Presented pursuant to the Government Resource and Accounts Act 2000 c.20 s.6 (4)

Department for Business Enterprise and Regulatory Reform

Combined Resource Accounts 2007-08 for the United Kingdom Atomic Energy Authority Pension Schemes

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Combined Resource Accounts 2007-08 for the United Kingdom Atomic Energy Authority Pension Schemes

(for the year ended 31 March 2008)

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Contents

Report

Introduction

This Resource Account for the United Kingdom Atomic Energy Authority's (UKAEA) defined benefit public service Pensions Schemes for the year to 31 March 2008 covers the payment of pensions and other benefits to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UKAEA's Pension Schemes.

The business, its objectives and strategy

The UKAEA Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970.

The schemes are contracted out under the Pension Schemes Act 1993 and subsequent legislation.

The UKAEA's public service Pension Schemes comprise the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS) and the Protected Persons Superannuation Scheme (PPSS). They relate to the employees of the UKAEA, British Nuclear Fuels plc (BNFL), the Civil Nuclear Police Authority (CNPA) and the Health Protection Agency (HPA) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board), together with some employees of the Engineering and Physical Sciences Research Council, the Particle Science and Technology Facilities Council (including former employees of the Science and Engineering Research Council), and former UKAEA employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).

The funding of payments from the UKAEA's Pension Schemes is provided by a Request for Resources, supplied to the Department for Business Enterprise and Regulatory Reform (BERR). It should be noted that any contributions made to the schemes are used to meet the payment of scheme benefits but any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by Parliamentary Supply with payment from the Consolidated Fund.

The UKAEA is a body corporate by virtue of the Atomic Energy Authority Act 1954.

Management of the Schemes

The Schemes are managed by UKAEA. The respective responsibilities of UKAEA and BERR for the Schemes are set out in a Management Framework.

The Schemes are contributory and were established and became operational on 1 August 1954. The Schemes are constituted by Rules determined by the UKAEA and amended from time to time as approved by Ministers.

The public service Pension Schemes are statutory Schemes and there are no trustees.

Operating review

There is no fund of investments. In line with other public service Pension Schemes, the UKAEA Schemes, with effect from 1 April 2006, introduced a revised method to determine the employer's contributions, known as Superannuation Contributions Adjusted for Past Experience (SCAPE). This resulted in an increase in the contributions received.

Actuary's valuation and statement

The Government Actuary's Department (GAD) (independent actuaries of the schemes) valuation is based on the preliminary results of a full acturial valuation of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Superannuation Scheme carried out as at 31 March 2006, updated approximately for the subsequent financial years to reflect known changes which have occurred over the period 31 March 2006 to 31 March 2008. Their report confirmed that the schemes' liabilities were £4,946 million discounted at a real rate of 2.5% under the rules at the date of the valuation and that the contribution rate was sufficient to provide for benefits in the future. The acturial statement is reproduced on page 10. The Actuary has advised that no changes to his report need to be made as a result of events since the end of the financial year.

Changes in Scheme rules

There have been no Rule changes in the period.

Contributions

All contributions have been in accordance with the Rules.

Future plans

The Nuclear Decommissioning Authority (NDA) was established with effect from 1 April 2005. The NDA has established a new Scheme, the Combined Nuclear Pension Plan (CNPP), which will be the vehicle for future pension provision for eligible members in the nuclear industry who are currently members of the CPS. As eligibility for membership to the CPS ceases individuals will be invited to join the CNPP and, following a decision by HM Treasury, will have the opportunity to preserve their accrued benefits in the CPS but not to transfer them to the CNPP. Instead, the CPS benefits will be calculated using the same pensionable final earnings as applies to the calculation of the CNPP benefits. The number of contributing members to the CPS will therefore reduce following the process of competition of the civil nuclear sites under the NDA strategy. This process began in 2006-07 with the movement of 1,347 CPS members employed by Springfields Fuels Limited and continued in 2007-08 with the movement of a total of 440 CPS members employed by Magnox North and Magnox South. Around 8,000 CPS members employed by Sellafield are expected to transfer in 2008-09.

Financial review

The value of pension cost increased by £34.4 million to £135.3 million with overall pension expenditure increasing by £43 million to £382 million. The value of benefits payable increased by £30 million to £194.4 million. The increase was mainly due to the annual increase in the value of benefits, and to changes in the profile of the pensioners. The numbers of pensioners, deferred pensioners, and dependants increased during the year by 202 to 33,865 at 31 March 2008.

The value of contributions received increased by £1.9 million to £92.8 million. There was a decrease in the number of contributing members, which fell by 37 to 13,197 at 31 March 2008. The value of transfers in to the Schemes increased in 2007-08 to £14.7 million.

Overall, the net outgoings for the year increased by £36.4 million from last year's net outgoings of £238.5 million to £274.9 million. The net outgoings include group transfers out to other schemes.

The overall scheme liability of £4.97 billion increased by £109 million from last year.

The financial statements on pages 20 to 36 provide an overview of the schemes' income and expenditure.

Breach of the Net cash Requirement

Parliament authorised a Net Cash Requirement for the BERR UKAEA Pension Schemes of £68,236,000 in the Appropriation Act(s) 2007 (and 2008). Against this authorised limit, the Department incurred an actual Net Cash Requirement of £74,016,000 as shown in the Statement of Parliamentary Supply for 2007-08 and have thus exceeded the authorised limit.

On the 1 April 2006, a revised method to determine the employer's contributions was introduced, known as Superannuation Contributions Adjusted for past Experience (SCAPE). This resulted in an increase in the contributions received from all employers with a commensurate reduction in the funds voted for 2006-07. Due to a reduced level of sponsorship monitoring of the estimated level of Appropriations in Aid (A in A), excess A in A at the 2006-07 year-end was calculated to be more than £7 million in comparison to approximately £1 million prior to the introduction of SCAPE. The £7 million excess A in A was represented by debtors for employer's contributions at the year-end.

Against this authorised limit, the Department incurred an actual Net Cash Requirement of £74,016,000 as shown in the Statement of Parliamentary Supply for 2007-08 and have thus exceeded the authorised limit by £5,780,000.

In the 2008-09 financial reporting period, after the Excess has been approved by Parliament in the Appropriation Act (Budget Act in Northern Ireland), the Excess of £5.78 million will be debited to cash/debtors and credited in the General Fund as a year-end adjustment: Excess Vote – Prior Year.

The Department proposes to implement a plan to reinstate the sponsorship role for the UKAEA Pension Scheme Accounts within the Department, ideally this should reside with the Shareholders Executive, in addition to controls to ensure that all final journal entries are recorded on the Department's accounting system and that the sponsorship and budgeting teams are made aware of any excess A in A that is recorded at the year-end.

