

# **NHS Pension Scheme**



## **Annual Report and Accounts 2024-2025**

# NHS Pension Scheme

(Incorporating the NHS Compensation for Premature Retirement Scheme)

## Annual Report and Accounts 2024-2025

**For the period 1 April 2024 to 31 March 2025**

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

Annual Report presented to the House of Commons by Command of His Majesty

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# Accountability Report

# Corporate Governance Report

## Report of the Managers

This report provides a summary of the arrangements to ensure the NHS Pension Scheme affairs are managed effectively and gives a broad outline of the major benefits offered by the NHS Pension Scheme (the Scheme).

### 1. Background to the Scheme

#### 1.1 Statutory basis for the Scheme

The NHS Pension Scheme is a statutory, unfunded, defined benefit occupational Pension Scheme backed by the Exchequer, which is open to all NHS employees and employees of other approved organisations. The Scheme provides pensions for officer members based on final salary for employees in the 1995 Scheme and 2008 Section (an amendment to the 1995 Scheme introduced in 2008); whilst a career average revalued earnings (CARE) arrangement is in place for General Medical Practitioners and General Dental Practitioners.

From 1 April 2022, all active members moved to the 2015 Scheme who were not already in the Scheme entering as a new joiner from 1 April 2015. This Scheme provides pensions for all members calculated on a CARE basis. The formula is not the same as that used for practitioners in the 1995 Scheme and 2008 Section. Members with periods of service in more than one part of the Scheme are eligible under certain circumstances to receive a pension calculated under the provisions of the Scheme applicable to those periods of service.

Contributions due to the Scheme are set at rates determined by the Scheme's Actuary and approved by the Secretary of State for Health and Social Care. The Scheme receives contributions from employees and employers to defray the current and future costs of pensions and other benefits.

The Scheme Accounts represent the combined position for both the 1995 Scheme (including the 2008 Section) and 2015 Scheme.

Scheme provisions are governed by the following sets of Regulations:

- The NHS Pensions Scheme Regulations 1995, 2008 and 2015, as amended;
- The NHS (Compensation for Premature Retirement) Regulations 2002 (as amended);
- The Pensions (Increase) Act 1971;
- NHS Additional Voluntary Contributions (AVC) Regulations 2000 (as amended); and
- NHS Gratuitous Expectations Regulations (as amended).

The Schemes provide a range of defined benefits as expected from a contributory occupational Pension Scheme such as lump sum, annual pension and dependants benefits. Details of these along with the recent changes and other benefits can be found on the NHS Pensions website <http://www.nhsbsa.nhs.uk/pensions>.

## 1.2 Eligibility to join the Scheme

The employers of the Scheme's contributing members are classified as Employing Authorities. Employing Authorities are defined in the Regulations and their staff have automatic entry to the Scheme. Non-NHS employers can apply for Direction Body status in order that their staff may join the Scheme provided they meet specified criteria, whereas Independent Provider employers have the option to choose to enter their staff into the Scheme.

At 31 March 2025 there were 7,770 participating employers falling into the following categories:

Employer category	As at 31 March 2025	As at 31 March 2024	As at 31 March 2023
NHS Trusts and Local Health Boards(Note 1)	218	218	222
GP practices	6,201	6,260	6,376
Arm's length bodies	12	14	14
Direction bodies	515	516	541
Integrated Care Boards	46	46	47
Local Authorities	121	122	126
New Fair Deal contracts	456	439	381
Independent Providers contracts (Note 2)	201	208	150
<b>Total</b>	<b>7,770</b>	<b>7,823</b>	<b>7,857</b>

**Note 1:** Local Health Boards are only applicable in Wales.

**Note 2:** Independent Provider employers are subject to a pensionable earnings ceiling of 75% of the total value of NHS contract value.

## **2. Management of the Scheme**

### **2.1 Organisations responsible for managing the Scheme**

The NHS Business Services Authority (NHSBSA) is the body responsible for the administration of the NHS Pension Scheme for England and Wales. The administration of the Scheme includes calculation of benefits, collection of contributions from employers, maintenance of member records and payment of benefits.

In support of the NHSBSA, NHS employers are required to comply with Scheme Regulations and explain the Scheme to their employees. In addition, they submit pension data to the NHSBSA, and a significant number of employers calculate pensions benefit estimates for their employees.

### **2.2 Cost of administering the Scheme**

The cost of administering the Scheme for 2024-25 was met from the Scheme and was included in the Parliamentary Supply Estimate submitted to His Majesty's Treasury (HMT). Further details can be found at note 3.4 of the Report of the Managers.

### **2.3 Cost of audit of the Scheme**

The Comptroller and Auditor General is appointed by statute to audit these accounts and his certificate and report appears on pages 59 to 64. The notional cost for these financial statements in 2024-25 is £180,260 (2023-24 £172,500), which is recognised in the NHSBSA's accounts. The National Audit Office (NAO), as the Scheme's external auditors, provided no other services during the year.

### **2.4 Corporate governance of the Scheme**

The governance arrangements of the NHSBSA, who are responsible for the administration of the Scheme, can be found in the Governance Statement on pages 34 to 52.

### **2.5 Arrangements governing determination of contribution rates and benefits**

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 HMT. The balance of funding required to meet Scheme benefits is provided by Parliament.

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 (considering recent demographic experience), and to recommend the contribution rate payable by employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2020. The results of this valuation set the employer contribution rate payable from 1 April 2024 at 23.7% of member pensionable pay. The core cost cap cost of the Scheme was calculated to be outside of the 3% cost cap corridor as at 31 March 2020. However, when the wider economic situation was taken into account through the economic cost cap cost of the Scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates.



The 2024 actuarial valuation is currently being prepared and will be published before new contribution rates are implemented from April 2027.

### 3. Key developments in year

#### 3.1 Changes to Scheme contribution rates

Employee contribution rates changed from 1 April 2024 to the rates detailed below.

Pensionable Pay (part time staff based on actual pay)	Contribution rate from 1 April 2024
Up to £13,259	5.2%
£13,260 to £26,831	6.5%
£26,832 to £32,691	8.3%
£32,692 to £49,078	9.8%
£49,079 to £62,924	10.7%
£62,925 and above	12.5%

#### 3.2 Changes to Scheme benefits

There have been no changes to benefit structures during 2024-25.

### 3.3 Membership statistics (movement in year)

Active members		
	<b>Total active members at 1 April 2024 (note 1)</b>	<b>1,853,195</b>
Add:	New entrants	185,035
	Deferred members who re-join in the year	72,680
	Re-employed pensioners	20,372
	<b>Total joiners</b>	<b>278,087</b>
Less:	Retirements	(42,606)
	Leavers with deferred pension rights	(152,033)
	Members who opt-out with deferred pension rights	(63,043)
	Deaths	(1,313)
	<b>Total leavers/death in service</b>	<b>(258,995)</b>
	<b>Total active members at 31 March 2025</b>	<b>1,872,287</b>
Deferred members		
	<b>Total deferred members at 1 April 2024 (note 1)</b>	<b>812,933</b>
Add:	Members leaving active membership with deferred pension rights	215,076
	<b>Total new deferred and unclaimed benefits</b>	<b>215,076</b>
Less:	Members taking up deferred pension rights	(14,230)
	Members who re-join the Scheme	(72,680)
	Movement to unclaimed refund (note 2)	(47,883)
	Members taking a refund of contributions during year	(45,662)
	Transfers out	(1,495)
	Death of member	(1,039)
	<b>Total removed from deferred population</b>	<b>(182,989)</b>
	<b>Total deferred members at 31 March 2025</b>	<b>845,020</b>

Pensioners in payment (including Compensation Scheme)		
<b>Total pensions in payment at 1 April 2024 (note 1)</b>		<b>1,160,848</b>
Add:	Members retiring from active	42,606
	Members retiring from deferred	14,230
	Widows and dependants	7,330
<b>Total benefits into payment</b>		<b>64,166</b>
	Deaths	(25,127)
Less:	Other cessations (note 3)	(48)
	Child dependants leaving full time education	(68)
<b>Total benefits ceased in the year</b>		<b>(25,243)</b>
<b>Total pensions in payment at 31 March 2025</b>		<b>1,199,771</b>

**Note 1:** The opening balance includes an adjustment to take account of member records that were updated retrospectively after the year end and after the original data extract was taken to prepare the membership statistics for the accounts. This is due to the volume of data required to be uploaded onto the pension administration systems from employers and the resolution of any subsequent data errors.

**Note 2:** Where a period of membership is insufficient to qualify for pension entitlement and the only benefit due in respect of that membership is a refund of employee contributions paid into the Scheme, it is classified as an unclaimed refund and does not appear in the membership statistics.

**Note 3:** This figure includes cessations due to remarriage or co-habitation and due to commutation of pensions on grounds of trivial value.

**Note 4:** The membership data at 31 March 2024 differs from that disclosed in the Statement by the Actuary as the data extract provided to the Government Actuary's Department (GAD) was taken in October 2023, whereas these statistics were taken from a data extract provided in April 2025 and member data is continually updated after the year end.

### 3.4 Scheme administration levy

Contributions made by employers and employees to the Scheme meet the cost of the pension rights for members building up under the Scheme but do not cover the cost of administering the Scheme.

On 1 April 2017 the Department of Health and Social Care (DHSC) introduced a levy to

cover the cost of the administration of the Scheme. DHSC has determined that participating employers will be required to pay 0.08% of pensionable pay for their staff who are members of the Scheme. The Scheme Regulations were amended when the levy was introduced so that the rate of the levy will be reviewed every four years in conjunction with the Scheme funding valuation. The rate was considered in conjunction with the 2020 funding valuation and the DHSC determined that the rate should be maintained at 0.08% of pensionable pay until the next review that will take place in conjunction with the completion of the 2024 Scheme funding valuation.

During 2024-25 the cost of Scheme administration was £64.9 million (see note 10 to the accounts), and £48.6 million was received from NHS employers via the levy (see note 5 to the accounts). Due to the nature of the funding arrangement, the cost of administration and the income received is not expected to net off in any one year.

## 4. Performance and Position

### 4.1 Financial position at 31 March 2025

#### 4.1.1 Resource Outturn to Supply Estimate

The 2024-25 net resource outturn was £13.82 billion and was within the voted estimate of £14.14 billion. Details can be found in the Combined Statement of Comprehensive Net Expenditure (page 66) contained within the financial statements. An explanation of the variance is provided in the SoPS1 note on page 55.

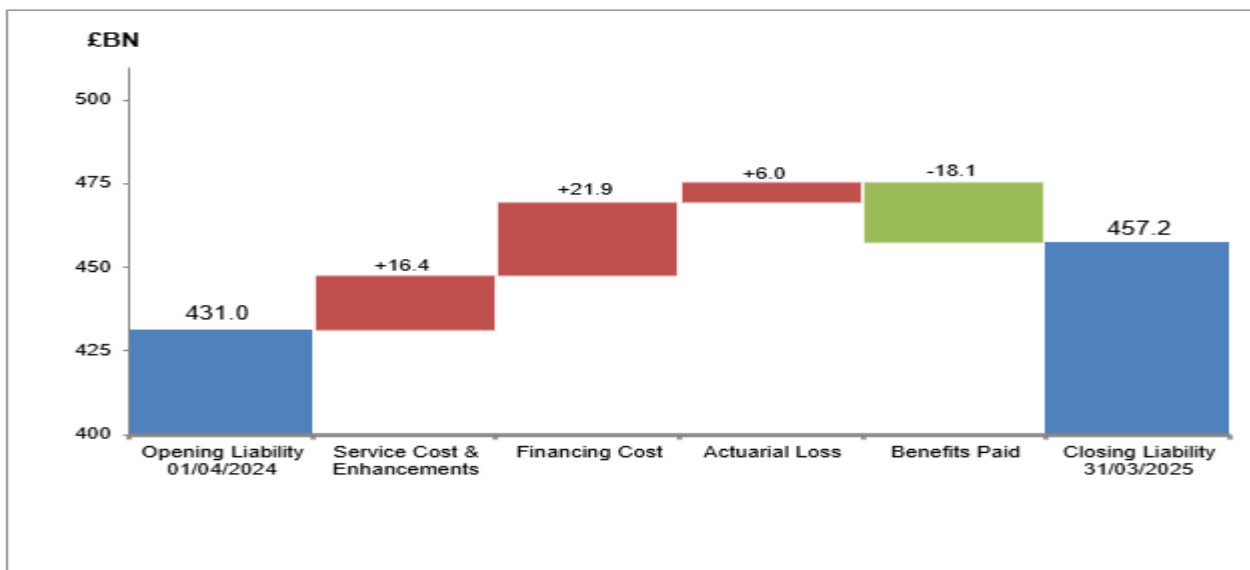
#### 4.1.2 Net cash requirement

In cash terms, the Scheme recorded a Net Cash Requirement (NCR) of minus £6.31 billion against the voted estimate of minus £5.99 billion, this means the Scheme has surplus cash due to income exceeding pension benefit payments, and the £6.31 billion will be returned to HMT during 2025-26.

If payments are forecast to exceed income within a financial year the balance of the funding required is requested from Parliament through the annual Supply Estimates process. The cash flows of the Scheme are classed as Annually Managed Expenditure (AME) for government accounting purposes.

#### 4.1.3 Financial position and key movements

As at 31 March 2025 the pension liabilities of the Scheme were valued at £457.2 billion. This is an increase of £26.2 billion from the liabilities at 31 March 2024 of £431.0 billion. As the NHS Pension Scheme is an unfunded Scheme, these liabilities are underwritten by the Exchequer. Details of the key movements are shown in the diagram below and within Note 17.4 to the accounts.



#### **4.1.4 Service Cost**

The service cost is the increase in the present value of the Scheme liabilities arising from members' service in the current period. It is calculated annually using the accounting assumptions adopted at the start of each year.

The 2024-25 service cost of £16.3 billion was calculated using the accounts assumptions at 31 March 2024 and are set out in Table D of the Statement by the Actuary.

#### **4.1.5 Contingencies Fund Advance**

A combination of factors contributes to the Scheme requiring additional funding outside of the main Parliamentary Estimate process to ensure benefits are paid on their due date each month. The primary reason for this relates to the timing of the receipt for the majority of the contributions paid by employers being due by the 19<sup>th</sup> of the month, for the previous month's payroll. The Scheme receives on average over £2.0 billion near to or on this payment deadline date. The Scheme also has to surrender any surplus cash at year end to HMT, within the first quarter of the following financial year, and this cannot be utilised in subsequent cash flow requirements.

