Cabinet Office

Cabinet Office: Civil Superannuation Annual Report and Accounts 2022-23

HC 366

Cabinet Office

Civil Superannuation Annual Report and Accounts 2022-23

For the period 1 April 2022 to 31 March 2023

Presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 19 December 2023

HC 366

This publication is available at https://www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at publiccorrespondence@cabinetoffice.gov.uk

ISBN 978-1-5286-4552-2
E03017012 12/23

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Page

Accountability Report

Corporate Governance Report

Parliamentary Accountability and Audit Report

Financial Statements

Accountability Report

Corporate Governance Report

1. Report of the Manager

Introduction

1.1 This report provides key information on the Civil Service pension arrangements, comprising the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Others Pension Scheme, including ongoing developments and other information for members. Both are unfunded, defined benefit, contributory, public service occupational pension schemes. In this document, the term ‘Scheme’ covers both arrangements.

Main features of the Scheme

Principal Civil Service Pension Scheme (PCSPS)

1.2 The PCSPS was originally set up under the Superannuation Act 1972. It comprises four pension arrangements known as Classic, Classic Plus, Premium and Nuvos. These arrangements closed to new members from 1 April 2015, and closed for all future accrual from 1 April 2022.

1.3 Before 30 July 2007, anyone employed in an organisation covered by the PCSPS was eligible to participate in one of the final salary arrangements (Classic, Classic Plus and Premium), though from 1 October 2002, new entrants were generally only able to join Premium. All had a normal pension age of 60.

1.4 From 30 July 2007, new joiners were offered membership of Nuvos, a career average pension with a normal pension age of 65. A summary of the way benefits are accrued in these arrangements is set out below.

Arrangement	Open From – To	Accrual Rate
Classic	1 June 1972 – 30 September 2002	1/80th of final salary, plus lump sum of 3/80ths of final salary
Classic Plus	1 October 2002 (existing members only, never open to new members)	1/80th of final salary, plus lump sum of 3/80ths of final salary (service to 30 September 2002) 1/60th of final salary (service from 1 October 2002)
Premium	1 October 2002 – 29 July 2007	1/60th of final salary
Nuvos	30 July 2007 – 31 March 2015	2.3% of each year’s pensionable earnings, with the total amount adjusted in line with Orders made under the Pensions (Increase) Act 1971

1.5 Retirement and other pension benefits are set out in rules made under the Superannuation Act 1972 and regulations made under the Public Service Pensions Act 2013.

1.6 Pensions in payment are increased in accordance with the Pensions (Increase) Act 1971 and the Social Security Pensions Act 1975, with annual increases being determined by the prevailing Pensions (Increase) Order. The increase is applied on the first Monday after 6 April each year. Since 2011, the increase has been based on the change in the Consumer Prices Index (CPI) in the 12 months to the end of the preceding September. As CPI at September 2021 was 3.1%, there was a 3.1% increase to pensions in April 2022.

1.7 Lump sum retirement benefits are payable automatically in Classic and also in Classic Plus (in respect of service up to 30 September 2002) and optional in other sections in return for commutation of pension at the rate of £12 of lump sum for every £1 of pension given up.

1.8 Members of the PCSPS who leave service before the normal pension age are given a deferred award, provided they have at least two years’ service (or have previously transferred in benefits from another pension arrangement). Deferred awards for deferred pensions are up-rated annually in line with the provisions of the Pensions (Increase) Act 1971. Deferred members may also transfer their Scheme benefits to certain other pension arrangements.

1.9 From the minimum pension age, which is 50 for those whose service began before 6 April 2006 and 55 for all others, members may bring their pension into payment before their normal pension age. An actuarial reduction is applied to early payments to reflect the fact that it will be in payment for a longer period of time. The minimum pension age for members in the Civil Servants and Others Pension Scheme will increase in line with the state pension age on 6 April 2028 to age 57.

1.10 From 1 April 2015, most PCSPS members were switched to the new Civil Servants and Others Pension Scheme, also known as Alpha. Those who were previously members of Classic, Classic Plus or Premium retained a final salary link in Alpha, i.e. their PCSPS service counted towards a pension in the PCSPS but is based on their final salary when they leave Alpha. Following the legal challenge discussed below, the PCSPS closed to future service accrual on 31 March 2022. Most members who were in service on 31 March 2012 and also have service after 31 March 2014 (without a break of more than five years) are impacted by the judgement. Further details are also provided from paragraph 1.60.

1.11 Some PCSPS 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 normal pension age on 1 April 2012 were generally allowed to remain in the PCSPS until they leave employment covered by the Scheme. Those who were between 10 and 13.5 years from their PCSPS 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. There was a successful legal challenge against the transitional protection, which was found to be discriminatory on the grounds of age, and all final salary arrangements closed to future accrual on 31 March 2022. All remaining members in service were moved to Alpha on 1 April 2022 for future pensions accrual. Further details are provided from paragraph 1.60.

Civil Servants and Others Pension Scheme (Alpha)

1.12 Alpha was introduced on 1 April 2015 under regulations set out in the Public Service Pensions Act 2013.

1.13 New entrants to the Civil Service from 1 April 2015 join the Alpha scheme. Existing members of PCSPS were switched to Alpha from 1 April 2015 unless they had transitional protection (see paragraph 1.11).

1.14 Alpha is a career average earnings scheme with an accrual rate of 2.32% of each year’s pensionable earnings. The total amount accrued is adjusted annually in line with a rate set by His Majesty’s Treasury (HMT) (currently linked to annual movements in the CPI).

1.15 Members may commute some of their pension into a lump sum at the rate of £12 of lump sum for every £1 of pension given up.

1.16 Alpha’s normal pension age is the greater of the member’s state pension age or 65.

Other pension arrangements

1.17 Money purchase pensions known as ‘partnership’ are available as an alternative for employees who joined on or after 1 October 2002. They are delivered through employer-sponsored stakeholder pensions from a choice of pension providers. Money invested in the stakeholder pension option is not under the control of the Cabinet Office and is not shown in these statements. Employer contributions will be shown in the relevant individual employer accounts.

1.18 The employer makes an age-related contribution, and also matches the first 3% of any contribution the member makes. The employer also makes a small contribution to the Civil Superannuation Vote to provide for death in service and ill-health retirement lump sum benefits.

Other benefits

1.19 All sections of the Scheme have provision for death and medical retirement benefits.

1.20 Anyone entitled to be covered by the Scheme is also covered by the Civil Service Injury Benefits Scheme (CSIBS), which provides compensation in the event of someone sustaining an injury at work (or directly related to their work) resulting in a loss of earnings or loss of earning capacity. The CSIBS is a scheme made under the Superannuation Act 1972. CSIBS benefits are paid from the Civil Superannuation Vote initially, with the relevant employer later reimbursing the Vote.

Eligibility to join the Scheme and the New Fair Deal

1.21 Normally, anyone employed in a public sector organisation covered by the Scheme can participate in the Scheme.

1.22 The New Fair Deal is a non-statutory policy that deals with staff who are compulsorily transferred from the public sector to independent providers delivering public services.

1.23 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.

Funding

1.24 PCSPS and Alpha are unfunded schemes and the cash required to meet the payment of pension benefits is paid from public funds provided by Parliament. Members contribute on a 'pay-as-you-go' basis. These contributions (and those made by employers) are credited to the Exchequer under arrangements governed by the aforementioned Acts.

1.25 The contributions due from employers and employees to fund future service liabilities are set by the Actuary at the four-yearly Scheme valuation. The valuation as at 31 March 2020 is now complete and more detailed information is provided in paragraph 1.55.

1.26 Member contribution rates for 2022-23 are set out in the table below and discussed further in the Report of the Actuary.

Annualised rate of pensionable earnings	Member contribution rate (%)
£0 to £23,100	4.60
£23,101 to £56,000	5.45
£56,001 to £150,000	7.35
£150,001 and above	8.05

Management of the Scheme

1.27 Under the Public Service Pensions Act 2013, the Minister for the Civil Service (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the Minister for the Cabinet Office, and the Permanent Secretary for the Cabinet Office. The Permanent Secretary is also the Accounting Officer of the Scheme.

1.28 Civil Service Pensions, based in the Cabinet Office, has operational responsibility for the management of the Scheme. Day-to-day administration is mainly carried out by MyCSP Ltd under a contract with the Cabinet Office. Other key responsibilities sit with employers. These relationships are discussed in more detail below.

Cabinet Office

1.29 The Cabinet Office retains direct management of:

- policy development and maintenance of Scheme rules;
- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman;
- admission of employers to the Scheme;
- ensuring appropriate audit programmes and risk management frameworks are in place;
- certain discretionary decisions on behalf of the Minister for the Civil Service;
- scheme finances, including the production of the Annual Report and Accounts; and
- other miscellaneous activities which arise from time to time.

Cabinet Office and MyCSP

1.30 The Cabinet Office oversees the delivery of Scheme administration by MyCSP through a formal contract that came into force in May 2012.

1.31 Under the contract, MyCSP is responsible for, but not limited to:

- providing administration for active, deferred and pensioner Scheme members, including paying pensions;
- maintaining accurate and secure records and a proper audit trail of all transactions;
- investigating and responding to complaints made by Scheme members, including any made under the first stage of the internal dispute resolution procedures;
- maintaining and enhancing Scheme communications, including the Scheme website;
- initially pursuing and reclaiming any overpayments of benefits;
- handling transfers in and out of the Scheme;
- calculating and paying annual pension increases;
- deducting and paying over tax to His Majesty's Revenue and Customs (HMRC);
- operating a payroll bank account; and
- producing financial and management reports.

Cabinet Office and Scheme employers

1.32 The Cabinet Office has in place participation agreements with all public sector employers and admission agreements with private sector (New Fair Deal) employers that have active members in the Scheme. Employers are responsible for:

- maintaining accurate and up-to-date pay and service records and providing these to MyCSP;
- informing new staff of their options for joining pension arrangements;
- keeping employees informed of pension issues; and
- paying the correct employers' and employees' pension contributions to the Cabinet Office.

Employers who participate in the Scheme are made up of publicly funded bodies who are part of the Civil Service, bodies listed in Schedule 1 to the Superannuation Act 1972 and 'New Fair Deal' employers.

Civil Service Compensation Scheme (CSCS)

1.33 The Civil Service Compensation Scheme (CSCS) is a scheme made under the Superannuation Act 1972, providing compensation for the termination of employment in certain circumstances. Employers make cash exit payments direct to employees. If an exit involves a member receiving an unreduced pension before their normal pension age, the employer will reimburse the Civil Superannuation Vote for the cost of early payment of the pension.

1.34 MyCSP, under contract to the Cabinet Office, acts as an agent for employers in the calculation of compensation benefits arising under the CSCS. Employers pay cash exit payments to members. These cash flows are not brought to account in these financial statements, but details of the amounts paid are disclosed in Note 13 of the financial statements.