Reporting of Personal Data Related Incidents

UKAEA reported no incidents of the loss of any "Protected Personal Data" to the Information Commissioners Office in 2007-08 (or prior years). There were no "Other Protected Personal Data" incidents in 2007-08 (or prior years) such as the loss of: inadequately protected or insecure disposal of electronic equipment, devices or paper documents from secured Government premises, or any other unauthorised disclosure.

UKAEA will continue to monitor and assess its information risks, in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Benefits

The benefits were increased by 3.6% (2006-07, 2.7%). Further information is given in the Manager's Report on page 6.

Auditors

These Financial Statements have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on pages 16-17. The notional cost of the audit is £49,000.

Disclosure of Audit Information

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

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary

10 July 2008

Report of the Managers

1 Constitution of the Schemes

The three UKAEA public service Pension Schemes, (the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme) are unusual in their constitution. Contributions made to the Schemes are used to meet the payment of scheme benefits. Any surplus of contributions over payments is surrendered to the Consolidated Fund. Any deficit is met by Parliamentary Vote with payment from the Consolidated Fund. The Government does not maintain a separate fund to provide for the Schemes' future liabilities and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions and Parliament votes the necessary funds. There is no fund of investments.

Following the introduction of Superannuation Contributions Adjusted for Past Experience (SCAPE) on 1 April 2006, the participating employers pay contributions based on the expected cost of the members' benefits as they accrue. These contributions are set by the Scheme Actuary at each regular valuation of the Scheme, based on the expected demographic and financial experience of the scheme at the time of the valuation.

On the basis of the recommendations made by the GAD and having regard to whether each employer's participation in the UKAEA Pension Scheme is open or closed to new members, the following employer contribution rates are applicable in respect of active membership from 1 April 2006:

UKAEA	16.20%
BNFL	15.00%
Civil Nuclear Constabulary	16.20%
HPA (formerly NRPB)	17.30%
Research Councils	15.80%
Ministry of Defence	14.80%

2 Managers, Advisers and Employers

Managers

UKAEA Pensions Manager	Richard Stoneham, The Manor Court, Chilton, Oxfordshire, OX11 0RN
Address for correspondence	Pensions Administration Office, Brownhill Lodge, Thurso, Caithness KW14 7BA

Advisers

Actuary	The Government Actuary, Finlaison House 15-17 Furnival Street London EC4A 1AB
Principal Bankers	Royal Bank of Scotland plc, Olrig Street, Thurso, Caithness KW14 7BL
Legal advisers	UKAEA Legal Branch, Marshall Building, 521 Downs Way, Harwell, Didcot, Oxfordshire OX11 ORA
Auditor	The Comptroller and Auditor General, National Audit Office, 151 Buckingham Palace Road, London SW1W 9SS

Employers

The following employers participate in the Schemes:

- United Kingdom Atomic Energy Authority (UKAEA)
- British Nuclear Fuels plc (BNFL)
- Civil Nuclear Police Authority (CNC)
- Health Protection Agency (HPA)
- Ministry of Defence (MOD)
- Engineering and Physical Science Research Council (EPSRC)
- Science and Technology Facilities Council (STFC)

On 1 April 2007, the formerly participating employers Particle Physics and Astronomy Research Council and Council for the Central Laboratory for the Research Councils merged to form the STFC. In these Accounts the acronym SERC is used to refer to the sub-scheme relating to the research councils.

The Civil Nuclear Police Authority was formed on 1 April 2005. Members of the Civil Nuclear Constabulary may continue in membership of the Combined Pension Scheme in accordance with the terms of the Energy Act 2004.

Under the Health Protection Agency Act 2004, the National Radiological Protection Board became part of the Health Protection Agency with effect from 1 April 2005.

3 Membership Statistics

Contributing Members	**UKAEA**	**CNC**	**BNFL**	**HPA**	**MOD**	**SERC**	**Total**
At 1 April 2007	**2,244**	**812**	**9,799**	**273**	**22**	**84**	**13,234**
New Entrants	181	118	977	–	–	–	1,276
Transfer from other Employer	–	–	3	–	–	–	3
Transfer to other Employer	(2)	(1)	–	–	–	–	(3)
Retirements	(47)	(8)	(119)	(9)	(5)	(10)	(198)
Deaths	(4)	(1)	(14)	–	–	–	(19)
Leavers	(165)	(47)	(435)	(4)	–	(3)	(654)
Active deferred	–	–	(442)	–	–	–	(442)
At 31 March 2008	**2,207**	**873**	**9,769**	**260**	**17**	**71**	**13,197**

Deferred Pensioners	**UKAEA**	**CNC**	**BNFL**	**HPA**	**MOD**	**SERC**	**Total**
At 1 April 2007	**4,331**	**25**	**6,757**	**166**	**96**	**81**	**11,456**
New	60	17	154	3	–	1	235
New - Pensions Sharing	3	1	6	–	–	1	11
New - cancelled transfers	–	–	24	1	–	–	25
New – Active deferred	–	–	445	–	–	–	445
Retirements	(143)	(1)	(215)	(3)	(9)	(5)	(376)
Deaths	(5)	–	(3)	(1)	–	–	(9)
Leavers (now transfers)	(34)	–	(56)	(2)	–	–	(92)
At 31 March 2008	**4,212**	**42**	**7,112**	**164**	**87**	**78**	**11,695**

Pensioners	UKAEA	CNC	BNFL	HPA	MOD	SERC	Total
At 1 April 2007	**7,343**	**35**	**6,696**	**147**	**1,109**	**621**	**15,951**
New Retirements	190	9	334	12	14	15	574
New - Pensions Sharing	–	1	1	–	–	–	2
Deaths	(284)	–	(210)	(1)	(61)	(16)	(572)
At 31 March 2008	**7,249**	**45**	**6,821**	**158**	**1,062**	**620**	**15,955**

Dependants' Pensions	UKAEA	CNC	BNFL	HPA	MOD	SERC	Total
At 1 April 2007	**2,915**	**2**	**2,388**	**39**	**736**	**176**	**6,256**
New Retirements	151	2	157	3	32	8	353
Deaths	(194)	–	(141)	(2)	(48)	(9)	(394)
At 31 March 2008	**2,872**	**4**	**2,404**	**40**	**720**	**175**	**6,215**

4 Scheme records

Records are maintained in separate parts for UKAEA, CNC, BNFL, HPA, MOD, and SERC to enable the Actuary to advise on the contributions to be made by the participating employers to the schemes.

