Cabinet Office: Civil Superannuation

Accounts
2013-14

HC 43

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2013-14
(For the year ended 31 March 2014)

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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 made under the Superannuation Act 1972. 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.

Financial Performance

Resource Outturn

The 2013-14 resource outturn is £7,302 million (2012-13: £7,973 million). At £771 million below the Supply Estimate forecast of £8,073 million, the underspend is 9.6%. The main reason for this change is as a result of an increase in the discount rate which has resulted in a reduction in both the Current Service Costs and the Pension financing cost.

Net Cash Requirement

In 2013-14 the net cash requirement was £2,197 million (2012-13: £2,066 million). At £70 million below the Supply Estimate of £2,267 million, the outturn is close to the forecast with the variance of 3.1%.

PCSPS Liability

The total liability to pay pensions in the future is £175,729 million as at 31 March 2014, compared with £160,023 million as at 31 March 2013, an increase of £15,706 million. The increase in liability is mainly due to changes in assumptions underlying the present value of scheme liabilities. An analysis of the movement in liability is provided in note 19.4 to the accounts. Further detail is provided in note19.

Increase in Employee Contributions

The employee contributions were increased on 1 April 2013 by an average of 1.28%. The total employee contributions received in 2013-14 were £672.5 million which was an increase of £180.6 million from the employee contributions received in 2012-13.

Roles and responsibilities

The Cabinet Office and the Civil Service Pensions Board (CSPB)

The CSPB came into effect as from April 2010 to strengthen the governance and management of the Civil Service pension arrangements.

As Accounting Officer, I have formally delegated to the CSPB the in-year responsibility for managing the administration of the arrangements. The CSPB draws most of its members from employers who participate in the PCSPS and from PCSPS members. The Cabinet Office Finance Director also sits on the Board and there are two non-executive members from the private sector pensions industry. The Pension Schemes Executive (TPSE), staffed by officials from the Cabinet Office, supports the CSPB and its activities.

The CSPB's responsibilities are:

- Managing the PCSPS and associated schemes in accordance with their rules and relevant legislation.
- Developing and managing a risk management framework and system of internal controls for the PCSPS.
- Selection, appointment, re appointment and removal of the organisation that delivers PCSPS administration.

On behalf of the CSPB, TPSE manages the day-to-day delivery of administration by My CSP Ltd through a formal contract that came into force as from 1 May 2012 (before that MyCSP was part of the public sector and administered the scheme under a Service Level agreement). In addition, TPSE:

- Investigates complaints made under the second stage of the internal dispute resolution procedures and responds to referrals from the Pensions Ombudsman.
- Admits employers to the PCSPS.
- Ensures that appropriate audit programmes and risk frameworks are in place.
- Exercises certain discretionary decisions on behalf of the Minister for the Civil Service.

In exercising its responsibilities the CSPB has put in place processes to monitor the cost of scheme administration. For the year ending 31 March 2014 the total cost of administration and management of the Civil Service pension arrangements was £52.0m. This can be broken down as follows:

Central management	£1.7m
Administration	£50.3m
Total	£52.0m

Of this, £39.0m has been met centrally from a 'levy' on employer pension contributions with employers meeting £13.0m, of the costs directly. This is a transitional arrangement and from a future point the intention is that all administration and management costs will be met centrally through the employer pension contributions.

Employers

The CSPB has in place participation agreements with all employers who have staff that are active PCSPS members. The participation agreement represents a memorandum of understanding between the CSPB and the employer setting out roles and responsibilities. Employers are responsible for:

- maintaining pay and service records and providing these accurately to MyCSP;
- ensuring they inform new staff of their options regarding which pension arrangement they can join;
- keeping their employees informed on pension issues; and
- paying the correct amount of employers' and employees' pension contributions to the Cabinet Office.

Capita Hartshead

On 1 May 2012, the Cabinet Office's contract with Capita Hartshead to pay benefits novated to MyCSP as it moved to the private sector. Under the contract Capita Hartshead is responsible for:

- providing 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.

Cabinet Office

The Cabinet Office's pension policy team is responsible for development of policy and maintenance of scheme rules. The Cabinet Office Finance and Estate Management team is responsible for the scheme finances, including the production of the annual accounts.

The financial statements contained in these accounts 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 accounts.

The statements also include transactions and balances in respect of the Grosvenor and Government Communications Bureau pension schemes, which are managed under separate arrangements.

Audit

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Scheme'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 Scheme's Auditors are aware of the information. The Comptroller and Auditor General is the Scheme's Auditor under the Government Resource and Accounts Act.

Civil Service Compensation Scheme (CSCS)

MyCSP, under contract to the Cabinet Office, acted in 2013-14 as agent for employers in the payment of compensation benefits arising under the CSCS. MyCSP calculate the benefits which Capita pay. Employers then reimburse the Cabinet Office: Civil Superannuation vote. These flows are not brought to account in these financial statements. Details of the total amounts paid under the CSCS are at Note 13.2.

Rule changes

Contribution increases

The Government announced, at Spending Review 2010, its intention to increase employee pension contributions for public servants other than members of the Armed Forces, by an average of 3.2%, and to phase these additional contributions in over a three year period starting from April 2012.

Following an amendment in March 2012, the PCSPS rules were further amended in March 2013 and March 2014 to provide for scheme members to pay extra contributions from 1 April 2013 and 1 April 2014 respectively, with the contribution rate for individuals dependent on their full-time equivalent annual pensionable earnings.

Auto-enrolment

The PCSPS rules were amended to allow employers participating in the Scheme to make arrangements to enrol automatically, and automatically re-enrol, jobholders who are not obliged to be enrolled, or re-enrolled, under the Pensions Act 2008 because of their age or level of earnings.

Fair Deal

The PCSPS rules were amended to enable the Scheme to comply with the revised Fair Deal guidance as set out in the HM Treasury paper Fair Deal for Staff Pensions: Staff Transfers from Central Government (October 2013) , which provides that in future staff who are compulsorily transferred from the public sector and when staff move by way of a non-voluntary transfer to a public service mutual or to other new models of public service delivery they will retain access to their current employer's pension arrangements.

The up-to-date scheme rules can be found on the Civil Service Pensions website www.civilservice.gov.uk/pensions.

The revised Fair Deal guidance as set out in the HM Treasury paper Fair Deal for Staff Pensions can be found at:
Fair Deal Guidance

2015 Pension Reforms

As part of the Government's reforms to public service pensions, a new pension scheme is scheduled for introduction from 1 April 2015 for civil servants and others covered by the Civil Service pension arrangements. Details are available on the Civil Service Pensions website: http://www.civilservicepensionscheme.org.uk/about-us/scheme-rules.

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

The CSAVCS allows Civil Service pension scheme members to increase their benefits by contributing to defined contribution arrangements. The Pension Schemes Executive (TPSE) continues to exercise its duty of care towards members by monitoring the CSAVC providers, working with the Scheme's professional advisers, Aon Hewitt Ltd.

Members who choose to contribute to the CSAVCS build up a fund which they have traditionally used to buy an annuity. The March 2014 Budget included a number of changes, and proposed changes, around how individuals can access and use their defined contribution pension pots and the Government is currently consulting on the package of reforms.

Cabinet Office is undertaking a review of the Civil Service defined contribution arrangements, including the CSAVCS, and has factored the recent budget announcements into that review. As part of this review Cabinet Office plans to amend the rules of the CSAVCS to allow individuals to take advantage of the increased flexibilities announced in the Budget. These amendments will form part of a larger package of changes that Cabinet Office plans to have in place by April 2015.

In June 2013 TPSE worked with the agents acting for the Equitable Life Payment Scheme (ELPS), MyCSP and Capita to check the contact details for members of the CSAVCS (past and present) who the ELPS had identified as eligible for compensation. TPSE understands that the ELPS then wrote to these members during the summer of 2013.

In November 2013 the Pensions Regulator published a Code of Practice setting out guidance on good practice for those responsible for running schemes with defined contribution benefits, including AVC schemes. Aon Hewitt Ltd is currently undertaking an assessment of the CSAVCS in line with this Code of Practice.

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 MyCSP or Capita). In the event of an appeal against the first stage decision the complainant can request that a further review be undertaken by TPSE. 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 2013-14 MyCSP and Capita completed 186 first stage decisions, upholding in full or in part 43 of the complaints that they investigated. In the same period TPSE completed 134 investigations at the second stage of the IDR process. In 116 cases TPSE rejected the complaints by scheme members or concluded that they should be considered outside of the IDR process (although in 22 of the rejected cases, TPSE decided that compensation for distress and inconvenience should be paid). In the remaining 18 cases, TPSE upheld in full or in part the complaints made and, where appropriate, ordered remedial action (including compensation for distress and inconvenience in 9 of these cases).

The Pensions Ombudsman or his Office completed investigations into 29 of TPSE's cases during the year and upheld TPSE's decision in 24 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 fraud and overpayments. Data on the 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 is also matched against housing benefits so that local authorities can identify claimants who have failed to declare receipt of an occupational pension. Work commenced on the NFI 2012 report in April 2013 and was the eighth exercise in which Cabinet Office had participated. Cabinet Office identified about 930 potential overpayments of around £1.7 million in total. Around 550 cases have been contacted and £436,000 recovered. During 2013-14 outstanding debts arising from the NFI 2010 exercise were reduced to £640,000 which are being recovered.

