United Kingdom Atomic Energy Authority Pension Schemes

Combined Annual Accounts 2020-21

HC 390

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Combined Annual Accounts 2020-21

(For the year ended 31 March 2021)

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Report of the Managers

Introduction

The Combined Annual Accounts for the defined benefit Public Service Pensions Schemes (PSPS) of the United Kingdom Atomic Energy Authority (UKAEA) for the year to 31 March 2021 covers the receipt of contributions from employers and employees, transfer values for members transferring benefits from other schemes, payment of pensions and other benefits to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UKAEA Pension Schemes.

The business, its objectives and strategy

The UKAEA Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970 and are registered schemes under the Finance Act 2004. There are no trustees.

The UKAEA Pension Schemes were contracted out under the Pension Schemes Act 1993 and subsequent legislation. Under the terms of the Pensions Act 2014, the Schemes ceased to be contracted out from 31 March 2016.

The UKAEA Pension Schemes (the Schemes) comprise the:

- Combined Pension Scheme (CPS)
- Principal Non-Industrial Superannuation Scheme (PNISS)
- Protected Persons Superannuation Scheme (PPSS)

The Schemes relate to employees and former employees of:

- UKAEA
- National Nuclear Laboratory Limited (NNL)
- International Nuclear Services Limited (INSL)
- Civil Nuclear Constabulary (CNC)
- INSL employees who are now employed by the Nuclear Decommissioning Authority (NDA)
- British Nuclear Fuels plc (BNFL)
- Health Protection Agency (HPA), which later became part of Public Health England (PHE) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board)
- Radiochemical Centre (later known as Amersham International)
- United Kingdom Research and Innovation (UKRI) (due to legacy Engineering and Physical Sciences Research Council (EPSRC) and the Science and Technology Facilities Council (STFC))
- Council for the Central Laboratory of the Research Councils (CCLRC)
- Particle Physics and Astronomy Research Council (PPARC)
- Science and Engineering Research Council (SERC)
- RCUK Shared Services Centre Limited
- Ministry of Defence (Atomic Weapons Establishment)
- UKAEA Ltd (until 31 October 2009)
- Dounreay Site Restoration Limited (DSRL) (until 31 October 2009)
- Research Sites Restoration Limited (RSRL) (until 31 October 2009)

The funding of payments from the Schemes is based on the published Parliamentary Supply Estimate and is supplied to the Schemes from the Consolidated Fund managed by HM Treasury. It should be noted that any contributions made to the Schemes are used to meet the payment of Schemes' benefits, but any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by the Parliamentary Supply Estimate with payment from the Consolidated Fund.

UKAEA is a body corporate by virtue of the Atomic Energy Authority Act 1954. UKAEA is a partner organisation of the Department for Business, Energy and Industrial Strategy (BEIS).

Management of the Schemes, Managers, Advisers and Employers

The Schemes are managed by UKAEA. The administration of the Schemes is carried out by Paymaster (1836) Ltd (a subsidiary of Equiniti Group plc) under contract to UKAEA since 1 April 2018.

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

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

Managers

Principal Accounting Officer	Sarah Munby, Permanent Secretary and Principal Accounting Officer, Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London, SW1H 0ET
UK Atomic Energy Authority Responsible Officer	Antonia Jenkinson, Chief Financial Officer, Director of Property & Corporate Services, UK Atomic Energy Authority, K2, Culham Science Centre, Abingdon, OX14 3DB
UKAEA Head of Pensions	Andrew Bickley, UK Atomic Energy Authority, K2, Culham Science Centre, Abingdon, OX14 3DB
Address for correspondence	UKAEA Pensions PO Box 5130 Lancing BN99 9AP

Advisers

Schemes Actuary	The Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB
Principal Bankers	Lloyds Banking Group, City Office PO Box 72, Bailey Drive, Gillingham Business Park, Kent, ME8 OLS
Legal Advisers	UK Atomic Energy Authority, Legal Branch, K2, Culham Science Centre, Abingdon, OX14 3DB

Auditors

External Auditors	The Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London, SW1W 9SP
Internal Auditors	Head of Internal Audit, UK Atomic Energy Authority, K2, Culham Science Centre, Abingdon, OX14 3DB

Employers

The following employers participate in the Schemes:

- UK Atomic Energy Authority (UKAEA)

- National Nuclear Laboratory Limited (NNL)
- International Nuclear Services Limited (INSL)
- Civil Nuclear Constabulary (CNC)
- Ministry of Defence (MoD)
- UK Research and Innovation (UKRI)
- UK Shared Business Service (UK SBS)
- Nuclear Decommissioning Authority (NDA)

From 1 April 2018, the activities of the Research Councils participating in the Schemes (EPSRC, STFC, CCLRC and PPARC) became the responsibility of UKRI. In these Combined Annual Accounts, the acronym SERC is used to refer to the sub-scheme relating to UKRI, and covers the following members who moved due to various reorganisations:

- On 1 April 1994, one of the legacy research councils, EPSRC, took over those employees previously employed by SERC who were members of the PNISS.
- On 1 April 1995, CCLRC was created out of EPSRC.
- On 1 April 2007, PPARC and CCLRC merged to form STFC with some employees joining RCUK Shared Services Centre Limited (which was renamed UK SBS in 2013) in subsequent years.

The CNC was formed on 1 April 2005. Members of the CNC may continue in membership of the CPS in accordance with the terms of the Energy Act 2004.

Under the Health Protection Agency Act 2004, the National Radiological Protection Board became part of the HPA with effect from 1 April 2005. With effect from 1 April 2013, PHE subsumed the responsibilities of the HPA. Members employed by PHE were no longer able to accrue benefits in the Schemes from 1 October 2013.

Due to restructuring of the nuclear estate over recent years, BNFL no longer exists as an entity. Most of the BNFL estate has transferred out of the Schemes, with the exception of two areas which have become NNL and INSL. In these Combined Annual Accounts, employees of these two companies (NNL and INSL), NDA and pensioners and deferred members previously employed by BNFL are referred to as ‘Ex-BNFL’.

Constitution of the Schemes

The Schemes are unusual in their constitution. The Government does not maintain a separate fund to provide for the Schemes’ future liabilities and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions and Parliament votes the necessary funds.

There is no fund of investments. Following the introduction of Superannuation Contributions Adjusted for Past Experience (SCAPE) on 1 April 2006, the participating employers pay contributions based on the expected cost of the members’ benefits as they accrue. These contributions are set by the Government Actuary’s Department (GAD), the Schemes’ Actuary, at each regular valuation of the Schemes, based on the expected demographic and financial experience of the Schemes at the time of the valuation.

During 2016-17, GAD completed a formal funding valuation of the Schemes as at 31 March 2012, which was used to determine the current contribution rates. There have been no formal funding valuations since that date. GAD are currently undertaking a formal funding valuation of the Schemes as at 31 March 2020 which will be used to determine future contribution rates for the Schemes. The results of the formal funding valuation are expected to be available in 2021-22 and will be included in the 2021-22 Combined Annual Accounts.

The contribution rates applicable in respect of active members have remained the same from 1 April 2017:

UKAEA	19.5%
CNC	19.3%
Ex-BNFL	18.9%
SERC	15.8%
MoD	15.8%

Contributions

All contributions have been collected in accordance with the Rules.

Future plans

UKAEA and its advisors have met with BEIS, HM Treasury, Cabinet Office and other Schemes' employers to discuss the future plans for the Schemes and the transfer to a career average scheme at a date to be agreed. These changes are required following the publication of the Public Service Pension Act 2013. UKAEA received approval from HM Treasury for members affected by the provisions of the Public Service Pension Act 2013 to join the Civil Service and Others Pension Scheme (alpha) with effect from 1 April 2017 and preparations were made for this transfer.

In March 2017, the Chief Secretary to the Treasury took the view that, in light of an ongoing employment tribunal case and subsequent appeals (known as the McCloud case), the Government should delay any impending transfer of Schemes' members that included Transitional Protection provisions, as was proposed under the transfer to alpha. UKAEA therefore paused the transfer to alpha.

In February 2021, the Government announced the result of the consultation on 'changes to the transitional arrangements to the 2015 schemes', which include alpha. As a result, HM Treasury confirmed that UKAEA will be able to transfer CPS members of the Schemes to alpha from 2023 at the earliest. The changes will not affect pensioners or deferred members. UKAEA and the Schemes await further information from HM Treasury.

