

Research Councils' Pension Schemes Accounts 2017-18

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Presented to Parliament pursuant to Schedule 1, paragraph 3(3) of the Science and Technology Act 1965

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Report of the Manager

Statutory Background

- 1 The Research Councils' Pension Schemes' (RCPS) statements have been prepared in accordance with the relevant provisions of the 2017-18 Government Financial Reporting Manual (FReM) (www.financial-reporting.gov.uk) issued by HM Treasury and with regard to the Science and Technology Act 1965.
- 2 The RCPS is an unfunded pension Scheme operating by-analogy to the Principal Civil Service Pension Scheme (PCSPS), in which payments from the Schemes are funded by current employees' and employers' pension scheme contributions with the difference between these contributions and the Scheme expenditure financed by Grant-in-Aid provided from the Department for Business, Energy and Industrial Strategy.

Description of Pension Schemes

- 3 The Nuvo scheme commenced on 30 July 2007. This is a career average pension Scheme, which together with the Partnership Pension Account, forms the pension options open to 'new starters' since 30 July 2007. However, members who have a past history of membership of the Classic, Classic Plus or Premium Schemes may be allowed to re-join their former arrangement depending on the time that has lapsed since they left their former employment and the terms that they left under.
- 4 The Nuvo Scheme has a pension age of 65 and an accrual rate of 2.3 percent of pensionable earnings for each year in the Scheme. The total pension accrued at the end of March is then increased by the Consumer Price Index for the year to the previous September.
- 5 A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution Scheme. The employees pay an age related contribution to the employee's private pension provider and an additional 0.8% of pensionable pay to the RCPS to cover death in service and ill health benefits
- 6 The other Schemes provide retirement and related benefits based on individual final emoluments by analogy to the PCSPS. New starters were eligible to join the Premium Scheme from 1 October 2002 until 29 July 2007. Premium provides a pension based on 1/60th of salary but without an automatic lump sum. Staff in post as at 1 April 1994 and new starters through to 30 September 2002 were entered in to what is now known as the Classic Scheme. This provides a pension based on 1/80th of salary and an automatic lump sum. Some members are in an amalgam of the two Schemes known as Classic Plus.
- 7 The employee contribution rates and calculation methods are by analogy with the PCSPS rates. For the period 1 April 2017 to 31 March 2018 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Classic % contribution rate before tax relief	Classic Plus; Premium & Nuvo % contribution rate before tax relief
Up to £15,000	4.60	4.60
£15,001 - £21,422	4.60	4.60
£21,423 - £51,005	5.45	5.45
£51,006 - £150,000	7.35	7.35
£150,001 and above	8.05	8.05

- 8 The annualised earning brackets change each year to allow for increases in the higher rate tax threshold. The rates for the period 1 April 2018 to 31 March 2019 will be as follows:

Annualised pensionable earnings	Classic % contribution rate before tax relief	Classic Plus; Premium & Nuvo % contribution rate before tax relief
Up to £15,000	4.60	4.60
£15,001 - £21,636	4.60	4.60
£21,637 - £51,515	5.45	5.45
£51,516 - £150,000	7.35	7.35
£150,001 and above	8.05	8.05

- 9 Most public sector pension Schemes had to increase employee contributions between 2012 and 2014. Increases for Classic Scheme members earning less than £15,000 were phased in over a longer period and in April 2017 these became aligned with other Scheme members.
- 10 The pension Scheme operates on a pay-as-you-go basis, and is principally funded by employers' and employees contributions from member Research Councils. The employers' contribution rate has been 26.0% since 1 April 2010. The previous rate of 21.3% was payable from 1 April 2008 until 31 March 2010. Any annual shortfall forecast between cash outgoings and cash contribution received is met by grant-in-aid received through the Scheme's responsible authority; the Department for Business, Energy and Industrial Strategy (BEIS).

Eligible Staff

- 11 All employees of the Participating Employers were eligible to join the Nuvo Scheme or pay into a Partnership Pension Account.

Information for Members

- 12 The Research Councils' Joint Superannuation Service (JSS) website, (<http://jsspensions.nerc.ac.uk/default.asp>) gives more information about the Schemes and benefit entitlement

Auditors

- 13 The accounts of the RCPS are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965. The audit fee payable is £41,100 (2016-17: £41,100).
- 14 In so far as the Accounting Officer is aware, there is no relevant audit information of which the RCPS auditors are unaware, and the Accounting Officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the RCPS auditors are aware of that information.
- 15 I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.
- 16 No non-audit work was performed by the auditors on behalf of the RCPS during the year.

Employers

17 During 2017-18 the following employers have had members in the Research Councils' Pension Schemes:

- Arts and Humanities Research Council (AHRC)
- Biotechnology and Biological Sciences Research Council (BBSRC)
- Diamond Light Source
- Economic and Social Research Council (ESRC)
- Engineering and Physical Sciences Research Council (EPSRC)
- Innovate UK
- Moredun Research Institute
- Natural Environment Research Council and its strategically funded research centres (NERC)
- UK Shared Business Services Ltd
- Science and Technology Facilities Council (STFC)
- Scotland's Rural College

18 The following organisations were admitted to the RCPS following the transfer of staff to them from the Biotechnology and Biological Sciences Research Council:

- The Pirbright Institute
- Rothamsted Research
- The Rothamsted Centre for Research and Enterprise
- Babraham Institute
- Babraham Bioscience Technologies Ltd
- John Innes Centre
- Earlham Institute
- Norwich Bioscience Institute Partnership
- Quadram Institute Bioscience

Changes during 2017-18

- 19 Formal actuarial valuations are used to determine the contribution rates. The last such Scheme funding valuation was as at 31 March 2006 and changes implemented in 2008-09. The subsequent Scheme valuation as at 31 March 2010 was suspended by HM Treasury whilst public service pensions were being reviewed by Lord Hutton. The new Scheme funding valuation process started in 2014, with a valuation as at 31 March 2012. This process started at the same time as HM Treasury began developing their public sector pension reform policy. A draft valuation as at 31 March 2012 was produced by the Scheme actuary and reviewed by the RCPS Management Board. Subsequent draft valuations have been completed based on different reform approaches including using data as at 31 March 2016 to estimate future funding and contribution rates. The valuation will be completed once HM Treasury have agreed the valuation directions for the RCPS and once the reform approach for the Scheme has been agreed, which is expected in 2018, with changes expected to be implemented in April 2019.
- 20 The Civil Service introduced a new pension Scheme in April 2015, called Alpha, which is in addition to the Principal Civil Service Pension Scheme (PCSPS) arrangements that comprise the Classic, Classic Plus, Premium and Nuvos Scheme sections. The RCPS is by analogy to the PCSPS and therefore not automatically permitted to operate by-analogy to Alpha due to the legislation under which Alpha was created.
- 21 The RCPS have been working with the Government since 2015 to develop and agree reforms and the expectation is that all RCPS members, pensioners and preserved members will transfer to the Civil Service pension arrangements. HM Treasury's policy requirement was that these changes should be implemented by April 2018. In March 2017 the Chief Secretary to the Treasury issued an instruction to all public bodies (those required to reform their pension arrangements) to postpone transfers to the Civil Service pension arrangements at least until April 2018 as a consequence of employment tribunals concerning the lawfulness of changes introduced in April 2015 specifically for the judiciary and firefig ers pension Scheme. The judgements from the Employment Appeal Tribunals were handed down on 29 January 2018. The Government considered the judgements and appealed the decisions to the Court of Appeal, which is expected to hear the case in early 2019.

