Department of Finance

Superannuation and Other Allowances
Pension Schemes Statement

For the year ended 31 March 2023

Department of Finance

Superannuation and Other Allowances Pension Schemes Statement For the year ended 31 March 2023

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ACCOUNTABILITY REPORT

REPORT OF THE MANAGERS

Introduction

This report provides key information on the Northern Ireland Civil Service pension arrangements, comprising the alpha Pension Scheme and the Principal Civil Service Pension Scheme (Northern Ireland), PCSPS(NI), including ongoing developments and other information for members. The PCSPS(NI) was closed to new members from 1 April 2015, and closed for all future accrual from 1 April 2022. Civil Service Pensions Branch continues to administer the PCSPS(NI). Both are unfunded, defined benefit occupational pension schemes.

Statutory basis for the Scheme

The alpha pension scheme was introduced with effect from 1 April 2015 as the main pension scheme for the Northern Ireland Civil Service. The legislation made to introduce the alpha scheme was titled 'The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014'.

Eligibility to join the Scheme

New entrants from 1 April 2015 join the alpha scheme. Existing members of the Principal Civil Service Pension Scheme (Northern Ireland), PCSPS(NI), transferred to alpha from 1 April 2015 unless they had transitional protection (see page 3).

Members are eligible to join the Scheme if they are in a permanent or fixed term employment as a civil servant, permanent or fixed term employment in any of the employments or bodies listed at Annex A or permanent or fixed term employment under the terms of Fair Deal or New Fair Deal.

Main features of the Scheme, including benefits and how they are funded

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. Members and employers contribute on a 'pay-as-you-go' basis. A member can build up an annual pension based on a percentage of earnings each scheme year, and tax relief is given on the pension contributions made. A scheme year runs from 1 April to 31 March. Alpha pension is built up by adding 2.32% of pensionable earnings from each scheme year to an alpha pension. The alpha pension built up is adjusted each year in line with a rate set by the Department of Finance (DoF), currently linked to movements in the Consumer Price Index (CPI).

CPI under the Public Service Pensions Revaluation (Prices) Order (Northern Ireland) 2022 was 3.1% therefore alpha pension entitlements of active members were revalued by this percentage from 1 April 2022.

Pensions in payment are increased in accordance with the Pensions (Increase) Act (Northern Ireland) 1971 and the Social Security Pensions (Northern Ireland) Order 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase reflects annual changes in the cost of living as measured by the Consumer Prices Index (CPI). It is applied on the first Monday after 6 April each year. Since 2011, the increase has been based on the change in CPI in the 12 months to the end of the preceding September.

The pension age for the alpha scheme will be equal to, and will keep in step with, changes to State Pension Age. When a member starts taking their benefits they will get an option to exchange some of their annual pension for a one-off, tax-free, lump sum. The alpha scheme also provides ill-health, death and dependants benefits.

Benefits drawn before pension age are subject to actuarial reduction for early payment, with the exception of ill-health retirement benefits. Members who take an early pension may buy-out the actuarial reduction. Members may purchase additional amounts of index linked pension payable on retirement (‘contributed benefits’) by making additional contributions from salary or lump sum payments.

- Information on PCSPS(NI) – Closed Scheme

The Principal Civil Service Pension Scheme (Northern Ireland), PCSPS(NI) was closed to new members from 1 April 2015, and closed for all future accrual from 1 April 2022. Civil Service Pensions Branch continues to administer the PCSPS(NI). The Scheme draws its statutory authority from the Superannuation (Northern Ireland) Order 1972.

The PCSPS(NI) rules are structured into 4 sections. Sections 1, 2 and 3 set out the provisions relating to the different pension arrangements under the Scheme. There are three final salary arrangements (Classic, Classic Plus and Premium) and one ‘career average revalued earnings’ arrangement (Nuvos). Section 4 of the rules, contains the Scheme governance arrangements and provisions for cost control.

The 1972 Section provides for Classic, the original final salary arrangement. Under Classic, benefits accrued at 1/80 of final pensionable earnings with an automatic lump sum of 3/80 of final pensionable earnings for each year of reckonable service.

The 2002 Section provides for the Premium final salary arrangement for entrants who joined from 1 October 2002 until 29 July 2007. In addition the 2002 Section provides that those existing members who were in post on or before 30 September 2002 were able to choose Premium or the hybrid Classic Plus arrangement in which benefits before 1 October 2002 are as for Classic and benefits from that date forward are as for Premium. Under the Premium and Classic Plus arrangements, benefits from 1 October 2002 accrue at 1/60 of final pensionable earnings for each year of reckonable service with no automatic lump sum although pension may be commuted to lump sum on leaving.

Normal pension age for members in Classic, Classic Plus and Premium is 60.

The 2007 Section was introduced into the PCSPS(NI) with effect from 30 July 2007. The 2007 Section, known as Nuvos, is for members whose service started on or after 30 July 2007. Nuvos is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension arrangement. Members could build up an annual pension based on a percentage of earnings each scheme year, and tax relief was given on the pension contributions made. A scheme year runs from 1 April to 31 March. Nuvos pension built up by adding 2.3% of pensionable earnings from each scheme year to a Nuvos pension. The Nuvos pension built up is adjusted each year in line with prices. The pension age for Nuvos is 65. When a member starts taking their benefits they will get an option to exchange some of their annual pension for a one-off, tax-free, lump sum.

The PCSPS(NI) provides ill-health, death and dependants benefits. Benefits drawn before pension age are subject to actuarial reduction for early payment, with the exception of ill-health retirement benefits. From 1 April 2010 members who take an early pension may buy-out the actuarial reduction. Members may purchase additional amounts of index linked pension payable on retirement (‘contributed benefits’) by making additional contributions from salary or lump sum payments.

- Protected Members – Closed Scheme

From 1 April 2015, most PCSPS(NI) members switched to the new alpha scheme. The PCSPS(NI) closed to future service accrual on 31 March 2022.

Some PCSPS(NI) members did not have to switch to alpha under a process referred to as transitional protection. Those who were within 10 years of their PCSPS(NI) normal pension age on 1 April 2012 were generally allowed to remain in the PCSPS(NI) until leaving employment covered by the Scheme. Those who were between 10 and 13.5 years from their PCSPS(NI) normal pension age on 1 April 2012 were given a 'tapered alpha enrolment date' between 1 May 2015 and 1 September 2025, but could opt to forego their tapered protection and switch to alpha on 1 April 2015. A legal challenge against the transitional protection was successful, finding the transitional protection arrangements to be discriminatory on the grounds of age. This has become known as the McCloud judgment. Subsequently, all final salary arrangements closed to future accrual on 31 March 2022, with remaining members in service accruing future pensions as members of alpha. Further details are provided on page 8 and 9.

- Automatic enrolment

From 1 February 2013 all new entrants were automatically enrolled into a pension scheme on joining. Those who opt out are included in a re-enrolment exercise undertaken every 3 years.

- Partnership Pension Account

Alternatively new entrants from 1 October 2002 may choose to join a money purchase stakeholder based arrangement to which the employer contributes (Partnership Pension Account) instead of Premium, Nuvos or alpha. The employer makes an age-related contribution into the pension account. Employees are not required to contribute, but any contributions made are matched by the employer up to an upper limit of 3%. From 1 February 2019 eligibility for the Partnership Pension Account was expanded to all active members of the NICS pension schemes, including members of Classic and Classic Plus. Additionally, the number of switching dates has increased and the time limits for switching have been changed to increase flexibility for members. From 1 April 2022 onwards all active NICS pension scheme members can choose to remain in the alpha pension scheme or join Partnership.

- New Fair Deal

The New Fair Deal Policy is a non-statutory policy that deals with staff who are compulsorily transferred from the public sector to independent providers delivering public services. From October 2013, these independent providers can apply to join the Scheme under the New Fair Deal. The resulting employee members can remain in the Scheme while they continue to be principally employed on the work they carried out while in the public sector.

The New Fair Deal policy requires Civil Service Pensions to recognise "qualifying service" in a contractor's pension scheme for all staff who transfer employment, irrespective of whether or not they transfer their accrued pension benefits. If this is not done, then in certain circumstances, e.g. ill-health retirement and death in service within the first 2 years of re-joining, members' benefits accrued in the Civil Service Pensions from re-joining may be significantly reduced. This has always been the policy, and an amendment regulation was made in 2022 to the alpha pension scheme in order to allow the scheme manager to treat service in another pension scheme as qualifying service for the alpha scheme. However, a retrospective amendment to the rules of the PCSPS(NI) is required in order for the policy to continue to be applied and it is anticipated that this will be picked up as a wider set of PCSPS(NI) scheme amendments in 2023-24.

- Civil Service Compensation Scheme (NI)

The Civil Service Compensation Scheme (Northern Ireland) [CSCS(NI)], effective from 1 April 2014, sets out the level of compensation that can be paid on leaving under voluntary exit, voluntary or compulsory redundancy and inefficiency terms. The scheme applies to staff in an employment covered by the Northern Ireland Civil Service (NICS) pension and compensation arrangements.

Compensation Scheme Summary:

Element of the Civil Service Compensation Scheme (Northern Ireland)	**Voluntary Redundancy**	**Compulsory Redundancy**	**Voluntary Exit**
Tariff	1 month's pay per year of service	1 month's pay per year of service	1 month's pay per year of service
Cap for those below pension age	21 months' pay	12 months' pay	21 month's pay
Cap for those above pension age	6 months' pay	6 months' pay	6 month's pay
Lower paid protection (£26,575 deemed minimum – reviewed annually)	Must be applied	Must be applied	Does not have to be applied
Higher paid cap (£107,556 deemed maximum – reviewed annually)	Must be applied	Must be applied	Must be applied
Early access to pension benefits where member has reached minimum scheme pension age	Must be permitted	Must be permitted	Must be permitted
Use compensation payment to buy out reduction for taking pension early	Must be permitted	Must be permitted	Must be permitted
Employer top up payment to buy out any remaining pension reduction	Must be permitted	Not permitted	May be permitted at the employer's discretion
Notice Period	3 months	6 months	3 months

- Dismissals under the Sickness Absence Management Policy

The Northern Ireland Civil Service retains an ability to compensate staff who are dismissed where this is in the mutual interest of both the employer and the employee. This type of dismissal is referred to being on the grounds of "inefficiency". **"**Inefficiency**"** is the legal reason for dismissing a member of staff as a result of an unacceptable level of attendance. It does not refer to a member of staff's performance or their ability to satisfactorily carry out their role. Such staff currently have a contractual right to be considered for compensation following dismissal, but do not have a contractual right to receive a payment. Such payments are made at the employing Department's discretion. Inefficiency terms were not reformed in 2014 and the current wording in the CSCS(NI) only relates to members of Sections I and II of the PCSPS (NI) (members of Classic and Premium). Others are calculated on the same basis but are paid ex-gratia. Compensation is not payable if the member is over their scheme pension age.

Management of the Scheme

The Scheme is administered by the Department of Finance's Civil Service Pensions Operations Branch which is based in Waterside House, Londonderry.

Organisations responsible for managing the Scheme

The Department of Finance is the Scheme Manager for the PCSPS(NI) and alpha pension scheme and any statutory pension scheme connected with them, including the CSCS(NI). The Scheme Manager is responsible for managing and administering the Scheme and any statutory pension scheme that is connected with it. The Department and Scheme Manager may delegate any functions under the Scheme Rules or Regulations, including the powers to delegate.

Civil Service Pensions Policy Legislation & Communications Branch is responsible for the implementation of pension reform and legislation including the required governance arrangements under the 2015 regulations. The branch provides policy and guidance on pension legislation and procedural matters to meet the needs of employers and Civil Service Pensions (CSP) staff and supports the Departments in maintaining compliance with Civil Service Pensions policy. The branch is also responsible for all communications including the maintenance and development of the CSP (NI) website. It is also responsible for the management of Internal Dispute Resolution (IDR) Stage 2 and Pension Ombudsman cases.

Corporate governance of the Scheme, including management team

Information on the Civil Service Pension Board and the Civil Service Scheme Advisory Board is provided in the Governance Statement on pages 28 and 29.

