Cabinet Office: Civil Superannuation

Accounts
2015-16

HC 366

Cabinet Office: Civil Superannuation

Accounts
2015-16
(For the year ended 31 March 2016)

Presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 30th January 2017

HC 366

This publication is available at www.gov.uk/government/publications.

Any enquiries regarding this publication should be sent to pscorrespondence@cabinetoffice.gsi.gov.uk.

Print ISBN 9781474139915
Web ISBN 9781474139922

ID 12011701 01/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Report of the Manager

Introduction

The Civil Service Pension arrangements comprise the Principal Civil Service Pension Scheme and the Civil Servants and Others Pension Scheme (CSOPS). Both are unfunded, defined benefit, contributory, public service occupational pension schemes. In this document the term 'Scheme' covers both arrangements.

Scheme overview and benefits

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS was originally set up under the Superannuation Act 1972. It comprises four pension arrangements and is closed to new members.

Before 30 July 2007, anyone employed by an employer covered by the PCSPS would have been eligible to join one of three final salary arrangements. These were known as Classic, Classic plus and Premium. All had a normal retirement age of 60.

From 30 July 2007, eligible staff were offered membership of Nuvos, a career average pension with a normal retirement age of 65.

Arrangement	Open from	Accrual rate
Classic	1 June 1972 – 30 September 2002	1/80th of final salary
Classic plus	1 October 2002 (Existing members only; never open to new members)	1/80th of final salary (past service) 1/60th of final salary (future service)
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 the Consumer Price Index (CPI)

PCSPS benefits are determined in accordance with the Scheme rules with benefits in payment uprated every year in line with the provisions of the Pensions (Increase) Act 1971. Lump sum retirement benefits are payable automatically in Classic and optional in other sections in return for commutation of pension.

Civil Servants and Others Pension Scheme (CSOPS)

CSOPS is usually referred to as Alpha and was introduced on 1 April 2015. 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 HM Treasury. Alpha's normal retirement age is the same as the state retirement age unless members have specific protections.

Other benefits

All sections of the Scheme have provision for death and medical retirement benefits. Anyone entitled to be covered by the Scheme is also covered by the Civil Service Injury Benefit Scheme in the event of sustaining an injury at work.

Other pension arrangements

Money purchase pensions known as ‘partnership’ are available as an alternative for employees joining on or after 1 October 2002 and are delivered through employer-sponsored stakeholder pensions from a choice of pension providers.

Eligibility

Normally, anyone employed in a public sector organisation covered by the Scheme can join. Since October 2013, private sector employers who have taken on functions formerly carried out in the public sector may apply to join the Scheme under the New Fair Deal. Their admission is restricted to employees taken on as a result of the transfer of work. These employees can only remain Scheme members while they continue to be employed principally on the work they carried out while employed in the public sector.

As at 31 October 2016, the Scheme had 342 employers including 238 public sector organisations (departments, non-departmental public bodies and government agencies) and 104 private sector employers.

Funding

The Scheme is unfunded and the cash required to meet the payment of pension benefits is met from employer and employee contributions with any shortfall funded by the Exchequer.

The contributions due from employers and employees to fund future service liabilities are set by the Actuary at the four-yearly Scheme valuation. These have been adjusted to take account of the move to Alpha. Unlike many other schemes, the employer/employee split is not fixed. However, a cost-capping mechanism is in place to prevent the employer cost becoming disproportionate to the employee cost. There is a discussion of contribution rates in the Report of the Actuary (paragraph 16, page 13).

Management of the Scheme

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 is the Accounting Officer of the Scheme.

The Cabinet Office is ultimately responsible for ensuring the Scheme operates effectively. Day-to-day administration is mainly carried out by MyCSP Ltd under a contract with the Cabinet Office. Other key responsibilities sit with member employers. These relationships are discussed in more detail below.

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 frameworks are in place
- certain discretionary decisions on behalf of the Minister for the Civil Service
- Scheme finances, including the production of the annual Account.

Cabinet Office and MyCSP

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

Under the contract, MyCSP is responsible for:

- providing administration for active, deferred and pensioner Scheme members, including paying pensions

- maintaining accurate and secure records on a single database 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
- 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 HMRC
- operating a payroll bank account
- producing financial and management reports.

Cabinet Office and Scheme employers

The Cabinet Office has in place participation agreements with all public sector employers and contracts with private sector employers that have active members of 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 on pension issues
- paying the correct employers' and employees' pension contributions to the Cabinet Office.

Civil Service Compensation Scheme (CSCS)

MyCSP, under contract to the Cabinet Office, acts as an agent for employers in the calculation and payment of compensation benefits arising under the CSCS. Employers then reimburse the Cabinet Office: Civil Superannuation vote. These cash flows are not brought to account in these financial statements. Details of the total amounts paid under the CSCS are in Note 13.2.

All exit schemes under the CSCS are approved by the Cabinet Office.

Governance

The governance arrangements for the Scheme are detailed in the accompanying Governance Statement beginning on page 17.

Developments within the Scheme

Rule changes

The new career average pension scheme, Alpha, came into effect on 1 April 2015. All new joiners and members without protection to remain in their existing scheme moved to Alpha for future accrual of pension benefits.

Contribution changes

Contribution rates were amended from April 2015. The new member rates were set to raise the same level of contributions that the 2014–15 member contribution rates would have raised if they had continued to be used. The same contribution structure now applies across all schemes, and is tiered according to the level of a member's actual salary.

The consequence of the changes is that current and former Classic members generally pay a higher contribution rate than they paid in 2014–15, and members of the other schemes pay a lower contribution rate.

Benefit changes

Pension payments increased by 1.2% from 7 April 2015, in line with the movement in the CPI from September 2013 to September 2014.

Partnership death and ill-health schemes

Partnership members are provided with death and ill-health benefits. These benefits were previously provided by standalone schemes made under the Superannuation Act 1972. The Public Service Pensions Act 2013 automatically closed these schemes on 31 March 2015.

Replacement arrangements were established by adding Schedules to the Public Service (Civil Servants and Others) Pensions Regulations 2014, which came into effect on 1 April 2015. The new arrangements deliver very similar benefits to the schemes they replaced.

Membership

Key membership data is set out in the table below.

Membership of the Scheme at 31 March:				**Movements**
	2016		**2015**	
Active members*	480,000		493,000	(13,000)/(2.6%)
Deferred members	355,000		341,000	14,000/4.1%
Pensions in payment:				
Total number of pensioners	648,000		639,000	
Adjustment			(3,000)	
Restated total number of pensioners	648,000		636,000	12,000/1.9%
Annual compensation payments (and other ongoing payments) for which employers are responsible			6,800	(2,000)/(29.4%)
Staff opting for partnership pension arrangements	5,100		7,700	(2,600)/(33.8%)

* The approximate split of active membership at 31 March 2016 was 63% Alpha, 25% Classic, 1% Classic plus, 7% Premium, 3% Nuvos and 1% partnership.

Financial position

Resource outturn

Net expenditure in 2015–16 was £8,092 million (2014–15: £9,120 million). Although a combination of factors contributed to this decrease, the main reason was a notable reduction in the interest charge to £6,830 million (2014–15: £7,661 million) due to a small rise in the discount rate used by the Scheme Actuary to calculate Scheme liabilities. The outturn was £289 million lower than voted funds of £8,381 million.

Net cash requirement

The net cash requirement in 2015–16 was £2,245 million (2014–15: £1,509 million). The increase was caused by several factors including a sharp drop in transfers from other schemes to £183 million (2014–15 £801 million) and a rise in lump sum payments, including commutations of pension on retirement, to £859 million (2014–15: £593 million). The net cash requirement was £15 million less than voted.

Scheme liability

The total liability for future pension benefits was £187,329 million at 31 March 2016 compared with £194,838 million at 31 March 2015.

The £7,509 million decrease is mainly due to an actuarial gain of £13,184 million (£3,830 million due to changes in the mortality assumptions, £2,490 million due to the small change in the discount rate, £1,870 million due to the reduction in the liability relating to deferred members and £4,994 million due to changes in Scheme experience) and £5,675 million relating to current net additions to the liability. See Note 19.4 for an analysis of the movement on the liability.

The total amount of employee contributions received in 2015–16 was £781.3 million (2014–15: £791.2 million). The decrease of £9.9 million arose due to changes in the number of employees, salary structure and contribution rates.

Administration charges

The total cost of administration and management of the Civil Service pension arrangements during the year was £54.0 million. This can be broken down as follows:

Central management	£1.7m
Administration	£52.3m
Total	£54.0m

Of this, £38 million has been met centrally from a 'levy' on employer pension contributions, with employers meeting the balance of £16 million directly. This arrangement has been in place since 2010 and was only ever considered to be transitional. Despite the passage of time, this remains the case and the Cabinet Office will ask the Government Actuary to consider an appropriate levy to cover all Scheme administration costs as part of the next Scheme valuation.

National Fraud Initiative (NFI)

NFI is a biennial IT data-matching exercise coordinated by the Cabinet Office involving organisations within central and local government working together to identify and eliminate fraud and overpayments. Work commenced on the NFI 2014 report in April 2014 and it was the ninth exercise in which the Cabinet Office had participated. The Cabinet Office identified approximately 1,116 potential overpayments of approximately £2.6 million in total. All cases have been contacted and £1.6 million has been recovered. During 2015–16, outstanding debts arising from the NFI 2012 exercise were reduced to £330,000, which are being recovered.

