

# Royal Mail Statutory Pension Scheme Annual Report and Accounts 2023–24



### Royal Mail Statutory Pension Scheme

# Annual Report and Accounts 2023–24

For the period 1 April 2023 to 31 March 2024

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

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#### **Accountability Report**

#### **Corporate Governance Report**

#### Report of the Manager

#### 1. Introduction

This report provides key information on the Royal Mail Statutory Pension Scheme ("RMSPS") ("the Scheme") including ongoing developments and other information for members.

#### 2. The Scheme, its objectives and strategy

With effect from 1 April 2012 and under the provisions of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, which received Royal Assent on 13 June 2011, the Government assumed responsibility for both the Royal Mail Pension Plan ("RMPP") deficit and the majority of the RMPP's liabilities. Following this transfer of responsibility, the RMSPS was established to provide retirement and death benefits to former members of the RMPP and their dependants, in respect of their service up to 31 March 2012.

The RMSPS is a statutory scheme as defined under Section 26(1) of the Finance Act 1970 and is a registered scheme under the Finance Act 2004.

There are no investment arrangements within the RMSPS to meet the liabilities of the Scheme. Future benefits will be paid out of the consolidated fund, to the extent that Parliament votes on the necessary funds as requested by the Cabinet Office.

#### 3. Main features of the Scheme

The RMSPS is an unfunded, defined benefit scheme. The Scheme is closed to new members and the accrual of new benefits; consequently, there are no employer or employee contributions.

There are two primary benefit structures within the RMSPS which are set out in Schedule 1 of the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012:

- Section A members (those who joined the Scheme before 1 December 1971) and section B members (those who joined between 1 December 1971 and 31 March 1987) are entitled to a pension and an automatic lump sum on retirement (with the option to exchange their pension for an additional lump sum or vice versa, subject to His Majesty's Revenue and Customs (HMRC) limits); and
- Section C members (those who joined after 31 March 1987) are entitled to a pension on retirement, with the option to exchange their pension for a lump sum up to HMRC limits.

The Scheme has three main categories of membership:

- pensioners (those members who are receiving a pension);
- deferred members (those members who left pensionable service in the RMPP prior to 31 March 2012 but are not yet receiving their pension); and
- active deferred members (joint members) (those members who were in RMPP pensionable service as at 31 March 2012 and continued in RMPP pensionable service).

The Scheme has some dual members, i.e. members with two benefits entitlements. This arose when the rules on normal retirement age (NRA) changed from 60 to 65, known as NRA60 and NRA65.

#### 4. Changes in benefits

Active deferred members differ from deferred members in that their deferred pension entitlements held in the RMSPS receive revaluation based on the Retail Price Index (RPI) while they are still employed by the Royal Mail or Post Office. Eligible active deferred benefits were increased by 12.6% on 18 April 2023, reflecting the change in RPI for the year ended September 2022. Once active deferred members leave RMPP service and become deferred members, revaluation for section A and B members is based on the Consumer Prices Index (CPI). Section C members continue to receive revaluation based on the RPI.

For section A and B members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased on 18 April 2023, reflecting the 10.1% increase in the CPI for the year ended September 2022. No discretionary increases were awarded.

For section C members, in accordance with scheme regulations, eligible pensions in payment and deferred benefits were increased by 5.0% on 18 April 2023, reflecting the change in the RPI for the year ended September 2022, which is limited to a maximum increase of 5.0%. No discretionary increases were awarded.

#### 5. Management of the Scheme

Under the Postal Services Act 2011, 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 is the Accounting Officer of the Scheme.

The Cabinet Office is ultimately responsible for ensuring that the Scheme operates effectively. The day-to-day administration is carried out by Capita Pension Solutions Ltd (formerly Capita Employee Benefits Ltd), under a contract managed by the Cabinet Office.

The Cabinet Office retains direct management of:

maintenance of Scheme rules;

- complaints made under the second stage of the internal dispute resolution procedures and responses to referrals from the Pensions Ombudsman;
- ensuring appropriate audit programmes and risk management frameworks are in place;
- certain discretionary decisions on behalf of the Minister for the Civil Service; and
- scheme finances, including the production of the annual accounts.

#### 6. Cabinet Office and the administrator

The Cabinet Office oversees the delivery of scheme administration through a formal contract.

Under the contract, the administrator is responsible for day-to-day administration, including:

- providing administration for deferred, active deferred and pensioner scheme members, including paying pensions and death benefits;
- 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;
- pursuing and reclaiming any overpayments of benefits;

- calculating and paying annual pension increases;
- deducting and paying over tax to HMRC;
- issuing annual current value statements;
- operating a payroll bank account; and
- producing financial and management reports.

#### 7. Financial review

The total pension liability at 31 March 2024 is £28.7 billion (31 March 2023: £29.9 billion). This relates to benefits accrued before 2012 for qualifying members, and their beneficiaries, of the RMPP as at 31 March 2024.

The net expenditure for the year was £1.2 billion (2022–23: £0.7 billion) and consists solely of the pension financing cost. The expenditure has increased by £0.5 billion as the interest cost is higher this year following an increase in the nominal discount rate, which increases the interest cost in 2023–24.

Total benefits of £1.6 billion (2022–23: £1.5 billion) were payable in the year in respect of pensions, commutations, lump sums and death benefits. Total transfers out of £0.2 million (2022–23: £0.4 million) were payable in the year.

During the year, a net actuarial gain of £0.75 billion (2022–23: £14.8 billion actuarial gain) was incurred and has been included within Other Comprehensive Net Expenditure. The actuarial gain has been driven by an increase in the nominal discount rate from 4.15%

to 5.10% as at 31 March 2024, partially offset by an increase in the assumed rate of pension increases from 2.4% to 2.55%.

The notional cost of the audit is £60,510 (2022–23: £56,700). This fee reflects only those costs that are directly associated with the audit of these financial statements and is incorporated in the Cabinet Office Financial Statements.

The total number of scheme members decreased from 355,015 at 31 March 2023 to 348,874 at 31 March 2024.

The financial statements and accompanying notes set out the Scheme's expenditure for the year ended 31 March 2024, and its financial position and cash flows.

## 8. Reconciliation of net cash requirement to estimate

There was a £114.5 million variance between the estimated cash requirement of £1,762.0 million and the outturn of £1,647.5 million. This is primarily due to the estimate incorporating cover for the risk of a small fluctuation in the incidence of retirements from month to month.

#### **Trend analysis**

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

Type of spend	2023–24 Outturn		2021–22 Outturn Restated	2020–21 Outturn	
	£bn	£bn	£bn	£bn	£bn
Net expenditure	1.2	0.7	0.5	0.9	1.6
Net cash	1.6	1.5	1.5	1.4	1.4

Net expenditure had been decreasing over the prior three years due to the reduction in the nominal discount rate, but this trend is now reversing. Net cash has remained consistent over the past five years.

