Cabinet Office: Civil Superannuation

Accounts 2012-13

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Accounts
2012-13
(For the year ended 31 March 2013)

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Introduction

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded, defined benefit, contributory, public service occupational pension scheme made under the Superannuation Act 1972. The PCSPS covers four pension arrangements. New entrants joining the Civil Service from 30 July 2007 are offered membership of **nuvos**, a whole career pension with a pension age of 65. Before 30 July 2007 those joining the Civil Service would have been eligible to join one of the previous final salary arrangements of **premium**, **classic** and **classic plus**. Money purchase pensions known as **partnership** are available as an alternative for employees joining on or after 1 October 2002. **Partnership** is delivered through employer-sponsored stakeholder pensions from a choice of pension providers.

Financial Performance

Resource Outturn

In 2012-13 resource outturn at £7,973 million (2011-12: £8,715 million), was close to that expected. At £195 million below the Supply Estimate forecast of £8,168 million, the variance is 2.4%.

Net Cash Requirement

In 2012-13 the net cash requirement was £2,066 million (2011-12: £1,875 million), £312 million (13%) below the Supply Estimate of £2,378 million. The underspend was mainly due to lower than forecast payments made during the year relating to early departure schemes run by employers.

PCSPS Liability

The total liability to pay pensions in the future is £160,023 million as at 31 March 2013, compared with £143,843 million as at 31 March 2012, an increase of £16,180 million. An analysis of the movement in liability is provided in note 23.4 to the accounts. The most significant factor is a decrease in the real discount rate from 4.85% to 4.1%. Any decrease in the real discount rate leads to an increase in the reported liability. Further detail is provided in note 23.

Increase in Employee Contributions

The employee contributions were increased on 1 April 2012 by an average of 1.28%. The total employee contributions received in 2012-13 were £491.9 million which was an increase of £167.8 million from the employee contributions received in 2011-12.

Roles and responsibilities

The Cabinet Office and the Scheme Management Board (SMB)

With effect from 1 April 2010 a Scheme Management Board has been in place to strengthen the governance and management of the Civil Service pension arrangements.

Ian Watmore was the Accounting Officer for Cabinet Office: Civil Superannuation until 30 June 2012 and Melanie Dawes acted as Accounting Officer until 1 August. I became the Accounting Officer on 2 August. Throughout the year responsibility for managing the administration of the arrangements was formally delegated to the Chair of the Scheme Management Board. The Board draws most of its members from employers who participate in the PCSPS and from PCSPS members. The Cabinet Office Finance Director also sits on the Board and there are two non-executive members from the private sector pensions industry. A Scheme Management Executive (SME), staffed by officials from the Cabinet Office, supports the Board and its activities.

The SMB's responsibilities are:

- Managing the PCSPS and associated schemes in accordance with their rules and relevant legislation.
- Developing and managing a risk management framework and system of internal controls for the PCSPS.
- Selection, appointment, re appointment and removal of the organisation that delivers PCSPS administration.

On behalf of the SMB, the SME manages the day-to-day delivery of administration by My CSP Ltd through a formal contract that came into force as from 1 May 2012 (before that MyCSP was part of the public sector and administered the scheme under a Service Level agreement). In addition, the SME:

- Investigates complaints made under the second stage of the internal dispute resolution procedures and responds to referrals from the Pensions Ombudsman.
- Admits employers to the PCSPS.
- Ensures that appropriate audit programmes and risk frameworks are in place.
- Exercises certain discretionary decisions on behalf of the Minister for the Civil Service.

In exercising its responsibilities the SMB has put in place processes to monitor the cost of scheme administration. For the year ending 31 March 2013 the total cost of administration and management of the Civil Service pension arrangements was £39.7m. This can be broken down as follows:

Central management	£1.5m
Administration	£38.2m
Total	£39.7m

Of this, £26.3m has been met centrally from a 'levy' on employer pension contributions with employers meeting £13.4m, of the costs directly. This is a transitional arrangement and from a future point the intention is that all administration and management costs will be met centrally through the employer pension contributions.

Employers

The SMB has in place participation agreements with all employers who have staff that are active PCSPS members. The participation agreement represents a memorandum of understanding between the SMB and the employer setting out roles and responsibilities. Employers are responsible for:

- maintaining pay and service records and providing these accurately to MyCSP;
- ensuring they inform new staff of their options regarding which pension arrangement they can join;
- keeping their employees informed on pension issues; and
- paying the correct amount of employers' and employees' pension contributions to the Cabinet Office.

Capita Hartshead

On 1 May 2012, the Cabinet Office's contract with Capita Hartshead to pay benefits novated to MyCSP as it moved to the private sector. Under the contract Capita Hartshead is responsible for:

- providing administration for pensioners and deferred pensioners including paying pensions;
- maintaining accurate and secure records and maintaining a proper audit trail of all transactions;
- calculating and paying annual pensions increases;
- deducting and paying over tax to HMRC;
- operating a payroll bank account;
- producing financial and management reports;
- responding to pensioners' enquiries; and
- taking action on death.

Cabinet Office

Cabinet Office's pension policy team is responsible for development of policy and maintenance of scheme rules. The Cabinet Office Finance and Estate Management team is responsible for the scheme finances, including production of annual accounts.

The financial statements contained in these accounts include pensions and pensions increases payable under a number of other schemes, the majority of which are closed small schemes. Expenditure on all these schemes is less than one per cent of the total expenditure. This report makes no further reference to them. Money invested in the stakeholder pension option is not under the control of the Cabinet Office and is not shown in these statements although employer contributions will be reflected in individual departmental resource accounts.

The statements also include transactions and balances in respect of the Grosvenor and Government Communications Bureau pension schemes, which are managed under separate arrangements.

Audit

As Accounting Officer, as far as I am aware, there is no relevant audit information of which the Scheme's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Scheme's Auditors are aware of the information. The Comptroller and Auditor General is the Scheme's auditor under the Government Resource and Accounts Act.

Civil Service Compensation Scheme (CSCS)

MyCSP, under contract to the Cabinet Office, acted in 2012-13 as agent for employers in the payment of compensation benefits arising under the CSCS. MyCSP calculate the benefits which Capita pay. Employers then reimburse the Cabinet Office: Civil Superannuation vote. These flows are not brought to account in these financial statements. Details of the total amounts paid under the CSCS are at Note 17.2.

Rule changes

The Government announced, at Spending Review 2010, its intention to increase employee pension contributions for public servants other than members of the Armed Forces, by an average of 3.2%, and to phase these additional contributions in over a three year period starting from April 2012.

The PCSPS rules were amended in March 2012 to provide for scheme members to pay extra contributions from 1 April 2012, with the contribution rate for individuals dependent on their full-time equivalent annual pensionable earnings. The average increase from 1 April 2012 was 1.3%. Further discussions have taken place with the Civil Service trade unions. Amendments will be made to the scheme rules to provide for increases from April 2013 and April 2014.

The up-to-date scheme rules can be found on the Civil Service Pensions website www.civilservice.gov.uk/pensions

Civil Service Additional Voluntary Contribution Scheme (CSAVCS)

The CSAVCS allows Civil Service pension scheme members to increase their benefits by contributing to 'money purchase' arrangements. Members who choose to contribute to the CSAVCS build up a fund which they can then use to buy an annuity.

The SME continues to exercise its duty of care towards members by monitoring the CSAVCS providers, working with the scheme's professional advisers, Aon Hewitt Ltd.

During the year three members were identified as being invested in a Shariah-compliant fund with Scottish Widows which had not been approved by the SMB. SME took advice from Aon Hewitt, and consulted with the SMB, before deciding to add the fund to the approved range because the specialist nature of the fund meant there was no comparable approved fund to transfer the members into. Scottish Widows have assured SME that they have since changed their fund control processes to ensure a more robust system is in place to prevent members from being able to access unapproved funds.

During the year it was identified that two members were invested in funds with Standard Life that had not been approved by the SMB. SME took advice from Aon Hewitt about how to instruct Standard Life to rectify this and Standard Life have taken further steps to ensure that CSAVCS members can only access the approved fund range. Standard Life have withdrawn from the passively managed funds market and appointed an external company to manage these funds from June 2012. Aon Hewitt provided confirmation to SME that the company appointed are suitable passive fund managers. At SME's request, Standard Life added a Shariah compliant fund to their approved fund range.

Agents acting for the Equitable Life Payment Scheme (ELPS) contacted SME to ask for help in checking the contact details for members of the CSAVCS (past and present) who the ELPS has identified as eligible for compensation. SME is working with MyCSP and Capita Hartshead to provide the requested information and it is envisaged that the ELPS will be writing to eligible members in late summer 2013. Equitable Life withdrew from the annuity market from April 2012, but Equitable Life members wishing to buy an annuity with a CSAVC provider can still do so through Scottish Widows or Standard Life.

Complaints under the Internal Dispute Resolution (IDR) Procedures

Members and beneficiaries of the Civil Service pension arrangements who have a complaint can raise this through the IDR procedure. At the first stage of the procedure the complaint is reviewed and a decision made by the administrator concerned (either MyCSP or Capita). In the event of an appeal against the first stage decision the complainant can request that a further review be undertaken by SME. Finally, members who remain dissatisfied after completing the IDR process can ask the Pensions Ombudsman to investigate their complaints. His decisions are binding on all parties, subject only to an appeal to the High Court on a point of law.

During 2012-13 MyCSP and Capita completed 223 first stage decisions, upholding in full or in part 64 of the complaints that they investigated. In the same period SME completed 134 investigations at the second stage of the IDR process. In 107 cases SME rejected the complaints by scheme members (although in 22 of those cases, SME decided that compensation for distress and inconvenience should be paid). In the remaining 27 cases, SME upheld in full or in part the complaints made and, where appropriate, ordered remedial action (including compensation for distress and inconvenience in 6 of these cases).

The Pensions Ombudsman completed investigations into 23 of SME's cases during the year and upheld SME's decision, in full or in part, in 16 of them.

National Fraud Initiative (NFI)

NFI is a biennial IT data matching exercise co-ordinated by the Audit Commission involving frauds and overpayments. Data on PCSPS pensions in payment are compared against data on recorded deaths to identify cases where pensions might remain in payment to deceased persons. PCSPS data are also matched against housing benefits so that local authorities can identify claimants who have failed to declare receipt of an occupational pension. Work has commenced on the NFI 2012 report and is the eighth exercise in which Cabinet Office has participated. Cabinet Office identified 931 potential overpayments of around £1,826.809.70 (gross) in total. During 2012-13 outstanding debts arising from the NFI 2010 exercise were reduced to £900,000 which are being recovered.

Pensions increase

Pension payments increased by 5.2% from 9 April 2012, in line with the movement in the CPI All-items index from September 2010 to September 2011.