1.35 All exit schemes under the CSCS are approved by the Cabinet Office. The Government published a consultation document in 2017 in order to gather views from interested parties on proposed amendments to the CSCS. On 15 August 2022, the Government published a supplementary consultation to provide commentary on the consultation to date and set out the Government's proposals in the current economic context, building on the consultation document published in 2017. The Government continues to consult with representative trade unions on making reforms to the CSCS and until new CSCS terms are finalised exit schemes will be on 2010 CSCS terms. The Scheme Manager will provide a minimum of three months' notice to employers in advance of new CSCS exit terms coming into effect.

Other payments

1.36 The Civil Superannuation Vote also funds the other pension schemes, which are brought to account in these financial statements; however, they are managed under separate arrangements. These schemes use the Principal Civil Service Pension Scheme (PCSPS) rules as a basis for their own arrangements, established under the Civil Service (Other Crown Servants) Pension Scheme Regulations 2016 (the '2016 Regulations').

1.37 The Vote also covers a small number of other pension-related payments, which are detailed in Note 14 of the financial statements. The amounts paid are not material.

Governance

1.38 The governance arrangements for the Scheme are detailed in the accompanying Governance Statement on pages 23 to 30. The Annual Report and Accounts of the Cabinet Office fulfil sustainability and whistleblowing requirements set out in the Government Financial Reporting Manual (FReM)

Whistleblowing and sustainability

1.39 The Annual Report and Accounts of the Cabinet Office include a sustainability report and sets out the whistleblowing policy as required by the Government Financial Reporting Manual (FReM).

Scheme data

Membership statistics

1.40 The Scheme has 326 employers (2022: 327): 202 public sector organisations (departments, non-departmental public bodies and government agencies) (2022: 203) and 124 private sector employers (2022: 124).

1.41 Membership reporting by entitlement is set out in the table on the next page. Reporting by entitlement means that some individuals may be recorded twice in the membership numbers if they have an entitlement in more than one pension scheme arrangement. The membership numbers include an adjustment for late notifications due to timing differences between the receipt of information from employers and the publication of the financial statements.

Active members	
At 1 April 2022	560,487
Adjustment for late notifications	(47)
	560,440
New members and re-joiners	131,994
Retirements	(14,348)
Deferreds	(21,500)
Transfers out	(1,077)
Refunds	(6,185)
Suspended*	(16,313)
Deaths	(879)
Other leavers from active status**	(59,709)
At 31 March 2023	**572,423**
Deferred pensioners	
At 1 April 2022	355,044
Adjustment for late notifications	(375)
	354,669
New deferred pensioners	20,124
Retirements	(13,086)
Partial retirements (from dual to single status)	(1,316)
Deaths	(467)
Transfers out	(366)
No benefits due***	(1,317)
Deferred cases being processed	4,136
Updated records and other cessations	(2,078)
At 31 March 2023	**360,299**
Pensioners	
At 1 April 2022	712,756
Retirements	25,921
New dependants	7,605
Deaths and other cessations	(26,144)
At 31 March 2023	**720,138**
Grand total	**1,652,860**

As at 31 March 2023, there are 4,975 (2022: 4,151) dual status pensioners (deferred members with part benefits in payment). Active membership is based on information provided by employers via interface files and deferred and pensioner membership is recorded by the Administrator. Unreconciled differences between categories are due to timing differences.

*Members who have left the Scheme within two years of service and are entitled to a choice of benefit are moved to suspended status while they make a decision on either a refund or a transfer.

**Includes those opting out, joining partnership without deferred benefits, leaving with less than three months' service and cases reverted to active.

***Members who re-join the Scheme and have their records aggregated.

Financial review

Resource outturn

1.42 Net expenditure in 2022-23 was £15.0 billion (2021-22: £11.6 billion). The increase was caused largely by an increase in the service cost to £15.4 billion (2021-22: £12.9 billion), partly offset by a decrease in the pension financing cost by £5.4 million, 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.

1.43 The Scheme outturn was £1.4 billion lower than voted funds of £16.5 billion due to the pension financing cost being lower than forecast by £18 million, the service costs of the Scheme being lower than forecast by £1.3 billion, and contributions and other income received was £66 million lower than originally forecast.

Net cash requirement

1.44 The net cash requirement in 2022-23 was £846.9 million (2021-22: £774.2 million), which was £132.5 million less than the voted amount of £979.4 billion.

1.45 This variance was caused by an over-projection of the cash required in the January 2023 supplementary estimates. Payments of pension benefits and to leavers were slightly lower than expected.

Trend analysis

1.46 The table below represents a five-year summary of the movements in the Scheme's outturn analysed by budget type.

Type of spend	2022-23 Outturn £bn	2021-22 Outturn £bn	2020-21 Outturn £bn	2019-20 Outturn £bn	2018-19 Outturn £bn
Net expenditure	15.0	11.6	10.5	9.5	13.1
Net cash	0.8	0.8	1.1	1.2	2.1

1.47 Net expenditure has fluctuated over the last few years, caused by the legal ruling on transitional protection. The increase in expenditure in 2018-19 was due to a past service cost of £3.7 billion in respect of the ruling, and in 2019-20 a negative past service cost of £1.2 billion was included following a change in the approach of the calculations. The increase in net expenditure for 2022-23 is predominantly down to the increase in the current service cost, following increases in the pensionable payroll and reduction in the discount rate. Net cash has decreased over the last five years following the increase in employer contribution rate from 21.1% to 27.0% and the increase in active membership.

1.48 The current service charge rate has changed annually since 2018-19. This has led to significant changes in current service costs and net expenditure. The current service costs are based on the contributions received; movement can be seen in the following table:

	2022-23 £bn	2021-22 £bn	2020-21 £bn	2019-20 £bn	2018-19 £bn
Current service cost	15.4	12.9	10.5	7.6	6.9
Contributions received	6.3	5.9	5.5	5.1	3.9
	%	**%**	**%**	**%**	**%**
Current service cost rate	79.9	71.8	64.0	48.5	47.4

1.49 The main estimate for 2023-24 is in line with outturn for 2022-23 and shown in the table below.

	2023-24 Main estimate £bn	2022-23 Outturn £bn
Net resource requirement	10.0	15.0
Net cash	1.0	0.8

Work on the 2015 Remedy Programme will progress for the next two years, and the provision may be adjusted to reflect the outcome. The 2015 Remedy Programme is the programme of work that focuses on the remedy to remove the inherent discrimination caused by transitional protection (further discussed from paragraph 1.60). Where required, those members affected by the decision will be reimbursed leading to an increase in future cash requirements.

Scheme liability of the Principal Scheme

1.50 At 31 March 2023, the total liability for future pension benefits in the Principal Scheme was £201.2 billion, compared with £342.1 billion at 31 March 2022.

1.51 The change of £140.9 billion is the net impact of the current service cost and pension financing cost, which have increased the liability, less the benefits payable and changes in financial and demographic assumptions, which have decreased it. The biggest driver of the decrease in the liability is the increase in the nominal discount rate from 1.55% to 4.15%, coupled with decreases in the assumed rate of pension increases and general pay increases.

1.52 The changes in the actuarial assumptions also include an actuarial loss of £16 billion driven by lower than assumed pensionable pay increases and the provision of new member data, which increases the present value of the Scheme’s liabilities. Further details are given in the Report of the Actuary on page 17 and in Note 19 of the financial statements.

Administration charges

1.53 The cost of administering the Civil Service pension arrangements incurred by the Cabinet Office during 2022-23 was £34.6 million (2021-22: £34.9 million), and is met from a ‘levy’ on pensionable pay, which is paid as part of the monthly employer pension contributions. This can be broken down as follows:

Central management and overheads	£4.2m
Third-party costs	£30.4m
Total	£34.6m

Key developments

Amendments to pension regulations

1.54 There were no amendments to the Public Service (Civil Servants and Others) Pensions Regulations 2014 during the year.

Actuarial valuation and the cost cap

1.55 Actuarial valuation reports set out the rate of employer contributions required to meet the cost of scheme benefits, calculated in accordance with valuation Directions made by HM Treasury. The balance of funding required to meet Scheme benefits is provided by Parliament.

1.56 A full actuarial (funding) valuation is undertaken every four years and its purpose is to assess the liability in respect of the benefits due under the Scheme (taking into account recent demographic experience), and to recommend contribution rates payable by the employer.

1.57 The Government legislated in section 12 of the Public Service Pensions Act 2013 for a ‘cost control mechanism’, which would operate symmetrically, so that if valuations showed that costs had risen or fallen outside of a target rate, steps would have to be taken to bring them back to target. The cost cap mechanism for the 2020 valuation only applies to the reformed Alpha scheme and has an increased cost cap corridor of +/-3% and includes 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 considered.

1.58 The latest actuarial valuation undertaken for the Scheme was completed in September 2023 as at 31 March 2020. The employer contribution rates will increase to 28.7% of pensionable pay for three years and will take effect from 1 April 2024. The core cost cap cost of the Scheme lies outside the 3% cost cap corridor, However, when the wider economic situation is taken into account through the economic cost cap of the Scheme, the cost cap corridor is not similarly breached.

Changes in benefits

1.59 In accordance with scheme regulations, eligible pensions which have been in payment for a year were increased by 3.1% from 11 April 2022 in line with the September 2020 to September 2021 increase in the CPI.

Challenge against transitional protection provisions

1.60 When public service pension reforms were introduced in 2015, there were transitional protection provisions which permitted members close to their normal pension age to continue accruing pension in their existing schemes (the PCSPS in the case of civil servants).

1.61 Some public service pension scheme members successfully made claims to employment tribunals, stating that these provisions amount to unlawful discrimination on the grounds of age, race and sex. The Government appealed this decision, and the Court of Appeal ruled on 20 December 2018 that the transitional protection arrangements were discriminatory on the basis of age.

1.62 On 15 July 2019, HMT confirmed that – as ‘transitional protection’ was offered to members of all the main public service pension schemes as part of the 2015 pension reforms – the difference in treatment will need to be remedied across all those schemes. This includes the Civil Service pension arrangements.

1.63 The PCSPS was closed to future service accrual on 31 March 2022 following the passing of the Public Service Pensions and Judicial Offices Act 2022. A subsequent statutory instrument, the Public Service (Civil Servants and Others) Pensions (Amendment) Regulations 2022, moved all remaining active members in the PCSPS into Alpha from 1 April 2022. This ended the ongoing discrimination identified in the McCloud judgement.

1.64 Under the Public Service Pensions and Judicial Offices Act, schemes will need to calculate members’ benefits under both PCSPS and Alpha rules and offer affected members a choice of PCSPS or Alpha benefits for the Remedy period (2015-22) via a Deferred Choice Underpin (DCU).

1.65 For members yet to take benefits, they will get this choice at retirement, providing it is after 1 October 2023. For those members who have already taken benefits, schemes will have 18 months from 1 October 2023 to provide them with a choice. A member who, for the Remedy period, chooses alternative scheme benefits to the one in payment, will have these backdated to the date which the original benefits were taken and any arrears settled.

1.66 A public consultation on the regulations needed for the implementation of the Remedy ran from 6 March to 14 May 2023, and the legislation came into effect on 1 October 2023.