Pensions increase

Pension payments increased by 2.2% from 8 April 2013, in line with the movement in the CPI All-items index from September 2011 to September 2012.

Membership statistics				
Membership of the PCSPS at 31 March:				**Variance**
	2014		**2013**	
Active members*	484,000		510,000	-26,000 (5.1%)
Deferred members	370,000		369,000	+1,000 (0.3%)
Pensions in payment				
Officers	526,000		509,000	+17,000 (3.3%)
Dependants of deceased members	128,000		129,000	-1,000 (0.8%)
Annual compensation payments (and other on-going payments) for which employers are responsible	10,300		13,300	- 3,000 (22.6%)
Staff opting for **partnership** pension Arrangements	7,706		7,279	+427 (5.9%)

*The approximate split of active membership at 31 March 2014 was 52% classic, 2% classic plus, 25% premium and 21% nuvos.

Managers, advisers, auditors and bankers

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

Accounting Officer:	Richard Heaton, 1 Horse Guards Road, London, SW1A 2HQ
Scheme Manager:	Civil Service Pensions Board, c/o The Pensions Schemes Executive, Cabinet Office, Priestley House, Priestley Road, Basingstoke, RG24 9NW.

Advisers

Scheme Actuary:	The Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB).
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:	Aon Hewitt Financial Services Ltd, 10 Devonshire Square London, EC2 4YP.

Auditors:

External Auditors:	Comptroller and Auditor General, 157-197 Buckingham Palace Road, London, SW1W 9SP.
Internal Auditors:	XDIAS, Internal Audit Services, Floor 3/E2, Eland House, Bressenden Place, London, SW1E 5DU.
Bankers:	Government Banking Services, Southern House, Wellesley Grove, Croydon, CR9 1WW.

Further information

Please address any enquiries about Civil Service pension arrangements to:

The Pensions Schemes Executive
Cabinet Office
Priestley House
Priestley Road
Basingstoke
RG24 9NW

(scheme.managementexecutive@cabinet-office.gsi.gov.uk)

Richard Heaton
Permanent Secretary
Cabinet Office
22 October 2014

Report of the Actuary

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Cabinet Office. It summarises the pensions disclosures required for the 2013-14 Accounts of the Principal Civil Service Pension Scheme ('the scheme' or 'PCSPS').

2. The PCSPS is a salary-related defined benefit scheme, the rules of which are laid before Parliament under the provisions of the Superannuation Act 1972. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2014 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012, over the year to 31 March 2013 and over the year to 31 March 2014 used to prepare this statement.

Table A – Active members

31 March 2012 membership data			2012-13	2013-14
Number (thousands)	Total salaries* (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by receipts (£ billion)	Total salaries implied by receipts (£ billion)
532	15.0	3.1	13.1	13.2

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

Table B – Deferred members

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

* includes pension increase due in April 2012.

Table C – Pensions in payment

31 March 2012 membership data		2012-13	2013-14
Number (thousands)	Total pension (pa) (£ billion)	Total pension (pa)* (£ billion)	Total pension (pa)* (£ billion)
610	4.42	4.39	4.65

* includes pension increase due in April 2012.

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal assumptions applying to the 2013-14 Accounts. The contribution

rate for accruing costs in the year ended 31 March 2014 was determined using the PUCM and the principal assumptions applying to the 2012-13 Accounts.

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

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D1 alongside the assumptions used for the 2012-13 Accounts. Table D2 summarises the short term salary growth assumptions which have been used for the period 1 April 2012 to 31 March 2016. These are unchanged from the assumptions used for the 2012-13 Accounts.

Table D1 – Principal financial assumptions

Assumption	31 March 2014	31 March 2013
Rate of return (discount rate)	4.35%	4.10%
Rate of earnings increases*	4.50%	3.95%
Rate of future pension increases	2.50%	1.70%
Rate of return in excess of:		
Earnings increases (long term)*	-0.15%	0.15%
Pension increases	1.80%	2.35%
Expected return on assets:	n/a	n/a

* short term adjustments have been made to this assumption for the period from 1 April 2012 to 31 March 2016 as summarised in Table D2.

Table D2 - Rate of salary growth assumed for the period from 1 April 2012 to 31 March 2016

Year	2013/14 Accounts	2012/13 Accounts
2012/13	0.0% plus promotional scale only	0.0% plus promotional scale only
2013/14	1.0% plus promotional scale only	1.0% plus promotional scale only
2014/15	1.0% plus promotional scale only	1.0% plus promotional scale only
2015/16	1.0% plus promotional scale only	1.0% plus promotional scale only

8. The pension increase assumption as at 31 March 2014 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

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

10. The standard mortality tables known as the ‘S1’ tables are used but with the mortality rates adjusted to allow for scheme experience. Separate assumptions are used for males and females and for members and dependants. For example, for male members retiring in normal health the S1NMA table is multiplied by 0.93. For female members retiring in normal health

the S1NFA table is multiplied by 0.96. Members retiring in ill-health are assumed to experience heavier rates of mortality. Mortality improvements to 2012 are based on historic population experience for those years and improvements from 2012 are in accordance with those incorporated in the 2012-based principal population projections for the United Kingdom.

11. The analysis of scheme experience conducted for the latest full valuation of the scheme for funding purposes has been used to inform the Cabinet Office's choice of assumptions for the 2013-14 Accounts. These assumptions are different to those used for the 2012-13 Accounts, where the analysis of scheme experience for the (suspended) valuation as at 31 March 2010 was used to inform the Cabinet Office's choice of assumptions.

12. Reforms to the PCSPS due to be implemented in April 2015 may affect the behaviour of members, ie members subject to a later normal pension age for accrual after 2015 might be expected to retire later. The Cabinet Office has revised age retirement rates to reflect recent experience and made allowance in the age retirement rates for members who are expected to transfer to the new scheme on or after 1 April 2015 for the purposes of the 2013-14 Accounts. The 2012-13 Accounts made no allowance for the reforms due to be implemented in April 2015.

The contribution rate used to determine the accruing cost in 2013-14 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2012-13 Accounts.

Liabilities

13. Table E summarises the assessed value as at 31 March 2014 of benefits accrued under the scheme prior to 31 March 2014 based on the data, methodology and assumptions described in paragraphs F.4 to F.13. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ Billion

	31 March 2014	31 March 2013	31 March 2012*	31 March 2011*	31 March 2010*
Total market value of assets	nil	nil	nil	nil	nil
Value of liabilities	(175.7)	(160.0)	(143.8)	(135.9)	(153.0)
Surplus/(Deficit)	(175.7)	(160.0)	(143.8)	(135.9)	(153.0)
of which recoverable by employers	n/a	n/a	n/a	n/a	n/a

* Figures calculated by Aon Hewitt

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2014 (the Current Service Cost) is based on a standard contribution rate of 28.6%. Members contributed between 1.5% and 8.25% of pensionable pay in the year, depending on the level of their pay and their scheme section. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost in 2013-14 taking into account an estimated average rate of contributions paid by members of 5.1%. The corresponding figure for 2012-13 is also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2013-14	**2012-13**
Standard contribution rate	28.6%	29.5%
Members' estimated average contribution rate	5.1%	3.7%
Employers' estimated share of standard contribution rate	23.5%	25.8%

15. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purpose of the 2013-14 Accounts is not the same as the actual rate of contributions payable by employers. The actual rates of contributions payable by employers are currently assumed to be 18.9% of pensionable pay on average, which was determined based on the methodology and financial and demographic assumptions as adopted for the funding of the scheme at the last completed actuarial valuation. The most significant difference between the actuarial assessments for the 2013-14 Accounts and for the scheme funding purposes is the net discount rates used. Contributions have been set by assuming a discount rate of 3.5% pa net of pension increases whereas the 2013-14 Current Service Cost assumes 2.35% pa. A higher discount rate results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. (The discount rate of 3.5% has been reviewed and reduced to 3% but this new rate has yet to affect the rate of contributions paid to the scheme). The discount rate for the Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

16. The pensionable payroll for the financial year 2013-14 was £13.2 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2013-14 (at 28.6% of pay) is assessed to be £3.8 billion. There is no past service cost and so this is the total pension cost for 2013-14.

Sensitivity analysis

17. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2014 of changes to the main actuarial assumptions.

18. Changes to IAS19 published on 16 June 2011 introduced enhanced disclosure requirements for defined benefit pension schemes, including the PCSPS. In particular, we understand these include a requirement to disclose sensitivity analysis for each 'significant' actuarial assumption.

19. The principal financial assumptions are the future increases in pensionable salary due to general inflation (earnings increases), pension increases (both in payment and deferment), and the rate of interest (or discount rate) used to calculate the value of the benefits and contributions. A key demographic assumption is pensioner mortality.

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

21. Table G shows the indicative effects on the total liability as at 31 March 2014 of changes to these assumptions (rounded to the nearest ½%).