Events after the reporting period

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. In the period since the referendum, yields on high-quality corporate bonds have fallen significantly. If the lower yields were to be sustained, there would be a resulting increase in the reported liability. Sensitivity analysis around the key financial assumptions underpinning the actuarial valuation of the Scheme liabilities that may be affected by this decision can be found on pages 14–15.

Looking forward

Following a period of consultation about reforms to the CSCS and discussions with the unions, amendments to the Scheme came into effect on 9 November 2016. The new terms strike a balance in achieving savings, while continuing to provide a good level of financial support for staff as they move into new employment or retirement.

Annual benefit statements were produced for all Alpha members by 31 August 2016 and non-Alpha members by 31 December 2016.

Work on the Guaranteed Minimum Pension reconciliation exercise, required as a result of the end of Contracting Out in 2016, has commenced. We have provided information to HMRC to obtain the relevant data; however, the timescales experienced are significantly higher than HMRC originally indicated, and we are working with the department to speed up the process.

Government Actuary's Department's (GAD's) initial assessment of the impact on the Scheme liability for the transitional indexation protection associated with this change is £100 million and has been treated as a past service cost within this year's Accounts.

In 2016–17, we will also start procurement exercises for a new Scheme medical adviser and a single provider for the Civil Service Additional Voluntary Contribution Scheme (CSAVCS).

Additional information for members

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

CSAVCS allows Scheme members to increase their benefits by contributing to defined contribution arrangements. MyCSP continues to exercise its duty of care towards members by monitoring the CSAVCS providers, working with the Scheme's professional advisers, Aon Hewitt Ltd.

Members who choose to contribute to CSAVCS build up a fund which they have traditionally used to buy an annuity. The March 2014 Budget included a number of changes and proposed changes regarding how individuals can access and use their defined contribution pension pots. The rules of the Additional Voluntary Contribution (AVC) scheme have been amended to permit complete flexibility. The options offered to members depend on what each individual provider permits, and it may be necessary for members to transfer to alternative arrangements within the same provider or to another provider to access all types of flexibility.

Managers, advisers, auditors and bankers

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

Accounting Officer:	John Manzoni, 1 Horse Guards Road, London SW1A 2HQ
Scheme Manager:	Civil Service Pensions, Cabinet Office, 1 Horse Guards Road, London SW1A 2HQ

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 Assured, PO Box 10426, Hinkley LE10 9FL
Money Purchase:	Aon Hewitt Financial Services Ltd, 10 Devonshire Square, London EC2 4YP

Auditors:

External Auditors:	Comptroller and Auditor General, 157–197 Buckingham Palace Road, London SW1W 9SP
Internal Auditors:	Government Internal Audit Agency, 1 Horse Guards Road, London SW1A 2HQ
Bankers:	Citibank, 7 Floor, 51137, PO Box 4365, Cardiff CF14 8JH
	RBS, 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

John Manzoni
Accounting Officer
Cabinet Office

24 January 2017

Report of the Actuary

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Cabinet Office. It summarises the pensions disclosures required for the 2015-16 Accounts of the Civil Service pension schemes (PCSPS and CSOPS).

2. The Civil Service schemes are final salary and/or career average salary defined benefit schemes. The Civil Service schemes are wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2016 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012 and implied salaries in the year between 1 April 2015 and 31 March 2016, used to prepare this statement.

Table A – Active members

31 March 2012 membership data			2015-16 accounts
Number (thousands)	Total salaries* (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by receipts (£ billion)
532	15.0	3.0	13.0

* Full-time equivalent salary roll as at 31 March 2012

Table B – Deferred members

31 March 2012 membership data	
Number (thousands)	Total deferred pension* (pa) (£ billion)
377	1.31

* includes pension increase due in April 2012.

Table C – Pensions in payment

31 March 2012 membership data		2015-16 accounts
Number (thousands)	Total pension* (pa) (£ billion)	Total pension (pa) (£ billion)
610	4.42	5.06

* includes pension increase due in April 2012.

5. Cabinet Office and the scheme administrators have recently undertaken a data reconciliation exercise which raised some questions about the accuracy of the deferred membership data as at 31 March 2012 which has been used to prepare this statement. Based on this work, Cabinet Office have concluded that the deferred membership data as at 31 March 2012 which was provided to GAD, is likely to have overstated the number of deferred members by around 20,000. The actuarial liability as at 31 March 2016 has been calculated using the membership data as at 31 March 2012 but an adjustment has been made to remove these extra 20,000 deferred members.

Methodology

6. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal assumptions applying to the 2015-16 Accounts. The contribution rate for accruing costs in the year ended 31 March 2016 was determined using the PUCM and the principal assumptions applying to the 2014-15 Accounts.

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

Principal financial assumptions

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

Table D1 – Principal financial assumptions

Assumption	31 March 2016	31 March 2015
Rate of return (discount rate)	3.60%	3.55%
Rate of earnings increases*	4.20%	4.20%
Rate of future pension increases	2.20%	2.20%
Rate of return in excess of:		
Pension increases (CPI)	1.37%	1.30%
Earnings increases	-0.60%	-0.65%
Expected return on assets:	n/a	n/a

* short term adjustments have been made to this assumption for the period to 2020

Table D2 - Rate of salary growth assumed for the period from 1 April 2012 to 31 March 2020

Year	2015/16 Accounts	2014/15 Accounts
2012/13	0.0% plus promotional scale	0.0% plus promotional scale
2013/14	1.0% plus promotional scale	1.0% plus promotional scale
2014/15	1.0% plus promotional scale	1.0% plus promotional scale
2015/16	1.0% plus promotional scale	1.0% plus promotional scale
2016/17	1.0% plus promotional scale	1.0% plus promotional scale
2017/18	1.0% plus promotional scale	1.0% plus promotional scale
2018/19	1.0% plus promotional scale	1.0% plus promotional scale
2019/20	1.0% plus promotional scale	1.0% plus promotional scale

9. The pension increase assumption is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

10. The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

11. The analysis of scheme experience conducted for the latest full valuation of the scheme for funding purposes has been used to inform the Cabinet Office's choice of assumptions for the 2015-16 Accounts. These assumptions are the same as those used for the 2014-15 Accounts and underlying the 2012 funding valuation.

12. The standard mortality tables known as S1NXA (for male and female normal health pensioners and male dependants), S1DXA (for female dependants) and S1IXA (for male and female ill-health pensioners) are used but with mortality rates increased or decreased by a percentage of the standard tables to reflect scheme experience. These assumptions are the same as those adopted for the 2014-15 Accounts. Mortality improvements are in accordance with those incorporated in the 2014-based principal population projections for the United Kingdom. This assumption has been updated in line with the latest ONS projections. The 2014-15 Accounts were based on the 2012-based projections.

13. Reforms to the Civil Service schemes implemented in April 2015, which introduced the CSOPS[1], may affect the behaviour of members, i.e. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Revised age retirement rates were adopted for the 2012 valuation to reflect recent retirement experience in the PCSPS and also make allowance for members who are expected to transfer to the CSOPS on or after 1 April 2015.

14. The contribution rate used to determine the accruing cost in 2015-16 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2014-15 Accounts.

Liabilities

15. Table E summarises the assessed value as at 31 March 2016 of benefits accrued under the scheme prior to 31 March 2016 based on the data, methodology and assumptions described in paragraphs 4 to 13. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ Billion

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012*
Total market value of assets	Nil	Nil	Nil	Nil	Nil
Value of liabilities	(187.3)	(194.8)	(175.7)	(160.0)	(143.8)
Surplus/(Deficit)	(187.3)	(194.8)	(175.7)	(160.0)	(143.8)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

* Figures calculated by Aon Hewitt

[1] The legislation for the new benefit structure, Civil Service and Others Pension Scheme (CSOPS), is set out from the following link: http://www.legislation.gov.uk/uksi/2014/1964/contents/made.

Accruing costs

16. The cost of benefits accrued in the year ended 31 March 2016 (the Current Service Cost) is based on a standard contribution rate of 34.2%. Members contributed between 3.00% and 8.05 % of pensionable pay, depending on the level of their pay. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost in 2015-16 taking into account an estimated average rate of contributions paid by members of 5.8%. The corresponding figures for 2014-15 are also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2015-16	**2014-15**
Standard contribution rate	34.2%	33.2%
Members' estimated average contribution rate	5.8%	5.8%
Employers' estimated share of standard contribution rate	28.4%	27.4%

17. For the avoidance of doubt, the actual average rate of contributions payable by employers, 21.1% of pensionable pay for 2015-16, is not the same as the employers' share of the standard contribution rate as above (28.4% for 2015-16). This is because the actual employer contribution rate was determined as part of a funding valuation using different assumptions (and also contains an allowance for scheme expenses). The key difference between the assumptions used for funding valuations and Resource Accounts is the discount rate. The discount rate for Resource Accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS19.

18. The pensionable payroll for the financial year 2015-16 was £13.0 billion (estimated from pension contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2015-16 (at 34.2% of pay) is assessed to be £4.43 billion.

19. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. A past service cost of £0.10 billion has been included for 2015-16 in recognition of the announced Government policy to provide full indexation on GMPs for members who reach State Pension Age between April 2016 and 5 December 2018. I am not aware of any other material past service costs which have arisen over 2015-16.

20. There were no material settlements or curtailments during 2015-16.

21. The pension cost is the combined cost of the items in paragraphs 18, 19 and 20. Therefore the total pension cost is £4.53 billion.

Sensitivity analysis

22. 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 2016 of changes to the most significant actuarial assumptions.

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

24. As a result of the scheme reform, there is significant uncertainty associated with how members will retire in future for those members who move across to the CSOPS. Assumed age retirement rates can have a significant impact on the scheme liabilities and so I have included an indication of the approximate effect (on the total past service liability) of all members who move to the CSOPS retiring one year later than assumed in the main liability calculations.

25. The membership data as at 31 March 2012, which has been used to prepare this statement, has been adjusted to remove 20,000 deferred members who had been incorrectly included in the original dataset. In the absence of further information, it has been assumed that the 20,000 deferred members would be representative of the overall deferred membership (i.e. each removed member is assumed to have the average liability for deferred membership). Item (vi) in the table shows the possible impact of assuming that these members have higher than average scheme liabilities.

26. Table G shows the indicative effects on the total liability as at 31 March 2016 of changes to these assumptions (rounded to the nearest ½%).

Table G - Sensitivity to significant assumptions

Change in assumption		**Approximate effect on total liability**	
Financial assumptions			
(i) discount rate*:	+½% a year	-10.0%	-£19 billion
(ii) (long term) earnings increase*:	+½% a year	+1.0%	+£2 billion
(iii) pension increases*:	+½% a year	+8.5%	+£16 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+2.5%	+£5 billion
(v) All active members who move to the new scheme retire (on average) 1 year later		-0.5%	-£0.5 billion
Membership data			
(vi) 20,000 deferred members that have been removed from the liability calculations, assumed to have higher than average deferred member liability		-1.0%	-£2 billion

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

Sandra Bell
Government Actuary's Department
7 September 2016

Statement of Accounting Officer's responsibilities

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

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 Civil Service Pension Schemes and 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 transaction 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.

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 HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

HM Treasury has appointed the Permanent Secretary of Cabinet Office as Accounting Officer for the Civil Superannuation Account. 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 HM Treasury.

GOVERNANCE STATEMENT

The Accounting Officer's responsibility

I was appointed as the Accounting Officer for Civil Superannuation, 'the Scheme', on 29 August 2015. Both my predecessor and I have been responsible for maintaining a sound system of internal control that supports the achievement of government policies, aims and objectives, while safeguarding the public funds for which we are personally responsible, in accordance with the responsibilities assigned to us in *Managing Public Money*.

Governance structure

Several different bodies are involved in Scheme governance:

- 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 (COARC**) supports and advises me, as the Accounting Officer, in carrying out my responsibilities. COARC receives and considers reports relating to the Scheme from the Cabinet Office on all relevant matters concerning audit and risk.

- The **Civil Service Pension Board (CSPB**) gained statutory footing on 1 April 2015 under the Public Services Pensions Act 2013, 'the 2013 Act'. Its role is to support the Scheme Manager.

- The **Scheme Advisory Board (SAB)** is also a requirement of the 2013 Act. Its role is to provide policy advice to the Minister, when requested. The SAB was not constituted in 2015–16 as no requests were made but it will be formally set up in 2016–17.

- The **Cabinet Office Finance Director** has functional oversight of the Scheme finance function. He is also a member of CSPB and attends COARC.

- The **Cabinet Office** is responsible for leading on pension policy and ensuring the Scheme operates effectively.

- **MyCSP** carries out most day-to-day administration under a contract with the Cabinet Office.

Other key responsibilities sit with member employers that supply data to the Scheme.

Effectiveness of governance

I have considered the roles of COARC, CSPB and SAB to ensure that they are properly aligned and supportive of each other and, as far as possible, avoid overlap. They have also reviewed, where appropriate, their own performance.

COARC was chaired throughout 2015–16 by Amy Stirling, an independent non-executive member of the Cabinet Office Board. COARC met seven times in 2015–16 and all meetings were attended by at least one other non-executive director, the Cabinet Office Finance Director and me. Items relating to the Scheme featured on the agenda four times covering issues relating to the Accounts and reports from the National Audit Office (NAO) and Government Internal Audit Agency (GIAA).

COARC has encouraged and supported changes to Scheme management and the work of the GIAA. To improve its effectiveness, COARC has requested more frequent updates on key issues, including interim reports from GIAA to enable earlier intervention.

CSPB was chaired throughout 2015–16 by Philip Rutnam, Permanent Secretary at the Department for Transport. CSPB has four employer nominees and four member nominees, all of whom are serving civil servants. CSPB also has two non-executive members drawn from the private sector pensions industry.

CSPB met four times during the year and has two sub-groups, the Service Delivery Group, which focused on the performance of MyCSP, and the Governance Sub-Group, which was concerned with audit and assurance issues.

Given its new statutory footing, CSPB has reviewed in-depth its role and effectiveness. Its statutory role is to assist the Scheme Manager, which it interprets to mean support and challenge. CSPB has achieved this by raising concerns, providing feedback and following up on progress/delivery on a wide range of activities. It has also encouraged the strengthening of expertise and resource in the Pensions Operations function within the Cabinet Office and sought a closer relationship with the function.

To improve CSPB's effectiveness, the Scheme Manager decided to appoint an independent non-executive chair (Margaret Edwards took over on 1 October 2016). Work is ongoing to consider closer alignment between CSPB and COARC.

The **Cabinet Office** monitors the operation of MyCSP via a formal governance structure that specifies a range of regular monthly meetings. Alongside the formal structure, it operates a set of working groups focused on certain business areas. Currently, these include the Risk Group, Security Working Group, Change Group, Service Management Group and Communications Group.

Unresolved issues from these groups are escalated to the monthly Contract Management Group, and strategic issues are considered by a Senior Governance Group, which meets as required.

This structure enabled the Cabinet Office to manage MyCSP's performance during a difficult period and to report back to CSPB and its sub-groups, which noted an improvement in the quality of management information provided. This was an effective system in 2015–16 but there is a desire to move to a more simplified structure.

Governance is also being strengthened by the establishment of employer fora to provide a clearer voice for employer members. The Cabinet Office is setting up a strategic group that will be chaired by an official from a large employer as well as practitioners groups in specific areas. These groups will include representatives from every type of employer.

The Scheme complies with the Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above.

Governance arrangements will continue to evolve but overall they have worked well during 2015–16 by highlighting issues of concern and helping to put in place actions to address these issues.

Review of internal control

As part of my responsibilities as Accounting Officer, I have reviewed the effectiveness of the system of internal control including risk management. I have been advised on the implications of the result of my review by COARC.

My review is principally informed by regular reports from the Cabinet Office Pensions Operations function and GIAA.

GIAA identified several significant control issues within the Scheme. As a consequence, the Head of Internal Audit's 2015–16 year-end report to me on the Scheme control environment concluded with an 'unsatisfactory' opinion.

The NAO also issued a report in February 2016, *Investigation into members' experience of civil service pensions' administration*, which also highlighted significant issues.

Areas for improvement include:

- contract management arrangements between the Cabinet Office and MyCSP, including the system for providing independent assurance on performance
- engagement with employers to ensure Scheme issues are identified, communicated and resolved
- collaboration between the Cabinet Office, employers and MyCSP in relation to scheme data quality.

The same issues have also been raised within the Cabinet Office and by the bodies involved in Scheme governance.

Improving management of key risks

In response to these reports and other work, I have taken action in four key areas:

- Cabinet Office capability
- data quality
- contractual arrangements with MyCSP
- engagement with Scheme employers.

Cabinet Office capability

I have appointed, on a three-year contract, a full-time Director of Pensions Operations in the Cabinet Office and brought in experienced contract management specialists. I have also moved the line management of the Scheme finance team to the Pensions Operations function to provide greater support and clearer accountability on Scheme financial management and reporting.

The new Director is setting up a more active business planning regime and is restructuring the team to make its role more coherent. This has highlighted overlap with administrative work carried out by MyCSP and the need to develop some core skills within the team – issues that are being addressed.

Data quality

Accurate member data is key to the Scheme. It enables pension entitlements to be calculated correctly and the right benefit payments to be paid on time. Additionally, the impact of tax regulations on the annual and lifetime exemptions for pensions makes accurate data even more key for active members.

Unfortunately, the quality of Scheme data for active members has been an ongoing issue for several years, highlighted in previous internal audit reports and again in 2015–16. Although data is cleansed before the payment event, this is an inefficient and not always fool proof way of addressing the problem.

Working with all interested parties, the Cabinet Office has developed a Data Improvement Strategy, which aims to establish continuous improvement in the capture, recording, maintenance and application of all Scheme data. The strategy covers active and deferred members as well as pensioners.

The first task will be to assess the current position. Work began in July 2016 and will take six months after which we can consider solutions to the problems identified and identify the price tags of the various options. We do not underestimate the task and believe it will take up to two years to resolve the issue.