Membership statistics				
Membership of the PCSPS at 31 March:				**Variance**
	2013		**2012**	
Active members*	510,000		523,000	-13,000 (2.5%)
Deferred members	369,000		365,000	+4,000 (1.1%)
Pensions in payment				
Officers	509,000		494,000	+15,000 (3.0%)
Dependants of deceased members	129,000		128,000	+1,000 (0.8%)
Annual compensation payments (and other on-going payments) for which employers are responsible	13,300		16,600	- 3,300 (19.9%)
Staff opting for **partnership** pension Arrangements **	7,279		7,214	+65 (0.9%)

*The approximate split of active membership at 31 March 2013 was 55% classic, 2% classic plus, 25% premium and 18% nuvos.

Managers, advisers, auditors and bankers

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

Accounting Officer: Richard Heaton, 70 Whitehall, London, SW1A 2AS

Scheme Manager: Scheme Management Board, c/o Pensions Scheme Management Executive, Cabinet Office, Priestley House, Priestley Road, Basingstoke, RG24 9NW.

Advisers

Scheme Actuary: The Government Actuary's Department, Finlaison House, 15-17 Furnival Street, London EC4A 1AB).

Legal Advisers: The Treasury Advisory Division, HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ.

Medical Advisers:	Capita Health Services, Greyfriars, 10 Queen Victoria Road, Coventry, CV1 3PJ.
Money Purchase:	Aon Hewitt Financial Services Ltd, 10 Devonshire Square London, EC2 4YP.

Auditors:

External Auditors:	Comptroller and Auditor General, 157-197 Buckingham Palace Road, London, SW1W 9SP.
Internal Auditors:	DCLG, Internal Audit Services, Floor 3/E2, Eland House, Bressenden Place, London, SW1E 5DU.
Bankers:	Government Banking Services, Southern House, Wellesley Grove, Croydon, CR9 1WW.

Further information

Please address any enquiries about Civil Service pension arrangements to:

Pensions Scheme Management Executive
Cabinet Office
Priestley House
Priestley Road
Basingstoke
RG24 9NW

(scheme.managementexecutive@cabinet-office.gsi.gov.uk)

Richard Heaton
Permanent Secretary
Cabinet Office
28 November 2013

Report of the Actuary

Introduction

1. This statement has been prepared by the Government Actuary's Department at the request of the Cabinet Office. It summarises the pensions disclosures required for the 2012-13 Accounts of the Principal Civil Service Pension Scheme ('the scheme' or 'PCSPS').

2. The PCSPS is a salary-related defined benefit scheme, the rules of which are laid before Parliament under the provisions of the Superannuation Act 1972. The scheme is wholly unfunded. I am not aware of any informal practices operated within the scheme which lead to a constructive obligation (under IAS 19 constructive obligations should be included in the measurement of the actuarial liability).

3. The statement is based on an assessment of the liabilities as at 31 March 2012, with an approximate updating to 31 March 2013 to reflect known changes.

Membership data

4. Tables A to C summarise the principal membership data as at 31 March 2012 and over the year to 31 March 2013 used to prepare this statement.

Table A – Active members

	31 March 2012 membership data		2012-13
Number (thousands)	Total salaries* (pa) (£ billion)	Total accrued pensions (£ billion)	Total salaries implied by receipts (£ billion)
532	15.0	3.1	13.1

* Full-time equivalent salary roll as at 31 March 2012

Table B – Deferred members

31 March 2012 membership data	
Number (thousands)	Total deferred pension (pa) (£ billion)
377	1.31

Table C – Pensions in payment

31 March 2012 membership data		2012-13
Number (thousands)	Total pension (pa) (£ billion)	Total pension (pa) (£ billion)
610	4.42	4.39

Methodology

5. The present value of the liabilities has been determined using the Projected Unit Credit Method (PUCM), with allowance for expected future pay increases in respect of active members, and the principal financial assumptions applying to the 2012-13 Accounts. The

contribution rate for accruing costs in the year ended 31 March 2013 was determined using the PUCM and the principal financial assumptions applying to the 2011-12 Accounts, which were completed by the Cabinet Office and Aon Hewitt.

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

Principal financial assumptions

7. The principal financial assumptions adopted to prepare this statement are shown in Table D. With effect from 31 March 2013, the assumed rate of return in excess of pension increases was decreased from 2.80% a year to 2.35% a year, and the assumed rate of return in excess of earnings was decreased from 0.60% a year to 0.15% a year. In addition, with effect from 31 March 2013, the assumed rate of future pension increases is 1.70% a year and the assumed nominal rate of salary growth is 3.95% a year (changed from 2.00% and 4.25% respectively as at 31 March 2012).

Table D – Principal financial assumptions

Assumption	31 March 2013	31 March 2012
Rate of return (discount rate)	4.10%	4.85%
Rate of return in excess of:		
Earnings increases (long term)*	0.15%	0.60%
Pension increases	2.35%	2.80%
Expected return on assets:	n/a	n/a

* short term adjustments have been made to this assumption for the period from 1 April 2012 to 31 March 2016

8. The pension increase assumption as at 31 March 2013 is based on the Consumer Price Index (CPI) expectation of inflation.

Demographic assumptions

9. The demographic assumptions adopted to prepare this statement were derived from the specific experience of the scheme membership.

10. The standard mortality tables known as S1PXA are used but with the mortality rates multiplied by 0.95 for men and 0.98 for women (for members retiring in normal health). Mortality improvements to 2010 are based on historic population experience for those years and improvements from 2010 are in accordance with those incorporated in the 2010-based principal population projections for the United Kingdom. Members retiring in ill-health are assumed to experience heavier rates of mortality.

11. The reforms to the scheme due to be implemented in April 2015 and the increased member contributions being phased in from April 2012 may affect the behaviour of members, e.g. members subject to a later normal pension age for accrual after 2015 might be expected to retire later. Given the uncertainty surrounding the potential impact of these changes on member behaviour, the Cabinet Office has decided to make no allowance for them for the purposes of the 2012-13 Accounts.

12. The contribution rate used to determine the accruing cost in 2012-13 was based on the demographic and financial assumptions applicable at the start of the year: that is, those adopted for the 2011-12 Accounts.

Liabilities

13. Table E summarises the assessed value as at 31 March 2013 of benefits accrued under the scheme prior to 31 March 2013 based on the data, methodology and assumptions described in paragraphs 3 to 11. The corresponding figures for the previous four year ends are also included in the table.

Table E – Statement of Financial Position

£ Billion

	31 March 2013	31 March 2012*	31 March 2011*	31 March 2010*	31 March 2009*
Value of liabilities	160.02	143.8	135.9	153.0	115.7

* Figures calculated by Aon Hewitt

Accruing costs

14. The cost of benefits accruing in the year ended 31 March 2013 (the Current Service Cost) is based on a standard contribution rate of 29.5%. Members contributed between 1.5% and 5.9% of pensionable pay in the year, depending on the level of their pay and their scheme section. Table F shows the employers' share of the contribution rate used to determine the Current Service Cost in 2012-13 taking into account an estimated average rate of contributions paid by members of 3.7%. The corresponding figure for 2011-12 is also included in the table.

Table F – Contribution rate

	Percentage of pensionable pay	
	2012-13	**2011-12***
Standard contribution rate	29.5%*	28.5%
Members' estimated average contribution rate	3.7%	2.3%
Employers' estimated share of standard contribution rate	25.8%	26.2%

* Figures calculated by Aon Hewitt

15. For the avoidance of doubt the employers' share of the standard contribution rate determined for the purpose of the Resource Accounts is not the same as the actual rate of contributions payable by employers. The actual rates of contributions payable by employers, currently assumed to be 18.9% of pensionable pay on average which was determined based on the methodology and financial and demographic assumptions as adopted for the funding of the scheme. The most significant difference between the actuarial assessments for the 2012-13 Accounts and for the scheme funding purposes is the net discount rates used. Contributions have been set by assuming a discount rate of 3.5% pa (net of pension increases) whereas the 2012-13 Current Service Cost assumes 2.8% pa. A higher discount rate results in a lower assessed cost of benefit accrual. The discount rate for scheme funding is set by HM Treasury and is expected to stay the same for an extended period so as to provide a stable budgeting mechanism for pension accrual within government. (The discount rate of 3.5% has been reviewed and reduced to 3% but this new rate has yet to affect the rate of contributions paid to the scheme). The discount rate for the 2012-13 Accounts is set each year by HM Treasury to reflect the requirements of IAS19.

16. The pensionable payroll for the financial year 2012-13 was £13.1 billion (derived from contributions payable by employers over the year). Based on this information, the accruing cost of pensions in 2012-13 (at 29.5% of pay) is assessed to be £3.9 billion. There is no past service cost and so this is the total pension cost for 2012-13.

Sensitivity analysis

17. 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 2013 of changes to the main actuarial assumptions.

18. The principal financial assumptions are the real rates of return in excess of pension increases and earnings growth. A key demographic assumption is pensioner mortality.

19. Table G shows the indicative effects on the total liability as at 31 March 2013 of changes to these assumptions.

Table G

Sensitivity to main assumptions

Change in assumption *		Approximate effect on total liability	
Rate of return			
(i) nominal:	-½% a year	+ 1%	+ £1.5 billion
(ii) in excess of earnings:	-½% a year	+ 1¾%	+ £2.8 billion
(iii) in excess of pensions:	-½% a year	+ 7%	+ £11.4 billion
Pensioner mortality			
(iv) each pensioner assumed to live for one year less		+ 2¼%	+ £3.6 billion

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

20. In variant (ii) of Table G, the assumed rate of return in excess of pension increases remains unchanged, and in variant (iii), the assumed rate of return in excess of earnings remains unchanged.

Sandra Bell FFA
Government Actuary's Department
September 2013

Statement of Accounting Officer's Responsibilities

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

The combined financial statements must give a true and fair view of the state of affairs of the Principal Civil Service Pension Scheme and certain other minor pension schemes at the year end and of the net resource outturn and cash flows for the year then ended. The financial statements are required to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them. In addition, the financial statements must be prepared so as to ensure that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

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

- observe the accounts direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

HM Treasury has appointed Richard Heaton as Accounting Officer for the Cabinet Office Civil Superannuation Account. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Pension Scheme, are set out in the Accounting Officer's Memorandum issued by HM Treasury and published in *Managing Public Money*.

GOVERNANCE STATEMENT

The Accounting Officer's responsibility

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of Government policies, aims and objectives, whilst safeguarding the public funds for which they are personally responsible, in accordance with the responsibilities assigned to them in *Managing Public Money*.

During the accounting period, there was a change of Accounting Officer – Ian Watmore was the Accounting Officer for up to 30 June 2012 and Melanie Dawes took over on an interim basis until 1 August. I assumed Accounting Officer responsibility on 2 August 2012.

The Governance Framework

The Scheme Management Board

The SMB is chaired by a Permanent Secretary under a memorandum of understanding from the Accounting Officer. It has four members drawn from employers covered by the Civil Service pension arrangements and a further four from scheme members. In addition the SMB has two non-executive members drawn from the wider pensions industry. The Cabinet Office finance director is also a member of the SMB. The SME, staffed by Cabinet Office officials, supports the SMB.

The Corporate Governance Code has been followed as far as is applicable. Each year, the Chair of SMB submits a report to me on the activities and effectiveness of the SMB.