Table G: Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*	+½% a year	-9%	- £16 billion
(ii) earnings increases*	+½% a year	+ 1.5%	+ £3 billion
(iii) pension increases*	+½% a year	+ 8%	+ £14 billion
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement*		+ 2.5%	+ £5billion
(v) all active members who move to the new scheme retire (on average) 1 year later		-0.5%	-£1 billion

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

Sandra Bell
Government Actuary's Department
May 2014

Statement of Accounting Officer's Responsibilities

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

The combined financial statements must give a true and fair view of the state of affairs of the Principal Civil Service Pension Scheme and certain other minor pension schemes at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

In preparing the financial statements, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* 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 Richard Heaton as Accounting Officer for the Cabinet Office Civil Superannuation Account. 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*.

GOVERNANCE STATEMENT

The Accounting Officer's responsibility

As the Accounting Officer for Cabinet Office : Civil Superannuation I am responsible for maintaining a sound system of internal control that supports the achievement of Government policies, aims and objectives, whilst safeguarding the public funds for which they are personally responsible, in accordance with the responsibilities assigned to them in *Managing Public Money*.

I confirm that the Corporate Governance Code has been followed as far as is applicable.

The Governance Framework

The Civil Service Pensions Board (CSPB)

The CSPB is chaired by a Permanent Secretary under a memorandum of understanding with myself as the Accounting Officer. Philip Rutnam is the current CSPB Chair.

The CSPB's main functions are:

- To carry out, within the constraints of Ministerial responsibilities, the roles and responsibilities that a Trustee Board would fulfil for a private sector occupational pension scheme.
- To ensure, as an overriding aim, that members of the Civil Service pension arrangements receive on their correct benefits under the scheme rules.
- To work to protect the reputation of the Civil Service pension arrangements for effective administration and proper use of taxpayers' money.

The CSPB has four members drawn from employers covered by the Civil Service pension arrangements and a further four from scheme members. In addition the CSPB has two non-executive members drawn from the wider pensions industry. The Cabinet Office finance director is also a member of the CSPB. The Pensions Schemes Executive (TPSE) staffed by Cabinet Office officials, supports the CSPB.

Each year, the Chair of CSPB submits a report to me on the activities and effectiveness of the CSPB.

In 2013-14 the CSPB held 4 quarterly meetings. During the year, the CSPB's membership was as follows:

Member	**Role**	**Home Department/Trade Union (where applicable)**	**Number of CSPB meeting attended in 2012-13**
Philip Rutnam	Chair	DfT	4 (out of 4)
Ian Albert	Member Nominee	PCS	4 (out of 4)
Robert Branagh	Non-executive member		3 (out of 4)
Alison Cottrell	Employer Nominee	HM Treasury	3 (out of 4)
Allan Course	Non-executive member		3 (out of 4)
William Hague (resigned April 2014)	Employer Nominee	HMRC (formerly Cabinet Office)	1 (out of 4)
Ann Harris (Resigned June 2013)	Employer Nominee	DWP	1 (out of 1)
Sarah Healey (Appointed June 2013)	Employer Nominee	DCSMS (formerly DWP)	2 (out of 3)
Neil License	Member Nominee	PCS	3 (out of 4)

Bruce Mann	Cabinet Office Finance Director	Cabinet Office	1 (out of 4)
Lorimer Mackenzie	Member Nominee	FDA	4 (out of 4)
Simon Parkes	Employer Nominee	Department for Education	4 (out of 4)
John Plant	Member Nominee	Prospect	3 (out of 4)

During the year I approved revised Terms of Reference for CSPB. The CSPB revamped its existing sub groups to provide sharpened focus on the CSPB's core business. The sub-groups now in place are:

The Service Delivery Group (SDG). This replaced the former Operations Committee. The SDG is chaired by Robert Branagh (one of the CSPB's non-executive members). Its' core aim is to consider on behalf of and provide advice to the CSPB in the following areas:

- MyCSP's performance against their contractual requirements, in particular the delivery of service measured against the Service Level agreement and Key Performance Indicators.
- Performance assessment and trend analysis against SLA/KPIs
- Risks and issues connected with Service Delivery
- Complaints handling, including trend analysis of complaints and actions taken by MyCSP to correct identified systemic issues
- Benchmarking of scheme delivery against industry best practice
- MyCSP programme of continuous improvement
- Impact of 2015 programme work on delivery of business-as-usual
- TPSE's performance in managing the MyCSP contract
- Delivery of defined contribution arrangements, including performance of providers and professional advisers

The Governance Sub Group (GSG), chaired by Simon Parkes, replaced the Risk Committee. The GSG's core aim is to support the CSPB. The CSPB has delegated powers to make decisions without reference to the CSPB in the following areas to ensure their early implementation:

- Internal audit programme for the Civil Service pension arrangements
- Employer audit programme
- The appropriate assurance framework that should be in place for the Civil Service pensions arrangements, including the Accounting Officer Certification process
- Relationships with Cabinet Office Audit and Risk Committee
- TPSE's contributions to the Scheme Accounts
- Reporting back to the Cabinet Office any concerns about TPSE, including resourcing and levels of service provided

The GSG is also responsible for providing to the CSPB advice on the following:

- Raising the profile of the Civil Service pension arrangements and the importance of the proper maintenance and accurate transfer of pensions data, developing a strategy to gain buy-in from senior departmental stakeholders

- Developing and implementing an effective member communications strategy
- Relationships with Shared Service providers
- Relationships with the Cabinet Office Audit and Risk Committee
- Relationships with the Pensions Regulator
- Achieving and maintaining compliance with regulatory and statutory requirements
- The performance of all non-MyCSP contracts and Service Level Agreements, including actuarial, legal and medical advice, making recommendations to CSPB on the removal, appointment and re-appointment of providers
- Oversight of TPSE performance on matters of compliance, governance, contributions and financial scheme management, high level risk and general support to CSPB
- Admittance to the Civil Service pension arrangements of employers under the 'New Fair Deal' process

Management of Risk

Corporate Governance

The Cabinet Office Audit and Risk Committee (COARC)

COARC receives and considers reports from the Cabinet Office on all relevant matters concerning audit and risk. This includes the production of the Civil Superannuation accounts, and any matters relating to those accounts. I have given the Cabinet Office Finance Director specific responsibility for overseeing the Civil Superannuation Vote. He is a member of the CSPB and provides the link between CSPB and COARC. During the year COARC received reports on the actions of TPSE, particularly with regard to rectifying, as far as possible, issues raised by the qualification of the 2010-11 Accounts (and the 2011-12 Accounts once they were laid before parliament in January 2013).

Scheme Administration

MyCSP administer the Civil Service pension arrangements under contract to the Cabinet Office. CSPB, through TPSE, manages this contract.

MyCSP administered the Civil Service pension arrangements through a number of Pensions Service Centres. TPSE monitored the operation of MyCSP through quarterly strategic meetings and monthly contract meetings. This has enabled TPSE to assess regularly MyCSP's performance against the service level agreement in place and to report back to the CSPB and its Sub Groups on areas of concern or interest.

As referred to in the Report of the Manager, MyCSP managed the pension administration services provided by Capita Hartshead (CH) under contract to the Cabinet Office. Under this contract CH is responsible for administering the Civil Service pension arrangements for deferred and pensioner members. These responsibilities include making payments to the pensioners. CH internal auditors carry out an internal audit plan agreed under the terms of the contract agreed by the Cabinet Office.

Control framework for employers

The Civil Service pension arrangements cover over 220 employers. Employers have signed a Participation Agreement with CSPB, primarily relating to the timely and accurate provision of scheme contributions and member data.

The Accounting Officers for the employers are responsible for maintenance of sound corporate governance arrangements. They report to me annually on compliance with the terms of the Participation Agreement through an Accounting Officer Certificate (AOC) and accompanying checklists. These reports cover, among other things the date of their last internal audit, whether recommendations have been implemented, and their intentions regarding future audits.

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

For 2013-14 I have received 227 AOCs. Of these, 38 were qualified compared with 37 qualifications in 2012-13, 40 qualifications in 2011-12, 47 in 2010-11, 51 in 2009-10 and 92 in 2008-09.

The reason for the qualifications largely concerned problems with data integrity and how their payroll interfaces with MyCSP's administration software.

The TPSE assesses each qualification on a Red/Amber/Green basis. The results for 2013-14 were:

AOC Status	**Green**	**Green/Amber**	**Amber**	**Amber/Red**	**Red**	**TOTAL**
Returned fully assured	174	0	0	0	0	**174**
Returned with comments	5	7	2	3	0	**17**
Returned qualified	4	28	4	1	1	**38**

TPSE has begun the process of sharing intelligence with MyCSP with regard to employers where known problems exist. Similarly, TPSE are arranging for its internal auditors to undertake early audits of any employer with an AOC that it assesses as achieving a 'Red' status. There has been a substantial drop in the number of qualifications from 2012/13, when 62 certificates were returned qualified. Fifteen employers who qualified their AOCs in 2013/14 also qualified in 2012/13. The reasons for the consecutive qualifications relate overwhelmingly to data issues (86% of the total). Similarly, the number of 'Red' status qualifications has dropped sharply from four to one. TPSE has been working closely with the employer concerned, and the Cross Departmental Internal Audit Service (XDIAS), on behalf of the CSPB has undertaken a full audit of their operations.