The Cabinet Office has discussed the approach to data cleansing with the Pensions Regulator who is supportive of the approach and has asked for sight of the detailed plan when it is available.

Contractual arrangements with MyCSP

We have worked with MyCSP to improve the contract, which has led to revised arrangements being put in place in August 2016. MyCSP is now empowered to drive efficiencies, and as a result by 2019 the service cost will be near that originally envisaged.

The Cabinet Office also has a proper credit regime, improved audit rights and exit provisions. Any issues arising will be dealt with by a joint Risk Group which will provide a register of the top 10 risks to the monthly Contract Management Group meetings between the Cabinet Office and MyCSP. There is already evidence that this revised approach has led to improved performance by MyCSP.

Engagement with Scheme employers

Employer Accounting Officers report to me annually on the operation of their pension control framework – and compliance with the terms of the Participation Agreement – through an Accounting Officer Certificate (AOC) and accompanying checklists.

Where completion of the checklist shows that a requirement has not been met, or a control is not operating effectively, Accounting Officers must qualify their AOCs stating the compliance issues that exist and the remedial action being taken.

All 191 separate AOC returns were reviewed by the Cabinet Office and 27 AOC returns highlighted areas for improvement within an employer's pension operations control environment.

Common areas for improvement are:

- collection and transmission of data to MyCSP
- training of employer personnel on pension scheme operations
- employers gaining assurance over the operations of their outsourced payroll operations.

These AOCs should be a key mechanism by which I gain direct assurance from employer Accounting Officers over the management of pension scheme risks within the Scheme's employers. Given the large and increasing number of participating employers, concerns have been flagged about the robustness of the process and I have asked the Director of Pensions Operations to review its effectiveness.

To improve employer engagement and compliance, the Cabinet Office has set up two new groups. The first of these is the Intelligent Customer Forum, which comprises senior officials from several departments and looks at the service provided by MyCSP. This group is chaired by a Director from the Department for Work and Pensions (DWP), which is the biggest employer covered by the Scheme. The second is a practitioners group, which as its name suggests, is more operational.

The Cabinet Office and MyCSP have organised a series of events across the country to promote better communications with Scheme employers. Between 1 May and 31 October 2016, the Cabinet Office held eight sessions attended by more than 120 different employers. The Cabinet Office will be building on this programme in 2017 to drive better employer engagement.

Other risk areas

Membership numbers and Scheme liability

Following the transfer of responsibility for deferred member data from Capita Hartshead to MyCSP in 2014, problems with the quantum of members became apparent. Work carried out by the Cabinet Office, MyCSP and GAD concluded that the number of deferred members was overstated by just under 25,000 and some 20,000 were wrongly included in the 2012 data used by GAD for the Scheme valuation. As a result, the liability calculated for the valuation and subsequent accounts was likely to be overstated by 0–2%.

The member numbers reported in this Accounts and the Scheme liability provided by GAD have been amended to take into account the conclusions of this review. The intention was to regularly reconcile membership numbers, but this has yet to happen and we have asked for a process to be put in place by the end of 2016–17. GAD adjusted the Scheme liability downwards by 1% and a comment on the sensitivity of this adjustment is included in the Report of the Actuary on page 14.

Financial controls

Embedding the relevant Cabinet Office finance team within the Pensions Operations function highlighted skill gaps that contributed to the delay in the production of the Accounts 2015–16. Scheme financial reporting within MyCSP also has weaknesses, for example, regarding membership numbers and overpayments, which also had a detrimental effect on the production of the Accounts.

A review of financial governance, carried out by an independent third party, has made several recommendations that, among other things, address these issues. These include a clearer distinction between the operation of key financial controls and production of key information by MyCSP and the role of oversight and challenge by the Cabinet Office. These proposals are currently being refined and taken forward.

New Fair Deal

As at 31 March 2016, 82 employers had joined the Scheme under the New Fair Deal, covering a total of 17,791 Scheme members. Although the process was generally working well, improvements were made in autumn 2015. The improvements resulted in a fully documented, formal on-boarding process and a New Fair Deal page on the Civil Service Pensions website. A recent internal audit has highlighted areas for further development. The recommendations include establishing a network of employer contacts to forecast future transfers, documenting a process with clear guidance for second-generation transfers, a review of the administration fee process and reconciliation of pension contribution records.

Data security

Employers are responsible for data held by themselves or their payroll provider. The Cabinet Office has provided guidance to both employers and MyCSP on the security of pension data in transit and the secure storage of data by MyCSP. Employers are required to certify that they have a secure payroll interface with MyCSP's pension software (Compendia), or an alternative agreed with MyCSP, which monitors the status of payroll interfaces.

During 2015–16, the Cabinet Office reviewed the arrangements for MyCSP's delivery partner and found several failings in its security arrangements. These were remedied by October 2016.

The Security Working Group monitors all matters concerning information assurance and data security that may arise as MyCSP transforms its services. The group was upgraded during the year to increase the level of expertise, and the frequency of meetings has increased.

No personal data incident issues were reported during the year.

Disclosure of information to Scheme members

The Occupational and Personal Pension Schemes (Disclosure of Information Regulations) 2013 and the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 require pension schemes to provide certain information to members within specified timeframes. This was breached in the case of some 20,000 cases during 2014 and 2015 and, in November 2015, MyCSP and the Cabinet Office jointly reported these breaches to the Pensions Regulator.

MyCSP cleared all outstanding cases by mid-January 2016. It has now put in place processes to prevent further breaches. The contract with MyCSP also recognises areas where members might seek further information and MyCSP now reports to the Cabinet Office on performance against these disclosure requirements.

Backlog of stage 1 internal dispute resolution (IDR) cases

In October 2015, there was a backlog of 156 stage 1 IDR cases dating back to April 2015. MyCSP cleared these by 31 January 2016 while also clearing new cases. Alongside this we are working to improve the timescales and quality of the determinations.

Other schemes

Responsibility for the governance and administration of the Grosvenor and Government Communications Bureau pension schemes included in these financial statements rests with the relevant agencies. Sir Mark Lyall Grant, National Security Adviser, has provided me with an assurance statement that he is satisfied that there are suitable controls in operation within the agencies.

Statement on the disclosure of relevant audit information

The accompanying account has been prepared on a statutory basis in accordance with the requirements of HM Treasury and is designed to comply with generic Accounts Directions issued to departments by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination.

I confirm that so far as I am aware, there is no relevant audit information of which the Cabinet Office's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the Cabinet Office's auditors are aware of that information.

Statement on responsibility for production of the Annual Report and Accounts

I confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

John Manzoni
Accounting Officer
Cabinet Office

24 January 2017

PARLIAMENTARY ACCOUNTABILTY AND AUDIT REPORT

Statement of Parliamentary Supply – (subject to Audit)

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 Parliamentary Supply. This, and its supporting notes, show outturn against estimates in terms of the net resource requirement and the net cash requirement.

Summary of resource and capital outturn 2015–16

£000								2015–16	2014–15
				Estimate			Outturn		Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
Departmental Expenditure Limit									
• **Resource**		-	-	-	-	-	-	-	-
• **Capital**		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	SOPS1.1	8,380,659	-	8,380,659	8,091,826	-	8,091,826	288,833	9,119,702
• **Capital**		-	-	-	-	-	-		-
Total Budget		8,380,659	-	8,380,659	8,091,826	-	8,091,826	288,833	9,119,702
Non-Budget									
• **Resource**		-	-	-	-	-	-	-	-
Total		8,380,659	-	8,380,659	8,091,826	-	8,091,826	288,833	9,119,702

Total Resource		8,380,659	-	8,380,659	8,091,826	-	8,091,826	288,833	9,119,702
Total Capital		-	-	-	-	-	-	-	-
Total		8,380,659	-	8,380,659	8,091,826	-	8,091,826	288,833	9,119,702

Net Cash Requirement 2015–16

£000	Note	2015–16 Estimate	2015–16 Outturn	Outturn compared with Estimate: saving/ (excess)	2014–15 Outturn
	SOPS3	2,260,224	2,244,998	15,226	1,508,892

Administration Costs 2015–16

2015–16 Estimate	2015–16 Outturn	2014–15 Outturn
-	-	-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.

The notes below form part of these disclosures.

Notes to the Statement of Parliamentary Supply – (subject to Audit)

SOPS1. Net outturn

SOPS1.1 Analysis of net resource outturn

	2015–16										**2014–15 Outturn £000**
	Outturn £000							**Estimate £000**			
	Administration			Programme			Total	Net Total	Net compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net					
Annually Managed Expenditure											
Voted:	-	-	-	11,891,459	(3,799,633)	8,091,826	8,091,826	8,380,659	288,833	288,833	9,119,702
Non-voted:	-	-	-	-	-	-	-	-	-	-	-
Non-budget:	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	11,891,459	(3,799,633)	8,091,826	8,091,826	8,380,659	288,833	288,833	9,119,702

SOPS2. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: Saving/(excess)
		£000	£000	£000
Net Resource Outturn	SOPS1.1	8,380,659	8,091,826	288,833
Accruals adjustments:				
New provisions		(12,240,435)	(11,877,631)	(362,804)
Changes in payables		-	45,401	(45,401)
Changes in receivables		-	(92,290)	92,290
Changes in non-supply payables		-	(36,436)	36,436
Changes in non-supply receivables		-	91,474	(91,474)
Use of provision		6,120,000	6,022,654	97,346
Excess cash receipts surrenderable to the Consolidated Fund		-		
Net Cash Requirement		**2,260,224**	**2,244,998**	**15,226**

Losses and Special Payments

(Subject to Audit)

During the year 9,052 cases totalling £469,780 were written off (2014–15: 3,020 – £301,035).