Challenge to the inclusion of 2015 Remedy costs within the cost control mechanism

1.67 In December 2021, six unions filed for a joint judicial review against the Government on the inclusion of the Remedy costs within the 2016 cost control mechanism (detailed in paragraphs 1.55 to 1.58). The risk to the 2015 Remedy Programme is that if the Government loses the judicial review and is directed to remove the remedy costs from the 2016 cost control mechanism, additional work may be required to recalculate member entitlements and update member records. On 10 March 2023, the judge dismissed all elements of the application, meaning no changes were required, and permission to appeal at the High Court was refused. The claimants filed for appeal at the Court of Appeal, and this was granted with a hearing set for February 2024. Further information on the planned programme of work known as the 2015 Remedy Programme is provided on page 29.

Legal challenges

1.68 In addition to the challenge on transitional protection, a number of other challenges have been brought against the Scheme and other public sector schemes in recent years concerning survivor benefits. These cases and their impacts have been considered for 2022-23 and have been found to be immaterial to the financial statements.

Looking forward

1.69 It remains our long-term vision to transform the Civil Service pension arrangements into the best managed and administered scheme in the UK public sector. A programme was set up to deliver an administration model that will meet our aims and objectives.

1.70 The Cabinet Office ran a procurement exercise during 2023 for the contract to administer the Scheme and following a robust and open process Capita Business Services Ltd was awarded the contract in November 2023 to come into effect in December 2025 for seven years, with an option to extend the contract by a further period of up to three years. There will now be a period of up to two years to transition to the new administration solution.

Statement on the disclosure of relevant audit information

1.71 The accompanying financial statements have been prepared on a statutory basis in accordance with the requirements of HMT and are designed to comply with generic Accounts Directions issued to departments by HMT under section 5(2) of the Government Resources and Accounts Act 2000.

1.72 The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination, and whose opinion is expressed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons. During the reporting year, no payment was made to the auditors for non-audit work (2021-22: £nil). The notional cost for the audit of these financial statements in 2022-23 was £176,500 (2021-22: £160,000) and is recognised in the Cabinet Office departmental account.

1.73 I confirm that, so far as I am aware, there is no relevant audit information of which the auditors are unaware, that the financial statements as a whole are fair, balanced and understandable. I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.

Events after the reporting period

1.74 In December 2021, six unions filed for a joint judicial review against the Government on the inclusion of the Remedy costs within the 2016 cost control mechanism (detailed in paragraphs 1.55 to 1.58). On 10 March 2023, the judge dismissed all elements of the application, meaning no changes were required, and permission to appeal at the High Court was refused. The claimants filed for appeal at the Court of Appeal, and this was granted with a hearing set for February 2024. The outcome of this appeal will become known in due course.

1.75 There have been no other material events between the Statement of Financial Position date and the date that the financial statements were authorised for issue.

1.76 The Accounting Officer of the Scheme has authorised these financial statements to be issued on the same date as the Comptroller and Auditor General's certificate.

Additional information for members

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

1.77 The CSAVCS is a statutory scheme that allows Scheme members to increase their benefits by contributing to defined contribution arrangements. Further details on this are provided in Note 15 to the financial statements.

1.78 Members who choose to contribute to the CSAVCS build up a personal fund. The options offered to them at retirement depend on what the individual provider permits, and it may be necessary for members to transfer to alternative arrangements with the same provider or to another provider to access all types of flexibility.

1.79 The current CSAVCS is administered by Legal & General as part of the WorkSave Mastertrust, with historic arrangements held with Utmost Life, Scottish Widows and Standard Life Assurance. Civil Service Pensions continues to exercise its duty of care towards members by monitoring the CSAVCS providers and working with the Government Actuary's Department.

Managers, advisers, auditors and bankers

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

Managers	
Accounting Officer:	Alex Chisholm, 70 Whitehall, London SW1A 2AS
Scheme Manager (contact):	Simon Claydon, Cabinet Office, 70 Whitehall, London SW1A 2AS
Advisers	
Scheme Actuary:	Government Actuary’s Department, 6th Floor, 10 South Colonnade, Canary Wharf, London E14 4PU
Legal Advisers:	Treasury Legal Advisers, Government Legal Department, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ
Medical Advisers:	Health Management Ltd, Ash House, Ringmer, East Sussex BN8 5NN
Auditors	
External Auditors:	Comptroller and Auditor General, National Audit Office, 157–197 Buckingham Palace Road, London SW1W 9SP
Internal Auditors:	Government Internal Audit Agency, 10 Victoria Street, London SW1H 0NB
Bankers	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB

Further information

Further information can be found at www.civilservicepensionscheme.org.uk. Please address any enquiries about Civil Service pension arrangements to:

Civil Service Pensions
Cabinet Office
Priestley House
Priestley Road
Basingstoke
RG24 9NW

Email: scheme.managementexecutive@cabinetoffice.gov.uk

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office
14 December 2023

2 Report of the Actuary

Introduction

2.1 This statement has been prepared by the Government Actuary's Department (GAD) at the request of the Cabinet Office (CO). It provides a summary of GAD's assessment of the Scheme liability in respect of the Civil Service Pension Scheme (Great Britain) (CSPS GB) as at 31 March 2023, and the movement in the Scheme liability over the year 2022-23. It has been prepared in accordance with the requirements of Chapter 12 of the 2022-23 version of the Financial Reporting Manual.

2.2 CSPS GB is a defined benefit scheme providing pension and lump sum benefits on retirement or death. The Scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme which lead to a constructive obligation.

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

Membership data

2.4 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.) £m
Males	233,000	8,293
Females	266,000	8,596
Total	499,000	16,889

*Pensionable pay is the full-time equivalent figure.

Table B – Deferred members

	Number	Total deferred pension* (p.a.) £m
Males	157,000	627
Females	206,000	686
Total	363,000	1,313

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

Table C – Pensions in payment

	Number	Annual pension* (p.a.) £m
Males	292,000	3,457
Females	280,000	1,841
Spouses & dependants	105,000	506
Total	677,000	5,804

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

Methodology

2.5 The present value of the liabilities as at 31 March 2023 has been determined using the Projected Unit Credit Method (PUCM), with allowance for the demographic and financial assumptions applying as at 31 March 2023.

2.6 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 31 March 2022.

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

Financial assumptions

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

Table D – Principal financial assumptions

Assumption	31 March 2023	31 March 2022
Nominal discount rate	4.15%	1.55%
Rate increase in pensions in payment and deferred pensions (assuming CPI inflation)	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:		
• pension increases	1.70%	(1.30%)
• long-term pay increases	0.50%	(2.50%)
Expected return on assets	n/a	n/a

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

2.10 As last year, the 2022-23 financial statements are being produced when the UK continues to deal with the impacts of the Covid-19 pandemic. I have considered the potential implications of how this pandemic could impact on the actuarial calculations required for the financial statements.

2.11 The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2022) 08, dated 02 December 2022. 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.

2.12 The long-term salary assumption is set by CO, 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 (compared with prior year assumptions).

2.13 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.

2.14 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. The long-term impact of the Covid-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Demographic assumptions

2.15 Table E summarises the mortality assumptions adopted to prepare this statement, which were derived from the specific experience of the Scheme membership. The table refers to the standard mortality tables prepared by the Continuous Mortality Investigation (part of the Actuarial Profession) known as the ‘S3 tables’, with the percentage adjustments to those tables derived from scheme experience.

Table E – Post-retirement mortality assumptions

Baseline mortality	Standard table	Adjustment
Males		
Current and future normal retirement pensioners	S3NMA_M	100%
Current and future ill-health pensioners	S3NMA_M	100%
Dependants	S3DMA	81%
Females		
Current and future normal retirement pensioners	S3NFA_H	96%
Current and future ill-health pensioners	S3NFA_H	96%
Dependants	S3DFA	93%

2.16 These assumptions in Table E above, 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 financial statements as at 31 March 2022 were based on the assumptions adopted for the 2016 valuation.

2.17 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. The financial statements at 31 March 2022 used the ONS 2018-based projections.

Liabilities

2.18 Table F sets out the liability in relation to benefits accrued to 31 March 2023 based on the data, methodology and assumptions described above. 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 the 2015 Remedy.

Table F – Statement of financial position

	31 March 2023 £bn	31 March 2022 £bn
Total market value of assets	nil	nil
Value of liabilities	201.17	342.10
Surplus/(Deficit)	(201.17)	(342.10)
Of which recoverable by employers	n/a	n/a

Accruing costs

2.19 The cost of benefits accrued in the year ended 31 March 2023 (the current service cost) is assessed as 79.9% of pensionable pay.

2.20 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 financial statements.

2.21 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.

2.22 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 financial statements.

Table G – Contribution rates

	Pensionable pay	
	2022-23	**2021-22**
	%	**%**
Employer contributions*	27.32	27.32
Employee contributions (average)	5.7	5.7
Total contributions	33.02	33.02
Current service cost (expressed as a % of pay)	79.9	71.8

*Under the current arrangements, the expenses of administering the Scheme are borne by employers through an administration levy which is included in the contributions payable to the Scheme (0.32% of pay).

2.23 The key difference between the assumptions used for funding valuations and the financial statements is the discount rate. Price inflation and salary increase assumptions are also determined differently. The discount rate for the financial statements is set each year by HM Treasury to reflect the requirements of the accounting standard IAS 19.

2.24 The pensionable payroll for the financial year 2022-23 was £19.23 billion (derived from contributions payable by employers over the year). Based on this information, the cost of pensions accrued in 2022-23 (at 79.9% of pay) is £15.37 billion.

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

2.26 We have estimated a settlement loss in respect of bulk and individual transfers of £0.03 billion. This is because the estimated value of the liabilities transferred into the Scheme on the accounting basis exceeds the assets transferred by approximately £0.03 billion. I am not aware of any other events that have led to a material settlement or curtailment gain or loss over 2022-23.

Sensitivity analysis

2.27 The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have calculated the approximate effects on the liability as at 31 March 2023 of changes to the most significant actuarial assumptions.

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

2.29 Table H shows the indicative effects on the total liability as at 31 March 2023 of changes to these assumptions (rounded to the nearest ½%). The discount rate sensitivity shown implies a scheme duration of c. 17 years.

Table H – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions	**%**	**£bn**
(i) discount rate*: +½% a year	(8)	(16.1)
(ii) (long-term) earnings increase*: +½% a year	1	2.0
(iii) pension increases*: +½% a year	7	14.1
Demographic assumptions		
(iv) additional one-year increase in life expectancy at retirement	3	6.0

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

Jen McBain FIA

Actuary

Government Actuary's Department

7 July 2023

3 Statement of Accounting Officer's Responsibilities

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

3.2 The combined financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs at year end of the Civil Service Pension Scheme, certain other minor pension schemes 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 purpose intended by Parliament or material transactions that have not conformed to the authorities which govern them. In addition, the financial statements must be prepared so far as to demonstrate that the contributions payable to the Schemes during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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

- observe the Accounts Direction issued by HMT, 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 FReM, have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and financial statements as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and financial statements and the judgements required for determining that it is fair, balanced and understandable.

3.4 HMT has appointed the Permanent Secretary of the Cabinet Office as Accounting Officer for the Civil Superannuation Annual Report and Accounts. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the pension scheme, are set out in 'Managing Public Money', published by HMT.

