Presented to the House of Commons pursuant to the Government Resources and Accounts Act 2000 c.20.s.6

Cabinet Office: Civil Superannuation

Resource Accounts 2008-09

London: The Stationery Office **20 July 2009**

HC 488 **£9.50**

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Cabinet Office: Civil Superannuation

Resource Accounts 2008-09

(For the year ended 31 March 2009)

being the accounts of the Principal Civil Service Pension Scheme, compensation agency arrangements and other minor agency and principal pension scheme arrangements

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Report of the Manager

Introduction

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded, defined benefit, contributory, public service occupational Pension scheme. The PCSPS covers four pension arrangements. New entrants joining the Civil Service from 30 July 2007 are offered membership of **nuvos**, a whole career pension with a pension age of 65. Before 30 July 2007 those joining the Civil Service would have been eligible to join one of the previous final salary arrangements of **premium**, **classic** and **classic plus**. Money purchase pensions known as **partnership** are available as an alternative for employees joining on or after 1 October 2002. **Partnership** is delivered through employer-sponsored stakeholder pensions from a choice of pension providers.

Roles and responsibilities

Employers

Cabinet Office as manager of the scheme (see below) has formally delegated responsibility for pensions administration to employers. Employers are responsible for:

- maintaining pay and service records;
- determining eligibility for the pension arrangements on recruitment;
- keeping their employees informed on pension issues;
- arranging with their Authorised Pension Administration Centre for the calculation of pension benefits for their employees;
- paying employers' and employees' pension contributions to the scheme.

Authorised Pension Administration Centres (APACs)

During the year, employers used one of nine APACs to calculate pension awards on their behalf. All APACs use PenServer, pension administration software, to calculate the awards.

Capita Hartshead

APACs send awards to Capita Hartshead to pay benefits. Capita Hartshead is responsible for pensions administration for pensioners and deferred pensioners including paying pensions, maintaining accurate and secure records and maintaining a proper audit trail of all transactions, calculating and paying annual pensions increases, deducting and paying over tax to HMRC, operating a payroll bank account, producing financial and management reports, responding to pensioners' enquiries and taking action on death.

Civil Service Pensions Division (CSP), Cabinet Office

CSP manages the Scheme. It is responsible for:

- admission of employers to the PCSPS;
- development of policy and maintenance of scheme rules;
- maintenance and development of pensions administration software (PenServer);
- provision of advice, information and guidance to employers, APACs and scheme members;
- provision of second tier internal dispute resolution procedures;

- scheme finances, including production of annual resource accounts;
- management of the Capita Hartshead, pensioner payroll contract.

CSP also acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). These benefits are calculated by APACs and paid by Capita but are subsequently recovered from employers. These flows are not brought to account in these financial statements.

The financial statements also include pensions and pensions increases payable under a number of other schemes, the majority of which are closed small schemes. Expenditure on all these schemes is less than one per cent of the total expenditure. This report makes no further reference to them. Money invested in the stakeholder pension option is not under the control of the Cabinet Office and is not shown in these statements although employer contributions will be reflected in individual departmental resource accounts.

The statements also include transactions and balances in respect of the Security Service and Secret Intelligence Service pension schemes, which are managed under separate arrangements.

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

Managers

Accounting Officer:	Sir Gus O'Donnell KCB, Cabinet Office, 70 Whitehall, London, SW1A 2AS.
Scheme Manager:	Civil Service Pensions Division, Cabinet Office, 8th Floor, Grosvenor House, Basing View, Basingstoke, RG21 4HG.

Advisers

Scheme Actuary:	Hewitt Associates Limited, Parkside House, Epsom, KT18 5BS.
Legal Advisers:	The Treasury Advisory Division, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ.
Medical Advisers:	Capita Health Services, Greyfriars, 10 Queen Victoria Road, Coventry, CV1 3PJ.
Money Purchase Scheme Advisors:	Hewitt Associates Financial Services Ltd, 6 More London Place, London, SE1 2DA.
Auditors:	Comptroller and Auditor General, 157-197 Buckingham Palace Road, London, SW1W 9SP.
Bankers:	Office of HM Paymaster General, Sutherland House, Russell Way, Crawley, RH10 1UH.

Legislative changes

Pension scheme rules were revised and updated during the course of the year to reflect policy and legislative changes. An Amendment scheme was laid before Parliament on 11 September 2008, the main purpose of which was to complete the package of pension reform by introducing provisions for sharing the effect of future cost increases in scheme provision between employers and active scheme members. The cost-sharing and cost-capping provisions are seen as key to the long-term sustainability of the Civil Service pension arrangements, and will take effect from the next actuarial valuation. The timetable set out in the rules means that any cost-sharing changes as a result of the valuation as at 31 March 2010 will take effect from April 2012. At the same time the rules made provision for the introduction of a Civil Service pensions Governance Group. The Group's role is to provide a mechanism through which the service delivery of the Civil Service pension arrangements is monitored independently, and to play a role in the process for reviewing PCSPS costs following the introduction of cost-sharing and cost-capping provisions. The up-to-date scheme rules can be found on the Civil Service Pensions website http://www.civilservice.gov.uk/pensions.

Pension overpayments

During 2007-08 administrative checks revealed an inconsistency in the calculation of a number of individual pensions because of incorrect uprating being applied to an element known as the Guaranteed Minimum Pension or GMP. This resulted in both overpayments and underpayments of pensions. The overpayments (and underpayments) have continued this year while we have sought to recalculate pensions and correct the records of the individuals affected. Those who have been overpaid have not been required to repay the overpayment but their pensions have been adjusted to the correct level from April 2009. As at the beginning of May 2009, 18,833 pensioners had been overpaid some £19 million. The majority of overpaid pensioners saw no reduction in their pension (as the reduction was cancelled out by the inflation increase in April). A further 3,922 pensioners have been identified as underpaid some £146,000 and these pensions are being corrected and arrears of underpayment paid. Revised processes are being put in place to avoid a repeat of this problem. The National Audit Office have conducted a review of the end to end process to identify causes of the error.

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

Civil Service Pensions (CSP) continues to exercise its duty of care towards members by monitoring the CSAVCS providers, working with the scheme's financial advisers, Hewitt Associates Financial Services Ltd (Hewitt).

As a result of advice received from Hewitt, CSP has closed a number of CSAVCS funds, in the Standard Life and Scottish Widows CSAVC fund range. CSP wrote to members on each occasion offering alternative investment options. The scheme has also added a Managed Cash fund to the Standard Life CSAVC fund range to give members an alternate investment to the Sterling fund. Standard Life recently informed our CSAVC members who had invested in their Sterling fund that their fund had reduced by 4.8%. Standard Life later decided to refund members' losses. We wrote to members telling them of Standard Life's decision to refund the losses to the Sterling fund and informing them that we had added the new cash fund for those that wished to move their investments out of the Sterling fund. All funds continue to be monitored where there is member investment.

100% of employers are now registered for web-based scheduling, which is a more secure way for employers and their payrolls to transfer member contribution data to the money purchase providers. This ensures that members' contributions are paid over in an accurate and timely manner and has meant providers have not had to spend time chasing employers for additional information.

Appointment of Scheme Medical Adviser

The contract for the Civil Service Pension Scheme Medical Adviser was re-tendered during the year. Following publication of a notice in the Official Journal of the European Union, four providers were invited to tender. The tender bids were considered by a tender board consisting of Cabinet Office officials, an independent medical expert, and an employer representative. The board decided to re-appoint the existing provider, Capita Health Solutions. The new contract starts on 1 April 2009.

Ill-health Retirement Review

The Scheme Medical Advisor reports on the number of applications for medical retirement they deal with each year. During 2008-09 they advised on 2,667 cases, supporting medical retirement in 1,088**.** This compares with 1,850 applications in 2007-08, of which 692 were supported.

Communications

CSP develops and produces information in a variety of formats for scheme members, and works with employers and APACs to deliver these. We introduced new Annual Benefit Statements with supporting communications from June 2008. The new statements are designed to present the information more clearly and include pension figures projected to a range of ages to help members make informed decisions about when they want to retire.

In January 2009 CSP issued draft terms of reference for a new employer consultation forum which will combine the Pensions Communication Network with the Employer Support Group. The new Employer Support Group will focus on all employer responsibilities including communications.