Membership Statistics

The tables below detail the number of members within the Schemes by employer and category[1]:

Contributing Members	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2020	**1,247**	**1,627**	**790**	-	-	**12**	**3,676**
Adjustment [2]	3	-	-	-	-	-	**3**
New	330	257	8	-	-	-	**595**
Retirements	(14)	(16)	(29)	-	-	(4)	**(63)**
Deaths	(1)	(5)	-	-	-	-	**(6)**
Leavers	(101)	(199)	(44)	-	-	-	**(344)**
At 31 March 2021	**1,464**	**1,664**	**725**	-	-	**8**	**3,861**

Deferred Pensioners	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2020	**2,795**	**427**	**4,983**	**210**	**2**	**11**	**8,428**
Adjustment [2]	(3)	(1)	-	1	-	-	**(3)**
New	48	95	127	-	-	-	**270**
Retirements	(156)	(7)	(317)	(4)	-	(4)	**(488)**
Deaths	(3)	(1)	(17)	-	-	-	**(21)**
Leavers	(5)	(10)	(5)	-	-	-	**(20)**
At 31 March 2021	**2,676**	**503**	**4,771**	**207**	**2**	**7**	**8,166**

Active deferred [3]	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2020	**686**	**-**	**5,899**	**-**	**-**	**-**	**6,585**
Adjustment [2]	-	-	2	-	-	-	**2**

[1] The At 1 April 2020 member numbers in these tables are different to the member numbers in the Report of the Actuary on pages 10 to 16 for each category. The member numbers in these tables show the actual headcount of members in the Schemes for each category and each employer. The member numbers in the Report of the Actuary have been adjusted by uprating factors which arise from the data quality checks carried out by GAD. The uprating factors applied to the data allow for data issues and for deferred and pensioner credit members. The result of this calculation gives the member numbers as shown in the Report of the Actuary. The difference in membership numbers is immaterial.

Retirements	(25)	-	(217)	-	-	-	**(242)**
Deaths	-	-	(11)	-	-	-	**(11)**
Leavers	(5)	-	(75)	-	-	-	**(80)**
At 31 March 2021	**656**	**-**	**5,598**	**-**	**-**	**-**	**6,254**

Pensioners	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2020	**6,419**	**385**	**9,711**	**246**	**508**	**519**	**17,788**
Sub Fund Adjustment [4]	1	-	(1)	-	-	-	**-**
Adjustment [2]	-	-	(2)	(1)	-	-	**(3)**
New	196	23	566	4	-	8	**797**
Deaths	(309)	(8)	(329)	(4)	(58)	(27)	**(735)**
At 31 March 2021	**6,307**	**400**	**9,945**	**245**	**450**	**500**	**17,847**

Dependants' Pensions	**UKAEA [1]**	**CNC**	**Ex-BNFL**	**PHE**	**MoD**	**SERC**	**Total**
At 1 April 2020	**2,327**	**34**	**2,364**	**38**	**418**	**173**	**5,354**
Adjustment [2]	(1)	-	(2)	-	-	-	**(3)**
New	141	15	194	2	26	14	**392**
Deaths/ceased [5]	(190)	(1)	(200)	(4)	(46)	(10)	**(451)**
At 31 March 2021	**2,277**	**48**	**2,356**	**36**	**398**	**177**	**5,292**

[1] UKRI members are included in the UKAEA figures as they are part of the UKAEA sub-fund.

[2] Adjustments relate to movements in members that were previously shown under a different category or changes in membership due to identifying new members or removing members as part of a data cleanse exercise.

[3] The NDA, established with effect from 1 April 2005, set up a new scheme, the Combined Nuclear Pension Plan (CNPP). The CNPP is the vehicle for pension provision for eligible members in the nuclear industry who were active members of the CPS. As eligibility for membership to the CPS ceased, individuals were invited to join the CNPP and had the opportunity to preserve their accrued benefits in the CPS and were not transferred to the CNPP. The preserved CPS benefits for these members are calculated using the same pensionable final earnings as applies to the calculation of the CNPP benefits, hence the “active deferred” category of members.

[4] Sub Fund Adjustments relate to movements in members that were previously shown under a different employer.

[5] Dependants’ Pension membership ceases when members are no longer eligible for Dependants’ Pensions.

Schemes records

Records are maintained in separate parts for UKAEA (including CNC and UKRI), Ex-BNFL (including INSL, NDA and NNL), and MoD to enable GAD to advise on the contributions to be made by the participating employers to the Schemes.

Defined contribution arrangements

In addition to allowing members to pay additional contributions to purchase added years of service within the defined benefit schemes, there exists facilities for additional contributions to be made to two defined contribution schemes (the Additional Voluntary Contribution (AVC) scheme and the Shift Pay Pension Savings Plan (SPPSP)). These are fully insured schemes administered by the Prudential Assurance Company Limited to whom contributions are paid. The benefits are paid separately from any Defined Benefit scheme benefits the member has accrued.

The AVC scheme is open to members of the Public Service Pension Schemes who have opted to pay additional voluntary contributions. No employer contributions are made to the AVC scheme.

The SPPSP is open to shift workers who are members of the Public Service Pension Schemes. Contributions to the SPPSP are directly linked to shift pay earnings with the employers contributing a percentage of pensionable shift pay salary equal to the percentage payable by them to the CPS.

Transactions relating to the AVC scheme and the SPPSP are presented in Note 5 in these Combined Annual Accounts. The transactions are not reflected in the financial statements as separate accounts are prepared for these defined contribution arrangements.

Rule amendments

The Rules were not amended during 2020-21.

Pensions review

Under the Rules, benefits are increased in line with increases in the cost of living to the extent corresponding to and upon like terms and conditions as apply in relation to official pensions in accordance with the Pension Schemes Act 1995. The increase for 2020-21 was 1.7% (2019-20: 2.4%).

Transfer values paid

Individual transfer values paid have been calculated using either "a cash equivalent method", in accordance with the Pension Schemes Act 1995 or, for eligible members, a "mixed transfer" method, in accordance with the Rules, where this was more favourable. Where there has been a compulsory transfer of employment, group transfer values paid have been calculated with HM Treasury agreement using a "past service reserve" method. Under these arrangements, which are generally more favourable than "cash equivalent" transfers, account is taken of potential salary increases to the Schemes' normal retirement age of 60 rather than price increases over the same period. The impact of the court ruling in November 2020 on the equalisation of Guaranteed Minimum Pension (GMP) of Cash Equivalent Transfer Values (CETVs) paid to former members is currently under review with other public sector pension schemes. This is expected to only impact a small number of cases.

Premature retirements

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

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

	2020-21	**2019-20**
	£000	**£000**
Amount due to/(from) employers at 1 April	162	123
Received from employers during year	9,178	9,054
Paid to members during year	(8,633)	(8,324)
Repaid to employers during year	(709)	(691)
Amount due (from)/to employers at 31 March	**(2)**	**162**

Lump sum compensation payments and other benefit payments that are paid directly by participating employers to members retiring early are excluded from the above figures.

Financial review

Combined Statement of Comprehensive Net Expenditure:
Income:
Income increased from £39,884 thousand in 2019-20 to £42,940 thousand in 2020-21. The value of contributions receivable increased by £3,644 thousand. There was an increase in the number of contributing members, from 3,676 at 31 March 2020 to 3,861 at 31 March 2021. This is offset by a decrease in the value of transfers in by (£574 thousand) and other income by (£14 thousand) between 2019-20 and 2020-21. The decrease in transfers in is due to a decrease in the number and value of transfers in compared to the prior year.

Expenditure:

Overall expenditure for the year was £265,037 thousand (2019-20: £335,539 thousand), (£70,502 thousand) lower than the prior year. This is due to a decrease in the pension financing cost of (£62,937 thousand) (see explanation below), decrease in service cost of (£6,955 thousand) (see explanation below), lower levels of transfers in of (£574 thousand) and a decrease in other expenses of (£74 thousand) compared to the prior year. The decrease in transfers in is due to a decrease in the number and value of transfers in compared to the prior year. This was offset by an increase in enhancements of £38 thousand between 2019-20 and 2020-21.

The decrease in pension financing cost (also referred to as the interest cost) is driven by the reduction in the nominal discount rate applied for 2019-20 of 2.90% p.a. to the nominal discount rate applied for 2020-21 of 1.80% p.a. This is partially offset by the increase in the pension liability used to calculate the pension financing cost (interest cost) from £7,530,054 thousand in 2019-20 to £8,559,015 thousand in 2020-21.

The service cost, which equates to the sum of the current service cost and past service cost decreased by (£6,955 thousand) (table 1.1). This is due to a decrease in past service cost of (£43,000 thousand) between 2019-20 and 2020-21 offset by an increase in the current service cost of £36,045 thousand between 2019-20 and 2020-21.