3.5 As 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 Scheme auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

4 Governance Statement

Scope of responsibility

4.1 As the Accounting Officer for the Civil Superannuation during 2022-23, I am required to provide assurances about the stewardship of the Scheme. These assurances are provided in this Governance Statement, in line with HMT guidance. I also have responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the Scheme's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in 'Managing Public Money'.

4.2 The Civil Superannuation Vote covers the Civil Service pension arrangements, 'the Scheme', the Civil Service Compensation Scheme and some minor agency arrangements set out in statute.

4.3 The Scheme makes up the bulk of the Civil Superannuation Vote and is the focus of much of this Statement. The Scheme is managed by Civil Service Pensions, which is based in the Cabinet Office. The other arrangements covered by the Vote are managed separately and I receive appropriate assurances to enable me to exercise my role as Accounting Officer for the whole Vote.

Governance: roles and responsibilities

4.4 The bodies and individuals involved in Scheme governance are set out below:

- The **Minister for the Civil Service** (currently the Prime Minister) is the Scheme Manager. In practice, this responsibility is delegated to the **Minister for the Cabinet Office** and me, as the **Permanent Secretary for the Cabinet Office** and the Accounting Officer of the Scheme.
- The **Cabinet Office Audit and Risk Committee** supports and advises me, as the Accounting Officer, on all relevant matters concerning audit and risk.
- The **Civil Service Pensions Board (CSPB)** gained statutory footing under the Public Services Pensions Act 2013, 'the 2013 Act'. Its role is to support the Scheme Manager.
- The **Scheme Advisory Board** is also a requirement of the 2013 Act. Its role is to provide policy advice to the Minister, when requested.
- The **Cabinet Office Finance Director** ensures that expenditure by Civil Service Pensions, though not funded by the Cabinet Office, is subject to appropriate scrutiny and attends the Cabinet Office Audit and Risk Committee.
- **Civil Service Pensions** is responsible for leading on pension policy and managing the Scheme.
- **MyCSP**, a private company, carries out most day-to-day administration of the Scheme under a contract with the Cabinet Office operated in accordance with the Department's internal control framework.

4.5 Other responsibilities sit with employers, including ensuring that key membership data is accurate and up to date.

Cabinet Office Audit and Risk Committee (COARC)

4.6 COARC is a sub-committee of the Cabinet Office Board which supports me, as the Accounting Officer, on all relevant matters concerning audit and risk.

4.7 COARC is chaired by Mike Ashley, an independent non-executive member of the Cabinet Office Board. All COARC meetings were attended by him, at least one other non-executive director and the Cabinet Office Finance Director.

4.8 COARC received reports and updates provided by Civil Service Pensions, the National Audit Office (NAO) and the Government Internal Audit Agency (GIAA).

Civil Service Pensions Board (CSPB)

4.9 The CSPB is a statutory requirement. Its role is to support the Scheme Manager in complying with the administrative application of the Scheme rules and relevant laws and regulation. It seeks to do this by providing expertise, advice and challenge to the Scheme Manager and those involved in scheme administration.

4.10 During 2022-23 the CSPB had 15 members detailed below. One member nominee, two ex officio members and two non-executive members were replaced and reappointed during the year. The Chair term of office ended in September 2022, with an interim appointment in place until March 2023. A regulated public appointment recruitment campaign was run to appoint a new Chair on 10 March 2023, Alan Pickering. The appointment was made by Minister Wheeler and Minister Burghart and ratified by the Prime Minister.

4.11 The CSPB focuses on the administration of the Scheme, including compliance with regulations and legislation. It reviews the performance of the third-party pension administrators and monitors actions taken by Cabinet Office in terms of any administration issues identified. This also includes the monitoring of employers' performance in respect of their responsibilities in the pursuit of the successful delivery of the Scheme for the members.

4.12 The CSPB has an effectiveness framework in place and reviews board performance through post-meeting feedback forms. An annual review report is produced each year and the Chair holds conversations with board members annually to discuss individual performance. A conflict of interest policy is in place and a register of interests is maintained by the secretariat function. No conflicts were registered during the year.

4.13 The CSPB met formally on four occasions in 2022-23. A secretariat function, based in the Cabinet Office, supports the Board. The Director of Civil Service Pensions attends CSPB meetings. The reports presented by Civil Service Pensions provide the right level of detail to assure the Board of the effective management and administration of the Scheme, and the Board considers the papers provided are of good quality. Further information about the Board can be found at: www.civilservicepensionscheme.org.uk/about-us/civil-service-pensions-board/

Board member	Role	Meetings attended	Out of a possible
Margaret Edwards	Non-Executive Chair (to September 2022)	2	2
Lorna Merry	Member Nominee	4	4
Jonathan Russell	Employer Nominee	4	4
Sir Adrian Johns	Non-Executive Member and Interim Chair (from December 2022)	4	4
Lesley Davie	Non-Executive Member	4	4
Tony Clare	Non-Executive Member	3	4
Nicola Bettesworth	Employer Nominee	3	4
Rob Woodstock	Employer Nominee	2	4
David Howdon	Member Nominee	4	4
Jayne Beeslee	Member Nominee	4	4
Karen Watts	Member Nominee	3	4
Rich Hornby	Employer Nominee (to 14 September 2022)	2	2
Jon Grayson	Employer Nominee (from 14 December 2022)	2	2
Shrinivas Honap	Non-Executive Member	4	4
Dominic Arthur	Ex Officio Member (to 14 September 2022)	2	2
Nathan Paget	Ex Officio Member (to 14 December 2022)	2	3

Scheme Advisory Board (SAB)

4.14 The SAB provides strategic advice to the Minister for the Cabinet Office. This covers the design of the Scheme, including the desirability of rule changes and any issues arising from the four-yearly scheme valuation process. The SAB is accountable to the Minister as Scheme Manager.

4.15 The SAB was chaired by Clive Bolton, an independent non-executive member. Attendees include, but are not limited to, the Chair of the CSPB, Civil Service Pensions and HR staff, trade union representatives and the Government Actuary's Department (GAD).

4.16 The SAB met twice during 2022-23 and discussed the 2015 Remedy Programme, defined contribution schemes, member contributions and the 2020 valuation.

4.17 The SAB is supported by a Technical Advisory Group, a sub-group that provides advice to SAB members on matters relating to the 2020 actuarial valuation and other technical issues as determined by the SAB.

Civil Service Pensions

4.18 Civil Service Pensions has 55 staff working on the Scheme. Its principal activities are set out in the Report of the Manager.

MyCSP

4.19 MyCSP has a contract with the Cabinet Office to administer the Scheme; its responsibilities are set out in the Report of the Manager. As Accounting Officer, I have responsibility for ensuring that MyCSP is managing its risks effectively, and for reviewing the effectiveness of its system of internal control.

Corporate Governance Code

4.20 The Scheme complies with HMT's Corporate Governance Code as far as it is applicable and achieves transparent and effective governance through the work of the bodies listed above. All potential conflicts are reported and managed as set out in the code.

My review of the system of internal control

4.21 As part of my responsibilities as Accounting Officer, I have reviewed the effectiveness of the system of internal control, including risk management. My review is informed by regular reports from the Director of Civil Service Pensions and GIAA, which is the Scheme's internal audit service. I have been advised on the implications of the result of my review by COARC. The system has been in place for the year under review and up to the date of approval of the Annual Report and financial statements.

4.22 The GIAA Head of Internal Audit provides me with a report on internal audit activity over the reporting period which contains their independent opinion on the adequacy and effectiveness of the Scheme's governance, risk management and internal control arrangements.

4.23 The report provided a 'moderate' opinion, reflecting continued steady improvement in the Scheme's governance, risk management and control with a reasonably stable control environment. The management of the Scheme continues to identify and mitigate key risks, whether due to legacy issues or current operation risks across a large and complex scheme.

4.24 MyCSP produces an Annual Assurance Statement (AAS) as part of its contractual requirements, summarising the outcomes of internal audit work over the year, and also produces a report in accordance with the principles established in Audit and Assurance Faculty 01/06 by the Institute of Chartered Accountants in England and Wales (AAF 01/06) and the International Standard on Assurance Reporting 3402 (ISAE 3402) issued by the International Auditing and Assurance Standards Board (IAASB). This gives MyCSP's internal auditor's opinion on the overall adequacy and effectiveness of governance, risk management and control, and is used to gauge how MyCSP assesses its own controls.

4.25 The Scheme's system of internal control provides me with evidence that the controls in place to manage the risks to the Scheme are sufficiently robust and effective to achieve the principal objectives. Plans to ensure continuous improvement are in place and COARC continues to monitor improvements in the overall corporate assurance framework. There are a number of Scheme risks managed by other parties, such as MyCSP and participating employers, and we continue to monitor and encourage continual improvements to their control environments.

Review of risk management

Strategic risk

4.26 The long-term vision of the Scheme is to become the best managed, best administered and best value public sector scheme in the UK. This is underpinned with five strategic objectives:

- to provide a quality and value-for-money service for all members and employers;
- to invest in and develop our people to be recognised across the Civil Service as pensions specialists;
- to ensure scheme members value and understand their benefits and are actively planning for retirement;
- to ensure employers value and understand the Scheme as part of the overall reward package and fulfil their obligations to support delivery of a quality service to members; and
- to ensure the Scheme is sustainable and supports the wider 'Modern Civil Service' agenda.

Service

4.27 Our dual aim has been to improve the administration of the Scheme by lifting the performance of the current Administrator while designing a future services model for Scheme administration. This will form the basis of the next iteration of the Scheme's administration services.

4.28 During 2023 the Cabinet Office ran a procurement exercise for the contract to administer the Scheme. Following a robust and open process Capita Business Services Ltd was awarded the contract in November 2023 to come into effect in December 2025 for seven years, with an option to extend the contract by a further three years. Cabinet Office, Capita and MyCSP and now working together to facilitate a smooth transition of services. Further details can be found from paragraph 1.69.

Member and employer engagement

4.29 The Scheme depends on participating employers to promote the Scheme and provide the right data and information to allow deductions and benefits to be accurately calculated. Due to the wide-ranging nature of this dependency, employer engagement continues to be a key part of the internal control framework. Activities include:

- the employer Strategic Working Group, which provides a forum where senior officials can contribute to the strategic direction and administration of the Scheme;
- the Practitioner Group, which comprises working-level pension practitioners from a range of employers, and is used as a forum to test new initiatives and canvass employer and member feedback;
- Regional Employer Forums, which take place biannually across the UK, with the first for 2023 being held across May, and the second series planned for October and November 2023;
- Employer Pensions Notices (EPNs), which are sent to employers to provide updates on scheme policy and processes as well as any changes to legislation that affect the management of the Scheme; and
- an Employer Relationship Management (ERM) team, introduced by MyCSP, to ensure employers are supported to deliver their responsibilities.

4.30 Civil Service Pensions also worked closely with MyCSP to engage with members and potential members. Important advances have included developing a more digital approach, creating innovative promotional materials and carrying out face-to-face presentations. This has included:

- delivery of a Civil Service Live stand and presentation, providing an overview of the benefits of the Scheme, retirement options and updating members on the 2015 Remedy Programme;
- Pension Awareness Month in September, which incorporated presentations and question and answer sessions; and
- the Active Member Newsletter and the Pensioner Newsletter, which cover topics such as pension increases and promotion of the portal to increase new registrations.

