
Experience (gains) and losses arising on Scheme liabilities		1.34
Changes in assumptions underlying the present value of Scheme liabilities		<u>-</u>
		<u>1.34</u>
Experience gains and losses		<u>2002-2003</u>
Experience losses arising on the Scheme liabilities:		
amount (£bn)		1.34
percentage of the present value of the Scheme liabilities		1.4%
Total actuarial loss:		
amount (£bn)		1.34
percentage of the present value of the Scheme liabilities		<u>1.4%</u>

2. Basis of Preparation

The combined scheme financial statements have been prepared in accordance with the relevant provisions of the Resource Accounting Manual for 2002-2003 issued by the Treasury, which are based on the recommendations of the Statement of Recommended Practice "Financial Reports of Pension Schemes".

The combined scheme financial statements summarise the transactions of the National Health Service Pension Scheme and the National Health Service (Compensation for premature retirement) Scheme. They do not take account of obligations to pay pensions, which fall due after the end of the current financial year. The actuarial position of the pension scheme, which does take account of pension obligations, is dealt with in the Report of the Actuary on pages 9 and 10 of the annual accounts and the combined scheme financial statements should be read in conjunction with that report.

However, full recognition is made of the obligation of the compensation scheme to provide compensation benefits to former employees until they reach normal retirement age. These amounts are recoverable from employers and the full amount recoverable is included in the financial period when the early retirement liability arises.

The accounting policies adopted are described below. They have been applied consistently in dealing with items that are considered material in relation to the combined financial statements.

3. Accounting policies

Contributions

Contributions represent those amounts receivable from employing authorities in respect of their own and their pensionable employees' contributions. Employers' contributions are determined by the Actuary at the periodic valuation of the fund's liabilities. The latest valuation was carried out at 31 March 1999 and the employer contribution rate was 7% throughout the financial year.

Special pension contributions, including those in respect of premature retirements, are accounted for in accordance with the agreement under which they are paid.

Where employers pay special contributions in respect of premature retirement costs on a quarterly basis the full amount of the anticipated future contributions receivable over the expected lifetime of the member is included in the financial statements in the year of retirement.

Contributions have been brought into the financial statements in the same period as the payroll to which they relate.

Additional Voluntary Contributions

Where Scheme members make additional voluntary contributions (AVCs) to secure additional pension benefits through the Scheme's approved suppliers these were directly invested through individual contracts with those suppliers. These additional contributions are not included in these financial statements but are shown separately in Note 9 to the financial statements. Please refer to Note 20 for further information on Scheme AVC providers.

Where Scheme members make Free Standing AVC payments these are paid direct to the supplier by the member and are not included in these financial statements.

Actuarial Valuation

The financial statements summarise the transactions of the Scheme, they do not take account of future liabilities to pay pensions and other benefits, but do include future liabilities in respect of early retirement costs and the future contributions due from employers to fund these liabilities.

The Actuary carries out valuations of the Scheme's liabilities every five years. The last valuation was undertaken as at 31 March 1999. A summary of the Actuary's assessment of future Scheme liabilities is shown in the Report of the Actuary on pages 9 and 10.

Benefits and Refunds of Contributions

Benefits payable and refunds of contributions have been brought into the financial statements on the basis of all valid claims approved during the year and represent amounts due in the financial year.

Where members receive employer funded premature retirement benefits the full amount of the anticipated future benefits payable to the member over their expected lifetime is included in the financial statements in the year of retirement.

Where a member of the pension scheme has the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for on a cash basis.

Transfer Values

Transfer values are those sums paid by or received from other pension schemes and relate to previous periods of pensionable employment. Transfer values have been included in the financial statements in the period in which the sums were paid by or received from other pension schemes. However, where there is an agreed transfer of a material liability in advance of the transfer of funds, the transfer value is included in accordance with the terms of the agreement.