Managers:

Accounting Officer
Mr Neil Gibson
DoF
Clare House
303 Airport Road West
BELFAST,
BT3 9ED

Scheme Administrator
Compensation Scheme Administrator
Ms Anne Stewart
DoF, Civil Service Pensions
Waterside House
75 Duke Street
LONDONDERRY, BT47 6FP

Arrangements governing determination of contribution rates and benefits

The contributions due from employers and employees to fund future service liabilities are set by the Actuary. The rates payable are a percentage rate of the member's pensionable earnings and are reviewed as part of the periodical funding valuation of the Scheme, which takes place every four years.

The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023. Work on the 2020 Scheme valuation is currently in progress. Further information is provided on pages 7 and 8.

Key developments in year

Changes in contributions

From 1 April 2022 to 31 March 2023 the employer contribution rate was an average of 29.9% pensionable pay (excluding charges for administration). From April 2022 the average rate of employee contributions was 5.4% based on actual earnings, rather than the full time equivalent - tiered to protect those with lower earnings. Employee contributions range from 4.60% to 8.05% depending on salary band from 1 April 2022 and applies to both members of the PCSPS(NI) and alpha.

Employee contribution rates from 1 April 2022 to 31 March 2023 and applicable salary bands are set out in the following table.

Annualised Rate of Pensionable Earnings (Salary Bands)		% Contribution Rate for All Members
From	**To**	**From 1 April 2022 to 31 March 2023**
£0	£24,449.99	4.60%
£24,450.00	£56,399.99	5.45%
£56,400.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Actuarial valuation and the cost cap

Scheme regulations set a rate, expressed as a percentage of pensionable earnings of members of the schemes, to be used for the purposes of measuring changes in the costs of the schemes. The rate is called the “Employer Cost Cap”. The regulations make provision requiring the cost of a scheme to remain within specified margins either side of the employer cost cap and for cases where the cost of the scheme would otherwise go beyond those margins, provision specifying a target cost within those margins. Scheme regulations incorporate provision for a cost control mechanism.

The 2016 Scheme valuation undertaken for the Scheme was expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. However, in January 2019, the Government announced a pause to the cost control mechanism which was to form part of the valuation. This was due to the Court of Appeal ruling in December 2018 relating to the transitional protection offered to some members in the 2015 pension reforms. In February 2021, the Government announced that the cost cap mechanism calculations would be completed, allowing for the transitional protection remedy costs. The final results for the Scheme were set out in the Government Actuary’s Department report published in March 2022, which stated that the cost cap cost was within the +/-2% corridor specified in the Department of Finance regulations and so no changes to benefits or member contribution. A copy of the Unpause Cost Cap Valuation Report is available on the Civil Service Pensions (NI) website at: www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations.

In December 2021 two unions filed for a joint judicial review against the Government on the inclusion of the McCloud remedy costs within the cost control mechanism. Following an initial High Court decision on 10 March 2023 in favour of HM Treasury where permission to appeal was denied, the claimants sought permission to appeal from the Court of Appeal, which was granted on 26 May 2023 by the Court of Appeal in the respective judicial reviews by the unions against the inclusion of the McCloud remedy costs within the cost control mechanism at the 2016 valuations. The outcome of this appeal will become known in due course.

The cost cap mechanism is being reformed with effect from the 2020 valuation. The new mechanism will only allow for the reformed scheme, will have an increased cost cap corridor of +/-3% and will also include an economic check, which means that a breach would only result in changes if there was still a breach once the impact of any change in the discount rate has been taken into account.

Work is in progress to complete the 2020 Scheme valuation and is due to be completed later in 2023.

Changes to employer contribution rates will be decided following completion of the 2020 valuation and are expected to be implemented from April 2024.

Changes in benefits

There was a 3.1% pension increase for 2022-23 from 11 April 2022.

Challenge against transitional protection provisions (McCloud judgment)

In December 2018, the Court of Appeal in England and Wales ruled that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all the main public service pension schemes, the government intends to address the difference in treatment across all schemes. The Department of Finance consulted from 19 August 2020 to 18 November 2020 on proposals to I) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and, II) remedy the effect of any discrimination scheme members may have incurred since April 2015. The Department of Finance issued its consultation response on 25 February 2021. It proposed to proceed with the deferred choice underpin. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022, known as the remedy period.

The Department of Finance is implementing the 2015 Remedy Programme in two phases, namely the "Prospective Remedy" and the "Retrospective Remedy". Phase one was completed on 1 April 2022 with all active members becoming members of the new pension scheme 'alpha' from 1 April 2022, irrespective of age. The necessary legislative changes to give effect to the Prospective Remedy (The Public Service (Civil Servants and Others) Pensions (Amendment) (No. 2) Regulations (Northern Ireland) 2022) came into operation on 1 April 2022. This ensured that from 1 April 2022 onwards, all active NICS pension scheme members are members of the alpha pension scheme and accruing benefits in the same scheme, thus ending the discrimination from 1 April 2022 onwards.

Phase two, "The Retrospective Remedy" involves giving all eligible members the deferred choice underpin (DCU) which will be a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31 March 2022. Provisions for the deferred choice underpin will be implemented by 1 October 2023 at the latest for all eligible members. Members who have retired before the DCU is implemented and have a period of relevant service between 1 April 2015 and 31 March 2022, will be offered a choice once the legislative changes have been made to implement the DCU. The choice will be retrospective and backdated to the point that payment of pension benefits began.

Commencing April 2023, the Department of Finance will consult on draft proposed scheme regulations required to implement phase two 'retrospective aspects' of the McCloud remedy.

Legal challenges

In addition to the challenge on transitional protection, a number of other legal challenges have been brought against public sector schemes in recent years concerning survivor benefits. These cases have been considered by Northern Ireland Civil Service Pensions and amendments to scheme regulations will be made to implement the outcome of these court rulings. The impact of these cases has been considered for the 2022-23 financial statements and have been found to be immaterial.

Legislative Changes 2022-23

There were no legislative changes made to the NICSPS Scheme Rules and Regulations during 2022-23.

Where statutory requirements dictate, Civil Service Pensions continued to implement the policy intent with the agreement of employee representatives. The required legislative amendments are currently being progressed.

Transfers

The following represents the position in relation to bulk transfers completed or ongoing throughout the 2022-23 financial year:

Name	**Comments**
DHSSPS RPA	Bulk Transfer Out (Ongoing) A bulk transfer of employment of 19 staff with various dates for transfer of liability. Payment expected to be made in 2023-24.
NIPS Teachers	Bulk Transfer Out (Ongoing) A bulk transfer out of 13 members on 8 May 2017. Payment expected to be made during 2023-24.
Probation Board NI	Bulk Transfer In (Ongoing) Bulk transfer in of 2 members on 1 October 2019 from NILGOSC. GAD commissioned by employer. Transfer process ongoing.

As a result of the change announced on 30 March 2023 to the discount rate used for public service pensions, the factors used to calculate transfer values for non-club transfers and pension on divorce have been changed.

Transfers between public service pension schemes (club transfers) will continue to be calculated using existing factors as the benefits provided are intended to provide equivalent value between Club schemes taking account of differences in benefits structure.

Calculation of new non-club transfer value estimates and values of benefits held in the Scheme known as Cash Equivalent Transfer Values (CETVs) for pensions on divorce cases (unless the effective date of the pension share was on or before 30 March 2023) were paused pending receipt of the new factors.

Membership statistics (movement in year)

The NI Civil Service Pension Schemes have approximately 30,072 active members, 8,778 deferred members and 33,343 pensioner members and dependents receiving benefits. The details of movements in membership during the year are shown at Annex B.

Financial Position at 31 March 2022

Net expenditure in 2022-23 was £0.68 billion (2021-22: £0.53 billion). The increase is caused largely by changes in the service cost and the pension financing cost. The current service cost (£0.71 billion) is greater than that in 2021-22 (£0.62 billion) due to the decrease in discount rate net of CPI inflation between 31 March 2021 and 31 March 2022. An increase in the pension financing cost of £0.08 billion is due to an increase in the nominal discount rate from 1.25% p.a. as at 31 March 2021 to 1.55% p.a. as at 31 March 2022.

The Scheme liability at 31 March 2023 was £10.92 billion compared with £19.39 billion at 31 March 22. The change of £8.47 billion is primarily due to an increase in the discount rate and, to a lesser extent, a reduction in expectations for future indexation (CPI inflation) and long-term pay increases.

Further details are given in the Report of the Actuary on page 19 and in Note 15.7 of the financial statements.

Events after the reporting period

There were no events that require amendment to this statement after the reporting period.

Issues arising in 2022-23

- COVID-19

The financial statements are being prepared at a time when the UK continues to deal with the COVID-19 pandemic. As outlined in the Report of the Actuary (page 19), the current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. The long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future. Details of significant actuarial assumptions adopted in calculating the pension liability for inclusion in the financial statements as at 31 March 2023 are included in note 15 together with sensitivity of the pension liability to changes in the significant actuarial assumptions in note 15.3.

- Amendments to alpha Regulations

There will be a requirement for Civil Service Pensions to introduce several other minor amendment regulations to the alpha regulations, in particular around Parental Bereavement Leave. These will be in line with amendments to the Home Civil Service Scheme in Great Britain and are expected to be in place by the end of 2023-24.

- Scheme Amendments to the rules of the PCSPS(NI)

In addition to the amendments to the alpha scheme regulations, there will be a requirement for Civil Service Pensions to introduce minor scheme amendments to the rules of the PCSPS(NI). Civil Service Pensions await sight of said amendments from counterparts in GB.

Information for Members

Supplementary information available to members

Supplementary information is available to scheme members on the Civil Service Pensions (NI) website at: www.finance-ni.gov.uk/civil-service-pensions-ni.

- Complaints Handling

Civil Service Pensions has two distinctive sets of complaints handling procedures. The first covers complaints about pensions and is governed by The Occupational Pensions Schemes (Internal Dispute Resolution Procedures Consequential and Miscellaneous Amendments) Regulations (Northern Ireland) 2008 and covers any disagreement under the provisions of the Northern Ireland Civil Service pension schemes. This complaints procedure has two stages which are time-bounded for application and response.

In 2022-23 Civil Service Pensions dealt with 17 stage 1 cases and 13 stage 2 cases. The first stage is dealt with by the Line Manager of the person dealing with the case. The second stage is dealt with by the Head of Civil Service Pensions Policy, Legislation and Communications Branch. Each case is reviewed on an individual basis and as appropriate, revised staff instructions and/or management checks are implemented. If the complainant remains dissatisfied with the outcome after the two stages have been exhausted, they still have the right of appeal to The Pensions Ombudsman. In 2022-23 Civil Service Pensions dealt with 1 Pension Ombudsman case.

The second type of complaint covers complaints and comments about the standard of service provided. Civil Service Pensions uses this information to continue to improve the standard of service in the future. This is also a two stage process with the first stage being dealt with by the line manager of the person dealing with the case or the Head of Branch and the second stage is dealt with by the Director of Pensions Division. In 2022-23 year, Civil Service Pensions dealt with 18 cases at stage 1, and l at stage 2. Each case is reviewed on an individual basis and as appropriate, revised staff instructions and/or management checks are implemented.

Leaflets on both Civil Service Pensions complaints procedures can be found on Civil Service Pensions website at: www.finance-ni.gov.uk/civil-service-pensions-ni .

- Personal Data

Civil Service Pensions are fully committed to complying with the UK General Data Protection Regulation (GDPR) and Data Protection Act 2018, and have documentation and processes in place to ensure that all staff, contractors and other parties who have access to personal information held by or on behalf of us are fully aware of and abide by their responsibilities under data protection legislation.

Civil Service Pensions have ensured:

- adherence to the Department’s robust policies and guidance which support data protection requirements are in place;
- communication and awareness of data protection delivered to all staff;
- adequate training in UK GDPR and data protection for all staff;
- holdings of personal data have been documented and are compliant with the GDPR principles;

- correct procedures are in place to detect, report and investigate data breaches and any breaches have been taken forward in line with the Departmental policies; and
- correct safeguards are in place to protect personal data held on Departmental IT systems.