In 2012-13 the SMB held 4 quarterly meetings. During the year, the SMB's membership was as follows:

Member	Role	Home Department/Trade Union (where applicable)	Number of SMB meeting attended in 2012-13
Jonathan Stephens (resigned June 2012)	Chair	Department for Culture Media and Sport	1 (out of 1)
Philip Rutnam (Appointed September 2012)			2 (out of 2)
Ian Albert	Member Representative	PCS	4 (out of 4)
Robert Branagh	Non-executive member		2 (out of 4)
Alison Cottrell	Employer Representative	HM Treasury	3 (out of 4)
Allan Course	Non-executive member		3 (out of 4)
Janice Godrich (resigned June 2012)	Member Representative	PCS	0 (out of 1)
William Hague	Employer Representative	Cabinet Office	4 (out of 4)
Ann Harris	Employer Representative	DWP	3 (out of 4)
Neil License	Member Representative	PCS	2 (out of 3)
Bruce Mann	Cabinet Office Finance Director	Cabinet Office	1 (out of 3)
Lorimer Mackenzie	Member Representative	First Division Association	3 (out of 4)
Simon Parkes	Employer Representative	Department for Education	4 (out of 4)
John Plant	Member Representative	Prospect	2 (out of 4)

Throughout the year, the SMB operated two committees that covered Risk and Operations. SMB considered reports from the Committees at each of its meetings. For both committees, the principal areas of concern were connected with MyCSP.

The Operations Committee

The Operations Committee is chaired by one of the SMB's non-executive members and meets quarterly. Its membership is drawn from SMB members (both employer and members representatives) and additionally it has a member representing pensioners who does not sit on the SMB. The Committee meets at least quarterly. The Committee reports any matters of concern to the SMB. These concerns are in turn taken up as necessary with senior MyCSP and SME officials.

The Committee invested substantial time in overseeing the go-live service from MyCSP and the bedding in of robust and transparent governance between MyCSP, SMB and SME. As in the previous year, the Operations Committee and the SME had a continuing struggle to get adequate Management Information (MI) from MyCSP in a format that properly reflected the work being carried out. Personnel changes within MyCSP led to an improvement in attitude and responsiveness as the year progressed. Meetings with these personnel and site visits to MyCSP's offices helped lead to the Operations Committee being able to feel more confident in MyCSP's ability to deliver the service that they are contracted to do. Work continues on finalising the SMB's MI requirements and the Committee will continue to fully support SME on service levels and the consistent delivery of a quality service from MyCSP to PCSPS members.

The Operations Committee paid particularly close attention to the Civil Service Defined Contribution (DC) arrangements during the year. As referred to in the Report of the Manager, the Committee considered among other things the introduction of Shariah compliant funds, issues concerning the governance of the TUC/Prudential arrangements and benchmarking. SME arranged for the Committee to hear from Aon Hewitt who are the professional advisers to the scheme on investment issues and other DC related matters.

The Risk Committee and the Management of Risk

One of the SMB's main responsibilities is the development and maintenance of a risk management framework and system of internal control. The SMB's Risk Committee, chaired by one of its non-executive executive members, meets quarterly and examines the risk registers and approach to risk management of both MyCSP and SME. The Committee reports any matters of concern to the SMB. These concerns are in turn taken up as necessary with senior MyCSP and SME officials.

The Risk Committee remained concerned throughout the year at MyCSP's approach to risk management. However, at the end of the year, the Committee Chair met with the new MyCSP CEO and the newly appointed risk manager in MyCSP. This meeting was a constructive one.

The Committee's other main concern was about MyCSP's error rates. Although the headline figure is low and was usually somewhere between 1 and 2%, the Committee noted that even if the reported rate was correct, the sheer size of the scheme meant that this still represented a large number of people getting either too much little of too much pension.

The Risk Committee supported the SME's approach to risk management and considered the risk registers used to be easy-to-understand tools that provided practical support to SME's leadership team. In SME the main processes of identifying, evaluating and managing risk and changes to risk were conducted at team level. SME maintain a series of risk registers and an issues log, which formed the basis of monthly leadership team meetings. Following discussions at these meetings, SME's risk manager made any necessary changes to these registers and issues log.

The Committee noted that the Accounts featured much more prominently in briefing by SME than had been the case in 2010-11. Following the qualification of the 2010-11 and 2011-12 scheme accounts due primarily to lack of evidence from employers to support benefits in payment in the cases sampled by the NAO, the SMB received increased information about the progress of the 2012-13 accounts and in particular on the lessons learned. The SME has worked closely with MyCSP and in the light of experience gained in the previous qualifications to improve procedures and processes in obtaining information from employers, enabling the audit to run more smoothly.

Corporate Governance

The Cabinet Office Audit and Risk Committee (COARC)

COARC receives and considers reports from the Cabinet Office on all relevant matters concerning audit and risk. This includes the production of the Civil Superannuation accounts, and any matters relating to those accounts. I have given the Cabinet Office Finance Director specific responsibility for overseeing the Civil Superannuation Vote. He is a member of the SMB and provides the link between SMB and COARC. During the year COARC received reports on the actions of SME, particularly with regard to rectifying, as far as possible, issues raised by the qualification of the 2010-11 Accounts (and the 2011-12 Accounts once they were laid before parliament in January 2013).

Scheme Administration

Throughout the reporting period, MyCSP provided pension administration under contract to the Cabinet Office (other than 1 April to 30 April when a Service Level agreement was in place). SMB, through SME, manages this contract.

MyCSP administered the Civil Service pension arrangements through a number of Pensions Service Centres (PSCs). SME monitored the operation of MyCSP through quarterly strategic meetings and monthly contract meetings. This has enabled SME to assess regularly MyCSP's performance against the service level agreement in place and to report back to the SMB and its Committee on areas of concern or interest.

As referred to in the Report of the Manager, MyCSP managed the pension administration services provided by Capita Hartshead (CH) under contract to the Cabinet Office. Under this contract CH are responsible for administering the Civil Service pension arrangements for deferred and pensioner members. These responsibilities include making payments to the pensioners. CH internal auditors carry out an internal audit plan agreed under the terms of the contract agreed by the Cabinet Office

Control framework for employers

The Civil Service pension arrangements cover over 250 employers. All employers have signed a Participation Agreement with SMB, primarily relating to the timely and accurate provision of scheme contributions and member data.

The Accounting Officers for the employers are responsible for maintenance of sound corporate governance arrangements. They report to me annually on compliance with the terms of the Participation Agreement through an Accounting Officer Certificate (AOC) and accompanying checklists. These reports cover, among other things the date of their last internal audit, whether recommendations have been implemented, and their intentions regarding future audits.

Where completion of the checklist shows that a requirement has not been met, or a control is not operating effectively, Accounting Officers must qualify their AOCs stating the compliance issues that exist and the remedial action being taken.

For 2012-13 I have received 240 AOCs. Of these 37 were qualified compared with 40 qualifications in 2011-12, 47 in 2010-11, 51 in 2009-10 and 92 in 2008-09.

The reason for the qualifications largely concerned problems with data integrity and how their payroll interfaces with MyCSP's administration software.

The SME assesses each qualification on a Red/Amber/Green basis. The results for 2012-13 were

Rating	No. of qualified certificates	Comments
Red	2	2 small employers (covering 2,000 members in total) who have had persistent issues with their payroll interfaces. SME are working with MyCSP and Internal Audit with regard to assisting the employers to resolve the outstanding issues
Red/Amber	-	
Amber	9	All 9 have issues either with data or their payroll interface
Amber/Green	19	16 have member data or payroll interface issues and 3 have HR issues.
Green	210	This figure includes 7 AOCs that have been returned qualified but where the issues concerned were resolved during the year

The SME has begun the process of sharing intelligence with MyCSP with regard to employers where known problems exist. Similarly, SME are arranging for its internal auditors to undertake early audits of any employer with an AOC that it assesses as achieving a ‘Red’ status.

Other schemes

Responsibility for the governance and administration of the Grosvenor and Government Communications Bureau pension schemes included in these financial statements rests with the relevant agencies.

Review of effectiveness during 2012-13

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by COARC. As noted above, the Chair of the SMB has also written to me on the effectiveness of risk management within the scheme. My Review is also informed by the work of those who have responsibility for the development and maintenance of the internal control framework, as well as comments made by both internal and external auditors in their management letter and other reports.

The SMB produces an Annual Review of its effectiveness and the work that it has done, together with a forward look.

As discussed above, the SMB has commissioned a rolling programme of employer audits designed to improve oversight of employer performance.

Internal Audit

Tim Le Mare from the Department of Communities and Local Government (DCLG) heads the Internal Audit Service (IAS) resource that is available to the SMB and its Committees. He attends all SMB and Committee meetings and provides expert advice on audit issues.

During the year IAS continued at the SMB’s request to carry a rolling programme of audit reviews assessing employers’ compliance with their scheme obligations. IAS also reviewed a number of key scheme risks or areas of importance, particularly with regard to issues related to the qualification of the 2010-11 and 2011-12 Resource Accounts.

The key issues from this work were:

- The scheme's risk control framework is the same for all employers. Given that 80% of active members are employed by four departments, IAS recommend that the employer control framework be tailored to fit the differing risk profile of large, medium and small employers.
- Some employers had insufficient evidence to substantiate their sign-off of their AOC to the SMB.
- There were a number of employer data Issues such as no validation controls in place to ensure changes to employee records were complete and accurately transferred to MyCSP; employer data not appearing on MyCSP's administration system, Penserver; data transfers due to Machinery of Government changes.
- While there are many elements of a Counter Fraud Strategy in place within the Scheme, there is a lack of a holistic view of how potential fraud risks for the Scheme arise.
- SME needs to regularise the contractual position with the DC providers.

Data Security

Employers are responsible for data held themselves or by their payroll provider. However, SME have provided guidance to both employers and MyCSP on the security of pensions data in transit and the secure storage of pensions data by MyCSP. Employers are required to certify that they have a secure payroll interface with MyCSP's pensions software (Penserver), or an alternative agreed with MyCSP, who monitor the status of payroll interfaces. The qualification of the 2011-12 accounts has prompted SME to review the guidance in place. SME will issue revised guidance later in 2013.

To facilitate the transfer of data between MyCSP and Capita Hartshead (CH), for example when an individual's benefits were paid, MyCSP made use of the Common Application Repository (CAR). CAR acts as a secure hub for data transfer using the Government Secure Intranet. At the time of its introduction, the architecture and approach were approved by the Office of Government Commerce buying solutions, the Central Sponsor for Information Assurance, and the National Infrastructure Coordination Centre.

CH's secure data handling was monitored by MyCSP under contract. CH exchanged data with HMRC, DWP, and their banks.

Cabinet Office has a Senior Information Risk Owner (SIRO), whose role is to 'own' the Department's information risk policy and assessment and by so doing to ensure that it is embedded into the culture and work of the department. The SIRO is supported by a network of Information Asset Owners (IAOs). These staff oversee data handling in the management units for which they have responsibility. SME have appointed an IAO.