To meet the cash flow requirement to pay member benefits from the 1<sup>st</sup> to the 18<sup>th</sup> of the month, the Scheme submitted a request for £1.950 billion to HMT to draw money from the Contingencies Fund (under section 5.14e of the Supply and Estimates Guidance manual). The funds were drawn down on 1 April 2024 and repaid to the Contingencies Fund in full during 2024-25 with the final payment being made on 30 August 2024.

The Scheme has requested to draw down £1.923 billion from the Contingencies Fund in 2025-26, as the same scenario exists as described above. The full amount will be repaid in 2025-26.

## 5. Key activities during 2024-25

### 5.1 Customer satisfaction surveys

The Scheme completed Customer Satisfaction Surveys (CSAT) during the year with active and deferred pension members, and Scheme employer organisations. The surveys were answered on a scale of 1 to 10 where 1 is not at all satisfied and 10 is completely satisfied.

The monthly CSAT is one of the ways in which the business gathers customer feedback. It provides both Scheme members and employers with the opportunity to provide insight on our key responsibilities as a business and provide feedback on their experience of the service that they receive. The key question on the survey that we ask is for the overall satisfaction with all aspects of the service provided by NHS Pensions. This allows us to calculate the CSAT Score – which shows us the overall satisfaction with the service.

The member surveys are maintained on a rolling monthly basis and the employer surveys continue on a quarterly rolling basis. We are using the feedback received to review and improve the service that we provide. Key themes and trends are identified, and possible improvements are considered. We have a central dashboard to capture all the survey results, and this also includes an action plan.

The scores this year have been significance tested for accuracy, and have also been compared year on year, and this shows:

- Active member's scores statistically significantly increased in 2023-24, and again in 2024-25,
- Employer's scores have remained statistically consistent each year,
- Pensioner member annual scores statistically significantly increased in 2023-24, and again in 2024-25.

However, it is important to highlight that the methodology for sampling has changed for our members in the previous financial year (2023-24) so the sample may not be directly comparable. The sampling methodology also changed for pensioners in October 2024, and therefore the results may have been affected by this.

NHS Pensions continue to be committed to improving customer satisfaction. We are working on a number of improvements and initiatives to help this, some of which include:

- Changes have been made to two of our CSAT surveys, to allow our members to provide their personal information. This allows us to fully investigate any issues faced and gain a better understanding of the root cause. We have future plans to use this data to further improve the service that we are providing to our customers,
- The text messaging service continues to be well received by our customers. This has now been rolled out to all of our key customer areas within NHS Pensions. We are continuing to onboard even more functions within NHS Pensions and have recently onboarded one of our employer supporting teams,
- We have introduced an internal escalation process, which allows us to provide a timely resolution for our members when there is an immediate or urgent requirement,



- We have rolled out the NHSBSA Customer Charter to all of our colleagues within NHS Pensions, with 912 colleagues in attendance. These sessions were specifically targeted towards NHS Pensions colleagues and put the customer at the forefront of everything that we do,
- We have launched a colleague 'Suggest' initiative, that allows our colleagues to make suggestions about improvements to the service we provide,
- A large recruitment and training drive continues across the service in order to create capacity to meet the challenges of increased demand and the unique challenges of McCloud.

Our Customer Experience Team have now been in post since June 2024 and have supported with the above initiatives. The service has future plans to expand the team in 2025 to allow more resource and focus on improving our CSAT scores. This will also allow the team to continue improving the customer experience and to implement more changes and improvements across the service. The CSAT score is calculated as a percentage. This percentage is made up of all our customers that scored their satisfaction as a 7, 8, 9 or 10 out of 10. A summary of our latest scores can be found in the table below.

	Active and deferred pension members			Retired pension members			Pension employers		
	2024-25	2023-24	2022-23	2024-25	2023-24	2022-23	2024-25	2023-24	2022-23
<b>Base Size</b>	19,925	16,982	16,753	1,363	1,975	2,042	1,161	1,256	1,390
<b>CSAT Score</b>	53%	48%	44%	84%	77%	65%	71%	69%	71%

## 5.2 Pensions Transformation

As part of the 5-year NHSBSA Strategy 2024-2029 there were 8 key areas of focus identified. These areas deliver on our purpose, vision and goals, alongside service excellence in our core business. One of these areas of focus was to "Invest in a Transformed Pensions Service".

To support the development of a longer-term strategy to address the future requirements across the full NHS Pension service a project was created under the umbrella of Pensions Transformation. The scope for an initial Discovery exercise was agreed and an initial Strategic Outline Case (SOC) created outlining the approach. In support of the delivery of this project, NHSBSA has procured a delivery partner Price Waterhouse-Coopers (PWC) with extensive knowledge and expertise of both public and private sector Pension Schemes. Discovery started in February 2025, with a plan to deliver the full Discovery phase and an updated SOC by October 2025.

## 5.3 DWP Dashboard

In Q2 of 2024-25, the NHS Pension Service launched a project to establish a technical

connection between NHS Pensions data and the DWP ecosystem, as part of the central Pensions Dashboard Programme. The project aims to complete this connection by the end of October 2025 to meet Scheme compliance with legislative deadlines. Key progress during 2024-25 included the appointment of an Integrated Service Provider (ISP) to support the delivery of the dashboard connection, and the completion of data readiness assessments to identify any necessary improvements in preparation for onboarding to the ecosystem.

#### **5.4 My NHS Pension – Online member self-service**

During 2024-25, further registration roll-out of the My NHS Pension service continued, inviting the majority of Scheme members by October 2024. The service has achieved over 600,000 completed registrations to date. At launch, it enabled members to carry out key self-service tasks such as updating personal details, managing nominations, and viewing payslips and P60s for those in receipt of a pension. The take-up of this functionality has helped to reduce the administrative workload previously required to support these activities.

#### **5.5 NHS Pensions McCloud Programme**

The intended implementation of several of the Programmes' main required solutions were impacted by a range of external influences including the outstanding needs for clarification from HMT and HMRC on responsibilities for Public Sector Schemes to deliver elements of the Compensations Scheme.

In addition to this, a replanning exercise was completed during Q3 and Q4 of 2024-25 due to capacity issues with third party providers in some part brought on by the delays in, or outstanding clarification of requirements. The consequence of this led to an inability to provide adequate requirements to support the controlled development and contributed to a bottleneck of development work. Additional third-party resources had to be identified to deliver elements of the Programme due to these delays and replanning activities.

##### **5.5.1 NHS Pensions Reform project**

All aspects of the McCloud Reform changes to member contributions were delivered as planned during 2024-25 with the exception of the Real Time Re-banding and Aggregation intentions. DHSC took a decision to defer delivery of these elements to a later point and to date we do not have a revised timeline for this from DHSC.

##### **5.5.2 NHS Pensions McCloud Remedy project**

The intended commencement of the following activities outlined in last year's report were unfortunately not delivered:

- Commence offering Choice on Retirement to members,
- Bulk Retrospective Choice exercise,
- Roll out active member Remediable Service Statements via the Total Rewards Solutions,
- Complete amendments to Scheme valuation requirements and carry out valuation extracts required for the 2024 funding valuation.

Due to continued additional clarifications being received on all the above requirements during 2024-25 along with other influencing factors outlined in the Programme update at note 5.4 above there has been a delay in the ability to implement these elements of the Remedy Project. All delays and replanning have been scrutinized by the DHSC McCloud Programme Board for awareness and approval of the proposed replanning. Further updates on intended delivery are shown in the activities planned for 2025-26.

Additional third-party resources for both administrative and system development tasks were identified and procured during Q4 of 2024-25 and work commenced on the delivery elements to enable outstanding solutions to be delivered during 2025-26.

Deliveries planned for 2024-25 that have been implemented are as follows:

- Choice on Retirement Modeller to assist members in making an informed decision on their retirement options went live in the 1<sup>st</sup> week of April 2025,
- Issuing Remediable Pension Saving Statements to affected members to assess their revised annual allowance status and allow for use of the HMRC Compensation calculator, all system calculated statements were issued, although the remaining cases that need manual calculation are now being worked through by the Pensions Service Operational areas and will be issued in 2025-26.

### **5.5.3 NHS Pensions McCloud Engagement project**

The Engagement project has continued to service the needs of the other three McCloud projects and produce all related internal and external communications and guidance. They have been in a holding pattern on a number of Remedy delivery needs due to delays to implementation dates, however they have continued with all preparatory work possible. On McCloud Compensation they have drafted and obtained approval of all the required outputs for members making Compensation claims and have been agile in their response to member feedback on products that have been dispatched and have delivered an efficient service to the Reform Scheme at the appropriate points.

### **5.5.4 NHS Pensions McCloud Compensation project**

During 2024-25 the Cost Claim Back Scheme which deals with claims from members who have suffered direct financial loss due to the original transitional protection arrangements has now been transitioned from project control over to Pensions Service Deliver. We have commenced the payment of member compensation with most of these claims being for reimbursement of costs for financial advice sought by the member. During the latter part of 2024-25 we further supplemented our delivery ability on this element of compensation Scheme delivery by incorporating Robotic controlled activities to streamline the administrative tasks, reduce handling time and provide greater quality control mechanisms.

The other element of the Compensation Project deals with the outputs from the HMRC Tax Calculator and is facilitated by data uploads from HMRC via Secure Data Exchange Service (SDES). This data is derived from the outcome of members utilising the HMRC calculation tool to determine any changes in their tax position following the receipt of their Revised Pensions Savings Statement (RPSS) issued by NHS Pensions (similar activities

are completed by all Public Sector Schemes). We commenced receipt of SDES data files in Q4 of 2024-25 and have commenced the relevant administrative activities to enable members to receive compensatory payments or alternatively have their Scheme pays amounts amended to reflect their revised tax position where applicable.

## **5.6 Judicial Review – McCloud Remedy Costs**

In 2023 the High Court dismissed a Judicial Review brought by the Fire Brigades Union and British Medical Association against HM Treasury in relation to the cost control mechanism at the 2016 valuations. Permission to appeal was granted and the Court of Appeal heard that appeal in February 2024. The original appeal was dismissed and leave to appeal to the Supreme Court was sought by the Fire Brigades Union. Subsequently the FBU were refused the leave to appeal and there were no further legal avenues available to them and so the case is fully closed.

## **5.7 Virgin Media – Legal Challenge**

The Government is aware that following last year's Court of Appeal judgment in Virgin Media Limited v NTL Pension Trustees Limited, there is increased uncertainty in the pensions industry. They recognise that schemes and sponsoring employers need clarity around scheme liabilities and member benefit levels in order to plan for the future.

The Government will therefore introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

Scheme obligations will otherwise be unaffected, and the Government will continue to maintain its robust framework for the funding of defined benefit pension schemes in order to protect people's hard-earned pensions.

## **5.8 Events after the reporting period**

There are no events to disclose after the reporting period.

## **6. Key activities arising for 2025-26**

### **6.1 Pensions Transformation**

The Discovery phase outlined in note 5.2 above will continue during 2025-26 and is planned to complete in October 2025 with a fully updated Strategic Outline Case (SOC) outlining the investment required to transform the service. There are a number of workstreams being delivered within Discovery these include, Current State Assessment, Operation Model Review, Benchmarking Review, Technology Appraisal, Change Management Assessment, and full Delivery Model Review aligned to Cabinet Office guidance. The completed SOC will also outline the approach and delivery model for the future transformation of the service.

### **6.2 DWP Dashboard**

During 2025-26, the project will focus on achieving compliance with the technical requirements for connecting to the dashboard ecosystem by the end of October 2025. This will involve delivering the agreed implementation plan with support from the ISP delivery partner. In parallel, data improvement activity will continue to ensure compliance with required data standards ahead of connection. Leading up to and following the October 2025 connection, the project will support user testing of the dashboard and begin implementing the operating model required to support a future public launch.

### **6.3 My NHS Pension – Online member self-service**

The focus for the My NHS Pension service will shift from driving registrations to supporting and maintaining the live service. Efforts will be directed towards optimising existing features, responding to user feedback, and implementing enhancements that support compliance with legislative requirements and evolving user needs. The service will also prioritise ensuring stability, improving performance, and ensuring capacity to deliver future capability as member expectations continue to develop.

### **6.4 NHS Pensions McCloud Programme**

During 2025-26 the McCloud Programme will deliver the majority of the major deliverables that remain outstanding.

#### **6.4.1 NHS Pensions McCloud Reform project**

In late 2024-25 DHSC launched a consultation on how pension contributions are calculated when the member is in a reduced pay situation. This consultation was concluded and has now seen a formal consultation response issued by DHSC. Impact assessments on the outcome of the consultation are currently taking place and there is an expectation that there will be a delivery of the changes required during 2025-26.

The previously considered changes to Real Time Re-banding and Aggregation are still under deliberation by the DHSC and we await a definitive commission to deliver either of these during 2025-26. We will continue to engage with DHSC with respect to these potential additional delivery needs for 2025-26.

### **6.4.2 NHS Pensions McCloud Remedy project**

Following approval of the replanned timeline of delivery from the DHSC the following major elements of the Remedy project will be delivered in 2025-26:

- Commence offering Choice on Retirement to members,
- Priority Immediate Choice exercise for those deemed in most detriment will be completed during Q1,
- Bulk Retrospective Choice exercise will commence delivery in Q2 with a planned completion date in Q3 2026-27,
- The issue of manually calculated Revised Pension Saving Statements to affected members to assess their revised Annual Allowance status and allow for use of the HMRC Compensation calculator,
- Roll out active member Remedial Service Statements via the Total Rewards Solutions,
- Complete amendments to Scheme Valuation requirements to capture Scheme changes.

### **6.4.3 NHS Pensions McCloud Engagement project**

The Engagement project will continue to service the needs of the other three McCloud projects and produce all related internal and external communications and guidance. Due to the delayed implementation on the main items of Remedy Project delivery there has been no opportunity other than user research and stakeholder engagement avenues to assess the impact of members receiving the main Remedy Products. The main focus of the Engagement project will therefore especially be concentrating on ensuring rigorous assessment of how products are received by members and making amendments as required following initial stakeholder engagement.