Other issues that have led to qualifications include management of employer risk and availability of staff.

The issues revealed by the AOC process do not have a material effect on these Accounts.

Other schemes

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

Review of effectiveness during 2013-14

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. As noted above, the Chair of the CSPB annually informs me on the effectiveness of risk management within the scheme as part of its

Annual Review of its effectiveness and the work that it has done. The CSPB has reviewed its own performance in terms of effectiveness. The outcome of that review is that the CSPB is operating effectively, but is looking to improve the flow of management information that it receives both from MyCSP and TPSE. Work is in hand to put these improvements into effect.

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.

Internal Audit

Tim Le Mare from XDIAS heads the Internal Audit Service (IAS) resource that is available to the CSPB and its Committees. He, or a member of his team, attends all CSPB and Sub Group meetings and provides expert advice on audit issues.

During the year the emphasis for XDIAS remained, at the CSPB's request, on the rolling programme of audit reviews assessing employers' compliance with their scheme obligations.

The key issues from this work were consistent with those raised in previous years:

- Some employers had insufficient evidence to substantiate their sign-off of their AOC to the CSPB. XDIAS also found some certificates contained inappropriate assurance statements.

- Significant data integrity issues continue to be found;
    - In some employers there was no data validation control in place to ensure changes to employee records were complete, accurate and valid, and accurately transferred to MyCSP. There is also no requirement for MyCSP to notify the employer that the data has been received and processed accurately.
    - Some employers do not have fully working interfaces in place.
    - Some employer data is not appearing on MyCSP's Penserver administration system; an example being discrepancies in allowances.
    - Comparison of MyCSP and Employer datasets revealed data mismatches in key areas such as scheme type, date of birth, date entered scheme, and date entered service.

- Data completeness is also a key area of weakness. Through testing, XDIAS have found missing documentation leaving incomplete records of the HR/payroll/pension histories of employees. The main causes of these incomplete records were when staff move between employers; changes to the structure of the Civil Service through Machinery of Government Changes; the employer moves its HR/payroll function into a shared service; or staff exiting the scheme.

Data Security

Employers are responsible for data held themselves or by their payroll provider. However, TPSE have provided guidance to both employers and MyCSP on the security of pensions data in transit and the secure storage of pensions data by MyCSP. Employers are required to certify that they have a secure payroll interface with MyCSP's pensions software (Penserver), or an alternative agreed with MyCSP, who monitor the status of payroll interfaces.

To facilitate the transfer of data between MyCSP and Capita Hartshead (CH), for example when an individual's benefits were paid, MyCSP made use of the Common Application Repository (CAR). CAR acts as a secure hub for data transfer using the Government Secure Intranet. At the time of its introduction, the architecture and approach were approved by the Office of Government Commerce buying solutions, the Central Sponsor for Information Assurance, and the National Infrastructure Coordination Centre. CAR is being replaced by a new system provided by MyCSP called Connect.

CH's secure data handling was monitored by MyCSP under contract. CH exchanged data with HMRC, DWP, and their banks.

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. TPSE have appointed an IAO.

The Cabinet Office has put in place a Security Working Group (SWG) to monitor all matters concerning information assurance and data security that will arise while MyCSP transforms the services that it will deliver. The SWG is chaired by a senior Cabinet Office official and comprises of representatives from TPSE, MyCSP and outside specialists. The SWG met regularly during 2013-14.

There were no personal data incidents reported during the year.

The Reconciliation Check

TPSE, working with XDIAS, revised and implemented a new version of the Reconciliation Check. This is a key control that is essentially an anti-fraud measure. It checks with employers that where a new award comes into payment the employer has confirmation that the individual worked for them. The problem with this was that there may have been a significant gap between these two events happening. A member could leave with an award aged 35 and then not claim their pension until a quarter of a century later. Expecting departments to have kept records over that period of time simply to perform his check was not realistic. Nonetheless, the check required employers to do a lot of largely nugatory work looking for papers relating to staff members who left long ago. The new check is much more streamlined and is aimed at checking awards as they are made, rather than when they come into payment.

Revising the Assurance Framework

The qualification of the scheme accounts in 2010-11 and 2011-12, the results from the employer audits, the findings of internal audits on TPSE in 2012-13 and TPSE's own dealings with employers have all pointed to the need to overhaul the assurance framework for the scheme. TPSE has therefore been working with XDIAS to address some of the perceived weaknesses, and has regularly reported progress both to the GSG and the CSPB.

The revised Reconciliation Check is part of this process. TPSE is additionally looking to substantially change the AOC process so that:

- The approach is tailored to the nature and characteristics of the individual employers, rather than applying a one-size-fits-all approach.
- Audit work will be based much more on the risk profiles of the employers. TPSE is drawing up risk profiles for all employers. This will be based upon intelligence from the employer audit programme, a data-cleansing programme that TPSE is running in connection with the new Civil Service pension schemes, the results of the annual AOC exercise and input from MyCSP.
- The AOC process will have flexibility built into it so that the emphasis is placed on those employers who are higher risk. The lower risk employers will have the burdens placed upon them reduced to a level commensurate with the level of risk that they represent.
- Emphasis will be placed on getting employers to feel a greater sense of ownership with regard to correct maintenance of member data. CSPB will look to employers including pensions work in their own internal audit programmes.
- CSPB is developing a strategy for encouraging buy-in from senior stakeholders in employers as a way of driving up the importance of proper records maintenance.

TPSE, on behalf of CSPB, is also going to circulate a revised version of the Participation Agreement. The new Agreement will:

- Clarify that the agreement is between the employer and the CSPB
- Strengthen messages about the employers' responsibilities
- Explain what employers can expect from the CSPB.

Planned Improvements

In August, MyCSP will bring the pensioner payroll in-house. This will involve a complex data transfer from CH and much software development of the new administration system to provide the requisite level of functionality. Ensuring that pensions currently being paid remain in payment is a paramount concern of the CSPB.

MyCSP's new administration software is a key part of their transformation, which they are due to complete by 1 April 2015. The new system itself is due to be in place by August 2014.

TPSE has in place an experienced and capable Programme Management team that is overseeing MyCSP's implementation of its transformation plan and leading the necessary work to implement a new Civil Service pension scheme in accordance with the requirements of the Public Sector Pensions Act 2013. The Act effectively requires the new scheme to be in place from 1 April 2015. This will present significant challenges with regard to IT, data, scheme design, communications and employer engagement. Because some members will be able to retain membership of their current scheme, the scheme's administrators will have to deal with multiple schemes for many years to come. This brings with it inevitable and unavoidable administrative complexity. Meanwhile, MyCSP will continue to transform how it delivers the administration of the Civil Service pension arrangements through enhanced IT provision, improved management information and the development of better communications including greater inter-action with scheme members.

Richard Heaton
Permanent Secretary
22 October 2014

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

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditors

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Without qualifying my opinion, I draw attention to my Report at pages 25 to 27. The purpose of my Report is to explain the progress made by the Cabinet Office since I reported on 2012-13 financial statements and the issues that remain.

Sir Amyas C E Morse
Comptroller and Auditor General

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

Date 31 October 2014

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

Introduction

The Cabinet Office: Civil Superannuation Accounts 2013-14 report the financial results of the Principal Civil Service Pension Scheme (PCSPS) and a number of other smaller public sector pension schemes. I am appointed auditor of these Accounts under the Government Resources and Accounts Act 2000.

In both 2010-11 and 2011-12, I qualified my opinion on these Accounts in two respects: the regularity of benefit payments; and a limitation of scope relating to the truth and fairness of the valuation of the pension liability. The Cabinet Office had been unable to provide sufficient evidence of the completeness and accuracy of the membership records and data which support both current payments to individuals and the liability for future benefits.

For the year ended 31 March 2013, I was able to give an unqualified audit opinion. However, I reported that there remained underlying problems with the management and retention of Scheme data and a continued risk to the accuracy of awards to individual beneficiaries. For the current year I have again given an unqualified opinion but the findings from my audit have confirmed that, whilst the Cabinet Office has made some progress under its action plan to address data quality, the historic and systemic nature of the issues means that they will take many years to fully resolve.

This report sets out the progress made by the Cabinet Office since I reported in 2012-13 and the issues that remain. The need for effective improvement is increased by the significant changes that are being made to the PCSPS.

Background

The PCSPS is an occupational scheme, which at 31 March 2014 had 484,000 active members, 370,000 deferred members and 654,000 individuals receiving benefits. In the year ended 31 March 2014, the Scheme received £3.3 billion of contributions and other income, and paid out £5.4 billion, with Parliament funding the balance.

From April 2015 a new Scheme, Alpha, will be introduced which will be based on a career average rather than final salary. All members over 10 years from normal retirement age will transfer to the new scheme, although there are tapering arrangements for those within 13.5 years of retirement.

Underlying issues to be resolved

Scheme Data

Complete and accurate membership data is required to ensure correct pensions are awarded and paid. Poor quality data also increases administration costs as it requires the pension administrator and employers to undertake additional enquiries to confirm the member’s true entitlement.