In February 2009 CSP's new website was launched as part of a new Civil Service website. CSP took the opportunity presented by the rebuild to completely redesign the site. The new site organises the member information by scheme to help members to access information relevant to them more easily. It also provides guidance sections for employers and administrators.

Complaints under the Internal Dispute Resolution (IDR) Procedures

Members and beneficiaries of the Civil Service pension arrangements who have a complaint can raise this through the IDR procedure. At the first stage of the procedure the complaint is reviewed and a decision made by the administrator concerned (either the APAC or Capita). In the event of an appeal against the first stage decision the complainant can request that a further review be undertaken by CSP. Finally, members who remain dissatisfied after completing the IDR process can ask the Pensions Ombudsman to investigate their complaints. His decisions are binding on all parties, subject only to an appeal to the High Court on a point of law.

During the year the APACs and Capita completed 198 first stage decisions, upholding in full or part 23 of the complaints that they investigated. In the same period CSP completed 123 investigations at the second stage of the IDR process. In 99 cases CSP found in favour of the administrators. In the remaining 24 cases, CSP upheld in full or in part the complaints made by the scheme members and, where appropriate ordered remedial action.

The Pensions Ombudsman completed investigations into 35 of CSP's cases during the year and upheld CSP's decision, in full or part, in 29 of them.

National Fraud Initiative (NFI)

NFI is a biennial IT data matching exercise co-ordinated by the Audit Commission involving organisations within central and local government working together to identify and eliminate frauds and overpayments. Data on PCSPS pensions in payment are compared against data on recorded deaths to identify cases where pensions might remain in payment to deceased persons. PCSPS data are also matched against housing benefits so that local authorities can identify claimants who have failed to declare receipt of an occupational pension. NFI 2006 was the fifth exercise in which CSP had participated. CSP identified about 700 potential overpayments of around £1.4 million in total. Around 600 cases have been cleared and £950,000 recovered. Investigation and recovery of the remaining overpayments are being actively pursued. During 2008-09 outstanding debts arising from the NFI 2004 exercise were reduced to £167,000 which are being recovered. The NFI 2008 exercise has commenced.

Pensions increase

Pension payments increased by 3.9% from 7 April 2008, in line with the movement in the RPI All-items index from September 2006 to September 2007.

Membership statistics			
Membership of the PCSPS at 31 March:			
	2009		2008
Active members*	564,000		577,000
Deferred members	332,000		322,000
Pensions in payment			
Officers	452,000		440,000
Dependants of deceased members	129,000		129,000
Annual compensation payments (and other on-going payments) for which employers are responsible	16,700		16,500
Staff opting for **partnership** pension arrangements	7,400		7,000

*The approximate split of active membership at 31 March 2009 was 61% **classic,** 3% **classic plus,** 28% **premium** and 8% **nuvos**.

At 31 March 2009 Cabinet Office had delegated pension administration to 232 employers (At 31 March 2008 - 222)**.**

Further information

Please address any enquiries about Civil Service pension arrangements to:
Civil Service Pensions Division
Cabinet Office
8th Floor
Grosvenor House
Basing View
Basingstoke
RG21 4HG

Gus O'Donnell
Accounting Officer
9 July 2009

Report of the Actuary

Accounts for the year ended 31 March 2009

A. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded public service scheme made under the Superannuation Act 1972. All payments of benefits and other liabilities from the scheme are met from the Civil Superannuation Request for Resources (RfR). Participating employers make contributions known as accruing superannuation liability charges (ASLCs), which are treated as Appropriations in Aid on the RfR. ASLCs are regularly assessed by the Scheme Actuary and are consistent with those that might have applied had the scheme been funded, making allowance for amortised surpluses or deficits that would have arisen in a funded scheme based on an assumed notional investment return. The most recent ASLC assessment was carried out by Hewitt Associates Limited as at 31 March 2007 and included recommendations for the contribution rates applicable from 1 April 2009. The rates applicable until 31 March 2009 were recommended in the previous ASLC assessment carried out by Hewitt Associates Limited as at 31 March 2003.

B. This Report relates solely to the liabilities of the Principal Civil Service Pension Scheme. Liabilities relating to payments made before normal retirement age as compensation for early retirement under the terms of the Civil Service Compensation Scheme fall to employers and are excluded.

C. Liabilities

We have assessed the value of the expected benefit entitlements under the Principal Civil Service Pension Scheme built up during periods of employment (or former employment) prior to 31 March 2009. The capitalised value as at 31 March 2009 has been assessed using the methodology and assumptions set out in Sections E and F below. The results are as follows:

Value of Liabilities	£ billion
Current pensions & associated contingent pensions	50.6
Deferred pensions, including contingent pensions, for those no longer contributing	19.0
Accrued benefits available to members contributing to the scheme	46.1
Total	**115.7**

D. Accruing Costs

The cost of benefits accruing for each year of service is shared between members and employers. Employees in the **classic** section make contributions of 1.5% of pensionable pay. Employees in the **classic plus** and **premium** sections, which came into effect as from 1 October 2002, make contributions of 3.5% of pensionable pay. Employees in the **nuvos** section, which came into effect as from 30 July 2007, also make contributions of 3.5% of pensionable pay. Employers meet the balance of the cost.

We have assessed the employers' share of the cost of benefits accruing in the year ended 31 March 2009 (the employers' share of the 'current service cost') to be 24.6% of pensionable pay, as determined at the start of the year.

To determine the amounts actually charged to employers under the ASLC mechanism the employers' contribution is separately assessed for each of four ranges of pay levels, based on full-time equivalent pay at the beginning of the financial year. The contribution rates which were assessed under the ASLC mechanism as required to meet the cost of benefits accruing in the year 2008-09 were as follows:

Employer's Share of Contribution Rate

Pay band from April 2008	**% of Pensionable Pay Rate charged**
£19,500 and under	17.1%
£19,501 to £40,500	19.5%
£40,501 to £69,000	23.2%
£69,001 and above	25.5%
Estimated average rate charged to Employers for current year	**19.4%**
Rate payable by the Prison Service for prison officers employed before September 1987 and entitled to enhanced benefits	**26.5%**

The employers' contributions receivable are assessed as £2.8 billion for financial year 2008-09. The next ASLC assessment will be carried out as at 31 March 2010.

E. Methodology

The value of the liabilities referred to in Section C has been obtained by using the projected accrued benefits method. Expected future pay increases made to employed members are allowed for. The current service cost calculation referred to in Section D has been determined using the projected unit method, with a control period of 1 year.

F. Assumptions

The principal financial assumptions adopted for the pension assessments referred to in Section C are an investment return in excess of price increases of 3.2% p.a. (pension benefits under the scheme are generally increased in line with prices), and an investment return in excess of earnings increases of 1.72% p.a.. The gross rate of return is assumed to be 6.04% p.a. although this assumption has only a minor impact on the calculation of the liability. In nominal terms these assumptions are then equivalent to an allowance for increases in salaries of 4.25% p.a. and an allowance for price inflation of 2.75% p.a.

With the exception of the allowance for future improvements in post-retirement mortality, the demographic assumptions are those adopted for the most recent ASLC assessment, and were derived from the specific experience of the membership of this Scheme. Allowance has been made for future improvements in post-retirement mortality in line with the improvements underlying the ONS (2006-based) national population projections (principal).

As an illustration, the assumed life expectancy at age 60 for a member (in normal health) who is currently age 60 is 27.9 years for a man and 29.9 years for a woman. The assumed life expectancy at age 60 for a member (in normal health) who is currently aged 40 is 29.9 years for a man and 31.8 years for a woman.

For the current service cost calculation referred to in Section D, which was determined as at 31 March 2008, the principal financial assumptions were an investment return in excess of price increases of 2.5% p.a. and an investment return in excess of earnings increases of 1.03% p.a. The demographic assumptions were those adopted for the most recent ASLC assessment.

G. Notes

Our calculation of the liabilities as at 31 March 2009 has been based on a detailed but approximate update of a full actuarial valuation of the Scheme as at 31 March 2007. For this purpose we have used data supplied by the Scheme administrators as at 31 December 2008. Our calculations take account of the 5.0% pension increase granted in April 2009.