### **6.4.3 NHS Pensions McCloud Compensation project**

The Pension Service will continue to deliver the Cost Claim Back Scheme. On direct Tax Compensation we will continue to liaise with HMRC on refining the process of claims being received and look to further enhance control mechanisms to support delivery of the administrative activities required. We will work on a Control Management solution to enhance our current delivery approach and remove elements of manual handling to improve performance and efficiency in processing payments to members.

## 7. Information for members

### 7.1 Pension Increase

The Pensions increase rate was 6.7% (2023-24 10.1%) with effect from 8 April 2024 (2023-24 10 April 2023) which applies to the NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme.

### 7.2 Supplementary Information available to members

Information regarding the provisions of the Scheme can be found on the website of the NHSBSA as well as copies of Pension Accounts and Actuarial Valuation Reports. The website address is as follows: <http://www.nhsbsa.nhs.uk/pensions>

### 7.3 Information about Free Standing Additional Voluntary Contributions (AVC) and Stakeholder Pensions

The Scheme has continued to offer a broad range of in-house top up money purchase AVCs, including AVC and Stakeholder Pension facilities from Standard Life Assurance Company and an AVC only facility from Prudential PLC and Utmost Life and Pensions (formerly Equitable Life Assurance Society). These contributions are not contained within the cash flows of the Scheme but paid directly to the approved provider (please see note 11 to the Financial Statements).

### 7.4 Management structure and advisors

#### Accounting Officer:

Michael Brodie  
NHS Business Services Authority  
Stella House, Goldcrest Way  
Newcastle upon Tyne NE15 8NY

#### Scheme Administrator:

NHS Business Services Authority  
PO Box 683, Unit 5  
Newcastle Upon Tyne  
NH5 9EE

#### Actuary:

Government Actuary's Department  
Finlaison House  
15-17 Furnival Street  
London EC4A 1AB

#### Auditors:

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

#### Legal advisers:

DHSC Legal Services  
5<sup>th</sup> Floor The Adelphi  
Area 159 5<sup>th</sup> Floor  
1-11 John Adam Street  
London WC2N 6HT

#### Bankers:

Government Banking Team  
NatWest Bank  
Brampton Road  
Newcastle-under-Lyme  
Staffordshire ST5 0QX

**In-house AVC Providers:**

Utmost Life and Pensions  
Walton Street  
Aylesbury  
Buckinghamshire HP21 7QW

Standard Life Assurance Company  
Standard Life House  
30 Lothian House  
Edinburgh EH1 2DH

Prudential PLC  
250 Euston Road  
London NW1 2PQ

**7.5 Further information**

Any enquiries about the NHS Pension Scheme should be addressed to:

Scheme Administrator  
NHS Business Services Authority  
PO Box 683, Unit 5  
Newcastle Upon Tyne  
NH5 9EE

**7.6 Disclosure of audit information to the auditors**

As far as I am aware, there is no relevant audit information of which the Scheme auditors are unaware. I have taken all 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.

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

**Michael Brodie**  
**Chief Executive, NHS Business Services Authority**  
**10 July 2025**



# Statement by the Actuary

## 1. Introduction

This statement has been prepared by the Government Actuary's Department (GAD) at the request of the NHSBSA. It provides a summary of GAD's assessment of the Scheme liability in respect of the NHS Pension Scheme (NHSPS) as at 31 March 2025, and the movement in the Scheme liability over the year 2024-25, prepared in accordance with the requirements of Chapter 12 of the 2024-25 version of the Financial Reporting Manual.

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

The assessment has been carried out by calculating the liability as at 31 March 2023 based on the data provided as at 31 March 2023 and rolling forward that liability to 31 March 2025.

## 2. Membership data

Tables A to C summarise the principal membership data as at 31 March 2023 used to prepare this statement.

**Table A – Active members**

	Number thousands	Total pensionable pay* (p.a.) £ millions
Males	409	17,784
Females	1,404	43,144
<b>Total</b>	<b>1,813</b>	<b>60,927</b>

\* Pensionable pay is the actual figure.

**Table B – Deferred members**

	Number thousands	Total deferred pension* (p.a.) £ millions
Males	177	927
Females	560	1,915
<b>Total</b>	<b>737</b>	<b>2,888</b>

\* Pension amounts include the pension increase granted in April 2023.

**Table C – Pensions in payment**

	Number thousands	Annual pension* (p.a.) £ millions
Males	219	4,683
Females	767	6,556
Spouses & dependants	111	757
<b>Total</b>	<b>1,096</b>	<b>11,998</b>

\* Pension amounts include the pension increase granted in April 2023.

### 3. Methodology

The present value of the liabilities as at 31 March 2025 has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the demographic and financial assumptions applying as at 31 March 2025. The current service cost (expressed as a percentage of pensionable pay) in respect of accruing costs in the year ended 31 March 2025 was determined using the PUCM and the demographic and financial assumptions applicable at the start of the year, that is, those adopted as at 31 March 2024 in the 2023-24 accounts.

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 a 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.

## 4. Financial assumptions

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

**Table D – Principal financial assumptions**

Assumption	31 March 2025 p.a.	31 March 2024 p.a.
Nominal discount rate	5.15%	5.10%
Rate of increase in pensions in payment and deferred pensions (assuming CPI inflation)	2.65%	2.55%
Rate of general pay increases	3.40%	3.55%
Rate of short-term general pay increase	n/a	n/a
Real discount rate in excess of:		
• CPI inflation	2.40%	2.45%
• Long-term pay increases	1.65%	1.45%
Expected return on assets	n/a	n/a

The assumptions for the discount rate and pension increases are specified by HM Treasury in the PES (2024) 09, dated 3 December 2024, 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.

The long-term salary assumption is set by NHSBSA, 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 (relative to CPI inflation).

The assessment of the liabilities allows for the known pension increases up to and including April 2025.

Additionally, for the accounts as at 31 March 2025, allowance has been made for known inflation experience up to March 2025 to inform, in part, the pension increase that is expected to apply in April 2026. This is consistent with the approach taken for the accounts as at 31 March 2024.

## 5. Demographic assumptions

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

**Table E – Post-retirement mortality assumptions**

Baseline mortality	Standard table	Adjustment
<b>Males</b>		
Retirements in normal health	S3NMA	91%
Current ill-health pensioners	S3IMA	134%
Future ill-health pensioners	S3IMA	134%
Dependants	S3DMA	82%
<b>Females</b>		
Retirements in normal health	S3NFA	103%
Current ill-health pensioners	S3IFA	134%
Future ill-health pensioners	S3IFA	134%
Dependants	S3DFA	89%

These assumptions in Table E above, and the other demographic assumptions such as commutation and family statistics, are in line with those adopted for the 31 March 2020 funding valuation of the Scheme. Note that the accounts as at 31 March 2024 were also based on the assumptions adopted for the 2020 valuation.

Mortality improvements are assumed to be in line with the 2022-based projections for the United Kingdom published by the ONS in January 2025. This represents an update to the assumption used for the 2023-24 accounts, where 2020-based improvements were used. Adopting the latest ONS 2022-based mortality projections for setting mortality improvements has also affected the liabilities disclosed. The impact is different for male and female members and also differs by age, due to the resulting changes in life expectancies. These differences are illustrated in note 17.1 in the notes to the accounts.

The Scheme's actuarial factors were updated in 2023-24 and remain in force. Consistent to the accounts calculations as at 31 March 2024, these have been allowed for in the calculating of the accounting position as at 31 March 2025.

Our advice on the selection of assumptions can be found in our assumptions and methodology report issued to the NHSBSA on 27 February 2025.

## 6. Liabilities

Table F summarises the assessed value as at 31 March 2025 of benefits accrued under the Scheme prior to this date based on the data, methodology and assumptions described in the sections above. The corresponding figures for the previous year are shown for comparison. The liabilities at 31 March 2024 and 2025 both include an allowance for the higher cost of benefits accruing under McCloud.

**Table F – Statement of Financial Position**

	31 March 2025 £ billion	31 March 2024 £ billion
Total market value of assets	nil	nil
Value of liabilities	457.2	431.0
Surplus/(Deficit)	(457.2)	(431.0)
of which recoverable by employers	n/a	n/a

## 7. Accruing costs

The cost of benefits accrued in the year ended 31 March 2025 (the current service cost) is assessed as 22.3% of pensionable pay.

For the avoidance of doubt, the actual rate of contributions payable by employers and employees is not the same as the current service cost assessed for the accounts. A current service cost below (or above) the total contribution rate does not indicate that employers and employees have collectively paid contributions more (or less) than the costs of benefits accrued during the year. Members contributed between 5.2% and 12.5% of pensionable pay, depending on the level of their pay. The actual employer contribution rate was determined as part of a funding valuation using different assumptions. Table G shows the employer and employee contributions during the year 2024-25 as a percentage of pensionable pay and compares the total contributions with the current service cost assessed for the 2024-25 accounts.

**Table G – Contribution rate**

	2024-25 % of pay	2023-24 % of pay
Employer contributions	23.7%	20.6%
Employee contributions (average)	9.7%	9.8%
<b>Total contributions</b>	<b>33.4%</b>	<b>30.4%</b>
<b>Current service cost (expressed as a % of pay)</b>	<b>22.3%</b>	<b>28.2%</b>

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

The pensionable payroll for the financial year 2024-25 was £73.0 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2024-25 (at 22.3% of pay) is assessed to be £16.3 billion.

Past service costs arise when an employer undertakes to provide a different level of benefits than previously promised. I am not aware of any other events that have led to a significant past service cost over 2024-25.

I am not aware of any events that have led to a significant settlement or curtailment gain or loss over 2024-25.

## 8. Sensitivity analysis

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 2025 of changes to the most significant actuarial assumptions.

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

Table H shows the indicative effects on the total liability as at 31 March 2025 of changes to these assumptions (rounded to the nearest 0.5%).

**Table H – Sensitivity to significant assumptions**

Change in assumption (per annum)		Approximate effect on total liability	
Financial assumptions			
(i) discount rate*:	+0.5%	-8.0%	-£36.6 billion
(ii) (long-term) earnings increase*:	+0.5%	+0.5%	+£2.3 billion
(iii) inflationary (CPI) increases*:	+0.5%	+8.5%	+£38.9 billion
Demographic assumptions			
(iv) additional 1 year increase in life expectancy at retirement		+3.0%	+£13.7 billion

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

The discount rate sensitivity shown implies a Scheme duration of c.18 years as at the underlying data date.

## 9. Covid-19 and climate change

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 2024-25 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.

The 2020-based population mortality projections allowed for the short-term impacts of Covid-19 for 2019 to 2024 in line with the average views of an expert independent panel. The 2022-based population projections consider Covid-19 as a mortality shock event, applying an appropriate short-term adjustment rather than projecting its effects forward. Death rates from Covid-19 in excess of that already allowed for in the mortality assumptions and reflected in the membership data would emerge as an experience gain in future years' accounts.

**Aimee Chadha FFA C.Act**  
**Actuary**  
**Government Actuary's Department**  
**22 May 2025**

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, HMT has directed the NHS Pension Scheme and NHS Compensation for Premature Retirement Scheme to prepare, for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the combined Schemes at the year end and of the net resource outturn and cashflows for the financial year.

In preparing the Accounts 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 Government Financial Reporting Manual have been followed, or disclose and explain any material departures in the financial statements,
- Prepare the financial statements on a going concern basis; and
- Take personal responsibility for the annual report and financial statements and the judgements required for determining that as a whole are fair, balanced, and understandable.

The Principal Accounting Officer for the DHSC has appointed the Chief Executive of the NHSBSA as the Accounting Officer for the NHSBSA and NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement Scheme). 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.



# Annual Governance Statement

## Introduction

The Accounting Officer for the NHSBSA is the Accounting Officer for the NHS Pension Scheme and is required to provide assurances about the stewardship of the organisation and the NHS Pension Scheme. These assurances are provided in this Governance Statement, in line with HMT guidance.

The Accounting Officer for the NHSBSA and the NHS Pension Scheme is Michael Brodie, Chief Executive.

## Scope of Responsibilities

The NHSBSA's Board is accountable for internal control, ensuring that its business is conducted in accordance with the law and proper standards.

It also ensures that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively in accordance with HMT's Managing Public Money. In discharging this responsibility, the Board is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions.

This includes ensuring that a sound system of internal control is maintained throughout the year which supports the achievement of the NHSBSA's policies, aims and objectives and arrangements are in place for the management of risk.

As Accounting Officer for the NHSBSA, the NHSBSA Chief Executive has overall responsibility for ensuring that contracted administrators for any outsourced activity manage risks effectively, and for reviewing the effectiveness of the administrator's systems of internal control.

## The purpose of the Governance Framework

The NHSBSA operates an integrated governance framework and, as the body responsible for the administration of the Scheme, this incorporates the NHS Pension Scheme. This framework comprises the systems and processes by which the NHSBSA leads, directs, and controls its functions and accounts to, and engages with, the DHSC and the wider NHS community. The NHSBSA takes its responsibilities seriously, striving to be a good corporate citizen. In aiming to embed this, the corporate governance framework is underpinned by the culture, values and behaviours adopted across the NHSBSA.

A significant element of the framework is the system of internal control, which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to achieving our policies, aims and objectives,
- evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively, and economically.

The governance framework and system of internal control have been in place for the year

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ended 31 March 2025 and up to the date of the approval of the Annual Report and Accounts.

## **NHSBSA Governance Framework**

The overarching corporate governance framework has been approved and adopted by the Board and is subject to annual review. The framework incorporates the following elements:

- Statutory Instruments and Directions which describe and govern the NHSBSA's core operations, processes, and structure,
- Code of Conduct for Board Members of Public Bodies, setting out clearly and openly, the standards expected from those who serve on the Board,
- Matters determined by the Board which ensure that the NHSBSA has appropriate decision-making processes in place, including:
  - Standing orders
  - Standing financial instructions
  - Scheme of delegation
- Other management information which supports effective governance and operation, i.e., corporate policies and procedures.

The Director of People and Corporate Services, and Corporate Secretary are responsible for ensuring that all decisions made are legal and comply with the NHSBSA Corporate Governance Framework. The NHSBSA complies with the Corporate Governance Code for Central Government Departments where it applies to us.