The Cabinet Office requires the Accounting Officers of Scheme employers to sign a participation Agreement setting out their roles and responsibilities, including for providing the Scheme with accurate data on members. Accounting Officers are required to provide an annual certificate of compliance with the Agreement. Since 2012 Cabinet Office Internal Audit has undertaken an annual programme of employer audits, overseen by the Civil Service Pensions Board, to review compliance with the participation Agreements to supplement the self-certification process.

The 2013-14 programme of employer audits provided further evidence of inaccuracies in data, loss of records and control weaknesses around data integrity. Of the 11 employers audited during 2013-14, 4 received a red (non-compliance) rating and 5 received an amber (partial compliance) rating over the robustness of the process of self certification by Accounting Officers. In these cases the employers were found to have insufficient evidence to substantiate their sign-off of their annual certificate and some certificates had inappropriate assurance statements.

Internal Audit found that some employers had no data validation controls in place to ensure changes to employee records were complete and valid, and accurately transferred to the pension administrator. Comparison of administrator and employer datasets for some employers revealed data mismatches in key areas such as scheme type, date of birth, date entered scheme, and salary details.

Through their testing of the completeness of active member records held by the employers, Internal Audit found missing documentation leaving incomplete pension records of the employment histories of employees. The main causes of these incomplete records are: when staff move between employers; there is a Machinery of Government Change; IT systems are upgraded and legacy records are not fully transferred or transferred incorrectly; the employer moves its HR/payroll function into a shared service provider; or staff exit the scheme. While some of the discrepancies identified by Internal Audit may have resulted in financial error, the findings of my audit confirmed that this would not result in a material misstatement in the Accounts.

Actions taken by the Cabinet Office to secure improvement

Data cleanse programme

In recognition of the concerns over member data accuracy and completeness, the Cabinet Office established a data cleanse programme. This commenced in November 2013 with a pilot exercise to validate the records of those 60,000 members who will have a choice over when they will transfer to the new post 2015 Scheme (Alpha). The Cabinet Office expect to complete the pilot data cleanse exercise by the end of December 2014. The data cleanse programme is scheduled to run beyond the pilot to address the remainder of the active membership and this will represent a significant undertaking. The results of the pilot exercise to date have highlighted historical poor data quality of member records and the complexity in managing data validation across employers. The exercise generated queries on over 5000 cases.

Enhanced data validation and quality assurance procedures

A new pensions administration system (Compendia) was introduced in October 2014 and this has provided the opportunity to strengthen the automated validation process at the point of receipt of data from employers and the checking of awards during processing. The post award quality assurance checking process has also been updated with a risk based methodology where a higher proportion of more complex cases are reviewed. Any corrective action will be implemented in conjunction with the administrators to ensure that learning points are identified and skills are enhanced. The Cabinet Office intends that the outcome will also be used by the training officers to inform the future training programmes.

Accounting Officer certificate assurance framework

The Cabinet Office, in consultation with employers, has undertaken a fundamental review of the Accounting Officer assurance framework. From the 2014-15 the framework will move from the current ‘box ticking’ approach applied to all employers, to a risk based approach. High, and to a lesser extent medium, risk employers will be required to provide details of their controls, with the aim of fostering a sense of ownership over the recording, maintenance and transfer of pensions data.

In developing the new approach, the Cabinet Office is keeping in view its shared services strategy which is seeing the transfer of much of government’s back office processing, including HR and payroll, to independent shared service providers. The Cabinet Office recognises that this move has led to some confusion over responsibilities for pension data which could lead to further problems in record keeping and locating information. Whilst employers retain overall accountability for their employees and responsibility for their internal processes, they will look to the Cabinet Office to provide assurance over shared service centre controls. The Cabinet Office is planning to integrate assurance over pensions data into the overall assurance framework for shared services.

Upcoming changes that increase the need for effective improvement

The majority of award calculations currently require salary data for only the last three or twelve years of the member’s service. Awards under the new Alpha scheme are, however, based on a career average salary, requiring data for all years of service. This increases the need for systematic retention and maintenance of accurate staff records, which could be required to be held over several decades. To accommodate the 2015 pension changes Employers will need to amend their IT systems (including HR and payroll).

The successful implementation of the new post 2015 pension scheme will depend on the Cabinet Office securing the buy in of employers. The Cabinet Office cannot deliver the new scheme and improvements in data unilaterally. In recognition of this Cabinet Office has identified non-compliance by employers as a key risk and has been undertaking a programme of employer engagement including holding seminars to highlight issues and requirements. A readiness self assessment exercise is currently underway but as of July 2014, around a third of employers, accounting for just under 10% of the active membership, were still assessed as high risk (Red category).

Sir Amyas C E Morse KCB
Comptroller and Auditor General
157-197 Buckingham Palace Road
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31 October 2014

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2013-14

£000								2013-14	2012-13
				Estimate			Outturn		Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
Departmental Expenditure Limit									
• **Resource**		-	-	-	-	-	-	-	-
• **Capital**		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	SOPS2.1	8,073,000	-	8,073,000	7,301,675	-	7,301,675	771,325	7,972,681
• **Capital**		-	-	-	-	-	-	-	-
Total Budget		8,073,000	-	8,073,000	7,301,675	-	7,301,675	771,325	7,972,681
Non-Budget									
• **Resource**		-	-	-	-	-	-	-	-
Total		8,073,000	-	8,073,000	7,301,675	-	7,301,675	771,325	7,972,681
Total Resource		8,073,000	-	8,073,000	7,301,675	-	7,301,675	771,325	7,972,681
Total Capital		-	-	-	-	-	-	-	-
Total		8,073,000	-	8,073,000	7,301,675	-	7,301,675	771,325	7,972,681

Net Cash Requirement 2013-14

£000	Note	2013-14 Estimate	2013-14 Outturn	2013-14 Outturn compared with Estimate: saving/ (excess)	2012-13 Outturn
	SOPS3	2,267,000	2,197,317	69,683	2,066,223

Administration Costs 2013-14

2013-14 Estimate	2013-14 Outturn	2012-13 Outturn
-	-	-

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

Explanations of variances between Estimate and outturn are given in the Management Commentary.

The notes on pages 35 to 49 form part of these accounts.

Notes to the Statement of Parliamentary Supply

SOPS1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPS1.1 Accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government’s objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

• ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and

• support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPS1.2 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but in certain circumstances differences may arise. There are no Principal Civil Service Pension Scheme transactions that are treated differently in National Accounts and IFRS based accounts. Therefore there are no reconciling differences between net resource outturn and net expenditure.

SOPS2. Net outturn

SOPS2.1 Analysis of net resource outturn

	2013-14											**2012 - 2013 Outturn £000**
	Outturn £000							**Estimate £000**				
	Administration			Programme			Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net					
Annually Managed Expenditure											
Voted:	-	-	-	10,666,479	(3,364,804)	7,301,675	7,301,675	8,073,000	771,325	771,325	7,972,681
Non-voted:	-	-	-	-	-	-	-	-	-		-
Non-budget:	-	-	-	-	-	-	-	-	-		-
Total	-	-	-	10,666,479	(3,364,804)	7,301,675	7,301,675	8,073,000	771,325	771,325	7,972,681

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with estimate: Saving/(excess)
		£000	£000	£000
Net Resource Outturn	SOPS2.1	8,073,000	7,301,675	771,325
Accruals adjustments:				
Non-cash items		(11,460,000)	(10,656,208)	(803,792)
Changes in payables/receivables		-	(8,415)	8,415
Changes in non-supply receivables		-	-	-
Use of provision		5,654,000	5,560,265	93,735
Excess cash receipts surrenderable to the Consolidated Fund		-		
Net Cash Requirement		**2,267,000**	**2,197,317**	**69,683**

SOPS4. Analysis of income payable to the Consolidated Fund

The following income relates to the schemes and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2013-14		Outturn 2012-13	
	£000	£000	£000	£000
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	-	-	-	-
Non-operating income (outside the ambit of the Estimate)	-	*-*	39	*39*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Other amounts surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**-**	***-***	**39**	***39***

Combined Statement of Comprehensive Net Expenditure
for the Year to 31 March 2014

		2013-14	2012-13
Principal arrangements – PCSPS	Note	**£000**	**£000**
Income			
Contributions receivable[1]	5	(3,170,453)	(3,009,415)
Transfers in	6	(89,804)	(56,305)
Other pension income	7	(27,982)	(37,494)
Expenditure			
Service cost	8	3,782,000	3,872,000
Enhancements	9	65,330	74,416
Transfers in	10	89,804	56,305
Injury Benefits	11	9,203	8,826
Pension financing cost	12	6,529,000	6,947,000
Net Expenditure		**7,187,098**	**7,855,333**
Compensation agency arrangements - CSCS			
Expenditure			
Benefits payable	13.1	9	10
Net Expenditure		**9**	**10**
Other minor agency and principal pension scheme arrangements			
Other pension schemes			
Income			
Contributions receivable		(76,565)	(70,735)
Expenditure			
Total charge to provisions		190,074	187,007
Benefits payable	14	1,059	1,066
Net Expenditure for the year		**114,568**	**117,338**
Combined Net Expenditure for the year		**7,301,675**	**7,972,681**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension re-measurements:			
- Actuarial (gain) / loss	19.7	11,072,057	10,704,168
Total Comprehensive Net Expenditure		**18,373,732**	**18,676,849**

[1] A small element of Employer Contributions is paid in respect of the cost of administering the scheme and therefore has been deducted from the total shown here. It is not shown as administration expenses due to the fact that all costs are initially met by the main Cabinet Office. The full costs are shown within the main Cabinet Office annual accounts and details can also be found within the Report of the Manager on page 5.