The Cabinet Office has put in place a Security Working Group (SWG) to monitor all matters concerning information assurance and data security that will arise while MyCSP transforms the services that it will deliver. The SWG is chaired by a senior Cabinet Office official and comprises of representatives from SME, MyCSP and outside specialists. The SWG met regularly during 2012-13 and received regular reports on the migration of data from government sites to MyCSP. By 14 May 2013, MyCSP had successfully completed the migration of the data from three of the four sites in question.

There were no personal data incidents reported during the year.

Planned Improvements

The revised guidance on record keeping is part of a wider Records Improvement Action Plan that SME is developing. This will be a combination of existing activities which are being refined/re-prioritised and new elements introduced to develop a coherent rolling programme of activity to raise profile and engagement with MyCSP, Employers, Shared Services and other delivery partners. The plan will take into account the findings coming out of the programme of employer audits that IAS are undertaking. The plan and its implementation are key to tackling the sort of problems that have led to the two successive qualifications in 2010-11 and 2011-12. Those qualifications had their roots in the standard of record keeping in the employers who participate in the Civil Service pension arrangements. Many employers have demonstrated that they find it difficult to find files dating back to the 1970s, 80s and 90s. Where Machinery of Government changes have taken place, problems in finding pension files have often followed. The plan's emphasis will be in preventing future problems building up, while recognising the limitations of what can be done to put right things in the past. It will involve providing more focused guidance on record keeping to employers, and working with MyCSP to identify those groups (e.g. active members aged over 55) whose data needs to be cleansed as a priority. The resolution of the problems will take some time. SME has already sought and received the approval for the plan from the Cabinet Office Audit and Risk Committee and the SMB.

The revised guidance will be introduced at the same time as the revised Reconciliation Check, a key control that is being redesigned and refocused. This check is essentially an anti-fraud measure, but the way that it has operated previously has required employers to do a lot of largely nugatory work looking for papers relating to staff members who left long ago. The new check is much more streamlined and is aimed at checking awards as they are made, rather than when they come into payment.

With regard to employers, SME has initiated a series of engagement events which will aim to raise awareness of employer responsibilities. The Employer Audit programme will continue, building on the lessons already learned. The IAS team has been enhanced to reflect the importance of this work.

The internal audit work carried out in 2012-13 will feed into the work of SME. In particular SME will be reviewing the current AOC process to ensure that it remains appropriate and relevant in the context of employers' increasing use of Shared Service Centres. This review will take particular account of the findings arising from the programme of Employer Audits.

MyCSP will continue to take forward its transformation plan. The key element of this is the replacement of the existing administration software with a newer system. This will bring efficiencies through reducing the current high level of manual interventions. In addition, MyCSP will have, for the first time, a system which can deliver both administration and payments. The new system is due to be fully functional from July 2014. SME is in the process of strengthening its capability both to oversee MyCSP's implementation of its transformation plan and to deal with the work that will be generated through the move to a new Civil Service pension scheme following the Public Sector Pensions Act 2013 receiving Royal Assent. The Act requires effectively the new scheme to be in place from 1 April 2015. This will present significant challenges with regard to IT, data, scheme design, communications and employer engagement. Because some members will be able to retain membership of their current scheme, the scheme's administrators will have to deal with multiple schemes for many years to come. This brings with it inevitable and unavoidable administrative complexity. Meanwhile, MyCSP will continue to transform how it delivers the administration of the Civil Service pension arrangements through enhanced IT provision, improved management information and the development of better communications including greater inter-action with scheme members.

Richard Heaton
Permanent Secretary
28 November 2013

Cabinet Office: Civil Superannuation 2012-13

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Cabinet Office: Civil Superannuation for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Combined Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report of the Manager, the Report of the Actuary and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against 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 also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Scheme's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the information given in the Report of the Managers and the Report of the Actuary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Without qualifying my opinion, I draw attention to my Report at pages 23 to 27. The purpose of my Report is to explain why I have provided unmodified opinions on both regularity and the financial statements for the year ended 31 March 2013.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
5 December 2013

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

Introduction

1. The Cabinet Office: Civil Superannuation Accounts 2012-13 report the financial results of the Principal Civil Service Pension Scheme (PCSPS) and a number of other small public sector pension schemes. I am appointed auditor of these Accounts under the Government Resources and Accounts Act 2000.

2. In both 2010-11 and 2011-12, I qualified my opinions in two respects:

   - A qualification of my opinion relating to the regularity of benefit payments. My audits sought assurance that benefit payments made by the PCSPS were in accordance with the Scheme rules. The Cabinet Office had not retained, or provided me with, sufficient records to give this assurance. I was therefore limited in my ability to confirm that all pensioners, or other beneficiaries, had received their correct entitlements.

   - A limitation in the scope of my opinion relating to the truth and fairness of the valuation of the pension liability. I sought assurance that the pension liability was a reasonable estimate based on the Scheme's membership records. The evidence presented to me was insufficient to support, in all material respects, this estimate.

3. For the year ended 31 March 2013, I have given clear opinions on the regularity of benefit payments and the truth and fairness of the pension liability. Whilst some payments could not be supported by primary records, I do not consider the amount to be material to the account as a whole.

4. However, while my clear opinion reflects that the level of irregularity is not material during 2012-13, there are still underlying problems regarding the management and retention of Scheme data. The remainder of this report sets out the underlying issues and upcoming changes that increase the need for effective improvement.

Background

5. The PCSPS is an occupational scheme, which at 31 March 2013 had 510,000 active members, 369,000 deferred members and 638,000 individuals receiving benefits. In the year ended 31 March 2013, the Scheme received £3.1 billion of contributions and other income, and paid out £5.1 billion, with Parliament funding the balance.

Regularity of benefit payments

6. As part of my audit I seek assurance that benefits paid by the Scheme have been correctly calculated and awarded in accordance with the Scheme rules. Under the Scheme arrangements, employers are responsible for collecting and transferring to the Scheme Administrator complete and accurate data on members' service and earnings history, which are used to calculate awards. The Cabinet Office, as the accountable department for the Scheme, should ensure that these arrangements are operating effectively.

7. The results of my audit in 2010-11 and 2011-12 gave me significant concerns over the robustness of the systems and controls put in place by both the Cabinet Office and employers to ensure the integrity of data. I sought to test a sample of benefit payments and asked the Cabinet Office to provide employment or other primary records to support the calculation of the awards. The Cabinet Office could not provide me with sufficient evidence to support the calculations and I therefore qualified my regularity opinion on the Civil Superannuation accounts in both 2010-11 and 2011-12.

8. For my audit of the 2012-13 Accounts I selected a further sample of payments. However, in light of the results of my previous audits and continuing evidence from the Cabinet Office's Internal Audit of weaknesses in the Scheme's assurance systems, this year I sought

primary evidence directly from employers to validate the payments. I was only able to fully confirm all data in 45% of the cases I examined. The remaining cases consisted of cases where:

- Primary evidence to support the award did not exist or could not be located. In all cases, these were for members who had previously left the Scheme and deferred their award. Over fifteen per cent of all sampled cases, or over a quarter of deferred cases, could not be supported at all.

- Primary records did not agree to, or were insufficient to support, the payment calculation. These cases are split almost evenly between members who deferred their award and those who took their benefits on retirement, but the largest unsupported amounts were all from deferred cases.

- The payment calculation had been performed incorrectly in a small number of cases.

9. However, the nature of the identified limitations is such that, in my assessment, the financial consequences are not material. Much of the information that was missing or inaccurate was historic and therefore has a proportionately smaller impact on an award. Unsupported amounts were only five per cent by value of the total value of awards coming into payment for the first time (equivalent to 0.6 per cent of total benefits paid). Therefore, I have given a clear regularity opinion on the 2012-13 Accounts. However, I remain concerned that the Scheme's systems were not sufficient to provide me with satisfactory assurance in their own right and that I found pensioners, albeit a small number, who had received incorrect pension awards.

Valuation of the pension liability

10. The Accounts show a liability of £162 billion, which represents the amount that the Scheme estimates it will need to pay to current members in the future. The Cabinet Office engaged the Government Actuary's Department to provide a valuation of the liability as at 31 March 2013. I was able to satisfy myself that the Cabinet Office and actuary's assumptions, and the methodology for the calculation, were reasonable.

11. For the valuations as at 31 March 2011 and 31 March 2012, the Cabinet Office did not provide sufficient records to give me assurance over the quality of the membership data used to calculate the pension liability. As such, the evidence presented to me was insufficient to support, in all material respects, this liability.

12. In the current year, the improvements in the results of my sample testing and additional evidence and analysis I was able to obtain from the Government Actuary's Department have provided me with the necessary assurance that the membership data was sufficient to calculate the pension liability. I have therefore removed the limitation on my opinion over the truth and fairness of the valuation of the pension liability for both 31 March 2012 and 31 March 2013.

Changes in Scheme governance and administration

13. From 1 April 2010, the Cabinet Office launched a programme to transform and modernise the administration of civil service pensions. At that date, the Cabinet Office Accounting Officer delegated responsibility for the management of the schemes to a Scheme Management Board (now Civil Service Pension Board). Pension administration was transferred from seven employer-managed providers to a single centrally managed function, MyCSP, governed by a Service Level Agreement with the Scheme Management Board.

14. These changes improved operational and risk management, but there were weaknesses in the model which contributed to the circumstances under which I qualified the Accounts in 2010-11 and 2011-12:

- The Board's operational role did not give it the capacity to take full ownership of financial matters and the accounts, and there was no senior finance official directly responsible for Civil Superannuation.

- The change in relationship between employers and the administration function exposed the lack of a robust system of records and data management.

15. In March 2012, the Cabinet Office Finance Director was appointed to the Scheme Management Board and was formally delegated responsibility for managing resources under the Civil Superannuation estimate, including preparation of its Accounts. The Cabinet Office Audit Committee now considers Civil Superannuation as a standing item and has closely monitored and challenged actions being taken by management to address the concerns identified by my audit.

16. There has additionally been a clarification in roles and responsibilities with respect to records, which in part followed the move to a full contractual relationship with MyCSP Ltd when it was mutualised in May 2012.

Underlying issues to be resolved

Scheme data

17. The Cabinet Office requires the Accounting Officers of employers covered by the Scheme to sign a Participation Agreement setting out their roles and responsibilities. Accounting Officers are required to provide an annual certificate of compliance. In 2011, the Civil Service Pensions Board (formally the Scheme Management Board) commissioned Cabinet Office internal audit to undertake a programme of audits to review compliance with Participation Agreements including systems for the collection and transfer of data, in order to independently supplement the existing 'self-certification' system of assurance.

18. A comprehensive programme of employer audits commenced in 2012 and a full annual assurance report was produced for 2012-13. The report's findings support my concerns regarding inaccuracies in data and loss of records, and indicate widespread control weaknesses around data integrity. All of the employers audited during 2012-13, including the Cabinet Office itself, received a red rating from internal audit over the robustness of the process of self-certification by Accounting Officers.

19. Internal audit found that, in addition to the lack of records for deferred and pensioner awards, there are control weaknesses that impact on the pension records of current active members (i.e. those still in employment). A significant number of pension records were found to be incomplete, particularly when staff move between employers, there is a machinery of government change, or there is a transfer of HR functions. If left unresolved, control weaknesses over active members could cause errors when these members retire or leave service and defer their award.