The past service cost decreased by (£43,000 thousand) between 2019-20 and 2020-21 (table 1.1). The prior year included a past service cost which arose following the High Court judgement in the Lloyds Banking Group case in October 2018 on the equalisation of GMP which found that pensions must be equalised for the effects of unequal GMP. In addition, a past service cost was recognised in relation to potential costs arising from a claim against a public sector pension scheme relating to survivor benefits. GAD determined that no further allowances were required for the equalisation of GMP and there were no other events that gave rise to a past service cost in 2020-21.

During the year to 31 March 2021, the current service cost increased by £36,045 thousand (table 1.1). The contributing factors to the increase are a higher pensionable payroll than last year (the pensionable payroll estimate is based on employer contributions and outturn for employer contributions has been higher than in the previous year) and a decrease in the discount rate net of CPI inflation from 0.29% as applied for 2019-20 to (0.50%) as applied for 2020-21.

Table 1.1 – Service cost

	2020-21 £000	**2019-20 £000**	**Change +/- £000**
Service cost	110,376	117,331	(6,955)
made up of:			
Current service cost	110,376	74,331	36,045
Past service cost	-	43,000	(43,000)

The value of benefits payable decreased by (£767 thousand) compared to 2019-20 (table 1.2). This is due to a (£3,285 thousand) decrease in commutations and lump sum benefits on retirement due to a decrease in the number of new pensioners and dependants from 1,732 during 2019-20 to 1,189 during 2020-21. In addition, there was a (£286 thousand) decrease in death in service benefits due to a higher number of high value payments in 2019-20 compared to 2020-21. This is offset by a £2,804 thousand increase in pensions or annuities to retired employees and dependants, due to the annual increase in the value of benefits, offset by changes in the profile of pensioners and dependents. The number of pensioners and dependents decreased by three during the year from 23,142 to 23,139 at 31 March 2021.

Table 1.2 – Value of benefits payable

	2020-21 £000	**2019-20 £000**	**Change +/- £000**
Benefits payable	268,539	269,306	(767)

Combined Statement of Financial Position:
The overall Schemes' liability in 2020-21 was £8,838,532 thousand; an increase of £279,517 thousand from 2019-20. The main factor underlying the increase in the actuarial liability is the changes to the financial assumptions (which are largely prescribed by HM Treasury).

Statement of Outturn against Parliamentary Supply:
The Outturn shows a £2,173 thousand saving compared with the Parliamentary Supply Estimate. This is due to employee and employer contributions being higher than the Parliamentary Supply Estimate by £1,308 thousand (employee contributions are £372 thousand higher than the Parliamentary Supply Estimate and employer contributions are £936 thousand higher than the Parliamentary Supply Estimate), transfers in being £774 thousand higher than the Parliamentary Supply Estimate, current service cost being £171 thousand higher than the Parliamentary Supply Estimate and other income being £35 thousand higher than the Parliamentary Supply Estimate. This is partially offset by pension financing cost being (£84 thousand) lower than the Parliamentary Supply Estimate and enhancements being (£31 thousand) lower than the Parliamentary Supply Estimate.

On the Net Cash Requirement, Outturn compared with the Estimate shows a £27,237 thousand saving. This is the result of the forecast including a prudent estimate of the pension benefit payable, employee contributions, employer contributions and lump sum expenditure in the Parliamentary Supply Estimate.

The financial statements and accompanying notes on pages 30 to 44 provide further details of the Schemes' income and expenditure.

GMP Reconciliation and Equalisation

UKAEA has adopted a three phased approach for reconciling GMP data with HM Revenue and Customs (HMRC) data. The stages are:

- Stage 1: Initial report
- Stage 2: Reconciliation of Schemes' records against HMRC records
- Stage 3: Implement agreed changes

Stages 1 and 2 were completed in 2019-20, which showed that the majority of member records reconciled to HMRC records. As such, no changes were required to the deferred benefits or benefits in payment for these members. UKAEA is currently working with Paymaster (1836) Ltd to implement the agreed changes for those members where a change is required and is expected to complete this during 2021-22. This is later than originally anticipated due to additional processing and quality checks agreed between UKAEA and Paymaster (1836) Ltd. Following this, UKAEA will commence work with Paymaster (1836) Ltd on implementing GMP equalisation.

Actuarial position, actuary's valuation and statement

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the *Government Financial Reporting Manual* (*FReM*) requires that "*the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years*".

The last formal funding valuation of the Schemes, used to determine the current contribution rates, was as at 31 March 2012. A formal funding valuation as at 31 March 2016 was deferred due to the ongoing discussions regarding the transfer of active members to alpha (as detailed in the section on Future plans on page 4). GAD is undertaking a formal funding valuation of the Schemes as at 31 March 2020, with the results expected in 2021-22. The results of this formal funding valuation will be used to determine the future contribution rates for the Schemes.

For 2020-21, employer contribution rates have been set based on actuarial valuation calculations using membership data as at 31 March 2012. However, the amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2020, such as would have been provided for a formal funding valuation and rolling this forward to 31 March 2021 to reflect known changes.

Approximate actuarial assessments in intervening years between formal funding valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. In undertaking this valuation, the methodology prescribed in IAS 19 *Employee Benefits*, relevant *FReM* interpretations and the discount rate prescribed by HM Treasury have also been used.

The Report of the Actuary, based on the position as at 31 March 2021, confirmed that the Schemes' liabilities were £8,839 million discounted at a real rate of (0.95%) under the Rules at the date of the valuation. The Report of the Actuary is reproduced on pages 10 to 16.

Auditors

These financial statements have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on pages 26 to 29. The notional cost of the audit for 2020-21 is £45,000 (2019-20: £40,000). The audit fee is classified as an administration cost (rather than programme) and is therefore borne on the BEIS Vote.

COVID-19

The novel coronavirus, COVID-19 continues to have a significant impact on the methods of business operations of the Schemes. Further information is detailed in the Governance Statement on pages 18 to 21 and Note 13.

Disclosure of Audit Information

As far as I am aware, there is no other relevant audit information of which the Schemes' 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 Schemes' auditors are aware of that information.

I confirm that the Combined Annual Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the Combined Annual Accounts and the judgments required for determining that they are fair, balanced and understandable.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

7 July 2021

Report of the Actuary

United Kingdom Atomic Energy Authority (“UKAEA”)

- **Combined Pension Scheme**
- **Principal Non-Industrial Superannuation Scheme**
- **Protected Persons Superannuation Scheme**

Accounts for the year ended 31 March 2021

Introduction

1. This statement has been prepared by the Government Actuary’s Department (GAD) at the request of the UK Atomic Energy Authority (UKAEA). It provides a summary of GAD’s assessment of the scheme liability in respect of the UKAEA Pension Schemes (UKAEA) as at 31 March 2021, and the movement in the scheme liability over the year 2020-21, prepared in accordance with the requirements of Chapter 9 of the 2020-21 version of the Financial Reporting Manual.

2. The UKAEA is a defined benefit scheme providing pension and lump sum benefits on retirement, death and resignation. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation.

3. The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2021.

4. In this statement totals might not add up or multiply exactly due to rounding.

Membership data

5. Tables A to C summarise the principal membership data as at 31 March 2020 used to prepare this statement.

Table A1 – Active members

	Number	Total pensionable pay* (p.a.) £ million
Males	2,781	115.1
Females	877	33.6
Total	3,658	148.7

* Pensionable pay is the full-time equivalent figure.

Table A2 – Active deferred members

	Number	Total pensionable pay* (p.a.) £ million
Males	4,969	257.2
Females	1,705	84.2
Total	6,674	341.3

* Pensionable pay is the full-time equivalent figure.
These members are accruing service in other linked schemes but have a retained right to salary linkage on their UKAEA benefits.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £ million
Males	5,883	26.8
Females	2,584	10.1
Total	8,467	37.0

* Pension amounts include the pension increase granted in April 2020.

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £ million
Males	13,430	168.3
Females	4,092	23.2
Spouses and dependents	5,453	33.7
Total	22,975	225.2

* Pension amounts include the pension increase granted in April 2020.

Methodology

6. The present value of the liabilities as at 31 March 2021 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2021. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2021 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2020 in the 2019-20 accounts.