Review of operational risk management

4.31 There are three main operational areas where continuous oversight and monitoring is carried out: Administrator performance, employer performance and data quality.

Administrator performance

4.32 The contract management function within Civil Service Pensions manages MyCSP's service delivery, ensures value for money is being achieved and assists MyCSP in dealing with issues in a timely manner while continuing to improve the services offered to scheme members and employers.

4.33 Key areas of focus for the year included launching the new portal for members, which allows an easier and more secure registration process. Business processes have been developed through digitisation; for example, launching deferred member portals, introducing online contact forms and trialling the ability for scheme members to track the progress of their retirement application. These improvements will allow the Administrator to focus on processing times for claims, and allow the member to take an active control of their retirement.

4.34 During 2022-23, MyCSP received 3,753 complaints (2021-22: 1,795), An assurance review took place at the Cabinet Office's instigation to address the marked increase in complaints. Ongoing reviews and process improvement strategies are being progressed to bring complaint volumes down.

4.35 A total of 172 Internal Dispute Resolution (IDR) stage 1 appeals were received by MyCSP (2021-22: 178) and 170 were resolved during the same period (2021-22: 197). Of the resolved cases, 128 were upheld or partly upheld. A total of 80 IDR stage 2 appeals were received by the Cabinet Office and 102 were resolved during the same period. Of the resolved cases, 45 were upheld or partly upheld. The main reason for a difference between the IDR Stage 1 and IDR Stage 2 decisions was the amount of compensation awarded.

4.36 The number of completed IDR Stage 2 appeals as a result of overpayment has fallen slightly to 43% this year. There were 17 different topic areas for the closed IDR Stage 2 complaints, with overpayments being the number one cause for complaint, followed by transfers at 13%.

Employer responsibilities

4.37 Employer Accounting Officers provide me with an Annual Assurance Statement (AAS) setting out the operation of their pension internal controls framework and compliance with the terms of their participation agreements and contracts. The AAS asks a series of questions focused on the processes and procedures employers have in place to ensure adherence with scheme rules and guidance. MyCSP undertakes the process of issuing the statements and collating the returns for analysis.

4.38 The prior year's exercise highlighted three areas which we require employers to act on:

- continued compliance of the agreed Data Validation Targets;
- continued compliance with acceptable secure file and data transfer methods to bring employers up to a minimum expected standard of security; and
- completion of Employer Administration Guidance given the numerous changes to the Scheme in relation to the two ongoing programmes of work, the Future Services programme and the 2015 Remedy programme.

4.39 The 2023 exercise will cover over 300 employers and the results are expected by the end of January 2024.

Data quality and security

4.40 Civil Service Pensions continues to focus on validating and improving the quality of data coming into the scheme via the employer interfaces, and monitoring and improving the reporting of common and conditional data scores to The Pensions Regulator. Common data focuses upon key identifiers such as name, date of birth and address while conditional data focuses on scheme-specific data required to calculate and pay accurate benefits.

4.41 To provide bidders participating in the Future Services programme with a transparent view of the data quality, an independent Data Quality and Portability Audit was commissioned. Following receipt of the report, MyCSP is drafting an approach to the findings, including building in additional data checks to its data systems. A data panel was also introduced to review, holistically across the Scheme, the various data programmes and improvement activity supported by a revised data strategy. As part of this, the existing data validation checks are being reviewed, focusing on the top 15 by volume first. This will ensure they are consistent across the Scheme and fit for purpose.

4.42 A Security Working Group meets on a monthly basis and monitors all matters concerning information assurance and data security. Contractual requirements with MyCSP are aligned to National Cyber Security Centre (NCSC) guidance, General Data Protection Regulations (GDPR), the Data Protection Act 2018 and Government Functional Standards. In the last 12 months there have been 108 minor data breaches and two reports made to the Information Commissioner's Office (ICO) direct by members which were upheld but no formal proceedings were taken.

The Pensions Regulator (TPR)

4.43 TPR has extended regulatory oversight of the Scheme, and has an ongoing formal relationship with the Scheme. Regular engagement takes place in respect of governance and administration of the Scheme. In line with TPR Code of Practice No. 14, there were no material breaches of law referred to TPR during the year.

Risk framework

4.44 Risk and control owners within Civil Service Pensions are responsible for ensuring adherence to the risk management policy and framework in place.

4.45 The current focus in this area is on managing the risks around the successful delivery of the 2015 Remedy Programme, the future administration service provision and the Digital by Design Programme.

4.46 In October 2022, a new risk management system, called RICO (Risks & Issues in the Cabinet Office) was implemented to meet risk standards and processes to enable the following:

- standardisation through the application of risks across the department's risk management assets and practices, in line with the Cabinet Office risk management framework;
- automation of risk reporting so that key risks are easily identified and made visible for management (this includes control testing);
- consolidation by bringing all parts of the department together into one system utilising one centralised consistent format; and
- efficiency with less time spent on risk administration and more time spent on higher value risk-management activities and insight.

Fraud environment

4.47 Fraud cases are discussed at the monthly Risk and Compliance meetings between the Scheme Manager and MyCSP to ensure these are dealt with appropriately. On an annual basis, MyCSP assesses itself against the Fraud Risk Management Guide set out by the Association of Certified Fraud Examiners and Committee of Sponsoring Organisations. MyCSP Internal Audit performs an annual review of fraud governance and controls and reports the results to the Scheme Manager for review, oversight and challenge. The Scheme Manager also conducts a risk assessment where risks are documented and tracked around fraud, both inward-looking and with our suppliers. In addition, the Scheme Manager has created a fraud response plan, a ‘lessons learned’ log and a financial crime tracker for logging all cases (open and closed), and monthly meetings are held with the Cabinet Office Counter Fraud team to make them aware of the status of the cases. The Cabinet Office promotes whistleblowing and raising concerns through its own speak up campaigns, and the Scheme Administrator has a Speak Out Policy together with an Anti-Bribery Policy, Gifts and Hospitality Policy and internal control frameworks for wider anti-fraud, and is audited annually by the Administrator’s internal audit function to ensure it remains fit for purpose and effective.

4.48 Experience over the years has proven that the risk of fraud is very low, and robust detective controls are in place which are regularly tested and audited to ensure that cases of fraud are identified. The current risk register has identified three main types of fraud that can occur:

- external fraud by a third party such as members, or non-members fraudulently claiming to be a member or a third-party organisation;
- internal fraud within the Scheme administrator; and
- internal fraud by a Cabinet Office employee.

4.49 The most common type of fraud that occurs within the Scheme relates to external fraud. Currently, there are approximately three to four fraud incidents a year that are detected and either stopped before the fraud takes place, or in the case that fraud has taken place, necessary action taken to remediate the issue and to prevent future occurrence.

Key areas of focus in the reporting period

2015 Remedy Programme

4.50 The 2015 Remedy Programme will focus on the remedy to remove the inherent discrimination caused by transitional protection. There are 420,000 scheme members who will need to be offered a choice of scheme benefits to remedy the discrimination. A series of communication tools has been developed, including a benefits illustrator and chatbot to help members make the right decision for their circumstances and to support employers.

4.51 The risks associated with the 2015 Remedy Programme include, but are not limited to:

- ineffective communications to key stakeholders;
- unsuccessful remedy implementation or slippage with project activities;
- inability to administer pension reforms;
- data integrity and data quality issues; and
- resourcing concerns (within the Cabinet Office and the Scheme Administrator).

4.52 Robust controls are in place and active engagement is happening with key stakeholders and to ensure that communication with members is effective. We have also introduced processes for managing the impacts on the Scheme Administrator.

4.53 The Future Services Programme seeks to introduce a revised and improved administration solution for the Scheme through a procurement exercise.

4.54 The risks associated with the Future Services Programme include, but are not limited to:

- ineffective communications to key stakeholders;
- potential delays to the programme impacting on services:
- data integrity and data quality impacting on automation plans; and
- lack of required resources.

Other schemes

4.55 Responsibility for the governance and administration of the other pension schemes included in these financial statements rests with the relevant agencies. These schemes use the Principal Civil Service Pension Scheme (PCSPS) rules as a basis for their own arrangements, established under the Civil Service (Other Crown Servants) Pension Scheme Regulations 2016 (the '2016 Regulations'). The scheme is a career average earnings scheme with some amendments and modifications, for the payment of pensions and other benefits to civil servants employed by the agencies.

4.56 The National Security Adviser has provided me with an assurance statement that they are satisfied there are suitable controls in operation within the agencies.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

14 December 2023

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply – (subject to audit)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (the 'FReM') requires the Scheme to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes. The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year. Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion. The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

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

The supporting notes detail the following: analysis of net resource outturn by estimate line (SOPS1); and a reconciliation of net resource outturn to net cash requirement (SOPS3).

Summary of resource and capital outturn 2022-23

								2022-23	2021-22
		Outturn			Estimate				Outturn
Type of spend	SOPS Note	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Outturn vs Estimate, saving/ (excess) £000	Prior Year Outturn Total, £000
Departmental Expenditure Limit									
• **Resource**		-	-	-	-	-	-	-	-
• **Capital**		-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	SOPS1	14,962,818	-	14,962,818	16,452,760	-	16,452,760	1,489,942	11,647,201
• **Capital**		-	-	-	-	-	-	-	-
Total Budget Expenditure									
• **Resource**		14,962,818	-	14,962,818	16,452,760	-	16,452,760	1,489,942	11,647,201
• **Capital**		-	-	-	-	-	-	-	-
Total Budget Expenditure		14,962,818	-	14,962,818	16,452,760	-	16,452,760	1,489,942	11,647,201
Non-Budget Expenditure		-	-	-	-	-	-	-	-
Total Budget and Non Budget		14,962,818	-	14,962,818	16,452,760	-	16,452,760	1,489,942	11,647,201

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

	Note	2022-23 Outturn £000	2022-23 Estimate £000	2022-23 Outturn vs Estimate, saving/ (excess) £000	2021-22 Prior year Outturn Total £000
Net Cash Requirement	SOPS3	**846,921**	**979,390**	**132,469**	**774,165**

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

	2022-23 Outturn £000	2022-23 Estimate £000	2022-23 Outturn vs Estimate, saving/ (excess) £000	2021-22 Prior year Outturn Total £000
Administration costs	-	-	-	-

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

Supporting explanation for variance against outturn and the net cash requirement can be found under the financial review section of the Report of the Manager.

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

The notes below form part of these disclosures.