The pension finance cost for the past five years is shown below.

			2021–22 Restated		
	£bn	£bn	£bn	£bn	£bn
Pension					
finance cost	1.2	0.7	0.5	0.9	1.3

The pension finance cost has been rising steadily since 2021–22 with the increase in the nominal discount rate. The nominal discount rate has now increased to 4.15% as at 31 March 2023.

The main estimate cash requirement for 2024–25 is broadly in line with outturn for 2023–24 and shown in the table below.

	2024–25 Main estimate £bn	2023–24 Outturn £bn
Net resource requirement	1.3	1.2
Net cash	1.7	1.6

## 9. Guaranteed Minimum Pension (GMP) equalisation and indexation

2016 saw the introduction of the new State Pension which simplified the pension system. However, it removed the mechanism whereby pension schemes and the Department for Work and Pensions (DWP) shared the cost of indexing pension payment for members in employment between 1978 and 1997 with a GMP entitlement who reached State Pension age after April 2016.

The Government implemented an 'interim solution' that required public service pension schemes to fully index GMPs for members reaching State Pension age after April 2016, and conducted a consultation on how it will ensure it continues to meet these past commitments to public service employees.

The consultation response was published on 23 March 2021, and the Government has decided to make full GMP indexation the permanent solution for scheme members with a GMP reaching State Pension age beyond 5 April 2021, in addition to those members who reached State Pension age after April 2016. A past service cost was included in the 2019–20 accounts to reflect the additional

liabilities accrued for affected members, and represented the full expected cost of GMP indexation, therefore no further allowance or adjustment is required.

A project to correct GMP indexation applied incorrectly to certain members' records transferred from the previous administrator was completed during the year. Separately to this project, further GMP work projects being undertaken include: (a) reconciliation and rectification of members' GMP records held by the Scheme with that held by HMRC, and (b) equalisation of Section C members' GMP records. These projects are expected to be completed by autumn 2024.

#### 10. Membership statistics

Deferred pensioners (including active deferred – single status only)	31 March 2024	31 March 2023
At 1 April	137,046	146,405
Adjustment*	30	(737)
Full retirements	(6,124)	(5,267)
Deaths	(357)	(243)
Transfers	(267)	(226)
Partial retirements (i.e. from single		
to dual status)	(3,143)	(2,886)
At 31 March	127,185	137,046

Dual status pensioners (deferred members with part benefits in payment)	31 March 2024	31 March 2023
At 1 April	17,437	16,988
Adjustment*	0	(85)
Full retirements	(2,776)	(2,277)
Deaths	(92)	(75)
Partial retirements (i.e. from single		
to dual status)	3,143	2,886
At 31 March	17,712	17,437

Pensioners	31 March 2024	31 March 2023
At 1 April	200,532	198,475
Adjustment*	274	821
Full retirements	8,900	7,544
Trivial commutations	(32)	(665)
New dependants	2134	2,794
Pensioner payment ceased	(643)	(593)
Deaths	(7,188)	(7,844)
At 31 March	203,977	200,532
Total	348,874	355,015

<sup>\*</sup> Adjustments are needed to the membership movement to reflect processing lead times and late notifications to the administrator.

# 11. Additional voluntary contributions (AVCs)

There are no AVCs allowed within the RMSPS. AVC funds are retained in the RMPP, but active deferred members are allowed to spread their AVC benefit entitlement across both schemes.

#### 12. Scheme records

The administration of the Scheme was transferred from the Royal Mail Pension Service Centre (PSC) to Capita in 2018. An interface solution was implemented to allow the flow of member data between Capita and PSC to facilitate case processing of retirements and other benefits for active deferred members.

A data sharing agreement is in place with Royal Mail Pension Trustees Ltd that provides a basis for the sharing of data and maintains a good service for active deferred members.

#### 13. Scheme developments

The scheme will issue a final notification in summer 2024 of our intention to go paperless to our pensioner members and the last notification to deferred members was issued in the final quarter 2023. Once we have completed the pensioner members notification process, we will begin the process of issuing digital communications to members. This aligns with our digital strategy to reduce carbon footprint and 'build back greener'. The option of receiving a hard copy will still be available for those who wish to opt out of electronic communication.

Monthly liaison meetings are held with the RMPP Trustee Executive to share knowledge and align scheme communications across the two schemes. There were no changes to the Scheme rules during the year.

# 14. Reporting of personal data-related incidents and data security

Any breaches of General Data Protection Regulations (GDPR) are monitored by the Cabinet Office and there have been no instances of loss of protected personal data reported to the Information Commissioner's Office (ICO) in 2023–24. Seven cases were reported to the ICO after the year end following the independent review of the impact of the cyber-attack experienced by Capita. Further details are provided in Note 8 on page 37.

In line with the GDPR and the Data Protection Act 2018, the Scheme has ensured that:

- contracts with suppliers are amended to make certain that data is processed, by data processors, in accordance with the legislation;
- robust reporting mechanisms are in place; and
- a scheme data management policy and privacy notices are in place.

Capita's information technology infrastructure is monitored through a joint security working group which meets monthly to discuss any security issues.

#### 15. Actuarial position

The Scheme's liabilities as at 31 March 2024 were calculated by the Government Actuary's Department (GAD, the appointed actuary to the Scheme) in accordance with 'International Accounting Standard 19 Employee Benefits (IAS 19)', 'International Accounting Standard 26 Accounting and Reporting by Retirement Benefit Plans (IAS 26)' and the requirements of Chapter 12 of the 2023–24 version of the 'Government Financial Reporting Manual'. This assessment was completed using full scheme data as at 31 March 2022, updated on an approximate basis by GAD to reflect changes that have occurred up to 31 March 2024.

#### 16. Events after the reporting period

There have been no 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 accounts to be issued on the date that the Comptroller and Auditor General (C&AG) certifies the accounts.

#### 17. Auditor

These financial statements have been audited by the C&AG, whose opinion is expressed in the certificate and report of the C&AG to the House of Commons.

#### 18. Managers, advisers and employers

Managers	
Accounting Officer of the Scheme:	Catherine Little (from 2 April 2024), 70 Whitehall, London SW1A 2AS
Scheme Management team:	Pensions Directorate (led by Simon Claydon), Cabinet Office, 70 Whitehall, London SW1A 2AS
Scheme administrator:	Capita Pension Solutions Ltd, Hartshead House, 2 Cutlers Gate, Sheffield S4 7TL
Advisers	
Scheme actuary:	Government Actuary's Department, 6th Floor, 10 South Colonnade, Canary Wharf, London E14 4PU
Principal bankers:	Royal Bank of Scotland, 36 St Andrew Square, Edinburgh EH2 2YB
Legal advisers:	Government Legal Department, 102 Petty France, London SW1H 9GL
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

#### **Employers**

The following employers participated in the Scheme:

- Royal Mail Group; and
- Post Office Ltd.