20. In some employers there are no data validation controls in place to ensure changes to employee records were complete, accurate and valid, and accurately transferred to the Scheme Administrator. Comparison of Administrator and Employer datasets revealed mismatches in key areas such as scheme type, date of birth, date entered scheme, and date entered service for some employers.

Retention of records by employers

21. Guidance published by The National Archives says "documents bearing on pension entitlement should generally be kept for 100 years from date of birth." We found that public sector employers were often not aware of this centralised guidance and it is therefore not followed. In addition, some employers have data retention guidelines that are inconsistent with the guidance, most commonly deleting data after seven years. As such, member records, some of them old, have not been consistently retained where members have

moved within, or left, the Civil Service. This is particularly common where government bodies have closed or been involved in machinery of government changes.

22. The Cabinet Office has not exercised effective oversight or control over the retention of records by employers. It should show leadership to ensure that, as a condition of membership of the Scheme, employers follow the published guidance.

Actions by the Cabinet Office to secure improvement

23. The Cabinet Office Accounting Officer and Civil Service Pensions Board have approved a Records Improvement Action Plan to address issues that I identified in my audits. This Plan, which includes actions for the Cabinet Office, employers and the Scheme Administrator, has been endorsed by the Civil Service HR People Board, formed by the HR Directors of each Department. The key elements of the plan are:

- revised requirements for bodies on record keeping;
- a data cleansing programme, starting with 65,000 high priority members but to be extended to all active membership records;
- enhanced automatic checks within the new Compendia pensions administration system to be introduced in July 2014;
- a continuing programme of internal audits; and
- a fundamental review of the Accounting Officer Certificate assurance framework with more direct links to Departmental and Shared Service Centre control objectives.

24. Long term improvements depend on the Cabinet Office and other stakeholders across the Civil Service implementing this Plan. The Cabinet Office cannot deliver improvement unilaterally. To successfully address the issues I have raised and prevent incorrect pensions being paid in future, Scheme employers need to engage with the Cabinet Office's attempts to improve record keeping and data management.

Upcoming changes that increase the need for effective improvement

25. The PCSPS and its administration continue to undergo a period of significant change, including.

- The government's shared service agenda will see many Scheme employers transfer their HR functions, in whole or in part, to shared service centres from late 2013. This is an opportunity for improved control of records, but there is a risk that historical records may not be retained or be able to be accessed following the transfer. The Cabinet Office should ensure that records from before the transfer remain complete and accessible.
- The pension payroll function, currently operated by Capita Hartshead, is being taken over by MyCSP Ltd in 2014. At this date MyCSP will also introduce the new Compendia IT system which will replace the Penserver system that has been used by the Scheme since 2002. It is vital that the transfer of deferred and pensioner data from Capita, and data on active membership on Penserver, is carefully managed to maintain the completeness and accuracy.
- Currently, the majority of award calculations only require salary data for the last three or twelve years of the member's service. Scheme rules have been modified with all awards to be based on a career average salary from April 2015. Following this change, salary data will be required for all years of service. This increases the need for systematic retention and maintenance of accurate staff records, which could be required to be held over several decades.

26. Such changes increase risks to the retention and provision of evidence to support accurate benefit payments and the accounts, and it is vital that the Cabinet Office ensures that such risks do not manifest.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
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5 December 2013

Statement of Parliamentary Supply

Summary of Resource and Capital Outturn 2012-13

£000		2012-13							2011-12
		Estimate			Outturn				Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with Estimate: saving/ (excess)	Total
Departmental Expenditure Limit									
• **Resource**	5.1	-	-	-	-	-	-	-	-
• **Capital**	5.2	-	-	-	-	-	-	-	-
Annually Managed Expenditure									
• **Resource**	5.1	8,168,000	-	8,168,000	7,972,681	-	7,972,681	195,319	8,715,144
• **Capital**	5.2	-	-	-	-	-	-	-	-
Total Budget		8,168,000	-	8,168,000	7,972,681	-	7,972,681	195,319	8,715,144
Non-Budget									
• **Resource**	5.1	-	-	-	-	-	-	-	-
Total		8,168,000	-	8,168,000	7,972,681	-	7,972,681	195,319	8,715,144

Total Resource		8,168,000	-	8,168,000	7,972,681	-	7,972,681	195,319	8,715,144
Total Capital		-	-	-	-	-	-	-	-
Total		8,168,000	-	8,168,000	7,972,681	-	7,972,681	195,319	8,715,144

Net Cash Requirement 2012-13

£000	Note	2012-13 Estimate	2012-13 Outturn	2012-13 Outturn compared with Estimate: saving/ (excess)	2011-12 Outturn
	7	2,377,900	2,066,223	311,677	1,874,634

Administration Costs 2012-13

	Note	2012-13 Estimate	2012-13 Outturn	2011-12 Outturn
	6	-	-	-

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control

Explanations of variances between Estimate and outturn are given in Note 6 and in the Report of the Manager.

The notes on pages 33 to 50 form part of these accounts.

Combined Statement of Comprehensive Net Expenditure
for the Year to 31 March 2013

Principal arrangements – PCSPS	Note	2012-13 £000	2011-12 £000
Income			
Contributions receivable[1]	9	(3,009,415)	(2,960,537)
Transfers in	10	(56,305)	(38,675)
Other pension income	11	(37,494)	(138,492)
Expenditure			
Pension cost	12	3,872,000	3,930,000
Enhancements	13	74,416	179,709
Transfers in	14	56,305	38,675
Injury Benefits	15	8,826	8,603
Interest on scheme liabilities	16	6,947,000	7,590,000
Other Interest payable (included for completeness)		-	-
Administration expenses (included for completeness)		-	-
Net Expenditure		**7,855,333**	**8,609,283**
Compensation agency arrangements - CSCS			
Expenditure			
Benefits payable	17.1	10	31
Net Expenditure		**10**	**31**
Other minor agency and principal pension scheme arrangements			
Other pension schemes			
Income			
Contributions receivable		(70,735)	(63,575)
Expenditure			
Total charge to provisions		187,007	168,374
Benefits payable	18	1,066	1,005
Net Expenditure for the year		**117,338**	**105,804**
Combined Net Expenditure for the year		**7,972,681**	**8,715,118**
Other Comprehensive Net Expenditure			
Recognised gains and losses for the financial year			
Actuarial (gain) / loss	23.7	10,704,168	1,359,632
Total Comprehensive Net Expenditure for the year ended 31 March 2013		**18,676,849**	**10,074,750**

[1] A small element of Employer Contributions is paid in respect of the cost of administering the scheme and therefore has been deducted from the total shown here. It is not shown as administration expenses due to the fact that all costs are initially met by the main Cabinet Office. The full costs are shown within the main Cabinet Office annual accounts and details can also be found within the Report of the Manager on page 5.

The notes on pages 33 to 50 form part of these financial statements.

Combined Statement of Financial Position
as at 31 March 2013

	Note	2012-13 £000	2011-12 £000
Principal arrangements - PCSPS			
Current assets:			
Receivables (within 12 months)	20.1	247,696	213,817
Cash and cash equivalents	21	282,765	244,955
Total current assets		**530,461**	**458,772**
Current liabilities			
Payables (within 12 months)	22.1	(541,774)	(575,612)
Total current liabilities		**(541,774)**	**(575,612)**
Net current assets/(liabilities), excluding pension liability		**(11,313)**	**(116,840)**
Receivables (after 12 months)	20.1	53	118,053
Pension liability	23.4	(160,023,000)	(143,843,000)
Net liabilities, including pension liabilities		**(160,034,260)**	**(143,841,787)**
Compensation agency arrangements - CSCS			
Receivables (within 12 months)	25	28,249	77,172
Net current assets		**28,249**	**77,172**
Other pension schemes			
Receivables (within 12 months)	27	973	4,431
Payables (within 12 months)	28	(177)	(1,404)
Net current assets/(liabilities), excluding pension liability		**796**	**3,027**
Pension liability	29.2	(2,353,000)	(1,986,000)
Net liabilities, including pension liabilities		**(2,352,204)**	**(1,982,973)**
Combined Scheme – Total net Liabilities		**(162,358,215)**	**(145,747,588)**
Taxpayers' equity:			
General Fund		(162,358,215)	(145,747,588)
		(162,358,215)	**(145,747,588)**

Richard Heaton
Accounting Officer

28 November 2013

The notes on pages 33 to 50 form part of these financial statements.

Combined Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

	Note	General Fund 2012-13 £000	2011-12 £000
Balance at 31 March		(145,747,588)	(137,547,446)
Changes in accounting policy		-	-
Restated balance at 1 April		**(145,747,588)**	**(137,547,446)**
Net Parliamentary Funding – drawn down		2,055,280	1,883,000
Net Parliamentary Funding – deemed		322,620	314,254
Consolidated Fund Standing Services		-	-
Supply (payable) / receivable adjustment		(311,678)	(322,620)
Amounts payable to the Consolidated Fund	6.1	-	(26)
Combined Net Expenditure for the Year	6.1	(7,972,681)	(8,715,118)
Actuarial gain / (loss)	23.7	(10,704,168)	(1,359,632)
Net change in Taxpayers' Equity		**(16,610,627)**	**(8,200,142)**
Balance at 31 March		**(162,358,215)**	**(145,747,588)**

The notes on pages 33 to 50 form part of these financial statements.

Combined Statement of Cash Flows
for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
Cash flows from operating activities			
Combined net (expenditure)/income for the year	6.1	(7,972,681)	(8,715,118)
Adjustments for non-cash transactions			
(Increase)/Decrease in PCSPS receivables (within 12 months)	20.1	(33,710)	38,450
(Increase)/Decrease in PCSPS receivables (after 12 months)	20.1	118,000	20,013
Movement in receivables relating to items not disclosed in the Combined Statement of Comprehensive Net Expenditure		-	(8,428)
(Increase)/decrease in CSCS receivables – ACPs inc Lump Sums	20.1, 25	48,752	(43,336)
Less movement in non-Supply receivables	20.1, 25	(48,752)	43,336
(Increase)/Decrease in Other Schemes receivables	27	3,458	3,212
Increase/(Decrease) in PCSPS payables	22.1	(22,869)	51,572
Increase/(Decrease) in Other Schemes payables	28	(1,227)	(1,064)
Less movement in non-Supply payables	22.1	(26)	(27,639)
Increase in PCSPS pension provisions	23.4	10,819,000	11,520,000
Increase in PCSPS pension provisions - enhancements and transfers in	23.4	130,721	218,384
Increase in Other Schemes pension provisions		187,007	168,374
Use of PCSPS provisions – benefits paid	23.4	(5,099,187)	(4,855,152)
Use of PCSPS provisions - refunds and transfers out	23.4	(134,479)	(229,951)
Use of Other Schemes provisions		(60,230)	(57,287)
Net cash outflow from Operating Activities		**(2,066,223)**	**(1,874,634)**
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		2,055,280	1,883,000
From the Consolidated Fund (Supply) - prior year		-	-
Net Parliamentary financing		**2,055,280**	**1,883,000**
Adjustments for payments and receipts not related to Supply			
Compensation payments made on behalf of employers (including lump sums payments)	17.2	(646,469)	(1,024,725)
Reimbursement of compensation payments by employers (including lump sum payments)		695,390	981,389
Injury benefit payments made on behalf of employers	15	(7,856)	(6,730)
Reimbursement of injury benefit payments by employers		7,687	6,766
Net Financing		**2,104,032**	**1,839,700**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	21	37,810	(34,934)
Receipts due to the Consolidated Fund which are outside the scope of the Scheme's activities		39	-
Payments of amounts due to the Consolidated Fund		(39)	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**37,810**	**(34,934)**
Cash and cash equivalents at the beginning of the period	21	244,955	279,889
Cash and cash equivalents at the end of the period		**282,765**	**244,955**

The notes on pages 33 to 50 form part of these financial statements.