- 22 The RCPS was granted permission from HM Treasury and the Department of Business Energy and Industrial Strategy, the 'responsible authority' for the Scheme, to continue until 1 April 2019 in its current arrangement to enable the pension reform process to continue. In the interim new entrants have been and will continue to be automatically enrolled in to the Nuvos section of the RCPS with an option to switch to a Partnership Pension Account. HM Treasury issued advice in April 2018 to advise that no transfers to the main public sector pension Schemes should proceed until the position is clarified by the court. The outcome of this case may have implications for the reform of the RCPS.
- 23 Most of the RCPS' participating organisations use the Civil Service Compensation Scheme for managed voluntary and compulsory redundancy. The Civil Service Compensation Scheme (CSCS) was reformed on 9 November 2016. The process that led to the reforms was the subject of a Judicial Review taken by the PCS union. The review concluded that the consultation process was not followed and that exits should revert to the previous 2010 CSCS terms. The reformed 2016 CSCS terms applied to staff that exited under those compensation arrangements between 9 November 2016 and 18 July 2017. Staff that exited on the 2016 terms have had their compensation payments and pension awards revised onto the 2010 terms. The reversion to the 2010 CSCS terms has not increased costs for the pension Scheme because employers are liable for the compensation payments and associated actuarial reduction costs. The Cabinet Office are consulting and negotiating with unions on a new Civil Service Compensation Scheme, which is likely to be introduced in summer 2018, which is relevant to the RCPS accounts due to the Schemes by-analogy status.
- 24 A £95,000 exit payment cap policy was introduced in September 2016 following the Government's response to their consultation on reforms to public sector exit payments. This cap applies to all statutory compensation Schemes. The Enterprise Act 2016 allows the creation of regulations to set the cap; the Public Sector Exit Payment Regulations. These regulations were expected in summer 2017 but have not been implemented yet and the cap has been applied as a Government policy.
- 25 New legislation from 6 April 2015 introduced a ban on the transfer out of pension benefits from unfunded public sector defined benefit pension Scheme to defined contribution pension Schemes. This affects the RCPS and has seen transfers out decrease from £6.9m in 2014-15 to £1.7m in 2017-18.
- 26 When Auto Enrolment (legislation) was introduced for the RCPS employers in July 2013 Marie Curie Fellows were not eligible for participation in the Scheme, instead being automatically enrolled in the NEST arrangement. Following changes in the nature of Fellowships the RCPS Management Board have reviewed their position, and taken independent legal advice and agreed that Marie Curie Fellows funded by employers participating in the RCPS will be eligible to participate in the RCPS.
- 27 The Biotechnology and Biological Sciences Research Council (BBSRC) have completed the changes to their governance structures with their strategically funded institutes. This has resulted in staff being transferred under Transfer of Undertakings (TUPE) regulations from BBSRC to the institute and the institutes joining the RCPS as Admitted Bodies under the 2013 New Fair Deal policy for pensions and staff transfers. The Babraham Institute, Babraham Bioscience Technologies Ltd, John Innes Centre, Quadram Institute for Bioscience, Earlham Institute and Norwich Biosciences Institute Partnership became admitted bodies with the RCPS on 1 October 2017. Admitted Bodies are not permitted to enter new staff into the RCPS.
- 28 The Higher Education and Research Act 2017 received Royal Assent on 27 April 2017. This brought together the existing Research Councils and part of the Higher Education Funding Council for England to form UK Research and Innovation (UKRI) on 1 April 2018. Staff working for the Research Councils that are members, or eligible to be members of the RCPS were transferred under a statutory Staff Transfer Order from their Research Council to UKRI; this accounted for 75% (5,570) members of the RCPS. The Staff Transfer Order enabled staff to continue to remain in, and eligible for the RCPS beyond 1 April 2018. The RCPS Management Board duly agreed for UK Research and Innovation to participate in the RCPS. UK Research and Innovation have taken on the obligations and commitments from those Research Councils in respect of the continuing accrual of pension benefits for their staff in the RCPS. The RCPS participating organisations affected were: AHRC, BBSRC, EPSRC, ESRC, Innovate UK, NERC and STFC. The Staff Transfer Order also saw the transfer of staff working in Joint Superannuation Services (JSS: the Scheme administrator) to UK Research and Innovation.
- 29 The majority of UK Research and Innovation new starters have been enrolled in the Civil Service pension arrangements after 1 April 2018. Exceptions have been made, and approved by HM Treasury and BEIS for three of the NERC research centres where they will continue to enrol new starters in the RCPS for a limited period beyond 1 April 2018. This exception applies to the: National Oceanography Centre; Centre for Ecology and Hydrology and a number of specific roles at the British Antarctic Survey.

- 30 The creation of UK Research and Innovation did not affect Diamond Light Source, UK SBS Ltd and the Moredun Research Institute and Scotland's Rural College; their participation in the RCPS is unchanged because they are independent legal entities.

Changes Anticipated during 2018-19

- 31 The Accounting Officer responsibilities or the RCPS Accounts from 1 April 2018 will move from the Biotechnology and Biological Sciences Research Council (BBSRC) to UK Research and Innovation. The Department of Business Energy and Industrial Strategy (BEIS) have delegated Accounting Officer responsibilities or the RCPS from 1 April 2018 to the Chief Executive of UK Research and Innovation, Professor Sir Mark Walport.
- 32 The role and function of the RCPS Management Board will continue to operate in its current format. From 1 May 2018 the new Chair of the RCPS Management Board will be John Arnott UK Research and Innovation Chief People Officer. During 2017/18 John Arnott was a Management Board member representing UK SBS Ltd.
- 33 The creation of UK Research and Innovation will bring a 65% drop in new entrants to the RCPS; this will also see a decrease in the number of members opting for the Partnership arrangement and a decrease in transfer requests by members wishing to bring other accrued pension benefits into the CPS. 921 active members ceased to accrue benefits in the Scheme during 2017-18, either by retiring or leaving early with a preserved pension or before they had accrued sufficient service to be eligible for a pension. It is forecasted that active membership will decrease to approximately 6,900 by 31 March 2019.
- 34 A reform implementation plan is yet to be finalised with HM Treasury and BEIS. To allow ongoing planning and discussion the RCPS has been given approval to continue as is until 1 April 2019. The expectation is that, providing the plan can be finalised, the CPS will transfer to the Civil Service pension arrangements in its entirety with eligible members moving in to the Civil Service Alpha Scheme and other members moving to their relevant Scheme section in line with the protection that exists within the PCSPS for those that are within 10 years of their Scheme pension age as at 1 April 2012, and tapered protection for those between 10 and 13.5 years of their Scheme pension age. All pensioner and preserved members would also move in to the Civil Service pension arrangements. This will ultimately see the closure of the Scheme administrator, Joint Superannuation Services (JSS), whose employees are contractually employed by UK Research and Innovation.
- 35 The Civil Service Compensation Scheme, a Scheme used by many of the participating employers for managed and voluntary exits is expected to change. The Cabinet Office are consulting and negotiating with trade unions on the new Scheme, which is likely to be introduced in summer 2018. This is the result of a Judicial Review brought by the PCS union focusing on the consultation process which led to the revised CSCS launched in November 2016.
- 36 The Cabinet Office are introducing changes to their Defined contribution arrangements which currently comprise the Civil Service AVC Scheme (CSAVC) a statutory Scheme run by Scottish Widows, Standard Life and Equitable Life, the Partnership Pension Account (an alternative to the main Scheme, run by Scottish Widows, Standard Life and Prudential) and a stand-alone stakeholder arrangement run by Standard Life. Cabinet Office have proposed: the introduction of a new Master Trust arrangement provided by Legal and General comprising the AVC and Partnership arrangements in September 2018; and withdrawing the stand-alone stakeholder option in June 2018. Due to the RCPS transfer expected to take place in April 2019 the RCPS Management Board have made a considered decision not to mirror the changes being made by the Cabinet Office and not introduce an CPS Master Trust arrangement. The RCPS Management Board agreed: that members with active AVC arrangements can continue them beyond September 2018; to cease offering the CSAVC option to RCPS members that do not currently have one (four members began a new AVC arrangements during 2017-18); to continue to offer the Partnership Pension Account option to new entrants to the RCPS; and, to cease offering the stand-alone stakeholder arrangement. Members are still able to purchase Added Pension in the RCPS and contribute to their own freestanding AVC or personal pensions.
- 37 The Cabinet Office are changing the eligibility for the Partnership Pension Account to allow members that joined the Principal Civil Service Pension Scheme (PCSPS) prior to 1 October 2002 and eligible to join the Alpha Scheme to switch from their current main Scheme to a Partnership Pension Account. The Cabinet Office have also changed the time at which members can 'switch' to the Partnership option from twice a year to the month following receipt of the switch form. The RCPS have adopted these changes under the by analogy relationship and now also offer Partnership to those members as well as enabling switches at any time. As at 31 March 2018 there were 129 employees with Partnership pensions. It is not expected that Partnership holders will increase as a result of these changes but actually decrease marginally due to the reduction in new entrants to the Scheme.