#### 19. Disclosure of audit information

As Accounting Officer, as far as I am aware there is no relevant audit information of which the Scheme's auditor is unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scheme's auditor is aware of that information.

As Accounting Officer, I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable, and that I take personal responsibility for them and for the judgements required for determining that they are fair, balanced and understandable.

**Catherine Little** 

Without Late

**Principal Accounting Officer and Permanent Secretary** 

**09 December 2024** 

# Report of the Actuary Royal Mail Statutory Pension Scheme

# Accounts for the year ended 31 March 2024

#### Introduction

- 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 Royal Mail Statutory Pension Scheme (RMSPS) as at 31 March 2024, and the movement in the Scheme liability over the year 2023–24, prepared in accordance with the requirements of Chapter 12 of the version of the 2023–24 Financial Reporting Manual.
- 2. The RMSPS is a defined benefit Scheme providing pension and lump sum benefits on retirement and death. The Scheme is wholly unfunded. I am not aware of any informal practices operated within the Scheme which lead to a constructive obligation.
- 3. The assessment has been carried out by calculating the liability as at 31 March 2022 based on the data provided as at 31 March 2022 and rolling forward that liability to 31 March 2024.

#### Membership data

4. Table A summarises the principal membership data as at 31 March 2022 used to prepare this statement.

#### **Table A – Membership summary**

Category	Number of members (single + dual)	Total pension as at 31 March 2022 (£000)*
Active deferred	66,727	311
Deferred pensioner	93,344	321
Pensioner	215,582	1,249

<sup>\*</sup> Including pension increases awarded in April 2022. Does not include NPA65 pension that is not yet in payment for dual status members.

#### Methodology

- 5. The present value of the liabilities as at 31 March 2024 has been determined using the Projected Unit Credit Method (PUCM), with allowance for demographic and financial assumptions applying as at 31 March 2024.
- 6. This statement takes into account the benefits normally provided under the Scheme, including age retirement benefits, ill-health retirement benefits and benefits applicable following the death of the member. It does not include the cost of injury benefits (in excess of ill-health benefits). It does not include premature retirement and redundancy benefits in respect of current active members,

although the assessment of liabilities includes pensions already in payment in respect of such cases.

#### **Financial assumptions**

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

Table B – Principal financial assumptions

Assumption	31 March 2024	31 March 2023
	p.a.	p.a.
Nominal discount rate	5.10%	4.15%
Rate of increase in CPI inflation (informing increases to pensions in payment, deferred pensions		
and CARE revaluation)	2.55%	2.40%
Real discount rate in excess of		
CPI inflation	2.45%	1.70%
Rate of RPI (Retail Price Index)		
inflation until February 2030	3.70%	3.40%
Rate of RPI inflation from		
February 2030	2.65%	2.50%
Expected return on assets	n/a	n/a

8. The assumptions for the discount rate and pensions increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, 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.

- 9. The assessment of the liabilities allows for the known pension increases up to and including April 2024, for members of all Sections of the Scheme.
- 10. Our calculations have been prepared on that the basis that Section C members' pensions in payment are generally (ignoring GMP etc.) increased annually in line with changes in the retail prices, to a maximum of a 5% increase in that year. For that reason, we understand that Section C pensioners received a 5% increase in April 2024.
- 11. Whilst in active service we understand that Section C members receive annual revaluations generally in line with changes in the retail prices index, subject to a cap of 5% pa. However, in this case, we understand the cap is applied in aggregate over the whole period being considered. This cap will therefore only 'bite' if inflation is consistently over 5% in each year of the period. We have therefore prepared our calculations on the basis that Section C members who remain in active service would therefore ultimately be expected to receive a revaluation of 8.9% in April 2024.
- 12. If the Scheme were to apply different increases/ revaluations in April 2024, then the liabilities disclosed would differ from those shown in this report.
- 13. Additionally, for the accounts as at 31 March 2024, allowance has been made for known inflation

experience up to March 2024 to inform, in part, the pension increase that is expected to apply in April 2025. This is different to the approach taken for the accounts as at 31 March 2023, where instead only known inflation up to September 2022 (which informed the next known pension increase taking effect in April 2023) was taken into account when rolling forward the past service liabilities,

#### **Demographic assumptions**

14. Table C 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 C – Post-retirement mortality assumptions** 

Baseline mortality	Standard table*	Adjustment
Males		
Normal and ill-health retirements	S3PMA	113%
Dependants	S3PMA	113%
Females		
Normal and ill-health retirements	S3PFA	110%
Dependants	S3DFA	100%

15. The assumptions in Table C above, and the other demographic assumptions such as commutation and

- family statistics, are in line with those adopted for the 31 March 2022 valuation of the Scheme. Note that the accounts as at 31 March 2023 were based on the assumptions adopted for the 2018 valuation.
- 16. Mortality improvements are assumed to be in line with the latest 2020-based projections for the United Kingdom published by the Office for National Statistics (ONS) in December 2022. This is a consistent assumption to that used for the 2022–23 accounts.
- 17. The Schemes actuarial factors were updated in 2023–24, allowing for the updated SCAPE discount rate and assumption changes as part of the 2022 actuarial valuation. These updated factors have been allowed for in calculating the accounting position as at 31 March 2024.
- 18. Our advice on the selection of assumptions can be found in our assumptions and methodology report dated 7 March 2024.

#### Liabilities

19. Table D summarises the assessed value as at 31 March 2024 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in paragraphs 4 to 18. The corresponding figures for the previous year are shown for comparison.

#### Table D - Statement of financial position

	31 March 2024 £ m	31 March 2023 £ m
Total market value of assets	nil	nil
Value of liabilities	28,666	29,863
Surplus/(deficit)	(28,666)	(29,863)
of which recoverable by		
employers	n/a	n/a

#### **Accruing costs**

20. I am not aware of any events that have led to a material settlement or curtailment gain or loss over 2023–24

#### Sensitivity analysis

- 21. The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, I have been asked to indicate the approximate effects on the actuarial liability as at 31 March 2024 of changes to the most significant actuarial assumptions.
- 22. The most significant financial assumptions are the discount rate and inflationary increases (currently based on either CPI or RPI). A key demographic assumption is pensioner mortality.
- 23. Table E shows the indicative effects on the total liability as at 31 March 2024 of changes to these assumptions (rounded to the nearest 0.5%).

#### Table E – Sensitivity to significant assumptions

Change in assumption	Approximate effect on total liability	
Financial assumptions	%	£000m
(i) discount rate increase* of 0.5%		
a year	(6.0)	(1,729)
(ii) inflationary (CPI) increases* of		
0.5% a year	5.0	1,441
Demographic assumptions		
(ii) additional one-year increase in		
life expectancy at retirement	3.0	865

<sup>\*</sup> Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The discount rate sensitivity shown implies a scheme duration of c.13 years.