Notes to the Financial Statements

1. Basis of preparation of the Scheme financial statements

The financial statements of the Civil Superannuation have been prepared in accordance with the relevant provisions of the 2012-13 *Government Financial Reporting Manual (FReM)* issued by HM Treasury*.* The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector. IAS 19 *Employee Benefits* and IAS 26 *Accounting and Reporting by Retirement Benefit Plans* are of particular relevance to these statements.

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

1.1 Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is a contracted out, unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the Scheme Management Executive (SME) on behalf of members of the Civil Service who satisfy the membership criteria.

Contributions to the Scheme by employers and employees are set at rates determined by the Scheme's Actuary and approved by the Scheme Management Board (SMB). The contributions partially fund payments made by the Scheme, the balance of funding being provided by Parliament through the annual Supply Estimates process.

The financial statements of the Scheme show the financial position of the PCSPS at the year end and the income and expenditure during the year. The Statement of Financial Position shows the unfunded net liabilities of the Scheme; the Statement of Comprehensive Net Expenditure shows, 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 Report of the Actuary, and the Scheme financial statements should be read in conjunction with that Report.

1.2 Civil Service Compensation Scheme

SME acts as agent for employers in the payment of compensation benefits arising under the Civil Service Compensation Scheme (CSCS). Compensation payments are generally recovered from employers on a monthly basis. The financial flows associated with these transactions are not brought to account in the financial statements.

1.3 Other minor agency and principal pension scheme arrangements

In addition, the financial statement include transactions relating to other minor pension schemes, a number of which are closed schemes. SME acts as principal in respect of pension paid to the Governor of an overseas colony, awarded prior to the introduction of a new scheme on 30 September 1978. SME acts as principal in respect of the Grosvenor and Government Communications Bureau pension schemes on the basis of audited information supplied by the agencies. SME acts an agent for the following schemes:

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

The accounting policies adopted are described below. They have been consistently applied in dealing with items that are considered material in relation to the scheme statement.

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2. Statement of accounting policies

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

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the 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 account Scheme financial statements.

2.1 *Accounting convention*

These accounts have been prepared under the historical cost convention.

- *Contributions receivable*

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

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

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

Under the PCSPS rules which came into effect in April 2010, those members who take early retirement and receive an Actuarially Reduced Pension are able to buy out the actuarial reduction and as a result receive a full pension. Income received from members in respect of this is now shown in Note 13.

- *Transfers in*

Transfers in are accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on a cash basis, although group transfers in may be accounted for on an accruals basis where the PCSPS has formally accepted liability.

- *Income received from departments in respect of enhancements*

Amounts receivable from employers in respect of bringing forward the payment of accrued superannuation lump sums, and in respect of the capitalised costs of pension enhancement either at early departure or normal retirement age, are accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on an accruals basis.

- *Other pension income*

The remaining element of “other income” is repayment of gratuities. This is accounted for as income and expenditure (representing the associated increase in the PCSPS pension liabilities) on an accruals basis.

- *Additional Voluntary Contributions*

Additional Voluntary Contributions (AVCs) are deducted from employees’ salaries and are paid over directly by the employing departments to one of three appointed AVC providers. Details of the three providers and the amounts of the AVC investments can be found at note 19.

- *Current service cost*

The current service cost is the increase in the present value of the PCSPS pension liabilities arising from members’ service in the current period and is recognised in the revenue account. It is determined by the scheme actuary taking into account employer and employee contributions receivable in 2012-13 and based on a discount rate of 2.8% real (4.85% including inflation).

- *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 Combined Statement of Comprehensive Net Expenditure on a straight line basis over the period in which increases in benefits vest.

- *Interest on scheme liabilities*

The interest cost is the increase during the period in the present value of the PCSPS pension liabilities because benefits are one year closer to settlement and is recognised in the revenue account. The interest cost is based on a nominal rate of 4.85% (discount 2.8% real and assumed inflation rate of 2.0%).

- *Injury benefits*

Injury benefits are accounted for on an accruals basis. They are not funded through the employers’ pension contributions and the amounts payable in respect of injuries sustained before 1 April 1998 are a charge on the PCSPS and are shown in the revenue account. Those benefits paid in respect of injuries sustained on or after 1 April 1998 are recoverable from employers each month.

- *Scheme liabilities*

Provision is made for liabilities to pay pensions and other benefits in the future. The scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at 2.8% real (4.85% gross). The actuary reviews the most recent actuarial valuation at the Statement of Financial Position date and updates it to reflect current conditions.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years”.

The last formal actuarial valuation undertaken for the PCSPS was as at 31 March 2007. A formal actuarial valuation was due to be carried out as at 31 March 2010. However, formal actuarial valuations for unfunded public service pension schemes were suspended by HM Treasury whilst reforms to public service pension provisions were discussed. The Public Service Pensions Act 2013 provides a framework to enact these changes for the PCSPS, and also sets out a requirement for future actuarial valuations of the reformed pension scheme. Further details of the timing and methodology used for future actuarial valuations are to be provided by HM Treasury in due course. However, HM Treasury have requested that the first such valuation of the unfunded public service pension schemes have an effective date of 31 March 2012. The results of the 2012 actuarial valuation~~s~~ will set employer and employee contribution rates in the scheme from 1 April 2015, and will also be used to introduce an ‘employer cost cap’ which is intended to limit the Government’s exposure to future increases in pension cost.

Approximate actuarial assessments in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal actuarial valuation now exceeds four years, the amounts recognised in these financial statements have been prepared using the full membership data as at 31 March 2012, as provided for the formal valuation of the scheme as at 31 March 2012. In undertaking this valuation, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

- *Pension benefits payable*

Pension benefits payable, including lump sums, are accounted for on an accruals basis as a decrease in the PCSPS pension liabilities.

- *Payments to and on account of leavers*

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

- *Transfers out*

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

- *Actuarial gains/losses*

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

- *Central management administrative expenses*

Employers are responsible for the day to day administration of the PCSPS/CSCS and meet the associated costs from their running cost provision. An element of the accruing superannuation liability charge, paid by employers, is used by the Cabinet Office to offset central management costs. These include the costs associated with the management and development of Civil Service pension arrangements, the procurement of pension payroll and other services, maintenance and development of pension software used by scheme administrators and the publication of explanatory scheme material. In 2012-13 these costs amounted to £26.3 million (2011-12: £21.0 million).

2.2 Changes to International Financial Reporting Standards

Amendments to IAS1, 12, 16, 19, 27, 28, 32 & 34, IFRS9, 10, 11, 12 & 13, a new IFRIC Interpretation, IFRIC20, and a new IPSAS, IPSAS32, have been issued but are not yet effective and have not been adopted early by the Scheme. Those that are expected to be applicable to the Scheme are listed below with their effective date, none are anticipated to have a future material impact on the Scheme's financial statements:

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income) (OCI) – effective 1 July 2012 – requires items of OCI to be grouped on the basis of whether they might at some point be reclassified from OCI to Profit or where they will not.

- IFRS 9 Financial Instruments - effective 1 January 2015 - revised guidance on classification and measurement and calculation and recording of impairments.

- IFRS 13 Fair Value Measurement - effective 1 January 2013 - consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS.

3. Accounting policies for CSCS agency arrangements

- *Benefits payable*

Compensation benefits for staff leaving before normal retirement age are met by employing departments. For administrative convenience and value for money considerations, compensation benefits are paid initially by SME, throughout the month, but then recovered from employers at month-end. These transactions are not recorded in the combined revenue account. Details of compensation benefits payable during 2012-13 are shown at note 17.

As a result of recent changes to departmental structures which have been due to the Spending Review, employers have been given the opportunity to capitalise their outstanding liabilities and make a one-off payment to the scheme. Payments received from employers in this respect are included in note 17.

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

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

5. Net outturn

5.1 Analysis of net resource outturn

	2012 - 2013										2011 - 2012 Outturn £000
	Outturn £000							Estimate £000			
	Administration			Programme			Total	Net Total	Net total compared to Estimate	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limit											
Voted:	-	-	-	-	-	-	-	-	-		-
Non-voted:	-	-	-	-	-	-	-	-	-		-
Annually Managed Expenditure											
Voted:	-	-	-	11,146,630	(3,173,949)	7,972,681	7,972,681	8,168,000	195,319	195,319	8,715,144
Non-voted:	-	-	-	-	-	-	-	-	-		-
Non-budget:	-	-	-	-	-	-	-	-	-		-
Total	-	-	-	11,146,630	(3,173,949)	7,972,681	7,972,681	8,168,000	195,319	195,319	8,715,144

5.2 Analysis of net capital outturn by section

	2012-2013					2011-2012 outturn £000
	Outturn £000			Estimate £000		
	Gross	Income	Net	Net	Net total compared with Estimate	Net
Spending in Departmental Expenditure Limit						
Voted:	-	-	-	-	-	-
Non-voted	-	-	-	-	-	-
Annually Managed Expenditure						
Voted	-	-	-	-	-	-
Non-voted	-	-	-	-	-	-
Total	-	-	-	-	-	-

6. Reconciliation of outturn to net expenditure and against Administration Budget

6.1 Reconciliation of net resource outturn to combined net expenditure

		Note	2012-13 £000 Outturn	2011-12 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget		**7,972,681**	**8,715,144**
	Non-Budget		**-**	**-**
Net Resource Outturn			**7,972,681**	**8,715,144**
Add:	Non-supply Expenditure		**-**	**-**
	Prior Period Adjustments		**-**	**-**
Less:	Income payable to the Consolidated Fund		**-**	**(26)**
	Prior Period Adjustments		**-**	**-**
			-	**(26)**
Net Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**7,972,681**	**8,715,118**

6.2 Outturn against final Administration Budget

	2012-13 £000 Outturn	2011-12 £000 Outturn
Voted in Estimates	-	-
Non-voted	-	-
Total Outturn against final Administration Budget	-	-