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Combined Statements of: Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Losses and Special Payments disclosure that is described as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against 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.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Schemes' affairs as at 31 March 2016 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the Losses and Special Payments disclosure to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the Losses and Special Payments disclosure to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

I draw attention to my Report at pages 27 to 29. The purpose of my Report is to provide an update on the Scheme data issues I have reported on previously and management's responses to date and the evidence I have to support my opinion on the financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date: 25 January 2017

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

Introduction

The Cabinet Office: Civil Superannuation Accounts 2015-16 report the financial results of the two main Civil Service Pension Schemes (Principal Civil Service Pension Scheme [PCSPS] and the new Civil Service and Others Pension Scheme [CSOPS, or Alpha]) and a number of other smaller public sector pension schemes. In this document the term Civil Service Pension Scheme (CSPS) covers all the pension schemes included in the Civil Superannuation Accounts. I am appointed auditor of these accounts under the Government Resources and Accounts Act 2000.

In the year ended 31 March 2016 the Schemes were responsible for £8.1 billion of public expenditure. The CSPS secures the approval to incur expenditure thorough the parliamentary supply process on an annual basis. The CSPS reports to Parliament on its expenditure under an accounts direction issued by HM Treasury under the Government Resources and Accounts Act 2000. This requires the CSPS to prepare financial statements in accordance with the Government Financial Reporting Manual (FReM). The CSPS, like other similar public sector schemes, is unfunded and the cash required to meet the payment of pensions is met from employer and employee contributions with any shortfall financed by the Exchequer.

In accordance with Treasury guidance the CSPS's long term liabilities to pay pensions are valued by the Government Actuary's Department (GAD) in accordance with International Accounting Standards (IAS) 19 – *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans.* The Combined Statement of Financial Position of the Resource account shows a liability of £187.3 billion at 31 March 2016.

Purpose of report

Over recent years I have reported about the underlying problems with the management and retention of membership records and scheme data and the risk that this presents to the accuracy of pension benefit payments to individuals and the recorded liabilities. In doing so I noted that the historic and systematic nature of the data quality issues meant that they may take many years to fully resolve.

For the current year the findings from my audit have confirmed that although some further progress has been made, the data quality issues remain. However, as in the previous three years, my judgement is that these whilst significant do not, in the context of the totality of the benefit payments, have a material impact on the truth and fairness of the pension benefit payments reported in the financial statements, or on the valuation of the Scheme liability. I have therefore not modified my opinion in this regard.

Underlying data quality issues have the potential to, depending on their nature and scale, result in material error or misstatement in the related transactions and balances reported in the financial statements. In reaching my conclusion I have therefore carefully re-considered the impact of the two key data quality concerns that I reported on last year: discrepancies identified through management's data validation work; and discrepancies in the membership numbers.

My report provides an update on these data issues and management's responses to date and the evidence I have to support my unmodified opinion of the financial statements.

Data validation work

Complete and accurate membership data is required to ensure that correct pensions are awarded and paid on time and that members can be provided with accurate benefit statements and quotations, which they need to understand the value of their benefits and to plan their financial affairs. It also allows the CSPS's liabilities and funding requirements to be accurately assessed. In addition, poor quality data increases administration costs as it often requires the pension administrator and employers to undertake additional enquiries to confirm a member's true entitlement.

As noted in the Governance Statement, Internal Audit continue to highlight concerns about the quality of member data. However, as I reported last year, I am content that these issues do not lead to a material misstatement in the pension benefit payments recognised in the financial statements because MyCSP review and cleanse member records prior to pension benefit determination and my audit testing of benefits paid again found them to be free from material error or misstatement. I am also satisfied that the data issues do not result in a material misstatement of the liability recognised in these accounts as this is based on a roll forward of the previously validated 2012 member data extract, rather than a new extract of the member data.

Membership Number Discrepancies

As noted in the Governance Statement, an adjustment has been made to the scheme liability in respect of an overstatement of approximately 20,000 deferred members who were wrongly included in the 2012 data provided to GAD for the Scheme valuation. This issue came to the fore as a result of my 2014-15 audit and was included in my report on the account. The value of the correction to the liability made this year, following further work carried out by the Cabinet Office, GAD and MyCSP, is in line with the estimate of the misstatement I reviewed when I concluded on last year's Accounts. I also reported that this discrepancy in the deferred membership numbers had not been detected by management earlier in part because they were not undertaking any reconciliations of the movements in the membership numbers. I therefore recommended that the Cabinet Office should arrange for regular reconciliations of the membership movements to be undertaken so that discrepancies in the membership statistics can be identified, investigated and explained. To date, such reconciliations have still not been introduced.

The absence of membership reconciliations is a concern because regular reconciliation of the membership statistics is a key control that helps demonstrate the integrity of the membership numbers and aids accurate forecasting. I understand that the independent review of financial governance referred to in the Governance Statement has also identified the need for regular membership reconciliations and would urge the Cabinet Office to establish the required membership reconciliations as soon as possible.

In the absence of membership reconciliations I have obtained assurance over the pensioner numbers, and the benefits paid figures, by reconciling the pensioner numbers reported in the membership statistics to the number of pensioners being paid according to the pension payroll. I have also sought to reconcile the deferred and active member statistics to the data provided to GAD as at 31 March 2016 to support the next funding valuation of the scheme. This reconciliation work has not highlighted any material issues for the liability valuation in the 2015-16 Accounts which is based on a roll forward of the 2012 member data. However, I did identify a number of apparent discrepancies between the current member statistics and the GAD valuation extract as at March 2016 that will need to be investigated so that GAD may assess any implications for their forthcoming funding valuation.

The accuracy of member data is becoming more important

The problems with the member data are increasing in significance for a number of reasons.

- As the civil service is being transformed, there are a number of voluntary exit schemes being operated across government. Members thinking of applying for early retirement need to know their pension entitlement accurately to inform their decision making.

- Changes in the way pensions are taxed make it particularly necessary for members to plan their pension. Lower annual limits and lifetime allowances mean that far more civil servants than previously may breach the limits. In particular, members with other pensions and more senior civil servants need to plan their pensions and may want to withdraw from the schemes.

- Alpha is the new civil service pension scheme, which came into effect from 1 April 2015, as required by the Public Service Pensions Act 2013. Pension awards under the Alpha scheme are based on career average salary, and require more specific data for all years of service. This increases the need for systematic capture and maintenance of accurate member data by employers.

- The Government Actuary is about to undertake a funding valuation for the purpose of setting employer and employee contribution rates from 1 April 2019 and to provide a baseline for the new cost capping and sharing mechanism. Under this mechanism, if the scheme experience differs by more than a set tolerance from the assumptions adopted when the contribution rates are set members will be responsible for meeting a proportion of the costs of recovering any resulting funding deficit. The funding valuation, and the cost capping mechanism, depend on complete and accurate scheme data and rely on employers understanding and meeting their responsibilities to provide the data.

Action required

In February 2016 I published a report of my findings into members' experience of the civil service pension scheme administration (HC 800 15-16). I found that many of the problems reported by members were made worse by the longstanding limitations in the member data.

As set out in the Governance Statement, in response to my report; the work of Internal Audit; and, other work, the Cabinet Office have taken action to improve their capability, address the data quality issues, strengthen their management of the MyCSP contract and improve employer engagement and compliance. The actions outlined in the Governance Statement represent a step in the right direction but there is much left to do to secure the lasting improvements that are required. In particular, I recommend that the Cabinet Office should continue to:

- Work with employers and MyCSP to produce a plan as to how the data will be cleansed and properly maintained.
- Reform the governance of the schemes to ensure that the employers are properly engaged.
- Performance manage MyCSP and involve employers in that management.

I will monitor closely the Cabinet Office's progress in implementing their Data Improvement Strategy. In addition, I will also assess the Cabinet Office's response to the recently completed financial governance review mentioned in the Governance Statement. This has made a number of recommendations aimed at securing a much needed improvement in controls, including the introduction of regular membership movement reconciliations, and making a clearer distinction between the responsibility for carrying out basic financial processes within MyCSP and review and challenge within the Cabinet Office.