4. Contributions receivable

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Employers'		
Normal	1,632,536	1,504,273
In respect of early retirements	43,607	167,003
Employees'		
Normal	<u>1,509,710</u>	<u>1,372,258</u>
	<u>3,185,853</u>	<u>3,043,534</u>

5. Transfers in

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Individual transfers in from other schemes	<u>188,390</u>	<u>195,883</u>

6. Benefits payable

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Pensions to retired employees and dependants	2,306,515	2,159,670
Lump sum retirement benefits	474,949	441,749
Early retirement benefits	<u>342,748</u>	<u>363,282</u>
	<u>3,124,212</u>	<u>2,964,701</u>

Benefits payable include indexation totalling £630,192,018 (2001-2002 : £625,046,307), which were funded by the Exchequer. As noted in the Report of the Manager, in November 2002 Ministers announced the transfer of indexation costs to the Scheme costs with a commensurate increase in the Department's baseline. NHS employers will be charged 14% from April 2004.

7. Payments to and on behalf of leavers

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Refunds to members leaving service	14,878	10,621
Payments for members joining the State Scheme	16,485	818
Individual transfers to other schemes	<u>110,261</u>	<u>118,830</u>
	<u>141,624</u>	<u>130,269</u>

8. Administration Expenses

The costs of administering the NHS Pension Scheme, including the costs of the external audit of this resource account, are borne by the Department of Health.

9. Additional Voluntary Contributions

The NHS Pension Scheme provides for employees to make additional voluntary contributions (AVCs) to increase their pension entitlement or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment direct to the approved provider, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contributions Schemes. The NHS employers are responsible for payments made to the Scheme's approved provider. Members participating in this arrangement receive an annual statement from the approved provider made up to 5 April each year confirming the amounts held in their account and the movements in the year.

Members have a choice of funds in which their AVCs can be invested and the aggregate amounts of AVC investments were as follows:

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
The Equitable Life Assurance Society (ELAS)		
Movements in the year were as follows:		
Balance at 6 April	116,688	171,376
New investments	4,944	20,037
Sale of investments to provide pension benefits	(11,854)	(63,521)
Changes in market value of investments	<u>(4,918)</u>	<u>(11,204)</u>
Balance at 5 April	<u>104,860</u>	<u>116,688</u>

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Standard Life Assurance Company (appointed 8 October 2001)		
Movements in the year were as follows:		
Balance at 6 April	43,147	-
New investments	10,477	41,891
Sale of investments to provide pension benefits	(488)	(34)
Changes in market value of investments	<u>(9,062)</u>	<u>1,290</u>
Balance at 5 April	<u>44,074</u>	<u>43,147</u>

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Prudential Plc (appointed 8 October 2001)		
Movements in the year were as follows:		
Balance at 1 April	15,159	-
New investments	4,866	14,682
Sale of investments to provide pension benefits	(1,217)	(240)
Changes in market value of investments	(2,989)	717
Balance at 31 March	<u>15,819</u>	<u>15,159</u>

10. Reconciliation of net outgoings for the year to control total and net resource outturn

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Net (income) (Schedule 2)	(108,407)	(144,447)
Add income scored as CFERs	152,791	171,062
Net Resource Outturn (Schedule 1)	<u>44,384</u>	<u>26,615</u>

11. Debtors – Contributions due in respect of pensions

Employers are responsible for the payment to the Pension Scheme of both Employer and Employee contributions. Contributions should be paid over by the Employing Body by the 19th day of the month, for contributions relating to the previous months payrolls.

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Employer Contributions	113,556	112,931
Employee Contributions	105,657	103,310
	<u>219,213</u>	<u>216,241</u>

12. Debtors – Contributions due from employers in respect of premature retirements

Compensation benefits paid to former employees in respect of premature retirements are recoverable from employers. The gross amount receivable from employers at the year end represents the unpaid element of the projected amount due over the expected future lifetime of the member.