Notes to the Statement of Outturn against Parliamentary Supply, 2022-23 (£000s) (subject to audit)

SOPS1. Outturn detail, by Estimate Line

SOPS1.1 Analysis of resource outturn by Estimate line

	2022-23											**2021-22**
	Resource Outturn £000							**Estimate £000**			**Outturn vs Estimate, saving/ (excess)**	**Prior Year Outturn Total, 2021-22 £000**
	Administration			Programme								
Type of spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements	Total inc. virements		
Spending in Annually Managed Expenditure (AME)												
Voted expenditure A – Civil superannuation	-	-	-	21,553,026	(6,590,208)	14,962,818	14,962,818	16,452,760	-	16,452,760	1,489,942	11,647,201
Non-Voted expenditure	-	-	-	-	-	-	-	-		-	-	
Total spending in AME	**-**	**-**	**-**	**21,553,026**	**(6,590,208)**	**14,962,818**	**14,962,818**	**16,452,760**	**-**	**16,452,760**	**1,489,942**	**11,647,201**
Total resource	**-**	**-**	**-**	**21,553,026**	**(6,590,208)**	**14,962,818**	**14,962,818**	**16,452,760**	**-**	**16,452,760**	**1,489,942**	**11,647,201**

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the *Supply Estimates Manual*, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS2. Reconciliation of outturn to net operating expenditure

The total resource outturn in SOPS1 is the same as net operating expenditure in the Statement of Comprehensive Net Expenditure, therefore no reconciliation is required.

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Outturn total £000	Estimate £000	Outturn vs Estimate, saving/(excess) £000
Total Resource Outturn	SOPS1	14,962,818	16,452,760	1,489,942
Adjustments to remove non-cash items:				
New provisions and adjustments to previous provisions		(21,545,108)	(22,828,768)	(1,283,660)
Adjustments to reflect working balances:				
(Increase)/decrease in payables		(17,905)	-	17,905
Increase/(decrease) in receivables		67,058	-	(67,058)
(Increase)/decrease in non-supply payables		(34,060)	-	34,060
Increase/(decrease) in non-supply receivables		(319)	-	319
Use of provisions		7,414,437	7,355,398	(59,039)
Net Cash Requirement		**846,921**	**979,390**	**132,469**

As noted in the introduction to the SOPS above, outturn and the estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Parliamentary Accountability Disclosures

Losses and Special Payments
(subject to audit)

During the year, 11,101 cases totalling £1,548,973 were written off (2021-22: 12,847 – £1,661,498). There were no individual losses in excess of £300,000 in 2022-23 (2021-22: nil). There were no special payments made in the year (2021-22: nil).

Remote contingent liabilities
(subject to audit)

In the unlikely event of default by an appointed Additional Voluntary Contribution provider, pension payments are guaranteed by the Scheme.
This guarantee does not apply to members who make payments to institutions offering Free Standing Additional Voluntary Contribution Schemes (FSAVCS) nor where members exercise the open-market option and purchase their annuity elsewhere.

There were no other remote contingent liabilities during 2022-23.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation ("the Scheme") for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the combined

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the combined financial statements is applicable law and UK adopted international accounting standards.

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 its combined net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law, Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Scheme in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the 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.

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

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

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements amd my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

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 parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the Annual Report is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; 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 2000.

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Scheme's accounting policies.
- inquired of management, the Scheme's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Scheme's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Scheme's controls relating to compliance with the Superannuation Act 1972, the Public Service Pensions Act 2013, the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2022, Managing Public Money and the regulations set by The Pensions Regulator.
- inquired of management, the Scheme's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant external specialists, including actuarial specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Scheme for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, the selection of inappropriate assumptions or methodology unpinning the pensions liability and related estimates and the payment of benefits to ineligible members. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Scheme's framework of authority and other legal and regulatory frameworks in which the Scheme operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Scheme. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2022, Public Service Pensions Act 2013, regulations set by The Pensions Regulator and the Superannuation Act 1972.

I considered the control environment in place at the Scheme, the administrator and the scheme actuary in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I performed substantive testing of contributions received and benefits paid in the year to ensure compliance with laws and regulations and regularity;
- I engaged an auditor's expert to review the actuarial methods and assumptions used by the scheme actuary, reviewing the expert's report and undertaking further procedures as necessary; and
- I reviewed significant correspondence with The Pensions Regulator.

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

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

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies **Date 15 December 2023**

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

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

	Note	2022-23	2021-22
Principal Scheme arrangements		**£000**	**£000**
Income			
Contributions receivable[1]	5	(6,349,975)	(5,936,384)
Transfers in	6	(88,418)	(100,066)
Other pension income	7	(153)	(28)
		(6,438,546)	(6,036,478)
Expenditure			
Service cost	8	15,367,211	12,917,746
Enhancements	9	34,900	33,846
Transfers in	10	114,507	427,873
Injury benefits	11	6,756	6,934
Pension financing cost	12	5,365,697	3,882,775
		20,889,071	17,269,174
Net Expenditure		**14,450,525**	**11,232,696**
Other minor agency/principal pension schemes			
Income			
Contributions receivable		(151,662)	(111,755)
Expenditure			
Total charge to provisions		662,793	525,028
Benefits payable	14	1,162	1,232
Net Expenditure for the year		**512,293**	**414,505**
Combined Net Expenditure for the year		**14,962,818**	**11,647,201**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Pension re-measurements:			
- Actuarial (gain)/loss	19.7	(158,508,177)	24,732,960
Total Comprehensive Net (Income)/Expenditure		**(143,545,359)**	**36,380,161**

[1] A small element of employer contributions is paid in respect of the cost of administering the Scheme and has been deducted from the total shown here. Scheme administration costs are shown within the main Cabinet Office Account and details can also be found within the Report of the Manager on page 13.

The notes on pages 42 to 57 form part of these financial statements.

Combined Statement of Financial Position as at 31 March 2023

	Note	2022-23	2021-22
		£000	**£000**
Principal Scheme arrangements			
Current assets			
Receivables (within 12 months)	16	537,507	487,233
Cash and cash equivalents	17	127,031	161,410
Total current assets		**664,538**	**648,643**
Current liabilities			
Payables (within 12 months)	18	(501,998)	(484,093)
Total current liabilities		**(501,998)**	**(484,093)**
Net current assets excluding pension liability		**162,540**	**164,550**
Non-current assets and liabilities			
Receivables (after 12 months)	16	53	53
Pension liability	19.4	(201,168,809)	(342,096,861)
Net liabilities, including pension liabilities		**(201,006,216)**	**(341,932,258)**
Compensation agency arrangements – CSCS			
Receivables (within 12 months)	21	4,459	4,179
Net current assets		**4,459**	**4,179**
Other pension schemes			
Receivables (within 12 months)		16,504	-
Net current assets, excluding pension liability		**16,504**	**-**
Pension liability	22.3	(3,830,546)	(7,280,000)
Net liabilities, including pension liabilities		**(3,814,042)**	**(7,280,000)**
Combined Scheme – Total net liabilities		**(204,815,799)**	**(349,208,079)**
Taxpayers' equity			
General Fund		(204,815,799)	(349,208,079)
		(204,815,799)	**(349,208,079)**

The notes on pages 42 to 57 form part of these financial statements.

Alex Chisholm
Principal Accounting Officer and Permanent Secretary
Cabinet Office

14 December 2023

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

	Note	2022-23 General Fund £000	2021-22 General Fund £000
Balance at 31 March		(349,208,079)	(313,602,083)
Net Parliamentary Funding – drawn down		812,861	684,543
Net Parliamentary Funding – deemed	18	166,529	256,151
Supply payable adjustment	18	(132,469)	(166,529)
Comprehensive net expenditure for the year	SoCNE	(14,962,818)	(11,647,201)
Actuarial gain/(loss)	19.7	158,508,177	(24,732,960)
Net change in taxpayers' equity		**144,392,280**	**(35,605,996)**
Balance at 31 March		**(204,815,799)**	**(349,208,079)**

The notes on pages 42 to 57 form part of these financial statements.

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

	Note	2022-23 £000	2021-22 Re-presented £000
Cash flows from operating activities			
Combined net expenditure for the year	SoCNE	(14,962,818)	(11,647,201)
Adjustments for non-cash transactions			
Increase in Scheme receivables (within 12 months)	16	(50,274)	(3,510)
Less movements in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
(Increase)/decrease in CSCS receivables	21	(280)	547
Less movement in non-supply receivables	16, 21	319	(602)
Increase in Other schemes receivables		(16,504)	-
Increase/(decrease) in Scheme payables	18	17,905	(64,398)
Movement in payables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure			
Less movement in non-supply payables	18	34,060	89,622
Increase in Scheme pension provisions	19.4	20,732,908	16,800,521
Increase in Scheme pension provisions – enhancements, transfers in and settlement gains	19.4	149,407	461,719
Increase in other schemes' pension provisions		662,793	525,028
Use of Scheme provisions – benefits paid	19.4	(7,194,790)	(6,793,809)
Use of Scheme provisions – refunds and transfers out	19.4	(116,342)	(50,211)
Use of other schemes' provisions		(103,305)	(91,871)
Net cash outflow from operating activities related to supply		**(846,921)**	**(774,165)**
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sum payments)	13	(7,373)	(6,517)
Reimbursement of compensation payments by employers (including lump sum payments)	13, 21	7,093	7,064
Injury benefit payments made on behalf of employers	11	(11,886)	(11,319)
Reimbursement of injury benefit payments by employers	11, 16	11,847	11,374
		(319)	**602**
Net cash flows from operating activities		**(847,240)**	**(773,563)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		812,861	684,543
Net Financing		**(34,379)**	**(89,020)**
Net decrease in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	17	(34,379)	(89,020)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(34,379)**	**(89,020)**
Cash and cash equivalents at the beginning of the period	17	161,410	250,430
Cash and cash equivalents at the end of the period	17	**127,031**	**161,410**

The prior year cashflow has been re-presented to align with current year categorisation of transactions. The notes on pages 42 to 57 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Civil Superannuation Annual Report and Accounts have been prepared in accordance with the relevant provisions of the 2022-23 Government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. IAS 19 – 'Employee Benefits' and IAS 26 – 'Accounting and Reporting by Retirement Benefit Plans' are of particular relevance to these statements.

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

The Statement of Financial Position as at 31 March 2023 shows a pension liability of £201.2 billion (31 March 2022: £342.1 billion). Other movements in the liability reflect the inclusion of liabilities falling due in the long term, which are to be financed mainly by drawings from the Consolidated Fund. Such drawings will be grants of Supply approved annually by Parliament to meet the Scheme's pension benefits, which come into payment each year.

Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than as required for the service of the specified year or retained in excess of that need.

In common with other public service pension schemes, the future financing of the Scheme's liabilities is to be met by future grants of Supply to be approved annually by Parliament. Such approval for amounts required for 2023-24 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Principal Civil Service Pension arrangements

1.1.1 The Scheme is an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Civil Service Pensions team on behalf of members of the Civil Service and certain non-civil service organisations who satisfy the membership criteria. Before 1 April 2016, the Scheme was a contracted-out pension scheme.

1.1.2 Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Parliamentary Secretary for the Cabinet Office. The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process.

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

1.1.4 The administrative expenses associated with the operation of the Scheme are borne by the Cabinet Office and are reported in the Cabinet Office's financial statements.

1.2 Civil Service Compensation Scheme

1.2.1 The Cabinet Office acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought to account in the financial statements. However, the financial statements recognise the liabilities arising from the central funding of compensation payments which amount to £7.3 million (2022: £6.5 million) (see Note 13).