- 38 On 1 October 2016 staff in the Research Councils' Audit and Assurance Services Group (which was hosted by the Biotechnology and Biological Sciences Research Council) were transferred under TUPE terms to the Government Internal Audit Agency (GIAA). They will have the opportunity to transfer their accrued RCPS pension benefits to the Civil Service pension arrangements under Bulk Transfer terms. The bulk transfer is expected to be completed during 2018-19.

Review of the financial statements

- 39 For the year ended 31 March 2018 there was an overall position of net expenditure of £199.8 million.
- 40 Income was £92 million in 2017-18 compared to £100 million for 2016-17.
- 41 In 2017-18 the pension liability increased by £101.1 million from £5.168 billion to £5.269 billion mainly due to interest on Scheme liabilities of £145 million, current service cost of £137 million, payments out for pensions of (£150m) and Actuarial gains of £37m. A full breakdown of the movement in pension liability can be found in note 15.11 of the accounts.

Freestanding Additional Voluntary Contributions

- 42 Members in service are entitled to make additional voluntary contributions (AVCs) under contracts between the employee and Scottish Widows or Standard Life, to secure additional pension benefits on a monthly purchase basis. Participating members each receive an annual statement of their contributions and investments directly from their AVC provider. Employee contributions are paid directly by the participating Research Council and accordingly contributions and AVC investments are not included in these accounts. No new AVC arrangements will be permitted beyond August 2018, existing arrangements held by members can continue.

RCPS Pension Scheme Membership

	31 March 2018	31 March 2017
	No.	No.
New Schemes		
Current members in Service	7,459	7,801
Pensions in Payment	9,076	8,727
Early Retirements	23	43
Preserved Pensions	9,022	8,502
Total	25,580	25,073
Old Schemes		
Pensions in Payment	4,828	4,935
Preserved Pensions	978	1,095
Total	5,806	6,030
GRAND TOTAL	31,386	31,103
	2017-18	2016-17
	No.	No.
Members in Service at 1 April	7,801	7,895
Adjustment resulting from changes notified in current year	(471)	66
Adjusted figure at 1 April	7,330	7,961
New members in year	1,050	745
Leavers and retirements in year	(921)	(905)
Members in Service at 31 March	7,459	7,801
	31 March 2018	31 March 2017
	No.	No.
Current members in service by Scheme	No.	No.
Classic Scheme	1,800	2,141
Classic Plus Scheme	180	210
Premium Scheme	1,315	1,512
Nuvos Scheme	4,164	3,938
Members in Service at 31 March	7,459	7,801
Holders of Partnership Pension Accounts	129	123

43 'Adjustment resulting from changes notified in current year' includes 419 active members that left when the James Hutton Institute withdrew from the pension Scheme on 31 March 2017.

44 Any enquiries concerning the operation of the Research Councils' Pension Schemes should be addressed to the Schemes' administrators, the Research Councils' Joint Superannuation Service, Polaris House, North Star Avenue, Swindon, SN2 1UY.

Managers, Advisers and Employers

Accounting Officer:

Professor Sir Mark Walport
Polaris House, North Star Avenue, Swindon, SN2 1UY

Sir Mark Walport has been appointed Chief Executive of UK Research and Innovation, becoming Accounting Officer for UK Research and Innovation and the new Accounting Officer for the Research Councils' Pensions Scheme from 1 April 2018.

Manager:

Kye Honor
Joint Superannuation Service, Polaris House,
North Star Avenue, Swindon, SN2 1UY

The Schemes are administered by Joint Superannuation Service (JSS), a unit within BBSRC. The UK Shared Business Services Ltd (UK SBS) provides payroll, finance and HR services to JSS

Actuary:

Sandra Bell
Government Actuary's Department,
15-17 Furnival Street, London, EC4A 1AB

The Government Actuary's Department (GAD) are the appointed actuaries for the Research Councils' Pension Schemes.

Bankers:

Government Banking Service,
Southern House, 7th Floor, Wellesley Grove, Croydon, CR9 1WW

Auditors:

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

Employers:

AHRC, ESRC and EPSRC – Peter Ethelston
BBSRC – Liz Hopkinson
NERC – Nigel Sully and Heather Jones
STFC – Jerry Snewin
UK Shared Business Services – John Arnott
Innovate UK – Anne Shaw
Polaris House, North Star Avenue, Swindon, SN2 1UY

Diamond Light Source – Jane Tirard
Diamond House, Harwell Science and Innovation Campus, Didcot, Oxfordshire, OX11 0DE

Moredun Research Institute – Colin McInnes
Pentlands Science Park, Bush Loan, Penicuik, Midlothian, EH26 0PZ

Scotland's Rural College
Kings Buildings, West Mains Road, Edinburgh, EH9 3JG

Professor Sir Mark Walport

UK Research and Innovation Chief Executive and RCPS Accounting Office
Date: 4 July 2018

Statement by the Actuary¹

Introduction

- A1. This statement has been prepared by the Government Actuary's Department at the request of the Management Board of the Research Councils' Pension Scheme. It provides a summary of GAD's assessment of the Scheme liability in respect of the Research Councils' Pension Scheme (RCPS) as at 31 March 2018, and the movement in the Scheme liability over the year 2017-18, prepared in accordance with the requirements of Chapter 9 of the 2017-18 version of the Financial Reporting Manual.
- A2. The RCPS 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.
- A.3 The assessment has been carried out by calculating the liability as at 31 March 2016 based on the data provided as at 31 March 2016 and rolling forward that liability to 31 March 2018.

A.4 Membership data

Tables A to C summarise the principal membership data as at 31 March 2016 used to prepare this statement.

Table A – Active members

	Number of members	Total pensionable pay* (pa) £ millions
Total	7,980	282.6

* Pensionable pay is the Actual pay figure

Table B – Deferred members

	Number of members	Total deferred pension* (pa) £ millions
Total	9,438	32.2

* Pension amounts include the pension increase granted in April 2016.

Table C – Pensions in payment

	Number of members	Annual pension* (pa) £ millions
Members	11,515	115.2
Spouses & dependants	1,944	10.4
Total	13,459	125.6

* Pension amounts include the pension increase granted in April 2016.

¹This Section has been provided in a format that can be cut and pasted into the RCPS published accounts. It is therefore in a different format to the remainder of the report.

Methodology

- A.5 The present value of the liabilities as at 31 March 2018 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 2018. The current service cost (expressed as a per cent of pensionable pay) in respect of accruing costs in the year ended 31 March 2018 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 2017 in the 2016-17 accounts.
- A.6 This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members, although the assessment of liabilities includes pensions already in payment in respect of such cases.

Principal financial assumptions

- A.7 The principal financial assumptions adopted to prepare this statement are shown in Table D.

Table D – Principal financial assumptions

Assumption	31 March 2018	31 March 2017
Nominal discount rate	2.55 %	2.80 %
Rate of pension increases	2.45 %	2.55 %
Rate of general pay increases	3.95 %	4.55 % from 2020/21
Rate of short-term general pay increase	n/a	1.0 % from 2019/20
Real discount rate in excess of: Pension increases	0.10 %	0.24 %
Long-term pay increases	(1.35) %	(1.70) %
Expected return on assets:	n/a	n/a

- A.8 The assessment of the liabilities allows for the known pension increases up to and including April 2018.

Demographic assumptions

A.9 Table E summarises the demographic 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 'S1 tables' with the percentage adjustments to those tables derived from Scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Current normal health pensioners	S1NMA	87%
Future normal health pensioners	S1NMA	77%
Current ill-health pensioners	S1IMA	100%
Future ill-health pensioners	S1IMA	100%
Dependants	S1NMA	100%
Females		
Current normal health pensioners	S1NFA	98%
Future normal health pensioners	S1NFA	85%
Current ill-health pensioners	S1IFA	100%
Future ill-health pensioners	S1IFA	100%
Dependants	S1DFA	104%

A.10 These assumptions are the same as those recommended for the accounts as at 31 March 2017.

A.11 Mortality improvements are assumed to be in line with the latest 2016-based principal population projections for the United Kingdom published by the Office for National Statistics on 26 October 2017. Note that the accounts as at 31 March 2017 were based on the previous 2014-based projections.

Liabilities

A.12 Table F summarises the assessed value as at 31 March 2018 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 11. The corresponding figures for the previous year are shown for comparison.