Sir Amyas C E Morse **Date: 25 January 2017**

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 to 31 March 2016

		2015–16	2014–15
Principal arrangements - PCSPS and CSOPS	Note	**£000**	**£000**
Income			
Contributions receivable[1]	5	(3,518,058)	(3,242,741)
Transfers in	6	(182,702)	(800,582)
Other pension income	7	(7,931)	(63,290)
Expenditure			
Service cost	8	4,530,000	4,341,000
Enhancements	9	43,044	102,205
Transfers in	10	222,702	967,582
Injury benefits	11	11,930	5,734
Pension financing cost	12	6,830,000	7,661,000
Net Expenditure		**7,928,985**	**8,970,908**
Compensation agency arrangements – CSCS			
Expenditure			
Benefits payable	13.1	0	4
Net Expenditure		**0**	**4**
Other minor agency/principal pension schemes			
Income			
Contributions receivable		(90,942)	(79,375)
Expenditure			
Total charge to provisions		251,885	226,989
Benefits payable	14	1,898	1,176
Net Expenditure for the year		**162,841**	**148,790**
Combined Net Expenditure for the year		**8,091,826**	**9,119,702**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension remeasurements:			
- Actuarial (gain)/loss	19.7	(13,235,977)	12,013,486
Total Comprehensive Net Expenditure		**(5,144,151)**	**21,133,188**

[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 8.

The notes on pages 34 to 47 form part of these financial statements.

Combined Statement of Financial Position
as at 31 March 2016

	Note	2015–16 £000	2014–15 £000
Principal arrangements - PCSPS and CSOPS			
Current assets:			
Receivables (within 12 months)	16	302,743	309,387
Cash and cash equivalents	17	271,650	216,612
Total current assets		**574,393**	**525,999**
Current liabilities			
Payables (within 12 months)	18	(553,689)	(598,820)
Total current liabilities		**(553,689)**	**(598,820)**
Net current assets/(liabilities), excluding pension liability		**20,704**	**(72,821)**
Receivables (after 12 months)	16	53	53
Pension liability	19.4	(187,329,000)	(194,838,000)
Net liabilities, including pension liabilities		**(187,308,243)**	**(194,910,768)**
Compensation agency arrangements – CSCS			
Receivables (within 12 months)	22	16,139	100,611
Net current assets		**16,139**	**100,611**
Other pension schemes			
Receivables (within 12 months)	24	1,620	2,794
Payables (within 12 months)	25	(293)	(563)
Net current assets/(liabilities), excluding pension liability		**1,327**	**2,231**
Pension liability	26.2	(3,479,000)	(3,351,000)
Net liabilities, including pension liabilities		**(3,477,673)**	**(3,348,769)**
Combined Scheme – Total net liabilities		**(190,769,777)**	**(198,158,926)**
Taxpayers' equity:			
General Fund		(190,769,777)	(198,158,926)
		(190,769,777)	**(198,158,926)**

John Manzoni
Accounting Officer

24 January 2017

The notes on pages 34 to 47 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	**General Fund 2015–16 £000**	**2014–15 £000**
Balance at 31 March		(198,158,926)	(178,534,630)
Net Parliamentary Funding – drawn down		2,208,562	1,764,000
Net Parliamentary Funding – deemed		324,791	69,683
Supply (payable)/receivable adjustment		(288,355)	(324,791)
Combined Net Expenditure for the Year		(8,091,826)	(9,119,702)
Actuarial gain/(loss)	19.7	13,235,977	(12,013,486)
Net change in taxpayers' equity		**7,389,149**	**(19,624,296)**
Balance at 31 March		**(190,769,777)**	**(198,158,926)**

The notes on pages 34 to 47 form part of these financial statements.

Combined Statement of Cash Flows
for the year ended 31 March 2016

	Note	2015–16 £000	2014–15 £000
Cash flows from operating activities			
Combined net (expenditure)/income for the year		(8,091,826)	(9,119,702)
Adjustments for non-cash transactions			
(Increase)/decrease in Scheme receivables (within 12 months)	16	6,644	(51,814)
Movement in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
(Increase)/decrease in CSCS receivables – ACPs inc lump sums	22	84,472	(70,096)
Less movement in non-supply receivables	16, 22	(91,474)	77,043
(Increase)/decrease in other schemes' receivables	24	1,174	(760)
Increase/(decrease) in Scheme payables	18	(45,131)	279,738
Increase/(decrease) in other schemes' payables	25	(270)	292
Less movement in non-supply payables	18	36,436	(255,108)
Increase in Scheme pension provisions	19.4	11,360,000	12,002,000
Increase in Scheme pension provisions – enhancements and transfers in	19.4	265,746	1,069,788
Increase in other schemes' pension provisions		251,885	226,989
Use of Scheme provisions – benefits paid	19.4	(5,857,868)	(5,502,727)
Use of Scheme provisions – refunds and transfers out	19.4	(92,901)	(95,992)
Use of other schemes' provisions		(71,885)	(68,543)
Net cash outflow from operating activities		**(2,244,998)**	**(1,508,892)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		2,208,562	1,764,000
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sum payments)	13.2	(414,704)	(530,177)
Reimbursement of compensation payments by employers (including lump sum payments)		499,176	460,081
Injury benefit payments made on behalf of employers	11	(9,187)	(11,315)
Reimbursement of injury benefit payments by employers		16,189	4,367
Net Financing		**2,300,036**	**1,686,956**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	55,038	178,064
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 increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**55,038**	**178,064**
Cash and cash equivalents at the beginning of the period	17	216,612	38,548
Cash and cash equivalents at the end of the period		**271,650**	**216,612**

The notes on pages 34 to 47 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 have been prepared in accordance with the relevant provisions of the 2015–16 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. 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 Parliamentary Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 Civil Service Pension arrangements (the Scheme)

The Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Civil Service Pensions (CSP) 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.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Civil Service Pensions Board (CSPB). The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process.

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

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.

1.3 Other minor agency and principal pension scheme arrangements

In addition, the financial statements include transactions relating to other minor pension schemes, a number of which are closed schemes. CSP 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. CSP acts as principal in respect of the Grosvenor and Government Communications Bureau pension schemes on the basis of audited information supplied by the agencies.

CSP acts 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
- Federated Superannuation System for Universities.

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

2. Statement of accounting policies

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

Where the *FReM* permits a choice of accounting policy, the accounting policy 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 Accounts Scheme financial statements.

2.1 *Accounting convention*

These Accounts have been prepared under the historical cost convention.

- *Contributions receivable*

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 Accounts.

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.

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.

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 now shown in Note 5.

Effective Pension Age 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.

- *Transfers in*

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.

- *Income received from departments in respect of enhancements*

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.

- *Other pension income*

The remaining element of 'other income' is repayment of gratuities. This is accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on an accruals basis.

- *Additional Voluntary Contributions*

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing departments to one of three appointed AVC providers. Details of the three providers and the amounts of the AVC investments can be found in Note 15.

- *Current service cost*

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 revenue account. It is determined by the Scheme Actuary based on a discount rate of 1.30% real (3.55% including inflation).

- *Past service costs*

Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Combined Statement of Comprehensive Net Expenditure on a straight line basis over the period in which increases in benefits vest.

- *Pension financing cost*

The pension financing cost is the increase during the period in the present value of the Scheme pension liabilities because benefits are one year closer to settlement and is recognised in the revenue account. The interest cost is based on a discount rate of 1.30% real (3.55% including inflation).

- *Injury benefits*

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 revenue account. Those benefits paid in respect of injuries sustained on or after 1 April 1998 are recoverable from employers each month.

- *Scheme liabilities*

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 1.37% real (3.60% gross). The Actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

- *Pension benefits payable*

Pension benefits payable, including lump sums, are accounted for on an accruals basis as a decrease in the Scheme pension liabilities.

- *Payments to and on account of leavers*

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).

- *Transfers out*

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

- *Actuarial gains/losses*

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

- *Central management administrative expenses*

Employers are responsible for the day-to-day administration of the Scheme and meet the associated costs from their running cost provision. An element of the accruing superannuation liability charge, paid by employers, is used by the Cabinet Office to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by Scheme administrators and the publication of explanatory scheme material. In 2015–16 these costs amounted to £54.0 million (2014–15: £61.2 million).

2.2 Changes to International Financial Reporting Standards

There are no accounting standards that have been issued but not yet come into effect under the *FReM* that will have a material impact on the Scheme's financial statements.

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 CSP, throughout the month, but are then recovered from employers at month end. These transactions are not recorded in the combined revenue account. Details of compensation benefits payable during 2015–16 are shown in Note 13.

As a result of recent changes to departmental structures due to the Spending Review, employers have been given the opportunity to capitalise their outstanding liabilities and make a one-off payment to the Scheme. Payments received from employers in this respect are included 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 Grosvenor and Government Communications Bureau 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

	2015–16	2014–15
	£000	£000
Employers'	(2,736,795)	(2,451,525)
Employees':		
Normal	(746,150)	(752,301)
Purchase of added years	(31,081)	(34,334)
Actuarial Retirement Reduction Buy Out	(3,604)	(4,581)
Effective Pension Age	(428)	-
	(3,518,058)	**(3,242,741)**

Contributions of £3.5 billion are expected to be payable to the Scheme in 2015–16.