5 Additional voluntary contributions

In addition to allowing members to pay additional contributions to purchase added years of service within the Schemes, additional contributions may be made to two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (the Plan)). These are fully insured schemes administered by the Prudential Assurance Company Limited to whom contributions are paid.

The AVC scheme is open to members of the public service schemes who have opted to pay additional voluntary contributions. No employer contributions are made to this scheme. The Plan is open to shift workers who are members of the public service Schemes. Contributions to this Scheme are directly linked to shift pay earnings with the employers contributing a percentage of pensionable shift pay salary equal to the percentage payable by them to the CPS.

The transactions relating to the AVC scheme and the Plan are not included in these accounts as separate Accounts are prepared for these defined contribution arrangements.

6 Rule amendments

HM Treasury has agreed that members who are no longer eligible to remain in the CPS following a change of employer in accordance with the Nuclear Decommissioning Authority (NDA) competition strategy, should have their CPS accrued benefits preserved – the option to transfer accrued benefits to the CNPP is not available. Instead preserved CPS benefits will be calculated using the CNPP final salary. Rules amendments have been drawn up to reflect this and are currently with BERR for approval.

7 Pensions review

Under the Rules of the Schemes, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1993. The increase for 2007-08 was effected on 9 April 2007 and amounted to 3.6% (2006-07, 2.7%).

8 Transfer values paid

Individual transfer values paid have been calculated using either “a cash equivalent method” in accordance with the Pension Schemes Act 1993 or, for eligible members, a “mixed transfer” method in accordance with the Rules, where this was more favourable. Where there has been a compulsory transfer of employment, bulk transfer values paid have been calculated with HM Treasury agreement using a “past service reserve” method. Under these arrangements, which are generally more favourable than “cash equivalent” transfers, account is taken of potential salary increases to Normal Retirement Age rather than price increases over the same period.

A transfer value payment of £82,943 was paid by BNFL in December 2007. This was in respect of the Gemini Project. The outstanding balance of £82,943 is due from BNFL in December 2008.

9 Premature retirements

The Rules of the Schemes provide for certain benefits to be paid to members retiring early. These benefits may include a lump sum and annual payments until normal retirement age. The payments are not chargeable to the Schemes’ Accounts and are fully funded by the appropriate participating employer.

The extent of activity for the Schemes under the above arrangements, for all participating employers, is shown in the following table:

	2007–08	2006–07
	£000	£000
Amount due to employers at 1 April	968	608
Received from employers during year	27,378	29,926
Paid to members during year	(25,240)	(27,449)
Repaid to employers during year	(2,760)	(2,117)
Amount due to employees at 31 March	**346**	**968**

The figures shown above reflect only those activities administered by the UKAEA Pensions Administration Office.

Other benefits, paid directly by participating employers to members retiring early, are excluded.

10 Actuarial position

The valuation of the CPS, the PNISS and the PPSS are based on the preliminary results of a full actuarial valuation carried out by GAD as at 31 March 2006, updated approximately for the subsequent financial years to reflect known changes which have occurred over the period 31 March 2006 to 31 March 2008.

Following the introduction of SCAPE, participating employers pay contributions based on the expected cost of the members’ benefits as they accrue. These contributions are set by the Scheme Actuary at each regular valuation of the scheme, based on the expected demographic and financial experience of the Scheme at the time of the valuation.

REPORT OF THE ACTUARY
UNITED KINGDOM ATOMIC ENERGY AUTHORITY
- COMBINED PENSION SCHEME
- PRINCIPAL NON-INDUSTRIAL SUPERANNUATION SCHEME
- PROTECTED PERSONS SUPERANNUATION SCHEME

Accounts for the year ended 31 March 2008

A Liabilities

The capitalised value as at 31 March 2008 of expected future benefit payments under the three UKAEA pension schemes, for benefits accrued in respect of employment (or former employment) prior to 31 March 2008, has been assessed using the methodology and assumptions set out in Sections C and D. The results are as follows:

Table 1 – Combined Pension Scheme

Value of liabilities	UKAEA	BNFL	HPA	MOD	Total
	£m	£m	£m	£m	£m
Pensions in payment	872.8	824.4	20.0	0.2	1,717.4
Deferred pensions	198.0	286.4	6.5	-	490.8
Active members (past service)	484.9	1,805.7	58.4	-	2,349.0
Total	**1,555.7**	**2,916.5**	**84.8**	**0.2**	**4,557.2**

Table 2 – Principal Non-Industrial Superannuation Scheme

Value of liabilities	Research Councils	MOD	Total
	£m	£m	£m
Pensions in payment	118.6	180.1	298.8
Deferred pensions	7.0	11.8	18.7
Active members (past service)	34.3	12.6	47.0
Total	**159.9**	**204.5**	**364.5**

Table 3 – Protected Persons Superannuation Scheme

Value of liabilities	UKAEA	BNFL	MOD	Total
	£m	£m	£m	£m
Pensions in payment	7.5	16.2	0.2	23.9
Deferred pensions	-	-	-	-
Active members (past service)	-	-	-	-
Total	**7.5**	**16.2**	**0.2**	**23.9**

Table 4 – Combined CPS, PNISS and PPSS

Value of liabilities	UKAEA	BNFL	HPA	Research Councils	MOD	Total
	£m	£m	£m	£m	£m	£m
Pensions in payment	880.3	840.6	20.0	118.6	180.5	2,040.1
Deferred pensions	198.0	286.4	6.5	7.0	11.8	509.5
Active members (past service)	484.9	1,805.7	58.4	34.3	12.6	2,396.0
Total	**1,563.2**	**2,932.7**	**84.8**	**159.9**	**204.9**	**4,945.6**

In each of the Tables 1 to 4, the liabilities have been split approximately by membership status at the latest formal valuation.

B Accruing Costs

The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the balance of the cost met by the employer. The cost of benefits accruing in the year 2007-08 has been assessed as follows:

Combined Pension Scheme

% of pensionable pay	UKAEA	BNFL	HPA	MOD
Cost of accruing benefits	32.8	31.7	32.8	-
Members' contribution rate	5.0	5.0	5.0	-
Employer's share of standard cost	27.8	26.7	27.8	-
Actual rate charged to employer for current year	16.2	15.0	17.3	-

Principal Non-Industrial Superannuation Scheme

% of pensionable pay	Research Councils	MOD
Cost of accruing benefits	28.8	27.2
Members' contribution rate	7.5	7.5
Employer's share of standard cost	21.3	19.7
Actual rate charged to employer for current year	15.8	14.8

Protected Persons Superannuation Scheme

There are no active members in the PPSS, and the Scheme is closed. Therefore, there are no further benefits accruing. There were no contributions to the Scheme in the year 2007-08.