Table F – Statement of Financial Position

£ Millions	31 March 2018	31 March 2017
Total market value of assets	nil	nil
Value of liabilities	5,270	5,168
Surplus/(Deficit)	(5,270)	(5,168)
of which recoverable by employers	n/a	n/a

Accruing costs

- A.13 The cost of benefits accrued in the year ended 31 March 2018 (the Current service cost) is assessed as 51.1% of pensionable pay.
- A.14 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 4.6% and 8.1% of pensionable pay, depending on the level of their 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 2017-18 as a percentage of pensionable pay, and compares it with the current service cost assessed for the accounts.

Table G – Contribution rate

	2017-18	2016-17
	% of pay	% of pay
Employer contributions (including expenses ²)	26.0%	26.0%
Employee contributions (average)	6.4%	6.5%
Total contributions	32.4%	32.5%
Current service cost (expressed as a % of pay)	51.1%	29.3%

- A.15 The key difference between the assumptions used for funding valuations and accounts is the discount rate. The discount rate for accounts is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.
- A.16 The pensionable payroll for the financial year 2017-18 was £268 millions (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2017-18 (at 51.1% of pay) is assessed to be £137 millions.
- A.17 Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. The Government published a response to the consultation on indexation and equalisation of GMP in public service pension Schemes in January 2018³. This resulted in a past service cost in respect of these members of £4 million. I am not aware of any other events that have led to a material past service cost over 2017-18.
- A.18 I am not aware of any events that have led to a material settlement or curtailment gain/loss over 2017-18.

² The expenses of administering the Scheme are borne by employers through an administration levy which is included in the contributions payable to the Scheme.

³ [Reference/webpage no longer available – September 2018]

Sensitivity analysis

A.19 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 2018 of changes to the most significant actuarial assumptions.

A.20 The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

A.21 Table H shows the indicative effects on the total liability as at 31 March 2018 of changes to these assumptions (rounded to the nearest ½ %).

Table H - Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions		
(i) discount rate*:	+½ % a year	-9.5 % -£500 million
(ii) (long-term) earnings increase*:	+½ % a year	+1.0 % £55 million
(iii) pension increases*:	+½ % a year	+8.5 % £445 million
Demographic assumptions		
(iv) additional 1 year increase in life expectancy at retirement		+3.0 % +£160 million

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

Sandra Bell
 Chief Actuary
 Government Actuary's Department
 21 June 2018

Statement of Accounting Officer's Responsibilities

Under the Science and Technology Act 1965, the Secretary of State for Business, Energy and Industrial Strategy, with the consent of HM Treasury has directed the Research Councils' Pension Schemes to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The combined financial statements must give a true and fair view of the state of affairs at 31 March 2018 and of the net resource outturn, changes in taxpayers' equity and cash flows for the financial year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them. The financial statements must be prepared so as to ensure that the contributions payable to the Schemes during the year have been paid in accordance with the Schemes rules and recommendations of the Actuary.

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

- Observe the accounts direction issued by the Secretary for Business, Energy and Industrial Strategy, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer for the Department for Business, Energy and Industrial Strategy has appointed the Chief Executive of the UK Research and Innovation, Sir Mark Walport, as Accounting Officer for the Research Councils' Pension Schemes from 1 April 2018. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Scheme are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money.'

Governance Statement by Accounting Officer

1. SCOPE OF RESPONSIBILITY

As the Accounting Officer appointed by the Department for Business, Energy and Industrial Strategy on 1 April 2018, replacing Professor Melanie Welham, for the Research Councils' Pension Scheme (RCPS) I have responsibility for maintaining a sound system of governance and internal control that supports the achievement of the RCPS' policies, aims and objectives, whilst safeguarding the public funds and the RCPS' assets for which I am responsible, in accordance with the responsibilities assigned to me and disclosed in 'Managing Public Money'.

The Department for Business, Energy and Industrial Strategy (BEIS) Accounting Officer has designated me as the Accounting Officer of RCPS in accordance with the Management Statement, Code of Practice and Financial Memorandum agreed between the RCPS and its sponsor department, BEIS.

RCPS, together with the Research Councils and UK Research and Innovation, is reliant on the UK Shared Business Services Ltd (UK SBS) for the provision of administration systems and this statement also explains the oversight and assurance process and results for the services supplied.

2. THE PURPOSE OF THE GOVERNANCE STATEMENT

The Governance Statement, for which I take personal responsibility, gives a clear understanding of the dynamics of the RCPS and its control structure. It records the stewardship of the RCPS, and provides a sense of the Scheme's performance during the year and how successfully it has coped with the challenges it faced. The statement explains how the RCPS has complied with the principles of good governance, reviews the effectiveness of these arrangements, and complies fully with the HM Treasury's corporate governance code.

3. GOVERNANCE FRAMEWORK

In my role as Accounting Officer for UK Research and Innovation and the RCPS, I am supported by BBSRC's Council, its Boards and Audit Committee, and the Executive team within BBSRC and the RCPS Management Board. BBSRC and its Chief Executive had governance responsibility for the RCPS until 31 March 2018. This changed to UK Research and Innovation on 1 April 2018.

UK Research and Innovation's Audit, Risk, Assurance and Performance Committee (ARAPC) is responsible for making recommendations to me from 1 April 2018. As the ARAPC has not been in post during the Scheme year, and because the BBSRC Audit Committee have prior expertise and knowledge of the Research Councils' Pension Scheme the BBSRC Audit Committee have continued to support the review of the 2017/18 Annual Accounts. The BBSRC Audit Committee will therefore scrutinise the audit reports and accounts and continue to be responsible for making recommendations to myself and Chair of the UKRI Audit, Risk, Assurance and Performance Committee for these accounts.

UK Research and Innovation's Audit, Risk, Assurance and Performance Committee will take on full responsibility for overseeing the 2018/19 RCPS Accounts.

Further information about BBSRC's governance framework can be found in the BBSRC Annual Report and Accounts 2017-18 (www.bbsrc.ac.uk/annualreport) and on the BBSRC website (www.bbsrc.ac.uk).

3.1 RCPS Management Board

The RCPS Management Board act as managers of the Scheme, are responsible for ensuring the Scheme rules are adhered to, ensure that the Scheme is operated according to legislation, have oversight of reform planning and implementation, and ensuring the Scheme is administered efficiently and effectively. The RCPS Management Board has been chaired by the BBSRC People and Development Group Executive Director until 31 March 2018.

The RCPS Management Board met four times during 2017-18. Board members and their attendance at those meetings were:

Name of Member	Organisation	Attendance
Jan Juillerat	BBSRC (Chair of the Board)	3/4
Peter Ethelston	AHRC, ESRC and EPSRC	4/4
Liz Hopkinson	BBSRC	4/4
Nigel Sully	NERC	2/4
Heather Jones	NERC	2/4
Jerry Snewin	STFC	4/4
John Arnott	UK SBS Ltd	4/4
Anne Shaw	Innovate UK	4/4
Jane Tirard	Diamond Light Source	4/4
Colin McInnes	Moredun Research Institute	4/4
Tony Bell	Trade Unions (Prospect)	0/4

3.2 BBSRC Audit Committee

Audit Committee meets four times a year and is responsible for; reviewing the annual statutory accounts of BBSRC and the RCPS, monitoring the adequacy and effectiveness of BBSRC's risk and internal control framework, reviewing the scope of the internal audit plan for the coming year, and overseeing the outcomes of the work undertaken by both the internal and external auditors. Meetings are attended by representatives from the National Audit Office (NAO) and Government Internal Audit Agency (GIAA) who provide the Research Councils' internal audit service.

The BBSRC Audit Committee Chair met with the UKRI Audit, Risk, Assurance and Performance Committee (ARAPC) Chair to discuss the hand over between the two Committees following the establishment of UK Research and Innovation on 1 April 2018 including; good management practices, the relationship with the National Audit Office (NAO), risk management and whistleblowing.

In line with good governance principles, each year BBSRC carries out a formal appraisal of the performance of its Audit Committee, the results of which are presented to the Committee and Council for an open discussion on issues of significant note.

BBSRC also has in place annual appraisals of individual Committee members.

3.3 Joint Superannuation Services

The RCPS is administered by the Joint Superannuation Services (JSS), which operated as a unit hosted within BBSRC, and from 1 April 2018 hosted within UK Research and Innovation. JSS staff are contractually employed by BBSRC, and their employment transferred to UK Research and Innovation on 1 April 2018. Therefore control and audit issues which faced BBSRC are likely to be of relevance to the RCPS.