7 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: Saving/(excess) £000
Net Resource Outturn	5.1	8,168,000	7,972,681	195,319
Accruals adjustments:				
Non-cash items		(11,409,600)	(11,136,728)	(272,872)
Changes in payables/receivables		(20,000)	(112,378)	92,378
Changes in non-supply receivables		-	48,752	(48,752)
Use of provision		5,639,500	5,293,896	345,604
Excess cash receipts surrenderable to the Consolidated Fund		-		
Net Cash Requirement		**2,377,900**	**2,066,223**	**311,677**

8 Analysis of income payable to the Consolidated Fund

The following income relates to the schemes and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Outturn 2012-13		Outturn 2011-12	
	£000	£000	£000	£000
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	-	*-*	-	*-*
Non-operating income (outside the ambit of the Estimate)	39	*39*	26	*26*
Excess cash surrenderable to the Consolidated Fund	-	*-*	-	*-*
Other amounts surrenderable to the Consolidated Fund	-	*-*	-	*36,029*
Total income payable to the Consolidated Fund	**39**	***39***	**26**	***36,055***

9 Contributions receivable

	2012-13	2011-12
	£000	£000
Employers'	(2,480,559)	(2,595,151)
Employees':		
Normal	(491,934)	(324,143)
Purchase of added years	(35,277)	(39,496)
Actuarial Retirement Reduction Buy Out	(1,645)	(1,747)
	(3,009,415)	**(2,960,537)**

£3.2 billion contributions are expected to be payable to the Scheme in 2013-14

10 Transfers-in

	2012-13	2011-12
	£000	£000
Group transfers from other schemes	(25,298)	(5,162)
Individual transfers in from other schemes	(31,007)	(33,513)
	(56,305)	**(38,675)**

11 Other pension income

	2012-13	2011-12
	£000	£000
Refund of gratuities received *	-	(1)
Amounts receivable in respect of:		
bringing forward the payment of accrued superannuation lump sums	(15,872)	(114,185)
capitalised cost of enhancement to pensions, payable on departure	(89)	(4,506)
capitalised cost of enhancement to pensions, payable at age 60	(21,533)	(19,774)
Non-retainable income	-	(26)
	(37,494)	**(138,492)**

* repayments of contributions paid to members who leave the scheme within 2 years of joining.

12 Pension Cost

	2012-13	2011-12
	£000	£000
Current service cost	3,872,000	3,930,000
	3,872,000	**3,930,000**

13 Enhancements (see also Note 23.4)

	2012-13	2011-12
	£000	£000
Employees:		
Purchase of added years	35,277	39,496
Refund of gratuities	-	1
Actuarial Retirement Reduction Buy Out	1,646	1,747
Employers:		
Bringing forward the payment of accrued lump sums	15,871	114,185
Enhancements to pensions on departure	89	4,506
Enhancements to pensions on retirement	21,533	19,774
	74,416	**179,709**

14 Transfers in – additional liability

	2012-13	2011-12
	£000	£000
Group transfers in from other schemes	25,298	5,162
Individual transfers in from other schemes	31,007	33,513
	56,305	**38,675**

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

15 Injury Benefits

	2012-13	2011-12
	£000	£000
Special Payments	-	(78)
Injury benefits payable	16,682	15,411
Less: recoverable from employers	(7,856)	(6,730)
	8,826	**8,603**

Injury benefits payable to former employees but which are not recoverable from employers (ie those in respect of injuries sustained on or before 1 March 1998) are transactions of the Principal Civil Service Pension Scheme and are brought to account through the Statement of Comprehensive Net Expenditure. During 2012-13 these amounted to some £8,826 (2011-12: £8,603).

16 Interest on scheme liabilities (see also Note 23.4)

	2012-13	2011-12
	£000	£000
Interest charge for the year	6,947,000	7,590,000
	6,947,000	**7,590,000**

Statement of Comprehensive Net Expenditure – CSCS compensation agency arrangements

17 Compensation benefits payable

17.1 The following amounts represent annual compensation payments payable to former employees, but which are not recoverable from employers. They are brought to account in the Statement of Comprehensive Net Expenditure.

	2012-13	2011-12
	£000	£000
Discounts allowed in pre-funded annual compensation payments note (17.2)	-	-
End-year revaluation of central funding provision	-	-
Central funding – difference between provision for current year and outturn expenditure (note 17.2)	10	31
	10	**31**

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

Recoverable from employers	195,976	236,310
Pre-funded by employers (note 26.1)	-	-
Discounts allowed on pre-funding (note 17.1)	-	-
Discounts allowed on pre-payments (note 17.1)	-	-
Amounts met from central funding (note 17.1)	10	31
Total annual compensation payable	**195,986**	**236,341**
Lump sum payable recoverable from employers	450,493	788,414
Total lump sums payable	**450,493**	**788,414**

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

18 Benefits payable – not charged to provisions

	2012-13	2011-12
	£000	£000
Pensions increase for ex-PMs/Speakers	90	79
Pensions increase for Public Service Appointments	115	100
Pensions increase ex for MEPs/widow(er)s	478	385
Payments to United Kingdom Atomic Energy Authority for pensions paid in respect of periods in the Civil Service	1	34
Payments to Post Office Staff Superannuation for pensions paid in respect of periods in the Civil Service	139	153
Pensions increases in respect of pensions paid to former staff of the Sugar Board	25	25
Pensions to Governors of overseas colonies awarded prior to the introduction of a new scheme in 1978	1	1
Federated Superannuation Scheme for Universities	217	228
	1,066	**1,005**

19 Additional Voluntary Contributions (AVCs)

19.1 The Civil Service Additional Voluntary Contribution Scheme (CSAVCS) provides for employees to make AVCs to increase their pension entitlements or to increase life cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment by their employers to one of the three appointed providers (Equitable Life Assurance Society, Scottish Widows' Fund and Standard Life Assurance Society), or may chose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contribution Schemes (FSAVCs). The Managers of the CSAVCS are only responsible for payments made to the Scheme's appointed providers. These AVCs are not brought to account in this statement. Members participating in this arrangement receive an annual statement from the appointed provider at 31 March each year (5 April for Equitable Life) confirming the amounts held to their account and the movements in year.

19.2 The aggregate amounts of AVC investments are as follows:

	2012-13			2011-12		
	Standard Life	**Equitable Life[1]**	**Scottish Widows**	**Standard Life**	**Equitable Life[1]**	**Scottish Widows**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Movements in the year:						
Balance at 1 April	53,090	16,594	137,028	54,310	17,884	139,513
New investments	1,798	147	5,310	2,303	136	7,064
Sales of investments to provide pension benefits	(6,174)	(1,083)	(13,741)	(4,931)	(1,623)	(16,354)
Changes in market value of investments	6,254	1,180	12,168	1,408	197	6,805
Balance at 31 March	**54,968**	**16,838**	**140,765**	**53,090**	**16,594**	**137,028**
Contributions to provide life cover	n/a	67	n/a	n/a	80	n/a
Benefits paid on death	n/a	119	n/a	n/a	1	n/a

1 – data as at 5 April

Statement of Financial Position: Principal arrangements - PCSPS

20 Receivables – contributions due in respect of pensions

20.1 Analysis by type	**2012-13**	**2011-12**
	£000	**£000**
Amounts falling due within one year:		
Pension contributions due from Employers	198,113	174,059
Employees' normal contributions	38,548	21,248
Employees' added pension	2,303	2,358
Early retirement Employer costs	1,876	3,447
Individual transfers	-	-
Group transfers	-	5,524
Overpayment receivables (Net of provision for non-recovery)	6,193	6,687
Sub Total	**247,033**	**213,323**
Non-supply receivables:		
Injury benefit receivables	663	494
	247,696	**213,817**
Amounts falling due after more than one year:		
Group transfers	-	118,000
Long term receivables	53	53
	53	**118,053**

20.2 Analysis by organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13	2011-12	2012-13	2011-12
	£000	£000	£000	£000
Balances with other central government bodies	215,143	175,015	-	118,000
Balances with Local authorities	10,306	10,368	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	12,955	12,655	-	-
Balances with public sector organisations	238,404	198,038	-	118,000
Bodies external to government	9,292	15,779	53	53
Total receivables	**247,696**	**213,817**	**53**	**118,053**

21 Cash and cash equivalents

	2012-13	2011-12
	£000	£000
Balance at 1 April	244,955	279,889
Net change in cash balances	37,810	(34,934)
Balance at 31 March	**282,765**	**244,955**
The following balances at 31 March were held at:		
Government Banking Services	282,665	244,855
Balance with Government departments	100	100
Balance at 31 March	**282,765**	**244,955**

22 Payables – in respect of pensions

22.1 Analysis by type

	2012-13	2011-12
	£000	£000
Amounts falling due within one year		
Pensions	(186,072)	(211,275)
Injury benefits	-	-
HM Revenue & Customs and voluntary contributions	(44,025)	(41,691)
Overpaid contributions: employers	-	-
Overpaid contributions: employees	-	-
Overpaid contributions: employees added years	-	-
Other creditors	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end	(311,677)	(322,620)
Consolidated Fund extra receipts due to be paid to the Consolidated Fund:		
Received	-	(26)
Receivable	-	-
	(541,774)	**(575,612)**

22.2 Analysis by organisation

	Amounts falling due within one year		Amounts falling due after more than one year	
	2012-13	2011-12	2012-13	2011-12
	£000	£000	£000	£000
Balances with other central government bodies	(386,398)	(421,352)	-	-
Balances with Local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with public sector organisations	(386,398)	(421,352)		
Bodies external to government	(155,376)	(154,260)	-	-
Total payables	**(541,774)**	**(575,612)**	**-**	**-**

23 Provisions for pension liabilities

23.1 Provision for pension liability

Assumptions underpinning the provision for pension liability.

The PCSPS is an unfunded defined benefit scheme. GAD carried out an assessment of the Scheme liabilities as at 31 March 2013. The Report of the Actuary on pages 10 to 13 sets out the scope, methodology and results of the work the actuary has carried out.

The Cabinet Office 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 Cabinet Office 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, ensuing that the assumptions are mutually compatible and reflect a best estimate of future experience.

The major assumptions used by the actuary were:

	At 31 March 2013	At 31 March 2012	At 31 March 2011	At 31 March 2010	At 31 March 2009	At 31 March 2008
Rate of increase in salaries[1]	3.95%	4.25%	4.90%	4.25%	4.25%	4.25%
Rate of increase in pensions in payment and deferred pensions[2]	2.2%	5.2%	3.1%	0.0%	5.0%	3.9%
Inflation assumption[1]	1.70%	2.00%	2.65%	2.75%	2.75%	2.75%
Nominal discount rate	4.10%	4.85%	5.6%	4.6%	6.04%	5.32%
Discount rate net of price inflation	2.35%	2.8%	2.9%	1.8%	3.2%	2.5%
Life expectancy[3] (in years) at age 60						
Current retirements						
Females	30.7	30.3	30.2	30.0	29.9	28.1
Males	28.6	28.3	28.1	28.0	27.9	26.4

Retirements in 20 years time						
Females	33.0	32.1	32.0	31.9	31.8	29.6
Males	31.1	30.2	30.1	30.0	29.9	29.0

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

[2] This is the pension increase applicable after the balance sheet date.