The notes on pages 35 to 49 form part of these financial statements.

Combined Statement of Financial Position
as at 31 March 2014

	Note	2013-14 £000	2012-13 £000
Principal arrangements – PCSPS			
Current assets:			
Receivables (within 12 months)	16.1	257,573	247,696
Cash and cash equivalents	17	38,548	282,765
Total current assets		**296,121**	**530,461**
Current liabilities			
Payables (within 12 months)	18.1	(319,082)	(541,774)
Total current liabilities		**(319,082)**	**(541,774)**
Net current assets/(liabilities), excluding pension liability		**(22,961)**	**(11,313)**
Receivables (after 12 months)	16.1	53	53
Pension liability	19.4	(175,729,000)	(160,023,000)
Net liabilities, including pension liabilities		**(175,751,908)**	**(160,034,260)**
Compensation agency arrangements - CSCS			
Receivables (within 12 months)	21	30,515	28,249
Net current assets		**30,515**	**28,249**
Other pension schemes			
Receivables (within 12 months)	23	2,034	973
Payables (within 12 months)	24	(271)	(177)
Net current assets/(liabilities), excluding pension liability		**1,763**	**796**
Pension liability	25.2	(2,815,000)	(2,353,000)
Net liabilities, including pension liabilities		**(2,813,237)**	**(2,352,204)**
Combined Scheme – Total net Liabilities		**(178,534,630)**	**(162,358,215)**
Taxpayers' equity:			
General Fund		(178,534,630)	(162,358,215)
		(178,534,630)	**(162,358,215)**

Richard Heaton
Accounting Officer

22 October 2014

The notes on pages 35 to 49 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2014

	Note	General Fund 2013-14 £000	2012-13 £000
Balance at 31 March		(162,358,215)	(145,747,588)
Net Parliamentary Funding – drawn down		1,955,323	2,055,280
Net Parliamentary Funding – deemed		311,677	322,620
Supply (payable) / receivable adjustment		(69,683)	(311,678)
Combined Net Expenditure for the Year	SOPS.3	(7,301,675)	(7,972,681)
Actuarial gain / (loss)	19.7	(11,072,057)	(10,704,168)
Net change in Taxpayers' Equity		**(16,176,415)**	**(16,610,627)**
Balance at 31 March		**(178,534,630)**	**(162,358,215)**

The notes on pages 35 to 49 form part of these financial statements.

Combined Statement of Cash Flows
for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Combined net (expenditure)/income for the year	SOPS.3	(7,301,675)	(7,972,681)
Adjustments for non-cash transactions			
(Increase)/Decrease in PCSPS receivables (within 12 months)	16.1	(9,877)	(33,710)
(Increase)/Decrease in PCSPS receivables (after 12 months)	16.1	-	118,000
Movement in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
(Increase)/decrease in CSCS receivables – ACPs inc Lump Sums	21	(2,266)	48,752
Less movement in non-Supply receivables	16.1, 21	2,223	(48,752)
(Increase)/Decrease in Other Schemes receivables	23	(1,061)	3,458
Increase/(Decrease) in PCSPS payables	18.1	(222,692)	(22,869)
Increase/(Decrease) in Other Schemes payables	24	94	(1,227)
Less movement in non-Supply payables	18.1	241,994	(26)
Increase in PCSPS pension provisions	19.4	10,311,000	10,819,000
Increase in PCSPS pension provisions - enhancements and transfers in	19.4	155,134	130,721
Increase in Other Schemes pension provisions		190,074	187,007
Use of PCSPS provisions – benefits paid	19.4	(5,388,824)	(5,099,187)
Use of PCSPS provisions - refunds and transfers out	19.4	(104,965)	(134,479)
Use of Other Schemes provisions		(66,476)	(60,230)
Net cash outflow from Operating Activities		**(2,197,317)**	**(2,066,223)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		1,955,323	2,055,280
From the Consolidated Fund (Supply) - prior year		-	-
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sums payments)	13.2	(557,630)	(646,469)
Reimbursement of compensation payments by employers (including lump sum payments)		555,364	695,390
Injury benefit payments made on behalf of employers	11	(8,167)	(7,856)
Reimbursement of injury benefit payments by employers		8,210	7,687
Net Financing		**1,953,100**	**2,104,032**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	(244,217)	37,810
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	39
Payments of amounts due to the Consolidated Fund		-	(39)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(244,217)**	**37,810**
Cash and cash equivalents at the beginning of the period	17	282,765	244,955
Cash and cash equivalents at the end of the period		**38,548**	**282,765**

The notes on pages 35 to 49 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Civil Superannuation have been prepared in accordance with the relevant provisions of the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury*.* The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

1.1 Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by The Pensions Scheme Executive (TPSE) on behalf of members of the Civil Service who satisfy the membership criteria.

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

The financial statements of the Scheme show the financial position of the PCSPS at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things, factors contributing to the change in the net liability analysed between the pension cost, enhancements and transfers in, and the interest on the Scheme liability. Further information about the actuarial position of the Scheme is dealt with in the Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

1.2 Civil Service Compensation Scheme

TPSE acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought to account in the financial statements.

1.3 Other minor agency and principal pension scheme arrangements

In addition, the financial statements includes transactions relating to other minor pension schemes, a number of which are closed schemes. TPSE acts as principal in respect of pension paid to the Governor of an overseas colony, awarded prior to the introduction of a new scheme on 30 September 1978. TPSE acts as principal in respect of the Grosvenor and Government Communications Bureau pension schemes on the basis of audited information supplied by the agencies. TPSE acts an agent for the following schemes:

- Pension increases to former Prime Ministers, former Speakers, various former public service appointees and former MEPs and their widow(er)s;
- Payments to 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;
- Federated Superannuation Scheme for Universities.

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

2. Statement of accounting policies

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

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

2.1 *Accounting convention*

These accounts have been prepared under the historical cost convention.

- *Contributions receivable*

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

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

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

Under the PCSPS rules which came into effect in April 2010, those members who take early retirement and receive an Actuarially Reduced Pension are able to buy out the actuarial reduction and as a result receive a full pension. Income received from members in respect of this is now shown in Note 13.

- *Transfers in*

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.

- *Income received from departments in respect of enhancements*

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

- *Other pension income*

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

- *Additional Voluntary Contributions*

Additional Voluntary Contributions (AVCs) are deducted from employees’ salaries and are paid over directly by the employing departments to one of three appointed AVC providers. Details of the three providers and the amounts of the AVC investments can be found at note 19.

- *Current service cost*

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 2013-14 and based on a discount rate of 2.35% real (4.1% including inflation).

- *Past service cost*

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

- *Pension Financing Cost*

The pension financing cost is the increase during the period in the present value of the 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 discount rate of 2.35% real (4.1% including inflation).

- *Injury benefits*

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

- *Scheme liabilities*

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at 2.35% real (4.1% gross). The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

- *Pension benefits payable*

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

- *Payments to and on account of leavers*

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

- *Transfers out*

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

- *Actuarial gains/losses*

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

- *Central management administrative expenses*

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 used by the Cabinet Office to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by scheme administrators and the publication of explanatory scheme material. In 2013-14 these costs amounted to £39 million (2012-13: £26.3 million).

2.2 Changes to International Financial Reporting Standards

There are no Accounting Standards that have been issued but not yet come into effect under the FReM that will have a material impact on the Principal Civil Service Pension Scheme's Financial Statements.

3. Accounting policies for CSCS agency arrangements

- *Benefits payable*

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 TPSE, 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 2013-14 are shown at note 13.

As a result of recent changes to departmental structures which have been due to the Spending Review, employers have been given the opportunity to capitalise their outstanding liabilities and make a one-off payment to the scheme. Payments received from employers in this respect are included in note 13.

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

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

5. Contributions receivable

	2013-14	2012-13
	£000	£000
Employers'	(2,460,573)	(2,480,559)
Employees':		
Normal	(672,532)	(491,934)
Purchase of added years	(35,915)	(35,277)
Actuarial Retirement Reduction Buy Out	(1,433)	(1,645)
	(3,170,453)	**(3,009,415)**

£3.3 billion contributions are expected to be payable to the Scheme in 2014-15

6. Transfers-in

	2013-14	2012-13
	£000	£000
Group transfers from other schemes	(52,669)	(25,298)
Individual transfers in from other schemes	(37,135)	(31,007)
	(89,804)	**(56,305)**

7. Other pension income

	2013-14	2012-13
	£000	£000
Amounts receivable in respect of:		
bringing forward the payment of accrued superannuation lump sums	(4,489)	(15,872)
capitalised cost of enhancement to pensions, payable on departure	-	(89)
capitalised cost of enhancement to pensions, payable at age 60	(23,493)	(21,533)
	(27,982)	**(37,494)**

* repayments of contributions paid to members who leave the scheme within 2 years of joining.