4. THE RISK AND INTERNAL CONTROL FRAMEWORK

The system of internal control is designed to manage risk to a tolerable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

The system is based on an ongoing process designed to identify and prioritise the risks to the achievement of BBSRC's and the RCPS' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively.

The system of internal control has been in place in respect of the RCPS for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

4.1 Risk Management

Overall responsibility for risk management for the RCPS rests with me as Accounting Officer. The task of implementing and maintaining BBSRC's overall risk management policy and strategy during 2017-18 was delegated by the BBSRC Chief Executive to the BBSRC Executive Director, Finance and Campus Operations who fulfils the role of the Director responsible for risk.

The task of reviewing the RCPS risk management framework is delegated to the Chair of the RCPS Management Board and Head of JSS. The Head of JSS undertakes a review of the Risk Management Framework three or four times per year with the Chair of the RCPS Management Board. The RCPS Management Board formally considers and agrees the Risk Management Framework documents.

The internal audit group, part of the Government Internal Audit Agency (GIAA) review the key risks to the RCPS and JSS on an annual basis as part of their Cross-Client Assurance programme for 2016-17. The scope of the audit is agreed with the Chair of the RCPS Management Board and Head of JSS. The GIAA also undertakes a programme of internal audits for BBSRC and UK SBS clients.

BBSRC and the RCPS actively encourage a culture of effective risk management. This recognises that effective risk management is an essential component of successful business operations, rather than simple risk avoidance.

BBSRC and the RCPS have adopted HM Treasury best practice on corporate governance and risk management. Risk management and internal control are considered on a regular basis by the BBSRC Executive and Audit Committee during the year. The BBSRC Audit Committee also reviews the RCPS Annual Accounts and the NAO Audit Report on the RCPS.

The activities of the GIAA in respect of the RCPS are reviewed by BBSRC Audit Committee and the scope of the internal audit plan for the coming year, which is based on the overall assessment of risk, is agreed. With this overarching view of audit activities, the Audit Committee plays a pivotal role in evaluating and reviewing the evidence supporting the Chief Executive's assurance statement on internal control.

4.2 Regularity and Propriety

BBSRC and UK Research and Innovation is committed to establishing and applying appropriate regularity and propriety standards, including applying appropriate cultures and behaviours and does not tolerate any form of fraud, bribery and/or corruption. The key components in this regard are:

- Fraud and Bribery policy;
- Research Council Whistleblowing policy;
- Gifts and Hospitality policy;
- Complaints procedure; and
- Research Council Code of Conduct policy.

A new mandatory eLearning awareness training package covering fraud and bribery was rolled out in 2017-18.

The Chair of the Audit Committee is the nominated contact for BBSRC staff to raise any concerns which may fall under the Whistleblowing policy.

I confirm that for 2017-18:

- Neither I, my predecessor, nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in Managing Public Money;
- There were no instances of fraud identified within BBSRC or within UK SBS which impacted on BBSRC;
- There were no cases of whistleblowing and that the arrangements which we have in place for whistleblowing are effective;
- There have been no breaches of delegation identified within BBSRC; and
- We obtained HM Treasury approval for a retention allowance being paid to JSS staff in March 2018 which BEIS deemed to be 'novel and contentious'.

4.3 Information security and assurance

Working closely with Government Security Agencies and its delivery partners, BBSRC continued to implement and embed security best practices within its operations, operating a system of continual improvement in response to the changing environment. The controls are tested through a programme of audits and an independently assessed annual health check submitted to BEIS. BBSRC has consistently maintained or improved its performance responding promptly to the findings of regular penetration tests, vulnerability scans, and audits, as well as, implementing lessons learnt from security incidents to improve our security controls.

All staff undertake mandatory security, information assurance and data protection training, with regular reminders delivered through various internal communications channels. BBSRC experienced eight security incidents and near misses in 2017-18, none of which required the notification to the Information Commissioner's Office and BBSRC's Annual Accounts are audited by the Comptroller and Audit General.

During the year BBSRC and JSS staff have been provided with suitable advice, policy and guidance in respect of information management.

BBSRC and UK Research and Innovation remains committed to assessing our cyber security controls against the Cyber Security Essentials Scheme and the Cyber Security 10 Steps to identify any improvements that are required. In 2017 BBSRC achieved Cyber Essential Accreditation.

5. REVIEW OF EFFECTIVENESS

As Accounting Officer it is my responsibility to ensure a sound system of governance and internal control is being maintained. In 2017-18 this review is informed by the work of BBSRC Audit Committee, the previous Accounting Officer, the RCPS Management Board, the internal audit service provided by GIAA, the assurance opinion provided by the Accounting Office of UK SBS and comments made by the external auditors in their management letter and other reports. The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

5.1 Internal Audit

The Director of Internal Audit (DIA) for the internal audit group, part of the GIAA, is required to provide me with an opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control.

In 2017-18 sufficient internal work has been undertaken to allow the DIA to provide a positively stated (evidence-based) and reasonable (not absolute) assurance opinion on the overall adequacy and effectiveness of BBSRC's system of internal control.

The overall opinion is Moderate assurance the definition of which is; some improvements are required to enhance the adequacy and effectiveness of the framework of Governance, Risk Management and Control. This opinion is informed through the work of internal audit completed during the year and provides assurance in 2 areas: BBSRC core activities and cross-client activities with a BBSRC involvement.

In accordance with the Internal Audit Plan approved by the BBSRC Audit Committee, GIAA also conducted an audit of the RCPS administrator; Joint Superannuation Service (JSS). This audit covered the period October 2017 to December 2017. Based on the work undertaken, the classification of assurance that was provided in respect of JSS was Moderate assurance which indicated some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The audit focused on Key Performance Indicator reporting, Annual Benefit Statements and follow up on prior year recommendations. Improvements were identified on the Key Performance Indicator processes to ensure robust reporting of performance data to the RCPS Management Board. The recommendations made by GIAA were accepted by JSS.

5.2 UK Shared Business Services Ltd (UK SBS Ltd) Assurance

UK SBS Ltd (UK SBS) provides processing services in human resources, procurement, payroll, finance and IT to all seven Research Councils including the RCPS.

The UK SBS Executive Director has written to me stating that the Head of Internal Audit (Government Internal Audit Agency) has provided an opinion of Moderate Assurance for both the internal operations within UK SBS and for its customer facing operations.

To provide additional assurance BBSRC has been operating a number of supplementary controls. GIAA has examined the additional controls, the outcomes of which were:

- Payroll – Moderate Assurance
- Human Resources – Moderate Assurance
- GPC and iExpenses – Limited Assurance
- Order and payment processing – Moderate Assurance
- Procurement – Moderate Assurance

The accepted audit recommendations in these areas will be taken forward in 2018-19.

UK SBS also share their quarterly management assurance updates with the Chair of the RCPS Management Board enabling regular opportunities to review UK SBS' system of internal control.

5.3 External Audit

The BBSRC Annual Accounts are audited by the Comptroller and Auditor General.

6 RISKS AND ISSUES

6.1 Risk Assessment

The RCPS management identifies key risks and the possible threats or opportunities should these risks crystallise. It assesses the probability, impact and proximity, and considers the inherent, current and target exposure levels. Existing controls and mitigation plans are noted alongside an indication of the current trajectory of the risk in the RCPS Risk Register.

The Head of JSS reviews the RCPS risk register with the Chair of the RCPS Management Board three or four times per year or whenever a new risk is identified. Each recorded risk is allocated a risk owner and mitigation owner. The RCPS Management Board has oversight of the RCPS Risk Register which is also reviewed at the RCPS Management Board meetings. The RCPS Management Board ensure that appropriate risks are recorded, that mitigation plans exist and adequate controls are in place or planned.

As at April 2018, the register had 11 risks which had been agreed and were being monitored with effective controls and mitigation plans in place. Of the 11 risks, four were rated with a red risk score. The four red risks relate to:

- The closure of the RCPS and transfer of the Scheme to the Civil Service giving; a potential risk of changing pension costs, and impacting the ability to deliver services to meet employer's needs;
- The loss of staff within JSS and the impact on employee engagement which could affect service to employers and members during a significant period of change;
- The impact of the potential deterioration of services provided by UK SBS and impact on the payment of pensions;
- The impact of potential loss of or decline in service and support provision for the JSS pension system databases.