The actual contributions paid by each of these employers differ to the cost of accruing benefits because the actual contributions paid are those calculated in accordance with the funding methodology and assumptions laid out by HM Treasury under SCAPE. The methodology and assumptions specified for resource accounting are different to those used under SCAPE. The MOD section has no active members and so no benefits are accruing.

C Methodology

In all three schemes, the value of liabilities has been obtained using the projected accrued benefit method, with allowance for expected future pay increases in respect of any active members.

Combined Pension Scheme and Principal Non-Industrial Superannuation Scheme

The standard contribution rate for accruing costs has been determined using the projected unit method with a three year control period. Under the projected unit method, for a closed scheme such as the PNISS, the standard contribution rate will rise as the members of the scheme approach retirement, all other things being equal.

Protected Persons Superannuation Scheme

There are no active members and hence there is no standard contribution rate.

D Assumptions

The principal financial assumptions adopted for the assessment of the year end liabilities are an investment return of 2.50% a year in excess of price increases and 0.99% a year in excess of earnings increases. A nominal investment return of 5.32% was used, though this is less significant to the assessment. The nominal rate of earnings increases implied by these assumptions is about 4.29%. The demographic assumptions adopted for the assessment are largely derived from the experience of the membership of the scheme. The costs of benefits accruing during the year reflect a real investment return of 1.80% a year.

E Notes

(1) This statement is based on the preliminary results of a full actuarial valuation of the CPS, the PNISS and the PPSS carried out as at 31 March 2006, updated approximately for the subsequent financial years to reflect known changes which have occurred over the period 31 March 2006 to 31 March 2008.

It is emphasised that the projection of the liabilities from the last valuation date to the current date is approximate. More accurate assessments will be available following the next formal valuation.

(2) The pension benefits taken into account in this assessment are those provided from the Rules of the Pension Scheme, including normal retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits), or redundancy benefits which might arise in respect of current employees. Nor do the assessments include the cost of redundancy benefits which are already in payment to members below normal retirement age or pension payments to members between ages 60 and 65 where the members' retirement age has been reduced from 65 to 60 and the cost is met directly by the employer.

Trevor Llanwarne
Government Actuary
May 2008

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business Enterprise and Regulatory Reform (BERR) to prepare for each financial year a statement of accounts for the UKAEA Pension Schemes 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 Combined Pension Schemes during the year and the disposition, at the end of the financial year, of the combined 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 (FReM)* and in particular to:

a. Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

b. Make judgements and estimates on a reasonable basis;

c. State whether applicable accounting standards, as set out in the *Government FReM* have been followed, and disclose and explain any material departures in the financial statements; and

d. Prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Secretary of BERR as Accounting Officer for the UKAEA Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

Statement on Internal Control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UKAEA Pensions Schemes ("the Schemes") policies, aims, and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money".

In accordance with the rules of Government Accounting, I have appointed the Chief Executive of the UKAEA as its Accounting Officer. The Accounting Officer of UKAEA is responsible for the management and administration of the Schemes on my behalf under the terms of a Management Framework, between the UKAEA and the Department, and for the maintenance and operation of the system of internal control in that body. The Chief Executive and Accounting Officer of the UKAEA, has signed a statement relating to that system, which is reproduced in the relevant audited Accounts of the Schemes.

The Schemes are managed and administered by the UKAEA and funded through the Department. The UKAEA disburses pensions and other payments and collects pension contributions and other income with the approval of the Department, which in turn ensures that funds are provided to meet the net cash outflow on pensions. UKAEA prepares three separate audited Accounts for the Schemes and the Department prepares this Resource Account which consolidates those three Accounts. Thus the systems of internal control in operation at UKAEA and within the Department are both relevant to this Account.

2 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 Schemes' policies, aims and objectives, 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 for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

3 Capacity to handle risk

The Management Framework, established between the Department and UKAEA during the 2003-04 financial accounting period, sets out the responsibilities of BERR (formerly DTI) and UKAEA in respect of the funding and management of the Schemes and incorporates a framework for the management of risks and system of internal control.

Both UKAEA and BERR management have taken an active lead in embedding risk management within the Scheme by working together to jointly identify the key risks and agree action plans for their management. A joint risk register has been developed and procedures are in place for UKAEA and BERR to review the register on a regular basis.

4 The risk and control framework

The risk management framework for the Schemes operates through the initial identification of risks against the scheme's objectives. These risks are then evaluated in terms of impact and probability to determine the key risks inherent to the Schemes. Consideration is then given to the controls in place to manage each risk and how effective they are in mitigating the risk. This establishes the level of residual risk and enables management to determine what further action is required to manage the risk. Ownership for each risk is then assigned to a named individual who will report on progress in managing the risk when the risk register is reviewed. Assurance is obtained through regular management reviews and UKAEA Internal Audits of the Schemes.

Risk is identified for the Schemes through regular reviews of risk by BERR & UKAEA management and at risk workshops.

5 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department, and UKAEA who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board, the Audit & Risk Committee and mechanisms are in place to ensure continuous improvement of the system is in place.

In 2007-08, the Department incurred an actual Net Cash Requirement for the Schemes that exceeded the authorised limit by £5.78 million. A revised method to determine employer's contributions known as Superannuation Contributions Adjusted for Past Experience (SCAPE) was introduced in April 2006. This resulted in an increase in the contributions received from all employers with a commensurate reduction in the funds voted for 2006-07. Due to a reduced level of sponsorship monitoring of the estimate level of Appropriations in Aid (A in A), excess A in A at the year-end was calculated to be more than £7 million in comparison to approximately £1 million prior to the introduction of SCAPE. The cash was collected in 2007-08, but was neither requested or authorised in the Net Cash Requirement nor paid over to HM Treasury resulting in the authority limit being exceeded.

In 2008-09, after the Excess has been approved by Parliament in the Appropriation Act (budget Act in Northern Ireland), the Excess of £5.78 million will be debited to cash/debtors and credited in the General fund as a year-end adjustment: Excess Vote – Prior Year.

The Department proposes to implement a plan to reinstate the sponsorship role for the UKAEA Pensions Accounts within the Department. In addition controls to ensure that all final journal entries are recorded on the Department's accounting system will be introduced and the sponsorship and budgeting teams made aware of any excess A in A that is recorded at the year-end.