#### **COVID-19** and climate change

- 24. COVID-19 and climate change are areas where there remains significant uncertainty, which could affect both future economic and demographic experience. In line with previous years, the assumptions used in the preparation of the 2023–24 Resource Accounts allow for the current impacts of COVID-19 and climate change to the extent that they are reflected in the market data used to set or derive assumptions.
- 25. 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. The result is that projected mortality rates for 2022 are broadly in line with those assumed for 2019 and, after 2022, improvements will be in line with those projected assuming COVID-19 had not occurred. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future accounting periods. I expect that the long-term impact of the COVID-19 pandemic on life expectancy will continue to evolve as experience and evidence emerges into the future.

Garry Swann FIA Actuary

**Government Actuary's Department** 

17 May 2024

# Statement of Accounting Officer's responsibilities

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

The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Scheme at year end and of the net resource outturn, changes in taxpayers' equity and cash flows for the year then ended. The accounts are required to disclose any material expenditure or income that has not been applied to the purposes intended by Parliament, or material transactions that have not conformed to the authorities which govern them.

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 HM
   Treasury, including the relevant accounting and
   disclosure requirements, and apply suitable
   accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards, as set out in the 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 as a whole they are fair, balanced and understandable.

HM Treasury has appointed the Permanent Secretary of Cabinet Office as Accounting Officer for the RMSPS. 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 Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money'.

#### **Governance Statement**

#### 1. Scope of responsibility

I was appointed as the Accounting Officer for the Royal Mail Statutory Pension Scheme on 2 April 2024.

My predecessor had responsibility for maintaining a sound system of governance, risk management and internal control.

I have now assumed responsibility for maintaining a sound system of governance, risk management and internal control that supports the achievement of the RMSPS'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'. I am also required to provide assurances about the stewardship of the RMSPS. These assurances are provided in this Governance Statement, in line with HM Treasury guidance.

#### 2. Scheme governance

The governance arrangements of RMSPS are designed to:

- be efficient and cost-effective;
- be based on a transparent and robust structure which is compliant with the Scheme rules; and

 follow relevant good practice and policy for public service schemes across government.

#### 3. Governance: roles and responsibilities

The bodies and individuals involved in the Scheme governance are as follows:

- 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
   (COARC) supports and advises me, as the
   Accounting Officer, on all relevant matters concerning
   audit and risk.
- The Scheme Management team, which is part of Government People Group within the Cabinet Office, oversees the day-to-day management of the Scheme.
- The Governance Group is an advisory group which includes member representatives, and the Chair is appointed by the Minister for the Cabinet Office.
- The RMPP Trustee Executive has continued responsibility for the ongoing RMPP which holds pension benefits for active deferred members.
- The day-to-day administration of the Scheme is carried out by Capita Pensions Solutions Ltd

under a contract with the Cabinet Office operated in accordance with the Department's internal control framework.

# 4. The Cabinet Office Audit and Risk Committee (COARC)

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

COARC was chaired by Mike Ashley, an independent non-executive board member. All meetings were attended by at least one other non-executive director and the Cabinet Office Chief Financial Officer.

Scheme discussions included reports and updates provided by the Scheme Management team, the National Audit Office and the Government Internal Audit Agency (GIAA).

#### 5. The Governance Group

The RMSPS Governance Group is an independent advisory group chaired by an independent non-executive Chair. Its membership is based on nominations from a range of stakeholders including the Scheme Management team, the Royal Mail Group plc, Post Office Ltd, unions, the National Federation of Occupational Pensioners and two independent representatives.

Board member	Role	Meetings attended	Out of a possible
John Cullen	Chair – Non-executive	4	4
Natasha Wilson	Non-executive member	4	4
Simon Claydon/Kerrie Cureton-Williams/ Múna Rowe	Cabinet Office official	4	4
Stephen Humphrey	Independent member	3	4
Angela Gough	Royal Mail Group	4	4
Andy Furey	Communication Workers Union	1	4
Stephen Halliwell	Communication Workers Union	2	4
Gary Sassoon-Hales	Unite the Union	2	4
Eamonn Donaughy	National Federation of Occupational Pensioners	4	4
lan Rudkin (deputy: David Scothern)	Post Office Ltd	3	4

### The primary functions of the Governance Group are:

- to ensure the Scheme administration has the appropriate oversight, governance and controls in place, that the Scheme administration is working efficiently and effectively, and to raise any concerns identified;
- to help inform member communication plans and products to promote effective member engagement; and

• to monitor cross-scheme issues to ensure consistency in the delivery of services to members.

The Governance Group met four times in the year to 31 March 2024 and was presented with reports highlighting the activities of the preceding months. These reports included:

- actual pension payments made against forecasts;
- a scheme report highlighting significant activity in the reporting period;
- a risk report highlighting key risks, mitigations and their ratings;
- the number of overpayments made, recovery performance and causes; and
- the performance of Capita against agreed targets.

These reports and the data presented to the Governance Group are produced by the Scheme administrator and reviewed by the Scheme Management team to provide the level of detail needed for effective oversight. There is no requirement for a framework to be in place to review board performance because this is a non-statutory governance group that operates in an advisory capacity. As a matter of good practice, however, the Chair is expected to monitor board performance and effectiveness, and no issues were noted during the year. There is a conflict of interest policy in place, and

a register of interests is maintained by the secretariat function.

### 6. Cabinet Office Scheme Governance

The Scheme Management team has oversight arrangements in place to monitor performance of the Scheme administrator, including a quarterly Strategy Group and a monthly Service Delivery Group. These are further supported by a Finance Governance Group and a Risk and Compliance Group.

### 7. Risk management

The Cabinet Office has a risk management framework in place to ensure key risks are monitored and effective measures are in place to mitigate them, via the joint administrator and Scheme Management team Risk and Compliance Group. The main risks kept under review and monitored on an ongoing basis are detailed in the table below.

Risk	Current position
Oversight of the administration process	There is a risk that process failure causes errors, complaints or financial loss either by administrator error or system error. Version-controlled work instructions are now maintained with succession plans in place for key individuals. Skill gaps are identified and training performed.

Risk	Current position
Risk of cyber-attack	Data within the secure Azure environment is verified by an Annual IT Health Check and there is annual testing of Capita's business continuity plan. A monthly working group in place with Cabinet Office and Capita reviews Data Security considerations, with Capita issuing a monitoring report which includes protective and monitoring information to evidence controls reducing the risks of phishing or malware attacks being successful.
Delivering the GMP programme and the potential for delays, leading to increased costs or inadequate delivery of the programme	This GMP equalisation project is now drawing to a close and should be completed in 2024–25. The GMP data cleanse project locates and verifies missing data and a GMP working group established monitors progress through weekly meetings.
Failure to comply with scheme rules, or relevant laws or regulations	Effective controls are in place, including: breach and error reporting processes, regulatory training, monthly disclosure reviews with a forward-look to all cases approaching disclosure deadlines, workflow system controls and recording of key disclosure timeframes for all activities as well as reporting on warnings/failures.