The pension benefits taken into account in this assessment are those normally provided under the rules of the pension scheme. These include those paid on retirement, ill-health retirement, and following the death of a member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits) or redundancy benefits which might arise in respect of current employees.

Statement

We have prepared this Report for the Cabinet Office as managers of the Principal Civil Service Pension Scheme. In our opinion the assessment of the liabilities of the Scheme as at 31 March 2009 and of the accruing cost of benefits set out above comply with the requirements of Chapter 8 of the Financial Reporting Manual for the financial year 2008-09.

For Hewitt Associates Limited
Jonathan Teasdale
Fellow of the Institute of Actuaries

9 June 2009

Statement of Accounting Officer's Responsibilities

Under the Government Resources & Accounts Act 2000, HM Treasury has directed the Principal Civil Service Pension Scheme to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis) the combined financial statements are prepared on an accruals basis and must give a true and fair view of the financial transactions of the Principal Civil Service Pension Scheme and certain other minor pension schemes during the year and the disposition, at the end of the financial year, of the net liabilities. Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the net liabilities at the year end.

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

- observe the Accounts Direction issued by 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 Sir Gus O'Donnell as Accounting Officer for the Principal Civil Service Pension Scheme. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Civil Superannuation's policies, aims and objectives, whilst safeguarding the public funds for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

For the year ending 31 March 2009 I have delegated to the Head of Civil Service Capability Group (CSCG), responsibilities for the management of the Civil Superannuation resources. This delegation is contained in a Memorandum of Understanding (MOU) which forms part of a wider delegation and control framework designed to ensure that Civil Superannuation receives all monies properly due, and to safeguard the regularity and propriety of expenditure. The MOU sets out those responsibilities which co exist with, and are additional to, the Head of CSCG's normal duties as a Cabinet Office official.

Responsibility for pensions administration is delegated to employers under the Superannuation Act 1972. This means that Accounting Officers in departments are responsible for all aspects of pensions administration including the calculation of pension benefits for their employees and for ensuring that appropriate systems of internal control are in place. All employers engaged one of nine APACs to calculate pension awards on their behalf. These APACs operate to a developed control framework standard. All APACs have been reminded of their corporate governance responsibilities during the year and have accepted these responsibilities. Under an agreed protocol Accounting Officers provide me with annual assurance certificates regarding the administration of the PCSPS for their staff.

Last year I introduced a new checklist and more detailed guidance to assist Accounting Officers and to create a consistent approach to confirm that Accounting Officers have carried out their delegated roles and responsibilities. For 2008-09 I have made some further changes to the process which further strengthen the assurance I receive. In early 2009 Civil Service Pensions Division (CSP) ran a series of Accounting Officer Certificate and checklist workshops, attended by over 200 employers. Where possible, Agencies and Schedule 1 bodies were grouped with their parent/sponsoring department at the workshops, in an effort to strengthen the relationship between them. I have received all certificates for the financial year 2008-09.

The Accounting Officers are responsible for qualifying any certificates where they have either not been able to carry out their responsibilities fully, or where controls have not been operating effectively. For 2008-09 I have received 92 qualified certificates (from a total of 232). This is an increase from the number of qualifications in previous years and to an extent is evidence of the increased engagement of employers in understanding their delegated responsibilities in pensions administration. Although not material in the context of the whole scheme these qualifications do indicate a number of weaknesses in the delivery of pensions administration at a number of employers. Many of the qualifications relate to the lack of an electronic interface between employers' payroll systems and the pensions administration system and/or the non-issue of annual benefits statements to active members. Some affected employers are providing regular data through other means and others are progressing work to provide the interfaces. Where automated data interfaces, or alternatives, are not in place the relevant APACs have alternative processes in place for ensuring the accuracy of benefit calculations. CSP is investigating all qualifications to provide me with assurance that employers are fulfilling their responsibilities by taking adequate action to improve matters, in particular on the timely and efficient transfer of payroll data. Overall, I am satisfied that the qualifications are not material and that the certificates provide me with an adequate level of assurance on controls in place in respect of the scheme as a whole.

In October 2008, I introduced the Civil Service Pensions Governance Group. This group is made up of equal numbers of members nominated by the Cabinet Office and the Council of Civil Service Unions. Its role is to provide a mechanism through which the service delivery of the Civil Service pension arrangements is monitored independently, and to play a role in ensuring that pension scheme members and their employers are involved in the process for reviewing PCSPS costs. The Group meets every 3 months and sends a report to me after each meeting. The following is a summary of the main issues covered by the Group during 2008-09.

- The Group considered its role in the programme to transform pension delivery, should this proceed, and concluded that its main role should be to monitor the impact on service levels and performance.

- The Group considered in some detail the scheme valuation process (with the help of the scheme actuarial advisor) and how this feeds into the review of the accruing superannuation liability charge (ASLC), as well as any future cost sharing. This was to enable the Group to understand this complex issue ahead of the next review of ASLCs as at 31 March 2010 and the potential cost sharing that may follow this.

- The Group discussed the current minimum service standards that CSP require the scheme's pensions administrators (APACs) to adhere to, and considered ways to tailor these to place a greater emphasis on accuracy as well as looking at turn-around times and how to obtain reliable and consistent data on how each APAC performs against these standards.

Responsibility for the administration of the Security Service and Secret Intelligence Service pension schemes included in these financial statements rests with the relevant agencies. Robert Hannigan, Head of Security, Intelligence and Resilience provides me with an annual assurance statement that he is satisfied that there are suitable controls in operation within the agencies.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the aims and objectives of Civil Superannuation, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Civil Superannuation for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

CSP is a small organisation with some 50 staff. Management of risk is embedded in policymaking, planning and delivery. Comprehensive guidance on risk management is available on the departmental intranet and CSP's risk management approach is raised with all new staff as part of the induction process. In CSP the main processes for identifying, evaluating, managing risk and changes to risks are conducted at team level. In accordance with the MOU, risk registers are maintained by each team in CSP and are reviewed regularly by the teams and by the CSP risk manager. The risk manager is responsible for compiling and maintaining a register of CSP's Key Risks. These risks are discussed as a standing agenda item at each monthly CSP management team meeting. The risk manager makes any changes to the Key Risks register necessary following discussion at the monthly team meeting. Business priorities are set out in the CSP business plan and all risks which could have a major impact on the Cabinet Office are communicated to the Senior Management Team of the Civil Service Capability Group and to me. They would also be reported to the Cabinet Office Audit and Risk Committee (COARC) who advise me on the effectiveness of the systems of internal control. CSP regularly submits a copy of the Key Risks register to COARC for discussion.

The risk and control framework

The respective roles and responsibilities of employers and APACs are documented and are kept under review by CSP. Responsibilities for maintenance of sound corporate governance arrangements form part of that documentation. Periodic audit is a condition of the Employer delegation and both employers and APACs report on the date of their last internal audit, whether recommendations have been implemented, and their intentions regarding future audits. CSP strategically monitors the operation of APACs who provide quarterly compliance statements, six monthly corporate governance statements and an annual assurance report. CSP holds bilateral meetings at each APAC site on an approximate 6 monthly cycle at which a range of issues including corporate governance and the management of risks are discussed. CSP maintains joint risk registers with APACs. CSP chairs meetings of the APAC Board where higher level risks are discussed as a standing agenda item. CSP also chairs the PenServer (scheme software) User Group and attends and contributes to meetings of the APAC Business Liaison Team, where identification of risks to scheme administration are a natural consequence of these working level meetings.

The pensioner payroll service is operated under contract by Capita Hartshead. Their contractual responsibilities include paying pensioners and processing new awards received from APACs on behalf of employers. In 2008-09 they operated appropriate corporate governance and internal control arrangements and their operations were audited. Capita's directors and Head of Internal Audit provide assurance statements, six monthly and annually respectively, on the adequacy and effectiveness of their system of internal control. CSP manages the contract, monitors performance and operates a joint risk register with Capita.

CSP continues to mandate the use of its Common Application Repository (CAR) system for secure data transfer where possible. Where use of CAR is not possible, CSP has provided guidance to both employers and APACs on the application of security controls to pensions data. CSP will keep this important matter under review.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by COARC. My review is also informed by the work of those who have responsibility for the development and maintenance of the internal control framework, as well as comments made by both internal and external auditors in their management letter and other reports.