1.3 Other minor agency and principal pension scheme arrangements

1.3.1 The financial statements include transactions relating to other minor pension schemes, a number of which are closed schemes. The Scheme acts as principal in respect of the other pension schemes on the basis of information supplied by the agencies.

1.3.2 Civil Service Pensions acts as an agent for the following schemes:

- pension increases to former Prime Ministers, former Speakers, various former public service appointees and former Members of the European Parliament and their widow(er)s;
- payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service;
- payments to the Post Office Staff Superannuation Scheme for pensions paid in respect of periods in the Civil Service;
- pension increases in respect of pensions paid to former staff of the Raw Cotton Commission;
- pension increases in respect of pensions paid to former staff of the Sugar Board; and
- Federated Superannuation System for Universities.

2. Statement of accounting policies

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

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

An assessment of IFRS issued but not yet effective considered 'IFRS 17 Insurance Contracts' and determined it is not applicable as the Scheme has not entered into any such arrangements.

2.1 Accounting convention

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

2.2 Contributions receivable

2.2.1 Contributions receivable are outside the scope of 'IFRS 15 Revenue from Contracts with Customers' with the exception of the levy on employer contributions to cover the cost of administering the Scheme, which are not considered to be material to the Scheme.

2.2.2 Employers' normal pension contributions are accounted for on an accruals basis. There are also some employers' special pension enhancements, which are detailed in Note 9 of the financial statements.

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

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

2.2.5 Under the Scheme rules which came into effect in April 2010, those members who take early retirement and receive an Actuarially Reduced Pension can buy out the actuarial reduction and, as a result, receive a full pension. Income received from members in respect of this is shown in Note 5 and accounted for on an accruals basis.

2.2.6 Effective Pension Age (EPA) is where members can make additional contributions payments to buy EPA, which is a portion of pension paid early without reduction. These are accounted for on an accruals basis.

2.2.7 The cost of administering the Scheme is met from a levy on employer pension contributions. These are accounted for on an accruals basis and recognised when performance obligations are satisfied.

2.3 Transfers in

2.3.1 Individual transfers in are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on a cash basis, although group transfers in are accounted for on an accruals basis when the Scheme has formally accepted liability and the relevant commitment forms are signed.

2.4 Other pension income

2.4.1 Amounts receivable from employers in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the capitalised costs of pension enhancement either at early departure or normal retirement age, are accounted for as income and expenditure (representing the associated increase in the Scheme pension liabilities) on an accruals basis. In accordance with ‘IFRS 9 Financial Instruments’, any expected credit losses are not considered to be material to the Scheme.

2.5 Additional Voluntary Contributions (AVCs)

2.5.1 AVCs are deducted from employees’ salaries and are paid directly by the employing departments to one of the appointed AVC providers. Details of the providers and the amounts of the AVC investments can be found in Note 15.

2.6 Current service cost

2.6.1 The current service cost is the increase in the present value of the Scheme pension liabilities arising from members’ service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. It is determined by the Scheme Actuary based on a discount rate of (1.30)% real (1.55% including inflation) (2021-22: (0.95)% real, 1.25% including inflation).

2.7 Pension financing cost

2.7.1 The financing cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one year closer to settlement, and is recognised in the Combined Statement of Comprehensive Net Expenditure. The financing cost is based on a discount rate of (1.30)% real (1.55% including inflation) (2021-22: (0.95)% real, 1.25% including inflation).

2.8 Injury benefits

2.8.1 Injury benefits are accounted for on an accruals basis. They are not funded through the employers’ pension contributions, and the amounts payable in respect of injuries sustained before 1 April 1998 are a charge on the Scheme and are shown in the Combined Statement of Comprehensive Net Expenditure. Those benefits paid in respect of injuries sustained on or after 1 April 1998 are recoverable from employers each month.

2.9 Scheme liabilities

2.9.1 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liabilities are measured on an actuarial basis using the Projected Unit Credit Method and are discounted at 1.70% real (4.15% gross) (2021-22: (1.30)% real, 1.55% gross). The Actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

2.10 Pension benefits payable

2.10.1 Pension benefits payable, including lump sums, are accounted for on an accruals basis as a decrease in the Scheme pension liabilities. When there is a choice, benefits are accounted for in the period in which the member notifies the Scheme of their decision on the type and amount of benefit to be taken, so date of recognition is the latter of the date of retirement or the date the option was exercised. If there is no member choice, benefits are accounted for on the date of retirement or leaving.

2.11 Payments to and on account of leavers

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

2.12 Transfers out

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

2.13 Actuarial gains/losses

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

2.14 Payables/receivables

2.14.1 Payables and receivables are held at amortised cost in accordance with 'IFRS 9 Financial Instruments'. Owing to the immaterial size of such receivables balances and losses thereon, any expected credit losses are not considered to be material to the Scheme.

2.15 Critical accounting judgements and key sources of estimation uncertainty

2.15.1 In accordance with IAS 1 – 'Presentation of Financial Statements' – the preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure, in particular the pension liability, past and current service cost and interest cost. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. There have been no changes made to past assumptions. The key estimates and judgements relate to the valuation of the pensions liability set out in Note 19.

3. Accounting policies for CSCS agency arrangements

Compensation benefits for staff leaving before normal retirement age are met by employing departments. For administrative convenience and value-for-money considerations, compensation benefits are paid initially by Civil Service Pensions, throughout the month, but are then recovered from employers at month end. These transactions are not recorded in the combined Statement of Comprehensive Net Expenditure. Details of compensation benefits payable during the year are shown in Note 13.

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

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

5. Contributions receivable

	2022-23	2021-22
	£000	**£000**
Employers	(5,219,861)	(4,876,788)
Employees:		
Normal	(1,095,367)	(1,025,778)
Purchase of added years	(30,037)	(30,085)
Actuarial Retirement Reduction Buy Out	(994)	(839)
Effective Pension Age	(3,716)	(2,894)
	(6,349,975)	**(5,936,384)**

Contributions of £6.5 billion are expected to be payable to the Scheme in 2023-24.

6. Transfers in (see also Note 10)

	2022-23	2021-22
	£000	**£000**
Group transfers from other schemes	(2,150)	(18,469)
Individual transfers in from other schemes	(86,268)	(81,597)
	(88,418)	**(100,066)**

7. Other pension income

	2022-23	2021-22
	£000	**£000**
Amounts receivable in respect of:		
Effective Pension Age receivable from employer	(153)	(28)
	(153)	**(28)**

8. Service cost

	2022-23	2021-22
	£000	**£000**
Current service cost	15,367,211	12,917,746
	15,367,211	**12,917,746**

The current service cost has increased from the prior year due to the decrease in the discount rate (1.30)% real (1.55% including inflation) (2021-22: (0.95)% real, 1.25% including inflation).

9. Enhancements (see also Note 19.4)

	2022-23	2021-22
	£000	**£000**
Employees:		
Purchase of added years	30,037	30,085
Actuarial Retirement Reduction Buy Out	994	839
Effective Pension Age	3,716	2,894
Employers:		
Effective Pension Age	153	*28*
	34,900	**33,846**

10. Transfers in – additional liability

	2022-23	2021-22
	£000	**£000**
Group transfers in from other schemes	28,239	346,276
Individual transfers in from other schemes	86,268	81,597
	114,507	**427,873**

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 as part of the movements in the provision during the year.

11. Injury benefits

	2022-23	2021-22
	£000	**£000**
Injury benefits payable	18,642	18,253
Less: recoverable from employers	(11,886)	(11,319)
Recognised in the Statement of Comprehensive Net Expenditure	**6,756**	**6,934**

Injury benefits payable to former employees are recoverable from employers unless the injury was sustained on or before 31 March 1998.

12. Pension financing cost (see also Note 19.4)

	2022-23	2021-22
	£000	**£000**
Interest charge for the year on defined benefit liability	5,365,697	3,882,775
	5,365,697	**3,882,775**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

13. Compensation benefits payable

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

	2022-23	2021-22
	£000	£000
Annual compensation recoverable from employers	44	152
Total annual compensation payable	**44**	**152**
Lump sums payable recoverable from employers	7,329	6,365
Total lump sums payable	**7,329**	**6,365**

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

14. Benefits payable – not charged to provisions

	2022-23	2021-22
	£000	£000
George Cross (recoverable)	2	1
Pensions increase for ex-PMs/Speakers	99	92
Pensions increase for Public Service Appointments	169	168
Pensions increase for ex-MEPs/widow(er)s	852	894
Payments to the United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	9	9
Payments to the Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	13	20
Pensions increases in respect of pensions paid to former staff of the Sugar Board	(1)	2
Federated Superannuation System for Universities	19	46
	1,162	**1,232**

15. Additional Voluntary Contributions (AVCs)

The Civil Service Additional Voluntary Contribution Scheme (CSAVCS) provides for employees to make AVCs to increase their pension entitlements or to increase life cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment by their employers to appointed providers below, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution that offers Free Standing Additional Voluntary Contribution Schemes (FSAVCs).

The managers of the CSAVCS are only responsible for payments made to the Scheme's appointed providers. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the appointed provider at 31 March each year (5 April for Utmost Life and L&G) confirming the amounts held in their account and the movements in year.

The aggregate amounts of AVC investments are as follows:

				2022-23
	Standard Life	**Utmost Life[1]**	**L&G[1]**	**Scottish Widows**
	£000	**£000**	**£000**	**£000**
Movements in the year				
Balance at 1 April	13,367	1,394	205,085	38,526
New investments	-	12	13,688	-
Sales of investments to provide pension benefits	(876)	(40)	(12,335)	(3,832)
Changes in market value of investments	(663)	(53)	(10,062)	2,870
Balance at 31 March	**11,828**	**1,313**	**196,376**	**37,564**
Contributions to provide life cover	n/a	*9*	n/a	n/a
Benefits paid on death	161	-	505	-

				2021-22
	Standard Life	**Utmost Life[1]**	**L&G[1]**	**Scottish Widows**
	£000	**£000**	**£000**	**£000**
Movements in the year				
Balance at 1 April	14,520	1,456	175,537	39,002
New investments	-	27	16,605	-
Sales of investments to provide pension benefits	(1,621)	(144)	(13,163)	(4,442)
Changes in market value of investments	468	55	26,106	3,966
Balance at 31 March	**13,367**	**1,394**	**205,085**	**38,526**
Contributions to provide life cover	n/a	12	n/a	n/a
Benefits paid on death	106	-	436	33

[1] Data as at 5 April.