## **NHSBSA Board**

The Board is responsible for the strategic direction and integrated governance of the NHSBSA, including the stewardship of its finances. In fulfilling these responsibilities, the Board reserves certain decision-making powers, including decisions on strategy and budgets, but other key duties have been delegated to the NHSBSA's two standing committees:

- Audit and Risk Management Committee,
- Remuneration and Nominations Committee.

The roles and responsibilities of these standing committees are described more fully below.

## **Board membership and responsibilities**

Membership of the Board is currently made up of a non-executive Chair, five non-executive directors, Chief Executive and five executive directors, one of which is a finance director.

The key roles and responsibilities of the Board are to:

- set and oversee the strategic direction of the NHSBSA,
- appraise of the financial and operational performance of the NHSBSA,
- discharge its duties of regulation and control,
- receive reports and updates from the standing committees,

- approve and adopt the Annual Report and Accounts.

The Board has met eight times up to the end of March 2025 and is responsible for approving the business plan and budget. Subsequent reporting is based on an exception principle ensuring that the Board focuses on key issues and uses its time effectively.

The Board receives regular updates from its standing committees on the business covered, risks identified, and actions taken. These updates are delivered by the non-executive Chair of the respective committee.

At each meeting the Board receives a business performance report giving an overview of operational performance. A report is also provided on a quarterly basis to give an update on progress with delivery of the NHSBSA strategic goals. Other supporting reports are provided on an annual cycle, covering key compliance and governance topics.

The performance data presented to the Board is produced and quality assured in line with the six dimensions of data quality (accuracy, validity, reliability, completeness, relevance and timeliness).

The NHSBSA's Senior DHSC Sponsor attends Board meetings to ensure members of the Board, in particular non-executive directors, can get an understanding of the key stakeholders' views. Further details of our sponsorship arrangement can be found in our framework agreement here <https://www.gov.uk/government/publications/dhsc-and-nhsbsa-framework-agreement>

Board members must abide by the NHSBSA Conflict of Interest Policy and Code of Conduct for Board Members of Public Bodies and declare their interests to the Chair and Corporate Secretary in any matter relating to the NHSBSA's business at the time that they become aware of a potential conflict. Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the members' declaration.

Details of the NHSBSA current Board are available at <https://www.nhsbsa.nhs.uk/what-we-do/our-board>

## **NHSBSA Board review of effectiveness**

The NHSBSA Board is required to consider its own effectiveness on a regular basis. The NHSBSA undertakes such a review annually, with an external review undertaken every three years. The last such review was in 2022-23, undertaken by the Government Internal Audit Agency (GIAA).

The results of the 2024-25 review indicated that the Board was considered very effective, with a mean effectiveness score of 8.8 out of 10, consistent with previous years. Members and regular attendees reported that the Board performed well, was transparent, supportive and collaborative in delivering the new strategic plan, with ongoing communication with DHSC.

High scores were registered across all the survey areas - 'objectives, strategy and remit', 'performance measurement', 'relationships with key stakeholders', 'propriety, fraud and other leakage', 'delivery chain and project management', 'risk management', 'Audit Committee, internal audit and corporate reporting' and 'the boardroom'.

The Board accepted the results of the review and participated in a facilitated session in April 2025 to ensure any further specific areas of focus were identified and actions agreed, to ensure continuous improvement. A key outcome was a review and redesign of the Board agenda to ensure an appropriate balance of business performance and strategic items were covered appropriately at each meeting.

The Board agreed to continue to monitor effectiveness over the coming year and regularly review implementation of the agreed actions.

During 2024-25, the Board continued to operate within its governance framework and codes of conduct. Furthermore, the NHSBSA has:

- achieved its financial targets,
- delivered against the majority of its agreed KPIs,
- continued to operate its assurance process through the assurance map process,
- maintained its robust performance reporting mechanism using a dashboard style approach,
- maintained its risk management procedures using dashboard reporting giving an overview of the risk profile of the whole organisation yet focusing attention on relevant areas,
- maintained an effective, risk-based internal audit programme, ensuring internal audit recommendations are addressed appropriately.

## **Audit and Risk Management Committee**

The Committee is chaired by a non-executive director and has met five times during 2024-25.

Membership of this committee is made up of three non-executive directors including the Chair, one of whom is required to have recent and relevant financial experience. Kathryn Gillatt provides this experience and chairs the committee. The NHSBSA Chair also regularly attends the committee.

There is a requirement for regular attendance from the Director of Finance, Commercial Services and Estates and representatives from both internal and external audit. The Chief Executive and Accounting Officer also attends the meeting, including specifically to discuss the assurance processes which support the production of the Annual Report and Accounts. Other staff are invited to attend meetings as appropriate (table below).

Audit and Risk Management Committee		Meetings attended
<b>Non-executive directors:</b>		
Kathryn Gillatt (Chair of Committee)		5 of 5
David Leather		4 of 5
Mathew McKie		5 of 5
<b>Executive directors:</b>		
Michael Brodie (Chief Executive)		5 of 5
Mark Dibble (Executive Director of People and Corporate Services)		3 of 5
Andy McKinlay (Executive Director of Finance, Commercial Services and Estates)		5 of 5

The Committee is responsible for providing the Board with an independent and objective view of the adequacy and effectiveness of the NHSBSA's governance and assurance arrangements, including the governance framework, risk management, controls and related assurances.

Updates are provided to the Board following each meeting and subsequent Board meetings receive copies of the confirmed minutes. An annual report is submitted to the Board which summarises the work undertaken by the Committee during the previous year.

In addition, the Committee receives an annual review of the NHSBSA Risk Management Framework which concluded that the framework was effective and fit-for-purpose.

The Audit and Risk Management Committee's key responsibilities, aligned to the Financial Reporting Council – Audit Committees and the External Audit: Minimum Standard (where applicable), are:

- monitoring financial governance and reviewing the draft financial statements,
- reviewing the effectiveness of internal controls,
- monitoring the effectiveness of risk management controls,
- monitoring the effectiveness of fraud, bribery and security management,
- monitoring the effectiveness of information governance and security arrangements,
- monitoring the effectiveness of speaking up (whistleblowing) arrangements,
- seeking assurance regarding the control environment, including via the work of internal and external audit,
- reviewing the effectiveness of internal audit arrangements.

These standing items are complemented by a series of risk-based presentations on 'areas of focus' providing an opportunity for members to seek more detailed assurance from senior leaders (see Assurance Arrangements).

The Committee has reviewed the Scheme's Annual Report and Accounts which includes the Annual Governance Statement as required by HM Treasury's Managing Public Money Annex 3.1.

## **Audit and Risk Management Committee review of effectiveness**

The Committee reviewed its effectiveness using an online survey, aligned to the HMT Audit Committee Handbook using the supporting assessment tool published by the GIAA. The survey was sent to each member and regular attendee. Overall, the results were highly positive and confirmed the continued effectiveness of the committee.

As a result of the survey, areas of focus for the committee in 2025-26 include reviewing the format of reports to the committee, continued provision of the relevant member training and enhancements to the induction plan for new members.

## **NHSBSA Sponsorship Arrangements**

The NHSBSA manages a complex range of business activities on behalf of the DHSC. Accountability arrangements with the DHSC comprise an overall senior departmental sponsor, with individual sponsors providing policy direction for each core service, including the administration of the NHS Pension Scheme. Arrangements are aligned to the DHSC Accounting Officer System Statement requirements.

A clear ongoing accountability framework is in operation, which includes formal reviews with senior sponsors. This is consolidated through a formal framework agreement between the NHSBSA and DHSC. Strategic, policy and operational issues are reviewed alongside the corporate risk register, assurance arrangements and the latest financial position at review meetings. Additionally, regular scheduled meetings are held with the individual service sponsors.

## **External Auditors**

The Comptroller and Auditor General (C&AG) is appointed by Statute as external auditor for the NHS Pension Scheme Annual Report and Accounts. The C&AG does not undertake any non-audit services on behalf of the NHSBSA.

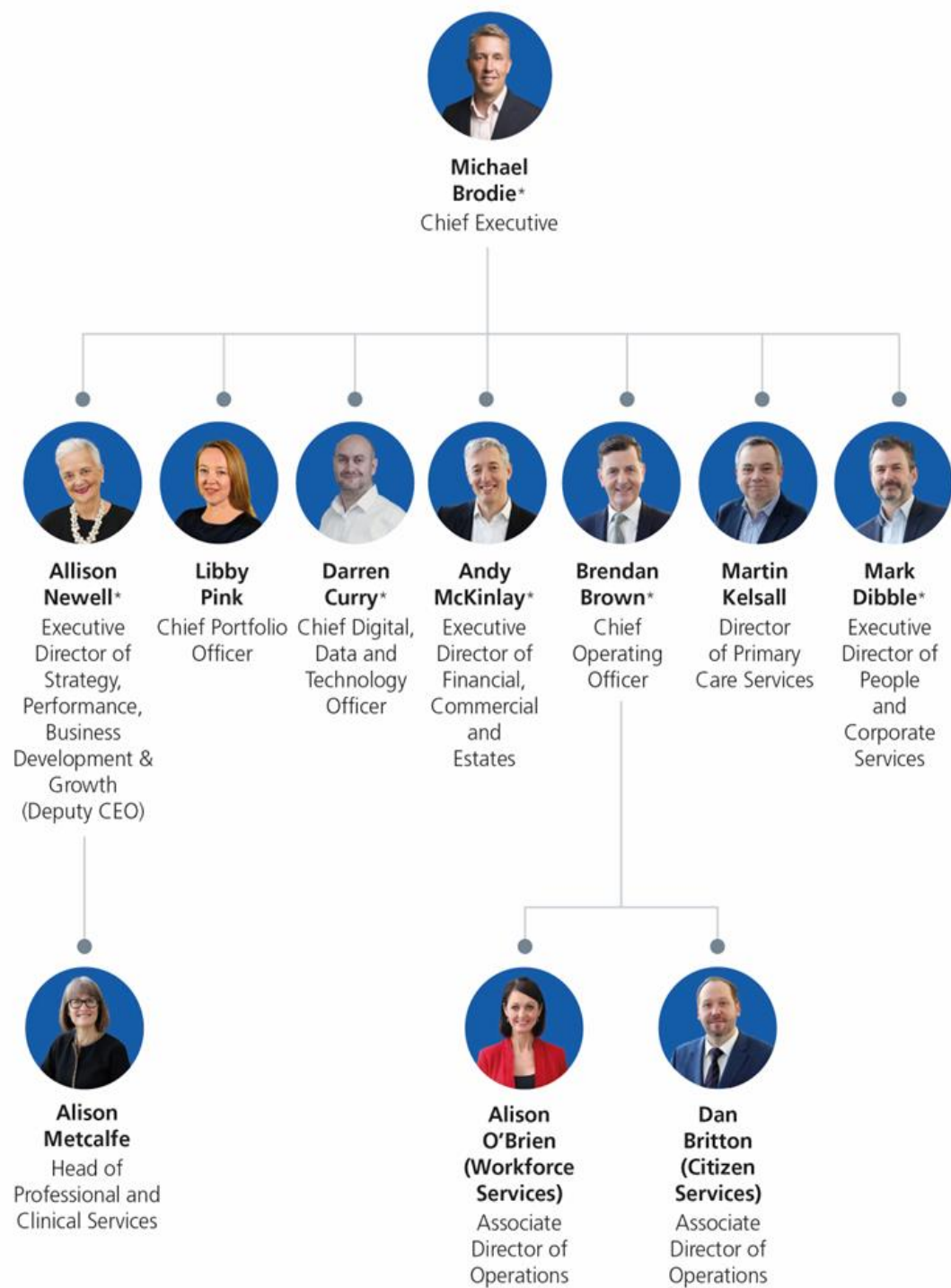
## **NHSBSA management**

Other than those matters reserved for the Board, responsibility for the day-to-day management of the NHSBSA is delegated to the Chief Executive, who is the Accounting Officer. The Chief Executive is supported by a Leadership Team as shown below.

The operation of the NHS Pension Scheme is managed within NHS Retirement Services. The financial reporting and accounting for the Scheme is managed within Finance, Estates and Commercial Services.



NHSBSA leadership team



\* Board members.

## Key governance systems

The NHSBSA has identified the following areas which support the overarching governance arrangements:

- risk management,
- assurance,
- managing information.

The Audit and Risk Management Committee regularly reviews these areas to ensure that they remain robust and effective. This enables the Committee to provide assurances to the Board that appropriate risk identification and management processes are taking place across the organisation.

## Risk Management

The NHSBSA Risk Management Framework comprises:

- risk management policy,
- risk management methodology,
- risk and issue register.

These are applied across the NHSBSA, with risks and issues being escalated up the hierarchy as dictated by our policy. These tiers consist of:

### Services and corporate teams

Risks and issues are managed on an ongoing basis as part of business-as-usual, with registers owned and managed by the Head of Service.

### Project and programme level

Project Managers review and manage risks as part of project governance. Significant risks are escalated to the Programme Manager and Portfolio Board.

### Corporate level

Quarterly, the Leadership Team reviews the top-level corporate risk register, informed by consolidated risk registers from teams and projects alongside a summary paper from the NHSBSA Risk Management Group. The Leadership Team may also identify new risks and issues during these reviews.

### Audit and Risk Management Committee

The committee monitors risk management activities, receives the corporate risk register and reviews specific risk areas. This enables the committee to assure the Board that risk management processes and mitigation efforts are in place.

### NHSBSA Board

The Board receives an overview of the corporate risk register and update reports from the Audit and Risk Management Committee. The Board periodically undertakes a full risk review and review of the NHSBSA risk appetite. The corporate risk register is included as part of every Board pack.



## Risk appetite

The NHSBSA Board review and agree the organisation's risk appetite statement annually, setting appetite levels for key areas.

The NHSBSA's aim is to seek to terminate, treat, tolerate or transfer risks as appropriate, to ensure that it meets its objectives.

## Significant risks and issues

In a dynamic and complex business environment significant risks can always be encountered. Risks are defined as uncertain events that should they occur, would affect the achievement of objectives. Issues are defined as events that are in progress, which could be the realisation of a risk.