- Annual Benefit Statements

Annual benefits statements are a requirement of section 14 of the Public Service Pensions Act (Northern Ireland) 2014. For the current year by 31 August 2022 Civil Service Pensions had issued 99.75% of alpha statements. To date all alpha statements have been issued where Civil Service Pensions holds the relevant information from employers to do so. No breach of law was reported to the Pensions Regulator. All non-alpha statements have also issued.

<u>Information about Freestanding Additional Voluntary Contributions and Stakeholder Pensions</u>

Employees of Departments and other organisations which participate in the NICS Pension Schemes may make their own arrangements for making payments to institutions which offer Free-Standing Additional Voluntary Contribution Schemes. The Managers of the NICS Pension Schemes have no responsibility in connection with such arrangements but have in place in-house arrangements with two Additional Voluntary Contribution providers – Scottish Widows' Fund and Life Assurance Society and Standard Life Assurance Ltd.

Standard Life is the formally appointed, designated stakeholder pension provider for NICS employment in accordance with the access requirements of the Welfare and Pensions Reform Act 1999. Employers have made the arrangements known to staff and provide a facility for staff to contribute through payroll if they so wish. No contributions are made by the Managers of the NICSPS or by employers.

Scheme Managers, Advisers and Employers

Accounting Officer:	**Mr Neil Gibson** DoF Clare House 303 Airport Road West BELFAST, BT3 9ED
Managers or Administrators:	**Ms Anne Stewart** DoF Civil Service Pensions Waterside House 75 Duke Street LONDONDERRY, BT47 6FP
Actuary:	**Government Actuary's Department** Finlaison House 15-17 Furnival Street LONDON, EC4A 1AB
Bankers:	**Danske Bank** Donegall Square West BELFAST, BT1 6JS
Legal advisers:	**Departmental Solicitor's Office** 2nd Floor Lanyon Plaza 7 Lanyon Place BELFAST, BT1 3LP
Auditors:	**Northern Ireland Audit Office** 106 University Street BELFAST, BT7 1EU
Employers:	**Principal Employers** - All NICS Departments and Agencies **Additional Bodies** - See Annex A
Contact for enquiries:	**Ms Anne Stewart** DoF Civil Service Pensions Waterside House 75 Duke Street LONDONDERRY, BT47 6FP

Annex A

ADDITIONAL EMPLOYMENT OR OFFICES TO WHICH NORTHERN IRELAND CIVIL SERVICE PENSION SCHEMES APPLY

1. **Museums**
   Employment by the Board of Trustees of the National Museums and Galleries of Northern Ireland
   Employment in the Northern Ireland Museums Council

2. **Assembly Offices**
   Clerk to the Assembly
   Clerk – Assistant to the Assembly
   Second Clerk – Assistant to the Assembly
   Fourth Clerk at the Table
   Committee Clerk
   Librarian
   Assistant Librarian
   Editor, Deputy Editor and Assistant Editor of Official Reports of Debates Reporter
   Examiner of Statutory Rules for Northern Ireland

3. **Offices of the Planning Appeals Commission**
   Chief Commissioner
   Chief Professional Commissioner
   Senior Professional Commissioner
   Professional Commissioner
   Principal Professional Commissioner

4. **Employment in the Northern Ireland District Councils**
   Derry and Strabane District Council
   Fermanagh and Omagh District Council
   Mid Ulster District Council
   Causeway Coast and Glens District Council
   Mid and East Antrim District Council
   Antrim and Newtownabbey District Council
   Belfast City Council
   North Down and Ards District Council
   Lisburn and Castlereagh District Council
   Armagh, Banbridge and Craigavon District Council
   Newry, Mourne and Down District Council

5 Other Bodies

Police Complaints Board for Northern Ireland
Employment by the Commissioner for Children and Young People for Northern Ireland
Employment in the Equality Commission for Northern Ireland
Employment in the Fair Employment Agency established under the Fair Employment (Northern Ireland) Act 1976
Chairman of the Fair Employment Agency
Employment in the Labour Relations Agency established under the Industrial Relations (Northern Ireland) Order 1976
Chairman of the Labour Relations Agency
Employment in the Equal Opportunities Commission established under the Sex Discrimination (Northern Ireland) Order 1976
Chairman of the Equal Opportunities Commission for Northern Ireland
Employment by the Northern Ireland Assembly Commission
Employment in the Northern Ireland Economic Development Office incorporated on 4 October 1978 under the Companies Act (Northern Ireland)1960
Employment in the General Consumer Council for Northern Ireland established under the General Consumer Council (Northern Ireland) Order 1984
Office of Director General of Electricity Supply for Northern Ireland established under the Electricity (Northern Ireland) Order 1992
Office of Chairman of the Consumer Committee for Electricity
Employment in Invest Northern Ireland
Employment in the Northern Ireland Judicial Appointments Commission
Employment in the Commission for Racial Equality (Northern Ireland)
Secretary to the Mental Health Commission
Chief Commissioner of the Equality Commissioner for Northern Ireland
Employment by the Northern Ireland Social Care Council
Chief Executive to the Mental Health Commission
Employment by the Northern Ireland Practice and Education Council for Nursing and Midwifery
Employment by the Northern Ireland Health and Personal Social Services Regulation and Improvement Authority
Employment in the Economic Research Institute of Northern Ireland Limited
Employment in the Office of the Commissioner for Children and Young People for Northern Ireland
Employment by the Police Service of Northern Ireland as a Civilian Direct Recruit
Employment in the Office of the Chief Electoral Officer for Northern Ireland
Employment in the Agri-food and Biosciences Institute
Employment in the Regional Health and Social Care Board
Employment in the Regional Agency for Public Health and Social Well-being
Employment in the Regional Business Services Organisation
Offices of the Director and Deputy Director of Public Prosecutions (Northern Ireland)
Commissioner for Older People for Northern Ireland

Chief Inspector of Criminal Justice in Northern Ireland
Commissioner of the Northern Ireland Law Commission
Police Ombudsman for Northern Ireland
Charity Commission for Northern Ireland
Commission for Victims and Survivors for Northern Ireland
Victims and Survivors Service Limited
Maze / Long Kesh Development Corporation
Employment in the Office of the Certification Officer for Northern Ireland
Employment in the Office of the Northern Ireland Public Service Ombudsman
Commissioner for Survivors of Institutional Childhood Abuse
Victims of Crime Commissioner Designate

Annex B

NICS PENSION SCHEMES MEMBERSHIP STATISTICS 2022-2023

		TOTAL
ACTIVE MEMBERS		
Members at 1 April 2022*		**29,919**
Membership adjustment		(107)
New entrants in year**		2,017
Leavers**		(1,757)
Members as at 31 March 2023*		**30,072**
DEFERRED MEMBERS		
Deferred as at 1 April 2022		**8,690**
Membership Adjustment		69
New deferred members		362
Deferreds cessated		(343)
Deferred as at 31 March 2023		**8,778**
PENSIONERS		
Pensioners as at 1 April 2022	Members*	**27,593**
	Dependents	**5,351**
Opening adjustment	Members*	71
	Dependents	(13)
New retirees	Members	1,373
	Dependents	335
Deaths/Cessations/Others	Members	(982)
	Dependents	(385)
Pensioners as at 31 March 2023	Members*	**28,055**
	Dependents	**5,288**

Notes:

1. The figures above are position statements i.e. they represent the status of the membership recorded as at the date in question.

2. The Active Member adjustment represents a reduction of 107 on the opening balance as at 1 April 2022 due to revised opening balances provided by Employers.

3. The Deferred Member adjustment represents an increase of 69 on the opening balance as at 1 April 2022 due to housekeeping and retrospective action.

4. The Pensioner Member opening balance as at 1 April 2022 represents an addition of 71 members due to housekeeping and retrospective action

5. The Dependants opening balance as at 1 April 2022 represents a reduction of 13 members due to housekeeping.

* Partial Retirees included in both active and pensioner member figures.
**Opt-in and Opt-out figures included in new entrants and leavers.

REPORT OF THE ACTUARY

1. This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Department of Finance (Northern Ireland) (DoF). It provides a summary of GAD's assessment of the scheme liability in respect of the Northern Ireland Civil Service Pension Scheme (NICSPS) as at 31 March 2023, and the movement in the scheme liability over the year 2022-23, prepared in accordance with the requirements of Chapter 12 of the 2022-23 version of the Financial Reporting Manual.

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

3. The assessment has been carried out by calculating the liability as at 31 March 2020 based on the data provided as at 31 March 2020 and rolling forward that liability to 31 March 2023.

Membership data

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

Table A - Active members

	Number	Total pensionable pay* (p.a.) £ million
Males	13,835	430.7
Females	14,693	403.8
Total	28,528	834.5

* Pensionable pay is the Actual figure

Table B - Deferred members

	Number	Total deferred pension* (p.a.) £ million
Males	4,263	14.0
Females	4,984	14.8
Total	9,247	28.8

* Pension amounts include the pension increase granted in April 2020

Table C - Pensions in payment

	Number	Annual pension* (p.a.) £ million
Males	15,493	198.8
Females	11,013	84.6
Spouses & dependants	5,309	26.3
Total	31,815	309.7

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

The summary tables above are different to the summary tables presented in the 2022 report. This is due to re-processing of the data that occurred after the 2022 Accounts had been issued.

Methodology

5. The present value of the liabilities as at 31 March 2023 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 2023. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2023 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 2022 in the 2021-22 accounts.

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

Financial assumptions

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

Table D: Principal financial assumptions

Assumption	31 March 2023 p.a.	31 March 2022 p.a.
Nominal discount rate	4.15%	1.55%
Rate of pension increases	2.40%	2.90%
Rate of general pay increases	3.65%	4.15%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	1.70%	(1.30%)
• Long-term pay increases	0.50%	(2.50%)
Expected return on assets	n/a	n/a

8. The assessment of the liabilities allows for the known pension increases up to and including April 2023.

Demographic assumptions

9. Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the scheme membership, and other relevant sources. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S3tables’ with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Retirements in normal and ill-health	S3NMA-H	86%
Dependants	S3DMA	100%
Females		
Retirements in normal and ill-health	S3NFA-H	107%
Dependants	S3DFA	116%

10. These assumptions in Table E, and the other demographic assumptions such as commutation and family statistics, are in line with those recommended for the 31 March 2020 funding valuation of the scheme. Note that the accounts as at 31 March 2022 were based on the assumptions adopted for the 2016 valuation.

11. Mortality improvements are assumed to be in line with the latest 2020-based projections for the United Kingdom published by the ONS in December 2022. This is a different assumption to that used for the 2021-22 accounts.

12. Our advice on the selection of assumptions was issued in our draft assumptions and methodology report of May 2023.

Liabilities

13. Table F summarises the assessed value as at 31 March 2023 of benefits accrued under the scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 12. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2022 and 2023 both include an allowance for the higher cost of benefits accruing under McCloud.

Table F: Statement of financial position

	31 March 2022 £ billion	**31 March 2022 £ billion**
Total market value of assets	nil	nil
Value of liabilities	10.92	19.39
Surplus/(Deficit)	(10.92)	(19.39)
of which recoverable by employers	n/a	n/a

Accruing costs

14. The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 75.2% of pensionable pay.

15. 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. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. 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 2022-23 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2022-23 accounts.

Table G - Contribution rate

	2022-2023 % of pay	2021-2022 % of pay
Employer contributions*	29.9%	29.8%
Employee contributions (average)	5.4%	5.4%
Total contributions	**35.3%**	**35.1%****
Current service cost (expressed as a % of pay)	**75.2%**	**68.6%**

* Under the current arrangements, the expenses of administering are borne by employers through an administration levy which is included in the contributions payable to the scheme (0.25% of pay).
**Rounding difference in total

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

17. The pensionable payroll for the financial year 2022-23 was £0.95 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2022-23 (at 75.2% of pay) is assessed to be £0.71 billion. This includes an allowance for the higher cost of benefits accruing over the year under McCloud.

18. Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a material past service cost over 2022-23.

19. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2022-23.

Sensitivity analysis

20. 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 2023 of changes to the most significant actuarial assumptions.