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary

10 July 2008

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

I certify that I have audited the financial statements of the Department for Business Enterprise and Regulatory Reform (BERR) UKAEA Pension Schemes Resource Accounts for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Combined Revenue Account and Combined Statement of Recognised Gains and Losses, the Combined Balance Sheet, the Combined 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 Annual Report 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 annual report, which consists of the Report, Report of the Managers and 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

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 schemes' affairs as at 31 March 2008, and the net cash requirement, net resource outturn, combined 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.

Qualified opinion arising from expenditure in excess of amounts authorised

As explained more fully in the attached report, Parliament authorised a Net Cash Requirement for the BERR UKAEA Pension Schemes of £68,236,000 in the Appropriation Act 2007 and 2008. Against this authorised limit, the department incurred an actual Net Cash Requirement of £74,016,000 as shown in the Statement of Parliamentary Supply for 2007-08 and have thus exceeded the authorised limit.

In my opinion, with the exception of net cash expenditure of £5,780,000 in excess of the authorised Net Cash Requirement, referred to in paragraph 6 of my report, in all material respects the expenditure and income have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

My report on these financial statements is at pages 18 to 19.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS
17 July 2008

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

DEPARTMENT FOR BUSINESS ENTERPRISE AND REGULATORY REFORM, COMBINED RESOURCE ACCOUNTS 2007-08 FOR THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY PENSION SCHEMES.

EXCESS VOTE

Introduction

1. In 2007-08 the United Kingdom Atomic Energy Authority (UKAEA) Pension Schemes expended more cash than Parliament had approved in its Supply Estimate. I have qualified my opinion on the Department's 2007-08 Resource Accounts in this regard.

2. This purpose of this report is to explain the reason for this qualification and to provide information on the cause, extent and nature of the breach.

My responsibilities with regard to the breach of regularity

3. As part of my audit of the Resource Accounts for the Department, I am required to satisfy myself that, in all material respects, the expenditure and income shown in the financial statements have been applied to the purposes intended by Parliament and conform to the authorities which govern them; that is, they are "regular". In doing so, I have had regard, in particular, to Parliamentary authority and the Supply limits Parliament has set on expenditure.

Expenditure limits

4. There is a single Request for Resources for the Department against which Parliament authorises amounts for current expenditure which are net of forecast income, known as operating Appropriations in Aid. Parliament sets limits on the amount of operating Appropriations in Aid that can be applied towards meeting expenditure. The amounts authorised for the Request for Resources and Appropriations in Aid together represent a limit on the gross current expenditure that may be incurred. Appropriations in Aid in excess of the approved limit have to be surrendered to the Consolidated Fund.

5. The limits described above for the Department were set out in the Main Supply Estimate for 2007-08 (HC 438, 2007-08) as amended by the Winter Supplementary (HC 29, 2007-08). The Scheme's net cash limit for the year, which adjusts the resource limit for capital expenditure and accruals accounting transactions such as depreciation, was £68,236,000.

6. The Statement of Parliamentary Supply in the accounts shows that the Net Cash Requirement was £74,016,000 which is £5,780,000 (8%) in excess of the amount authorised. The Department propose to ask Parliament to make good the shortfall by approving the application of excess operating Appropriations in Aid of £5,780,000.

Reasons for the excess cash requirement

7. From 1 April 2006 the Department implemented a revised method for determining employer's contributions accounted for as Appropriations in Aid. The revised method resulted in an increase in the contributions received, with a commensurate reduction in the call on voted funds. Not all of the increased contributions were received as cash in the year, and as a result more than £7 million of employer's contributions were recorded as a balance owing to the Department in the 2006-07 Resource Accounts, with a corresponding amount due to the Consolidated Fund.

8. During 2007-08 the cash to clear the amount owing for the outstanding 2006-07 contributions was collected from the employers. However, weaknesses in recording and monitoring meant that the Department did not identify the need to pay over these receipts as Excess Appropriations in Aid relating to the prior year. Consequently the Department retained the receipts, which it assumed would reduce its Net Cash Requirement. This led it to understate its Net Cash Requirement for 2007-08. The error was only identified in preparing the 2007-08 Resource Accounts, and came too late for the Department to correct the error through a Spring Supplementary Estimate.

Actions taken or proposed to be taken by the Department to help prevent a recurrence

9. The Department has examined the circumstances giving rise to the breach and has concluded that a key change in personnel in the Department had meant that responsibilities for sponsorship and communication with the UKAEA Pension Managers had been eroded. As disclosed in the Statement on Internal Control, the Department intends to take steps to reinstate the sponsorship role for the UKAEA Pension Scheme Resource Accounts within the Department. It also plans to strengthen controls to ensure that budgeting teams are made aware of any Excess Appropriations in Aid as they are recorded.

Summary and Conclusions

10. The Department has incurred an Excess Cash Requirement of £5,780,000 which requires retrospective approval. Approval will be sought to apply the excess operating Appropriations in Aid cash receipts arising in 2007-08.

11. I am satisfied that the Department is taking appropriate steps to ensure that the Supply Estimates are properly constructed in the future.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
17 July 2008

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

			Estimate			2007–08 £000 Outturn				2006–07 £000 Outturn
	Note	Note	Gross expenditure	A in A	Net Total	Gross expenditure	A in A	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)	Net Total
Civil Superannuation			390,060	101,176	288,884	382,388	101,176	281,212	7,672	245,557
Non Budget			-	-	-	-	-	-	-	-
Total resources		3	**390,060**	**101,176**	**288,884**	**382,388**	**101,176**	**281,212**	**7,672**	**245,557**

Summary of Net Cash Requirement 2007-08

	Note	Estimate	2007–08 £000 Outturn	Net Total Outturn compared with Estimate saving/ (excess)	2006–07 £000 Outturn
Net Cash Requirement	4	**68,236**	**74,016**	**(5,780)**	**69,366**

Explanation of the excess Net Cash Requirement is provided on page 4 of the Report to these Accounts.

Summary of income payable to the Consolidated Fund.