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

Financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2021 p.a.	31 March 2020 p.a.
Nominal discount rate	1.25%	1.80%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.22%	2.35%
Rate of general pay increases	3.72%	4.10%
Rate of short-term general pay increase:		
• BNFL actives	2.50%	2.50%
• Non-BNFL actives	2.25%	2.00%
Active deferred members	2.00%	2.50%
Real discount rate in excess of:		
• CPI inflation	(0.95%)	(0.50%)
• Long-term pay increases	(2.38%)	(2.20%)
Expected return on assets	n/a	n/a

9. The assessment of the liabilities allows for the known pension increases up to and including April 2021.

Demographic assumptions

10. Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S2 tables’ with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table[2]	Adjustment
Normal Health		
BNFL Males	S2NMA	101%
Non-BNFL Males	S2NMA	92%
Females	S2NFA	99%
Current ill health pensioners		
Males	S2IMA	100%
Females	S2IFA	100%
Future ill-health pensioners		
Males	S2IMA	100%
Females	S2IFA	100%
Partners		
Males	S2NMA	100%
Females	S2DFA	110%

11. The assumptions in Table E above are the same as those adopted for the accounts as at 31 March 2020.

12. Mortality improvements are assumed to be in line with the latest 2018-based projections for the United Kingdom published by the ONS in October 2019. This is the same assumption as that used for the 2019-20 accounts. The implications of COVID-19 on the mortality assumption is discussed in paragraph 27.

13. The other demographic assumptions, such as for commutation and family statistics, are unchanged from the 2019-20 accounts.

Liabilities

14. Table F summarises the assessed value as at 31 March 2021 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 5 to 13. The corresponding figures for the previous year are shown for comparison.

[2] From the 'S2' series of standard tables published by the CMI and based on the experience of self-administered pension schemes. Separate tables are available based on experience of members retiring in normal and ill-health and for dependants.

Table F – Combined Statement of Financial Position

	31 March 2021 £ thousand	31 March 2020 £ thousand
Total market value of assets	nil	nil
Value of liabilities	8,838,532	8,559,015
Surplus/(Deficit)	(8,838,532)	(8,559,015)
of which recoverable by employers	n/a	n/a

Accruing costs

15. The cost of benefits accrued in the year ended 31 March 2021 (the current service cost) is assessed as 74.1% of pensionable pay.

16. For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. Members contributed between 5% and 8.2% of pensionable pay, depending on the level of their pay, except PNISS members who paid 10.7% of pensionable pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2020-21 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2020-21 accounts.

Table G – Contribution rate

	2020-21 % of pay	2019-20 % of pay
Employer contributions (excluding expenses)	19.3%	19.2%
Employee contributions (average)	8.2%	8.2%
Total contributions	**27.5%**	**27.4%**
Current service cost (expressed as a % of pay)	**74.1%**	**54.5%**

17. The key difference between the assumptions used for funding valuations and accounts is the discount rate, although price inflation and salary increases are also determined differently and the assumption for future improvements in life expectancy has been updated. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

18. The pensionable payroll for the financial year 2020-21 was £148,944 thousand (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2020-21 (at 74.1% of pay) is assessed to be £110,376 thousand.

19. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any events that have led to a material past service cost over 2020-21.

20. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2020-21.

Sensitivity analysis

21. 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 2021 of changes to the most significant actuarial assumptions.

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

23. Table H shows the indicative effects on the total liability as at 31 March 2021 of changes to these assumptions (rounded to the nearest 0.5%).

Table H – Sensitivity to significant assumptions

Change in assumption		**Approximate effect on total liability**	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	- 9.0%	- £795 million
(ii) (long-term) earnings increase*:	+0.5% p.a.	+ 2.0%	+ £177 million
(iii) pension increase*:	+0.5% p.a.	+ 8.0%	+ £707 million
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.0%	+ £354 million

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

COVID-19 Implications

24. As with the accounts last year, the 2020-21 Resource Accounts are being produced when the UK continues to deal with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

25. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2020) 12 Revised, dated 18 December 2020, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November (i.e. 30 November 2020) and are typically not amended for any changes between November and the accounting date.

26. The long-term salary assumption is set by UKAEA, having taken actuarial advice, and is intended to be an average over the future careers of scheme members, with a recognition that increases in any particular year may be lower or higher than the assumption. The assumption allows for a reduction in our view of the long-term salary increases as well as lower short-term forecasts from the Office for Budget Responsibility.

27. The current population mortality projections make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates of mortality improvement are based on projections of past trends in UK mortality and the effects of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. My view is that it remains too early in the pandemic to determine whether COVID-19 changes the long-term view of life expectancy in the UK. It is therefore not unreasonable to retain the existing mortality assumptions. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain over the next year’s accounts.

Hayley Schofield FIA
Actuary
Government Actuary’s Department

27 May 2021

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Energy and Industrial Strategy (BEIS) to prepare for each financial year a statement of combined accounts for the United Kingdom Atomic Energy Authority (UKAEA) Pension Schemes in the form and on the basis set out in the Accounts Direction.

With the exception of certain transactions (which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year nor on the combined net liabilities at the financial year end), the Combined Annual Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the UKAEA Pension Schemes and of its income and expenditure, Combined Statement of Financial Position and cash flows for the financial year.

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

- Observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Combined Annual Accounts, as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Combined Annual Accounts and the judgements required for determining that it is fair, balanced and understandable.

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

As the Accounting Officer, 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 UKAEA Pension Schemes auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement for the United Kingdom Atomic Energy Authority Pension Schemes 2020-21

Scope of responsibility

As Accounting Officer for the United Kingdom Atomic Energy Authority (UKAEA) Pension Schemes (the Schemes) I have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the Schemes' policies, aims, and objectives and for safeguarding the public funds and departmental assets for which, as Accounting Officer and Permanent Secretary for Department for Business, Energy and Industrial Strategy (BEIS), I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Chief Executive and Accounting Officer of UKAEA (a partner organisation of BEIS) is responsible for the management and administration of the Schemes on my behalf under the terms of a Management Framework between UKAEA and BEIS, and for the maintenance and operation of the governance framework in that body.

The administration of the Schemes has been carried out by Paymaster (1836) Ltd, a subsidiary of Equiniti Group plc under contract to UKAEA since 1 April 2018.

UKAEA disburses pensions and other payments and collects pension contributions and other income with the approval of BEIS, which in turn ensures that funds are provided to meet the net cash outflow on pensions. BEIS prepares the Combined Annual Accounts which combines the financial information for the Schemes. Thus, the governance framework over the Schemes in operation in UKAEA and BEIS is relevant to these Combined Annual Accounts.

The Governance Framework

UKAEA

The UKAEA Board and the UKAEA Audit and Risk Assurance Committee maintain oversight of the Schemes and provide me with assurance on the quality of the Combined Annual Accounts, governance, risk management and internal control arrangements as they affect the Schemes.

More details on UKAEA's governance framework can be found in UKAEA's Annual Report and Accounts.

BEIS

The BEIS Departmental Board provides collective strategic leadership of BEIS with responsibility for performance, risk and delivery including appropriate oversight of partner organisations, including UKAEA.

More details on the BEIS governance framework can be found in the BEIS Annual Report and Accounts.

The Schemes

The Management Framework between BEIS and UKAEA sets out the responsibilities that each have in respect of the funding, management and administration of the Schemes and incorporates a framework for the management of risks and maintaining a sound system of internal control. The Management Framework was reviewed during the course of 2020-21. It sets out governance responsibilities.

In addition to the oversight function described above, UKAEA is responsible for managing and administering the Schemes properly and efficiently within the terms of the Rules and relevant legislation, handling Schemes' finances with propriety, consistent with the requirements of Government Accounting, accounting to BEIS each month for the application of cash used and operating an effective system of internal controls and risk management in respect of these responsibilities. These include regular internal audit reviews.

In addition to the strategic responsibility described above, BEIS is responsible for reporting to Parliament on the resource and cash requirements for the Schemes, preparing the annual Resource Account for the Schemes, and arranging for external audit of the Combined Annual Accounts, ensuring that the resource and cash requirement for each year is consistent with the relevant Parliamentary Supply Estimate, operating an effective system of internal controls and risk management in respect of these responsibilities.

The Schemes' "Finance Meeting" is held on a regular basis. The objectives of these meetings are:

- To ensure that those representatives responsible for the management and reporting of financial data for the Schemes have a good understanding of all the financial aspects of the Schemes;
- To ensure that future changes to the Schemes are identified and the implications understood and communicated to each of the representative areas;
- To ensure that changes in personnel are managed in such a way that there is no loss of understanding and that there is continuity of financial management; and
- To manage the risks to the effective financial control of the Schemes.

Participants at the "Finance Meeting" include representatives from BEIS' Group Finance Team, BEIS' Sponsor Team, BEIS' Financial Reporting Team, GAD and UKAEA. The NAO attends as observers.

The Schemes' "Finance Meeting" met on the following dates: 30 September 2020, 16 December 2020 and 21 March 2021. During the year, the "Finance Meeting" considered the following issues:

- Valuation of the Schemes;
- Review of the risks and responsibilities of the various parties to the Schemes; and
- Pension Scheme Reform arising from the Public Services Pensions Act 2013.