All risks identified and reviewed during the year are recorded in a risk register, which is reviewed and updated on a monthly basis, or sooner if there is a change to the risk landscape. Where risks are outside of tolerance levels, mitigating controls or actions are implemented to address risks and are tracked via the Risk and Compliance Group.

### 8. Key issues arising in the reporting period

The administrator performance has remained strong during the year despite increasing volumes across the scheme.

Capita are engaged in a project to review the Guaranteed Minimum Pension for all members and to ensure that all scheme benefits are equalised, to eliminate any discrimination in the scheme (see page 11). The first two phases of this three-phase project have been completed and the administrator will complete the final equalisation piece in September 2024.

Capita suffered a cyber-attack on 31 March 2023 and engaged an independent forensic specialist to review their networks to determine the full extent of the impact and to review Capita's response to the attack. Ahead of the independent work and report being completed, Capita conducted their own manual review of their systems and identified that certain data items relating to 136 RMSPS members may have been compromised. The full independent forensic specialist work completed in April 2024, identifying a further 1,000 members who may have had certain personal data items compromised, bringing the total to 1,136 members impacted. It should be noted that all RMSPS members' full pension records are securely held on the pensions administration system and have not been impacted by the attack. Members' identified as potentially having had certain data items compromised have all been provided with protective

monitoring for identity theft or fraud, individual support and guidance. Capita continues to scan the dark web for signs of any data exfiltration, currently none of the RMSPS members details have been found on the dark web.

### 9. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance structures, risk management and system of internal control. My review of the effectiveness of the system of internal control is informed by the work of a number of parties. These included the Scheme Management team within the Cabinet Office, GIAA reporting into COARC and the external scheme auditors.

I received an assurance letter from the previous Accounting Officer confirming the Cabinet Office has operated within effective governance, decision making and financial management arrangements throughout 2023–24. These arrangements have allowed me to meet the standards required of an Accounting Officer when considering and safeguarding regularity, propriety, affordability, feasibility, sustainability, risk and value for money.

The administrator prepares monthly reports along with the Scheme risk register and meets monthly with the Scheme Management team to review risks and any compliance issues. High-level risks, including the

Governance risk and any issues, are reported to the Governance Group where appropriate.

Risks are identified through meeting groups (the Service Delivery Review meetings, the RMSPS Governance Group, the Security Working Group and the Scheme Management team risk and compliance meeting), risk workshops, horizon scanning, and ad hoc reporting from Capita to the Scheme Management team. Risks are evaluated through workshops or via the RMSPS Risk and Compliance Group and are continually monitored to ensure appropriate mitigations are in place.

In considering the effectiveness of the internal controls for the Scheme, I take into account the findings of the Reporting Accountants' assurance report for Capita Pensions Solutions Ltd for the year ending 31 December 2023. I have sought information from the administrator to aid consideration of the report's findings and concluded that risks are suitably mitigated by the control arrangements in place.

GIAA acts as the Scheme's overarching internal audit service. It develops an annual audit plan and provides me with an annual report and opinion on the adequacy and effectiveness of risk management, governance and control for the Scheme as a whole. GIAA coordinates its work with Capita Group Internal Audit (Capita GIA) and places some reliance on the work of Capita GIA to inform its annual opinion.

The GIAA Head of Internal Audit provided me with their 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.

For 2023–24, the Scheme received a 'moderate' opinion. The Scheme Management team continues to identify, assess and mitigate risks in relation to performance during a year which has been characterised by sustained/increasing activity levels, matched by strong customer satisfaction and call-resolution performance.

Capita GIA developed an audit plan for 2023–24, designed so that it delivers effective and efficient assurances to the Cabinet Office on the adequacy and effectiveness of the design and operation of Capita's governance, processes and controls. The plan was designed to focus on key areas of risk and the system of internal controls under a business-as-usual scenario. Audits carried out during the year covered overpayments and recovery, joint member protocols and data security.

Capita GIA issues an Annual Statement of Assurance each year on its opinion on the adequacy of risk, control and governance processes exercised by Capita management over the systems and processes used to administer the RMSPS contract. Where Capita GIA identified weaknesses, it confirmed that the administrator has taken appropriate measures to agree and remediate

the identified weaknesses. All audit actions are subsequently tracked by Capita GIA until closure, with Capita GIA independently verifying that the actions have been adequately addressed. Capita GIA has confirmed it is aware of any errors, breaches or fraud, which may cause material financial loss or reputational damage to the Scheme Manager.

**Catherine Little** 

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**Principal Accounting Officer and Permanent Secretary** 

**09 December 2024** 

## Parliamentary Accountability and Audit Report

### Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government Financial Reporting Manual 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 its 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 Supply Estimate details is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by its Supply Estimate (control limits), its accounts will receive a qualified opinion. The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn. The SOPS contain a summary table, detailing performance against the control limits that

Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't 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 outturn to net cash requirement (SOPS3).

# Summary of resource and capital outturn 2023-24

			Outturn			Estimate		2023–24	2022–23
	SOPS	Voted	Non-voted	Total	Voted	Non-voted	Total	Outturn vs Estimate, saving Voted	Prior Year Outturn Total
Type of spend	Note	£000	£000	£000	£000	£000	£000	£000	£000
Departmental expenditure Limit	penditure L	imit							
- Resource		-	1	-	1	-	-	I	ı
- Capital		ı	I	1	I	1	I	I	ı
Total		1	1	-	1	-	-	I	ı
Annually managed expenditure	ed expendit	ure							
- Resource	SOPS 1.1	1,205,451	1	1,205,451	1,279,000	-	1,279,000	73,549	693,204
- Capital		ı	1	1	1	1	1	I	ı
Total budget Expenditure		1,205,451	I	1,205,451	1,279,000	1	1,279,000	73,549	693,204
Non-budget Expenditure		1	1	1	1	1	1	ı	ı
Total Budget and Non budget		1,205,451	1	1,205,451	1,279,000	1	1,279,000	73,549	693,204

				2023–24	
				£000	2022–23
				Outturn	£000
		2023–24	2023–24	NS	Prior Year
		Outturn	Estimate	Estimate,	Outturn
	Note	£000	£000	saving	Total
Net cash requirement	SOPS3	1,647,535	1,647,535 1,762,000	114,465	66,029
Administration costs 2023–24		1	-	-	ı

Figures in the columns outlined in bold are voted totals subject to Parliamentary control.

All outturn figures are classified as voted annually managed expenditure (AME) items.