6. Transfers in

	2015–16	2014–15
	£000	£000
Group transfers from other schemes	(147,738)	(771,092)
Individual transfers in from other schemes	(34,964)	(29,490)
	(182,702)	**(800,582)**

7. Other pension income

	2015–16	2014–15
	£000	£000
Amounts receivable in respect of:		
bringing forward the payment of accrued superannuation lump sums	(587)	(50,417)
capitalised cost of enhancement to pensions, payable on departure	-	(1)
capitalised cost of enhancement to pensions, payable at age 60	(7,222)	(12,856)
Repayment of gratuities	-	(16)
Effective Pension Age receivable from employer	(122)	-
	(7,931)	**(63,290)**

8. Service cost

	2015–16	2014–15
	£000	£000
Current service cost	4,430,000	4,341,000
Past service cost	100,000	-
	4,530,000	**4,341,000**

9. Enhancements (see also Note 19.4)

	2015–16	2014–15
	£000	£000
Employees:		
Purchase of added years	31,081	34,334
Refund of gratuities	-	16
Actuarial Retirement Reduction Buy Out	3,604	4,581
EPA	428	-
Employers:		
EPA	122	-
Bringing forward the payment of accrued lump sums	587	50,417
Enhancements to pensions on departure	-	1
Enhancements to pensions on retirement	7,222	12,856
	43,044	**102,205**

10. Transfers in – additional liability

	2015–16	2014–15
	£000	£000
Group transfers in from other schemes	187,738	938,092
Individual transfers in from other schemes	34,964	29,490
	222,702	**967,582**

11. Injury benefits

	2015–16	2014–15
	£000	**£000**
Injury benefits payable	21,117	17,049
Less: recoverable from employers	(9,187)	(11,315)
	11,930	**5,734**

Injury benefits payable to former employees but which are not recoverable from employers (i.e. those in respect of injuries sustained on or before 1 March 1998) are transactions of the Scheme and are brought to account through the Statement of Comprehensive Net Expenditure. During 2015–16, these amounted to £11,930 (2014–15: £5,734).

12. Pension financing cost (see also Note 19.4)

	2015–16	2013–14
	£000	**£000**
Interest charge for the year	6,830,000	7,661,000
	6,830,000	**7,661,000**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13. Compensation benefits payable

13.1 Annual compensation payments payable to former employees but which are not recoverable from employers

The following amounts are brought to account in the Statement of Comprehensive Net Expenditure.

	2015–16	2014–15
	£000	**£000**
Central funding – difference between provision for current year and outturn expenditure (Note 13.2)	-	4
	-	**4**

13.2 Total annual compensation payments and compensation lump sums payable

Recoverable from employers	106,733	93,773
Amounts met from central funding (Note 13.1)	-	4
Total annual compensation payable	**106,733**	**93,777**
Lump sum payable recoverable from employers	307,971	436,404
Total lump sums payable	**307,971**	**436,404**

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

14. Benefits payable – not charged to provisions

	2015–16	2014–15
	£000	£000
Pensions increase for ex-PMs/Speakers and other related payments*	857	83
Pensions increase for Public Service Appointments	126	120
Pensions increase ex for MEPs/widow(er)s	622	669
Payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	15	(1)
Payments to the Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	61	84
Pensions increases in respect of pensions paid to former staff of the Sugar Board	23	23
Pensions to Governors of overseas colonies awarded before the introduction of a new scheme in 1978	1	1
Federated Superannuation Scheme for Universities	193	197
	1,898	**1,176**

* Includes payment of commuted pension lump sums on behalf of the Consolidated Fund following the retirement from Parliament in 2015 of a former Prime Minister and a former Lord Chancellor. Both individuals had waived their statutory rights to the pensions linked to their offices which would have been payable from 2010. Further detail on pension arrangements for holders of high parliamentary office can be found in Note 8 of the Consolidated Fund Account 2015-16.

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 one of the three appointed providers (Equitable Life Assurance Society, Scottish Widows' Fund and Standard Life Assurance Society), 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 Equitable Life) confirming the amounts held to their account and the movements in year.

The aggregate amounts of AVC investments are as follows:

			2015–16			2014–15
	Standard Life	Equitable Life*	Scottish Widows'	Standard Life	Equitable Life*	Scottish Widows'
	£000	£000	£000	£000	£000	£000
Movements in the year:						
Balance at 1 April	60,370	17,188	148,089	56,003	16,528	139,956
New investments	1,916	131	1,862	1,679	107	4,287
Sales of investments to provide pension benefits	(5,226)	(1,171)	(40,917)	(3,730)	(454)	(5,738)
Changes in market value of investments	(1,038)	(11)	39,283	6,418	1,007	9,584
Balance at 31 March	**56,022**	**16,137**	**148,317**	**60,370**	**17,188**	**148,089**
Contributions to provide life cover	n/a	39	n/a	n/a	46	n/a
Benefits paid on death	n/a	51	n/a	n/a	122	n/a

*Data as at 5 April

Statement of Financial Position: Principal arrangements – PCSPS and CSOPS

16. Receivables – contributions due in respect of pensions

Analysis by type	**2015–16**	**2014–15**
	£000	**£000**
Amounts falling due within one year:		
Pension contributions due from employers	217,878	193,638
Employees' normal contributions	58,059	58,140
Employees' added pension	2,041	2,218
Early retirement employer costs	11,185	45,217
Overpayment receivables (net of provision for non-recovery)	13,014	2,606
Sub-total	**302,177**	**301,819**
Non-supply receivables:		
Injury benefit receivables	566	7,568
	302,743	**309,387**
Amounts falling due after more than one year:		
Long-term receivables	53	53
	53	**53**

17. Cash and cash equivalents

	2015–16	**2014–15**
	£000	**£000**
Balance at 1 April	216,612	38,548
Net change in cash balances	55,038	178,064
Balance at 31 March	**271,650**	**216,612**
The following balances at 31 March were held at:		
Government banking services	270,809	215,252
Balance with government departments	841	1,360
Balance at 31 March	**271,650**	**216,612**

18. Payables – in respect of pensions

Analysis by type

	2015–16	**2014–15**
	£000	**£000**
Amounts falling due within one year		
Pensions	(208,028)	(202,585)
HMRC and voluntary contributions	(54,738)	(71,444)
Overpaid contributions: employers	(2,235)	-
Other creditors	(333)	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	(288,355)	(324,791)
	(553,689)	**(598,820)**

19. Pension liabilities

19.1 Assumptions underpinning the pension liability

The Scheme is an unfunded defined benefit scheme. The Government Actuary's Department (GAD) carried out an assessment of the Scheme liabilities as at 31 March 2016. The Report of the Actuary on pages 11 to 15 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 bulk transfers in or out of the Scheme
- following consultation with the Actuary, the key assumptions that should be used to value the Scheme liabilities, ensuing 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 2016	At 31 March 2015	At 31 March 2014	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010
Rate of increase in salaries[1]	4.2%	4.2%	4.5%	3.95%	4.25%	4.90%	4.25%
Rate of increase in pensions in payment and deferred pensions[2]	0.0%	1.2%	2.7%	2.2%	5.2%	3.1%	0.0%
Inflation assumption	2.2%	2.2%	2.5%	1.70%	2.00%	2.65%	2.75%
Nominal discount rate	3.60%	3.55%	4.35%	4.10%	4.85%	5.6%	4.6%
Discount rate net of price inflation	1.37%	1.3%	1.8%	2.35%	2.8%	2.9%	1.8%
Life expectancy[3] (in years) at age 60							
Current retirements							
Females	30.7	31.3	31.2	30.7	30.3	30.2	30.0
Males	28.9	29.1	29.0	28.6	28.3	28.1	28.0
Retirements in 20 years' time							
Females	32.8	33.6	33.5	33.0	32.1	32.0	31.9
Males	31.1	31.4	31.3	31.1	30.2	30.1	30.0

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

[2] This is the pension increase applicable after the balance sheet date.

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

19.2 Analysis of the pension liability

Value of liabilities (£bn)						
At 31 March	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Current pensions and associated contingent pensions	69.4	68.6	66.9	66.4	62.5	54.9
Deferred pensions, including contingent pensions, for members no longer contributing to the Scheme	30.2	35.2	30.9	26.1	24.1	21.9
Accrued benefits available to members contributing to the Scheme	87.7	91.0	77.9	67.5	57.2	59.1
Total	**187.3**	**194.8**	**175.7**	**160.0**	**143.8**	**135.9**

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 19.4. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

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			
(i) discount rate*	+0.5% a year	-10%	-£19bn
(ii) earnings increases*	+0.5% a year	+1%	+£2bn
(iii) pension increases*	+0.5% a year	+8.5%	+£16bn
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement		+2.5%	+£5bn
(v) all active members who move to the new scheme retire (on average) one year later		-0.5%	-£0.5bn
Membership data			
(vi) 20,000 deferred members that have been removed from the liability calculations, assumed to have higher than average deferred member liability		-1.0%	-£2.0bn

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

** Approximate effect rounded to the nearest 0.5%.

19.4 Analysis of movement in the Scheme liability

	2015–16	2014–15
	£000	£000
Scheme liability at 1 April	(194,838,000)	(175,729,000)
Service cost (Note 8)	(4,530,000)	(4,341,000)
Pension financing cost (Note 12)	(6,830,000)	(7,661,000)
Enhancements (Note 9)	(43,044)	(102,205)
Pension transfers in (Note 10)	(222,702)	(967,583)
Benefits payable (Note 19.5)	5,857,868	5,502,727
Pension payments to and on account of leavers (Note 19.6)	92,901	95,992
Actuarial gain/(loss) (Note 19.7)	13,183,977	(11,635,931)
Scheme liability at 31 March	**(187,329,000)**	**(194,838,000)**

During the year ended 31 March 2016, employers' contributions represented an average of 21.1% of pensionable pay and it is forecast that this will stay the same for the foreseeable future.