A formal record of the minutes of each "Finance Meeting" is maintained, summarising the work of, and reflecting discussions held between, the members. These minutes are shared with all the members and require their approval, which is sought in the following "Finance Meeting". This approach is functioning well as it provides a continuous update on the agreed actions, and significantly improving the understanding across all the parties involved.

Paymaster (1836) Ltd

Since 1 April 2018, administration of the Schemes is carried out by Paymaster (1836) Ltd under contract to UKAEA. This contract sets out the various requirements and service levels expected. UKAEA receives monthly snapshots and quarterly stewardship reports from Paymaster (1836) Ltd and holds monthly meetings with Paymaster (1836) Ltd to discuss ongoing operational issues and agree priorities for work. Paymaster (1836) Ltd have completed actions arising from these meetings to UKAEA's satisfaction.

Risk Management

The risk management process for the Schemes operates through the initial identification of risks against the Schemes' objectives. These risks are then evaluated in terms of impact and probability to determine the key risks inherent to the Schemes. Consideration is then given to the controls in place to manage each risk and how effective they are in mitigating the risk. This establishes the level of residual risk and enables management to determine what further action is required to manage the risk. Ownership for each risk is then assigned to named individuals who will report on progress in managing the risk when the risk register is reviewed at each "Finance Meeting". Assurance is obtained through regular management reviews and periodic internal audits of the Schemes. There were no significant lapses of data security during this financial year to report.

A risk register for the Schemes operated throughout the year and contains both the key strategic and operational risks. Each of the teams involved in operating the Schemes also maintain their own local risk register. Key strategic risks relate to:

- Engaging effectively with HM Treasury over the unique issues around the Schemes in helping to develop optimum arrangements for the future;
- Implementing appropriate governance arrangements for existing Schemes that reflect best practice;
- Ensuring bulk transfers of members have sufficient funding provision, authorised through Parliamentary Supply Estimates, before being finalised;
- Next valuation of the Schemes and its potential impact on funding and the contribution rate for employers;
- Ensuring employers recognise their ownership of existing liabilities where no active members remain in their organisation;

- Entry to alpha is delivered in accordance with Ministerial approval. There is uncertainty of the date of entry as the process has been paused under instruction from HM Treasury; and
- Ensuring that the Schemes' employers provide data to Paymaster (1836) Ltd on a timely basis to ensure accurate benefit calculation and provision of the services provided.

Mitigating actions have been put in place to manage the above risks and progress on these will be monitored during the course of 2021-22 during the "Finance Meetings".

UKAEA and BEIS are holding discussions with HM Treasury regarding the legacy liabilities for the Schemes. This is a key issue regarding where and how potential deficits must be provided.

Reporting of Personal Data Related Incidents

UKAEA reported no incidents of the loss of any "Protected Personal Data" to the Information Commissioner's Office in 2020-21 (or prior years). There were no reportable "Other Protected Personal Data" incidents in 2020-21 (or prior years) such as the loss of inadequately protected or insecure disposal of electronic equipment, devices or paper documents from secured Government premises, or any other reportable unauthorised disclosure.

UKAEA continues to monitor and assess its information risks to identify and address any weaknesses and ensure continuous improvement of its systems.

Internal Audit

In 2019-20, UKAEA Internal Audit carried out a review of Paymaster (1836) Ltd, focussing on the banking and payment processes, non-scheme charges, administration of member records and balance sheet control accounts. The audit provided limited assurance and made seven recommendations, two high priority (regarding payment processes and non-scheme charges) and five medium priority recommendations (relating to areas where the administrative processes can be improved), all of which were accepted. All recommendations were fully completed and agreed with UKAEA Internal Audit as complete during 2020-21. UKAEA Internal Audit will carry out another review in 2021-22 as part of their regular two-year cycle.

COVID-19

As noted in the Report of the Managers on page 9 and Note 13, the COVID-19 pandemic has had a significant impact on the day-to-day management of the Schemes due to the fact that the majority of the administration staff had to work from home since March 2020. As the pandemic has progressed through various stages, new working practices have been agreed, whilst maintaining the safety of staff. Since March 2020, Paymaster (1836) Ltd has implemented contingency measures to ensure it can continue to provide the key elements of the pension administration service, specifically pay pension benefits to pensioners and other benefit recipients. Priority has been given to ensuring payments continue and changes affecting benefit entitlements are actioned efficiently and effectively. Paymaster (1836) Ltd continue to follow guidance issued by The Pension Regulator and The Pensions Administration Standards Association in relation to COVID-19 and pension administration. Some activities were paused after March 2020 due to the revised working arrangements, for example individual transfer requests. In relation to the activities that were paused, members were communicated with accordingly, and the requests dealt with on slightly extended timescales. The annual pension increase was applied in April 2021 and confirmation letters sent to pensioners and deferred members. UKAEA receives regular updates from Paymaster (1836) Ltd on the actions being taken, has approved specific priority work areas and pausing of lower priority work to UKAEA's agreement.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review of the effectiveness is informed by the work of the internal auditors and the executive managers within BEIS and UKAEA who have responsibility for the development and maintenance of the risk management and internal control framework for the Schemes; and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the UKAEA Audit and Risk Assurance

Committee and mechanisms are in place to ensure continuous improvement of the system is in place. The effectiveness of the governance frameworks in operation more generally in UKAEA and BEIS are reflected in the respective Governance Statements of these organisations.

My review has provided me with assurance that the system of governance risk management and internal control in operation for the Schemes has operated satisfactorily during 2020-21.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

7 July 2021

Statement of Outturn against Parliamentary Supply

(this section is subject to audit)

In addition to the primary statements prepared under the International Financial Reporting Standards (IFRS), the *Government Financial Reporting Manual* (*FReM*) requires the UKAEA Pension Schemes to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final Outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so Outturn will not exactly tie to cash spent) and administration.

The supporting notes detail the following:

- Outturn by Estimate line, providing a more detailed breakdown (SOPS 1)
- A reconciliation of Outturn to Net cash requirement (SOPS 2)

The SOPS provides a detailed view of the financial performance, in a form that is voted on and recognised by Parliament. The financial review in the Report of the Managers on page 8, provides a summarised discussion of Outturn against Estimate and functions as an introduction to the SOPS disclosures.

Summary tables – mirrors part 1 of the Estimates

Type of spend	SOPS Note	2020-21 Outturn		2020-21 Estimate		2020-21 Outturn vs Estimate, saving/(excess)		2019-20 Outturn
		Voted	Total	Voted	Total	Voted	Total	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Annually Managed Expenditure (AME)								
Resource	SOPS 1	222,097	222,097	224,270	224,270	2,173	2,173	295,655
Capital		-	-	-	-	-	-	-
Total AME budget		**222,097**	**222,097**	**224,070**	**224,070**	**2,173**	**2,173**	**295,655**
Total Budget and Non Budget		**222,097**	**222,097**	**224,070**	**224,070**	**2,173**	**2,173**	**295,655**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimate guidance manual, available on gov.uk, for details on the control limits voted by Parliament.

Net cash requirement 2020-21

Item	SOPS Note	2020-21 Outturn	2020-21 Estimate	2020-21 Outturn vs Estimate, saving/(excess)	2019-20 Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	SOPS 2	224,261	251,498	27,237	228,465

Notes to the Statement of Outturn against Parliamentary Supply

(this section is subject to audit)

SOPS 1. Outturn detail, by Estimate Line

Analysis of resource outturn by Estimate line

Type of spend (Resource)	2020-21 Resource Outturn Programme Gross	Programme Income	Programme Net	Total	2020-21 Estimate Total	Virements	Total inc. virements	2020-21 Outturn vs Estimate, saving/ (excess)	2019-20 Outturn Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
Pensions, transfer values, repayment of contributions	265,037	(42,940)	222,097	222,097	224,270	-	224,270	2,173	295,655
Total voted AME	**265,037**	**(42,940)**	**222,097**	**222,097**	**224,270**	**-**	**224,270**	**2,173**	**295,655**
Total resource	**265,037**	**(42,940)**	**222,097**	**222,097**	**224,270**	**-**	**224,270**	**2,173**	**295,655**

There are no virements in the total Estimate columns. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk. The Outturn vs Estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS 2. Reconciliation of net Resource Outturn to Net cash requirement

Item	Reference	Outturn Total £'000	Estimate £'000	Outturn vs Estimate, saving/ (excess) £'000
Resource Outturn	**SOPS 1**	**222,097**	**224,270**	**2,173**
Adjustments to remove non-cash items:				
New pensions and adjustments to previous pensions		(265,036)	(266,116)	(1,080)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables	6	731	-	(731)
(Increase)/decrease in payables	8	(2,074)	10,000	12,074
Use of provisions	9.4	268,543	283,344	14,801
Total:		**2,164**	**27,228**	**25,064**
Net cash requirement		**224,261**	**251,498**	**27,237**

As noted in the introduction to the SOPS above, Outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the Resource and Capital Outturn to the Net cash requirement.