Other risks relate to: Institute and Research Centre governance changes and the impact on staff resource; new legislation or policies and the impact on core processes or resource; fraud or misappropriation of pension; incorrect payments; not being advised of new starters or leavers leading to inaccuracies in the Scheme membership and potential reputational impact.

6.2 BBSRC Risk Register

At 31 March 2018, the BBSRC Risk Register had 52 risks all of which had assigned controls in order to mitigate them to an acceptable level within BBSRC's risk appetite.

The key operational risk identified in BBSRC's Risk Register that equally affects the RCPS is:

- UKRI Transition Programme

There is a risk regarding the programme effectively managing change. Actions being taken to mitigate the probability of this risk occurring include; BBSRC providing resource to the programme to assist in delivering effective change; proactive planning for the future; discussions around the change landscape at the Office Management Group and Executive Group meetings; and clear two-way communications between BBSRC, its employees and its community.

6.3 General Data Protection Regulation (GDPR)

The introduction of GDPR, on 25 May 2018, brings about substantial changes to the existing Data Protection Act 1998. The Information Commissioner's Office has indicated that they expect to see organisations striving for compliance rather than achieving full compliance on 25 May 2018. Nevertheless, failure to comply could result in fines up to 20M euros or 4% of turnover and significant reputational damage to BBSRC and the RCPS. A cross Council and Innovate UK project, has been established to take forward the changes. A 'health check' led by the Professional Support Unit, with assistance from internal audit, identified the project as a 'medium' bordering on a 'low risk'. This, however, continues to be a key risk due to the significant impact of non-compliance if there is an incident where we are at fault.

JSS have appointed a Data Protection Officer in accordance with The Information Commissioner's Office guidance and GDPR requirements to be responsible for ensuring JSS and RCPS compliance to the Data Protection Act and the General Data Protection Regulation.

7. CONCLUSION

The Governance Statement represents the results of the review of effectiveness of the system of governance and internal control. I have considered the evidence provided with regards to the production of the Annual Governance Statement and the advice of GIAA and BBSRC Audit Committee. The conclusion of the review is sufficient to satisfy me that the system of governance and internal control is appropriate to BBSRC and its risk profile

Professor Sir Mark Walport
 UK Research and Innovation Chief Executive and RCPS Accounting Office
 Date: 4 July 2018

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Research Councils' Pension Schemes for the year ended 31 March 2018 under the Science & Technology Act 1965. 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.

In my opinion:

- the financial statements give a true and fair view of the state of Research Councils' Pension Schemes' affairs as at 31 March 2018 and of their combined net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science & Technology Act 1965 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I am independent of the Research Councils' Pension Schemes in accordance with the ethical requirements that are relevant to my audit and 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.

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 and for being satisfied that they give a true and fair view.

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 Science & Technology Act 1965.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Research Councils' Pension Schemes' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Research Councils' Pension Schemes' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and 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, 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:

- in the light of the knowledge and understanding of the Research Councils' Pension Schemes and their environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
Date:

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

Combined Statement of Comprehensive Net Expenditure for the period ended 31 March 2018

	Notes	2017-18		2016-17
		£'000	£'000	£'000
Principal Arrangements - Research Councils' Pension Schemes				
Income				
Contributions receivable	3		88,463	94,164
Transfers in: individuals	4		2,657	4,571
Other pension income	7		230	138
Recoveries			454	1,528
			91,804	100,401
Expenditure				
Service cost	5	141,000		102,000
Transfers in	4	2,657		4,571
Enhancements	6	2,000		3,000
Pension financing cos	10	145,000		149,000
Administration costs	9	920		919
			(291,577)	(259,490)
Combined Net (Expenditure) for the year			(199,773)	(159,089)
Other Comprehensive Net Expenditure				
Actuarial (losses)/gains	15.15		36,977	(897,000)
Total Comprehensive Net Income/(Expenditure) for the period ended 31 March 2018			(162,796)	(1,056,089)

All activities are regarded as continuing.

The notes on pages 27 to 37 form an integral part of these accounts.

Combined Statement of Financial Position as at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Current assets			
Receivables	12	2,405	8,832
Cash and cash equivalents	13	39,459	25,164
Total current assets		41,864	33,996
Current liabilities			
Payables (amounts falling due within one year)	14	(2,556)	(2,521)
Net current assets, excluding pension liability		39,308	31,475
Pension liability	15.11	(5,269,135)	(5,168,006)
Net liabilities, including pension liabilities		(5,229,827)	(5,136,531)
Taxpayers' equity			
General fund		(5,229,827)	(5,136,531)

Professor Sir Mark Walport,

UK Research and Innovation Chief Executive and RCPS Accounting Officer

Date: 4 July 2018

The notes on pages 27 to 37 form an integral part of these accounts.

Combined Statement of Changes in Taxpayers' Equity for the period ended 31 March 2018

	Notes	2017-18	2016-17
		£'000	£'000
Balance at 1 April		(5,136,531)	(4,147,942)
Adjustment to start of year liability		-	3,000
Grant in Aid: drawn down	17	69,500	64,500
Combined net outgoings		(199,773)	(159,089)
Actuarial (losses)/gains	15.15	36,977	(897,000)
Recalculation of closing provision			
Balance at 31 March		<u>(5,229,827)</u>	<u>(5,136,531)</u>

The notes on pages 27 to 37 form an integral part of these accounts.

Combined Statement of Cash Flows for the period ended 31 March 2018

	Notes	2017-18 £'000	2016-17 £'000
Cash flows from operating activities			
Combined net (expenditure)/income for the year		(199,773)	(159,089)
Decrease/(Increase) in receivables - principal arrangements		6,427	(4,064)
Increase in payables		35	9
Decrease in provision for non cash transactions			
Current service cost	5	137,000	102,000
Past service cost	5	4,000	-
Interest cost	10	145,000	149,000
Enhancements	6	2,000	3,000
Transfers in	15.11	2,657	4,571
Use of provisions			
Benefit payment	15.13	(150,166)	(146,647)
Payments to or on account of leavers	15.14	(2,385)	(2,737)
Net cash outflow from operating activities		(55,205)	(53,957)
Cash flows from financing activities			
Grant in Aid	17	69,500	64,500
Increase in cash and cash equivalents		14,295	10,543
Cash and cash equivalents at the beginning of the period	13	25,164	14,621
Cash and cash equivalents at the end of the period	13	39,459	25,164
Increase in cash		14,295	10,543

The notes on pages 27 to 37 form an integral part of these accounts.

Notes to the Schemes' Statements

1. Basis of preparation of the Schemes' statements

The Schemes' statements have been prepared in accordance with the relevant provisions of the 2017-18 Government Financial Reporting Manual (FRoM) www.financial-reporting.gov.uk/ issued by HM Treasury, which reflect the requirements of International Accounting Standard (IAS) 19 Employee Benefits and IAS 26 Retirement Benefit Plans. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

These accounts show the unfunded pension liability and movements in that liability during the year. These accounts also have regard to the Science and Technology Act 1965.

Where the FRoM permits a choice in accounting policy, the accounting policy judged to be the most appropriate to the particular circumstances of the RCPS for the purpose of giving a true and fair view have been selected. The particular policies adopted by the RCPS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

a) Research Councils' Pension Schemes – principal arrangements

The Schemes' statement summarises the transactions of the RCPS which acts as a principal. The statement of financial position shows the deficit on the Scheme; the Statement of Comprehensive Net Expenditure shows, amongst other things the movements in the liability analysed between the pension cost, enhancements and transfers in and out and the interest on the Scheme liability. The actuarial position of the Pension Scheme is dealt with in the Report of the Actuary, and the Scheme statement should be read in conjunction with that Report.

b) Early Retirement Lump Sums - agency arrangements

The RCPS acts as an agent for employers in the payment of Early Retirement Lump Sums (ERLS). ERLS paid out are invoiced and generally recovered from employers within a month. These financial flows are not brought into account in the financial statements. However, they do recognise the liabilities arising from the timing difference between amounts paid and recovered (see note 16 of accounts).

c) Adoption of new or amended standards effective in 2017-18

No new revised standards and interpretations have been applied by the Council.

d) Changes to the FRoM and IFRS

Changes to IFRS – new or amended standards issued but not yet effective. In accordance with the FRoM, these financial statements have not applied: IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers or IFRS 16: Leases. These standards have been issued but are not yet effective. IFRS 9 and IFRS 15 are anticipated to be adopted in the 2018-19 FRoM, and the adoption date of IFRS 16 is still to be determined.