## Current risks and issues

Risk	Risk response	Actions taken during 2024-25 and planned for future years	Trend
<b>Information security</b>  Due to the volume and sensitivity of the data we hold, we have acknowledged a risk related to information and cyber security.	Treat	Implemented the Secure by Design principles as set by the Cabinet Office.  Delivery of the Information Security Management System (ISMS) and the rolling cyber security improvement project.  Continued alignment to the Data Security and Protection Toolkit (DSPT) requirements set by NHS England, with independent assurance received annually from GIAA.	This risk remains stable with regular monitoring in place.
<b>Significant fraud</b>  We have acknowledged a risk of significant fraud due to the nature of the services we provide.	Treat	Delivery of the Loss and Fraud Prevention work plan for 2024-25.  Meeting the Government Functional Standard for Counter Fraud.  Creation and delivery of the work plan for 2025-26.	This risk remains stable with regular monitoring in place.

Risk	Risk response	Actions taken during 2024-25 and planned for future years	Trend
<p><b>NHS Pension Scheme Service delivery and delivery of the McCloud ruling</b></p> <p>Due to the significant amount of change planned within NHS Pensions, encompassing McCloud legal rulings alongside service improvement and development, we have acknowledged a risk to the successful delivery of a quality and timely service to our customers.</p>	Treat	<p>Establishing recruitment and capacity requirements to ensure the service is resourced to meet demands.</p> <p>Delivery of a project to establish where efficiencies can be made within the service, to support increased capacity for other activities.</p> <p>Delivery of a project to implement the requirements from the McCloud legal ruling.</p>	This risk remains stable with regular monitoring in place.

Issue	Issue response	Actions taken during 2024-25 and planned for future years	Trend
<p><b>Issuing of incorrect Pension Savings Statements</b></p> <p>Due to inaccurate application of Consumer Price Index into the system that produces Pension Savings Statements, some members were issued incorrect statements.</p>	Closed in 2024-25	<p>Regular communication with key stakeholders, including DHSC and the British Medical Association.</p> <p>Communication with affected members at regular and appropriate intervals.</p> <p>Remediation of the error in the system with the system supplier to enable statements to be recalculated.</p>	This issue was closed in June 2025 (residual risk monitored and managed within service area risk register).

## Assurance arrangements

The NHSBSA uses a three lines of defence model for assurance mapping, which identifies the key areas of assurance across all services:

- management control and reporting,
- functional oversight and governance systems,
- independent review and regulatory oversight.

The NHSBSA Leadership Team uses this model to determine where assurance efforts should be focused. The assurance map is fully integrated with the risk management process with areas of concern being reflected in the relevant business area risk register and escalated to the corporate risk register.

The Audit and Risk Management Committee reviews the assurance mapping process at least annually. The Leadership Team members are responsible for ensuring their maps are up to date for their areas of responsibility.

The Audit and Risk Management Committee has continued a programme of 'areas of focus' exercises to assure itself on behalf of the Board. During 2024-25 exercises were carried out in the following areas:

### Technical/systems debt

The committee received assurance on the approach being taken to the assessment and management of key systems across the business to ensure ongoing delivery of our services. The committee will continue to receive regular updates on the activity during 2025-26.

### McCloud project

The committee received a report on the programme of work set up to implement the requirements from the public service pensions remedy (McCloud). The committee received assurance on the work being undertaken to address outputs from the programme stage gate review. Further updates will be provided to the committee during 2025-26.

The committee has gained increased awareness of the assurances in place for each of the areas reviewed. The assurance provided by these reports constitute the key report highlights from the committee during 2024-25.

## Managing Information

During 2024-25 the NHSBSA has maintained its approach to handling information efficiently and securely. Each year, the NHSBSA undertakes a detailed self-assessment using the NHS-wide Data Security and Protection Toolkit (DSPT). The DSPT return is based on the National Cyber Security Centre's Cyber Assessment Framework. The return for 2024-25 was submitted before the 30 June 2025 deadline. Frequent compliance updates are provided to the NHSBSA Audit and Risk Management Committee and NHSBSA Board.

There were 411 security incidents raised during 2024-25 relating to the Scheme, this compares with 198 incidents in 2023-24. Upon investigation and risk assessment (based

on set DSPT criteria), no security incidents were reported to the Information Commissioners Office (ICO).

In the course of the NHSBSA's business, information is held and used about members of the public and NHS colleagues. Some of this information is of a personal and sensitive nature and as a consequence stringent controls are in place to ensure the security of this information. Issues relating to information security within the NHSBSA are coordinated by the Business Information Security Group (BISG) which is chaired by the Executive Director of People and Corporate Services who holds the position of Senior Information Risk Owner (SIRO). The remit of the SIRO is to take ownership of the NHSBSA's information security policy, act as advocate for information risk to the Board and provide written advice to the Accounting Officer on the content of the Annual Governance Statement with regard to information risk.

## **Data Protection and Freedom of Information**

As a Special Health Authority, the NHSBSA is subject to the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA) 2018. This means that all subject access requests should be responded to within the provisions of the Act, typically within a calendar month. Appropriate ICO registration notifications have been filed with the ICO. The NHSBSA is also subject to the requirements of the Freedom of Information Act (FOI) 2000. This means that all requests for information should be responded to within the provisions of the Act, typically within 20 working days.

During 2024-25 we have dealt with:

- 225 DPA requests relating to the Scheme, 19 more than the previous year. All but 23 were responded to within the required timeframe, a decrease to 90% from 94% (2023-24),
- 82 FOI requests relating to the Scheme, 9 more than the previous year. All except 5 were responded to within the required timeframe, a decrease to 94% from 96% (2023-24).

The root causes for these exceptions have been identified and corrective action taken to avoid a recurrence. Additional resource and changes to processes have helped improve the results compared to last year. Weekly meetings are held to review outstanding requests and the lessons learnt.

## **Freedom to Speak Up**

During 2024-25 the NHSBSA continued to embed and enhance its Freedom to Speak Up (FTSU) approach. This includes a FTSU policy aligned to the NHS England national policy, a strategy and improvement plan, a FTSU guardian role, training and awareness plans and formalised executive (Mark Dibble) and non-executive (Mel Tomlin) roles. FTSU champions are also in place across the business, made up of colleagues from a diverse range of backgrounds, locations and services.

Oversight was provided by the FTSU network, with cross-team engagement to triangulate insight gathered from across the business, with regular reports provided to the Board aligned to National Guardian's Office guidance.

The NHSBSA conducts an annual review of the FTSU policy, supported by the Audit and

Risk Management Committee, to ensure that the policy remains effective and aligned to the national policy. The committee concluded that the policy and arrangements were effective and fit-for-purpose.

In total, 18 concerns were raised with the FTSU guardian during the year, with additional informal contacts made to the champions. Key actions taken in response included improvements in colleague engagement, manager competency and service-specific processes.

## Handling Complaints

Our aim continues to be to resolve complaints fairly and promptly within our policy. Every staff member has a responsibility to provide good customer service and will try to resolve customer concerns as quickly, fairly and thoroughly as possible, without having to escalate to the formal complaints policy. Where we can't resolve complaints, we'll follow our formal complaints procedure and keep the customer up to date with the next steps.

During 2024-25 we have dealt with the following complaints relating to the administration of the Scheme:

- 2,069 informal complaints of which 1,043 were upheld (50.4%) compared to 1,167 (2023-24) of which 353 were upheld (30.2%),
- 1,961 formal complaints (classified as Internal Dispute Resolution (IDR) Stage One cases) of which 1,331 were upheld (67.9%) compared to 1,779 (2023-24) of which 708 were upheld (39.7%),
- 353 IDR Stage Two complaints of which 143 were upheld (40.5%) compared to 274 (2023-24) of which 161 were upheld (58.7%),
- 41 Pensions Ombudsman (TPO) Opinions and Determinations of which 11 were upheld or upheld in part (26.8%) compared to 45 (2023-24) of which 25 were upheld or upheld in part (55.5%).

Although the most common area for complaint in 2024-25 was in respect of process, which could be that the correct process was not followed, the process itself was incorrect, or it resulted in an incorrect decision, other themes emerged during the year. Most common was that work was either not done or completed late, followed by it being incorrect or incomplete.

Whilst the above demonstrates an increase in the escalations between all the stages of our complaints and disputes process, the number reaching The Pensions Ombudsman remains static and represents only a tiny proportion of the total. This demonstrates that despite the increase, we are able to resolve the vast majority of complaints and disputes via our internal processes.

The increase in the level of complaints from 2023-24 is reflective of the continuing increase in pensions work and specifically the high volume of retirement applications we received, which meant it took us longer to process other work, whilst we diverted resources to prioritise making payments to members. Whilst we were able to recover processing times to within our published timescales, we continue to operate in a very challenging environment of legislative change, implementing the Public Service Pensions

Remedy (McCloud), tax changes following the abolition of the Lifetime Allowance and its replacement allowances and the Pensions Dashboard.

As part of ongoing business improvements and because of the increase in complaints, we have continued our focus on informal rather than formal complaint handling, using email, phone and text services to speed up resolution. In addition, we have:

- Built on the pension expertise of our dedicated pension call handlers in our Pensions Customer Hub, reviewing the content of their Knowledge Base,
- Built on the success of the move of our Complaints and Disputes Team to Citizen Services, to bring Pensions complaint handling in line with best practice from the rest of the NHSBSA by recruiting additional resources to the team,
- Added a dedicated Pensions Escalation process to our Customer Experience Team to deal with escalated complaint cases requiring immediate intervention, support our most vulnerable customers and review feedback from all sources to identify customer service improvements,
- Extended the comprehensive review of our website to include additional content reviewers and publishers to speed up the process of ensuring the content is accurate, complete, and up to date.

## Sources of Assurance

### Audit and Risk Management Committee

One of the key sources of assurance provision for the NHSBSA's Board is from the Audit and Risk Management Committee, whose key responsibilities are described in the Audit and Risk Management Committee section. The committee meets these responsibilities by receiving regular reports on a range of audit and assurance topics.

The following is a list of the key reports:

- NHSBSA Annual Report and Accounts and Pension Scheme Annual Report and Accounts,
- Risk Management updates setting out and assessing the major risks and issues that we face along with progress and impact of mitigation actions,
- Annual Risk Management Report outlining how our risk management arrangements have continued to operate during the year and how they have been reviewed and strengthened,
- Assurance Map review of the assurance mapping arrangements in place across the business,
- Areas of focus presentations looking at high-risk areas, or other topics highlighted, for example, through internal audits, assurance maps,
- Internal Audit Progress Report on the work undertaken by Internal Audit against the agreed plan,
- External Audit Reports on the work undertaken by External Audit
- Internal and external audit recommendations trackers monitoring progress made across the NHSBSA implementing audit recommendations,
- Fraud/Bribery/Local Security Management Annual Reports detailing the work undertaken during the year mapped against the agreed work plans,
- Annual review of the Freedom to Speak Up (Whistleblowing) policy,



- Senior Independent Risk Owner (SIRO) Report providing an overview of information security, business continuity, information governance and cyber security,
- Third Party Assurance Reports showing outcomes of the third-party assurance engagements undertaken to review the control environment covering prescription, dental, vaccines and student bursary payments, and ESR.

## **Enhanced governance, compliance, and assurance specific to the Scheme**

In line with legal requirements effective from April 2015, the NHSBSA has robust governance arrangements in place to oversee the compliance of the Scheme administration, in addition to the overarching governance and assurance framework of the NHSBSA.

## **Pensions Board**

The Public Service Pensions Act 2013 requires the NHS Pensions Board (NHSPB) to assist the Scheme Manager in securing compliance with all relevant pension law, regulations, and directions. This role is one of assurance and governance of the Scheme administration provided by the NHSBSA. The Pensions Board has been in operation since April 2015 (in shadow form since April 2014) and holds quarterly meetings at which the NHSBSA reports pension KPIs, the results of Compliance reviews and other administrative performance such as outcomes of legal challenges, Pensions Ombudsman cases, Breaches of Law and Stakeholder engagement and communications activity.

## **Pensions Compliance Team**

The Pensions Compliance Team conducts reviews covering all major aspects of the pensions administration service. During 2024-25 the following reviews were completed:

- ARER Products – Moderate
- 1995 Age Awards – maximum age and maximum service – Limited
- Pensioner Administration re-employment – Moderate
- Redundancy Awards – Moderate
- Early Retirement Reduction Buy Out (ERRBO) Products – Moderate
- Protection of Pay and Voluntary Protection of Pay Products – Moderate
- Additional Pensions Products – Moderate
- Late Retirement Factors – Satisfactory

There were no compliance reviews reported to The Pensions Regulator during 2024-25.

## **Referral to The Pensions Regulator (TPR)**

In line with the TPR Code of Practice No 14, the NHSPB submits reports to TPR where material breaches of law occur.

In September 2024, a breach of law report was submitted in respect of failure to provide Annual Benefit Statements (ABS) to 100% of the NHS Pension Scheme membership.

The NHSBSA provides ABS to members (both active and deferred) via NHS Total Reward Statements (TRS). Members who do not have access to an ABS via the on-line portals are

directed to request one from NHSBSA. In August 2024 85.71% of NHS Pension Scheme members were provided an ABS, an increase in real terms of 114,633 statements from the previous year due to increasing Scheme membership.

Whilst the NHSBSA remains committed to its long-standing aspiration of delivering ABS to all NHS Pension Scheme members, there are obstacles in achieving this goal. The NHS Pension Scheme is the largest centrally administered Pension Scheme in Europe with over 2.7 million active or deferred members and some of the most complicated working patterns and calculations in the pensions industry. The complex nature of the Scheme means that it is unlikely that 100% full automation of ABS calculations will be possible.

TPR are aware of the constraints facing the largest centrally administered Pension Scheme and will take no further action in respect of the above breach.

In October 2024, a breach of law report was submitted to the Pensions Regulator in respect of 63 individual Pension Sharing Orders which were not implemented within the required timeframe of 4 months. The breaches were for delays between 1 and 67 days. All delays were due to additional complexity and calculations required as part of the McCloud remedy. These are common to other public service Pension Schemes. The Pensions Regulator confirmed no action to be taken in respect of these breaches.

In February 2025, a breach of law report was submitted due to the errors made in the calculation of 2023-24 Pensions Saving Statements where an annual increase based on the Consumer Price Index (CPI) was incorrectly included in the opening value. NHSBSA continues to provide updates to the Pensions Regulator on this issue

Regular engagement with TPR takes place and updates are provided in respect of record keeping, annual benefit statement production and compliance.