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

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

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

Analysis of the provision for pension liability

Value of liabilities (£ billion)					
At 31 March	**2013**	**2012**	**2011**	**2010**	**2009**
Current pensions and associated contingent pensions	66.4	62.5	54.9	57.8	50.6
Deferred pensions, including contingent pensions, for those no longer contributing to the scheme	26.1	24.1	21.9	24.8	19.0
Accrued benefits available to members contributing to the PCSPS	67.5	57.2	59.1	70.4	46.1
Total	**160.0**	**143.8**	**135.9**	**153.0**	**115.7**

23.2 Pension Scheme liabilities accrue over employee's 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.

23.3 The value of the liability on the statement of financial position may be significantly affected by even small changes in assumptions. For example, if at a subsequent valuation, it is considered appropriate to increase or decrease the assumed rates of inflation or increases in salaries, the value of the pension liability will increase or decrease. The 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 23.4. The note also discloses “experience” gains or losses for the year, showing the amount charged or credited for the year because events have not coincided with assumptions made for the last valuation.

23.4 Analysis of movement in scheme liability

	2012-13	2011-12
	£000	£000
Scheme liability at 1 April	(143,843,000)	(135,873,000)
Current service cost (note 12)	(3,872,000)	(3,930,000)
Interest on pension scheme liability (note 16)	(6,947,000)	(7,590,000)
Enhancements (note 13)	(74,416)	(179,709)
Pension transfers-in (note 14)	(56,305)	(38,675)
Benefits payable (note 23.5)	5,099,187	4,855,152
Pension payments to and on account of leavers (note 23.6)	134,479	229,951
Actuarial gain/(loss) (note 23.7)	(10,463,945)	(1,316,719)
Scheme liability at 31 March	**(160,023,000)**	**(143,843,000)**

During the year ended 31 March 2013, employers contributions represented an average of 18.9% of pensionable pay. This is not expected to change for 2013-14.

23.5 Analysis of benefits paid

	2012-13	2011-12
	£000	£000
Pensions or annuities to retired employees and dependants (net of recoveries or overpayments)	4,347,161	4,022,083
Commutations and lump sum benefits on retirement	752,026	833,069
Per Statement of Cash Flows	**5,099,187**	**4,855,152**

23.6 Analysis of payments to and on account of leavers

	2012-13	2011-12
	£000	£000
Refunds to members leaving the service	28,331	37,436
Payments for members joining State scheme	2,558	3,512
Group transfers to other schemes	23,273	120,342
Individual transfers to other schemes	80,317	68,661
Per Statement of Cash Flows	**134,479**	**229,951**

23.7 Analysis of actuarial gain/(loss)

	2012-13	2011-12
	£000	£000
Experience gains/(losses) arising on the scheme liabilities	(2,198,278)	81,991
Changes in assumptions underlying the present value of scheme liabilities	(8,265,667)	(1,398,710)
PCSPS	**(10,463,945)**	**(1,316,719)**
Other Schemes	(240,223)	(42,913)
Per Statement of Changes in Taxpayers Equity	**(10,704,168)**	**(1,359,632)**

23.8 History of Experience gains / (losses)

	2012-13	2011-12	2010-11	2009-10	2008-09
Experience (gains)/losses on the scheme liabilities					
Amount (£000)	2,198,278	81,991	377,348	(3,899,568)	740,822
Percentage of the present value of the scheme liabilities	1.4%	0.1%	0.3%	(2.5%)	0.6%
Total amount recognised in Statement of Changes in Taxpayers Equity					
Amount (£000)	10,463,945	1,316,719	(8,217,067)	31,102,568	(9,637,821)
Percentage of the present value of the scheme liabilities	6.5%	0.9%	(6.0%)	20.3%	(8.3%)

24 Contingent liabilities disclosed under IAS 37

In the unlikely event of default by an appointed AVC provider, pension payments are guaranteed by the scheme. This guarantee does not apply to members who make payments to institutions offering FSAVCs nor where members exercise the open market option and purchase their annuity elsewhere.

Statement of Financial Position – CSCS compensation agency arrangements

25. Receivables – Non-Supply

	2012-13	2011-12
	£000	£000
Recoverable annual compensation payments including lump sums	28,249	77,172
Balance at 31 March	**28,249**	**77,172**

26 Payables – amounts falling due within one year

26.1 Central funding of early departures

Some employers received central funding support of up to 80% of the on-going compensation payments made to their former employees who left between 1 October 1994 and 30 March 1997. This support continued until their former employees reached normal retirement age, which for most was 60. At that stage compensation payments were then replaced by pension payments payable under the rules of the PCSPS. There were a small number of cases where the former employee's normal retirement age was 65 and Central funding support continued for those members until they reached age 65. The last balance required to be shown was in the 2007-08 resource accounts.

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

27 Receivables – amounts falling due within one year

	2012-13	2011-12
	£000	£000
Contributions	973	4,431
Balance at 31 March	**973**	**4,431**

28 Payables – amounts falling due within one year

	2012-13	2011-12
	£000	£000
Pensions	(177)	(1,404)
Balance at 31 March	**(177)**	**(1,404)**

29 Provision for pension liability

29.1 The Government Actuary provides an annual valuation of the Grosvenor and Government Communications Bureau pension schemes included within these financial statements.

29.2 Analysis of movement in scheme liability

	2012-13	2011-12
	£000	£000
Opening scheme liability at 1 April	(1,986,000)	(1,832,000)
Net movement in year (including actuarial gain/loss)	(367,000)	(154,000)
Scheme liability at 31 March	**(2,353,000)**	**(1,986,000)**

30 Financial Instruments

As the cash requirements of the Scheme are met through the Estimates process and scheme liabilities are not backed up by assets, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector scheme of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Scheme's expected purchase and usage requirements and the Scheme is therefore exposed to little credit, liquidity or market risk.

31 Losses

During the year 485 cases totalling £21,725.77 were written off (2011-12: 840 - £41,678.44).

32 Related Party Transactions

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

The Cabinet Office is a venturer in MyCSP Limited, joint venture from whom it has received pensions administration services and other costs. The Cabinet Office incurred charges of £30.834 million relating to pensions administration which has been funded by a charge on Civil Superannuation employer pension contributions.

33 Events after the Reporting Period

There were no events after the end of the reporting period.

The Accounting Officer authorised the issue of these financial statements on the same date as the audit certificate was signed by the C&AG.

Annex to the Accounts

Data Reporting Tables

The Data Reporting Tables presented in this annex to the Accounts 2012-13 are unaudited.

They comprise:

A. Cabinet Office: Civil Superannuation Total Departmental Spending
B. Cabinet Office: Civil Superannuation Country and Regional Analyses

CABINET OFFICE: CIVIL SUPERANNUATION
Total departmental spending , 2006-07 to 2015-16

£'000

	2006-07 OUTTURN	2007-08 OUTTURN	2008-09 OUTTURN	2009-10 OUTTURN	2010-11 OUTTURN	2011-12 OUTTURN	2012-13 OUTTURN	2013-14 PLANS	2014-15 PLANS	2015-16 PLANS
Resource DEL										
Of which:										
Resource AME										
Civil superannuation	6,043,267	7,573,233	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,682	8,073,000	8,395,825	8,692,543
Total Resource AME	**6,043,267**	**7,573,233**	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,682**	**8,073,000**	**8,395,825**	**8,692,543**
Of which:										
Staff costs	4,500	-	-	-	-	-	-	-	-	-
Net public service pensions 2	531,336	724,700	1,069,658	1,204,405	1,437,868	1,950,749	2,129,850	2,187,000	2,494,933	2,657,979
Release of provision	-4,500	-	-	-	-	-	-	-	-	-
Change in pension scheme liabilities	3,805,876	4,892,576	3,954,776	3,820,322	-10,829,910	4,213,758	4,092,728	4,672,000	4,017,777	4,079,902
Unwinding of the discount rate on pension scheme liabilities	5,507,731	6,014,000	6,434,000	7,064,000	6,634,500	7,693,000	7,044,000	6,788,000	7,620,000	7,908,000
Release of provisions covering payments of pension benefits	-3,801,676	-4,058,043	-4,301,925	-4,650,850	-4,815,612	-5,142,390	-5,293,896	-5,574,000	-5,736,885	-5,953,338
Total Resource Budget	**6,043,267**	**7,573,233**	**7,156,509**	**7,437,877**	**-7,573,154**	**8,715,117**	**7,972,682**	**8,073,000**	**8,395,825**	**8,692,543**
Of which:										
Capital DEL										
Of which:										
Capital AME										
Of which:										
Of which:										
Total AME	6,043,267	7,573,233	7,156,509	7,437,877	-7,573,154	8,715,117	7,972,682	8,073,000	8,395,825	8,692,543

1 Includes impairments

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items

3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 7 Total identifiable expenditure on services by country and region, 2007-08 to 2011-12

£ million

Cabinet office (civil superannuation)	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	26	39	46	62	78
North West	55	82	94	116	152
Yorkshire and the Humber	40	59	68	85	113
East Midlands	33	50	57	70	93
West Midlands	37	56	64	79	104
East	63	92	105	122	168
London	88	129	146	167	232
South East	159	231	259	290	403
South West	104	153	173	199	271
Total England	606	892	1,011	1,191	1,615
Scotland	63	94	107	131	170
Wales	39	58	66	80	107
Northern Ireland	6	10	11	16	17
UK identifiable expenditure	715	1,053	1,195	1,418	1,909
Outside UK	18	29	31	37	48
Total identifiable expenditure	733	1,082	1,226	1,455	1,957
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	733	1,082	1,226	1,455	1,957

Table 8 Total identifiable expenditure on services by country and region, per head 2007-08 to 2011-12

£ per head

Cabinet office (civil superannuation)	National Statistics				
	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn
North East	10	15	18	24	30
North West	8	12	13	17	22
Yorkshire and the Humber	8	11	13	16	21
East Midlands	8	11	13	16	21
West Midlands	7	10	12	14	19
East	11	16	18	21	29
London	11	16	18	21	28
South East	19	27	30	34	47
South West	20	29	33	38	51
England	12	17	19	23	30
Scotland	12	18	21	25	32
Wales	13	19	22	26	35
Northern Ireland	4	6	6	9	10
UK identifiable expenditure	12	17	19	23	30

Table 9 Total identifiable expenditure on services by function, country and region, for 2011-12

Data in this table are National Statistics £ million

Cabinet office (civil superannuation)	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
Social protection																		
Old age	78	152	113	93	104	168	232	403	271	1,615	170	107	17	1,909	48	1,957	-	1,957
of which: pensions	*78*	*152*	*113*	*93*	*104*	*168*	*232*	*403*	*271*	*1,615*	*170*	*107*	*17*	*1,909*	*48*	*1,957*	-	*1,957*
Total social protection	78	152	113	93	104	168	232	403	271	1,615	170	107	17	1,909	48	1,957	-	1,957
TOTAL CABINET OFFICE	78	152	113	93	104	168	232	403	271	1,615	170	107	17	1,909	48	1,957	-	1,957

1. **Tables 7, 8 and 9** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2012.

4. The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

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