As noted earlier, the very nature of the Scheme's devolved structure necessitates CSP obtaining assurances on my behalf from a range of sources outside its direct control. CSP has worked with employers, both through improvements to the Accounting Officer certificates above and through regular follow up, to improve the information I receive and the quality of the controls in employers. CSP also continues to work closely with the APACs to monitor their controls.

Civil Superannuation is a standing agenda item at all COARC meetings and CSP provides the Committee with updates, as necessary, on accounting and risk/control issues.

Cabinet Office Internal Audit has confirmed that the system of internal control overseen by Civil Service Pensions is effective.

The National Audit Office has also considered the level of assurance that the system of internal control provides. They consider that the systems used by CSP to process financial transactions are sound, the financial control environment is satisfactory so as to ensure the accuracy of financial reports and budgets and that the overall IS/IT environment is operating satisfactorily. NAO's review included both APAC and Capita Hartshead operations.

NAO have concluded that there are no material weaknesses in the accounting and internal control systems.

Data Security

Employers are responsible for pensions data held by themselves or by their payroll provider. However, CSP provides guidance to both employers and APACs on the security of pensions data in transit and the secure storage of data by the APAC. CSP monitors compliance to that guidance. Employers are required to certify that they have a secure payroll interface with PenServer, or an alternative agreed with CSP, who monitor the status of payroll interfaces.

In order to facilitate the transfer of data between APACs and Capita, for example when an individual's benefits are paid, CSP has provided CAR (the Common Application Repository). CAR acts as a secure hub for data transfer using the Government Secure Intranet (GSi). At the time of its introduction the architecture and approach were approved by the Office of Government Commerce buying solutions (OGCbs), the Central Sponsor for Information Assurance (CSIA), and the National Infrastructure Coordination Centre (NISCC).

Capita's secure data handling is monitored by CSP under contract. Capita exchange data with HMRC, DWP, and their banking partners. Such exchanges are monitored by CSP under their contract with Capita.

Cabinet Office has a Senior Information Risk Owner (SIRO), whose role is to 'own' the Department's information risk policy and assessment and by so doing to ensure that it is embedded into the culture and work of the department. The SIRO is supported by a network of Information Asset Owners (IAOs). These staff oversee data handling in the management units for which they have responsibility. CSP has appointed an IAO.

Planned improvements

CSP regularly reviews the effectiveness of the system of internal control and seeks to make improvements.

CSP will be reviewing the six-monthly Corporate Governance Assurance Statements from APACs, which provides CSP with assurance on the effectiveness of the corporate governance arrangements operating within each APAC. The intention is to strengthen the assurances they receive from APACs, similar to the way the AOCs were strengthened last year.

Recognising the fragmented nature of Civil Service pensions delivery and the associated controls, work is continuing to take forward the earlier recommendation to reduce the complexity of pensions administration. Having considered the recommendation, and before making a final decision on the way forward, Permanent Secretaries asked for some more detailed work to be carried out. This work covers both the future design of pensions administration for the Civil Service and how we might make the transition. The results are being presented to Permanent Secretaries in July for their approval to proceed with changes which will improve the efficiency and governance of the pension arrangements.

Work is ongoing to review the quality of the data held by the APACs and CSP is supporting them in undertaking data cleansing across the databases, providing additional software tools and guidance to facilitate the exercise.

Cabinet Office Internal Audit's 2009-10 plan includes reviews of CSP's stakeholder communications, Capita contract management, and an end-to-end review of IT security.

In the accounts for the year 2007-08 I reported an issue relating to the Guaranteed Minimum Pensions (GMPs). Overpayments identified as a result of this issue have been corrected from April 2009. Changes to processes and controls are being implemented to avoid a repeat of this problem.

From April 2009, CSP was restructured to improve the way it delivers its business objectives. In particular, the responsibility for governance of the way the scheme is administered by employers, APACs and the pensioner payroll provider (Capita) has been separated out from the support role and brought together into a single team. This change will provide clearer and better coordinated focus on the governance of the whole scheme. In addition, a new post has been created with responsibility for, amongst other things, monitoring the scheme's compliance with the relevant pensions legislations, as well as guidance from HMRC and the Pensions Regulator.

Gus O'Donnell 9 July 2009
Accounting Officer

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

I certify that I have audited the financial statements of Cabinet Office: Civil Superannuation for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Combined Revenue Account and Statement of Recognised Gains and Losses, the Combined Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Report of the Managers and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).
I report to you my opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Resource Accounts, which consists of the Report of the Manager and the Report of the Actuary and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the scheme's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net outgoings, recognised gains and losses and cashflows for the year then ended; and

- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report on Guaranteed Minimum Pensions

As set out in the Report of the Manager and in the Statement on Internal Control at pages 12 to 16, administrative checks in 2007-08 revealed an inconsistency in the calculation of a number of individual pensions because of incorrect uprating being applied to an element known as the Guaranteed Minimum Pension or GMP. This resulted in significant, but immaterial, overpayment and underpayments of pensions which has continued in 2008-09. The results of my separate examination of the end to end process to identify the causes of the error, presented to Parliament under section 9 of the National Audit Act 1983, are published as HC 878 2008-09, Review of errors in Guaranteed Minimum Pension payments. My opinion is not qualified in this respect.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

16 July 2009

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

Request for resources	Note	2008-09 Estimate Gross Expenditure	Estimate A in A	Estimate Net Total	Outturn Gross Expenditure	Outturn A in A	Outturn Net Total	Net total outturn compared with Estimate: saving/ (excess)	2007-08 Outturn
		£000	£000	£000	£000	£000	£000	£000	£000
Civil superannuation	5	10,550,000	3,342,000	7,208,000	10,398,091	3,241,582	7,156,509	51,491	7,598,859
Total Resources		**10,550,000**	**3,342,000**	**7,208,000**	**10,398,091**	**3,241,582**	**7,156,509**	**51,491**	**7,598,859**

Summary of net cash requirement 2008-09

	Note	Estimate	Outturn	2008-09 Net total outturn compared with Estimate: saving/ (excess)	2007-08
		£000	£000	£000	£000
Net cash requirement	6	1,150,000	997,918	152,082	635,906

Summary of income payable to the Consolidated Fund

In addition to appropriations-in-aid, the following income relates to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Forecast 2008-09 Income	Forecast 2008-09 Receipts	Outurn 2007-08 Income	Outurn 2007-08 Receipts
		£000	£000	£000	£000
	7	–	–	1	22,888
Total		**–**	**–**	**1**	**22,888**

Explanation of the variation between Estimate Request for Resources and Outturn Request for Resources.

The outturn is within 0.71% of the Estimate.

Explanation of the variation between estimate net cash requrement and outturn net cash requirement.

The use of provisions for pensions was less than expected due to the timing of the settlement of bulk transfers and the payment of lump sums.

Combined Revenue Account for the year ended 31 March 2009

Principal arrangements	Note	2008-09 £000	2007-08 £000
PCSPS			
Income			
Contributions receivable	9	(3,158,387)	(3,078,235)
Transfers in	10	45,315	(116,896)
Other pension income	11	(66,426)	(91,923)
		(3,179,498)	(3,287,054)
Outgoings			
Charged to provisions			
Pension cost	12	3,830,000	4,580,000
Enhancements	13	104,485	121,212
Transfers in	14	(50,598)	115,826
Interest on scheme liabilities	15	6,350,000	5,940,000
		10,233,887	10,757,038
Not charged to provisions			
Injury Benefits	16	7,958	7,449
Net outgoings for the year		**7,062,347**	**7,477,433**

Compensation agency arrangements	Note	2008-09 £000	2007-08 £000
Outgoings			
CSCS			
Not charged to provisions			
Benefits payable	17	232	723
		232	723
Net outgoings for the year		**232**	**723**

Other minor agency and principal pension scheme arrangements	Note	2008-09 £000	2007-08 £000
Other pension schemes			
Income			
Contributions receivable		(62,085)	(55,573)
Outgoings			
Charged to provisions			
Total charge to provisions		154,889	149,538
Not charged to provisions			
Benefits payable	18	1,125	1,111
Net outgoings for the year		**93,929**	**95,076**
Combined net outgoings for the year		**7,156,508**	**7,573,232**

Combined Statement of Recognised Gains and Losses

for the year ended 31 March 2009

Actuarial (gain)/loss	33	(9,832,851)	(16,217,961)
Recognised (gain)/loss for the financial year		**(9,832,851)**	**(16,217,961)**

The notes on pages 24 to 43 form part of these financial statements.