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Amounts receivable within 12 months	117,609	113,910
Amounts receivable after 12 months	622,626	690,189
	<u>740,235</u>	<u>804,099</u>

13. Creditors: Pensions amounts falling due within 12 months

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Pension benefits payable	10,844	10,211
Lump sums payable	35,957	29,299
Inland Revenue	29,278	-
	<u>76,079</u>	<u>39,510</u>

14. Creditors: Amounts to be repaid to the Consolidated Fund

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Appropriations in Aid realised (Schedule 2)	3,374,243	3,239,417
Less: appropriations in aid authorised (Schedule 1)	(3,221,452)	(3,068,355)
Income not appropriated in aid, payable to the Consolidated Fund	152,791	171,062
Amounts issued from Consolidated Fund for Supply but not spent in year	45,750	-
Receipts in excess of the net cash requirement payable to the Consolidated Fund	24,939	-
Transitional Adjustment *	(53,062)	-
	<u>170,418</u>	<u>171,062</u>
Other amounts not classified to be Appropriated in Aid, due to the Consolidated Fund	451	527
	<u>170,869</u>	<u>171,589</u>

Transitional Adjustment *

The transitional adjustment of £53,061,023.27 affecting the amount to be surrendered to the Consolidated Fund relates to prior year supply funding, and the move from cash to resource accounting for supply which was implemented in 2001-02. The adjustment relates to an excess vote and debtor in the Scheme which were not included in subsequent Supply Estimates after the transition.

15. Provisions for liabilities and charges

	<u>2002-03</u>	<u>2001-02</u>
	£000	£000
Early Retirement Provision		
Balance at 1 April	1,050,510	1,058,515
Movement in provision	(28,138)	(8,005)
Balance at 31 March	<u>1,022,372</u>	<u>1,050,510</u>

16. Contingent liabilities

The Department of Health guarantees the pension payments in the event of a default by the approved AVC provider. Therefore there is a maximum contingent liability of the full balance of AVC investments at 31 March 2003 as shown in Note 9. The Department of Health does not guarantee pension payments from other Free Standing AVC providers.

In last year's account, a contingent liability was noted arising from the impact of a review of the pension entitlements of NHS Pension Scheme members affected by recent European Court of Justice rulings on the rights of access to occupational pension schemes of part-time employees, and discriminatory practice against part-time employees working in mental health care. At that time the Scheme was awaiting the outcome of further legal review by the House of Lords, which would decide the scale of these reviews.

The decision of the Employment Tribunal relating to the test cases regarding access to occupational pension schemes for part-time staff was promulgated on 5 August 2002, but the proceedings may be subject to appeal on points of law. The Agency cannot indicate how cases are likely to proceed, in the meantime, all health sector cases will remain stayed.

A further Directions Hearing took place on 1 October 2002 to identify any additional test cases issues. Where access has been denied by the Scheme regulations, then there will be no direct cost to employers. Employer contributions will be charged against scheme funds as increased liabilities. Where the Scheme regulations did not deny access, the cost of defending these particular cases and the cost of backdating may fall directly to the employer.

Following the decision by the European Court of Justice (ECJ) regarding access to occupational pension schemes for part-time staff the Agency has continued its work to identify members and pensioners of the scheme who worked part-time in the area of mental health and may now have access to special rights. Following the decision of the Employment Tribunals, the Agency continues to review cases on a priority basis. Approximately 5,700 cases were actioned this year with 14,000 still to be reviewed. A completion date of December 2004 is anticipated.

17. Related Party Transactions

The National Health Service Pension Scheme and the National Health Service (Compensation for premature retirement) Scheme fall within the ambit of the Department of Health, which is regarded as a related party. During the year, the Schemes have had material transactions with NHS employers, and other government departments, whose employees are members of the Schemes. None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions with the Schemes during the year.

18. Links with the State Pension Scheme and the National Fraud Initiative

As reported in the Resource Accounts for 2001-2002, a number of overpayments of pension have arisen in recent years due to delays in the changeover to a new National Insurance Recording System (NIRS). Initially these were primarily in those cases where an individual was in receipt of Incapacity Benefit and State pension age and moved onto retirement pension during the period June 1998 to March 2000. This was due to information about Guaranteed Minimum Pension (GMP) entitlements not being provided to the NHS Pensions Agency (NHSPA), which would enable the NHSPA to stop indexing GMP and, therefore, avoid double indexation by the NHSPA and the Department of Social Security. This lack of data however now affects a wider number of NHS pensions, and whilst interim data on GMPs has now been provided by the Inland Revenue, and the exercise to correct pension payments continues, overpayments continue to be discovered. In 2002-2003 financial year, overpayments totaling £53,104 (2001-2002: £198,793) have been written off. The write-off of any remaining overpayments arising from this problem will be noted in next year's report.