Parliamentary Accountability Disclosures *(this section is subject to audit)*

Losses and special payments

There are no losses or special payments, individually or in aggregate in excess of £300,000 which would require separate disclosure during the year to 31 March 2021 (2019-20: nil), or that have been recognised since that date.

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

Opinion on financial statements

I certify that I have audited the financial statements of the United Kingdom Atomic Energy Authority Pension Schemes for the year ended 31 March 2021 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Parliamentary Accountability Disclosures that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2021 and of its net expenditure 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 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 2021 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), Practice Note 15 (revised) 'The Audit of Occupational Pension Schemes in the United Kingdom' and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the United Kingdom Atomic Energy Authority Pension Schemes in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the United Kingdom Atomic Energy Authority Pension Schemes' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on United Kingdom Atomic Energy Authority Pension Schemes' ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Scheme is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Parliamentary Accountability Disclosures described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the United Kingdom Atomic Energy Authority Pension Schemes will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Schemes' controls relating to the Finance Act 1970, the Finance Act 2004, the Pension Schemes Act 1993, the Pensions Act 2014, the Government Resources and Accounts Act 2000, Managing Public Money and the regulations set by the Pensions Regulator;
- discussing among the engagement team and involving relevant internal and external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and significant or unusual transactions, and selection of inappropriate methodology or assumptions underpinning significant estimates
- obtaining an understanding of Schemes' framework of authority as well as other legal and regulatory frameworks that the Schemes operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Schemes. The key laws and regulations I considered in this context included the Finance Act 1970, the Finance Act 2004, the Pension Schemes Act 1993, the Pensions Act 2014, the Government Resources and Accounts Act 2000, Managing Public Money and the regulations set by the Pensions Regulator; and
- obtaining an understanding of the control environment in place at the Schemes, the administrator and the scheme actuary, in respect of membership data, the pension liability, contributions due and benefits payable.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- substantive testing of contributions received and benefits paid in the year to ensure compliance with laws, and regulations and regularity;
- engaging an auditor's expert to review the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking any further procedures as necessary; and
- reviewing any significant correspondence with the Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

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

13 July 2021

Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

	Note	2020-21	2019-20
		£'000	**£'000**
Principal Arrangements – UKAEA Pension Schemes			
Income			
Contributions receivable	2	(41,294)	(37,650)
Transfers in		(1,641)	(2,215)
Other income		(5)	(19)
Total Income		**(42,940)**	**(39,884)**
Expenditure			
Service cost	3	110,376	117,331
Enhancements		356	318
Transfers in		1,641	2,215
Pension financing cost	4	152,663	215,600
Other expenses		1	75
Total Expenditure		**265,037**	**335,539**
Net Expenditure		**222,097**	**295,655**
Other Comprehensive Net Expenditure			
Pension re-measurements:			
- Actuarial (gain)/loss	9.7	283,024	962,847
Total Comprehensive Net Expenditure for the year ended		**505,121**	**1,258,502**

Notes 1 to 13 form part of these Accounts.

Combined Statement of Financial Position as at 31 March 2021

	Note	31 March 2021	31 March 2020
		£'000	**£'000**
Principal Arrangements – UKAEA Pension Schemes			
Current assets			
Receivables	6	4,197	3,466
Cash and cash equivalents	7	14,264	8,525
Total current assets		**18,461**	**11,991**
Current liabilities			
Payables	8	(24,290)	(16,477)
Total current liabilities		**(24,290)**	**(16,477)**
Net current assets/(liabilities), excluding pension liability		**(5,829)**	**(4,486)**
Non-current liabilities			
Pension liability	9.4	(8,838,532)	(8,559,015)
Net liabilities, including pension liabilities		**(8,844,361)**	**(8,563,501)**
Taxpayers' equity[3]			
General fund		8,844,361	8,563,501
Total taxpayers' equity		**8,844,361**	**8,563,501**

Notes 1 to 13 form part of these Accounts.

Sarah Munby
Permanent Secretary and Principal Accounting Officer

7 July 2021

[3] The presentation of Taxpayers' equity in the Combined Statement of Financial Position has been changed for 31 March 2020 and 31 March 2021 for consistency in signage with the other financial statements and accompanying notes.

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2021[4]

	Note	31 March 2021	31 March 2020
		£'000	£'000
Balance at 1 April		8,563,501	7,533,464
Net Parliamentary Funding – drawn down		(230,000)	(229,534)
Net Parliamentary Funding – deemed		(8,525)	(7,456)
Supply payable adjustment – current year		14,264	8,525
Net Expenditure for the year		222,097	295,655
Actuarial (gain)/loss	9.7	283,024	962,847
Balance at 31 March		**8,844,361**	**8,563,501**

[4] The presentation of the Combined Statement of Changes in Taxpayers' Equity has been changed for 31 March 2020 and 31 March 2021 for consistency in signage with the other financial statements and accompanying notes.

Combined Statement of Flows for the year ended 31 March 2021

	Note	2020-21	2019-20
		£'000	**£'000**
Cash flows from operating activities			
Net Expenditure for the year		(222,097)	(295,655)
Adjustment for non-cash transactions			
(Increase)/decrease in receivables		(731)	(969)
Increase/(decrease) in pension payables		7,813	3,114
Less: movements in payables relating to items not passing through the Combined Statement of Comprehensive Net Expenditure		(5,739)	(1,069)
Movement in pension liability: service and finance cost	9.4	263,039	332,931
Movement in pension liability: enhancements and transfers in	9.4	1,997	2,533
Movement in pension liability: benefits paid	9.5	(268,298)	(268,779)
Movement in pension liability: refunds and transfers	9.6	(4)	(44)
Movement in pension liability: death in service	9.5	(241)	(527)
Net cash flows from operating activities		**(224,261)**	**(228,465)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		230,000	229,534
Adjustments for payments and receipts not related to Supply		-	-
Net Financing		**230,000**	**229,534**
Net increase/(decrease) in cash and cash equivalents in the period		**5,739**	**1,069**
Cash and cash equivalents at the beginning of the period	7	8,525	7,456
Cash and cash equivalents at the end of the period	**7**	**14,264**	**8,525**

Notes 1 to 13 form part of these Accounts.

Notes to the Schemes Statements

Note 1 Statement of accounting policies

The accounting policies contained in the *Government Financial Reporting Manual* (*FReM*) issued by HM Treasury follow International Financial Reporting Standards (IFRS) 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 Schemes for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Basis of preparation of the Schemes financial statements

The financial statements of the Schemes have been prepared in accordance with the relevant provisions of the 2020-21 *FReM* issued by HM Treasury. The accounting policies contained in the *FReM* apply IFRS 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 IFRS, the *FReM* also requires the Schemes to prepare an additional statement – a *Statement of Outturn against Parliamentary Supply*. This statement, and its supporting notes, show Outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Outturn against Parliamentary Supply* and its supporting notes are shown on pages 22 to 24.

1.2 New accounting standards adopted in the year

The Schemes have not adopted any new accounting standards this year. Note 1.24 details the accounting standards that have been issued but not yet adopted and *FReM* changes for future years.

1.3 UKAEA Pension Schemes

The UKAEA Pension Schemes are an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the UKAEA Pension Schemes on behalf of the members who satisfy the membership criteria.

Contributions to the Schemes by employers and employees are set at rates determined by the Schemes' Actuary and approved by the governing body. The contributions partially fund payments made by the Schemes, the balance of funding being provided by Parliament through the annual Supply Estimates process. The administrative expenses associated with the operation of the Schemes are borne by UKAEA and are reported in UKAEA's financial statements.

The financial statements of the Schemes show the combined financial position of the UKAEA Pension Schemes at the year end and the combined income and expenditure during the financial year. The Combined Statement of Financial Position shows the unfunded net liabilities of the Schemes; the Combined 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 Schemes' liability. Further information about the actuarial position of the Schemes is dealt with in the Report of the Actuary, and the Schemes financial statements should be read in conjunction with the Report of the Actuary on pages 10 to 16.