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, 2023-24 (£000s)

SOPS1. Outturn detail, by estimate line

# SOPS1.1 Analysis of net resource outturn, by estimate line

			Resourc £0	Resource Outturn £000				Estimate £000		2023–24 £000	2022–23 £000
Type of spend	1	Administration			Programme		Total	Virements	Total inc.	Outturn vs	Prior Year
(Resource)	Gross	Income	Net	Gross	Income	Net			virements	Estimate, saving	Outturn, total
Spending in Annually Managed Expenditure (AME)	nually Manag	ed Expenditu	re (AME)								
Voted expenditure	ture										
RMSPS	•	-	1	1,205,451	1	1,205,451	1,279,000	-	1,279,000	73,549	693,204
Non-voted expenditure	enditure										
RMSPS	-	-	-	-	1	-	-	-	1	ı	1
Total											
spending in AME		ı	1	1,205,451	ı	1,205,451	1,279,000	ı	1,279,000	73,549	693,204
Total											
resource	1	-	-	1,205,451	-	1,205,451 1,279,000	1,279,000	•	1,279,000	73,549	693,204

# SOPS2. Reconciliation of outturn to net operating expenditure

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

# SOPS3. Reconciliation of net resource outturn to net cash requirement

				2023–24	2022–23
	Note	Outturn	Estimate	Net total outturn compared with estimate: saving	Outturn
		0003	0003	0003	0003
Net resource outturn		1,205,451	1,279,000	73,549	693,204
Accruals adjustments:					
<ul><li>Non-cash item – pension financing cost</li></ul>	7.4	(1,205,451)	(1,279,000)	(73,549)	(693,204)
Changes in working capital other than cash:					
- (Decrease)/increase in receivables		135	ı	(135)	843
<ul><li>– (Increase)/decrease in payables (within 12 months)</li></ul>		(9,721)	1	9,721	4,775
Less movements in the consolidated fund and Scheme Manager payables		8,387	-	(8,387)	(4,207)
Use of provision:					
Pension		1,648,734	1,762,000	113,266	1,505,560
Net cash requirement		1,647,535	1,762,000	114,465	1,506,971

There is a £114 million variance from the estimated cash requirement of £1,762 million to the outturn of £1,648 million. This is primarily due to the estimate incorporating cover for the risk of fluctuation in the incidence of retirements from month to month.

The £73.5 million variance in the net resource outturn of £1,205.5 million is due to the estimate incorporating cover for the risk of fluctuation in the resource requirement for the year.

The notional audit cost of £60,510 (2022–23: £56,700), in respect of the C&AG's audit of the Scheme's financial statements for the year ended 31 March 2024, is borne by the Vote of the Cabinet Office and is therefore not a reconciling item in the note above.

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.

### Losses and Special Payments Disclosure (subject to audit)

There are no losses or special payments, individually or in aggregate in excess of £300,000 that would require disclosure during the year to 31 March 2024 (2022–23: none in excess of £300,000), or that have been recognised since that date.

### Remote contingent liabilities (subject to audit)

There were no remote contingent liabilities during 2023–24.

# 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 Royal Mail Statutory Pension Scheme ("the Scheme") for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The Scheme's financial statements comprise: the

- Statement of Financial Position as at 31 March 2024;
- 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 Scheme's 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 2024 and its 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 2024 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 is 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 and 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;
- 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 Scheme 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;

- preparing financial statements, which give a true and fair view in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the Annual Report in accordance with HM Treasury directions issued 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 Government Resources and Accounts Act 2000, Managing Public Money, the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, the Public Service Pensions Act 2013, and the regulations set down 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 noncompliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud.
- discussed with the engagement team 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: Posting of unusual journals,

complex transactions, bias in management estimates, and related estimates. 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, Supply and Appropriation (Main Estimates) Act 2023, Managing Public Money, the Postal Services Act 2011 (Transfer of Accrued Pension Rights) Order 2012, the Public Service Pensions Act 2013 and the regulations set down by The Pensions Regulator.

I considered the control environment in place at the Scheme and the administrator 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;
- I addressed the risk of fraud through management override of controls by testing 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; and
- I reviewed significant correspondence with The Pensions Regulator.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members 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: <a href="www.frc.org.uk/">www.frc.org.uk/</a> <a href="mailto:auditorsresponsibilities">auditorsresponsibilities</a>.. 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 sufficient appropriate audit evidence 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 I identify during my audit.

### Report

I have no observations to make on these financial statements.

Garett Dais

### Gareth Davies Date 10 December 2024 Comptroller and Auditor General

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

### **Financial Statements**

# Statement of Comprehensive Net Expenditure for the year ended 31 March 2024

	Note	2023-24 £000	2022–23 £000
Principal arrangements - RMSPS			2000
Expenditure			
Pension financing cost	3	1,205,451	693,204
Net expenditure		1,205,451	693,204
Other comprehensive net expenditure			
Net actuarial gain	7.7	(753,317)	(14,800,628)
Total comprehensive net expenditure/(income) for the year ended 31 March		452,134	(14,107,424)

The notes on pages 69 to 85 form part of these financial statements.

## Statement of Financial Position as at 31 March 2024

		31 March	31 March
		2024	2023
	Note	£000	£000
Principal arrangements - RMSPS			
Current assets:			
Receivables	4	3,959	3,824
Cash and cash equivalents	5	22,757	14,370
Total current assets		26,716	18,194
Current liabilities:			
Payables (within 12 months)	6	(72,351)	(62,630)
Total current liabilities		(72,351)	(62,630)
Net current liabilities, excluding pension liability		(45,635)	(44,436)
Pension liability	7.4	(28,666,031)	(29,862,631)
Net liabilities, including pension liabilities		(28,711,666)	(29,907,067)
Taxpayers' equity:			
General fund		(28,711,666)	(29,907,067)
		(28,711,666)	(29,907,067)

**Catherine Little** 

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**Principal Accounting Officer and Permanent Secretary** 

**09 December 2024** 

The notes on pages 69 to 85 form part of these financial statements.

# Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

		31 March	31 March
		2024	2023
	Note	£000	£000
Balance as at 1 April		(29,907,067)	(45,521,462)
Net Parliamentary funding – drawn down		1,655,922	1,502,772
Net Parliamentary funding – deemed		14,370	18,569
Supply payable – current year adjustment	6	(22,757)	(14,370)
Net expenditure for the year		(1,205,451)	(693,204)
Net actuarial gain	7.7	753,317	14,800,628
Balance as at 31 March		(28,711,666)	(29,907,067)

The notes on pages 69 to 85 form part of these financial statements.