In 1998, the Pension Scheme took part in the National Fraud Initiative co-ordinated by the Audit Commission. This initiative allowed the Scheme to submit approved data to the Audit Commission who matched it against other data sources to ensure the payments were still being made to the individual originally entitled to the pension. This exercise was in addition to the Scheme's normal procedure of regularly confirming entitlement with individual pensioners. The exercise identified 305 overpayments, with a value of £1.73m, which represented 0.07% of the annual benefit expenditure of the Scheme (1999-2000). The Scheme has recovered £64,804 (2001-2002: £90,700) during the year and written off £95,000 (2001-2002: £81,800). The recovery of the remainder of the overpayments (£398,700) is being actively pursued. All fraudulent claims from this exercise have been referred to the police for prosecution where appropriate.

In addition the National Fraud Initiative 2000 commenced in November 2000, and once again the Agency took part. The exercise identified 276 overpayments with a value of £509,900, which represented 0.018% of the annual benefit expenditure of the Scheme (2000-2001), and a further 15 overpayments with a value of £31,800 (2002-2003). The Scheme has recovered £27,300 during the year and written off £30,600. The recovery of the remainder of the overpayments £110,200 is being actively pursued. An update on the progress of this and the 1998 exercise will be noted in next year's report.

The Agency participated in a third exercise that took place in November 2002. The exercise identified 124 overpayments with a value of £414,000, which represented 0.013% of the annual benefit expenditure of the Scheme (2002-2003). An update on the progress of this and the previous two exercises will be noted in next year's report.

19. Losses

During the year, losses arose in 1,444 cases (2001-02; 3,648 cases). The total loss was £316,466 (2001-02; £533,205). These figures include write-offs in respect of the cases highlighted in note 18.

20. In-house money purchase AVC provision

The Agency continued to provide a help-line facility for members investing with Equitable Life and received a high level of enquiries well into the first quarter of this year following the bulk transfer of some 11,000 members moving investments with Equitable Life to Prudential and Standard Life. Press articles about Equitable Life continue to prompt member enquiries about the loss of investment on contributions and other issues but the next important development is likely to be the publication of the Penrose Report, expected in Winter 2003.

The NHS Scheme's contract with Equitable Life was due for review on 5 April 2003, and scheme managers together with advisers from Government Actuary's Department met with representatives from Equitable to discuss future terms. It was agreed that current terms will continue to be available whilst negotiations are ongoing, scheme managers have received firm proposals from Equitable Life, which are being considered.

During the year we have worked closely with AVC and Stakeholder Pension providers Prudential and Standard Life and developed comprehensive administration and publicity material for NHS employers and Scheme Members. Although Equitable Life now attracts little new business, membership totals around 28,000. Membership for other providers continues to grow at around 14,500 but overall take-up is slow.

The investment market in general has not produced high returns for investors and against this background it is not surprising that there is little evidence of a substantial increase in membership of the AVC Scheme, however, new providers are encouraged by the interest expressed.

21. Movements in working capital other than cash (see Schedules 1 and 4)

	<u>2002-03</u>	<u>2001-02</u>
	<u>£000</u>	<u>£000</u>
Movement in debtors – contributions due in respect of pensions (Note 11)	2,972	44,751
Movement in debtors – contributions due from employers in respect of premature retirements (Note 12)	(63,864)	(3,011)
Movement in creditors falling due within 12 months – pensions (Note 13)	(36,569)	34,553
	<u>(97,461)</u>	<u>76,293</u>

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline Lo-call 0845 7 023474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-292702-2



9 780102 927023