Statement of Financial Position: Principal arrangements

16. Receivables – contributions due in respect of pensions

Analysis by type	**2022-23**	**2021-22**
	£000	**£000**
Amounts falling due within one year		
Pension contributions due from employers	423,994	388,609
Employees' normal contributions	87,722	81,460
Employees' added pension	2,005	1,760
Early retirement employer costs	4,040	4,040
Overpayment receivables (net of provision for non-recovery)	18,749	10,266
Other receivables	18	158
Sub-total	**536,528**	**486,293**
Non-supply receivables		
Injury benefit receivables	979	940
Total amounts falling due within one year	**537,507**	**487,233**
Amounts falling due after more than one year		
Long-term receivables	53	53
Total amounts falling due after more than one year	**53**	**53**

17. Cash and cash equivalents

	2022-23	**2021-22**
	£000	**£000**
Balance at 1 April	161,410	250,430
Net change in cash balances	(34,379)	(89,020)
Balance at 31 March	**127,031**	**161,410**
The following balances at 31 March were held at:		
Government banking services	126,333	160,712
Balance with government departments	698	698
Balance at 31 March	**127,031**	**161,410**

18. Payables – in respect of pensions

Analysis by type

	2022-23	**2021-22**
	£000	**£000**
Amounts falling due within one year		
Pensions	(299,942)	(273,966)
HMRC and voluntary contributions	(68,810)	(7,343)
Other creditors	(777)	(36,255)
Amounts issued from the Consolidated Fund for supply but not spent at year end	(132,469)	(166,529)
	(501,998)	**(484,093)**

19. Pension liabilities

19.1 Assumptions underpinning the pension liability

The CSPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2023. The Report of the Actuary on pages 17 to 21 sets out the scope, methodology and results of the work the Actuary has carried out.

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

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

The major 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 general pay increases[1]	3.65%	4.15%	3.72%	4.10%	4.10%
Rate of pension increases	2.40%	2.90%	2.22%	2.35%	2.60%
Nominal discount rate	4.15%	1.55%	1.25%	1.80%	2.90%
Real discount rate in excess of pension increases	1.70%	(1.30)%	(0.95)%	(0.5)%	0.29%
Real discount rate in excess of long-term pay increases	0.50%	(2.50)%	(2.38)%	(2.20)%	(1.15)%
Life expectancy[2] (in years)					
Current retirements – Life expectancy at age 60					
Females	28.1	28.6	28.6	28.5	29.3
Males	26.6	27.0	26.9	26.8	27.6
Current retirements – Life expectancy at age 65					
Females	23.2	23.8	23.7	23.6	24.3
Males	21.8	22.1	22.0	21.9	22.7
Life expectancy at age 60 – Current age 40					
Females	29.8	30.3	30.2	30.2	31.2
Males	28.4	28.7	28.6	28.5	29.6
Life expectancy at age 65 – Current age 45					
Females	24.8	25.4	25.3	25.2	26.2
Males	23.5	23.8	23.7	23.6	24.6

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

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

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Cabinet Office acknowledges that the valuation reported in the 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 biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the 'FReM', and as required by IAS 19 – 'Employee Benefits' – the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

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

19.2 Analysis of the pension liability

	At 31 March 2023	At 31 March 2022	At 31 March 2021	At 31 March 2020	At 31 March 2019
	£bn	£bn	£bn	£bn	£bn
Current pensions and associated contingent pensions	86.63	112.00	109.61	93.35	88.33
Deferred pensions, including contingent pensions, for members no longer contributing to the Scheme	29.14	53.74	48.59	40.9	35.17
Accrued benefits available to members contributing to the Scheme	85.40	176.36	149.31	145.87	113.7
Total	**201.17**	**342.10**	**307.51**	**280.12**	**237.2**

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

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 19.7. 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.

19.3 Sensitivity analysis

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

Change in assumption			**Approximate effect on total liability**	
Financial assumptions			**%**	**£bn**
(i)	discount rate*	+0.5% a year	(8)	(16.1)
(ii)	earnings increases*	+0.5% a year	1	2.0
(iii)	pension increases*	+0.5% a year	7	14.1
Demographic assumptions				
(iv)	additional one-year increase to life expectancy at retirement		3	6.0

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability. Positive numbers indicate an increase in the liability; negative numbers indicate a decrease in the liability.

The assumptions for the discount rate and pension increases are specified by HMT 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.

19.4 Analysis of movement in the Scheme liability

	2022-23	2021-22
	£000	£000
Scheme liability at 1 April	(342,096,861)	(307,512,524)
Service cost (Note 8)	(15,367,211)	(12,917,746)
Pension financing cost (Note 12)	(5,365,697)	(3,882,775)
Settlement cost	(26,089)	(327,807)
Enhancements (Note 9)	(34,900)	(33,846)
Pension transfers in	(88,418)	(100,066)
Benefits payable (Note 19.5)	7,243,273	6,793,809
Pension payments to and on account of leavers (Note 19.6)	67,859	50,211
Actuarial gain/(loss) (Note 19.7)	154,499,235	(24,166,117)
Scheme liability at 31 March	**(201,168,809)**	**(342,096,861)**

During the year ended 31 March 2023, employers' and employees' contributions represented an average of 33.0% of pensionable pay. There are no proposed changes to these rates for 2023-24.

19.5 Analysis of benefits paid

	2022-23	2021-22
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	6,282,312	5,929,647
Commutations and lump sum benefits on retirement	960,961	864,162
Total benefits paid	**7,243,273**	**6,793,809**

19.6 Analysis of payments to and on account of leavers

	2022-23	2021-22
	£000	£000
Refunds to members leaving the service	31,984	14,373
Group transfers to other schemes	-	85
Individual transfers to other schemes	35,875	35,753
Total payments to and on account of leavers	**67,859**	**50,211**

19.7 Analysis of actuarial gain/(loss)

	2022-23	2021-22
	£000	£000
Experience (losses)/gains arising on the Scheme liabilities	(16,047,708)	555,108
Changes in assumptions underlying the present value of Scheme liabilities	170,546,943	(24,721,225)
PCSPS and Alpha actuarial gain/(loss)	**154,499,235**	**(24,166,117)**
Other schemes actuarial gain/(loss)	4,008,942	(566,843)
Total actuarial gain/(loss)	**158,508,177**	**(24,732,960)**

19.8 History of experience (gains)/losses

	2022-23	2021-22	2020-21	2019-20	2018-19
Experience (gains)/losses on the Scheme liabilities					
Amount (£000)	16,047,708	(555,108)	(7,029,464)	(2,419,544)	(795,447)
Percentage of the present value of the Scheme liabilities	8.0%	(0.2%)	(2.3%)	(0.9%)	(0.3%)
Total amount recognised in Statement of Changes in Taxpayers' Equity Amount (£000)	(154,499,235)	24,166,117	18,358,516	34,753,561	(10,575,447)
Percentage of the present value of the Scheme liabilities	(76.8%)	7.1%	6.0%	12.4%	(4.5%)

The 2022-23 experience loss is due to higher than expected pension increases and lower than expected pensionable pay increases.

20. Financial instruments

The Scheme has no significant exposure to foreign exchange rate risk as the risk falls on the recipient of any payments made overseas to individual members. Any increase or decrease in the amounts receivable are borne by the individual member. The exception is when payments are made overseas to individual members from the Commissioners of Irish Lights. In these circumstances, the Scheme bears the foreign exchange liability as part of the transfer terms, but it is not seen to be a material financial risk.

The Scheme has no significant exposure to credit, liquidity or market risk. As the cash requirements of the Scheme are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a private sector scheme of a similar size. The majority of the financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

Statement of Financial Position – CSCS compensation agency arrangements

21. Receivables – non-supply

	2022-23	2021-22
	£000	£000
Recoverable annual compensation payments including lump sums	4,459	4,179
Balance at 31 March	**4,459**	**4,179**

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

22. Pension liability

22.1 Assumptions underpinning the pension liability

The Actuary provides an annual valuation of the other pension schemes included within these financial statements. The other pensions schemes are unfunded defined benefit schemes providing pension and lump sum benefits on retirement, death and resignation and GAD carried out an assessment of the Scheme liabilities as at 31 March 2023.

The major assumptions used by the Actuary were:

	At 31 March 2023	At 31 March 2022
Rate of general pay increases[1]	3.65%	4.15%
Rate of pension increases	2.40%	2.90%
Nominal discount rate	4.15%	1.55%
Real discount rate in excess of pension increases	1.70%	(1.30)%
Real discount rate in excess of long-term pay increases	0.50%	(2.50)%
Life expectancy[2] (in years)		
Current retirements – Life expectancy at age 60		
Females	28.1	29.1
Males	26.6	27.4
Current retirements – Life expectancy at age 65		
Females	23.2	24.2
Males	21.8	22.6
Life expectancy at age 60 – Current age 40		
Females	29.8	30.3
Males	28.4	29.2
Life expectancy at age 65 – Current age 45		
Females	24.8	25.9
Males	23.5	24.3

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

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

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2022) 08, dated 02 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.

These key assumptions are inherently uncertain, since it is impossible to predict with any accuracy future changes in the rate of salary increases, inflation, longevity or the return on corporate bonds. The Actuary uses professional expertise in arriving at a view of the most appropriate rates to use in the annual valuation of the Scheme liabilities. However, the Cabinet Office acknowledges that the valuation reported in the 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 biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the 'FReM', and as required by IAS 19 – 'Employee Benefits' – the discount rate net of price inflation is based on yields on high quality corporate bonds. The rates are set out in the above table. Any decrease in the discount rate net of price inflation leads to a significant increase in the reported liability.

22.2 Analysis of the pension liability

	At 31 March 2023	At 31 March 2022
	£bn	£bn
Active members (past service)	2.35	5.57
Deferred pensioners	0.33	0.64
Pensions in payment	1.17	1.07
Total	**3.85**	**7.28**

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

The value of the liability on the Statement of Financial Position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The Scheme Manager accepts that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in Note 19.7. 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.

22.3 Analysis of movement in scheme liability

	2022-23	2021-22
	£000	£000
Opening scheme liability at 1 April	(7,280,000)	(6,280,000)
Service Cost	(523,498)	(438,893)
Pension Financing Cost	(116,596)	(80,684)
Enhancements	(2,496)	(3,697)
Pension transfers in	(14,359)	(2,549)
Benefits payable	97,461	92,666
Actuarial gain/(loss)	4,008,942	(566,843)
Scheme liability at 31 March	**(3,830,546)**	**(7,280,000)**

There have been no events that have led to a material past service cost or settlement over 2022-23.

23. Related party transactions

The CSPS, CSCS and the other schemes fall within the ambit of the Cabinet Office, which is regarded as a related party. During the year, the schemes have had material transactions with the Cabinet Office and other departments, executive agencies, fair deal employers and trading funds whose employees are members of the schemes. None of the Scheme Managers, key managerial staff or other related parties has undertaken any material transactions during the year.

MyCSP Ltd is a private company that carries out administration of the Scheme under a contract with the Cabinet Office. The Cabinet Office incurred charges of £27.3 million (2022: £30.2 million) relating to pensions administration, which has been funded by a charge on Civil Superannuation employer pension contributions.

24. Contingent Liabilities disclosed under IAS 37

The Scheme has no contingent liabilities to disclose.

25. Events after the reporting period

In December 2021, six unions filed for a joint judicial review against the Government on the inclusion of the Remedy costs within the 2016 cost control mechanism (detailed in paragraphs 1.55 to 1.58). On 10 March 2023, the judge dismissed all elements of the application, meaning no changes were required, and permission to appeal at the High Court was refused. The claimants filed for appeal at the Court of Appeal, and this was granted with a hearing set for February 2024. The outcome of this appeal will become known in due course.

There have been no other material events between the Statement of Financial Position date and the date the financial statements were authorised for issue.

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the same date as the Comptroller and Auditor General's certificate.

ISBN 978-1-5286-4552-2
E03017012