## Government Internal Audit Agency (GIAA)

During the year the Government Internal Audit Agency (GIAA) conducted internal audits relating to the Scheme as part of their audit plan for the NHSBSA. Some were specific audits of the Pensions Service and others were business-wide audits including coverage of the Pensions area.

The GIAA provided an **overall Moderate opinion** on the framework of governance, risk management and control within the NHS Business Services Authority for the year ended 31 March 2025 (accounting period 2024-25).

## Financial Management

The Schemes' financial management arrangements conform the requirements of the HMT as laid out in "Managing Public Money". The Pensions Finance Reporting, Assurance and Reconciliation Team report to the Head of Financial Management who in turn reports to the NHSBSA Executive Director of Finance, Commercial and Estates who is the Senior Financial Officer for the Scheme and is a key member of the NHSBSA Leadership Team and Board.

This management arrangement covers such reports as the Scheme Main and Supplementary Estimates, as well as key financial forecasts required by HMT and the Office for Budgetary Responsibility (OBR). The Pensions Finance Reporting Team, with input and data provided by GAD and the DHSC prepare the twice yearly 6-year cash flow



forecasts for the Scheme. The forecasts are subject to a robust challenge process from HMT and the OBR and are refined where appropriate.

The Scheme Main and Supplementary Estimates are submitted to the NHSBSA Audit and Risk Management committee, the Supplementary Estimate for formal approval prior to submission to HMT.

## **Loss and Fraud Prevention (LFP)**

During 2024-25 NHS Pensions have been provided with a Fraud Risk Assessment for their area and the LFP Team supported them in mitigating risk.

NHS Pensions continued to participate in the National Fraud Initiative (NFI) Mortality Data Matching Exercise which is used to mitigate the risk around deceased pensioners and dependants who remain in payment due to their death not being reported to the Scheme. NHSBSA Operations Assurance Team continued to undertake Post Event Assurance (PEA) activity to obtain death certificates where there has been no contact from next of kin. This allows an overpayment to be calculated, and overpayments raised.

During 2024-25 a total of £1.1 million detected error was identified with £0.8 million being recovered as a result of death certificates that were obtained from the PEA activity, the remainder being actively recovered. It is also calculated that a further £2.3 million of error was prevented due to this process.

A fraud and error prevention methodology has been created for the PEA activity and submitted to Public Sector Fraud Authorities Prevention Panel for approval. The prevention calculation has been developed to identify how much would have continued to be paid up until the UK average age of death without the NFI and Operations Assurance activities. The overall prevented calculation being proposed from 2019-20 to 2024-25 is £9.2 million. If agreed, this methodology will be in place for future years where this exercise is being undertaken.

## **Contractual arrangements supporting Pensions Administration**

The administration of the Scheme is currently delivered by NHSBSA employees and is supported by a number of contracted services.

A range of contract management and governance mechanisms are in place to ensure the service delivery of these contracts, including monthly service review meetings, monthly reporting of performance, recommendations for innovation and change, escalation, and dispute resolution procedures. Requirements under the Data Protection Act 2018 and the NHSBSA Information Governance policies and procedures are included within the contractual obligations and followed by all these suppliers.

## **Other Sources of Assurance**

In addition to supporting the role of the Board and the Audit and Risk Management Committee, the NHSBSA's governance and control environment also includes:

### **Strategic Business Performance Report**

Reviewed by the Leadership Team monthly.

### **Wellbeing and Inclusion Committee**

In place to ensure that all our obligations under equality, diversity and human rights legislation are adhered to. Monitors performance against our Diversity and Inclusion Strategy and achievement of our equality objectives. Oversees the delivery of our wellbeing and social impact goals.

### **National Joint Health and Safety Committee**

Ensure that we comply with relevant health and safety laws and good practice. The National Joint Health and Safety Committee, which is chaired by the Executive Director of People and Corporate Services, monitors performance against our Health and Safety Strategy and Action Plan.

### **Environment Committee**

Monitors performance against our Environment Strategy and associated objectives, KPIs, plans, and risks, ensuring compliance with all statutory and mandatory requirements, in addition to good practice. The committee is chaired by the Chief Executive and membership includes senior leaders from across the organisation.

### **Statutory Function Register**

Details the current statutory instruments, directions and other applicable agreements is maintained to ensure correct arrangements are in place, and the NHSBSA is legally compliant in discharging its duties.

### **NHS Pension Scheme**

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme are in accordance with Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

### **Clinical Governance Oversight Committee**

Provides review and assurance of the NHSBSA's arrangements for clinical governance within the organisation and with external clinical partners and suppliers. Provides leadership and guidance for the development of NHSBSA's clinical governance assurance activities and the Clinical Governance Framework. Is a point of escalation for all issues and risks relating to clinical governance, clinical risk management and patient safety. Acts as a point of escalation for all issues and risks relating to clinical governance, clinical risk management and patient safety. Provides a forum for sharing best practice and innovation in clinical governance.

### **Accounting Officer's review of effectiveness**

The Head of Internal Audit's opinion was that, based on the work completed to date, there is moderate assurance given to the Accounting Officer that the NHSBSA has had adequate and effective systems of control, governance and risk management in place for the reporting year 2024-25.

## **Significant Governance Issues**

There were no significant issues raised during 2024-25.

## Conclusion

The assurance framework itself provides me with evidence that the effectiveness of controls that manage the risks to the NHSBSA achieving its principal objectives have been reviewed.

My review is informed by:

- The work of the Audit and Risk Management Committee which informs the Board about the outcome of its activities through the submission of updates, minutes and its annual report to the Board,
- The findings of both the external and the internal audit reviews. The Audit and Risk Management Committee oversees progress towards the implementation of all such recommendations,
- The work of the fraud specialists is to prevent, deter, investigate and report fraud activity. The Audit and Risk Management Committee receives the annual work plan and annual report of the fraud specialists and provides updates to the Board as appropriate.

My review confirms that the NHSBSA has a system of governance that supports the achievement of its policies, aims and objectives and that continuous improvement is ongoing.

**Michael Brodie**  
**Chief Executive**  
**NHS Business Services Authority**  
**10 July 2025**

# 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 (FReM) requires the NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement 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 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: Outturn by estimate line, providing a more detailed breakdown (SoPS 1); a reconciliation of outturn to net cash requirement (SoPS 3); and an analysis of income payable to the Consolidated Fund (SoPS 4).

# Statement of Outturn against Parliamentary Supply for the year ended 31 March 2025

## Summary of Resource Outturn 2024-25

This section has been subject to audit.

£000								2024-25	2023-24
	Outturn				Estimate			Outturn vs Estimate saving/(excess)	Prior Year Outturn Total
	Reference	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
Annually managed expenditure	SoPS1								
- Resource		13,818,570	-	13,818,570	14,137,336	-	14,137,336	318,766	17,764,695
<b>Total Budget</b>		<b>13,818,570</b>	<b>-</b>	<b>13,818,570</b>	<b>14,137,336</b>	<b>-</b>	<b>14,137,336</b>	<b>318,766</b>	<b>17,764,695</b>
Non-Budget									
- Resource		-	-	-	-	-	-	-	-
<b>Total</b>		<b>13,818,570</b>	<b>-</b>	<b>13,818,570</b>	<b>14,137,336</b>	<b>-</b>	<b>14,137,336</b>	<b>318,766</b>	<b>17,764,695</b>

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.

### Net cash requirement 2024-25

2024-25	2024-25		2023-24
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
(6,308,491)	(5,985,917)	322,574	(4,306,524)

### Administration costs 2024-25

2024-25	2024-25		2023-24
Outturn £000	Estimate £000	Outturn vs Estimate saving/(excess) £000	Prior Year Outturn Total £000
-	-	-	-

## Notes to the Statement of Outturn against Parliamentary Supply

### SoPS1. Analysis of Resource outturn by Estimate line

£000

								2024-25	2023-24
Resource Outturn								Estimate	Outturn vs Estimate saving/ (excess)
Administration			Programme			Total	Total	Total	Prior Year Outturn Total
Gross	Income	Net	Gross	Income	Net	Total	Total	Total	Total
<b>Departmental Expenditure Limit (DEL)</b>									
Voted:	-	-	-	-	-	-	-	-	-
Non-Voted:	-	-	-	-	-	-	-	-	-
<b>Annually Managed Expenditure (AME)</b>									
Voted:									
A: NHS Pension Scheme									
-	-	-	38,415,497	(24,596,927)	13,818,570	13,818,570	14,137,336	318,766	17,764,695
<b>Non-Voted Expenditure:</b>									
-	-	-	-	-	-	-	-	-	-
Total	-	-	38,415,497	(24,596,927)	13,818,570	13,818,570	14,137,336	318,766	17,764,695

### Explanation of the variance between Resource Estimate and outturn:

The outturn is less than the Estimate primarily due to:

- Total contribution income being lower than forecast by £384 million.
- Current Service Cost being lower than forecast by £520 million, and Pensions Financing Cost being lower than forecast by £195 million.

### SoPS2. Reconciliation of outturn to Net Operating Expenditure:

The total resource outturn of £13.82 billion shown above in the SoPS summary table on page 54 is the same as the combined net expenditure shown in the Statement of Comprehensive Net Expenditure (SoCNE) on page 66. Therefore no reconciliation table is required.

## SoPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

Item	Reference	Outturn Total £000	Estimate £000	2024-25 Outturn vs Estimate savings/ (excess) £000
Resource Outturn	SoPS1	13,818,570	14,137,336	318,766
Capital Outturn		-	-	-
<b>Adjustments to remove non-cash items</b>				
New provisions and adjustments to previous provisions		(38,350,632)	(39,058,935)	(708,303)
<b>Adjustments to reflect movements in working balances</b>				
Increase in receivables		92,804	701,798	608,994
(Increase) in payables		(25,063)	(92,170)	(67,107)
(Decrease) in prepaid pension benefits		(2,360)	-	2,360
Use of provision		18,158,190	18,326,054	167,864
<b>Net cash requirement</b>		<b>(6,308,491)</b>	<b>(5,985,917)</b>	<b>322,574</b>

As noted in the introduction to the SoPS above, outturn and 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.

Explanation of the variance between Net Cash Requirement (NCR) Estimate and outturn:

The NCR for the NHS Pension Scheme currently refers to the amount of surplus cash the Scheme generates each year as income exceeds pension benefits paid.

The outturn surplus was more than the Estimate primarily due to:

- Lump sum payments being lower than forecast by £168 million.
- Total contribution income being lower than forecast by £384 million.
- The movement in debtors and creditors being lower than forecast by £544 million.

## SoPS4. Amounts of income payable to the Consolidated Fund

In addition to the income retained by the Scheme to offset pension payments, the following income is payable to the Consolidated Fund (cash receipts being shown in italics).

Item	Outturn total 2024-25		Outturn total 2023-24	
	Accruals £000	Cash basis £000	Accruals £000	Cash basis £000
Income outside the ambit of the Estimate	-	-	-	-
Excess cash surrenderable to the Consolidated Fund – current year	-	6,308,491	-	4,306,524
Excess cash surrenderable to the Consolidated Fund – prior year	-	-	-	-
<b>Total income payable to the Consolidated Fund</b>	<b>-</b>	<b>6,308,491</b>	<b>-</b>	<b>4,306,524</b>



## Losses and Special Payments Disclosures

This section has been subject to audit.

### Losses statement

	2024-25	2023-24
Total number of losses	9,361	8,064
Total value of losses £000	3,428	1,669

Losses relate to overpaid pension benefits that were deemed irrecoverable.

### Special payments

	2024-25	2023-24
Total number of special payments	259	116
Total value of special payments £000	429	3,379

There were no further individual losses or special payments greater than £300,000 during 2024-25.

# 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 NHS Pension Scheme (incorporating the NHS Compensation for Premature Retirement Scheme) (“the Scheme”) for the year ended 31 March 2025 under the Government Resources and Accounts Act 2000.

The Scheme’s financial statements comprise the combined:

- Statement of Financial Position as at 31 March 2025;
- 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 2025 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 2025 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, and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)* and Practice Note 15 *The audit of occupational pension schemes in the UK (2017)*. 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 2024*. 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; 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 NHSBSA 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 made 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 the Scheme's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the NHS Pensions Scheme Regulations 1995, 2008 and 2015, as amended, the NHS (Compensation for Premature Retirement) Regulations 2002, as amended, 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 non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal and external specialists, including actuarial and IT 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: posting of unusual journals, complex transactions and bias in management 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 2024, Managing Public Money, the NHS Pensions Scheme Regulations 1995, 2008 and 2015, as amended, the NHS (Compensation for Premature Retirement) Regulations 2002, as amended, 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 identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and 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 Management 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 any significant correspondence with the Pensions Regulator.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal 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](http://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 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.

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

**15 July 2025**



# Financial Statements



## Combined Statement of Comprehensive Net Expenditure for the year ended 31 March 2025

		2024-25	2023-24
	Note	£000	£000
<b>Income</b>			
Contributions receivable	3	(24,442,328)	(20,286,156)
Transfers in	4	(69,142)	(69,833)
Other pension income	5	(85,457)	(84,228)
		<b>(24,596,927)</b>	<b>(20,440,217)</b>
<b>Expenditure</b>			
Service cost	6	16,300,000	18,800,000
Enhancements	7	81,490	81,613
Transfers in – additional liability	8	69,142	69,833
Pension financing cost	9	21,900,000	19,200,000
Administration cost	10	64,865	53,466
		<b>38,415,497</b>	<b>38,204,912</b>
<b>Combined net expenditure</b>	SoPS1	<b>13,818,570</b>	<b>17,764,695</b>
<b>Other comprehensive net expenditure</b>			
<b>Pension re-measurements</b>			
Revaluation loss of estimated discounted future cash flows in respect of early retirement charges	16	11,348	7,927
Actuarial (gain) / loss	17.7	6,007,558	(51,636,247)
<b>Total comprehensive net expenditure</b>		<b>19,837,476</b>	<b>(33,863,625)</b>

The notes on pages 70 to 85 form part of these financial statements.