The introduction of IFRS 9 is not expected to have a material impact on the RCPS financial statements. There are no material balances within the RCPS financial statements affected by the introduction of IFRS 15 and 16.

2. Accounting Policies

a) Contributions Receivable

Income includes contributions received and receivable from payrolls run during the year by contributing employers.

b) Other Pension Income

Other pension income is accounted for when the income becomes due.

c) Pension Cost and Interest on Scheme Liabilities

The pension cost, including current and past service cost and interest cost on Scheme liabilities are calculated by the Government Actuary's Department (GAD). Payments by the Schemes are treated as a reduction in the pension liability.

d) Transfers Out

Transfers out are included once notified by the person transferring and by their new pension Scheme and the payment is due

e) Transfers In

Transfers in are included once notified by the person transferring and agreed by their previous pension Scheme administrators and the receipt is made.

f) Bulk Transfers

These relate to groups of members who are transferred under TUPE arrangements (Transfer of Undertakings (Protection of Employment) Regulations) mostly due to the closure of a site(s) or changes to governance arrangements in their organisation.

g) Administration Costs

The Schemes pay for the Joint Superannuation Services (JSS) unit hosted by BBSRC. The accrued costs of JSS are charged as an administration expense in the Schemes' Combined Statement of Comprehensive Net Expenditure. Any amounts owing to BBSRC are included in payables. Any amounts owed by BBSRC are included in receivables.

h) Agency Arrangements - Early Retirement Lump Sums

Some pension Schemes pay a retirement lump sum when a member reaches the appropriate Scheme retirement age. If a leaver has yet to reach the Scheme retirement age then the Early Retirement Lump Sum (ERLS) is not payable from the pension Scheme. Under an agency agreement with the Research Councils, the ERLS is calculated and paid from pension Scheme funds and then invoiced to the respective employing Research Council. Any ERLS paid but not yet recovered is accrued in recoveries and included in receivables.

Where pension Schemes pay retirement lump sums when the member reaches the Scheme retirement age they will, where there was an ERLS recovered from the respective Council, pay the retirement lump sum to that Council.

i) Pension Liability

The movements and balance on the pension liability are supplied by the Government Actuary's Department (GAD).

Accrued payments by the Schemes are shown as reductions in the pension liability.

Actuarial gains and losses can occur for a number of reasons. These are changes to financial assumptions used from year to year i.e. change in inflation rate used, changes in demographic assumptions i.e. mortality rate, changes in the methodology used and other experience gains and losses. All information is included in the accounts in accordance with the GAD report.

Lump sums on retirement and pensions are payable from the first day of retirement

Refunds of contributions to members leaving the service are made up of any required transfer to the state Scheme pension and income tax due with the balance refunded to the member.

j) General Fund

Grant-in-Aid is provided from Department for Business, Energy and Industrial Strategy (BEIS) Request for Resources to the Biotechnology and Biological Sciences Research Council as the Council with responsibility for administering the Schemes' finances. The cash received is not treated as income but credited to the Statement of Tax Payers' Equity in accordance with the FReM.

Additional grant funding required to fund bulk transfers out of the Scheme that is not met by the employers is credited to the General Fund in accordance with the FReM.

k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances.

l) Pension Benefits Payable

These are payments due to eligible members which arise from accrued service.

m) Lump Sums Payable on Death in Service

A death benefit lump sum is payable to whoever the Scheme member has nominated as their 'death benefit nominee' and is accounted for when due.

l) Pension Benefits Payable

These are payments due to eligible members which arise from accrued service.

m) Lump Sums Payable on Death in Service

A death benefit lump sum is payable to whoever the Scheme member has nominated as their 'death benefit nominee' and is accounted for when due.

n) Additional Voluntary Contributions

Employee contributions are paid directly by the participating Research Council to the pension provider and accordingly contributions and AVC investments are not included in these accounts.

3. Contributions receivable

	2017-18	2016-17
	£'000	£'000
Employers' contributions	69,554	73,350
Employees' contributions: normal	17,359	19,061
Employees' contributions: purchase of added years and added pension	1,550	1,753
	88,463	94,164

In 2018-19, £65 million employers contributions, £16 million employees contributions and £0.5 million added years contributions are forecasted.

4. Transfers in

	2017-18	2016-17
	£'000	£'000
Individual Transfers in from other Schemes	2,657	4,571
	2,657	4,571

5. Service cost

	Notes	2017-18	2016-17
		£'000	£'000
Current service cost	15	137,000	102,000
Past service cost	15	4,000	-
		141,000	102,000

6. Enhancements

	2017-18	2016-17
	£'000	£'000
Enhancements	2,000	3,000
	2,000	3,000

7. Other pension income

	2017-18	2016-17
	£'000	£'000
Amounts receivable in respect of :		
Other income	230	138
	230	138

8. Additional Voluntary Contributions

There are no AVC payments made through the Pension Schemes. Any AVCs made are free standing additional voluntary contributions which are private arrangements between the employee and the relevant institutions, and details cannot be included in these accounts. Details of arrangements whereby employees can make AVCs can be found in paragraph 34 of the Annual Report.

9. Administration costs

	2017-18	2016-17
	£'000	£'000
Total running costs	790	671
Pensioner payroll agency fees	18	18
Auditors' remuneration	41	41
Actuarial charges	68	186
Bank Charges	3	3
	920	919

10. Pension financing cost

	2017-18	2016-17
	£'000	£'000
Interest charge for the year	145,000	149,000

11. Compensation benefits payable

There is no liability to the Pension Schemes as all compensation payments are funded by the Research Councils.

12. Receivables - contributions due in respect of pensions

	31 March 2018	31 March 2017
	£'000	£'000
12a Analysis by receipt type		
Prepaid lump sums	1,001	1,412
Pension contributions due from employers and employees	1,334	869
Other receivables	70	6,551
	2,405	8,832

There are no Intra Government Balances falling due after more than one year as at 31st March 2018 (31st March 2017 Nil)

13. Cash and cash equivalents

	31 March 2018	31 March 2017
	£'000	£'000
Balance at 1 April	25,164	14,621
Net change in cash balances	14,295	10,543
Balance at 31 March	<u>39,459</u>	<u>25,164</u>

The following balances at 31 March were held at:

Government Banking Service	39,459	25,164
Balance at 31 March	<u>39,459</u>	<u>25,164</u>

14. Payables - in respect of pensions

	31 March 2018	31 March 2017
	£'000	£'000
14a Analysis by expenditure type		
Payables to other Research Councils	808	686
Other payables (including administration expenses)	1,707	1,794
Audit fee payable	41	41
	<u>2,556</u>	<u>2,521</u>

15. Pension liabilities

15.1 Assumptions underpinning the pension liability

The Research Councils' Pension Schemes are unfunded defined benefit Schemes. The report of the Actuary on pages 9 to 12 sets out the scope, methodology and results of the work the actuary has carried out. An actuarial valuation was carried out at 31 March 2018 by the Government Actuary's Department. The major assumptions used by the Actuary were:

	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015	At 31 March 2014
Inflation	2.45%	2.55%	2.20%	2.20%	2.00%
Earnings increase	3.95%	4.55%	4.20%	4.20%	4.50%
Notional discount rate used to discount the Schemes' liabilities	2.55%	2.80%	3.60%	3.55%	4.35%
Discount rate net of inflation	0.10%	0.25%	1.40%	1.35%	1.85%
Rate of return in excess of pension increases CPI	0.10%	0.24%	1.37%	1.30%	1.80%

The life expectancy of normal health current pensioners at age 60 for men is 28.6 (2016-17: 29.6) and women is 29.6 (2016-17: 30.6). The life expectancy of normal health future pensioners at age 60 for men is 31.8 (2016-17: 32.4) and women is 32.6 (2016-17: 33.5).

The life expectancy of normal health current pensioners at age 65 for men is 23.7 (2016-17: 24.6) and women is 24.7 (2016-17: 25.6). The life expectancy of normal health future pensioners at age 65 for men is 26.7 (2016-17: 27.8) and women is 27.8 (2016-17: 29.0).

15.2

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

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

15.3

Pension Scheme liabilities accrue over employees' periods of service and are discharged over the period of retirement and, where applicable, the period for which a spouse or eligible partner survives the pensioner. In valuing the Scheme liability, the Actuary must estimate the impact of several inherently uncertain variables into the future. The variables include not only the key financial assumptions noted 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.