1.4 Pension contributions receivable

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

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

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

1.5 Transfers in and out

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

1.5.2 Transfers out are normally accounted for as use of provision.

1.6 Income received in respect of enhancements

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

1.7 Gain or loss on settlements or curtailments

A gain or loss on settlement or curtailment is recognised when there has been a significant reduction in the number of Schemes' members or when there is an amendment to the terms of the Schemes so that a significant element of future service by members will no longer qualify for benefits or will only qualify for reduced benefits. Gains or losses are recognised when they occur.

1.8 Other income

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

1.9 Current service cost

The current service cost is the increase in the present value of the Schemes' liabilities arising from current member's service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The cost is based on a discount rate at the start of the year of (0.50%) real (i.e. 1.80% including CPI inflation) (2019-20: 0.29% real, i.e. 2.90% including CPI inflation).

1.10 Past service costs

Past service costs are increases in the present value of the Schemes' 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 increase in benefits vest.

1.11 Interest on Schemes' liabilities

The interest cost is the increase during the period in the present value of the Schemes' liabilities because the benefits are one period closer to settlement and is recognised in the Combined Statement of Comprehensive Net Expenditure. The interest cost is based on a discount rate (including inflation) at start of the year, i.e. 1.80% (2019-20: 2.90%).

1.12 Other payments

Other payments are accounted for on an accruals basis.

1.13 Schemes' liability

Provision is made for liabilities to pay pensions and other benefits in the future. The Schemes' liability is measured on an actuarial basis using the projected unit method and is discounted at (0.95%) real, i.e. 1.25% including inflation (2019-20: (0.50%) real, i.e. 1.80% including inflation).

Full actuarial valuations by a professionally qualified actuary are usually obtained for accounting purposes at intervals not exceeding four years. The effective date of the full accounting calculation underlying these accounts is 31 March 2020. These calculations have been updated to 31 March 2021 to reflect known changes.

1.14 Pension benefits payable

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

1.15 Pension payments to those retiring at their normal retirement age

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

1.15.2 Where retiring members of the Schemes have a choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for as a decrease in the Schemes' liability on a cash basis.

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

1.16.1 Where members of the Schemes are entitled only to a refund of contributions, the transaction is accounted for as a decrease in the Schemes' liability on an accruals basis.

1.16.2 Where members of the Schemes have the option of receiving a refund of contributions or a deferred pension, the transaction is accounted for as a decrease in the Schemes' liability on a cash basis.

1.17 Lump sums payable on death in service

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

1.18 Actuarial gains / losses

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

1.19 Additional Voluntary Contributions

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

1.20 Financial instruments

1.20.1 A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another.

1.20.2 Financial assets are initially measured at fair value plus or minus transaction costs. Subsequently, financial assets are classified and measured at fair value through profit or loss, fair value through other comprehensive income or amortised cost. The subsequent measurement of financial assets depends on the nature of the particular financial asset as either debt or equity and the business model used to manage the financial asset. Where a financial asset is subsequently measured and classified at amortised cost, the financial asset is assessed for impairment using a forward-looking expected credit loss impairment model. All Schemes' financial assets are measured and classified at amortised cost. As financial assets are primarily contributions due from employers or employees which are received in April of the next financial year, expected credit loss on financial assets are deemed to be £nil.

1.20.3 Financial liabilities are initially measured at fair value plus or minus transaction costs. Subsequently, financial liabilities are classified as measured at fair value through profit or loss or amortised cost. All Schemes' financial liabilities are measured and classified at amortised cost.

1.21 Significant estimates and judgements

1.21.1 The key estimates and judgements relate to the valuation of the pensions liability and these have been documented in full in the Report of the Actuary on pages 10 to 16 and Note 9.

1.22 Administration costs

1.22.1 The administration costs are paid by UKAEA and recovered from the participating employers in proportion to their membership.

1.23 Taxation where lifetime or annual allowance exceeded

1.23.1 Taxation arising on benefits paid or payable in respect of members whose benefits have exceeded the lifetime or annual allowance.

1.24 Accounting standards issued but not yet adopted and *FReM* changes for future years

1.24.1 IFRS 16 *Leases*

IFRS 16 *Leases* will replace IAS17 *Leases* and will be adopted by the public sector in 2022-23. IFRS 16 *Leases* amends the accounting for lessees, removing the distinction between operating leases and finance leases. IFRS 16 *Leases* requires all leases, with terms over 12 months, to be recognised as similar to finance leases under IAS 17 *Leases*. This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, and a matching lease liability in the Combined Statement of Financial Position. IFRS 16 *Leases*, when adopted, will have no impact on the Combined Annual Accounts as the Schemes have not entered into any lease contracts.

1.24.2 IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* will replace IFRS 4 *Insurance Contracts* and is expected to be effective for accounting periods beginning on or after 1 January 2023, following a decision by the International Accounting Standards Board to defer the effective date by one year. The planned timetable for implementation of IFRS 17 *Insurance Contracts* in the public sector is the 2023-24 financial year. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk using a discount rate that reflects current interest rates. IFRS 17 *Insurance Contracts*, when adopted, will have no impact on the Combined Annual Accounts because the Schemes have not entered into any contracts to cover insurance risk for a counterparty.

Note 2 Contributions receivable

	2020-21	2019-20
	£'000	£'000
Employers:		
Normal	(28,746)	(26,186)
Employees:		
Normal	(12,192)	(11,146)
Purchase of added years	(356)	(318)
Contributions receivable	**(41,294)**	**(37,650)**

The Schemes are expected to receive £44 million employee and employer contributions in 2021-22. Employee contributions are expected to be £13 million and employer contributions are expected to be £31 million.

Note 3 Service cost

	2020-21	2019-20
	£'000	£'000
Current service cost	110,376	74,331
Past service cost	-	43,000
Service cost	**110,376**	**117,331**

Note 4 Pension financing cost

	2020-21	2019-20
	£'000	**£'000**
Net interest on defined benefit liability	152,663	215,600
Pension financing cost	**152,663**	**215,600**

Note 5 Additional Voluntary Contributions

Note 5.1

The Schemes provide for employees to make AVCs to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries for onward payment to one of the approved providers or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution. The responsibilities of the Managers of the Schemes extend only to ensuring that member contributions are paid to the Schemes' approved provider. These AVCs are not brought to account in these Combined Annual Accounts. Members participating in this arrangement receive an annual statement from the approved provider confirming the amounts held on their account and the movements in the year.

Note 5.2

The aggregate amounts of AVC investments are as follows:

	2020-21	2019-20
	£'000	**£'000**
Movements in the year		
Balance at 1 April	37,140	41,232
Adjustment to balances as at 1 April	-	-
New investments	-	281
Sales of investments to provide pension benefits	-	(6,927)
Changes in market value of investments	-	2,554
Balance at 31 March	**35,770***	**37,140**

*The 2020-21 figures in the table above represents the market value of the investments in one of the two AVC schemes as at 17 March 2021 and the market value of the investments in the other AVC scheme as at 24 March 2021, this being the only market valuations provided by Prudential Assurance Company Ltd at the time that the financial statements were authorised for issue due to significant delays in the processing of investments and claims by Prudential Assurance Company Ltd. As the AVCs are not brought to account in these Combined Annual Accounts, this figure has no impact on the financial statements and accompanying notes. Separate accounts are prepared for these defined contribution arrangements.

In the unlikely event of a default by the approved AVC provider, BEIS has no liability to guarantee pension payments. Under UKAEA's arrangement with Prudential Assurance Company Ltd, the products of the AVC provider are covered by the Financial Services Compensation Scheme.

Note 6 Receivables

	31 March 2021	31 March 2020
	£'000	£'000
Amounts falling due within one year		
Pension contributions due from employers	2,488	2,352
Normal contributions due from employees	1,051	1,015
Interest receivable	651	96
Other receivables	7	3
Receivables at 31 March	**4,197**	**3,466**

Note 7 Cash and cash equivalents

	31 March 2021	31 March 2020
	£'000	£'000
Balance at 1 April	8,525	7,456
Net change in cash balances	5,739	1,069
Cash and cash equivalents at 31 March	**14,264**	**8,525**
The following balances at 31 March were held:		
Government Banking Service	5,034	5,034
Commercial banks and cash in hand	9,230	3,491
Cash and cash equivalents at 31 March	**14,264**	**8,525**

Note 8 Payables

	31 March 2021	31 March 2020
	£'000	£'000
Amounts falling due within one year		
Pensions	(1,666)	(2,042)
Lump sums	(5,435)	(2,972)
HMRC and voluntary contributions	(2,909)	(2,756)
Overpaid contributions: employers	-	(169)
Amounts issued from the Consolidated Fund for Supply but not spent at year end	(14,264)	(8,525)
Other payables	(16)	(13)
Payables at 31 March	**(24,290)**	**(16,477)**

Note 9 Pension liability

Note 9.1 Provision for pension liability

The UKAEA Pension Schemes are a combination of three unfunded defined benefit Public Service Pension Schemes. Employer contribution rates have been set from 1 April 2017 onwards based on actuarial valuation calculations using membership data as at 31 March 2012. The amounts recognised in these financial statements have been prepared using full membership data as at 31 March 2020, such as would have been provided for a formal funding valuation and rolling this forward to 31 March 2021 to reflect known changes. GAD carried out an assessment of the liabilities of the Schemes as at 31 March 2021. The Report of the Actuary on pages 10 to 16 sets out the scope, methodology and results of the work GAD has carried out.