Combined Balance Sheet as at 31 March 2009

	Note	2008-09 £000	2007-08 £000
Principal arrangements			
PCSPS			
Current assets:			
Debtors	21	316,694	359,139
Cash at bank	22	100,262	182,714
Balance with Government Departments	22	206	206
Creditors (amounts falling due within one year)	23	(161,592)	(155,386)
Consolidated Fund – Excess AinA current year	24	-	(22,887)
Consolidated Fund – unspent supply	25	(102,082)	(184,094)
Net current assets/liabilities, excluding pension liability		**153,488**	**179,692**
Debtors: amounts receivable after more than one year	21	169,042	216,000
Pension liability	26.3	(115,741,000)	(119,397,000)
Net liabilities, including pension liabilities		**(115,418,470)**	**(119,001,308)**
Compensation agency arrangements			
CSCS			
Current assets and liabilities:			
Debtors	27	1,605	1,160
Creditors (amounts falling due within one year)	28/29	(23)	(668)
Net current assets		**1,582**	**492**
Creditors (amounts falling due after more than one year)	29	-	(23)
Net assets		**1,582**	**469**
Other minor agency and principal pension scheme arrangements			
Other pension schemes			
Current assets and liabilities			
Debtors	30	9,541	6,417
Creditors (amounts falling due within one year)	31	(4,300)	(1,486)
Net current liabilities, excluding pension liability		**5,241**	**4,931**
Pension liability	32	(1,523,000)	(1,613,000)
Net liabilities, including pension liabilities		**(1,517,759)**	**(1,608,069)**
Combined Scheme – Total net Liabilities		**(116,934,647)**	**(120,608,908)**
Taxpayers' equity:			
General Fund	33	**(116,934,647)**	**(120,608,908)**

Accounting Officer
9 July 2009

The notes on pages 24 to 43 form part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2009

		2008-09	2007-08
		£000	£000
Net cash outflow from operating activities	34.1	(975,471)	(632,366)
Payments of amounts due to the Consolidated Fund		(22,887)	(2,740)
Financing	34.2	915,906	639,540
Increase in cash in the period	34.3	**(82,452)**	**4,434**

The notes on pages 24 to 43 form part of these financial statements.

Notes to the Accounts

1. Basis of preparation of the scheme statement

1.1 The combined scheme statements have been prepared in accordance with the relevant provisions of the 2008-09 *Government Financial Reporting Manual (FReM)* issued by the Treasury which reflect the requirements of Financial Reporting Standard (FRS) 17 *Retirement Benefits*. These accounts show the unfunded pension liabilities and movements in those liabilities during the year. The accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes (Revised May 2007)* to the extent that these are appropriate.

PCSPS principal arrangements

1.2 The statement summarises the transactions of the PCSPS where Civil Service Pensions Division (CSP) acts as a principal. The balance sheet shows the deficit on the scheme. The revenue account shows, amongst other things, the movements in liabilities analysed between the current service cost, enhancements and transfers in, and the interest on the scheme liabilities. The actuarial position of the PCSPS is dealt with in the Report of the Actuary, and the scheme statement should be read in conjunction with that report.

CSCS agency arrangements

1.3 CSP acts as agent for employers in the payment of compensation benefits arising under the CSCS. Benefits paid out in the month are generally recovered from employers at month-end. These financial flows are not brought to account in the financial statements. However, the statements recognise the liabilities arising from any amounts that have been pre-funded by employers (see note 29). The liabilities in relation to prefunding of compensation liabilities by employers are £0.023 million (2007-08: £0.433 million). The accumulated value of the future funding to be reimbursed from the Consolidated Fund as and when payments are made to beneficiaries is not reflected as an asset of the CSCS in these accounts as the sums payable are subject to annual approval by Parliament through the supply procedure.

Other minor agency and principal pension scheme arrangements

1.4 In addition, the financial statement includes transactions relating to other minor pension schemes, a number of which are closed schemes. CSP acts as principal in respect of pensions paid to the widows of former members of the Royal Irish Constabulary, and a pension paid to the Governor of an overseas colony, awarded prior to the introduction of a new scheme on 30 September 1978. CSP acts as principal in respect of the Security Service and Secret Intelligence Service pension schemes on the basis of audited information supplied by the agencies. CSP acts as an agent for the following schemes:

- Pension increases to former Prime Ministers, former Speakers, various former public service appointees and former MEPs and their widow(er)s;
- Payments to United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service;
- Payments to 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;
- Approved Societies and certain other bodies which were displaced by the operation of the National Insurance Act 1946 (Prudential Approved Societies, Sick Visitors and Seamans' National Insurance Society);
- Federated Superannuation Scheme for Universities.

1.5 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. Accounting policies for PCSPS principal arrangements

2.1 The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

2.2 Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Schemes 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.

2.3 These accounts have been prepared under the historical cost convention.

2.4 Contributions receivable

2.4.1 Employers' normal pension contributions are accounted for on an accruals basis. There are no employers' special pension and compensation contributions.

2.4.2 Employees' pension contributions which exclude amounts received in respect of the purchase of added years service (dealt with in 2.4.3 below) and Additional Voluntary Contributions (dealt with in 2.16 below) are accounted for on an accruals basis.

2.4.3 Employees' pension contributions paid in respect of the purchase of added years service are accounted for on an accruals basis. The associated increase in the PCSPS pension liabilities is recognised as expenditure.

2.5 Transfers in

2.5.1 Transfers in are accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on a cash basis, although group transfers in may be accounted for on an accruals basis where the PCSPS has formally accepted liability.

2.6 Income received from departments in respect of enhancements

2.6.1 Amounts receivable from employers in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the capitalised costs of pension enhancement either at early departure or normal retirement age, are accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on an accruals basis.

2.7 Other pension income

2.7.1 The remaining element of "other income" including repayment of gratuities and overpayments recovered other than by deduction from future benefits, are accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on an accruals basis.

2.8 Pension cost

2.8.1 The current service cost is the increase in the present value of the PCSPS pension liabilities arising from members' service in the current period and is recognised in the revenue account. It is determined by the scheme actuary taking into account employer and employee contributions receivable in 2008-09 and based on a discount rate of 2.5% real (5.32% including inflation).

2.9 Interest on scheme liabilities

2.9.1 The interest cost is the increase during the period in the present value of the PCSPS pension liabilities because benefits are one year closer to settlement and is recognised in the revenue account. The interest cost is based on a nominal rate of 5.32% (discount 2.5% real and assumed inflation rate of 2.75%).

2.10 Injury benefits

2.10.1 Injury benefits are accounted for on an accruals basis. They are not funded through the employers' pension contributions and the amounts payable in respect of injuries sustained before 1 April 1998 are a charge on the PCSPS 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.

2.11 Scheme liabilities

2.11.1 Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at 3.2% real (6.04% after inflation). Full actuarial valuations by a professional qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions.

2.12 Pension benefits payable

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

2.13 Payments to and on account of leavers

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

2.14 Transfers out

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

2.15 Actuarial gains/losses

2.15.1 Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Recognised Gains and Losses for the year.

2.16 Additional Voluntary Contributions

2.16.1 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.

2.17 Central management administrative expenses

2.17.1 Employers are responsible for the day to day administration of the PCSPS/CSCS and meet the associated costs from their running cost provision. An element of the accruing superannuation liability charge, paid by employers, is appropriated in aid 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 2008-09 these costs amounted to £10.7 million (2007-08: £10.2 million).

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3. Accounting policies for CSCS agency arrangements

3.1 Benefits payable

3.1.1 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 then recovered from employers at month-end. These transactions are not recorded in the combined revenue account. Details of compensation benefits payable during 2008-09 are shown at note 17.