19.5 Analysis of benefits paid

	2015–16	2014–15
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	4,998,572	4,909,659
Commutations and lump sum benefits on retirement	859,296	593,068
Per Statement of Cash Flows	**5,857,868**	**5,502,727**

19.6 Analysis of payments to and on account of leavers

	2015–16	2014–15
	£000	£000
Refunds to members leaving the service	18,147	19,937
Payments for members joining state scheme	1	784
Group transfers to other schemes	16,270	12,692
Individual transfers to other schemes	58,483	62,578
Per Statement of Cash Flows	**92,901**	**95,991**

19.7 Analysis of actuarial gain/(loss)

	2015–16	2014–15
	£000	£000
Experience gains/(losses) arising on the Scheme liabilities	6,863,977	294,352
Changes in assumptions underlying the present value of Scheme liabilities	6,320,000	(11,930,283)
	13,183,977	**(11,635,931)**
Other schemes	52,000	(377,555)
Per Statement of Changes in Taxpayers' Equity	**13,235,977**	**(12,013,486)**

19.8 History of Experience (gains)/losses

	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11
Experience (gains)/losses on the Scheme liabilities						
Amount (£000)	(6,863,977)	(294,352)	(4,946,649)	2,198,278	81,991	377,348
Percentage of the present value of the Scheme liabilities	(3.7%)	(0.2%)	(2.8%)	1.4%	0.1%	0.3%
Total amount recognised in Statement of Changes in Taxpayers' Equity						
Amount (£000)	(13,183,977)	11,635,931	10,733,655	10,463,945	1,316,719	(8,217,067)
Percentage of the present value of the Scheme liabilities	(7.0%)	6.0%	6.1%	6.5%	0.9%	(6.0%)

20. Financial instruments

The Scheme has minimal exposure to foreign exchange rate risk. The majority of payments made overseas to individual members are liable to foreign exchange rate risk. However, the Scheme does not bear any risk in relation to this. The foreign exchange rate risk falls on the recipient of the payment made by the Scheme. Any increase or decrease in the amounts receivable, in respect of overseas payments liable to foreign exchange rate risk, are borne by the individual member. The exception is when payments are made overseas to individual members from the Commission 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 major financial risk.

The Scheme has minimal 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.

21. Contingent liabilities disclosed under IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*

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 FSAVCs nor where members exercise the open market option and purchase their annuity elsewhere.

Statement of Financial Position – CSCS compensation agency arrangements

22. Receivables – Non-supply

	2015–16	2014–15
	£000	£000
Recoverable annual compensation payments including lump sums	16,139	100,611
Balance at 31 March	**16,139**	**100,611**

23. Payables – amounts falling due within one year

23.1 Central funding of early departures

Some employers received central funding support of up to 80% of the ongoing compensation payments made to their former employees who left between 1 October 1994 and 30 March 1997. This support continued until their former employees reached normal retirement age, which for most was 60. At that stage, compensation payments were then replaced by pension payments payable under the rules of the Scheme. In a small number of cases, the former employee's normal retirement age was 65 and central funding support continued until they reached age 65. The last balance required to be shown was in the 2007–08 resource accounts.

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

24. Receivables – amounts falling due within one year

	2015–16	2014–15
	£000	£000
Contributions	1,620	2,794
Balance at 31 March	**1,620**	**2,794**

25. Payables – amounts falling due within one year

	2015–16	2014–15
	£000	£000
Pensions	(293)	(563)
Balance at 31 March	**(293)**	**(563)**

26. Pension liability

26.1 The Actuary provides an annual valuation of the Grosvenor and Government Communications Bureau pension schemes included within these financial statements.

26.2 Analysis of movement in scheme liability

	2015–16	2014–15
	£000	£000
Opening scheme liability at 1 April	(3,351,000)	(2,815,000)
Net movement in year (including actuarial gain/loss)	(128,000)	(536,000)
Scheme liability at 31 March	**(3,479,000)**	**(3,351,000)**

27. Related party transactions

The CSPS, CSCS and the Grosvenor and Government Communications Bureau 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 an associate company of the Cabinet Office. The Cabinet Office incurred charges of £48.9 million relating to pensions administration, which has been funded by a charge on Civil Superannuation employer pension contributions.

28. Events after the reporting period

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the date the Comptroller and Auditor General certifies the Accounts.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. In the period since the referendum, yields on high-quality corporate bonds have fallen significantly. If the lower yields were to be sustained, there would be a resulting increase in the reported liability. Sensitivity analysis around the key financial assumptions underpinning the actuarial valuation of the Scheme liabilities that may be affected by this decision can be found on pages 14–15.

Annex to the Accounts

Data Reporting Tables

The Data Reporting Tables presented in this annex to the Accounts 2015–16 are unaudited.

They comprise:

A. Cabinet Office: Civil Superannuation Total Departmental Spending
B. Cabinet Office: Civil Superannuation Country and Regional Analyses

	2008—09 Outturn	2009—10 Outturn	2010—11 Outturn	2011—12 Outturn	2012—13 Outturn	2013—14 Outturn	2014 —15 Outturn	2015—16 Outturn	2016—17 Plans
Resource DEL									
Of which:									
Resource AME									
Civil Superannuation	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,681	7,301,675	8,994,143	8,534,000	8,976,449
Total Resource AME	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,681**	**7,301,675**	**8,994,143**	**8,534,000**	**8,976,449**
Of which:									
Net public service pensions 2	1,069,658	1,204,405	1,437,868	1,950,749	2,129,847	2,205,732	1,488,634	2,010,662	2,763,539
Change in pension scheme liabilities	3,954,776	3,820,322	-10,829,910	4,213,758	4,092,728	4,030,208	5,278,778	5,181,000	4,205,000
Unwinding of the discount rate on pension scheme liabilities	6,434,000	7,064,000	6,634,500	7,693,000	7,044,000	6,626,000	7,893,997	7,300,000	8,196,000
Release of provisions covering payments of pension benefits	-4,301,925	-4,650,850	-4,815,612	-5,142,390	-5,293,894	-5,560,265	-5,667,266	-5,957,662	-6,188,090
Total Resource Budget	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,681**	**7,301,675**	**8,994,143**	**8,534,000**	**8,976,449**
Of which:									
Capital DEL									
Of which:									
Capital AME									
Of which:									
Of which:									
Total AME	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,681	7,301,675	8,994,143	8,534,000	8,976,449

1 Includes impairments.

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table H Total identifiable expenditure on services by country and region, 2009–10 to 2013–14

					£m
	National Statistics				
Cabinet office (Civil Superannuation)	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**
North East	45	61	77	86	100
North West	92	115	152	169	193
Yorkshire and the Humber	67	84	113	125	145
East Midlands	56	69	93	102	117
West Midlands	63	78	104	115	130
East	103	121	167	182	206
London	143	165	231	249	279
South East	254	287	402	433	484
South West	170	197	270	295	332
Total England	993	1,177	1,610	1,756	1,983
Scotland	105	129	170	187	213
Wales	65	79	106	116	132
Northern Ireland	11	16	17	19	21
UK identifiable expenditure	1,174	1,402	1,903	2,079	2,350
Outside UK	31	36	48	51	58
Total identifiable expenditure	1,204	1,438	1,951	2,130	2,407
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	1,204	1,438	1,951	2,130	2,407

Table I Total identifiable expenditure on services by country and region, per head 2009–10 to 2013–14

					£ per head
	National Statistics				
Cabinet Office: Civil Superannuation	**2009–10**	**2010–11**	**2011–12**	**2012–13**	**2013–14**
North East	17	24	30	33	38
North West	13	16	22	24	27
Yorkshire and the Humber	13	16	21	24	27
East Midlands	13	15	20	22	25
West Midlands	11	14	19	20	23
East	18	21	29	31	35
London	18	21	28	30	33
South East	30	33	46	50	55
South West	32	37	51	55	62
England	19	22	30	33	37
Scotland	20	25	32	35	40
Wales	21	26	35	38	43
Northern Ireland	6	9	10	10	12
UK identifiable expenditure	**19**	**22**	**30**	**33**	**37**

Table J Data in this table are National Statistics

£ million

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	OUTSIDE UK	Not Identifiable	Grand Total
Social protection																
Old age	100	193	143	117	130	206	279	484	332	1,983	213	132	21	58	-	2,407
of which: pensions	*100*	*193*	*143*	*117*	*130*	*206*	*279*	*484*	*332*	*1,983*	*213*	*132*	*21*	*58*	-	*2,407*
Total social protection	100	193	143	117	130	206	279	484	332	1,983	213	132	21	58	-	2,407
TOTAL CABINET OFFICE: CIVIL SUPERANNUATION EXPENDITURE ON SERVICES	**100**	**193**	**143**	**117**	**130**	**206**	**279**	**484**	**332**	**1,983**	**213**	**132**	**21**	**58**	**-**	**2,407**

1. **Tables H, I and J** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2014 release. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2014.

4. The data feature both identifiable and non-identifiable spending:

   - Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
   - Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table J** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

ISBN 978-1-4741-3991-5

9 781474 139915