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

		Forecast 2007–08 £000		Outturn 2007–08 £000	
	Note	Income	*Receipts*	Income	*Receipts*
Total	5	**60,720**	***60,720***	**6,340**	***7,024***

Notes 1 to 23 form part of these accounts

Combined Revenue Account

for the year ended 31 March 2008

	Note	2007–08 £000	2006–07 £000
Principal Arrangements – UKAEA Pension Scheme			
Income			
Contributions receivable	7	92,812	90,887
Transfers-in	8	14,704	9,506
		107,516	**100,393**
Outgoings			
Pension cost	9	135,286	100,925
Enhancements	10	3,149	3,107
Transfers in	11	14,704	9,506
Interest on scheme liabilities	12	229,200	225,340
Administration expenses	3(b)	49	48
		382,388	**338,926**
Net outgoings for the year		**(274,872)**	**(238,533)**

Combined Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	Note	2007–08 £000	2006–07 £000
Actuarial (gains)/loss	17.4	(103,902)	465,702
Recognised (gains) and losses for the financial year		**(103,902)**	**465,702**

Notes 1 to 23 form part of these accounts

Combined Balance Sheet
for the year ended 31 March 2008

	Note	2007–08 £000	2006–07 £000
Principal Arrangements – UKAEA Pension Scheme			
Current assets:			
Debtors	14	8,384	8,484
Cash at bank and in hand	15	3,871	4,209
		12,255	12,693
Creditors (amounts falling due within one year)	16	(36,656)	(12,125)
Net current assets, excluding pension liability		(24,401)	568
Pension liability	17.1	(4,945,610)	(4,861,555)
Net liabilities, including pension liability		**(4,970,011)**	**(4,860,987)**
Taxpayers' equity:			
General fund	18	(4,970,011)	(4,860,987)
		(4,970,011)	**(4,860,987)**

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary

10 July 2008

Notes 1 to 23 form part of these Accounts

Combined Cash Flow Statement
for the year ended 31 March 2008

	Note	2007–08 £000	2006–07 £000
Net cash outflow from operating activities	19(a)	(66,992)	(68,353)
Payments of the amounts due to the Consolidated Fund		-	(3,192)
Financing	19(b)	66,654	69,516
Decrease in cash in the year	19(c)	**(338)**	**(2,029)**

Notes 1 to 23 form part of these Accounts

Notes to the Combined Resource Account for the Year Ended 31 March 2008

1 Basis of preparation of the scheme statement

The Combined Pension Schemes statements have been prepared in accordance with the relevant provisions of the 2007-08 Government Financial Reporting Manual (FReM) issued by the HM Treasury, which reflect the requirements of Financial Reporting Standard (FRS 17) *Retirement Benefits.* These Accounts show the unfunded pension liability and movements in that liability during the year. The Accounts also have regard to the recommendations of the Statement of Recommended Practice *Financial Reports of Pension Schemes* to the extent that these are appropriate.

2 Accounting policies

The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) in the extent that it is meaningful and appropriate to the public sector.

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 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.

2.1 Contributions receivable

2.1.1 Employers' normal pension contributions are accounted for on an accruals basis.

2.1.2 Employers' special pension contributions are accounted for in accordance with the agreement under which they are paid.

2.1.3 Employees' pension contributions are accounted for on an accruals basis.

2.1.4 Employees’ contributions include amounts paid in respect of the purchase of added years but exclude contributions to the Additional Voluntary Contribution scheme (AVC) and the Shift Pay Pension Plan Scheme (SPPP).

2.2 Transfers

2.2.1 Transfers in are normally accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis, although group transfers in may be accounted for on an accruals basis where the scheme has formally accepted or transferred a liability.

2.3 Income received in respect of enhancements

2.3.1 Amounts receivable in respect of bringing forward the payment of accrued pension lump sums, and in respect of the capitalised costs of pension enhancement either at departure or at retirement, are accounted for as income and expenditure (representing the associated increase in the scheme liability) on a cash basis.

2.4 Other income

2.4.1 Other income, including refunds of gratuities, overpayments recovered other than by deduction from future benefits, (and miscellaneous income) are accounted for on an accruals basis. To the extent that this income also represents an increase in the scheme liability, it is also reflected in expenditure.

2.5 Current service cost

2.5.1 The current service cost is the increase in the present value of the scheme liabilities arising from current member’s service in the current period and is recognised in the Revenue Account. The cost is based on a discount rate of 2.5% real (i.e. 5.3% including inflation).

2.6 Past service costs

2.6.1 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.

2.6.2 Past service costs are recognised in the Revenue Account on a straight line basis over the period in which increase in benefits vest.

2.7 Interest on scheme liabilities

2.7.1 The interest cost is the increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement and is recognised in the Revenue Account. The interest cost is based on a discount rate of 1.8% real, (i.e. 4.6% including inflation).

2.8 Other payments

2.8.1 Other payments are accounted for on an accruals basis.

2.9 Scheme liability

2.9.1 Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liability is measured on an actuarial basis using the projected unit method and is discounted at 2.5% real (i.e. 5.3% after inflation).

2.9.2 Full actuarial valuations by a professionally 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.

2.10 Pension benefits payable

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

2.11 Pension payments to those retiring at their normal retirement age

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

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

2.12 Pension payments to and on account of leavers before their normal retirement age

2.12.1 Where a member of the pension scheme is entitled only to a refund of contributions, the transaction is accounted for as a decrease in the scheme liability on an accruals basis.

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

2.13 Injury benefits

2.13.1 Injury benefits are accounted for on an accruals basis. They are not funded through the normal pension contributions (accruing pension liability contributions) and are in respect of injuries sustained.

The amounts payable are a charge on the pension scheme and shown in the Revenue Account. Those payable after that date are recoverable from employers.

2.14 Lump sums payable on death in service

2.14.1 Lump sum payments payable on death in service are accounted for on an accruals basis. They are a direct charge to the pension scheme as they are not funded through the normal pension contributions.

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

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over directly by the employing departments to the approved AVC providers.

3 Reconciliation of Estimates, accounts and budgets

3(a) Reconciliation of net resource outturns to combined net outgoings

				2007–08	2006–07
				£000	£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn		281,212	288,884	7,672	245,557
Non-supply Income (CFERs)	5	(6,340)	-	6,340	(7,024)
Combined Net Outgoings		**274,872**	**288,884**	**14,012**	**238,533**
		-			

3(b) Outturn against final Administration Budget

The administration costs of the schemes, with the exception of notional audit fees of £49,000 (2006-07 - £48,000) are borne by the UKAEA who recover the appropriate proportion of the costs from the other participating employers. Audit fees were in respect of statutory services only.