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

22. Table H shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%).

Table H - Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability		
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	-8.0%	- £0.9 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+1.0%	+ £0.1 billion
(iii) pension increases*:	+0.5% p.a.	+7.0%	+ £0.8 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+3.0%	+ £0.3 billion

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

The discount rate sensitivity shown implies a scheme duration of c.16.9 years.

COVID-19 implications

23. As with the accounts last year, the 2022-23 Resource Accounts are being produced when the UK continues to deal with the COVID-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the Resource Accounts.

24. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2022) 08, dated 2 December 2022, and remain unchanged for these accounts. The PES assumptions reflect market conditions at the previous 30 November and are typically not amended for any changes between November and the accounting date.

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

26. The current population mortality projections make a short-term allowance for the impact of the Covid-19 pandemic. When deriving the ONS 2020-based mortality improvement projections, a panel of mortality experts gave their views on the impact of the Covid-19 pandemic on mortality rates in the short term. Based on this, short term adjustments were made to the 2019 to 2024 period to allow for estimated deaths in 2021 and an averaging of the experts' views on estimated improvements by age group over this period. Long term rates of future mortality improvement are not projected to change as a result of Covid-19. A death rate from Covid-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Ken Starr FIA
Actuary
Government Actuary's Department
18 May 2023

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance has directed the Northern Ireland Civil Service Pension Schemes to prepare, for each financial year, financial statements in the form and on the basis set out in the Accounts Direction.

The combined financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Combined Schemes at the year end and of its income and expenditure, Statement of Financial Position and cash flows for the financial year. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Assembly or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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

- observe the Accounts Direction issued by the Department of Finance, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going-concern basis;
- confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Department of Finance has appointed the Permanent Head of the Department as Accounting Officer for the Northern Ireland Civil Service Pension Schemes. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension schemes, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and published in *Managing Public Money Northern Ireland.*

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Northern Ireland Civil Service Pension Schemes' auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

GOVERNANCE STATEMENT

The Department of Finance is one of nine Northern Ireland departments. The Department is governed under a model with the following responsibilities:

- The Minister for Finance reports to the Northern Ireland Executive on all of the functions of the Department;
- The Permanent Secretary has responsibility to the Minister for the day-to-day operation of the departmental functions and as Accounting Officer for the managing and controlling of the resources used by the Department; and
- The Departmental Board (the Board) provides collective leadership, strategic direction and has responsibility for operational delivery of the functions of the Department.

The Department's organisation chart is as shown below on page 35.

The Northern Ireland Budget Act 2023 was passed by Parliament and received Royal Assent on 8 February 2023 which authorised the cash and use of resources for all departments and other bodies for the full 2022-23 year, and also included a Vote on Account for the early months of the 2023-24 financial year. This will be followed by a further Budget Bill which the Secretary of State will bring to Parliament in due course, following the 2023-24 Northern Ireland Budget which he set in his Written Ministerial Statement on 27 April 2023.

This Governance Statement, which has been agreed by the Board, sets out how these responsibilities have been discharged during 2022-23.

Ministerial Directions

There were no Ministerial Directions during 2022-23 (one in 2021-22).

Executive Formation and Exercise of Functions

Due to a lack of a sitting Executive, the Secretary of State in accordance with s3(4) of the Northern Ireland Executive Formation and Exercise of Functions (EFEF) Act 2022, published guidance regarding departmental functions by senior officers of Northern Ireland departments during the absence of Ministers. The Act provides that the absence of Ministers does not prevent a senior officer of a Northern Ireland department from exercising a function of the department if the officer is satisfied that it is in the public interest to do so during the relevant period.

The Guidance can be accessed at the following link:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1125637/Guidance_on_decision-making_for_Northern_Ireland_Departments.pdf

The link below details all decisions made up to 31 March:
Reports of decisions taken by Northern Ireland Departments - 2022/2023 | The Executive Office (executiveoffice-ni.gov.uk)

Context

With the financial situation remaining very challenging we need to progress new ways of working, thinking and delivering to seize the opportunities to deliver better services in a more effective and efficient way. If we are to improve the position we will need to be innovative and transformative. The DoF Business Plan for 2023-24 was published on 11 May 2023.

Specific targets underpin the main themes of:

- Managing public money
- Supporting our people;
- Transformation and Innovation;
- Evidence and insights; and
- Delivering public services.

Accounting Officer

The Permanent Secretary as Departmental Accounting Officer is responsible to the Minister and to the Assembly for the proper handling and reporting of the use of public money by the Department under the main principles set out in Managing Public Money Northern Ireland (MPMNI) and for establishing and maintaining a sound system of internal control for the management of resources under the Permanent Secretary's control.

At the beginning of the financial year, the Accounting Officer delegated responsibility to the Directors and Chief Executives for the management of budgets within their respective business areas. Formal assurances were received twice yearly from each Director and Chief Executive on risk management, governance, financial management and delegations within their respective areas of responsibility in the format of assurance statements. Key issues emanating from those statements are reflected in this Governance Statement and necessary actions followed up with the relevant Directors.

Departmental Board

The Accounting Officer chairs the Board, which met on eight occasions in 2022-23. Six of these meetings were held in person and two online.

During 2022-23, the Board held regular discussions on:

- Finance;
- HR;
- Risk;
- Performance;
- Communications;
- Cyber security;
- Covid 19 Inquiry;
- Civil Service Renewal Plan;
- Estate Strategy 2022-2025;
- Census;

- Strategic issues; and
- Green Growth Action Plan

In addition, the Board also considered and discussed the end to end recruitment process, Internal Audit Pathways to Closure and RHI Lessons Learned.

Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice NI

The Department has in place a Corporate Governance Framework that is available on the staff intranet site. This reflects the key principles in '[Corporate governance in central government departments: Code of good practice NI (2013)]' and sets out details of the Department's corporate governance arrangements.

Attendance of non-executive and executive members at Board and DARC meetings during 2022-23:

Role	Name	Number of Board Meetings Attended (8 in total)	Number of DARC Meetings Attended (8 in total)
Permanent Secretary	Neil Gibson	8	7
Chief Executive LPS	Ian Snowden	7	n/a
Chief Executive NISRA	Siobhan Carey (to 27 February 2023) Brian Green (Temporarily promoted 16 December 2022 to 26 February 2023) Philip Wales (from 27 February 2023)	5 1 1	n/a
Departmental Solicitor*	Hugh Widdis	1	n/a
Deputy Departmental Solicitor	Louise Crilly	3	n/a
Director PSD	Joanne McBurney	7	n/a
Director SPAR	Emer Morelli (TP to 30 November 2022 Tony Simpson (from 1 December 2022)	4 2	n/a
Director NICSHR – People & Organisational Development Director NICSHR – Strategic Planning & Governance	Jill Minne Catherine Shannon (from 31 October 2022)	4 3	n/a
Director CPD	Sharon Smyth	5	n/a
Director ESS	Paul Duffy	8	n/a

Director FCSD	Stewart Barnes	8	8
Director CaED	Mark McLaughlin	8	n/a
Non-Executive Board Member	Liz Ensor	7	7
Non-Executive Board Member	John Smyth	8	8
Non-Executive Board Member	Tom Taylor	6	7

**While the Departmental Solicitor remains a DoF Board Member and has the right to attend meetings, he does not attend.*

Civil Service Pension Board

The Northern Ireland Civil Service Pensions Board (NICSPB), is a body which was established on 1st April 2015 in accordance with the Public Service Pensions Act (Northern Ireland) 2014. The Board is responsible for assisting the Scheme Manager (the Department of Finance) in the effective administration of the Civil Service (Northern Ireland) pension schemes and assisting the Department in securing compliance with the pension scheme regulations and other legislation relating to the governance and administration of the schemes; and requirements imposed by the Pensions Regulator.

The NICSPB has three nominees each from employers who participate in the scheme and employee representatives. It has two non-voting members and is chaired by an independent chairperson. The NICSPB met on 4 occasions in 2022-23, with 3 of those meetings being held virtually in accordance with Covid-19 guidance in place at that time. Minutes of all Board meetings are published on the Departmental website. Each year the NICSPB produces a review of its work for the year via its Annual Report which are published on the Northern Ireland Civil Service Pension Board (NICSPB) page on the CSP(NI) website at: www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pensions-board-nicspb

Current NICSPB members are:

- Bumper Graham (Independent Chairperson)
- Brian Quinn (DE) - Employer Nominee
- Michael Cowan (DoJ) - Employer Nominee
- Gary Fair (DE) - Employer Nominee
- Dooley Harte (NIPSA) - Employee Nominee
- Laurence McCann (FDA) – Employee Nominee
- John McCloskey (NIPSA) Employee Nominee
- Peter Philip (DoF - Policy and Legislation) non-voting representative
- Olivia McMenamy (Finance) non-voting representative

Civil Service Scheme Advisory Board

The Scheme Advisory Board (SAB) role is to advise the responsible authority, the Department of Finance (DoF), on the desirability of changes to the schemes. The responsible authority may commission the SAB to advise on any matter in relation to the schemes the responsible authority considers appropriate, and any commission may be framed as an open request for regular advice on a range of issues, or a narrow requirement for advice on a specific issue. The responsible authority may give responsibility to the SAB to advise on the efficient and effective scheme administration and management. The SAB comprises one employee and one employer representative and is chaired by a senior Departmental official. The SAB met on 1 occasion during 2022-23.

Declarations of Interest

Corporate Governance Branch maintains a "Register of Interests" for all staff at the senior civil service grades, which includes the members of the DoF Board. Declarations include anything which may give rise to conflict with the position of Board member, including:

- Private occupations, such as sitting on the boards of other public bodies;
- Payment for private work;
- Relationships with suppliers and/or consultants with whom DoF does business;
- Gifts or benefits received in connection with work in DoF;
- Membership of professional institutes and/or committees; and
- Any other interests that could have a conflict.

The Treasury Officer of Accounts issued Dear Accounting Officer letter 07/21 (DAO 07/21) which provided generic guidance on Declarations of Interest. This was used to update the DoF guidance, which was published in October 2022.

For 2022-23 a number of interests were declared which could potentially pose a conflict with the business of the Department. However, the Accounting Officer has been provided with assurance that line manager assessments have been carried out, mitigations are in place if necessary and that no significant conflict has materialised.

For staff at the grades below SCS, declarations of interest are monitored by the relevant Grade 3/5 and then confirmed through the bi-annual assurance statement process.

In line with the current Declaration of Interest policy for special advisers, all special advisers declared any relevant interest or confirmed they do not consider they have any relevant interests. The Permanent Secretary considered the returns for the DoF Special Adviser and determined that there were no conflicts of interest to declare. The last Register of Interests was published in March 2022, and is available at Register of Ministers' and Special Advisers' Interests (finance-ni.gov.uk). No further declarations of interest were received following that date. Neither the Minister nor the SPAD had any interests which would conflict with the business of the Department.

Business Appointments

The NICS Standards of Conduct Policy, (Section 8 and Annex 4) sets out the rules on the acceptance of outside business appointments, employment or self-employment by Civil Servants after leaving the NI Civil Service, including procedures to make staff aware of these rules and provides that the Permanent Secretary of the Department is responsible for the effective operation of the Business Appointment Rules within their Department. Further detail is available in the NICS Standards of Conduct Policy.

Departmental Audit and Risk Committee

The Departmental Audit and Risk Committee (DARC) supports the Accounting Officer and the Board on issues of risk, control and governance. In addition, DARC provides assurances and advice to the Accounting Officer on the adequacy of audit coverage both internal and external. DARC is chaired by one of the Non-Executive Board Members and operates under the best practice guidance contained within the Audit and Risk Assurance Committee Handbook (NI) issued under DAO (DoF) 03/18 in March 2018.
In total the Committee met on eight occasions during the course of 2022-23 with three full agenda meetings, two to discuss draft accounts and three deep dive meetings. The deep dive meetings concentrated on key risk areas including:

- Assurance statements
- Internal Audit Workplan; and
- ESS Outstanding Recommendations.