## Combined Statement of Financial Position as at 31 March 2025

	Note	2024-25 £000	2023-24 £000
<b>Current assets</b>			
Receivables (within 12 months)	12	1,542,646	1,449,842
Cash and cash equivalents	13	6,308,491	4,306,524
Prepayments – prepaid pension benefits	14	-	2,360
<b>Total current assets</b>		<b>7,851,137</b>	<b>5,758,726</b>
<b>Current liabilities</b>			
Payables (within 12 months)	15	(7,096,684)	(5,069,654)
<b>Net current liabilities, excluding pension liability</b>		<b>754,453</b>	<b>689,072</b>
Estimated discounted future cashflows in respect of premature retirement recharges	16	213,752	225,100
Pension liability	17.4	(457,200,000)	(431,000,000)
<b>Net liabilities, including pension liabilities</b>		<b>(456,231,795)</b>	<b>(430,085,828)</b>
<b>Taxpayers' equity</b>			
General Fund		(456,231,795)	(430,085,828)
		<b>(456,231,795)</b>	<b>(430,085,828)</b>

**M Brodie**  
**Accounting Officer**  
**10 July 2025**

The notes on pages 70 to 85 form part of these financial statements.

## Combined Statement of Changes in Taxpayers' Equity for year ended 31 March 2025

	Note	2024-25 £000	2023-24 £000
<b>Balance at 1 April</b>		<b>(430,085,828)</b>	<b>(459,642,929)</b>
Revaluation (loss) of estimated discounted future cash flows in respect of early retirement recharges	16	(11,348)	(7,927)
Surplus cash payable to the Consolidated Fund – current year supply	SoPS4	(6,308,491)	(4,306,524)
<b>Comprehensive net expenditure for the year</b>	SoCNE	<b>(13,818,570)</b>	<b>(17,764,695)</b>
Actuarial gain / (loss) – NHS Pension Scheme	17.7	(6,007,558)	51,636,247
<b>Net change in taxpayers' equity</b>		<b>(26,145,967)</b>	<b>29,557,101</b>
<b>Balance at 31 March</b>		<b>(456,231,795)</b>	<b>(430,085,828)</b>

The notes on pages 70 to 85 form part of these financial statements.

## Combined Statement of Cash Flows for the year ended 31 March 2025

		2024-25	2023-24
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net expenditure for the year	SoCNE	(13,818,570)	(17,764,695)
<b>Adjustments for non-cash transactions</b>			
Increase in receivables		(92,804)	(139,674)
Increase in payables		25,063	173,165
Increase in pension provision	17.4	38,200,000	38,000,000
Increase in pension provision – enhancements and transfers in	17.4	150,632	151,446
Decrease in prepaid pension benefits	14	2,360	1,481
Use of provisions – pension benefits	17.5	(17,835,503)	(15,860,248)
Use of provisions – leavers	17.6	(322,687)	(254,951)
<b>Net cash inflow from operating activities</b>		<b>6,308,491</b>	<b>4,306,524</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		-	-
From the Contingencies Fund – current year		1,950,000	1,395,000
Repayment to the Contingencies Fund		(1,950,000)	(1,395,000)
<b>Net financing</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund</b>		<b>6,308,491</b>	<b>4,306,524</b>
Payments of amounts due to the Consolidated Fund		(4,306,524)	(4,325,191)
<b>Net increase / (decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund</b>		<b>2,001,967</b>	<b>(18,667)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,306,524</b>	<b>4,325,191</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>6,308,491</b>	<b>4,306,524</b>

The notes on pages 70 to 85 form part of these financial statements.

# Notes to the Financial Statements

## 1.1 Basis of Preparation of the Scheme Financial Statements

The financial statements of the combined NHS Pension Scheme and NHS Pension for Premature Retirement Scheme have been prepared in accordance with the relevant provisions of the 2024-25 Government Financial Reporting Manual (FReM) issued by HMT. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) 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 IFRSs, 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.

## 1.2 Going Concern

The Statement of Financial Position as at 31 March 2025 shows a combined pension and compensation liability of £457.2 billion (2023-24: £431.0 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 2025-26 has already been given. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## 1.3 NHS Pension Scheme

The NHS Pension Scheme is an unfunded, defined benefit pay-as-you-go occupational Pension Scheme operated by the NHSBSA on behalf of the Secretary of State for Health and Social Care on behalf of members of the National Health Service who satisfy the membership criteria.

Contributions to the Scheme by employers and employees were set at rates determined by the Scheme's Actuary and approved by the Secretary of State for Health and Social Care. The income received currently exceeds payments made by the Scheme, the balance of surplus cash is returned to HMT. If payments exceed income, the balance of the funding would need to be provided by Parliament through the annual Supply Estimates process.

The financial statements of the Scheme show the combined financial position of the NHS Pension Scheme and NHS Compensation for Premature Retirement Schemes at the year

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

## **1.4 NHS Pension for Premature Retirement Scheme**

The NHS Pension Scheme acts as a principal for employers in the payment of compensation benefits arising under the NHS Compensation for Premature Retirement Scheme. Employers now only have the option of discharging their liability by way of payment of a capital sum, previously employers could pay for the compensation benefits, which are paid out in the course of the month, on a quarterly basis. This arrangement ceased for employers from 1 October 2011 but the costs for historic cases are still being met by employers. The financial statements recognise the liabilities arising from cases charged to employers on an ongoing basis (and in addition a corresponding estimated Discounted Future Cash flow within Combined Statement of Financial Position).

## **2. Accounting Policies**

The accounting policies contained in the FReM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the public sector. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the 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 financial statements.

### **2.1 Critical Accounting Judgements and key sources of estimation uncertainty**

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 on-going basis. The key estimates and judgements relate to the valuation of the pension liability set out in Note 17 below.

Further estimation uncertainty arises in relation to legal cases where either the outcome or impact of the cases on the Scheme remain uncertain at the reporting date. Management has therefore applied judgement in estimating the most likely impact on the Scheme based on the best available information at the reporting date.

### **2.2 Contributions receivable**

- Employers' normal pension contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate,
- Employees' normal pension contributions are accounted for on an accruals basis in the month to which the associated salaries and wages relate,

- Employees' contributions paid in respect of the purchase of added years are accounted for on an accruals basis, and additional pension contributions are accounted for on a cash basis. The associated increase in the Scheme liability is recognised as expenditure,
- Where Scheme members make Additional Voluntary Contributions (AVCs) to secure additional pension benefits through the Scheme's approved suppliers these were directly invested through individual contracts with those suppliers. These additional contributions are not included in the financial statements but are shown separately in Note 11 to the financial statements. Please refer to Note 11 for further information on Scheme AVC providers,
- Contributions receivable are outside the scope of IFRS 15 – Revenue and Contract with Customers, as contributions are not considered revenue from customers under the scope of this standard.

### **2.2.1 Contributions receivable relating to the Compensation for Premature Retirement Scheme**

Employers' contributions are accounted for in accordance with the agreement under which the employer chose to discharge their liability, or in absence of such an agreement, on an accruals basis.

### **2.3 Transfers in and out**

Transfers in are accounted for as income and by representing the associated increase in the Scheme liability. Transfers out reduce the Scheme liability. Both are accounted for on a cash basis.

### **2.4 Administration levy and costs**

The costs of administering the Scheme are met by employers via a levy of 0.08% of pensionable salary. The levy is shown as income in the Statement of Comprehensive Net Expenditure and accounted for on an accruals basis in the period to which the associated salaries and wages relate. The costs are initially borne by the NHSBSA and then recharged to the Scheme. These charges are shown under expenditure in the Statement of Comprehensive Net Expenditure and are accounted for on an accruals basis. Administration costs include all staff costs, overheads and general administration costs attributed to the Scheme.

### **2.5 Current service costs**

The current service cost is the increase in the present value of the Scheme liabilities arising from current members' service in the current period and is recognised in the Combined Statement of Comprehensive Net Expenditure. The cost is based on a real discount rate of 2.45% (2023-24: 1.70%) and 5.10% including inflation (2023-24: 4.15%). These assumptions are used to calculate the in-year increase in the Scheme liability and differ to the assumptions used to assess the year end Scheme liability.

### **2.6 Past service cost**

Past service costs are increases in the present value of the Scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised

in the SoCNE on a straight-line basis over the period in which increases in benefit vests.

## **2.7 Interest on Scheme liabilities**

The interest cost is the increase during the period in the present value of the Scheme liabilities because the benefits are one period closer to settlement and is recognised in the Statement of Comprehensive Net Expenditure. The interest cost is based on a gross discount rate of 5.10% (2023-24: 4.15%).

## **2.8 Scheme Liability**

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 as at 31 March 2024 was discounted at a real discount rate of 2.45% (i.e. 5.10% including inflation). The discount rate changed on 31 March 2024 to 2.40% and the Scheme liability was discounted at that rate.

Further details of the financial assumptions used are set out at Note 17.1 to these accounts and in the Statement by the Actuary on pages 26 to 32. For the purposes of IAS26 accounting, full actuarial valuations by a professional qualified actuary are obtained at intervals not exceeding four years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect current conditions. A full member data extract as at 31 March 2023 was provided to GAD to facilitate a full actuarial valuation that has been used in the preparation of the financial statements for 2024-25.

## **2.9 Pension benefits payable**

Pension benefits payable due to age, ill health retirements, and voluntary early retirement are accounted for as a decrease in the Scheme liability on an accrual basis. Where benefits fall on a weekend or bank holiday benefits will be paid on the last working day before the benefits are due.

## **2.10 Actuarial gains / losses**

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

## **2.11 Accounting policies for the NHS Compensation for Premature Retirement Scheme**

Compensation payments for the costs of service enhancements for staff leaving before their normal retirement age are met by employers. For administrative purposes, benefits are paid to the member and the employer is subsequently re-charged for the costs. Except where stated otherwise below, the accounting policies outlined at Note 2 above, apply.

Employers are invoiced on a quarterly basis in arrears for the costs incurred over the previous three-month period. This arrangement ceased for employers from 1 October 2011 for new cases, but the costs for historic cases continue to be met by employers. An employer may also choose to settle their future liability by way of a capital sum. Both types of income are accounted for as Other Pension Income (see Note 5).



In recognition of the fact that significant future cash flows will arise from these arrangements, the estimated future cash flows which may accrue to the Scheme after the Statement of Financial Position date, discounted to current values, are disclosed on the Statement of Financial Position. This asset is revalued on an annual basis and any net increases or decreases will be accounted for through the General Fund and disclosed within the Combined Statement of Changes in Taxpayer's Equity.

## 2.12 Changes in Accounting Standards

In order to comply with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Scheme must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Scheme has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment. The Scheme's financial statements are prepared in accordance with the FReM, which ensures consistency across relevant public sector bodies, and therefore IFRS 18 will be adopted in line with HM Treasury guidance.

IFRS 17 "Insurance Contracts". The Standard is effective for accounting periods beginning on or after 1 January 2023. IFRS 17 is yet to be adopted by the FReM which is expected to be from the 1 April 2025. Early adoption is not permitted.

IFRS 18 "Presentation and disclosure in financial statements" was issued on 9 April 2024 and applies to periods beginning on or after 1 January 2027. IFRS 18 sets out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. It applies to all financial statements that are prepared and presented in accordance with International Financial Reporting Standards (IFRSs). IFRS 18 has new requirements for the presentation and disclosure of income and expenses, management defined performance measures and enhanced requirements on aggregation and disaggregation of information with its aim to enable better comparability of financial statements across similar entities.

## 3. Contributions receivable

	2024-25	2023-24
	£000	£000
Employers	(17,290,049)	(13,724,904)
Employees:		
Normal	(7,075,970)	(6,488,567)
Purchase of added years	(48,139)	(49,424)
Purchase of additional pensions	(24,493)	(20,722)
Purchase of early retirement reduction buy out	(3,677)	(2,539)
	<b>(24,442,328)</b>	<b>(20,286,156)</b>

£24.73 billion contributions are expected to be payable to the Scheme in 2025-26. During the year ended 31 March 2025, employee contributions represented an average of 9.70% of pensionable pay.

#### 4. Transfers in (also see note 8)

	2024-25	2023-24
	£000	£000
Individual transfers in from other Schemes	(65,790)	(43,028)
Group transfers in from other Schemes	(3,352)	(26,805)
	<b>(69,142)</b>	<b>(69,833)</b>

#### 5. Other pension income (also see note 7)

	2024-25	2023-24
	£000	£000
Prefunded premature retirement contributions	(5,181)	(8,928)
Rechargeable premature retirement contributions	(30,043)	(30,168)
Final pay control	(1,424)	(474)
Interest charged on contribution payments	(173)	(199)
Administration levy	(48,636)	(44,459)
	<b>(85,457)</b>	<b>(84,228)</b>

#### 6. Service cost (also see note 17.4)

	2024-25	2023-24
	£000	£000
Current service cost	16,300,000	18,800,000
	<b>16,300,000</b>	<b>18,800,000</b>

#### 7. Enhancements (also see notes 5 & 17.4)

	2024-25	2023-24
	£000	£000
Employees: Purchase of added years	48,139	49,424
Employees: Purchase of additional pension	24,493	20,722
Employees: Early retirement reduction buy out	3,677	2,539
Employers: Prefunded premature retirement contributions	5,181	8,928
	<b>81,490</b>	<b>81,613</b>

#### 8. Transfers in - additional liability (also see notes 4 & 17.4)

	2024-25	2023-24
	£000	£000
Individual transfers in from other Schemes	65,790	43,028
Group transfers in from other Schemes	3,352	26,805
	<b>69,142</b>	<b>69,833</b>

Amounts receivable in respect of inward transfers increase the pension liability to the same extent. This increase is reflected in the SoCNE as expenditure as part of the movements in the provision during the year.