4 Reconciliation of resources to cash requirement

	Note	Estimate	Outturn	2007–08 £000 outturn compared with estimate: savings/ (excess)
			£000	
Net Resource Outturn	3(a)	288,884	281,212	7,672
Accruals adjustments				
Non cash items		(390,060)	(382,388)	(7,672)
Changes in working capital other than cash		-	(19,190)	19,190
Use of provisions:				
Pension		169,412	194,382	(24,970)
Net Cash requirement		**68,236**	**74,016**	**(5,780)**

5 Analysis of income payable to the Consolidated Fund

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

	Note	Forecast 2007–08 £000 Income	Forecast 2007–08 £000 *Receipts*	Outturn 2007–08 £000 Income	Outturn 2007–08 £000 *Receipts*
Excess AinA		-	-	6,340	*7,024*
Operating income not classified as A in A	6	60,720	*60,720*	-	-
		60,720	***60,720***	**6,340**	***7,024***

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

	Note	2007–08 £000	2006–07 £000
Operating income		(107,516)	(100,393)
Income authorised to be appropriated-in-aid		101,176	93,369
Operating income payable to the Consolidated Fund	5	**(6,340)**	**(7,024)**

7 Pension contributions receivable

	2007–08 £000	2006–07 £000
Employers	(68,389)	(66,777)
Employees:		
Normal	(21,273)	(21,003)
Purchase of added years	(3,150)	(3,107)
	(92,812)	**(90,887)**

8 Pension transfers-in (see also Note 11)

	2007–08	2006–07
	£000	£000
Group transfers in from other schemes	-	2
Individual transfers in from other schemes	(14,704)	(9,508)
	(14,704)	**(9,506)**

9 Pension cost (see also Note 17.1)

	2007–08	2006–07
	£000	£000
Current service cost	135,286	100,925
	135,286	**100,925**

10 Enhancements (see also Note 17.1)

	2007–08	2006–07
	£000	£000
Employees:		
Purchase of added years	3,149	3,107
	3,149	**3,107**

11 Transfers in (see also Note 8)

	2007–08	2006–07
	£000	£000
Pension Group transfers in from other schemes	-	(2)
Individual transfers in from other schemes	14,704	9,508
	14,704	**9,506**

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Revenue account as expenditure as part of the movements in the provision during the year.

12 Interest on scheme liabilities (see also Note 17.1)

	2007–08	2006–07
	£000	£000
Interest charge for the year	229,200	225,340
	229,200	**225,340**

13 Additional Voluntary Contributions

13.1 The UKAEA's pension schemes provide for employees to make additional voluntary contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries for onward payment to one of the approved providers, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offer free standing additional voluntary contribution schemes. The Managers of the Combined Pension Scheme, the Principal Non-Industrial Superannuation Scheme and the Protected Persons Superannuation Scheme are responsible for payments made to the Schemes' approved providers. These AVCs are not brought to account in this Resource Account. Members participating in this arrangement receive an annual statement from the approved provider confirming the amounts held on their account and the movements in the year.

Contributions to the AVC and Shift Pay Pension Plan schemes are deducted from employees' salaries and are paid over directly by the employers to the approved provider.

13.2 The aggregate amounts of AVC investments are as follows:

The Prudential Assurance Company Limited

Movements in the year were as follows:		**(restated)**
	2007–08	**2006–07**
	£000	**£000**
Balance at 1 April	57,967	53,673
Adjustment to balance as at 1 April	8	2
New investments	5,758	5,848
Sales of investments to provide pensions benefits	(4,057)	(4,206)
Changes in market value of investments	2,432	2,650
Balance at 31 March	**62,108**	**57,967**

During the year, £5,758,126 (2006-07 - £7,048,589) was paid to the approved providers.

In the unlikely event of a default by the approved AVC provider, the Department has no liability to guarantee pension payments. Under the UKAEA arrangement with Prudential Assurance Company Ltd, the schemes are classified as "insured" for the purposes of the Policyholders Protection Act 1975, which requires 90% of the value of the policy payable to the policy holders as determined by the Insurance Companies (Winding-Up) Rules 1985.

14 Debtors – contributions due in respect of pensions

14(a) Analysis by type

	2007–08	2006–07
	£000	£000
Amounts falling due within one year:		
Pension contributions due from employers	5,578	5,617
Employees' normal contributions	1,964	1,974
Group transfers	83	166
Individual transfers	758	727
Supply fund debtor	1	-
	8,384	**8,484**

Included within these figures is £6,339,849 (2006-07: £7,024,000) that will be due to the Consolidated Fund once the debts are collected.

14(b) Intra-Government Balances

	Amounts falling due within one year	
	2007–08	2006–07
	£000	£000
Balances with bodies external to Government	8,384	8,484
At 31 March	**8,384**	**8,484**

15 Cash at bank and in hand

	2007–08	2006–07
	£000	£000
Balance at 1 April	4,209	6,238
Net change in cash balances	(338)	(2,029)
Balance at 31 March	**3,871**	**4,209**
The following balances at 31 March were held at:		
Office of HM Paymaster General	1,382	1,956
Commercial Banks and cash in hand	2,489	2,253
Balance at 31 March	**3,871**	**4,209**

The Paymaster bank account for the UKAEA's pension schemes is a part of the Department for Business, Enterprise and Regulatory Reform's total financing arrangements with HM Treasury.

16 Creditors – in respect of pensions

16(a) Analysis by type

	2007–08	2006–07
	£000	£000
Amounts falling due within one year:		
Pensions	(43)	(26)
Lump sums	(404)	(244)
Refund of contribution	(26)	(24)
Group transfers out to other schemes	(20,268)	-
Individual transfers out to other schemes	(29)	(141)
Inland Revenue and voluntary contributions	(2,166)	(2,054)
Cash held on behalf of employers	(347)	(968)
Other Creditors	(9)	(62)
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	(1,582)
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		
Received	(7,024)	-
Receivable	(6,340)	(7,024)
	(36,656)	**(12,125)**

16(b) Intra-Government Balances

	Amounts falling due within one year	
	2007–08	2006–07
	£000	£000
Balances with Other Central Government bodies	(15,530)	(10,660)
Balances with bodies external to Government	(21,126)	(1,465)
At 31 March	**(36,656)**	**(12,125)**

17 Provision for pension liability

The UKAEA Pension Scheme is a combination of three defined benefit public service Pension Schemes. This statement is based on the preliminary results of a full actuarial valuation of the CPS, the PNISS and the PPSS carried out as at 31 March 2006 by the Government Actuary's Department (GAD), updated approximately for the subsequent financial years to reflect known changes which have occurred over the period 31 March 2006 to 31 March 2008.

It is emphasised that the projection of the liabilities from the last valuation date to the current date is approximate. More accurate assessments will be available following the results of the current formal valuation.

The major assumptions used by the Actuary were:

	At 31 March 2008	At 31 March 2007	At 31 March 2006
	%	%	%
Rate of increase in salaries	4.3	4.3	4.0
Rate of increase in pensions in payment and deferred pensions	1.8	2.8	2.5
Discount rate	5.3	4.6	5.4
Inflation assumption	1.8	2.8	2.5

Most pension benefits under the scheme are increased in line with inflation. In accordance with the Financial Reporting Manual (FReM), the scheme liability has been discounted at a real rate of 2.5% (5.3% nominal).