8. Service Cost

	2013-14	2012-13
	£000	£000
Current service cost	3,782,000	3,872,000
	3,782,000	**3,872,000**

9. Enhancements (see also Note 19.4)

	2013-14	2012-13
	£000	£000
Employees:		
Purchase of added years	35,915	35,277
Refund of gratuities	-	-
Actuarial Retirement Reduction Buy Out	1,433	1,646
Employers:		
Bringing forward the payment of accrued lump sums	4,489	15,871
Enhancements to pensions on departure	-	89
Enhancements to pensions on retirement	23,493	21,533
	65,330	**74,416**

10. Transfers in – additional liability

	2013-14	2012-13
	£000	£000
Group transfers in from other schemes	52,669	25,298
Individual transfers in from other schemes	37,135	31,007
	89,804	**56,305**

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

11. Injury Benefits

	2013-14	2012-13
	£000	£000
Special Payments	-	-
Injury benefits payable	17,370	16,682
Less: recoverable from employers	(8,167)	(7,856)
	9,203	**8,826**

Injury benefits payable to former employees but which are not recoverable from employers (ie those in respect of injuries sustained on or before 1 March 1998) are transactions of the Principal Civil Service Pension Scheme and are brought to account through the Statement of Comprehensive Net Expenditure. During 2013-14 these amounted to some £9,203 (2012-13: £8,826).

12 Pension financing cost (see also Note 19.4)

	2013-14	2012-13
	£000	£000
Interest charge for the year	6,529,000	6,947,000
	6,529,000	**6,947,000**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13 Compensation benefits payable

13.1 The following amounts represent annual compensation payments payable to former employees, but which are not recoverable from employers. They are brought to account in the Statement of Comprehensive Net Expenditure.

	2013-14	2012-13
	£000	£000
Discounts allowed in pre-funded annual compensation payments note (13.2)	-	-
End-year revaluation of central funding provision	-	-
Central funding – difference between provision for current year and outturn expenditure (note 13.2)	9	10
	9	**10**

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

	2013-14	2012-13
Recoverable from employers	155,364	195,976
Pre-funded by employers (note 22.1)	-	-
Discounts allowed on pre-funding (note 13.1)	-	-
Discounts allowed on pre-payments (note 13.1)	-	-
Amounts met from central funding (note 13.1)	9	10
Total annual compensation payable	**155,373**	**195,986**
Lump sum payable recoverable from employers	402,266	450,493
Total lump sums payable	**402,266**	**450,493**

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

14 Benefits payable – not charged to provisions

	2013-14	2012-13
	£000	£000
Pensions increase for ex-PMs/Speakers	75	90
Pensions increase for Public Service Appointments	114	115
Pensions increase ex for MEPs/widow(er)s	499	478
Payments to United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	43	1
Payments to Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	105	139
Pensions increases in respect of pensions paid to former staff of the Sugar Board	23	25
Pensions to Governors of overseas colonies awarded prior to the introduction of a new scheme in 1978	1	1
Federated Superannuation Scheme for Universities	199	217
	1,059	**1,066**

15 Additional Voluntary Contributions (AVCs)

15.1 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 choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contribution Schemes (FSAVCs). The Managers of the CSAVCS are only responsible for payments made to the Scheme's appointed providers. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the appointed provider at 31 March each year (5 April for Equitable Life) confirming the amounts held to their account and the movements in year.

15.2 The aggregate amounts of AVC investments are as follows:

	2013-14			2012-13		
	Standard Life	Equitable Life[1]	Scottish Widows	Standard Life	Equitable Life[1]	Scottish Widows
	£000	£000	£000	£000	£000	£000
Movements in the year:						
Balance at 1 April	54,968	16,838	140,766	53,090	16,594	137,028
New investments	1,568	130	4,414	1,798	147	5,310
Sales of investments to provide pension benefits	(4,229)	(1,356)	(10,622)	(6,174)	(1,083)	(13,741)
Changes in market value of investments	3,696	916	5,398	6,254	1,180	12,168
Balance at 31 March	**56,003**	**16,528**	**139,956**	**54,968**	**16,838**	**140,765**
Contributions to provide life cover	n/a	38	n/a	n/a	67	n/a
Benefits paid on death	n/a	202	n/a	n/a	119	n/a

1 – data as at 5 April

Statement of Financial Position: Principal arrangements - PCSPS

16 Receivables – contributions due in respect of pensions

16.1 Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year:		
Pension contributions due from Employers	194,545	198,113
Employees' normal contributions	52,275	38,548
Employees' added pension	2,252	2,303
Early retirement Employer costs	2,281	1,876
Individual transfers	-	-
Group transfers	-	-
Overpayment receivables (Net of provision for non-recovery)	5,600	6,193
Sub Total	**256,953**	**247,033**
Non-supply receivables:		
Injury benefit receivables	620	663
	257,573	**247,696**
Amounts falling due after more than one year:		
Group transfers	-	-
Long term receivables	53	53
	53	**53**

16.2 Analysis by organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balances with other central government bodies	224,392	215,143	-	-
Balances with Local authorities	10,088	10,306	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	13,724	12,955	-	-
Balances with public sector organisations	248,204	238,404	-	-
Bodies external to government	9,369	9,292	53	53
Total receivables	**257,573**	**247,696**	**53**	**53**

17 Cash and cash equivalents

	2013-14	2012-13
	£000	£000
Balance at 1 April	282,765	244,955
Net change in cash balances	(244,217)	37,810
Balance at 31 March	**38,548**	**282,765**
The following balances at 31 March were held at:		
Government Banking Services	38,448	282,665
Balance with Government departments	100	100
Balance at 31 March	**38,548**	**282,765**

18 Payables – in respect of pensions

18.1 Analysis by type

	2013-14	2012-13
	£000	£000
Amounts falling due within one year		
Pensions	(200,584)	(186,072)
Injury benefits	-	-
HM Revenue & Customs and voluntary contributions	(48,815)	(44,025)
Overpaid contributions: employers	-	-
Overpaid contributions: employees	-	-
Overpaid contributions: employees added years	-	-
Other creditors	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	(69,683)	(311,677)
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	-
Receivable	-	-
	(319,082)	**(541,774)**

18.2 Analysis by organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013-14	2012-13	2013-14	2012-13
	£000	£000	£000	£000
Balances with other central government bodies	(135,704)	(386,398)	-	-
Balances with Local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with public sector organisations	(135,704)	(386,398)		
Bodies external to government	(183,378)	(155,376)	-	-
Total payables	**(319,082)**	**(541,774)**	**-**	**-**

19 Pension liabilities

19.1 Assumptions underpinning the pension liability

The PCSPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2014. The Report of the Actuary on pages 10 to 14 sets out the scope, methodology and results of the work the actuary has carried out.

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

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

The major assumptions used by the actuary were:

	At 31 March 2014	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009
Rate of increase in salaries[1]	4.5%	3.95%	4.25%	4.90%	4.25%	4.25%
Rate of increase in pensions in payment and deferred pensions[2]	2.7%	2.2%	5.2%	3.1%	0.0%	5.0%
Inflation assumption[1]	2.5%	1.70%	2.00%	2.65%	2.75%	2.75%
Nominal discount rate	4.35%	4.10%	4.85%	5.6%	4.6%	6.04%
Discount rate net of price inflation	1.8%	2.35%	2.8%	2.9%	1.8%	3.2%
Life expectancy[3] (in years) at age 60						
Current retirements						
Females	31.2	30.7	30.3	30.2	30.0	29.9
Males	29.0	28.6	28.3	28.1	28.0	27.9
Retirements in 20 years time						
Females	33.5	33.0	32.1	32.0	31.9	31.8
Males	31.3	31.1	30.2	30.1	30.0	29.9

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

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

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

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the scheme liabilities. However, Cabinet Office acknowledges that the valuation reported in these accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

In accordance with IAS 19 the Scheme Managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.

19.2 Analysis of the pension liability

Value of liabilities (£ billion)					
At 31 March	**2014**	**2013**	**2012**	**2011**	**2010**
Current pensions and associated contingent pensions	66.9	66.4	62.5	54.9	57.8
Deferred pensions, including contingent pensions, for those no longer contributing to the scheme	30.9	26.1	24.1	21.9	24.8
Accrued benefits available to members contributing to the PCSPS	77.9	67.5	57.2	59.1	70.4
Total	**175.7**	**160.0**	**143.8**	**135.9**	**153.0**

Pension Scheme liabilities accrue over employee's 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 in the table 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 statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The 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 19.4. The note also discloses "experience" gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

19.3 Sensitivity analysis

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

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*	+½% a year	-9%	- £16 billion
(ii) earnings increases*	+½% a year	+ 1.5%	+ £3 billion
(iii) pension increases*	+½% a year	+ 8%	+ £14 billion
Demographic assumptions			
(iv) additional one year increase to life expectancy at retirement*		+ 2.5%	+ £5billion
(v) all active members who move to the new scheme retire (on average) 1 year later		-0.5%	-£1 billion

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

19.4 Analysis of movement in the scheme liability

	2013-14	2012-13
	£000	£000
Scheme liability at 1 April	(160,023,000)	(143,843,000)
Current service cost (note 8)	(3,782,000)	(3,872,000)
Pension Financing Cost (note 12)	(6,529,000)	(6,947,000)
Enhancements (note 9)	(65,330)	(74,416)
Pension transfers-in (note 10)	(89,804)	(56,305)
Benefits payable (note 19.5)	5,388,824	5,099,187
Pension payments to and on account of leavers (note 19.6)	104,965	134,479
Actuarial gain/(loss) (note 19.7)	(10,733,655)	(10,463,945)
Scheme liability at 31 March	**(175,729,000)**	**(160,023,000)**

During the year ended 31 March 2014, employers contributions represented an average of 18.9% of pensionable pay. This is not expected to change for 2014-15.