The risk profile for the Department has been reviewed regularly by the Board and DARC, and during the course of the year new controls and management actions have been put in place to mitigate the risks and to minimise the impact should they materialise. This has resulted in the re-grading of risk status, and the inclusion and removal of risks at departmental level as necessary. The Departmental Board has agreed a Risk Appetite Statement which articulates the amount of risk the Department is prepared to accept, tolerate or be exposed to in pursuit of its strategic objectives or from other inherent issues which although not directly linked to the strategic objectives have an impact on the risk profile of the Department.

In addition to the risk register, the DARC considered papers in relation to a range of corporate governance and internal control issues, including, for example:

- Progress against internal audit plans and development of future plans;
- Progress against internal audit recommendations;
- Departmental Resource Accounts;
- Assurance Statements provided by all Business Area Directors;
- Reports to Those Charged with Governance and Value for Money reports provided by NI Audit Office;
- Direct Award Contracts (DACs) & External Consultancy;
- Accountability Grids in relation to Public Accounts Committee recommendations; and
- Fraud
- Raising Concerns (whistleblowing).

At each meeting the DARC receives a summary position of the Recommendations Register which indicates the progress being made against each internal audit recommendation and an indication of which recommendations have been rejected by management. This supports DARC in identifying those recommendations which are past due or which require further discussion at DARC level. Following a deep dive regarding the Internal Audit Workplan, a dashboard has been developed to enable a more streamlined reporting mechanism for Internal Audit recommendations.

The Chair of the DARC presents the minutes of the DARC meeting as well as separate updates on Raising Concerns and Fraud to the Departmental Board and prepares an annual report outlining the work undertaken by the Committee and providing assurance on the systems of internal control in operation across DoF. All departments have been tasked with updating their Raising Concerns Policy in line with the revised Raising Concerns Framework. Nominated Officers have been appointed within each department, and relevant

training provided. A forum for Nominated Officers has been set up to enable closer cooperation, including sharing of lessons learned.
All meetings of DARC are attended by representatives from the Northern Ireland Audit Office (NIAO) and the Head of Internal Audit. The Chair of the Committee holds independent meetings separately with the NIAO and Head of Internal Audit to discuss any particular issues of concern.

Financial Management

Financial Management reporting to the Board plays a significant part in the effective monitoring and management of the Department's financial performance. The Board regularly reviews annual forecasts against budgets to form the basis of collective Board decisions about the allocation and use of resources and to ensure that the Department's financial management targets.

The Finance Director provides financial management reports to the Board and provides advice and recommendations on the allocation of departmental resources. This is supported by business areas providing actual expenditure and forecast information and analysis of variance against budgets which enables the Board to assess the extent to which corrective action is needed to address the Department's financial position.

Governance and Control Framework

The Department's Governance and Control Framework is the system by which the work of the Department is directed and controlled. This includes how the Department plans, sets and monitors achievement of its corporate objectives, how the risks to the achievement of those corporate objectives are identified and managed and what controls are in place to provide assurance that the Board is in control of the risks to achieving the stated objectives. These arrangements are in place during the year under review and up to the date of approval of the annual report and accounts.

The Governance and Control Framework contains advice and guidance to business areas on corporate governance and financial management including the approvals necessary for various types of expenditure. It also contains sources of information on the departmental approach to issues such as anti-fraud measures, charging, information security, procurement and raising concerns (whistleblowing) arrangements.

Following the RHI Inquiry, the NICS Code of Ethics has been revised and refreshed and was published on 30 March 2023. The updated Code includes a new opening section, describing how the civil service relates to Ministers and the Assembly, highlights the need for cross-departmental working, details the importance of keeping accurate official records as well as including information on how to raise concerns about unacceptable behaviour.

A key element of the Governance and Control Framework is the DoF Policy and Framework for Risk Management which sets out the approach to the identification and management of risk at all levels across the Department. The Departmental Board regularly reviews and manages departmental risks on the Corporate Risk Register, by evaluating each risk to determine the likelihood and impact of the risk occurring, and ensuring that controls and mitigating actions are in place. The Corporate Risk Register is supported by further risk registers at Directorate and Agency level.

DoF has systems and processes in place, designed to support data protection, information management, and physical, IT and cybersecurity, including the appointment of a Senior Information Risk Owner (SIRO), and a network of Information Asset Owners (IAOs).

Departmental Performance

The DoF Business Plan 2022-23 set out the targets and objectives for the year against which performance is reported and monitored. Progress has been reported to the Board using a RAG status assessment of each target and narrative on the actions taken to deliver the expected outcomes.

The Business Plan is supported by lower level plans at Directorate, Agency and Divisional level and is cascaded further into individual staff Personal Performance Agreements.

Level of Assurance

The Accounting Officer is responsible for reviewing the effectiveness of the system of internal control. This review is informed by the information provided in assurance statements from Directors bi-annually. The statements are based on assurances provided by Directors within business areas on risk management, financial management, compliance with approvals and delegations, procurement and contract management, fraud, raising concerns (whistleblowing), information management and assurance, business continuity, cyber security, declarations of interest and on the implementation of independent review recommendations including Internal Audit.

At the year end the Directors were asked to provide their own overall assessment of the position. While there was full compliance in the majority of business areas across the Department as reported in their Year-end Assurance Statements, there was partial compliance in some areas including completion on mandatory training and implementation of Internal Audit recommendations. A deep dive was arranged to look at all outstanding recommendations (Internal Audit, Northern Ireland Audit Office and Public Accounts Committee) to streamline the process. The recurring theme across most Business Areas is around lack of resources and inability to fill vacancies due to the current budget position. Further assurance is provided by the Head of Internal Audit on compliance with the controls and actions recommended in audit assignments which have been conducted.

The Department's Internal Audit unit had planned to undertake twenty-three audits during 2022-23. Internal Audit concluded fifteen audits whilst fieldwork was ongoing in a further two areas. With agreement of the Accounting Office and the Departmental Audit and Risk Assurance Committee Internal Audit carried out over six audits in 2023-24. However, Internal Audit had undertaken sufficient audits to facilitate the provision of an audit opinion and the Head of Internal Audit provided an overall **satisfactory** opinion on the systems of internal control operating across the Department. Internal Audit issued individual reports to senior managers providing an objective and independent assessment of the systems of internal control in operation across DoF, together with prioritised recommendations to strengthen controls and implement further improvements.

Internal Audit conducted an audit on Civil Service Pensions for work undertaken during 2022. A **Satisfactory** audit opinion was received on the system of Internal Control within Civil Service Pensions with two recommendations made at priority 2 level and two recommendations at priority 3 level.

Internal Audit also provided advice and guidance to business areas on both a formal and informal basis. During the year Internal Audit provided DARC, at regular intervals, with a synopsis of the main findings arising from each audit.

Internal Control Review

During the year, Scheme management identified an error in the methodology used to calculate the original ill health pension award for a cohort of members on revision of their pension awards. The majority of the overpayments arose as a result of how the enhancement was applied to medical retirement cases for members who worked part-time.

The error was identified when Civil Service Pensions were working through a significant number of revision cases dating from 2015 onwards. As a result of working through this backlog £1,200k of pension over payments to 68 ill-health pensioners were discovered. The error was confined to the alpha Scheme which was only introduced in April 2015.

An initial course of action to pursue full recovery of the overpayments was made, however, following engagement and feedback from various stakeholders; consideration of value for money; vulnerability of the members and legal recourse a decision to seek approval to write off the overpaid amounts was made. An application for write off was therefore, submitted by the Civil Service Pension Branch for approval to DOF Corporate Governance and DOF Supply. This approval was obtained after the Scheme's year end and the balances have been written off in 2023-24. One case for an over-payment of £61k was approved and written off in 2022-23.

Staff have been made aware of this error and how these cases should be treated going forward. Calculations are also being reviewed at management level to ensure oversight. These additional measures have been put in place to mitigate the risk of additional financial losses such as this re-occurring.

Counter Fraud

The DoF Fraud Working Group met in October 2022 and February 2023. The group considers issues in relation to fraud, raises awareness of anti-fraud measures and disseminates information pertinent to the prevention and detection of fraud.

The NICS Fraud Forum has re-instated its meetings, with the first meeting held in February 2023. The forum allows ideas and best practices are shared across NICS. The DoF Risk Management and Policy Guide Framework was also refreshed to include revised HMT guidance.

The National Fraud Initiative (NFI) 2021-22 exercise concluded in March 2022 and the outcomes are included in the NFI report published in July 2022. The new NFI exercise commenced in October 2022. NFI progress updates are included in each Fraud paper presented to the DARC. The paper is a standing agenda item. The Departmental Board receives the minutes of each DARC which record the discussions around fraud in the Department.

Separate arrangements are now in place for raising concerns (whistleblowing) and can be used to raise concerns about alleged impropriety, wrongdoing, corruption, fraud or malpractice. A revised policy framework on raising concerns at NICS level was published in March 2023. Raising concerns are monitored on an ongoing basis. Each concern is fully investigated and ongoing updates provide to the DARC at each meeting. Following a review of the NICS Raising Concerns framework, DoF and other departments are updating their Raising concern processes by the end of Summer 2023.

NIAO VFM Reports/Public Audit Business

In line with the public audit process, normally when the NI Assembly is operating, Northern Ireland Audit Office (NIAO) reports may be considered by the Public Accounts Committee (PAC), who subsequently produce their own reports and recommendations following their due consideration. Formal responses to these are presented to the Assembly and published in the format of a DoF Memorandum of Reply, cleared by the Finance Minister.

However, in the absence of the Assembly during 2022-23 there has been no PAC operating since March 2022. Under arrangements laid out in para 16 of the document "Guidance on decision-making for Northern Ireland Departments until an Executive is formed or for the six month period beginning with the day on which the Northern Ireland (Executive Formation etc.) Act 2022 is passed (6 December)", which was presented to Parliament by the Secretary of State for Northern Ireland (Chris Heaton-Harris) on 19 December 2022, NI Departments should lay their departmental responses to NIAO recommendations in the Assembly and share these responses with the Secretary of State who will lay copies in Parliament. DoF issued guidance on the process to be followed to Accounting Officers on 7 March 2023.

The following reflects the public audit business undertaken during the reporting period:

Review of the Northern Ireland Budget Process – A draft DoF Memorandum of Reply to the PAC report (published on 4 March 2022) has been prepared but cannot be formally presented to the NI Assembly until the NI Assembly is operating. The process will be completed as soon as practicably possible on restoration of devolution.

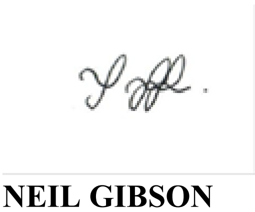
Public Procurement in Northern Ireland – The NIAO report which was published on 25 April 2023. A departmental response was published on 12 June 2023.

Ministerial Directions in Northern Ireland – Work has been ongoing on a draft NIAO report which is due to be published on 27 April 2023. A departmental response to the recommendations contained in the report will be published in line with agreed deadlines.

Follow-up – Major Capital Projects – Work has commenced on a follow-up study on Major Capital Projects.

Conclusion

Taking into account all of the arrangements set out in this Governance Statement, the Department has effective corporate governance structures in place and has satisfactory systems of internal control which have operated effectively during 2022-23 and up to date of approval of annual report and accounts.



NEIL GIBSON
Accounting Officer
Department of Finance
Date: 28 June 2023

DoF Organisation Chart as at 31 March 2023

Minister of Finance

Permanent Secretary and Accounting Officer
Neil Gibson

Head of Government Legal Service
Hugh Widdis

Construction and Procurement Delivery (CPD)
Sharon Smyth

Enterprise Shared Services (ESS)
Paul Duffy

Land and Property Services (LPS)
Ian Snowden

Strategic Policy and Reform (SPAR)
Tony Simpson

Departmental Solicitor's Office (DSO)
Louise Crilly

People & Organisational Development (P&OD)
Jill Minne

Northern Ireland Civil Service Human Resources (NICSHR)
Catherine Shannon

Northern Ireland Statistics and Research Agency (NISRA)
Philip Wales

Public Spending Directorate (PSD)
Joanne McBurney

Finance and Corporate Services (FCSD)
Stewart Barnes

Group Internal Audit and Fraud Investigation Services (GIAFS)
Tracey McCavigan

Communication and Engagement Division (CAED)
Mark McLaughlin

Non-Executive Board Members

Elizabeth Ensor

John Smyth

Tom Taylor

STATEMENT OF OUTTURN AGAINST ASSEMBLY SUPPLY

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Northern Ireland Civil Service Pension Scheme to prepare a Statement of Assembly Supply (SOAS) and supporting notes.

The SOAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SOAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and capital purposes and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SOAS.

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

The format of the SOAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following: An analysis of Outturn detail by Estimate Line (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SOAS to the financial statements (note 2); a reconciliation of net resource outturn to net cash requirement (note 3); an analysis of income payable to the Consolidated Fund (note 4).

Summary tables – mirror Part II and III of the Estimates

Summary table, 2022–23, all figures presented in £000

Type of Spend	Note	Outturn			Estimate			Outturn vs estimate, (saving / (excess)		Prior Year Outturn Total, 2021-22
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	
Departmental Expenditure Limit										
Resource	SOAS 1.1	-	-	-	-	-	-	-	-	-
Capital	SOAS 1.2	-	-	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Annual Managed Expenditure										
Resource	SOAS 1.1	681,863	-	681,863	696,500	-	696,500	14,637	14,637	525,629
Capital	SOAS 1.2	-	-	-	-	-	-	-	-	-
Total		**681,863**	**-**	**681,863**	**696,500**	**-**	**696,500**	**14,637**	**14,637**	**525,629**
Total Budget										
Resource	SOAS 1.1	681,863	-	681,863	696,500	-	696,500	-	-	-
Capital	SOAS 1.2	-	-	-	-	-	-	-	-	-
Total Budget Expenditure		**681,863**	**-**	**681,863**	**696,500**	**-**	**696,500**	**14,637**	**14,637**	**525,629**
Total Budget and Non-Budget		**681,863**	**-**	**681,863**	**696,500**	**-**	**696,500**	**14,637**	**14,637**	**525,629**

Figures in the areas outlined in bold are voted totals subject to Assembly control.

Net Cash Requirement 2022-23, all figures presented in £000s

Item	Note	Outturn	Estimate	Outturn vs estimate, (saving / (excess)	Prior Year Outturn Total, 2021-22
Net Cash Requirement	**SOAS 3**	78,991	90,000	11,009	59,797

Figures in the areas outlined in bold are voted totals subject to Assembly control.

Administration costs 2022-23, all figures presented in £000s

Item	Note	Outturn	Estimate	Outturn vs estimate, (saving / (excess)	Prior Year Outturn Total, 2021-22
Administration costs	**SOAS 1.1**	-	-	-	-

Administration costs are not a separate voted limit and a breach of the administration budget will not result in an excess vote.

Notes to the Statement of Outturn against Assembly Supply, 2022–23 (£000s)

This note mirrors Part II of the Estimates: (Revised) Subhead Detail and Resource to Cash Reconciliation

SOAS 1. Outturn detail, by Estimate Line

SOAS1.1 Analysis of resource outturn by Estimate line, all figures presented in £000

	Type of spend (Resource)	Resource Outturn							Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total, – 2021-22
		Administration			Programme			Total	Total	Virements*	Total including virements		
		Gross	Income	Net	Gross	Income	Net						
	Spending in Departmental Expenditure Limits (DEL)												
	Voted Expenditure												
1	Redundancy and early retirement costs	-	-	-	3,611	(3,611)	-	**-**	-	-	-	-	-
	Total spending in DEL	**-**	**-**	**-**	**3,611**	**(3,611)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Spending in Annually Managed Expenditure (AME)												
	Voted Expenditure												
2	Pensions, Lump Sum and Gratuities	-	-	-	1,018,064	(336,201)	681,863	**681,863**	696,500	-	**696,500**	14,637	525,629
	Total Spending in AME	**-**	**-**	**-**	**1,018,064**	**(336,201)**	**681,863**	**681,863**	**696,500**	**-**	**696,500**	**14,637**	**525,629**
	Total Resource	**-**	**-**	**-**	**1,021,675**	**(339,812)**	**681,863**	**681,863**	**696,500**	**-**	**696,500**	**14,637**	**525,629**

SOAS1.2 Analysis of capital outturn by Estimate line, all figures presented in £000

Type of spend (Capital)	Outturn			Estimate			Outturn vs Estimate (inc virements), saving/ (excess)	Prior Year Outturn Total, – 2021-22
	Gross	Income	Net total	Total	Virements*	Total inc. virements		
Spending in Departmental Expenditure Limits (DEL)								
Voted Expenditure	-	-	-	-	-	-	-	-
Total Voted DEL	-	-	-	-	-	-	-	-
Total spending in DEL	-	-	-	-	-	-	-	-
Spending in Annually Managed Expenditure (AME)								
Voted Expenditure	-	-	-	-	-	-	-	-
Total Spending in AME	-	-	-	-	-	-	-	-
Total Capital	-	-	-	-	-	-	-	-

*Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can reconcile this Estimate back to the Estimates approved by the Assembly.

SOAS2. Reconciliation of outturn to net expenditure

Item	Note	Outturn Total 2022-23 £'000	Prior Year Outturn Total 2021-22 £'000
Total Resource Outturn	SOAS 1	681,863	525,629
Less;			
Income paid/payable to Consolidated Fund		-	-
Net Expenditure in Consolidated Statement of Comprehensive Net Expenditure	**SOCNE**	**681,863**	**525,629**

As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net expenditure, linking the SOAS to the financial statements.

SOAS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

Item	Note	Outturn total £000	Estimate £000	Outturn vs Estimate, Saving/ (excess) £000
Total Resource Outturn	SOAS 1.1	681,863	**696,500**	14,637
Total Capital outturn		-	**-**	-
Adjustments for ALBs:				
Remove voted resource and capital		-	-	-
Add cash grant in aid		-	-	-
Adjustments to remove non-cash items:				
Depreciation, impairments and revaluations		-	-	-
New provisions and adjustments to previous provisions		(1,018,064)	(1,041,437)	(23,373)
Supported capital expenditure		-	-	-
Other non-cash items		-	-	-
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		2,248	13,643	12,109
(Increase)/decrease in payables		(714)	-	-
Use of provision		413,658	421,294	7,636
Total		(602,872)	(606,500)	(3,628)
Removal of non-voted budget items				
Consolidated Fund Standing Services		-	-	-
Other		-	-	-
Total		-	-	-
Net Cash Requirement		**78,991**	**90,000**	**11,009**

As noted in the introduction to the SOAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

SOAS4. Amounts of Income Payable to the Consolidated Fund

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund.

Item	Note	Outturn total 2022-23 £000		Prior Year, 2021-22 £000	
		Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate Resource)		-	-	-	-
Income outside the ambit of the Estimate (Capital)		-	-	-	-
[Excess] cash surrenderable to the Consolidated Fund		-	-	-	-
Total amount payable to the Consolidated Fund		**-**	**-**	**-**	**-**

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Losses

Total Scheme losses during the year did not exceed £250,000.

Special Payments

There were no special payments made by the Scheme during the year.

NEIL GIBSON
Accounting Officer,
Department of Finance
Date: 28 June 2023

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Finance: Superannuation and Other Allowances Pension Scheme (the Scheme) for the year ended 31 March 2023 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual (FReM).

I have also audited the Statement of Outturn against Assembly Supply, and the related notes.

In my opinion the financial statements:

- give a true and fair view of the state of the scheme's affairs as at 31 March 2023 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies 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 this certificate. My staff and I are independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Scheme’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and my audit certificate and report. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Accountability 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

In the light of the knowledge and understanding of the Scheme and its environment obtained in the course of the audit, I have not identified material misstatements in the Accountability Report.

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
- the financial statements are not in agreement with the accounting records; 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 the Department of Finance's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

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

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

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included the Government Resources and Accounts Act (Northern Ireland) 2001;
- making enquires of management and those charged with governance on the Scheme's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of the Scheme's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: management override of controls;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate;
- addressing the risk of fraud as a result of management override of controls by:
    - performing analytical procedures to identify unusual or unexpected relationships or movements;
    - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
    - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
    - investigating significant or unusual transactions made outside of the normal course of business; and

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Outturn against Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Dorinnia Carville

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

BELFAST

BT7 1EU

3 July 2023

FINANCIAL STATEMENTS

Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

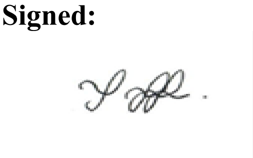
	Note	2022-23 £'000	2021-22 £'000
Principal Arrangements – Northern Ireland Civil Service Pension Schemes			
Income			
Contributions receivable	3	332,669	320,967
Transfers in	4	3,532	5,411
		336,201	**326,378**
Expenditure			
Service cost	5, 15.4	(710,647)	(623,464)
Enhancements	6, 15.4	(1,004)	(1,019)
Transfers in	7, 15.4	(3,532)	(5,411)
Pension financing cost	9, 15.4	(302,881)	(222,113)
		(1,018,064)	**(852,007)**
Net expenditure		**(681,863)**	**(525,629)**
Agency Arrangements – Civil Service Compensation and Injury Benefit Schemes (NI)			
Income			
Injury payments recoverable from Employers	8	3,557	3,398
Compensation payments recoverable from Employers	10	54	358
		3,611	**3,756**
Expenditure			
Injury benefits payable	8	(3,557)	(3,398)
Compensation benefits payable	10	(54)	(358)
		(3,611)	**(3,756)**
Net expenditure		-	-
Other Comprehensive Net Expenditure			
Pension re-measurements:			
-Actuarial gain/(loss)	15.7	9,068,532	(1,271,434)
		9,068,532	**(1,271,434)**
Total Comprehensive Net income/(Expenditure) for the year ended 31 March 2023		**8,386,669**	**(1,797,063)**

Notes 1 to 20 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Principal arrangements – Northern Ireland Civil Service Pension Schemes			
Current assets:			
Receivables	12	28,505	26,087
Cash and cash equivalents	13	1,199	541
Total current assets		**29,704**	**26,628**
Current liabilities:			
Payables (within 12 months)	14	(9,130)	(7,758)
Total current liabilities		**(9,130)**	**(7,758)**
Net current assets excluding pension liability		**20,574**	**18,870**
Pension liability	15.4	(10,921,874)	(19,386,000)
Net liabilities, including pension liability		**(10,901,300)**	**(19,367,130)**
Agency Arrangements - Civil Service Compensation and Injury Benefit Schemes (NI)			
Receivables	16	276	446
Net assets		**276**	**446**
Combined schemes - total net liabilities		**(10,901,024)**	**(19,366,684)**
Taxpayers' equity:			
General fund		(10,901,024)	(19,366,684)
		(10,901,024)	**(19,366,684)**

Signed:



Date: 28 June 2023

Neil Gibson
Accounting Officer

Notes 1 to 20 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity for the year ended 31 March 2023

	Note	General Fund	
		2022-23	**2021-22**
		£'000	**£'000**
Balance as at 1 April		(19,366,684)	(17,629,418)
Net Assembly Funding - drawn down		79,649	54,848
Net Assembly Funding - deemed		541	5,490
Supply (payable) / receivable	14	(1,199)	(541)
Combined net expenditure for the year		(681,863)	(525,629)
Actuarial gain /(loss)	15.7	9,068,532	(1,271,434)
Net change in Taxpayers' Equity		8,465,660	(1,737,266)
Balance at 31 March		**(10,901,024)**	**(19,366,684)**

Notes 1 to 20 form part of these financial statements.