3.2 Pre-funding of early retirements

3.2.1 Under arrangements that were discontinued with effect from 1 April 2000, some employers were able to make cash payments to CSP to pre-fund compensation payments that will be paid to their former employees in the forthcoming years. Employers have allocated these amounts, subsequently surrendered to the Consolidated Fund, for use in each financial year, up to and including 2009-10. Cash received, but not yet utilised, is recognised as a liability in the combined balance sheet. Transactions that clear these liabilities are recorded as balance sheet items only.

3.2.2 The cash pre-funded by employers reduces their liabilities for compensation benefits by a greater amount and the discount, the difference between the cash pre-funded and the offset allowed in the year, is charged to the combined revenue account, see note 17.

3.3 Pre-payment of early retirement costs

3.3.1 Prior to the privatisation of Her Majesty's Stationary Office (HMSO) in September 1996, a cash payment was made to CSP, subsequently surrendered to the Consolidated Fund, to extinguish liabilities for compensation benefits in respect of their former employees. The cash payment has been fully utilised. Compensation benefits payable in respect of former HMSO employees are charged to the combined revenue account, see note 17. These compensation payments will be replaced by pension payments payable under the rules of the PCSPS when former HMSO employees reach age 60.

Accounting policies for other minor agency and principal pension scheme arrangements

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

Reconciliation of Estimates, accounts and budgets

5. Reconciliation of net resource outturn to combined net outgoings

	2008-09			2007-08
	£000			£000
	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	7,156,509	7,208,000	51,491	7,598,859
Non-supply income (CFERs)	(1)	-	1	(25,627)
Combined Net Outgoings	**7,156,508**	**7,208,000**	**51,492**	**7,573,232**

6. Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: Saving/(excess)
		£000	£000	£000
Net Resource Outturn	5	7,208,000	7,156,509	51,491
Accruals adjustments:				
Non-cash items	35	(10,540,000)	(10,388,776)	(151,224)
Changes in working capital other than cash	36	88,000	(24,805)	112,805
Changes in creditors/debtors falling due after more than one year	37	-	(46,935)	46,935
Use of provision to pay pensions		4,394,000	4,301,925	92,075
Excess cash to be surrendered to the Consolidated Fund		-	-	-
Net Cash Requirement		**1,150,000**	**997,918**	**152,082**

7. Analysis of income payable to the Consolidated Fund

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

		Forecast 2008-09		Outturn 2008-09	
		£000	£000	£000	£000
	Note	Income	Receipts	Income	Receipts
Operating income and receipts – Excess A in A		-	-	-	*22,887*
Other operating income and receipts not classified as A in A	8	-	-	-	-
		-	-		
Other non-operating income and receipts not classified as A in A		-	-	1	*1*
Other amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
Total income payable to the Consolidated Fund		**-**	**-**	**1**	***22,888***

8. Reconciliation of income recorded within the Revenue Account to operating income payable to the Consolidated Fund

	2008-09	2007-08
	£000	£000
Operating income	3,241,583	3,342,627
Gross income	3,241,583	3,342,627
Income authorised to be Appropriated in Aid	(3,342,000)	(3,317,000)
Operating income payable to the Consolidated Fund	**-**	**25,627**

Revenue account – PCSPS principal arrangements

9. Pension contributions receivable

	2008-09	2007-08
	£000	£000
Employers	(2,802,725)	(2,740,598)
Employees:		
Normal	(317,601)	(305,608)
Purchase of added years	(38,061)	(32,029)
	(3,158,387)	**(3,078,235)**

10. Pension transfers-in (see also Note 14)

	2008-09	2007-08
	£000	£000
Group transfers from other schemes*	114,094	(21,146)
Individual transfers in from other schemes	(68,779)	(95,750)
	45,315	**(116,896)**

- Included within this is a downwards revaluation of a long term debtor from £362 million to £219 million relating to group transfers due from Ministry of Justice. See also Note 21.

11. Other pension income

	2008-09	2007-08
	£000	£000
Refund of gratuities received	(1)	(2)
Amounts receivable in respect of:		
bringing forward the payment of accrued superannuation lump sums	(14,208)	(18,459)
capitalised cost of enhancement to pensions, payable on departure	(37,231)	(52,318)
capitalised cost of enhancement to pensions, payable at age 60	(14,986)	(18,404)
Non-retainable income	-	(2,740)
	(66,426)	**(91,923)**

12. Pension Cost

	2008-09	2007-08
	£000	£000
Current service cost (see note 26.3)	3,830,000	4,580,000
	3,830,000	**4,580,000**

13. Enhancements (see also Note 26.3)

	2008-09	2007-08
	£000	**£000**
Employees:		
Purchase of added years	38,061	32,029
Refund of gratuities received	1	2
Employers:		
Bringing forward the payment of accrued lump sums	14,207	18,459
Enhancements to pensions on departure	37,231	52,318
Enhancements to pensions on retirement	14,985	18,404
	104,485	**121,212**

14. Transfers in (see also Note 10)

	2008-09	2007-08
	£000	**£000**
Group transfers in from other schemes*	(119,377)	20,076
Individual transfers in from other schemes	68,779	95,750
	(50,598)	**115,826**

- Included within this is a downwards revaluation of a long term debtor from £362 million to £219 million relating to group transfers due from Ministry of Justice. See also Note 21.

15. Interest on scheme liabilities (see also Note 26.3)

	2008-09	2007-08
	£000	**£000**
Interest charge for the year	6,350,000	5,940,000
	6,350,000	**5,940,000**

16. Injury Benefits payable – not charged to provisions

	2008-09	2007-08
	£000	**£000**
Injury benefits	14,304	12,378
Less recoverable from employers	(6,346)	(4,929)
	7,958	**7,449**

Revenue account – CSCS compensation agency arrangements

17. The following represent annual compensation payments payable, not recoverable from employers, brought to account in the combined revenue account.

17.1 Benefits payable – not charged to provisions

	2008-09	2007-08
	£000	£000
Difference between provision for current year and outturn expenditure and residual payments	220	564
Discounts allowed on pre-funded annual compensation payments	13	158
Discounts allowed on pre-paid annual compensation payments	(1)	1
	232	**723**

17.2 The following represent the total annual compensation payments and compensation lump sums payable:

	2008-09	2007-08
	£000	£000
Recoverable from employers	219,177	209,599
Pre-funded by employers (note 29)	410	1,236
Discounts allowed on pre-funding (note 17.1)	13	158
Discounts allowed on pre-payments (note 17.1)	(1)	1
Amounts met from central funding:		
Borne by compensation scheme (note 17.1)	220	564
Total annual compensation payable	**219,819**	**211,558**
Lump sum payable recoverable from employers	217,292	277,805
Total lump sums payable	**217,292**	**277,805**

Revenue account – Other minor agency and principal pension scheme arrangements

18. Benefits payable – not charged to provisions

	2008-09	2007-08
	£000	£000
Royal Irish Constabulary dependents	-	-
Pensions increase for ex-PMs/Speakers	60	50
Pensions increase for Public Service Appointments	144	133
Pensions increase ex for MEPs/widow(er)s	275	241
Payments to United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	70	62
Payments to Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	277	301
Pensions increases in respect of pensions paid to former staff of the Raw Cotton Commission	2	2
Pensions increases in respect of pensions paid to former staff of the Sugar Board	25	21
Approved Societies and certain other bodies which were displaced by the operation of the National Insurance Act 1946 (Prudential Approved Societies, Sick Visitors and Seamans' National Insurance Society)	1	3
Pensions to Governors of overseas colonies awarded prior to the introduction of a new scheme in 1978	1	1
Federated Superannuation Scheme for Universities	270	297
	1,125	**1,111**

19. Additional Voluntary Contributions

19.1 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 chose 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.

19.2 The aggregate amounts of AVC investments are as follows:

	2008-09			2007-08		
	Standard Life	Equitable Life[1]	Scottish Widows	SL	EL[1]	SW
	£000	£000	£000	£000	£000	£000
Movements in the year:						
Balance at 1 April	46,844	20,476	*123,312	48,192	23,132	153,209
New investments	3,029	211	9,272	4,028	256	12,014
Sales of investments to provide pension benefits	(2,521)	(2,625)	(13,665)	(3,899)	(3,258)	(16,428)
Changes in market value of investments	(7,597)	(912)	114	(1,477)	346	709
Balance at 31 March	**39,755**	**17,150**	**119,034**	**46,844**	**20,476**	**149,504**
Contributions to provide life cover	n/a	116	n/a	n/a	137	n/a
Benefits paid on death	n/a	215	n/a	n/a	146	n/a

1 – data as at 5 April
* Northern Ireland and By-Analogy schemes are no longer included in this figure

20. Contingent liabilities disclosed under FRS12

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.