19.5 Analysis of benefits paid

	2013-14	2012-13
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	4,614,780	4,347,161
Commutations and lump sum benefits on retirement	774,044	752,026
Per Statement of Cash Flows	**5,388,824**	**5,099,187**

19.6 Analysis of payments to and on account of leavers

	2013-14	2012-13
	£000	£000
Refunds to members leaving the service	28,591	28,331
Payments for members joining State scheme	1,302	2,558
Group transfers to other schemes	14,698	23,273
Individual transfers to other schemes	60,374	80,317
Per Statement of Cash Flows	**104,965**	**134,479**

19.7 Analysis of actuarial gain/(loss)

	2013-14	2012-13
	£000	£000
Experience gains/(losses) arising on the scheme liabilities	4,946,649	(2,198,278)
Changes in assumptions underlying the present value of scheme liabilities	(15,680,304)	(8,265,667)
PCSPS	**(10,733,655)**	**(10,463,945)**
Other Schemes	(338,402)	(240,223)
Per Statement of Changes in Taxpayers Equity	**(11,072,057)**	**(10,704,168)**

19.8 History of Experience (gains) / losses

	2013-14	2012-13	2011-12	2010-11	2009-10
Experience (gains)/losses on the scheme liabilities					
Amount (£000)	(4,946,649)	2,198,278	81,991	377,348	(3,899,568)
Percentage of the present value of the scheme liabilities	(2.8%)	1.4%	0.1%	0.3%	(2.5%)
Total amount recognised in Statement of Changes in Taxpayers Equity					
Amount (£000)	10,733,655	10,463,945	1,316,719	(8,217,067)	31,102,568
Percentage of the present value of the scheme liabilities	6.1%	6.5%	0.9%	(6.0%)	20.3%

20. Contingent liabilities disclosed under IAS 37

In the unlikely event of default by an appointed AVC provider, pension payments are guaranteed by the scheme. This guarantee does not apply to members who make payments to institutions offering FSAVCs nor where members exercise the open market option and purchase their annuity elsewhere.

Statement of Financial Position – CSCS compensation agency arrangements

21. Receivables – Non-Supply

	2013-14	2012-13
	£000	£000
Recoverable annual compensation payments including lump sums	30,515	28,249
Balance at 31 March	**30,515**	**28,249**

22. Payables – amounts falling due within one year

2.1 Central funding of early departures

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

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

23 Receivables – amounts falling due within one year

	2013-14	2012-13
	£000	£000
Contributions	2,034	973
Balance at 31 March	**2,034**	**973**

24 Payables – amounts falling due within one year

	2013-14	2012-13
	£000	£000
Pensions	(271)	(177)
Balance at 31 March	**(271)**	**(177)**

25 Pension liability

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

25.2 Analysis of movement in scheme liability

	2013-14	2012-13
	£000	£000
Opening scheme liability at 1 April	(2,353,000)	(1,986,000)
Net movement in year (including actuarial gain/loss)	(462,000)	(367,000)
Scheme liability at 31 March	**(2,815,000)**	**(2,353,000)**

26. Losses

During the year 4,504 cases totalling £351,822.90 were written off (2012-13: 485 - £21,725.77).

27. Related Party Transactions

The PCSPS, CSCS and the Grosvenor and Government Communications Bureau schemes fall within the ambit of the Cabinet Office, which is regarded as a related party. During the year, the Schemes have had material transactions with the Cabinet Office and other departments, executive agencies 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.

The Cabinet Office is a venturer in MyCSP Limited, joint venture from whom it has received pensions administration services and other costs. The Cabinet Office incurred charges of £33.35 million relating to pensions administration which has been funded by a charge on Civil Superannuation employer pension contributions.

28. Events after the Reporting Period

There were no events after the end of the reporting period.

The Accounting Officer authorised the issue of these financial statements on the same date as the audit certificate was signed by the C&AG.

Annex to the Accounts

Data Reporting Tables

The Data Reporting Tables presented in this annex to the Accounts 2013-14 are unaudited.

They comprise:

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

CABINET OFFICE: CIVIL SUPERANNUATION
Total departmental spending, 2007-08 to 2016-17

£'000

	2007-08 OUTTURN	2008-09 OUTTURN	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 OUTTURN	2014-15 PLANS	2015-16 PLANS	2016-17 PLANS
Resource DEL										
Of which:										
Resource AME										
Civil superannuation	7,573,233	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,681	7,301,675	9,021,000	8,656,242	8,976,449
Total Resource AME	**7,573,233**	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,681**	**7,301,675**	**9,021,000**	**8,656,242**	**8,976,449**
Of which:										
Net public service pensions 2	724,700	1,069,658	1,204,405	1,437,868	1,950,749	2,129,847	2,205,732	2,286,000	2,627,580	2,763,539
Change in pension scheme liabilities	4,892,576	3,954,776	3,820,322	-10,829,910	4,213,758	4,092,728	4,030,208	4,517,000	4,084,000	4,205,000
Unwinding of the discount rate on pension scheme liabilities	6,014,000	6,434,000	7,064,000	6,634,500	7,693,000	7,044,000	6,626,000	7,894,000	7,898,000	8,196,000
Release of provisions covering payments of pension benefits	-4,058,043	-4,301,925	-4,650,850	-4,815,612	-5,142,390	-5,293,894	-5,560,265	-5,676,000	-5,953,338	-6,188,090
Total Resource Budget	**7,573,233**	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,681**	**7,301,675**	**9,021,000**	**8,656,242**	**8,976,449**
Of which:										
Capital DEL										
Of which:										
Capital AME										
Of which:										
Of which:										
Total AME	7,573,233	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,681	7,301,675	9,021,000	8,656,242	8,976,449

1 Includes impairments

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

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

Table 6 Total identifiable expenditure on services by country and region, 2008-09 to 2012-13

£ million

Cabinet office (civil superannuation)	National Statistics				
	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn
North East	39	45	61	77	86
North West	81	92	115	152	169
Yorkshire and the Humber	59	67	84	113	125
East Midlands	49	56	69	93	102
West Midlands	55	63	78	104	115
East	91	103	121	167	182
London	128	143	165	231	249
South East	228	254	287	402	433
South West	151	170	197	270	295
Total England	881	993	1,177	1,610	1,756
Scotland	93	105	129	170	187
Wales	57	65	79	106	116
Northern Ireland	10	11	16	17	19
UK identifiable expenditure	1,041	1,174	1,402	1,903	2,079
Outside UK	28	31	36	48	51
Total identifiable expenditure	1,070	1,204	1,438	1,951	2,130
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	1,070	1,204	1,438	1,951	2,130

Table 7 Total identifiable expenditure on services by country and region, per head 2008-09 to 2012-13

£ per head

Cabinet office: Civil Superannuation	**National Statistics**				
	2008-09	**2009-10**	**2010-11**	**2011-12**	**2012-13**
North East	15	17	24	30	33
North West	12	13	16	22	24
Yorkshire and the Humber	11	13	16	21	24
East Midlands	11	13	15	20	22
West Midlands	10	11	14	19	20
East	16	18	21	29	31
London	16	18	21	28	30
South East	27	30	33	46	50
South West	29	32	37	51	55
England	17	19	22	30	33
Scotland	18	20	25	32	35
Wales	19	21	26	35	38
Northern Ireland	5	6	9	10	10
UK identifiable expenditure	**17**	**19**	**22**	**30**	**33**

Data in this table are National Statistics **£ million**

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	OUTSIDE UK	Not Identifiable	Grand Total
Social protection																
Old age	86	169	125	102	115	182	249	433	295	1,756	187	116	19	51	-	2,130
of which: pensions	*86*	*169*	*125*	*102*	*115*	*182*	*249*	*433*	*295*	*1,756*	*187*	*116*	*19*	*51*	*-*	*2,130*
Total social protection	86	169	125	102	115	182	249	433	295	1,756	187	116	19	51	-	2,130
TOTAL CABINET OFFICE: CIVIL SUPERANNUATION EXPENDITURE ON SERVICES	**86**	**169**	**125**	**102**	**115**	**182**	**249**	**433**	**295**	**1,756**	**187**	**116**	**19**	**51**	**-**	**2,130**

1. **Tables 6, 7 and 8** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release. The figures were largely taken from the **O**nline **S**ystem for **C**entral **A**ccounting and **R**eporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

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

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013.

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

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

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

6. The functional analyses of spending in **Table 8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

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