# Statement of Cash Flows for the year ended 31 March 2024

		2023–24	2022–23
	Note	£000	€000
Cash flows from operating activities			
Net expenditure for the year		(1,205,451)	(693,204)
Adjustments for non-cash transactions – pension financing cost	3	1,205,451	693,204
Increase in receivables	4	(135)	(843)
Increase/(decrease) in payables – pensions	9	9,721	(4,775)
Less movements in consolidated fund and Scheme Manager			
payables	5	(8,387)	4,207
Use of provisions – pensions to retired employees and dependants	7.5	(1,331,819)	(1,232,763)
Use of provisions – commutations and lump-sum payments	7.5	(301,775)	(256,073)
Use of provisions – death benefits payable	7.5	(14,947)	(16,373)
Use of provisions – refunds and transfers	7.6	(193)	(351)
Net cash outflow from operating activities		(1,647,535)	(1,506,971)
Cash flows from financing activities			
From the consolidated fund (supply)		1,655,922	1,502,772
Net Parliamentary financing		1,655,922	1,502,772
Adjustments for payments and receipts not related to supply		-	'

		2023–24	2022–23
	Note	0003	0003
Net financing		1,655,922	1,502,772
Net increase/(decrease) in cash and cash equivalents in the vear before adjustment for receipts and payments to the			
consolidated fund		8,387	(4,199)
Decrease of monies that are payable to the Scheme Manager as they are outside the scope of the Scheme's activities		ı	(8)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the			
consolidated fund		8,387	(4,207)
Cash and cash equivalents at 1 April	2	14,370	18,577
Cash and cash equivalents at 31 March	5	22,757	14,370
Net increase/(decrease) in cash and cash equivalents		8,387	(4,207)

The notes on pages 69 to 85 form part of these financial statements.

# Notes to the Scheme's financial statements

# 1.1 Basis of preparation of the Scheme's financial statements

The financial statements of the Scheme have been prepared in accordance with the relevant provisions of the 2023–24 'Government Financial Reporting Manual (FReM)' issued by HM Treasury. 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.

These financial statements set out the Royal Mail Statutory Pension Scheme's (RMSPS's) transactions and balances relating to scheme members, all of whom transferred into the Scheme as at 1 April 2012. As this is a closed scheme, there are no employer or employee contributions; the ongoing pension and other payments are funded from the consolidated fund. The administrative expenses associated with the operation of the Scheme are borne by the Cabinet Office and reported in the Cabinet Office departmental accounts.

The Statement of Comprehensive Net Expenditure shows income and expenditure during the year. The only expenditure items are the actuary's estimates of the

interest on the Scheme's ongoing liabilities and actuarial loss for the year. The Statement of Financial Position includes the actuary's estimate of the unfunded future pension costs of scheme members. These financial statements should be read in conjunction with the Report of the Actuary.

### 1.2 Going concern

The Statement of Financial Position as at 31 March 2024 shows a pension liability of £28.7 billion (2022–23: £29.9 billion) reflecting liabilities falling due in the long term, which are to be financed 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 2024–25 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

# 2 Statement of accounting policies

The accounting policies contained in the FReM follow 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 policy judged to be most appropriate to the particular circumstances of the Scheme for the purpose of giving a true and fair view has been selected. The accounting policies adopted have been applied consistently in dealing with items considered material in relation to the Scheme's financial statements. Where transactions are accounted for on a cash basis, this is specifically stated in the notes below.

An assessment of IFRS issued but not yet effective at the start of the year considered 'IFRS 17 Insurance Contracts' and determined it is not applicable, as the Scheme has not entered into any such arrangements. It also considered 'IFRS 18 Presentation and Disclosure in Financial Statements', which will replace 'IAS1 Presentation of Financial Statements'. HMT has not yet provided guidance for adoption by the public sector and a full assessment of the impact will be performed once this has been done.

## 2.1 Accounting convention

2.1.1 These financial statements have been prepared under the historical cost convention and the accruals basis.

#### 2.2 Transfers out

2.2.1 Transfers out represent capital sums paid to other pension schemes for members who have left the Scheme. Transfers out are normally accounted for on a cash basis as use of provision, whereby payments in relation to transfers out decrease the total scheme liability.

### 2.3 Pension financing cost

2.3.1 The interest cost is the increase during the year in the present value of the Scheme's liabilities because the benefits are one year closer to settlement, and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on the discount rate (including inflation) at the start of the year, i.e. 4.15% for 2023–24 (1.55% for 2022–23).

## 2.4 Scheme liability

- 2.4.1 Provision is made for liabilities to pay pensions and other benefits in the future. The Scheme liability is measured on an actuarial basis using the projected unit method and the assumptions set out in Note 7.1 below. The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, and remain unchanged for these accounts.
- 2.4.2 Full actuarial assessments by a professionally qualified actuary are obtained at intervals not exceeding

four years. The actuary reviews the most recent full actuarial assessment at the Statement of Financial Position date and updates it to reflect current conditions and significant recent developments. The most recent full actuarial valuation was as at 31 March 2022.

### 2.5 Pension benefits payable

2.5.1 Pension benefits payable are accounted for on an accruals basis as a decrease in the Scheme pension liabilities. These include pensions, lump sums and death payments.

## 2.6 Actuarial gains and losses

2.6.1 Actuarial gains or losses arising are recognised in the Statement of Comprehensive Net Expenditure.

#### 2.7 Credit losses

2.7.1 In accordance with 'IFRS 9 Financial Instruments', any expected credit losses are not considered to be material to the Scheme.

# 2.8 Additional voluntary contributions (AVCs)

2.8.1 There are no AVCs directly within the Scheme. AVC funds were not transferred into the RMSPS as part of the transfer of liabilities from the Royal Mail Pension Plan (RMPP) to the RMSPS. Any AVC contracts entered into with third-party financial institutions in respect of AVCs are managed by the RMPP. However, when the Scheme

is obliged to do so, it pays certain benefits arising from the disinvestment of AVCs to the relevant members. The Scheme then recovers all payments, in respect of any AVC benefit payments, from the RMPP. Where AVCs are still to be recovered at the year end, this is included as a receivable balance.

# 2.9 Critical accounting judgements and key sources of estimation uncertainty

2.9.1 In accordance with 'IAS 1' 'Presentation of Financial Statements', the preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. 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 7 below.

# 3 Pension financing cost (see also Note 7)

	2023–24	2022–23
	£000	£000
Net interest on defined benefit liabilities	1,205,451	693,204
	1,205,451	693,204

The expenditure has increased by £0.5 billion as the interest cost is higher this year following an increase in the nominal discount rate, which increases the interest cost in 2023–24.