Balance sheet – PCSPS principal arrangements

21. Debtors

	2008-09	2007-08
	£000	**£000**
Amounts falling due within one year:		
Employers' contributions	234,894	178,237
Employees' normal contributions	25,843	19,457
Employees' added years	3,051	2,215
Early retirement employer costs	215	129
Individual transfers	-	231
Group transfers	50,000	156,060
Sub Total	**314,003**	**356,329**
Overpayment debtors (Net of provision for non recovery) *	2,682	2,797
Injury benefit debtors	9	13
Balance at 31 March	**316,694**	**359,139**
Amounts falling due after more than one year:		
Group transfers	169,000	216,000
Long term debtors	42	-
	169,042	**216,000**

- includes a provision for non-recovery of £19.48 million overpayments

22. Cash analysis

	2008-09	2007-08
	£000	**£000**
Cash at bank	100,262	182,714
Balance with Government Departments	206	206
Non-Supply debtors for CSCS payments	1,605	1,160
Non-Supply debtors for injury benefit payments	9	14
Amounts undrawn from the Consolidated Fund in respect of Supply	50,000	130,000
	152,082	**314,094**
Consolidated Fund Supply unspent at year-end	152,082	314,094
	152,082	**314,094**

23. Creditors – amounts falling due within one year

	2008-09	2007-08
	£000	**£000**
Pensions	(126,396)	(120,081)
Inland Revenue	(34,424)	(35,263)
Overpaid contributions	(772)	(42)
Balance at 31 March	**(161,592)**	**(155,386)**

24. Creditors - amounts falling due within one year for Consolidated Fund excess appropriations in aid

	2008-09	2007-08
	£000	**£000**
Appropriations in Aid realised	(3,241,582)	(3,339,887)
Less: Appropriations in Aid authorised	3,342,000	3,317,000
Income not appropriated in aid, payable to the Consolidated Fund – Current year	-	**(22,887)**

25. Creditors – amounts falling due within one year: unspent Supply

	2008-09	2007-08
	£000	£000
Net Cash Requirement	997,918	635,906
Parliamentary Funding	(1,100,000)	(820,000)
Amounts issued from the Consolidated Fund for Supply but not spent	**(102,082)**	**184,094**

26. Provision for pension liability

26.1 Assumptions underpinning the provision for pension liability

26.1.1 The PCSPS is an unfunded defined benefit scheme. Hewitt Associates Limited carried out a full actuarial valuation of the scheme liabilities as at 31 March 2007 and has based their calculations on a detailed but approximate update. The Report of the Actuary on pages 8 to 10 sets out the scope, methodology and results of the work the actuary has carried out.

26.1.2 CSP, together with the actuary and the auditor, have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that CSP should make available to the actuary in order to meet the expected requirements of the scheme auditor. This information includes, but is not limited to, details of:

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

26.1.3 The major assumptions used by the actuary were:

At 31 March	2009	2008	2007	2006	2005
Rate of increase in salaries	4.25%	4.25%	4.25%	3.9%	3.9%
Inflation assumption	2.75%	2.75%	2.75%	2.5%	2.4%
Discount rate	3.2%	2.5%	1.8%	2.8%	3.5%

26.1.4 The actuary has looked into the mortality experience of the PCSPS within the past five years. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations at age 60 are:

	2009		2008		2007		2006		2005
Retiring at 31 March age 60									
Males	27.9		26.4		24.4		24.4		24.4
Females	29.9		28.1		27.4		27.4		27.4
Retiring in 20 years (a 40 year old)									
Males	29.9		29.0		26.8		26.8		26.8
Females	31.8		29.6		29.8		29.8		29.8

26.1.5 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, CSP 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.

26.1.6 The assumption that has the biggest impact on the amount of the reported liability is the discount rate. As set out in the FReM, and as required by FRS 17, the PCSPS uses the AA corporate bond rate to discount the liabilities. From 2005-06, the Government Actuary has calculated the rate annually on behalf of HM Treasury, who then advise the PCSPS of the rate for the year. The rates are set out in the above table. Any decrease in the rate leads to a significant increase in the reported liability.

26.1.7 In reality, the complexity and range of assumptions underlying the calculation of the pension liability are such that a change in one financial assumption is likely to have a knock-on effect on other financial assumptions. The PCSPS does not consider it useful to attempt to reflect the impact of any changes in the range of assumptions, since this would result in giving a range of inherently uncertain figures. In the opinion of the PCSPS, the actuary has used key assumptions that are the most appropriate for the scheme in the light of current knowledge.

26.2 Analysis of the provision for pension liability

Value of liabilities (£ billion)									
At 31 March	**2009**		**2008**		**2007**		**2006**		**2005**
Current pensions and associated contingent pensions	50.6		46.4		44.8		37.9		34.4
Deferred pensions, including contingent pensions, for those no longer contributing to the scheme	19.0		21.0		25.1		18.3		12.7
Accrued benefits available to members contributing to the PCSPS	46.1		52.0		58.9		45.1		37.0
Total	**115.7**		**119.4**		**128.8**		**101.3**		**84.1**

26.3 Analysis of movement in scheme liability

	2008-09	2007-08
	£000	£000
Scheme liability at 1 April	(119,397,000)	(128,781,428)
Current service cost (note 12)	(3,830,000)	(4,580,000)
Enhancements (note 13)	(104,485)	(121,212)
Pension transfers-in (note 14)	50,598	(115,826)
Interest on pension scheme liability (note 15)	(6,350,000)	(5,940,000)
Benefits paid (note 26.4)	4,118,350	3,844,660
Pension payments to and on account of leavers (note 26.5)	133,716	166,003
Actuarial gain/(loss) (note 26.6)	9,637,821	16,130,803
Scheme liability at 31 March	**(115,741,000)**	**(119,397,000)**

During the year ended 31 March 2009, contributions represented an average of 19.4% of pensionable pay.

26.4 Analysis of benefits paid

	2008-09	2007-08
	£000	£000
Pensions to:		
Retired employees	3,045,496	2,858,312
Widow(er)s*	391,241	369,419
Dependants	7,225	6,872
Lump sum benefits paid:		
on retirement (including early retirement)	632,466	569,431
on death	41,922	40,626
Per cash flow statement	**4,118,350**	**3,844,660**

* includes partners (Classic Plus/Premium members) and civil partners

26.5 Analysis of payments to and on account of leavers

	2008-09	2007-08
	£000	£000
Refunds to members leaving the service	26,081	30,091
Payments for members joining State scheme	2,019	3,079
Group transfers to other schemes	8,780	41,324
Individual transfers to other schemes	96,836	91,509
Per cash flow statement	**133,716**	**166,003**

26.6 Analysis of actuarial gain/(loss)

	2008-09	2007-08
	£000	£000
Experience gains/(losses) arising on the scheme liabilities	(740,822)	4,402,803
Changes in assumptions underlying the present value of scheme liabilities*	10,378,643	11,728,000
	9,637,821	**16,130,803**

* This is almost exclusively attributable to the changes in the discount rate (note 26.1.3)

26.7 History of Experience gains and losses

	2008-09	2007-08	2006-07	2005-06	2004-05
Experience (gains)/losses on the scheme liabilities					
Amount (£000)	740,822	(4,402,803)	1,359,719	911,961	1,232,124
Percentage of the present value of the scheme liabilities	(0.6%)	(3.7%)	1.0%	0.9%	1.5%
Total actuarial (gain)/loss					
Amount (£000)	(9,637,821)	(16,130,803)	22,007,192	911,961	1,232,124
Percentage of the present value of the scheme liabilities	(8.3%)	(13.5%)	17.0%	0.9%	1.5%

Balance sheet – CSCS compensation agency arrangements

27. Debtors – Non-Supply

	2008-09	2007-08
	£000	£000
Recoverable annual compensation payments (inc lump sums)	1,605	1,160
Balance at 31 March	**1,605**	**1,160**