During the year ended 31 March 2008 employer contributions were in the range 15.0% to 17.3% of pensionable pay. It is expected that contributions will remain at this level for the next year.

The Scheme Managers are responsible for providing the Actuary with the information the Actuary needs to carry out the valuation. This information includes, but is not limited to, details of:

- scheme membership, including age and gender profile, 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.

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

The value of the liability on the Balance Sheet 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 Managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 17.4. The Note also discloses experience gains and losses arising on the Scheme liabilities for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

17.1 Analysis of movements in the scheme liability

		2007–08	2006–07
	Note	£000	£000
Scheme liability at 1 April		(4,861,555)	(4,221,379)
Current service cost	9	(135,286)	(100,925)
Interest on pension scheme liability	12	(229,200)	(225,340)
Enhancements	10	(3,149)	(3,107)
Pension transfers in	11	(14,704)	(9,506)
Benefits paid	17.2	170,345	159,854
Pension payments to and on account of leavers	17.3	24,037	4,550
Actuarial gain/(loss)	17.4	103,902	(465,702)
Scheme liability at 31 March		**(4,945,610)**	**(4,861,555)**

17.2 Analysis of benefits paid

	2007–08	2006–07
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	149,170	142,825
Commutations and lump sum benefits on retirement:	19,407	15,707
Death in service benefits	1,768	1,322
Per cash flow statement	**170,345**	**159,854**

17.3 Analysis of payments to and on account of leavers

	2007–08	2006–07
	£000	£000
Refund to members leaving service	612	461
Group transfers to other schemes	20,268	-
Individual transfers to other schemes	3,157	4,089
Per cash flow statement	**24,037**	**4,550**

17.4 Analysis of actuarial gain/(loss)

	2007–08	2006–07
	£000	£000
Experience gains and losses arising on the scheme liabilities	(200,325)	(47,456)
Changes in assumptions underlying the present value of scheme liabilities	304,227	(418,246)
Per Statement of Recognised Gains and Losses	**103,902**	**(465,702)**

17.5 History of experience gains/(losses)

	2007-08	2006-07	2005–06	2004–05	2003–04
Experience gains and losses on scheme liabilities:					
Amount (£000)	200,325	47,456	1,885	28,798	12,176
Percentage of the present value of the scheme liabilities	4.1%	1.0%	0.0%	0.8%	0.4%
Total amount recognised in Statement of Total Recognised Gains and Losses					
Amount (£000)	(103,902)	465,702	580,760	152,135	12,176
Percentage of the present value of the scheme liabilities	(2.1)%	9.6%	13.8%	4.3%	0.4%

18 General Fund

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

	2007-08	2006-07
	£000	£000
Balance at 1 April	(4,860,987)	(4,219,142)
Net Parliamentary Funding		
Drawn Down	66,654	69,516
Deemed	1,582	1,432
Year end adjustment		
Supply (Creditor)/Debtor – current year	1	(1,582)
Net Transfer from Operating Activities		
Combined Net Outgoings	(274,872)	(238,533)
CFERS repayable to Consolidated Fund	(6,340)	(7,024)
Actuarial gains and losses (SRGL)	103,902	(465,702)
Notional audit fee	49	48
Balance at 31 March	**(4,970,011)**	**(4,860,987)**

19 Notes to the Cash Flow Statement

19(a) Reconciliation of combined net outgoings to operating cash flows

		2007-08	2006-07
	Note	£000	£000
Combined net outgoings for the year		(274,872)	(238,533)
Adjustments for non-cash transactions	18	49	48
(Increase)/Decrease in Debtors	14(a)	100	(4,910)
less movements in debtors relating to items not passing through the revenue account		1	-
Increase/(Decrease) in Creditors' pensions	16(a)	24,531	4,550
less movements in creditors relating to items not passing through the revenue account		(4,758)	(3,982)
Increase in pension provision- current service cost and interest on pension	17.1	364,486	326,265
Increase in pension provision- enhancements and transfers in	17.1	17,853	12,613
Use of provisions – pension liability	17.2	(168,577)	(158,532)
Use of provisions – refunds and transfers	17.3	(24,037)	(4,550)
Use of provisions – death in service	17.2	(1,768)	(1,322)
Net cash outflow from operating activities		**(66,992)**	**(68,353)**

19(b) Analysis of financing and reconciliation to the Net Cash Requirement

	Note	2007-08 £000	2006-07 £000
From the Consolidated Fund (Supply) – current year		66,654	69,516
From the Consolidated Fund (Supply) – prior year		-	-
Net financing		66,654	69,516
Decrease/(Increase) in cash	19(c)	338	2,029
		66,992	71,545
Adjustments for payments and receipts not related to Supply			
Due to Consolidated Fund received in prior year and paid over		-	(2,179)
Due to Consolidated Fund received in prior year and not paid over		7,024	-
Net Cash Requirement per Statement of Parliamentary Supply		**74,016**	**69,366**

19(c) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2007-08 £000	2006-07 £000
Net cash requirement		(74,016)	(69,366)
From the Consolidated Fund (Supply) – current year		66,654	69,516
Amounts due to the Consolidated Fund and paid over		-	(2,179)
Amounts due to the Consolidated Fund received and not paid	19(b)	7,024	-
Increase/(decrease) in cash		**(338)**	**(2,029)**

20 Financial Instruments

FRS25, *Derivatives and Other Financial Instruments*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS25 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

The Department's financial instruments comprise of cash, loans, investments, public dividend capital, provisions, trade debtors, and trade creditors. Details of these can be found in the relevant notes.

Resources voted annually by Parliament finance the Department's net revenue resource requirements and its capital expenditure and there is therefore no exposure to significant liquidity risks. The Department does not access funds from commercial sources and so is not exposed to significant interest rate risk.

The Department had no exposure to exchange rate risk during the year.

There is no material difference between the fair values and book values of the Group's financial instruments.

Short-term debtors and creditors have been excluded from the above disclosures, as allowed by FRS25.

21 Contingent liabilities disclosed under FRS 12

There are no Contingent Liabilities.

22 Related-party transactions

The UKAEA Pension Schemes fall within the ambit of the Department for Business Enterprise and Regulatory Reform, which is regarded as a related party. During the year, the schemes have had material transactions with the Department 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 have undertaken any material transactions with the schemes during the year.

23 Post Balance Sheet events

There have been no post balance sheet events that adjust the values included in these Accounts as at the Balance Sheet date.

The Accounting Officer of the Department has authorised these accounts to be issued on July 2008.

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