## 9. Pension financing cost (also see note 17.4)

	2024-25 £000	2023-24 £000
Net interest on defined benefit liability	21,900,000	19,200,000
	<b>21,900,000</b>	<b>19,200,000</b>

## 10. Scheme administration cost

	2024-25 £000	2023-24 £000
Scheme administration cost	64,865	53,466
	<b>64,865</b>	<b>53,466</b>

## 11. Additional Voluntary Contributions

The NHS Pension Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlement or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment direct to the approved provider, or may choose to make their own arrangements by making periodic payments to an insurance company or Scheme institution which offers Free Standing Additional Voluntary Contributions Schemes. The NHS employers are responsible for payments made to the Scheme's approved provider. Members participating in this arrangement receive an annual statement from the approved provider made up to 5 April each year confirming the amounts held in their account and the movements in the year. AVC contributions are not part of the Scheme account cash flows or financial statements. Members have a choice of funds in which their AVCs can be invested and the aggregate amounts of AVC investments were as follows:

## Utmost Life and Pensions (formally The Equitable Life Assurance Society)

	2024-25 £000	2023-24 £000
Movements in the year were as follows:		
Balance at 1 April	81,102	81,833
New investments	292	213
Sale of investments to provide pension benefits	(8,380)	(7,687)
Changes in market value of investments	1,945	6,743
<b>Balance at 31 March</b>	<b>74,959</b>	<b>81,102</b>
Contributions received to provide life cover	-	1
Benefits paid on death	118	137

## Standard Life Assurance Society

	2024-25 £000	2023-24 £000
Movements in the year were as follows:		
Balance at 1 April	108,004	105,967
New investments	2,720	2,238
Sale of investments to provide pension benefits	(10,952)	(9,015)
Changes in market value of investments	3,447	8,814
<b>Balance at 31 March</b>	<b>103,219</b>	<b>108,004</b>
Contributions received to provide life cover	-	-
Benefits paid on death	233	243

## Prudential PLC

	2024-25** £000	Restated 2023-24* £000
Movements in the year were as follows:		
Balance at 1 April	75,571	70,874
New investments	10,128	6,618
Sale of investments to provide pension benefits	(9,548)	(7,721)
Changes in market value of investments	3,483	5,800
<b>Balance at 31 March</b>	<b>79,634</b>	<b>75,571</b>
Contributions received to provide life cover	-	-
Benefits paid on death	-	-

\* Figures for 2023-24 were provided as unaudited and have been restated.

\*\* Figures for 2024-25 are provided as unaudited and will be restated if required in the 2025-26 accounts.

## Statement of Financial Position

### 12. Receivables

Employers are responsible for the payment to the Scheme of both Employer and Employee contributions. Contributions relating to one month should be paid over by the employer by the 19th of the following month. Employers are also responsible for paying contributions relating to premature retirements where the employer is responsible for any enhancement to the member pension. Where a member has been overpaid their pension benefits, the outstanding debtor is disclosed within receivables. The total amount of debt written off during the year is shown within the Parliamentary Accountability and Audit Report. All receivables are straightforward and therefore are recognised/measured at amortised cost and expected credit losses are nil.

	2024-25	2023-24
	£000	£000
<b>Amounts falling due within one year</b>		
Pension contributions due from employers	896,881	857,926
Employees' normal contributions	588,558	532,131
Employees' purchase of added years	4,108	4,002
Employees' purchase of additional pensions	2,844	2,389
Employees' purchase of early retirement reduction buy out	264	211
Invoiced prefunded retirement contributions	513	406
Invoiced rechargeable premature retirement contributions	7,623	8,000
Invoiced final pay control income	3,483	5,970
<b>Total due from employers</b>	<b>1,504,274</b>	<b>1,411,035</b>
Overpaid pension benefits	37,255	35,491
HMRC VAT	1,117	1,396
DHSC	-	1,920
<b>Total amounts falling due within one year</b>	<b>1,542,646</b>	<b>1,449,842</b>
<b>Total amounts falling due after more than one year</b>	<b>-</b>	<b>-</b>
<b>Total receivables</b>	<b>1,542,646</b>	<b>1,449,842</b>

### 13. Cash and cash equivalents

	2024-25 £000	2023-24 £000
Balance at 1 April	4,306,524	4,325,191
Net change in cash balances	2,001,967	(18,667)
<b>Balance at 31 March</b>	<b>6,308,491</b>	<b>4,306,524</b>
The following balances at 31 March were held at:		
Government Banking Service	6,308,491	4,306,524
<b>Balance at 31 March</b>	<b>6,308,491</b>	<b>4,306,524</b>

### 14. Prepaid pension payments

To ensure Scheme members receive their benefits on their due date, and where their due date falls on a weekend or bank holiday, the payment is made on the nearest preceeding working day. The prepaid benefits relate to pension payments paid at the end of March where the 1<sup>st</sup> of April fell on a bank holiday, and the prepayment relates to the element of benefits paid that relate to 2023-24, as monthly member benefits are paid in arrears.

	2024-25 £000	2023-24 £000
Prepaid pension benefits	-	2,360
	-	<b>2,360</b>

### 15. Payables

	2024-25 £000	2023-24 £000
<b>Amounts falling due within one year</b>		
Pensions	(565,646)	(559,316)
HM Revenue & Customs	(193,538)	(173,557)
Voluntary deductions	(131)	(232)
Scheme administration costs payable to NHSBSA	(21,729)	(22,208)
<b>Amounts due to employers</b>		
Employee and employer contributions	(6,941)	(7,603)
Final pay control	(200)	(214)
Prefunded premature retirements	(1)	-
Rechargeable premature retirements	(7)	-
	<b>(788,193)</b>	<b>(763,130)</b>
Amounts due to be paid to the Consolidated Fund	(6,308,491)	(4,306,524)
<b>Amounts falling due after more than one year</b>	-	-
<b>Total payables</b>	<b>(7,096,684)</b>	<b>(5,069,654)</b>

All payables are straightforward and therefore are recognised/measured at amortised cost.

## 16. Estimated discounted future cash flows in respect of early retirement recharges

Where the employer chooses to pay the costs for premature retirements on a quarterly recharge basis, income is recognised as the invoices are raised. Amounts receivable in respect of the compensatory element of a premature retirement, where the employer pays for the case on an ongoing basis, is classified as “Other Pension Income” to the Pension Scheme. In recognition of the value of the future cashflows arising from these arrangements, the estimated future cashflows which accrue to the Scheme, discounted to current values, are disclosed in the Combined Statement of Financial Position.

	2024-25 £000	2023-24 £000
Balance at 1 April	225,100	233,027
Revaluation of estimated discounted future cash flows in respect of rechargeable premature retirements	(11,348)	(7,927)
<b>Balance at 31 March</b>	<b>213,752</b>	<b>225,100</b>

## 17. Pension Liabilities

### 17.1 Assumptions underpinning the pension liability

The NHS Pension Scheme is an unfunded defined benefit Scheme. The Government Actuary's Department carried out an assessment of the Scheme liabilities as at 31 March 2025. The Statement by the Actuary starting on page sets out the scope, methodology and results of the work the Actuary has carried out.

The Scheme managers together with the Actuary and the Auditor have signed a Memorandum of Understanding that identifies, as far as practicable, the range of information that the Scheme managers 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, 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 bulk transfers into or out of the Scheme; and,
- following consultation with the Actuary, the key assumptions that should be used to value the Scheme liabilities, ensuring that the assumptions are mutually compatible and reflect a best estimate of future experience.

The key assumptions used by the actuary were:

	At 31 March 2025	At 31 March 2024	At 31 March 2023
<b>Financial assumptions</b>			
Nominal discount rate	5.15%	5.10%	4.15%
Rate of pension increases	2.65%	2.55%	2.40%
Rate of general pay increases	3.40%	3.55%	3.65%
Rate of short-term general pay increase			
Real discount rate in excess of			
Pension increases	2.40%	2.45%	1.70%
Long-term pay increases	1.65%	1.45%	0.50%
<b>Life expectancies</b>			
- Life expectancy at 60 – current pensioners			
• Men	27.9	28.0	28.0
• Women	29.6	29.3	29.2
- Life expectancy at 60 – current age 40			
• Men	29.4	29.7	29.7
• Women	30.9	30.9	30.8
- Life expectancy at 65 – current pensioners			
• Men	23.1	23.2	23.1
• Women	24.6	24.3	24.3
- Life expectancy at 65 – current age 45			
• Men	24.5	24.8	24.7
• Women	26.0	25.8	25.8

Stated life expectancy assumptions 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 Scheme managers acknowledge that the valuation reported in these financial statements is not certain, since a change in any one of these assumptions will either increase or reduce the liability. For example, on its own, even a small rise in the assumed rate of inflation will result in an increase in the pension liability.

The assumption that has the biggest impact on the amount of the reported liability is the discount rate net of price inflation. As set out in the FReM, and as required by IAS 19, the discount rate net of price inflation is based on 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 the Scheme Managers are required to undertake a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. This analysis, including details of the methods and assumptions used in preparing the sensitivity analyses, the limitations of these methods, and the reasons for any changes in methods and assumptions used in preparing the sensitivity analyses, are included in the analysis of the pension liability below.



## 17.2 Analysis of the provision for pension liability

	At 31 March 2025 £bn	At 31 March 2024 £bn	At 31 March 2023 £bn	At 31 March 2022 £bn	At 31 March 2021 £bn
Active members (past service)	194.1	182.0	235.7	521.1	445.6
Deferred pensions	45.3	45.6	50.7	98.9	90.3
Pensions in payment	217.8	203.4	174.2	220.9	196.5
<b>Total</b>	<b>457.2</b>	<b>431.0</b>	<b>460.6</b>	<b>840.9</b>	<b>732.4</b>

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

The value of the liability on the CSofP 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 rate of inflation, or increases in salaries, the value of the pension liability will increase or decrease. The Managers of the Scheme accept that, as a consequence, the valuation provided by the Actuary is inherently uncertain. The increase or decrease in future liability charged or credited for the year resulting from changes in assumptions is disclosed in note 17.7. The notes also disclose 'experience' gains or losses for the year, showing the amounts charged or credited for the year because events have not coincided with assumptions made for the last valuation.

## 17.3 Sensitivity Analysis

A sensitivity analysis for each significant actuarial assumption as at the end of the reporting period is detailed below. The most significant assumptions are the discount rate, general earnings increases and pension increases (currently based on CPI). A key demographic assumption is pensioner mortality.

The table below shows the indicative effects on the total liability as at 31 March 2025 of changes to these assumptions (rounded to the nearest 0.5%).

Change in assumption (per annum)		Approximate effect on total liability	
<b>Financial assumptions</b>			
(i) discount rate*:	+0.5%	-8.0%	-£36.6 billion
(ii) (long-term) earnings increase*:	+0.5%	+0.5%	+£2.3 billion
(iii) inflationary (CPI) increases*:	+0.5%	+8.5%	+£38.9 billion
<b>Demographic assumptions</b>			
(iv) additional 1 year increase in life expectancy at retirement		+3.0%	+£13.7 billion

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

## 17.4 Analysis of movements in the Scheme liability

	Note	2024-25 £000	2023-24 £000
<b>Scheme liability at 1 April</b>		<b>(431,000,000)</b>	<b>(460,600,000)</b>
Current service cost	6	(16,300,000)	(18,800,000)
Pension financing cost	9	(21,900,000)	(19,200,000)
Enhancements	7	(81,490)	(81,613)
Pension transfers in	8	(69,142)	(69,833)
		<b>(38,350,632)</b>	<b>(38,151,446)</b>
Benefits payable	17.5	17,835,503	15,860,248
Pension payments to and on account of leavers	17.6	322,687	254,951
		<b>18,158,190</b>	<b>16,115,199</b>
Actuarial gain / (loss)	17.7	(6,007,558)	51,636,247
<b>Scheme liability at 31 March</b>		<b>(457,200,000)</b>	<b>(431,000,000)</b>

## 17.5 Analysis of benefits paid

	2024-25 £000	2023-24 £000
Pensions to retired employees and dependants (net of recoveries or overpayments)	13,785,173	12,764,609
Commutations and lump sum benefits on retirement	4,050,330	3,095,639
<b>Total benefits paid</b>	<b>17,835,503</b>	<b>15,860,248</b>

## 17.6 Analysis of payments to and on account of leavers

	2024-25	2023-24
	£000	£000
Death in service	96,026	85,057
Individual transfers to other Schemes	92,003	45,720
Group transfers to other Schemes	244	177
Refunds to members leaving service	134,414	123,997
<b>Total payments to and on account of leavers</b>	<b>322,687</b>	<b>254,951</b>

## 17.7 Analysis of actuarial gains / (losses)

	2024-25	2023-24
	£000	£000
Experience (loss) arising on the Scheme liabilities	(1,607,558)	(20,363,753)
Changes in financial assumptions underlying the present value of Scheme liabilities	(3,900,000)	71,100,000
Changes in demographic assumptions underlying the present value of Scheme liabilities	(500,000)	900,000
<b>Total actuarial gain / (loss)</b>	<b>(6,007,558)</b>	<b>51,636,247</b>

## 17.8 History of experience gains / (losses)

	2024-25	2023-24	2022-23	2021-22	2020-21
Experience gains / (losses) on Scheme liabilities: (£000)	(1,607,558)	20,363,753	32,517,682	(1,990,524)	(547,847)
Percentage of the present value of the Scheme liabilities	-0.3%	4.7%	7.1%	-0.2%	-0.1%
Total amount recognised in Combined Statement of Comprehensive Net Expenditure: (£000)	(6,007,558)	51,636,247	429,482,318	(71,490,524)	(71,247,847)
Percentage of the present value of the Scheme liabilities	-1.3%	12.0%	93.2%	-8.5%	-9.4%

## 18. Financial Instruments

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 non-public sector Scheme of a similar size. There are no material financial instruments in relation to the Scheme.

## 19. Contingent Liabilities disclosed under IAS 37

The Scheme has no contingent liabilities to disclose.

## **20. Related-party transactions**

The National Health Service Pension Scheme and National Health Service Compensation for Premature Retirement Scheme fall within the ambit of the NHS Business Services Authority, which is regarded as a related party. During the year, the Schemes have had material transactions with NHS employers (including the NHSBSA which administers the Schemes on behalf of the DHSC), and other government departments, whose employees are members of the Schemes. None of the managers of the Schemes, key managerial staff or other related parties have undertaken any material transactions with the Schemes during the year.

## **21. Virgin Media – Legal Challenge**

The Government is aware that following last year's Court of Appeal judgment in Virgin Media Limited v NTL Pension Trustees Limited, there is increased uncertainty in the pensions industry. They recognise that schemes and sponsoring employers need clarity around scheme liabilities and member benefit levels in order to plan for the future.

The Government will therefore introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

Scheme obligations will otherwise be unaffected, and the Government will continue to maintain its robust framework for the funding of defined benefit pension schemes in order to protect people's hard-earned pensions.

## **22. Events after the Reporting Period**

There are no events to disclose after the reporting period.

## **23. Date of authorisation for issue**

The financial statements have been authorised for issue by the Accounting Officer on the same date as the C&AG's certificate.

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