15.4

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

15.5

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

15.6

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

15.7

The value of the 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 administrators of the Schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 15.11. Note 15.15 analyses '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.

15.8

The reforms introduced in the Civil Service pension arrangements in April 2015 which are expected to be implemented for RCPS members in April 2019, may affect the behaviour of members. The age retirement rates adopted reflect recent experience and allow for the expected impact of the reformed Scheme on members retirement behaviour in future.

15.9

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 FReM requires that 'the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years'. An actuarial valuation of the Scheme for IAS 19 has been carried out as at 31 March 2018 using the data provided as at 31 March 2016 for the purpose of the IAS 19 valuation. Sufficient additional data has been supplied to GAD in 2017 to enable the IAS 19 liability as at 31 March 2018 to be approximately assessed based on the calculated IAS 19 liability as at 31 March 2016.

15. 10 Analysis of the provision for pension liability

	2017-18	2016-17	2015-16	2014-15	2013-14
	£ million	£ million	£ million	£ million	£ million
RCPS					
Active members	1,869	1,886	1,542	1,538	1,332
Deferred members	937	934	710	805	694
Current pensioners	2,033	1,931	1,415	1,487	1,358
Total	4,839	4,751	3,667	3,830	3,384
Closed Schemes					
	£ million	£ million	£ million	£ million	£ million
Deferred members	375	54	72	80	71
Current pensioners	54	363	425	450	409
Total	429	417	497	530	480
Total provision for pension	5,268	5,168	4,164	4,360	3,864

Sensitivity analysis

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, IAS19 requires that the approximate effects on the actuarial liability as at 31 March 2018 of changes to the significant actuarial assumptions.

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

As a result of the ongoing discussions on Scheme reform, there remains significant uncertainty associated with how members will retire in future. Assumed patterns of age retirement after normal pension age can have a significant impact on liabilities in the final salary sections so an indication of the approximate effect (on the total past service liability) of non-Nuvos members retiring one year later has been included.

The table that follows shows the indicative effects on the total liability as at 31 March 2018 of changes to these assumptions (rounded to the nearest ½ %).

Change in assumption	Approximate effect on total liability*
Rate of return	
(i) discount rate: +½ % a year	-9.50 % -£500 million
(ii) earnings increases: +½ % a year	1.00 % +£55 million
(iii) pension increases: +½ % a year	8.50 % +£445 million
Pensioner mortality	
(iv) additional one year increase to life expectancy at retirement:	3.00 % +£160 million

15.11 Analysis of movements in the Schemes' liability

	Notes	2017-18 £'000	2016-17 £'000
Schemes' liability at 1 April		5,168,006	4,164,819
Adjustment to start of year liability			(3,000)
Current service cost		137,000	102,000
Past service cost		4,000	-
Pension financing cos	10	145,000	149,000
Enhancements	6	2,000	3,000
Pension transfers in		2,657	4,571
Benefits payable	15.13	(150,166)	(146,647)
Payments to or on account of leavers	15.14	(2,385)	(2,737)
Analysis of actuarial losses/(gains) on the Schemes' liabilities		(36,977)	897,000
		101,129	1,003,187
Schemes' liability at 31 March		5,269,135	5,168,006

15.12

During the year ended 31 March 2018, employers and employees contributions represented an average of 35.8 percent of pensionable salaries (2016-17: 35.8 percent). The employers pension rate for 2018-19 and future years until further notice will be 26.0 percent.

15.13 Analysis of benefits paid

	2017-18 £'000	2016-17 £'000
Pensions to retired employees and dependents (net of recoveries or overpayments)	(132,226)	(128,590)
Commutations and lump sum benefits on retirement or death	(17,940)	(18,057)
As per Combined Statement of Cash Flows	(150,166)	(146,647)

15.14 Analysis of payments to or on account of leavers

	2017-18 £'000	2016-17 £'000
Refunds to members leaving service	(731)	(732)
Individual transfers to other Schemes	(1,654)	(2,005)
As per Combined Statement of Cash Flows	(2,385)	(2,737)

15.15 Analysis of actuarial (gains)/losses on the Schemes' liabilities

	2017-18 £'000	2016-17 £'000
Experience (gains)/losses arising on the Schemes' liabilities	24,023	(4,000)
Change in assumptions underlying the present value of Schemes' liabilities	(61,000)	901,000
Per Statement of Recognised gains and losses	(36,977)	897,000

15.16 History of experience gains/(losses) - all recognised in the Statement of Total Recognised Gains and Losses

	Experience gains/(losses) £'000	Percentage of the Schemes' liabilities at 31 March
2017-18	24,023	0.4%
2016-17	4,000	0.0%
2015-16	66,000	1.6%
2014-15	103,000	2.4%
2013-14	19,000	0.5%

16. Annual compensation payments pre-funded by employers

Annual compensation payments are payments to early retirees in advance of their pension entitlements under the Research Councils' Pension Schemes. These payments are made by the Pension Schemes and are reimbursed by the employer. The balances are for ACPs payable in the 10 years proceeding from November 2010 as employees could leave employment early. The compensation payment terms changed in December 2010.

	2017-18 £'000	2016-17 £'000
Balance at 1 April	1,922	3,201
Amount paid in year to the Pension Schemes	(1,108)	(1,255)
Addition in year	-	0
Release in year	-	(24)
Balance at 31 March	<u>814</u>	<u>1,922</u>
To be used in the next 12 months	366	1,039
To be used after more than 12 months	448	883

17. Grant-in-Aid

Grant-in-Aid is provided from the Department for Business, Energy & Industrial Strategy (BEIS) Request for Resources to the Biotechnology and Biological Sciences Research Council (BBSRC), as the Council with responsibility for administering the Schemes' finances. The allocation for 2017-18 was £69.5 million (2016-17 was £64.5 million) all of which was drawn down by the Pension Schemes.

18. Related Party Transactions

The Research Councils are Non-Departmental Public Bodies sponsored by the Department for Business, Energy & Industrial Strategy (BEIS).

The BEIS is regarded as a related party. During the period 1 April 2017 to 31 March 2018 the Research Councils' Pension Schemes had various material transactions with BEIS and with other entities for which BEIS is regarded as the parent Department. These were the Biotechnology and Biological Sciences Research Council (BBSRC), the Engineering and Physical Sciences Research Council (EPSRC), the Economic and Social Research Council (ESRC), the Natural Environment Research Council (NERC), the Science and Technology Facilities Council (STFC), Innovate UK (previously TSB), and the Arts & Humanities Research Council (AHRC).

During the year none of the senior and other key management staff, or other related parties, has undertaken any material transactions with the Research Councils' Pension Schemes. In addition the Schemes have had material transactions in the form of contributions from Research Councils whose employees are members of the Schemes.

Related Party Transactions

	Pension Contributions		Receivables		Payables	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
	£'000	£'000	£'000	£'000	£'000	£'000
Transactions with Research Councils						
BBSRC	2,388	2,563	10,772	6,523	(849,049)	(686)
EPSRC	2,383	2,122	-	-	-	-
ESRC	1,191	1,119	-	-	-	-
NERC	20,548	19,894	11,355	18	-	-
STFC	25,725	18,849	28,845	21	-	-
Innovate UK	3,776	3,306	-	-	-	-
AHRC	1,163	886	1,439	1	-	-
Transactions with other employers						
Scottish Employers	2,739	6,689		488	-	-
UKSBS Ltd	3,283	3,454	1,573	3	-	-
Other	6,358	14,468	140,319	1,778	-	(1,835)
Total	69,554	73,350	194,303	8,832	(849,049)	(2,521)

19. Losses and Special Payments

No losses were incurred, or special payments made, during the year.

20. Events after the reporting period

In accordance with the requirements of IAS 10 Events after the Reporting Period, events after the date of the Statement of Financial Position are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

As set out on page 4, paragraph 28, the Higher Education and Research Act 2017, UKRI incorporated the assets, liabilities and functions of the seven Research Councils, Innovate UK and Government's funding of research in higher education from 1 April 2018.

21. Financial Instruments

As the cash requirements of the Schemes are met through the 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 financial instruments relate to contracts for non-financial items in line with the Schemes' expected purchase and usage requirements and the Schemes are therefore exposed to little credit, liquidity or market risk.

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