28. Creditors – amounts falling due within one year

	2008-09	2007-08
	£000	£000
Central funding	-	(258)
Balance at 31 March	**-**	**(258)**

29. Annual compensation payments pre-funded by employers

Employing departments were, until March 2000, able to use current-year underspends on running costs to reduce or extinguish their existing liabilities in respect of future annual compensation payments arising from the early retirement of their employees. Details of departments' pre-funding are as follows:

Pre-funding	2008-09	2007-08
	£000	£000
Balance at 1 April	(433)	(1,669)
Used in year: compensation paid	410	1,236
Balance at 31 March	**(23)**	**(433)**
To be used in next 12 months	(23)	(410)
To be used after more than 12 months	-	(23)

Balance sheet – Other minor agency and principal pension scheme arrangements

30. Debtors

	2008-09	2007-08
	£000	£000
Contributions	9,541	6,417
Balance at 31 March	**9,541**	**6,417**

31. Creditors payable within 12 months

	2008-09	2007-08
	£000	£000
Pensions	(4,300)	(1,486)
Balance at 31 March	**(4,300)**	**(1,486)**

32. Provision for pension liability

32.1 The Government Actuary provides an annual valuation of the Security Service and Secret Intelligence Service pension schemes included within these financial statements. The assumptions underlying the valuation are disclosed in his Report, which is examined by the Comptroller and Auditor General as part of his audit of information supplied by the agencies for inclusion in these financial statements

32.2 Analysis of movement in scheme liability

	2008-09	2007-08
	£000	£000
Opening scheme liability at 1 April	1,613,000	1,598,000
Net movement in year (including actuarial gain/loss)	(90,000)	15,000
Scheme liability at 31 March	**1,523,000**	**1,613,000**

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33. General Fund

The General Fund represents the total assets less liabilities of the pension schemes, to the extent that the total is not represented by other reserves and financing items.

	2008-09	2007-08
	£000	£000
Balance at 1 April	(120,608,908)	(129,863,916)
Net Parliamentary Funding		
Drawn down	915,906	639,540
Deemed	184,094	180,460
Year end adjustment		
Supply Creditor - current year	(102,082)	(184,094)
Net Transfer from Operating Activities		
Combined Net Outgoings	(7,156,508)	(7,573,232)
Excess Appropriations in aid	-	(22,887)
CFERs repayable to the Consolidated Fund	-	(2,740)
Actuarial gains and losses (SRGL)	9,832,851	16,217,961
Balance at 31 March	**(116,934,647)**	**(120,608,908)**

34. Notes to the Cash Flow Statement

34.1 Reconciliation of combined net outgoings to operating cash flows

		2008-09	2007-08
		£000	£000
Combined net outgoings for the year		(7,156,508)	(7,573,232)
Adjustments for non-cash transactions	36	47,251	56,743
Adjustments for creditors/debtors falling due after more than one year	37	46,935	35,590
Increase in PCSPS pension provision		10,233,887	10,757,038
Increase in other schemes pension provision		154,889	149,538
Use of PCSPS provisions		(4,252,065)	(4,010,663)
Use of other schemes provisions		(49,860)	(47,380)
Net cash outflow from operating activities		**(975,471)**	**(632,366)**

34.2 Analysis of financing, and reconciliation to the net cash requirement

		2008-09	2007-08
		£000	£000
From the Consolidated Fund (Supply) current year		1,100,000	820,000
From the Consolidated Fund (Supply) prior year		(184,094)	(180,460)
Net Financing		**915,906**	**639,540**
Increase in cash		82,452	(4,434)
Adjustments for payments and receipts not relating to supply		**998,358**	**635,106**
Compensation agency payments made on behalf of employers (inc Lump sum payments)		(436,469)	(487,404)
Reimbursement of compensation payments made by employers (inc Lump sum payments)		436,024	488,209
Injury benefit payments made on behalf of employers	16	(6,346)	(4,929)
Reimbursement of injury benefit payments made by employers		6,351	4,924
Net cash requirement per Statement of Parliamentary Supply		**997,918**	**635,906**

34.3 Reconciliation of Net Cash Requirement to increase in cash

	2008-09	2007-08
	£000	£000
Net cash requirement	(997,918)	(635,906)
From the Consolidated Fund (Supply) - current year	1,100,000	820,000
From the Consolidated Fund (Supply) - prior year	(184,094)	(180,460)
Non-supply - cash flows from other sources	(440)	800
Increase/(decrease) in cash	**(82,452)**	**4,434**

35. Non-cash items

	2008-09	2007-08
	£000	£000
Current service cost	3,830,000	4,580,000
Enhancements	104,485	121,212
Pension transfers-in	(50,598)	115,826
Interest on pension scheme liability	6,350,000	5,940,000
Total charge to provisions – other schemes	154,889	149,538
Non cash items	**10,388,776**	**10,906,576**

36. Movements in working capital other than cash

	2008-09	2007-08
	£000	£000
Movement in debtors related to supply – PCSPS	(42,441)	(49,847)
Movement in debtors related to supply – Other schemes	3,124	2,792
Movement in creditors due within 1 year – PCSPS	(6,206)	(8,007)
Movement in creditors due within 1 year – CSCS	645	567
Movement in creditors due within 1 year – Other schemes	(2,814)	(1,449)
Movement in debtors not related to supply – Injury benefit	(4)	5
Movement in debtors not related to supply – ACPs inc Lump sums	445	(804)
	(47,251)	**(56,743)**
Movement in Consolidated Fund creditor	22,887	(22,887)
Adjustment for movement in non-supply debtors	(441)	800
	(24,805)	**(78,830)**

37. Movements in creditors/debtors falling due after more than one year

	2008-09	2007-08
	£000	£000
Movement in creditors due after 1 year – CSCS (note 29)	23	410
Movement in debtors due after 1 year – PCSPS (note 21)	(46,958)	(36,000)
	(46,935)	**(35,590)**

38. Adjustments re Consolidated Fund

	2008-09	2007-08
	£000	£000
Consolidated Fund Supply debtor/(creditor)	(102,082)	(184,094)
	(102,082)	**(184,094)**

39. Intra-Government Balances

	Debtors: Amounts falling due within one year	Debtors: Amounts falling due after one year
	£000	£000
Balances with:		
Other central government bodies	296,592	169,000
Local authorities	13,320	-
NHS Trusts	-	-
Balances with public corporations and trading funds	10,411	-
Bodies external to government	7,516	42
At 31 March 2009	**327,839**	**169,042**
Other central government bodies	342,065	216,000
Local authorities	9,104	-
NHS Trusts	-	-
Balances with public corporations and trading funds	10,028	-
Bodies external to government	5,519	-
At 31 March 2008	**366,716**	**216,000**

	Creditors: Amounts falling due within one year	Creditors: Amounts falling due after one year
	£000	£000
Balances with:		
Other central government bodies	141,805	-
Local authorities	-	-
NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Bodies external to government	126,192	-
At 31 March 2009	**267,997**	**-**
Other central government bodies	245,280	-
Local authorities	-	-
NHS Trusts	-	-
Balances with public corporations and trading funds	-	-
Bodies external to government	119,241	23
At 31 March 2008	**364,521**	**23**

40. Post Balance Sheet Events

Permission has been given by HM Treasury to write off the GMP overpayments of £19.48 million which, at the balance sheet date, were provided for in their entirety (see Note 21).

Cabinet Office: Civil Superannuation's financial statements are laid before the Houses of Parliament by HM Treasury. FRS21 requires Cabinet Office: Civil Superannuation to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by Cabinet Office: Civil Superannuation to HM Treasury.

The authorised date for issue is 16 July 2009.

41. Financial Instruments

FRS13, *Derivatives and Other Financial Instruments,* requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

CSP has no borrowings and relies solely on resources voted by Parliament to finance the PCSPS's net revenue resource requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

42. Losses

During the year 1,742 losses of £128,730 were written off (2007-08: 1,948 - £238,605).

43. Related Party Transactions

The PCSPS, CSCS and the Security Service and Secret Intelligence Service 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 and trading funds whose employees are members of the Schemes. None of the Managers of the Schemes, key managerial staff or other related parties has undertaken any material transactions during the year.

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