Combined Statement of Cash Flows for the year ended 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Cash flows from operating activities			
Combined net expenditure for the year		(681,863)	(525,629)
(Increase) in receivables - principal arrangements	12	(2,418)	(1,609)
Decrease/(increase) in receivables - agency arrangements	16	170	(166)
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure			
Increase/(decrease) in payables: pensions			
Short-term payables	14	1,372	(5,459)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure (iro Consolidation fund 22-23:bank)		(658)	4,949
Increase in pension provision	15.4	1,013,528	845,577
Increase in pension provision - enhancements and transfers in	15.4	4,536	6,430
Use of provisions - pension liability	15.5	(408,116)	(378,563)
Use of provisions - refunds and transfers	15.6	(3,617)	(4,181)
Use of provisions - death in service	15.5	(1,925)	(1,146)
Net cash outflow from operating activities		**(78,991)**	**(59,797)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		79,649	54,848
Net financing		**79,649**	**54,848**
Compensation agency payments made on behalf of employers	10	46	358
Reimbursement of compensation payments made on behalf of employers	10	(46)	(358)
Injury benefit payments made on behalf of employers	8	3,557	3,398
Reimbursement of injury benefit payments made on behalf of employers	8	(3,557)	(3,398)
Lump sum payments made on behalf of employers (compensation)	10	8	-
Reimbursement of lump sums made on behalf of employers	10	(8)	-
Net financing		**79,649**	**54,848**
Net Increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**658**	**(4,949)**
Net Increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund		**658**	**(4,949)**
Cash and cash equivalents at the beginning of the year	13	**541**	**5,490**
Cash and cash equivalents at the end of the year	13	**1,199**	**541**

Notes 1 to 20 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Northern Ireland Civil Service Pension Scheme (the "Combined Schemes" or "Scheme") have been prepared in accordance with the relevant provisions of the 2022-23 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the *FReM* apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements. These financial statements show the unfunded pension liability and movements in that liability during the year.

In addition to the primary statements prepared under International Financial Reporting Standards, as adapted or interpreted for the public sector, the FReM also requires the Schemes to prepare an additional statement – a Statement of Outturn against Assembly Supply. This statement, and its supporting notes, show outturn against Estimate in terms of the net resource requirement and the net cash requirement.

1.1 NICS Pension Schemes

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. The Principal Civil Service Pension Scheme (NI) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme. Both schemes are operated by the Department of Finance on behalf of members who satisfy the membership criteria.

Contributions to the Schemes by employers are set at rates determined by the Schemes' Actuary and approved by DoF. Since April 2012 employee contributions have been set by a combination of Scheme Rules and government policy on increased employee contributions. The contributions partially fund payments made by the Schemes, the balance of funding being provided by the NI Assembly through the annual Supply Estimates process.

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

The financial statements also have regard to the recommendations of the Statement of Recommended Practice Financial Reports of Pension Schemes to the extent that these are appropriate, together with the Superannuation (Northern Ireland) Order 1972 and The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014.

1.2 Civil Service Compensation Scheme (NI) – agency arrangements

The Civil Service Compensation Scheme (NI) acts as an agent for employers in the calculation of lump sum compensation payments arising under the Scheme. The majority of payments are made directly by employers. The recurring compensation payments made on behalf of employers are generally recovered from employers on a monthly basis.

1.3 Civil Service Injury Benefit Scheme (NI) – agency arrangements

The Civil Service Injury Benefit Scheme (NI) acts as an agent for employers in the payment of permanent injury benefit payments arising under the Scheme. Injury benefit payments are generally recovered from employers on a monthly basis.

2. Statement of accounting policies

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

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Schemes for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Schemes' financial statements.

An assessment of new standards, interpretations and amendments to existing standards which have been issued but are either not yet effective considered that these standards are not applicable to the Scheme.

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Contributions receivable

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

Employees' contributions, which include amounts paid in respect of the purchase of added years/added pension but which exclude Additional Voluntary Contributions, are accounted for on an accruals basis. The increase in the pension liability associated with the purchase of added years/added pension is recognised as expenditure.

2.3 Transfers in and out

Transfers in and out are generally accounted for on a cash basis. However, where the Schemes have formally accepted or transferred a liability, for example in the case of a group transfer, transfers are accounted for on an accruals basis. Transfers in are simultaneously recognised as income and expenditure (i.e. the increase in the pension liability is accounted for at the same time as the associated income).

Any material transfers that have been agreed but not settled by the end of the financial year, or which are still under negotiation, are disclosed by way of a narrative note.

2.4 Other income

Other income, such as interest on transfer values and pension premiums recovered from employers in the event of early retirement, is accounted for on an accruals basis.

2.5 Current service cost

The current service cost is the increase in the present value of the pension liability arising from employee service in the current year. The cost is based on the discount rate applicable at 1 April 2022, based on the financial and demographic assumptions applying as at 31 March 2022. For this calculation pension increases are assumed to be in line with Consumer Price Index (CPI) for benefits accrued and are recognised in the Combined Statement of Comprehensive Net Expenditure.

2.6 Past service cost

The past service cost is the change in the present value of the pension liability relating to employee service in prior years arising in the current year as a result of the introduction of reductions or improvements to retirement benefits.

2.7 Pension financing cost

The pension financing cost is the increase during the year in the present value of the pension liability because the benefits are one year closer to settlement. The interest cost is based on the discount rate applicable at 31 March 2022, i.e. 1.55% and is recognised in the Combined Statement of Comprehensive Net Expenditure.

2.8 Other expenditure

Other expenditure is accounted for on an accruals basis.

2.9 Pension liability

Provision is made for liabilities to pay pensions and other benefits in the future. The pension liability is measured on an actuarial basis using the projected unit credit method, with allowance for expected future pay increases in respect of active members, and is discounted at the rate applicable at 31 March 2023 (based on the applicable PES rate at November 2022), being 1.7% real rate (i.e. 4.15% per cent including inflation (2021-22: (1.3%) per cent real rate (i.e. 1.55% per cent including inflation))).

Full actuarial valuations by a professionally qualified actuary are required at intervals not exceeding four years in accordance with the requirements of the Government Financial Reporting Manual (*FReM*). In the intervening years the actuary reviews the most recent actuarial valuation at the reporting date and updates it to reflect current conditions. The pension liability included in these financial statements has been calculated using membership data as at 31 March 2020 and demographic assumptions in line with those recommended for the 2020 funding valuation. Membership data has subsequently been rolled forward using cashflows as a proxy for membership movements through to 31 March 2023. These assumptions represent significant judgements on behalf of the scheme. Whilst this approach is

2.9 Pension liability (continued)

reasonable and provides an appropriate basis for IAS 19 valuation purposes in line with FReM requirements, it introduces some degree of uncertainy. It should therefore be recognised the results for the IAS 19 valuation at 31 March 2022 included in these financial statements may differ from those that would emerge following an actuarial valuaton based on full actual membership data at 31 March 2023.

2.10 Pension benefits payable

Pension benefits payable are accounted for as a decrease in the pension liability on an accruals basis. Pension benefits are treated as payable only from the time that the Schemes themselves have accepted liability.

2.11 Pension payments to those retiring at their normal retirement age

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

Where a retiring member has a choice over the allocation of benefits between the value of the lump sum and the annual pension, the transaction is accounted for on a cash basis.

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

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

2.13 Injury benefits

Injury benefits which are determined for the first time and become payable on or after 1 April 2006 are rechargeable to the employer unless the qualifying injury occurred prior to 1 April 1998.

2.14 Lump sums payable on death in service

Lump sum payments payable on death in service are accounted for on an accruals basis. They are funded through the normal pension contributions and are a charge on the pension provision.

2.15 Actuarial gains and losses

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

2.16 Additional voluntary contributions

Additional Voluntary Contributions (‘AVCs’) are deducted from employees’ salaries and are paid over directly by the employers to the approved AVC providers. The aggregate value of these AVC investments are disclosed in note 11.2 to the Scheme financial statements.

2.17 Compensation benefits payable

Compensation benefits payable are accounted for on an accruals basis.

2.18 Administration expenses

An element of the Accruing Superannuation Liability Charge, paid by employers, is appropriated in aid of the Department of Finance to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by the Schemes administrators and the publication of explanatory scheme material. Employers are responsible for the funding of the day to day administration of the NICS Pension Schemes and meet the associated costs from their running cost provision.

In 2022-23 an amount of £2,176k (2021-22 - £1,760k) was collected by NICS Pension Schemes from participating employers and remitted to the Department of Finance in respect of NICS Pension Schemes' administration expenses all of which are borne by the Department and participating employers of the Schemes.

2.19 Functional currency

The functional currency is Sterling and all figures have been rounded to the nearest thousand pounds.

2.20 Cash and cash equivalents

The cash balance is based on cash at bank adjusted for any outstanding payments and receipts that have yet to be processed through the financial statements.

2.21 Accounting standards, interpretations and amendments to published standards adopted during the year ended 31 March 2023

The Schemes have reviewed the accounting standards, interpretations and amendments to published standards that became effective during 2022-23 and which are relevant to its operations. The adoption of these standards has not had a significant impact on the financial position or results of the Schemes.

2.22 Accounting standards, interpretations and amendments to published standards not yet effective

The Schemes have reviewed the additional or revised accounting standards and new (or amendments to) interpretations that are due to come into effect in future years and concludes that these are not expected to have a significant impact on the Schemes going forward.

2.23 Going Concern

The Statement of Financial Position as at 31 March 2023 shows net liabilities of £10.901bn most of which represents pension liabilities falling due after one year. Schemes are supplied financed and draw their funding from the Consolidated Fund. Therefore there is no liquidity risk in respect of the liabilities due in future years. Contributions partially fund payments made by the Schemes, the balance of funding being provided by the NI Assembly through the annual Supply Estimates process (as referenced in Note 1.1). There is no reason to believe that the future approvals will not be forthcoming. It has accordingly

2.23 Going Concern (continued)

been considered appropriate to adopt a going concern basis for the preparation of the Scheme's financial statements for 2022-23.

3. Contributions receivable

	2022-23 £'000	2021-22 £'000
Employers	280,743	270,955
Employees:		
Normal	50,922	48,993
Purchase of added years/added pension/Expected Pension Age	1,004	1,019
	332,669	**320,967**

£345 million contributions are expected to be payable to the Scheme in 2023-24. The expected increase from 2022-23 is as a result of an assumed pay award.

4. Transfers-in (see also Note 7)

	2022-23 £'000	2021-22 £'000
Group transfers in from other schemes	-	11
Individual transfers in from other schemes	3,532	5,400
	3,532	**5,411**

5. Service cost (see also Note 15.4)

	2022-23 £'000	2021-22 £'000
Current service cost	710,647	623,464
	710,647	**623,464**

6. Enhancements (see also Note 15.4)

	2022-23 £'000	2021-22 £'000
Employees:		
Purchase of added years/added pension/Expected Pension Age	1,004	1,019
	1,004	**1,019**

7. Transfers in – additional liability (see also Notes 4 and 15.4)

	2022-23 £'000	2021-22 £'000
Group transfers in from other schemes	-	11
Individual transfers in from other schemes	3,532	5,400
	3,532	**5,411**

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the Combined Statement of Comprehensive Net Expenditure as expenditure, and as part of the movement in the pension liability during the year.

8. Injury benefits

	2022-23 £'000	2020-21 £'000
Injury benefits payable	3,557	3,398
Less: recoverable from employers	(3,557)	(3,398)
	-	**-**

Injury benefits which are determined for the first time and become payable on or after 1 April 2006 are rechargeable to the employer, unless the qualifying injury occurred prior to 1 April 1998.

9. Pension financing cost (see also Note 15.4)

	2022-23 £'000	2021-22 £'000
Net interest on defined benefit liability	302,881	222,113
	302,881	**222,113**

10. Compensation benefits payable

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

	2022-23 £'000	2021-22 £'000
Recoverable from employers (cash flow statement)	(46)	(358)
Total annual compensation payable	**(46)**	**(358)**
Lump sums payable recoverable from employers	(8)	-
Total lump sums payable	**(8)**	**-**

11. Additional Voluntary Contributions

11.1 The Northern Ireland Civil Service pension schemes provides for employees to make additional voluntary contributions (AVCs) to supplement their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to one of the approved providers. The Managers of the Northern Ireland Civil Service pension schemes are responsible only for ensuring that members' contributions are paid to the approved providers. These transactions are not recorded in the main Schemes' financial statements. Instead, they are recorded by way of a note to the Schemes' financial statements. Members participating in this arrangement each receive an annual statement made up to 5 April from the approved provider confirming the amounts held on their account and the movements in the year.