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

- Schemes' 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 Schemes;
- Income and expenditure, including details of expected bulk transfers into or out of the Schemes; and
- Following consultation with the Schemes' Actuary, the key assumptions that should be used to value the Schemes' liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the Actuary were:

	31 March 2021	**31 March 2020**	**31 March 2019**	**31 March 2018**	**31 March 2017**
	%	**%**	**%**	**%**	**%**
Rate of increase in salaries	3.72	4.10	4.10	3.95	4.55
Rate of increase in pensions in payment and deferred pensions	2.22	2.35	2.60	2.45	2.55
Inflation assumptions					
Normal discount rate	1.25	1.80	2.90	2.55	2.80
Discount rate net of price inflation[5]	(0.95)	(0.50)	0.29	0.10	0.24
Mortality rates at age 60					
Current retirements					
Females	28.9	28.9	29.7	29.6	30.4
Males (BNFL)	27.1	27.0	27.8	27.7	29.0
Males (non-BNFL)	27.8	27.8	28.6	28.5	29.6
Retirements in 20 years' time					
Females	30.6	30.5	31.6	31.5	32.5
Males (BNFL)	28.9	28.8	29.9	29.8	31.1
Males (non-BNFL)	29.6	29.5	30.7	30.6	31.8

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 Schemes' liabilities. However, the Schemes' managers acknowledge that the valuation reported in these Combined Annual Accounts is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the *FReM*, and as required by IAS 19 *Employee Benefits*, the discount rate net of price inflation is based on yields on high quality corporate bonds. HM Treasury advise the relevant rate each year, based on the advice of GAD. The inflation assumption reflects the long-term assumption for the CPI used in HM Treasury forecasting. The rates are set out in the above table. Any decrease in the discount rate net of inflation leads to a significant increase in the reported liability.

[5] Most pension benefits under the Schemes are increased in line with inflation. The Government continues to set pension increases based on the Consumer Price Index (CPI) measure of inflation. In accordance with the *FReM*, the liability at 31 March 2021 has been discounted at a real rate of (0.95%). The assumption data in the table are disclosed for comparative purposes and are rounded to two decimal places.

In accordance with IAS 19 *Employee Benefits*, the Schemes' managers 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.

Note 9.2 Analysis of pension liability

Assumption	31 March 2021	31 March 2020
Rate of return (discount rate)	1.25%	1.80%
Rate of earnings increases	3.72%	4.10%
Rate of future pension increases	2.22%	2.35%
Rate of return in excess of:		
Pension increases (CPI)	(0.95%)	(0.50%)
Earnings increases	(2.38%)	(2.20%)
Expected return on assets	n/a	n/a

The Schemes' liabilities accrue over an employee's period of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Schemes' pension 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 pension liability on the Combined 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 Schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future pension liability charged or credited for the year resulting from changes in actuarial assumptions is disclosed in Note 9.7. 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.

Note 9.3 Sensitivity analysis

A sensitivity analysis for each significant actuarial assumption at the end of the reporting period is shown below:

Change in assumption	Change	Approximate effect on total liability	
Financial assumptions		**%**	**£**
(i) discount rate*	+ 0.5% p.a.	- 9.0%	- £975 million
(ii) (long-term) earnings increase*	+ 0.5% p.a.	+ 2.0%	+ £177 million
(iii) pension increase*	+ 0.5% p.a.	+ 8.0%	+ £707 million
Demographics assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+ 4.0%	+ £354 million

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

The pension liability is very sensitive to the assumed discount rate, but this is primarily because changing the discount rate in isolation also changes the rate net of pension increases and earnings. If pension increases and earnings assumption were increased at the same time, then the impact on the pension liability would be small.

Higher pension increases have a substantial effect because this has an impact on all categories of members. Pensioner mortality is also significant: if longevity at retirement were assumed to be 1 year longer, then this would increase the total actuarial liability by about 4.0%.

Changing the assumed timing of retirement has different effects on members in different circumstances. Members retiring later will result in reduced costs to the Schemes, whereas members retiring earlier may result in additional costs.

The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

Note 9.4 Analysis of movements in the Schemes' pension liability

	Note	31 March 2021	31 March 2020
		£'000	£'000
Pension liability at 1 April		(8,559,015)	(7,530,054)
Service cost	3	(110,376)	(117,331)
Pension financing cost	4	(152,663)	(215,600)
Enhancements		(356)	(318)
Transfers in		(1,641)	(2,215)
Benefits payable	9.5	268,539	269,306
Payments to and on account of leavers	9.6	4	44
Actuarial gain/(loss)	9.7	(283,024)	(962,847)
Pension liability at 31 March		**(8,838,532)**	**(8,559,015)**

During the year ended 31 March 2021, employers’ and employees’ contributions represented an average of 27.5% of pensionable pay (31 March 2020: 27.4%). Employer contributions represented an average of 19.3% of pensionable pay (31 March 2020: 19.2%) and employee contributions represented an average of 8.2% of pensionable pay (31 March 2020: 8.2%).

Note 9.5 Benefits paid

	31 March 2021	31 March 2020
	£'000	£'000
Pensions or annuities to retired employees and dependants	223,102	220,298
Commutations and lump sum benefits on retirement	45,196	48,481
Death in service benefits	241	527
Benefits payable/paid	**268,539**	**269,306**

Note 9.6 Payments to and on account of leavers

	31 March 2021	31 March 2020
	£'000	£'000
Refunds to members leaving service	1	44
Individual transfers to other schemes	3	-
Payments to and on account of leavers	**4**	**44**

Note 9.7 Actuarial gain/(loss)

	31 March 2021	31 March 2020
	£'000	£'000
Experience gains / (losses) arising on the pension liability	339,916	78,742
Changes in assumptions underlying the present value of pension liability	(622,940)	(1,041,589)
Actuarial gain/(loss)	**(283,024)**	**(962,847)**

Note 9.8 History of experience gains/(losses) and actuarial gain/(loss)

	2020-21	2019-20	2018-19	2017-18	2016-17
Experience gains/(losses) on Schemes' pension liability					
Amount (£000)	339,916	78,742	73,082	(22,100)	(23,579)
Percentage of the present value of the pension liability	(3.85%)	(0.92%)	(0.97%)	0.28%	0.28%
Actuarial gain/(loss) on Schemes' pension liability					
Amount (£000)	(283,024)	(962,847)	519,166	320,597	(1,512,203)
Percentage of the present value of the pension liability	3.20%	11.25%	(6.89%)	(3.99%)	18.25%

Note 10 Financial Instruments

As the cash requirements of the Schemes are met through the Parliamentary Supply Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of the Schemes' financial instruments relate to contracts for non-financial items in line with the expected purchase and usage requirements and the Schemes are therefore exposed to little credit, liquidity or market risk.

Note 11 Contingent liabilities disclosed under IAS 37

There were no contingent liabilities at 31 March 2021 (31 March 2020: nil).

Note 12 Related-party transactions

BEIS is regarded as a related party with which the Schemes had various material transactions during the year.

In addition, the Schemes had material transactions with other central government bodies whose employees are members of the Schemes.

None of the Managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Schemes during the year.

Note 13 Events after the reporting period

Subsequent events were evaluated between the end of the reporting period and the date that the financial statements were authorised for issue.

The COVID-19 pandemic has had a significant impact on the day-to-day management of the Schemes due to the fact the majority of the administration staff had to work from home since March 2020. As the pandemic has progressed through the various stages, new working practices have been agreed, whilst maintaining the safety of staff. There has been limited impact on operations of the Schemes obligation to pay benefits.

The Schemes have evaluated all subsequent events or transactions for potential recognition or disclosure through to the date that the financial statements were authorised for issue and has determined that there were no additional subsequent events requiring adjustment to or disclosure in the Schemes' financial statements.

The Accounting Officer has authorised the Combined Annual Account to be issued on the date that the Comptroller and Auditor General certified the Combined Annual Account.

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