## 4 Receivables

	2023–24	2022–23
	£000	£000
Amounts falling due within one year:		
RMPP	2,146	2,154
Repayment from pensioners	1,812	1,669
Administrator	1	1
Balance at 31 March	3,959	3,824

# 5 Cash and cash equivalents

	2023–24	2022–23
	£000	£000
Balance at 1 April	14,370	18,577
Net change in cash balances	8,387	(4,207)
Balance at 31 March	22,757	14,370
The following balances at 31 March were held at:		
Government Banking Service	22,753	14,321
Commercial banks and cash in hand	4	49
Balance at 31 March	22,757	14,370

# 6 Payables – in respect of pensions

	2023–24	2022–23
	£000	£000
Amounts falling due within one year:		
Pensions payable	(17,257)	(17,073)
Lump sums payable	(16,445)	(18,984)
Tax deductions payable	(15,892)	(12,203)
Amounts issued from the consolidated fund		
for supply but not spent at year end	(22,757)	(14,370)
Balance at 31 March	(72,351)	(62,630)

# 7 Provision for pension liabilities

# 7.1 Assumptions underlying the pension liability

The RMSPS is a closed, defined benefit scheme and is wholly unfunded. Pension liabilities are accrued up to 31 March 2012, as explained in more detail in the Report

of the Manager. The calculation of the pension liability is based on a full actuarial assessment of the Scheme carried out as at 31 March 2022, updated annually by the Government's Actuary Department (GAD) to reflect changes that have occurred from 31 March 2022. The Report of the Actuary in this Annual Report sets out the scope, methodology and results of the work the actuary has carried out.

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

- scheme membership numbers, including age profiles for active deferred, deferred and pensioner member;
- benefit structure, including details of any discretionary benefits and any proposals to amend the Scheme;
- income and expenditure; and
- following consultation with the actuary, the key assumptions that should be used to value the Scheme's liabilities, other than those financial assumptions prescribed by HM Treasury, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the actuary, including mortality assumptions, are described in the Report of the Actuary; the primary financial assumptions are set out below. Since the Scheme is closed to future accrual, there are no assumptions about potential pay increases.

	At 31 March 2024	At 31 March 2023
	%	%
Nominal rate of return (discount rate)	5.10	4.15
Nominal pension increases (Consumer Price Index (CPI))	2.55	2.40
Rate of RPI inflation until February 2030	3.70	3.40
Rate of RPI inflation from February 2030	2.65	2.50
Discount rate net of inflation (CPI)	2.45	1.70

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 Scheme Manager acknowledges that the valuation is inherently uncertain, since a change in any one of these assumptions will either increase or reduce the liability.

The assumption with the biggest impact on the reported liability is the discount rate net of price inflation. As required by 'IAS 19', this is based on yields on high-quality corporate bonds. However, unlike 'IAS 19', the yields are prescribed by HM Treasury and so are not assessed at the reporting date, nor calibrated to the term of the RMSPS liabilities. Any decrease in the discount

rate net of inflation leads to a significant increase in the reported liability.

## 7.2 Analysis of the pension liability

Present value of the actuarial liability in respect of	31 March 2024 £ million	31 March 2023 £ million
Pensions in payment	18,696	17,315
Deferred members	9,970	12,548
Total liabilities	28,666	29,863

## 7.3 Sensitivity analysis

In accordance with 'IAS 19', the Scheme Manager is required to undertake a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation at the end of the reporting period would have been affected by changes in the relevant actuarial assumption.

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

#### Sensitivity to significant assumptions

Change in assumption*	Approxima total li	
Financial assumptions	%	£000
(i) net discount rate increase of ½%		
a year	(6.0)	(1,729,000)
(ii) pension increases of ½% a year	5.0	1,441,000
Demographic assumptions		
(ii) additional one-year increase in life		
expectancy at retirement	3.0	865,000

<sup>\*</sup> Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2023) 10, dated 4 December 2023, 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.

# 7.4 Analysis of movements in the Scheme liability

		2023–24	2022–23
	Note	£000	£000
Scheme liability as at 1 April		(29,862,631)	(45,475,615)
Pension financing cost	3	(1,205,451)	(693,204)
Benefits payable	7.5	1,648,541	1,505,209
Pension payments to and on			
account of leavers	7.6	193	351
Net actuarial gains	7.7	753,317	14,800,628
Scheme liability at 31 March		(28,666,031)	(29,862,631)

## 7.5 Analysis of benefits paid

	2023–24	2022–23
	£000	£000
Pensions to retired employees and dependants (net of recoveries or overpayments)	1,331,819	1,232,763
Commutations and lump sum benefits on retirement	301,775	256,073
Death benefits payable	14,947	16,373
Per Statement of Cash Flows	1,648,541	1,505,209

# 7.6 Analysis of payments to and on account of leavers

	2023–24	2022–23
	£000	£000
Individual transfers to other schemes	193	351
Total payments to and on account		
of leavers	193	351

## 7.7 Analysis of actuarial gain/(loss)

	2023–24	2022–23
	£000	£000
Experience gains and losses arising on the pension liabilities	(1,268,878)	(2,591,765)
Changes to assumptions	2,022,195	17,392,393
Total actuarial gain	753,317	14,800,628

The actuarial gain has been driven by an increase in the nominal discount rate from 4.15% to 5.10% as at 31 March 2024, partially offset by an increase in the assumed rate of pension increases from 2.4% to 2.55%.

# 7.8 History of experience gains/(losses)

	2023–24	2022–23	2021–22	2020–21	2019–20
			Restated		
Experience gains (and losses) on scheme liabilities:					
Amount (£000)	(1,268,878) (2,591,765)	(2,591,765)	(487,009)	903,142	361,864
Percentage of the present value of the Scheme liabilities	4.43%	8.68%	1.07%	1.86%	0.74%
Total amount recognised in Statement of Changes in Taxpayers' Equity:					
Amount (£000)	753,317	14,800,628 (2,904,446)	(2,904,446)	(192,258)	(192,258) (4,899,946)
Percentage of the present value of the Scheme liabilities	2.63%	49.56%	6.39%	0.40%	10.00%

## 8 Financial instruments

The Scheme's financial instruments comprise cash, receivables and payables. Details of these can be found in the relevant notes.

Resources, voted annually by Parliament, finance the Scheme's net revenue resource requirements; there is, therefore, no exposure to significant liquidity risks. The Scheme does not access funds from commercial sources and so is not exposed to interest rate risk.

The Scheme has no significant exposure to foreign exchange rate risk. The foreign exchange rate risk falls on the recipient of the payment made by the Scheme. Any increase or decrease in the amounts receivable, in respect of overseas payments liable to foreign exchange rate risk, is borne by the individual member.

There is no material difference between the fair values and carrying values of the Scheme's financial instruments.

# 9 Related-party transactions

The Scheme falls within the ambit of the Cabinet Office, which is regarded as a related party with which the Scheme has had various material transactions during the year in respect of commission income received payable to the Cabinet Office and administration fees paid to be reimbursed to the Scheme. None of the managers of the Scheme, key managerial staff or other related parties

have undertaken any material transactions with the Scheme during the year (2022–23: none).

The RMPP Trustee Executive has continued responsibility for the ongoing RMPP that holds pension benefits for active deferred members. AVC funds are retained in the RMPP, and material transactions are completed during the year in relation to these funds.

# 10 Events after the reporting period

There have been no material events between the Statement of Financial Position date and the date the account was authorised for issue.

The Accounting Officer of the Scheme has authorised these financial statements to be issued on the date that the Comptroller and Auditor General certifies the accounts.