11.2 The aggregate amounts of AVC investments are as follows:

	2022-23 £'000	2021-22 £'000
Scottish Widows*		
Balance as at 6 April	4,633	4,633
Contributions received	-	-
Settlements	-	-
Changes in market value of investments	-	-
Balance as at 5 April	**4,633**	**4,633**

* At the date of approval of the financial statements, Scottish Widows were unable to provide an update on member AVC investments due to recent changes in their reporting systems. AVC investments as at 31 March 2022 and 31 March 2023 have therefore been recognised consistent with the last annual statement values provided by Scottish Widows as at 31 March 2021 of £4,633k.

	2022-23 £'000	2021-22 £'000
Utmost		
Balance as at 6 April	578	594
Contributions received	7	8
Retirement benefits for 2022-23	-	(5)
Leavers (transfers and withdrawals)	(17)	(33)
Refunds	(4)	(4)
Changes in market value of investments	(23)	18
Balance as at 5 April	**541**	**578**

11.2 The aggregate amounts of AVC investments are as follows: *(continued)*

	2022-23 £'000	2021-22 £'000
Standard Life		
Balance as at 6 April	2,347	2,324
Contributions received and transfers in	113	99
Expenditure and transfers out	(53)	(76)
Changes in market value of investments	(28)	-
Balance as at 5 April	**2,379**	**2,347**

12. Receivables – contributions due in respect of pensions

Analysis by type	2022-23 £'000	2021-22 £'000
Amounts falling due within one year:		
Pension contributions due from employers	23,436	21,480
Employees' normal contributions	4,219	3,866
Contributions for employees' added years/added pension	76	72
Group transfers	194	194
Overpaid pensions	1,780	591
Provision for doubtful debts	(1,200)	(116)
Balance at 31 March	**28,505**	**26,087**

There are no amounts due after more than one year as at 31 March 2023 or 31 March 2022.

13. Cash and cash equivalents

	2022-23 £'000	2021-22 £'000
Balance at 1 April	541	5,490
Net change in cash balances	658	(4,949)
Balance at 31 March	**1,199**	**541**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	1,199	541
Balance at 31 March	**1,199**	**541**

14. Payables – in respect of pensions

Analysis by type	2022-23 £'000	2021-22 £'000
Amounts falling due within one year		
Pensions	154	327
Other payables	5,627	4,740
Transfers out	2,150	2,150
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,199	541
Balance at 31 March	**9,130**	**7,758**

There are no amounts payable after more than one year as at 31 March 2023 or 31 March 2022.

15. Pension liability

15.1 Assumptions underpinning the provision for pension liability

The alpha scheme is an unfunded, defined-benefit, career average revalued earnings (CARE) occupational pension scheme. The Principal Civil Service Pension Scheme (NI) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme. The Government Actuary's Department carried out an assessment of the schemes liabilities as at 31 March 2023. The Report of the Actuary on pages 19 to 23 sets out the scope, methodology and results of the work the Actuary has carried out. Further details regarding the IAS 19 valuation at 31 March 2023 are included in note 2.9.

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

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

15.1 Assumptions underpinning the provision for pension liability *(continued)*

The key financial assumptions used by the Actuary were:

	At 31 March 2023	At 31 March 2022	At 31 March 2021	At 31 March 2020	At 31 March 2019
Rate of increase in salaries	3.65%	4.15%	3.72%	4.10%	4.10%
Rate of increase in pensions in payment and deferred pensions	2.40%	2.90%	2.22%	2.35%	2.60%
Inflation assumption					
Nominal discount rate	4.15%	1.55%	1.25%	1.80%	2.90%
Rate of return in excess of:					
Pension increases (CPI)	1.70%	(1.30%)	(0.95%)	(0.50%)	0.29%
Earnings increases	0.50%	(2.50%)	(2.38%)	(2.20%)	(1.15%)
Mortality rates at age 60 (in years)					
Current retirements: Females	27.2	28.2	28.1	28.0	28.8
Males	26.0	26.5	26.4	26.3	27.1
Retirements in 20 years' time: Females	29.0	29.9	29.8	29.7	30.7
Males	27.9	28.3	28.2	28.1	29.1

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

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

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

15.2 Analysis of the provision for pension liability

Categories	**At 31 March 2023 £bn**	**At 31 March 2022 £bn**	**At 31 March 2021 £bn**	**At 31 March 2020 £bn**	**At 31 March 2019 £bn**
Pensions in Payment	4.86	6.44	6.39	5.27	4.94
Deferred Pensions	0.61	1.08	0.98	0.99	0.85
Active Members (Past Service)	5.46	11.86	10.28	9.49	7.53
Total	**10.92***	**19.39***	**17.65**	**15.75**	**13.32**

(* rounding difference)

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 Schemes' liability, the Actuary must estimate the impact of several inherently uncertain variables far into the future. The variables include not only the key financial assumptions noted above, but also assumptions about the changes that will occur in the future in the mortality rate, the age of retirement and the age from which a pension becomes payable. Mortality rates are based on relevant actuarial mortality tables.

15.3 Sensitivity analysis

The value of the liability included in the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Managers of the Schemes accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in pension liability charged or credited for the year resulting from changes in assumptions is disclosed in note 15.7. The note also discloses 'experience' gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

The actual liability will differ from the figures quoted to the extent that the underlying assumptions are not borne out in practice, and (if applicable) to the extent that the data provided proves to be inaccurate.

The key financial assumptions are the rate of return net of price inflation and the rate of return net of salary inflation. The key demographic assumption is members' longevity.

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty GAD have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2023 of changes to the most significant actuarial assumptions.
The most significant financial assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

The table below shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest 0.5%).

15.3 Sensitivity analysis *(continued)*

Sensitivity to significant assumptions

Change in assumption		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5% p.a.	-8.0%	- £0.9 billion
(ii) (long-term) earnings increase*:	+0.5% p.a.	+1.0%	+ £0.1 billion
(iii) pension increases*:	+0.5% p.a.	+7.0%	+ £0.8 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+3.0%	+ £0.3 billion

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

15.4 Analysis of movements in the pension liability

	Note	2022-23 £'000	2021-22 £'000
Pension liability at 1 April		19,386,000	17,646,449
Current service cost	5	710,647	623,464
Pension financing cost	9	302,881	222,113
Enhancements	6	1,004	1,019
Pension transfers in	7	3,532	5,411
Benefits payable	15.5	(410,041)	(379,709)
Pension payments to and on account of leavers	15.6	(3,617)	(4,181)
Actuarial (gain)/loss	15.7	(9,068,532)	1,271,434
Pension liability at 31 March		**10,921,874**	**19,386,000**

During the year ended 31 March 2023, employer contributions represented an average of 29.9% (2021-22: 29.8%) of pensionable pay.

15.5 Analysis of benefits paid

	2022-23 £'000	2021-22 £'000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	335,146	317,303
Commutations and lump sum benefits on retirement	74,895	62,406
Total benefits paid	**410,041**	**379,709**

15.6 Analysis of payments to and on account of leavers

	2022-23 £'000	2021-22 £'000
Refunds to members leaving service	1,947	1,473
Group transfers to other schemes	-	140
Individual transfers to other schemes	1,670	2,568
Total payments to and on account of leavers	**3,617**	**4,181**

15.7 Analysis of actuarial gain/(loss)

	2022-23 £'000	2021-22 £'000
Experience (loss)/gain arising on the pension liability	(238,579)	70,527
Changes in assumptions underlying the present value of pension liability	9,307,111	(1,341,961)
Total actuarial gain/(loss)	**9,068,532**	**(1,271,434)**

The actuarial gain in 2022-23 is primarily due to the increase in the discount rate and, to a lesser extent, a reduction in expectations for future indexation (CPI inflation) and long-term pay increases.

15.8 History of experience gains/(losses)

	2022-23 £'000	2021-22 £'000	2020-21 £'000	2019-20 £'000	2018-19 £'000
Experience gains/(losses) on pension liability:					
Amount (£000)	(238,579)	70,527	(41,887)	233,771	140,000
Percentage of the present value of the pension liability	(2.2%)	0.40%	(0.30%)	1.50%	1.10%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	9,068,532	(1,271,434)	(1,458,750)	(1,954,883)	695,109
Percentage of the present value of the pension liability	83.0%	(6.50%)	(8.30%)	(12.40%)	5.30%

(Rounding adjustments have been made in prior year figures)

16. Receivables – Non-supply

	2022-23 £'000	2021-23 £'000
Recoverable annual compensation payments	251	420
Recoverable lump sums	25	26
	276	**446**

17. Financial instruments

As the cash requirements of the Northern Ireland Civil Service pensions 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.

18. Contingent Liabilities disclosed under IAS 37

McCloud

In December 2018, the Court of Appeal ruled that transitional protection provisions contained in the reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. In June 2019, the Supreme Court refused permission for any further appeal of that ruling and the judicial and firefighter cases in question were remitted to the Employment Tribunal to determine a remedy to members who suffered discrimination. In July 2019, the Westminster Government confirmed that, as transitional protection was offered to members of all main public service pension schemes, the government intends to address the difference in treatment across all schemes.

The reformed public service schemes in Northern Ireland, including the Schemes, incorporate similar age-based transitional protections. The Department of Finance ran a consultation from 19 August 2020 to 18 November 2020 consulting on proposals to (i) remove discrimination in unfunded public service schemes made under the Public Service Pensions Act (Northern Ireland) 2014 for the future; and (ii) remedy the effect of any discrimination scheme members may have incurred since April 2015. The Department of Finance issued its consultation response on 25 February 2021 which outlined the intention to proceed with the deferred choice underpin. This approach means all eligible members will receive a choice at the point of retirement whether to take legacy or reformed scheme benefits for the period between 1 April 2015 and 31March 2022, known as the remedy period. All public servants who continue in service from 1April 2022 onwards do so as members of their respective reformed scheme.

These proposals have been developed at the Collective Consultation Working Group, which is the recognised forum for consultation on pension policy for devolved schemes and where both public service employers and employees are represented.

Legislation to close the legacy 1995 and 2008 Sections of the Schemes to future accrual and to move all active members in to the 2015 Pension Scheme from 1 April 2022 is now in place. Work is progressing on the legislative steps required to implement the remedy moving forward with the Department of Finance consultation on the retrospective part of the McCloud Remedy closing on 2 June 2023.

Past service costs were included in the 2018-19 and 2019-20 accounts and subsequently the 2020-21 and 2021-22 service costs to make allowance for the higher expected cost of accrual under McCloud. The service cost for 2022-23 is calculated based on the expectation that all members are in the 2015 scheme from 1 April 2022.

GMP Equalisation

The High Court in England ruled on 26 October 2018 that all Guaranteed Minimum Pension (GMP) benefits in UK pension plans must be equalised for males and females. The outcome of this judgement will affect all UK defined benefit schemes, including public sector pension schemes such as the Schemes, which had been contracted out of the State pension arrangements resulting in members of the scheme having a GMP.

On 20 November 2020, the High Court in England ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990 to check if any additional value is due because of GMP equalisation. While this judgment addresses another unknown for schemes looking to implement GMP equalisation, it will also add to the work required to complete such exercises. The most pressing consideration is to understand the potential scale of any impact and to consider the implications.

For public service pension schemes, including the Schemes, it is expected that this ruling will be taken forward on a cross-scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETV were equalised. The scope of any costs are yet to be determined.

Other Cases

There are also a number of other legal cases lodged against public sector schemes which may have implications for the Scheme. Given the nature of these cases and current status of proceedings, it is not possible to quantify the potential financial impact on the Schemes at this time.

AVCs

In the unlikely event of a default by one of the approved AVC providers, the Department will guarantee pension payments. This guarantee does not apply to members who make payments to institutions offering Free Standing AVCs.

There were no other contingent liabilities during 2022-23.

19. Related-party transactions

The Schemes and the Compensation and Injury Benefit Schemes fall within the ambit of the Department of Finance, which is regarded as a related party with which the Schemes have had various material transactions during the year.

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

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

20. Events after reporting period

There were no events that require amendment to these financial statements after the reporting period.

Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 3 July 2023.

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